

**Statement by Honourable Premier and Minister for Finance  
on the Proposed 2012/13 Budget  
14 June 2012**

The purpose of the Statement is to inform as to where we are at with the Budget.

Introduction

The Government has a fiscal year that starts on the 1<sup>st</sup> of July each calendar year and ends on the 30<sup>th</sup> of June in the following calendar year.

Brief Outline of the Annual Budget Process

There are four (4) main phases in the preparation of Government's Budget.

Firstly, the Strategic Policy Statement (the "SPS") must be presented in the Legislative Assembly by its legal deadline of 1<sup>st</sup> December. This document provides the foundation or basis on which the Government's Annual Budget is established. On the 1<sup>st</sup> of December 2011, the Government presented the SPS in the Legislative Assembly for the

fiscal year starting on 1<sup>st</sup> July 2012 and for the following two (2) fiscal years.

The Legislative Assembly approved the Strategic Policy Statement on 2<sup>nd</sup> December 2011. The fundamental purpose of the SPS is to:

- a) specify the total amount of expenditure Government can incur in the upcoming fiscal year; and
- b) allocate that total expenditure across Ministries, Portfolios, Offices and other agencies that constitute the entire Government.

Secondly, a Budget Circular is sent to all agencies in Government prior to the start of a fiscal year with instructions and a timeline for the preparation of an upcoming Budget. In respect of the 2012/13 Budget, I issued this Circular to all Chief Officers and all Chief Financial Officers on 18<sup>th</sup> January 2012. The Budget Circular of 18<sup>th</sup> January stated that Operating Expenses of the Government should not exceed \$498 million and Capital Expenditure and Investment in Public Entities should not exceed \$59 million. I also called all Members of Cabinet,

Chief Officers, Chief Financial Officers and Government Companies to say that we had to stick to what we presented in the Strategic Policy Statement and as them to understand the critical times we exist and must operate in.

The third phase in the process of Budget preparation involves a review of the budget submissions from Ministries, Portfolios and Offices of Government, by Honourable Ministers.

When Honourable Ministers reviewed the submission made by Staff, Operating Expenditures exceeded the Budget Circular specification I gave by approximately \$130 million.

Honourable Ministers have been deliberating assiduously to remove this excess, in order to present a more sustainable Budget to the Legislative Assembly. We got it down to \$81 million and then we had to work even harder to cut that \$81 million.

The fourth phase in the Budget process, is for the Legislative Assembly to review the Budget documents and approve an Appropriation Law that reflects the Budget details.

But before that is done, since the PPM destroyed the finances – the UK is lawfully able to tell us what to do or not to in regards to that Budget. In other words – we have to send our Budget to the UK. We have done this. The Budget has been sent to the UK, albeit sent to them late.

#### Key Features of the 2012/13 Budget

However the Government will present to the Legislative Assembly a Budget for the 2012/13 fiscal year that:

- has a modest Surplus; and
- one that has very modest long-term Borrowings, mostly for such things as the Solar Energy program, the Child Remand Centre, the Primary Schools and Clifton Hunter School.

### FCO to Give Nod on 2012/13 Budget

The Government is currently awaiting a response from the Foreign and Commonwealth Office on Government's proposed Budget for the 2012/13 fiscal year. When the Opposition belittled the Government about the Budget process, the Opposition should know that the public knows that the delay has nothing to do with the system at this time, it is about Money. If Mr. McLaughlin had not saddled the Country with two school buildings at \$100 million each and an Administration building of \$108 million, roads in the millions not yet paid for but which my Government has been struggling with – then the Budget and the other 3 that I presented would not have been so severely burdened. These are not lies Mr. McLaughlin, these are had cold facts of your mismanagement of these Islands Finances.

Finally, as will ever be the case with this Government, responsible management of the country's finances, is our utmost priority.

Thank you and may God continue to bless the Cayman Islands, its citizens and its residents.