



PRESS RELEASE

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Chief Minister's Speech to Parliament

Appropriation (Amendment No2) Bill 2020 to further extend the current financial period 2019/20 by a further 6 months to 31 March 2021 (Financial period 2019/2021)

Appropriation Act 2019 (Amendment No.2) Bill 2020

Mr Speaker, I have the honour to move that the Bill be now read a second time.

Mr Speaker, before I go into the General Principles and Merits of the Bill, let me just confirm to the Parliament that I have written to you, Mr Speaker, confirming that this Bill was too urgent to await the effluxion of 6 weeks since its publication before it could be considered by the House and I have tabled also a letter on the extension of the period referred to in section 8 of this Bill which I will come to in a moment.

Mr Speaker, the purpose of this Bill is to further extend the current financial period by another 6 months.

In fact, Mr Speaker, this Bill comes before this Parliament in the same week as the Parliament in Westminster has been advised by the Chancellor, the Right Honourable Rishi Sunak, also that the Commons in the United Kingdom will also not be taking a Budget this year.

The times we are living through are that extraordinary that the House of Commons in the UK, the Mother of all Parliaments, where Parliamentary Budgetary tradition began, will this year not consider its spending plans in its annual, set piece, State of the Nation budget debate.

This decision has been a surprise to many and featured yesterday as 'breaking news' on many of the UK's 24-hour rolling news channels.

Here, there should be no such surprise for Members of this House, or for the businesses and members of the public who watch carefully for Budgetary announcements.

Of course, the Bill which we are debating has now been published for some weeks, although, as I have confirmed at the start of my intervention, I have certified it as urgent under the Constitution.

As a result, Members of the House and members of the public have had full and transparent notice from the Government of the legislative detail of our intention for some weeks now.

No surprises there.



Additionally, both you, Mr Speaker, and all Honourable Members opposite will recall that in my intervention in the March session of this House, when we originally prorogued our 19/20 Budget for six months, I had already highlighted the possibility of there being the need to seek a further extension to the financial year, which is what we are doing today.

Indeed, the Financial Secretary and I had already discussed the possibility with the Leader of the Opposition and the shadow Minister for Financial Services.

I had also already alerted the Honourable Ms Hassan Nahon to the possibility.

Now, as the additional time we had permitted ourselves under the first March extension is coming to an end at the end of September, this further extension is both operationally necessary and, additionally, helps this House to restore the financial year end to the historic, customary financial year end of 31 March.

I am confident, given our discussions to date, that Honourable Members opposite will agree this is the right thing to do – not least because in terms of ability to understand spending, estimates and the budget generally, when we come to debate our next full budget, it will be easier also for the general public to judge our spending discipline by reference to a simple doubling of the costs of the administration, rather than having to consider performance over a multiplier of 1.5.

A simple multiplier of 2 will be much easier for the purposes of understanding the spending over the 24-month period as well as the performance over the two twelve-month periods covered by the 19/21 Budget, as it will, in effect now be.

In terms of process, we plan to return to the traditional budgetary process as from 1 April 2021.

The effect of this will be that we will present our budgetary estimates, also known more colloquially as the Estimates Book, for the next financial year, before and not later than thirty days after the commencement of each financial year, in accordance with Section 69 of the Constitution.

This is the traditional manner of proceeding since the change of financial year in 1971, I believe, by the Integration with Britain Government and a tradition followed since then until this extraordinary year.

Although, Mr Speaker, as honourable members will now see as I go into the body of this address, what a year is, is about to become a flexible concept.

This Estimates Book will therefore, as from April, contain the estimates for the year ending 31 March 2022 and the forecast outturn for the **two**-year period ending 31 March 2021.

This latter period is the one significantly affected by the COVID pandemic and let's hope, Mr Speaker, that it is the only one affected by the COVID pandemic.

We have already set out how this might look structurally to incorporate the COVID-19 Response Fund and to enable members of this House, and the public more generally, to understand the costs that relate directly to this pandemic and those that relate to normal Government expenditure.



We have already had detailed discussions, which included a mockup of the Estimates Book, with the the Leader of the Opposition and the Shadow Minister for Public Finance of how this Estimates Book would be presented to incorporate the COVID-19 Response Fund and on the manner in which we have set out the detail of the Fund which will be published on a regular basis.

We are going to provide full transparency and disclosure in respect of these numbers so that everyone in this Community of ours can see how the spending power of the nation has been deployed in order to deal with the financial costs of dealing with the COVID-19 Pandemic.

The aim is to restore normality to this process leading up to the traditional budgetary debate next June or July in the usual way.

This helps in terms of expediency and administration as well as providing a consistent approach for the presentation and analysis of estimates-related statistics.

This is the point I make, Mr Speaker, it is going to be far easier to make a comparison of two years with one as opposed to preparing a book containing a forecast outturn for one and a half years, another book for a six-month year and then go back to producing books for a year.

As you know, the earlier Bill which we dealt with in the Emergency Budget in March, provided departments, agencies and authorities, other than the Gibraltar Health Authority, with an additional 50% of their 2019/2020 recurrent budgets for the first 6-month extension that we dealt with.

The position was simply that we were adding half a year to the financial year, so we were adding 50% more to the monies available to the departments in that period.

The Gibraltar Health Authority was provided with more than just 50%.

We were then at the start of the pandemic and we therefore needed more than just 50% for the Gibraltar Health Authority and we added that additional amount to them.

We added more for the further necessary funding in order to help ensure that the GHA would definitely be able to meet all COVID-19 costs it might encounter.

In the rest of the Book, in the 'pink pages', The Improvement & Development Fund allocation was limited in the March Emergency Budget to an increase of under 27% on the original 2019/2020 Budget.

These amounts were calculated based on a project-by-project assessment of overall requirements.

This followed an unscientific assessment of indicative costs, loss of revenue and assumptions of capital projects that to an extent had to be curtailed or stopped as a result of the COVID pandemic.

And therefore, in that vein, Mr Speaker, the Bill being presented today broadly follows once again the line taken with the March 2020 amendment Bill.



The majority of the proposed Consolidated Fund allocations have seen the same level of increase, which means that the original 2019/2020 allocations have now, in effect, simply doubled to cover a 2-year period and, as such, have not seen any budgetary growth.

The only exceptions are Head 18 Education, Head 28 Health and Head 29 Gibraltar Health Authority – Elderly Residential Services. The first of those is the GHA simpliciter and the second of them is the Elderly Residential Services aspect of the health service.

The extra funding for the Gibraltar Health Authority and the Elderly Residential Services Section is largely to cover ongoing COVID related expenses, whilst the requirement for the Education Department is to cater for the estimated shortfalls arising largely from the salary increases for teachers which happened after the original 19/20 Budget had been debated in this House and higher than budgeted educational grants payments – something which we consider to be demanded to the extent that we have now introduced mandatory grants for second degrees.

This latter expense, alongside health, is undoubtedly the best investment we make and is a key part of the economic strategy introduced in the late 80s by Sir Joe Bossano and which is bearing great fruit today.

We must preserve that for the future also and in a fuller Budget address, next year, I will be dealing with how we will create a fund for that purpose.

The Bill also includes provision for the £150 Million contribution to the COVID-19 Response Fund.

This addition is an inclusion to ensure that the format of the Estimates Book going forward can correctly reflect the interaction with this Fund.

The aim is to ensure that the Book will include presentation of the reference to this Fund in such a way that the user can identify those costs that relate directly to the pandemic and the departments, agencies and authorities that have incurred this necessary spending.

The Gazette which will be issued later today will show the spending to the end of June on the COVID-19 Response Fund.

I have shared this with the Members opposite ahead of its publication and provided them with current and more up to date data.

Key highlights this Community needs to understand are as follows:

- Revenue lost or forgone by Government in the period to 30 June 2020 arising from this pandemic stood at around £59m.

That is to say: we would have received an extra almost £60 million if it were not for COVID.

- Total costs directly related to this pandemic stood at close to £23m.

That is to say: we have had to spend £23 million we would not otherwise have spent on the cost of materials, services etc that we have had to deploy only because of the COVID pandemic.



- Of these costs, around £11.3m relate to BEAT payments.

This was money, in our view, very well spent, with the agreement of this House, Mr Speaker, in ensuring that everyone who works here delivering our prosperity in the good times was guaranteed receipt of at least the minimum wage in the months of total lockdown.

We were committed to protecting working people.

And we did Mr Speaker and we continue to do so.

The quarterly average number of persons registered as unemployed in Gibraltar for the end of September, calculated as at the close of business today, will likely be 15.

The quarterly average at the end of September last year was 42.

We set out to protect jobs and working people – and we have.

- Of the £23 million I referred to which related to capital costs, £1.5 million related to capital costs such as the set-up of Nightingale with all of its associated costs.

A lot of money, Mr Speaker, for a facility we have not yet used and we all hope we will not have to use. But this was money we had to spend or we would not have been ready for the onslaught that we might have had or might have in coming months.

- The balance left on the fund of £1.8m equates to the monies donated, raised by charitable donations or clawed back from students grants etc.

A determination is being made on how best to apply these monies which for the moment are being kept in the COVID-19 Response Fund.

I want to thank everyone who selflessly returned monies or donated to this cause. I will say more about that later in my intervention.

- In essence, Mr Speaker, the above reflects that this Community has required an additional borrowing placed with the fund which at 30 June stood at £81.8m.
- To date, borrowing has needed to be increased to the full capacity of the current, interim, £150m facility which I referred the House to in the Emergency Budget at the end of March.
- It is important that this House and the public should be aware and confident that the Government is well prepared to meet costs beyond this, should this be required.

There will be no funding shortfall of necessary expenditure. We have the financial firepower to meet necessary expenditure.

I think it is important at this point just to reflect that our estimates so far have been very accurate. Estimating is not a science, it is an art, but the Office of the Financial Secretary has delivered excellent results of outturn against estimates. The prediction of £150m for the period to the end of the Budget extension period has been, bang on near target. These were figures we shared our



thinking on with the Leader of the Opposition and the Shadow Minister for Public Finance and I think it is fair to say, although they will be able to speak for themselves now, that they could see from the data we presented why the Financial Secretary's views suggested these would be the correct amounts. I want to thank the Financial Secretary for this aspect of his work, although I will also have something more to say later in this respect of the work being done in the Treasury, and also the Shadow Member for Public Finance for his engagement with us on this process of Budget extension and the creation and presentation of the COVID Response Fund.

Mr Speaker, it is important that this House and the Community at large understand the financial impact of this pandemic.

It means Government finances are being squeezed from two sides, revenue is significantly down whereas costs on items we would not otherwise have incurred is significantly up.

We are making less and we are spending more.

And this is not for a political or partisan debate or disagreement, as Honourable Members on all sides have properly appreciated, and I thank them for that.

This is about inability to trade, on the one hand, and requirement to spend on essentials for our Community, on the other.

It is too early to tell where this is heading, particularly given the impact this virus is having in other countries where different steps are being taken, all of which curtail normal activity which impacts on economic activity and is ultimately reflected in our Government receipts – the most obvious of which is tourism.

The good news we are seeing is that costs necessary to be incurred as a result of this pandemic are levelling off whereas income, whilst still significantly down on a year-by-year comparison, is showing signs of some recovery.

We also have other costs which are not being incurred as a result of the pandemic.

So we are heading in the right direction.

Nonetheless, I want to be clear, at the end of this process Gibraltar will be left with an economy it needs to reinvigorate and a debt arising from this crisis in excess of £150m.

This is not a debt of anyone's making.

This is not a debt of political or partisan genesis.

This is the freestanding amount of the cost of COVID for this Community.

We are right to have borrowed at this time in order to ensure that we continued to see our businesses and employees supported throughout this period.

Indeed, at the same time as we have seen these difficulties that COVID has created, we have also seen a further drop in the interest rates payable on borrowing.



This is good news for borrowers and bad news for savers.

We have continued the interest payable to pensioners who have deposits in the Savings Bank, which is also an injection of capital in favour of our elderly.

We are also well placed to ensure that our borrowing can be at historically low rates.

This means our borrowing can be cheaper and more affordable than ever, even at commercial rates.

But, we will need to be at our most agile and most innovative if we are to re-establish ourselves at levels of activity and consequent revenue that we enjoyed before this pandemic.

As ever, I remain confident that with the Gibraltarian spirit and ingenuity we will get there.

Mr Speaker, I have this week written to the Leader of the Opposition proposing the agreement that the period provided in section 8 (2) of the Appropriation Act which we are amending today should be further extended for a period of days to 31 December 2020 covering the next quarter of this calendar year.

Section 8 empowers me to make any regulations and amend any primary or secondary legislation as may be necessary to put in place measures to assist businesses, registered employers, employees and self-employed during this pandemic.

This is the mechanism by which I have created the regulations that provided for our BEAT measures.

In this respect, I have tabled the agreement between the Leader of the Opposition and myself in Parliament today.

I am pleased we have been able to agree to this extension with him.

Mr Speaker, I maintain my previous statement to this House that this is a power that I will use sparingly and I continue to assure the House that I undertake to use the power only as exceptionally required only.

Mr Speaker, as a result of that power, and in order to continue to assist our businesses through what will undoubtedly continue to be a difficult autumn, the following BEAT measures will be continued:

Discounts on rents and rates will continue for the fourth quarter of this year.

This provides a 25% discount on rates, which when added to the early repayment discount already in place allows traders to take advantage of a total discount of 50% on rates.

On rents, the continuation means that Government rents continue to be reduced by 50% and private rents reduced by a 25% discount at least.

Additionally, all rental increases will continue to be suspended by the Government until 1st April 2021.



Our Tables and Chairs Licence Fees will continue to be waived by the Government in their entirety. We will continue to encourage that private landlords should provide at least a 50% discount on such licence fees.

Adjustments to Import Duty will continue at least until the end of the fourth quarter of the year.

And finally, Mr Speaker, the Government's hugely successful BEAT 3.0 Measures, which provide that 20% of average BEAT Payments in the first part of the operation of it, will continue for October and November for those firms that have complied with the BEAT 2.0 conditions, and are complying with all other relevant guidelines and rules.

The Government's intention is that these payments should not continue for December. We will have to assess that closer to the time.

In that context, I am convening a meeting of CELAC for next week to discuss outstanding matters of concern to Unions and employer representative organisations. I had hoped to meet CELAC this week, but I hadn't expected to spend 48 hours in Madrid.

CELAC meetings will become a regular, fortnightly event for the next two months at least as we monitor the autumn business environment closely with our partners in the private sector.

Mr Speaker, these are the only measures that we will provide for in this extension of the budgetary period.

As in the United Kingdom, we will have no other budget or budget measures this year of the type usually provided for during a normal Budget session.

I commend that those should be the measures that this Parliament should approve in the context of this extension.

Mr Speaker, in doing so, I want to reflect a little that when we first reported to this House the result of the Brexit referendum in June 2016, it looked like it would be the biggest challenge we would face.

Little did we know or imagine that in the last days of Brexit a virus pandemic would conspire with it to make the challenges we face as a Community even harder than anyone might imagine.

This is, perhaps, the 'Perfect Storm' of political legend.

Well, when I rose to make my Budget address, barely 72 hours after the referendum result had been announced, I told Gibraltar one thing which has been proved right over and over again.

I told this Parliament and our nation that it was time for some of our extraordinary people to do extraordinary things.

And they have.

In these moments of our greatest need.

In these moments of our greatest challenge.



In these moments of sometimes grim potential for failure.

Our best people have shown the best of themselves.

It is thanks to that great performance by so many, that we are here today able to look forward with equal measures of caution, prudence but also optimism.

Because surfeiting challenge, we did not wither, sicken or die as a nation.

We have grown, risen to the challenge and given heart to progress.

I said we would see extraordinary people do extraordinary things for Gibraltar.

But little did I know how much we would ask of them.

From the front line in the Health Authority, to the trenches of the Treasury, we have seen the best of Gibraltar, that I know and love, in the past six months from some of the best in Gibraltar.

In particular, the Civil Contingencies team, led by Ivor Lopez, and based at No 6 have done sterling, round-the-clock work.

The public and civil servants and the administration of Gibraltar have risen beyond the challenge before them.

Doctors.

Nurses.

Lab technicians.

Cleaners.

Street cleaners.

Clerks.

You name it.

From every level, there has been support for every level.

They have strained every sinew.

They have gone the extra mile.

They have done more than any job description can ever provide for or set out.

And many, Mr Speaker, not recording or charging overtime.

My team at No6 have charged no overtime for the work they have done.

No one at No6 has.



Not because they were asked not to.

But because they decided not to.

So we may be experiencing problems with counters and other services.

We are trying to deal properly and safely with an unprecedented situation.

But on behalf of the People of Gibraltar who I represent, I say thank you to all the public servants of Gibraltar for their efforts in these extraordinary past 6 months.

I thank you all.

The respect you have earned will rightly last for many, many years.

As is the tradition, I give long speeches in this place, especially at budget time. But I am speechless and humbled in the face of their efforts and their achievements.

Those who regularly criticise the public sector should sit up and take notice.

Those who criticise Government for the sake of it should sit up and take notice.

When the history of this time and generation is written, writ large will be the work of those public servants who went to the front line on the war on COVID and did not charge their hours.

Those few, a handful, who complained, who sought extra allowances when people in the private sector were going without or seeing salaries halved or worse?

Well, they are no more than a footnote to the history of the great majority of our great people and our great public servants.

Those asking always for more should know they are in a minority. The majority were quietly donating and helping. The selfish and the greedy were eclipsed by the selfless and committed. That filled my heart with pride, with joy and with the rocket fuel to continue even in our darkest moments – and there were many, Mr Speaker.

Moments of real darkness at the prospect of what might overcome us.

And in that context the work of the private sector and the work of our entrepreneurs has also been quite remarkable.

The resilience of our traders.

The honesty with which the almost entire majority have claimed and handled BEAT payments.

The way that stores have remained open or trading online.

The way we have not had to go without anything in our supermarkets.

Thank you also in the private sector for your contribution in these challenging months.



We continued to provide the infrastructure of society.

You continued to operate and you kept this old garrison town fed and watered, victualled and supplied.

Thank you also, in the private sector, for continuing to get up early each day and continuing to provide services.

News and newspaper editors.

Bread and cake makers.

Carers, grocers and suppliers.

And our modern marvel, the delivery men and women who brought these things home on bikes come rain or shine.

Our thank you to them all.

And thank you also to all those individuals and organisations who made donations to the Gibraltar Health Authority.

We did not seek donations, but we had to open an account to receive them because they were flooding in.

That is the generosity of the Gibraltarian spirit, once again writ large.

Now we get to do it all again – without a lockdown which we will seek to avoid at all costs – in the autumn and winter months to come we need to be alive to the danger that still lurks amongst us. Because, let's be clear.

None of this is over.

Especially for the Government.

As we start this autumn and career towards the 31st of December we have to be and we will be at the top of our game.

We don't get to be fed up of Brexit.

And we don't get to be fed up of COVID.

We have to address both each day between now and the end of the year at least with the same urgency and aggression as we did the first day.

We have the stamina to do so.

Every one of us in our Community must have.

We shall overcome these challenges.



We shall beat the odds.

We shall be ready for any eventuality.

And next year, we will return for a Budget session that will once again be an opportunity for this Parliament to reflect on the State of Nation.

A state I know will be strong.

Proud.

And turning once again together to face the sun.

Mr Speaker, I commend the Bill to the House.

ENDS