

**IN THE UK COVID-19 INQUIRY**

**Before the Right Honourable Baroness Hallett D.B.E**

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**STATEMENT OF KENNETH SKATES**

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**I, KENNETH SKATES, will say as follows:**

**Introduction**

1. This statement is prepared in response to a request dated 21<sup>st</sup> March 2023 that wishes to draw upon my experience as the Welsh Minister of the Economy in the period between 2017 and 2021. I have drawn on support from the Welsh Government in preparing this statement.
2. The Covid-19 pandemic has been an horrific experience for all, particularly for those of us who have lost loved ones to the virus. It continues to inflict harm on people, both physical and emotional. My deepest sympathies go to all who have experienced suffering in these unprecedented and painful circumstances.

**Background**

3. I was born in Wrexham and attended Ysgol y Waun comprehensive school in Gwernaffield and the Alun School in Mold. I graduated from Cambridge University in 1997 with a degree in Social and Political Science. I also obtained an NVQ in Journalism at Yale College in Wrexham and then worked as a freelance journalist for the Daily Express, whilst also

working as a staff journalist for the Flintshire and Wrexham Leader news titles. From 2001, I worked as the Office Manager for Mark Tami, MP for Alyn and Deeside.

4. In May 2011, I was elected as the Assembly Member for Clwyd South and still hold this position. In June 2013, I was appointed as the Deputy Minister for Skills and Technology. In September 2014, I was made the Deputy Minister for Culture, Tourism and Sport. In May 2016, I was appointed as the Cabinet Secretary for Economy and Infrastructure. My title changed to Cabinet Secretary for Economy and Transport in 2017, and again in 2018 to Minister for Economy, Transport and North Wales. I held this office until May 2021. In this statement, for ease, I will refer to my post from May 2016 as Minister for the Economy.
5. I understand that the Inquiry would like information about the time that I was Cabinet Secretary responsible for the economy before the Covid-19 pandemic hit, that is, the period between May 2016 and January 2020. During this period, I had little direct involvement with preparedness and resilience. The only direct involvement I recall was in October/November 2016 when Vaughan Gethin MS, Minister for Health and Social Services, wrote to me with concerns about the state of the building that was housing the Welsh store of pandemic flu countermeasures. I proposed an alternative building and set out that I was willing to consider a rent-free period to take account of the capital contribution necessary to put the alternative building into a good state of repair and to keep the store for a guaranteed period. A copy of this letter is provided in **Exhibit KS01 M1/SKATES/01 – INQ000187513**.
6. Other than that direct involvement, I do not recall having to take any decisions in the period May 2016 – January 2020 which had a direct bearing on preparedness and resilience. Along with other ministers, I was copied in on updates following Exercise Cygnus but I was not asked to take any decisions and as far as I recall I had no substantive involvement.
7. As Minister for the Economy, however, there were three key initiatives in the relevant period which I consider did impact on Wales's overall state of preparedness when the pandemic hit. I should emphasise that these initiatives were not taken as part of pandemic preparedness or with resilience in mind. If anything, they were a response to the economic crisis of 2008 and the Brexit vote in 2016 but they did contribute in my view to preparedness when the pandemic hit.

## **Economic Action Plan**

8. The 'Prosperity for All: the Economic Action Plan' ("the Plan") was launched in December 2017, a copy of which is provided in **Exhibit KS02 M1/SKATES/01 – INQ000187570**. It set a clear vision of inclusive growth, an economy built on strong foundations, supercharged industries of the future and regions empowered to become more productive.
9. The Plan set out the core elements of the Welsh Government's approach to economic development, these included, the Economic Contract, Calls to Action and Economy Futures Fund – known collectively as the new operating model for direct business support.

### *Economic Contract*

10. The Economic Contract ("the contract") is the Welsh Government's commitment to provide public investment to enable business growth alongside an expectation that business will make a contribution to its objectives in return for financial support. It set a new relationship between business and government. The intention behind the contract was to ensure businesses had clarity on where government would provide support to prepare people and business for the future.

### *Calls to Action*

11. Businesses seeking financial support from the Welsh Government were expected to contribute to at least one of the Welsh Government's five 'Calls to Action' which were designed to support business to overcome the challenges of the future. The intention was for businesses to be able to see clearly where government would seek to provide support and people would be able to benefit from businesses that were preparing for future change.

### *Economy Futures Fund*

12. A single, consolidated Economy Futures Fund ("the fund") was developed to respond to the call from businesses for simplicity and their expectation that partnership with government would be efficient and effective. The fund aligned the support to the Welsh Government's five Calls to Action and the Economic Contract. The fund allowed the Welsh Government to use a range of tools encompassing grants and repayable forms of finance, including loans which would reflect the economic cycle, with the balance shifting in favour

of repayable forms of finance when times were good and in favour of traditional grants when the business environment was less favourable. It was identified that changes in economic conditions for example during recessions, or significant local economic shocks could require an immediate response that departs from the norm. The fund was developed to have the flexibility to adapt to such changes, helping to stabilise our economy.

13. The creation of this simplified fund, with conditionality created through the Economic Contract, moved the Welsh Government and businesses from a position of co-existence to collaboration. Through these mechanisms, considerable engagement with businesses and employer organisations in the years immediately preceding the pandemic gave us the ability to communicate and collaborate during the pandemic than would otherwise have been the case without the new Economic Action Plan.

### **Development Bank of Wales**

14. The Development Bank of Wales (also referred to as “Banc”) was set up by the Welsh Government in October 2017 (taking over from Finance Wales) to support the economy of Wales by making it easier for businesses to get the finance needed to start up, strengthen and grow.
15. The Development Bank of Wales, along with the Business Wales service and Social Business Wales, played a critical role in ensuring Small, Medium Enterprises (“SMEs”) and micro businesses had access to finance to enable them to grow.
16. The bank offered flexible business loans supporting the full business lifecycle from start-ups and growing businesses, to succession transactions<sup>1</sup> including employee buy-outs. The loans ranged from £1k to £10m over terms of up to 15 years with fixed interest rates.
17. In a speech to the Senedd in July 2017, when the bank was in the process of being set up, I set out that the Development Bank had an ambitious, five-year plan to generate more than £1 billion of investment to support the Welsh economy, helping businesses to support over 5,500 jobs per annum. I outlined that the Development Bank would significantly increase the availability of funding to SMEs to £80 million per annum within five years, compared with £56 million in 2016-17 and would increase the impact on the Welsh

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<sup>1</sup> In this context are investments to support the successful transfer of ownership from family businesses (such as a worker buy-out where the owner wants to sell or retire).

economy by over £170 million per annum by 2021-22, taking private sector leverage into account. I confirmed that I had approved the establishment of a new £100 million Wales flexible investment fund which would be managed by the Development Bank. A copy of the transcript from Plenary is provided in **Exhibit KS03 M1/SKATES/01- INQ000187571**.

18. Between 2017 and 2020 the Development Bank worked directly with a significant number of SMEs across Wales, as well as with other financial institutions, high street banks and employer organisations. This provided us with immediate access to expertise as soon as the pandemic hit, providing the Welsh Ministers with invaluable advice and an ability to convene key providers of financial support to businesses. The Development Bank also proved to be immensely valuable in considering how to deliver Covid-19 related loans and grants swiftly, but with minimal risk of fraud.

### **Ministerial Advisory Board**

19. The Welsh Government's Economic Action Plan, launched in December 2017, established a Ministerial Advisory Board ("MAB"). A copy of the MAB terms of reference is provided in **Exhibit KS04 M1/SKATES/01 – INQ000187567**.
20. The MAB consolidated a disparate fora of advisory groups into a single Board of experts which enabled the Welsh Ministers to call on advice and intelligence, as well as constructive challenge. Crucially, with the new focus on the Foundational Economy, the MAB included experts in sectors including Social Care, which would prove important during the course of the pandemic.

### **Brexit**

21. The planning that the Welsh Government undertook following the Brexit vote in June 2016, and in particular the urgent planning which was needed during the period from 2019 when a no-deal Brexit seemed a distinct possibility, also had some useful benefits when the pandemic hit.
22. An unprecedented degree of engagement between the Welsh Ministers, employers, trade unions and employer organisations and sector bodies took place in the months and years that followed the Brexit vote. This led to important advice and information sharing groups being formed, which would later be called on to provide information and advice during the

pandemic. One such group was the Council for Economic Development which was previously known as the Council for Economic Renewal, which comprised representatives of trade bodies, employer groups, third sector organisations, local government and trade unions. A paper outlining the arrangements for this group is provided in **Exhibit KS05 M1/SKATES/01- INQ000187568**. Another group was the Social Partner Strategy Group which was separate from the Council and had a more strategic role. The terms of reference for this group are provided in **Exhibit KS06 M1/SKATES/01 – INQ000187569**.

## **Conclusion**

23. As I set out above, the key decisions I took as Minister for the Economy between 2016 and January 2020 were not taken with a pandemic or other multi-sectoral emergency in mind. However, the broad effect of these policies was that Wales was in a better position to face the challenges of the pandemic. Of course, the pandemic presented those of us in government with further challenges and complex decisions. I understand that these will be considered in other Modules of the Inquiry.

## **Statement of Truth**

I believe that the facts stated in this witness statement are true. I understand that the proceedings may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief of its truth.

Signed:

<p><b>Personal Data</b></p>
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Dated: 05/05/2023