

IN THE UK COVID-19 INQUIRY

Before the Right Honourable Baroness Hallett D.B.E

WITNESS STATEMENT OF REBECCA EVANS M.S.

I, REBECCA EVANS M.S., will say as follows:

Introduction

1. This statement is prepared in response to a request dated 21 March 2023 (the request) that wishes to draw upon my experience as Minister for Finance between 13 December 2018 and 11 March 2020 when a global pandemic was declared by the World Health Organization. This report is drawn from memory and reference to publicly available Welsh budget documentation, as well as five Cabinet papers relating to the preparations for the 2020-21 budget which I asked officials to retrieve for me to the ensure accuracy of this statement.
2. I would like to begin by expressing my sincere condolences to all of those who suffered bereavement as a result of the Covid 19 pandemic, as well as all my sympathy to everyone who was affected in other ways. I hope that this Inquiry will be able to provide people with the answers that they need and provide lessons for the future.

Background

3. I was born in Bridgend in 1976. I read History at Leeds University, and then a Master's Degree in Historical Studies at Cambridge University. After my post-graduate studies, I worked in politics and then as a policy and public affairs officer for a national charity representing disabled people and their families.

4. I was first elected to the National Assembly for Wales in May 2011 to represent the Mid and West Wales region. In 2016, I was elected the Assembly Member for Gower and I continue to represent the constituency in the Senedd today. In June 2014, I was appointed Deputy Minister for Farming and Food, and in May 2016 I became the Minister for Social Services and Public Health. In November 2017, I was appointed Minister for Housing and Regeneration and in December 2018 I joined the Cabinet as Minister for Finance and Trefnydd (Leader of the Senedd). On 13 May 2021, I was appointed Minister for Finance and Local Government.

Minister for Finance - responsibilities

5. As requested by the Inquiry, I am reflecting only on my Finance Minister responsibilities in this statement. Those responsibilities included, among other policy areas, the following **[Exhibit RE1M01RE01/001 - INQ000116477]**:

- (a) The Welsh Treasury;
- (b) The Welsh Revenue Authority;
- (c) Provision of strategic direction and management of the resources of the Welsh Government;
- (d) Taxation policy;
- (e) Local taxation policy, including Council Tax, non-domestic rates, council tax reduction, sponsorship of the Valuation Office Agency and the Valuation Tribunal Service;
- (f) Budget monitoring and management;
- (g) Strategic investment;
- (h) Invest to Save;
- (i) Financial accounting and audit;
- (j) In-year budget monitoring and management;
- (k) Value for money and effectiveness;
- (l) Operation and development of the devolved funding settlement and the Statement of Funding policy;
- (m) National Procurement Service and Value Wales;
- (n) Acquisition, maintenance and disposal of property and other assets; and
- (o) Co-ordination of National Statistics and the Census.

Minister for Finance – overview

6. Provision of strategic direction and the management of the Welsh Government's resources through the preparation and publication of the Welsh Government Budgets, and managing the in-year financial position, are key to my role. The Inquiry will wish to be aware that there is a difference between the setting of the Budget, which is the role of the Minister for Finance, and departmental budgeting which is the role of individual portfolio Ministers as they manage their own budgets in-year in order to deliver on their portfolio priorities and responsibilities. The Minister for Finance has a number of budgetary tools available to them. For example, they may tighten or loosen the central controls on flexibilities that portfolio Ministers have (to reprioritise underspends, for example) depending on the overall financial position at any point in the year, or they may require Ministers to undertake a budget reprioritisation exercise.
7. In this statement, I will reflect on the impact of budgetary choices, and the suitability of, and use of, budgetary tools.

The Welsh Government's Budget

Second Supplementary Budget 2018-19 – February 2019

8. I published the Welsh Government's Final Budget for 2019-20 on 18 December 2018, a few days after taking on the role of Minister for Finance **[Exhibit RE01M1RE01/002 - INQ000116579]**. As such, and for clarity, the previous Minister for Finance, Mark Drakeford MS, was responsible for the preparation of the 2019-20 Welsh Budget which was finalised before I came into post. I will confine my comments to the Budgets for which I had personal responsibility.
9. The first of these was the Second Supplementary Budget for the 2018-19 financial year **[Exhibit RE01M1RE01/003 - INQ000116506]**, laid before the National Assembly for Wales on 5 February 2019, which set out changes to the First Supplementary Budget 2018-19 **[Exhibit RE01M1RE01/004 - INQ000116511]** which had been laid by my predecessor on 19 June 2018. Supplementary Budgets are normally fairly technical and administrative affairs. They comprise matters such as adjustments to resource and capital baselines, transfers from HM Treasury, transfers between Ministerial portfolios, and allocations from Reserves. They give financial effect to policy decisions which have usually already been announced by Ministers and debated and scrutinised by

Assembly/Senedd Members. Whilst supplementary budgets took on much greater importance during the pandemic (and I will expand on this in future statements), the Second Supplementary Budget 2018-19 was no different to the norm.

10. Decisions made on the in-year management of the Budget, which leads to the content of the supplementary budgets, are often informed by the overall Welsh Government budget strategy which is generally agreed by Cabinet in the spring for the following financial year in order to give the Minister for Finance leave to begin preparing the Budget in line with Cabinet's agreed priorities. The priority in 2018-19, as set out in the Draft Budget **[Exhibit RE01M1RE01/005 – INQ000187587]**, was very much about protecting public services in the face of austerity. The aim was also to deliver the then Welsh Government's programme for government, *Taking Wales Forward 2016-21* **[Exhibit RE01M1RE01/006 – INQ000187532]**, and the national strategy, *Prosperity for All* **[Exhibit RE01M1RE01/007 – INQ000187588]**, which together set out the Welsh Government's priorities to deliver its long-term aim to create a Wales which is prosperous and secure, healthy and active, ambitious and learning, and united and connected.
11. By their nature, supplementary budgets are also focussed on responding to the pressures and opportunities that emerge during the financial year. Not all will have arisen as a result of the Welsh Government's strategic objectives, but they include things which may require the Welsh Government's intervention with a resulting impact on the budget.
12. The context in which the budget priorities were determined is also important. The 2018-19 Draft Budget was set against one of the longest periods of sustained austerity in living memory. The UK Government had consistently and persistently cut funding for public services. This had a very real impact on the Welsh Budget, which by the end of 2020 was expected to have fallen by 7% in real terms as compared to 2010-11. This meant that the Welsh Government would have £1.2bn less to spend on vital public services in real terms.
13. Indeed, if spending on public services had kept pace with growth in GDP since 2010-11, the Welsh Government would have expected to have had an extra £4.5bn to spend in 2019-20.
14. Overall, the Second Supplementary Budget 2018-19 **[Exhibit RE01M1RE01/003 – INQ000116506]**, was a low-key affair, typical of supplementary budgets, although I

continued to prioritise supporting public services and building resilience by allocating more than £133m from fiscal resource reserves to Health and Social Services. The majority of this funding was allocated to meet the pay pressures within NHS Wales to support and maintain the NHS workforce following the pay settlement, and to respond to the recommendations of the Review Body on Doctors and Dentists Remuneration. Prioritising the NHS Wales workforce in this way meant that NHS Wales did not have to cut staff numbers to meet the pay pressures because additional funding was provided from the centre. Wales entered the pandemic with record numbers of staff employed by NHS Wales. Our commitment to protecting health and social care in the round was evidenced by figures from HM Treasury which confirmed we spent more per person on health and social services in 2018-19 than anywhere else in the UK **[Exhibit RE01M1RE01/008 – INQ000187592]**. We spent more than £3,000 per person in Wales – almost £300 more per person than in England. Similarly, I provided £15m fiscal resource to meet education cost pressures and pay, again to support the strength and resilience of the workforce. NHS Wales and education staff were critical to our response to the pandemic, and I believe that our long-term commitment to these workforces, even in the context of constrained budgets was important.

First Supplementary Budget 2019-20 – June 2019

15. My next important fiscal event was the laying of the First Supplementary Budget for 2019-20 **[Exhibit RE01M1RE01/009 – INQ000116549]** on 18 June 2019, proposing a number of changes to the Final Budget for 2019-20 which had been agreed by the National Assembly for Wales on 15 January 2019.
16. The First Supplementary Budget 2019-20 was informed by the priorities as set out in the 2019-20 Draft Budget - in particular, that the Welsh Government should do “everything it can to protect frontline services from the worst impacts of austerity.” The Draft Budget narrative noted that, “our ability to do this has been eroded by cuts to our own funding by the UK Government.” **[Exhibit RE01M1RE01/010 – INQ000187582]**
17. Before the pandemic, we spent a great deal of time preparing for the potential arrival of a different crisis – a no-deal Brexit. Many of the interventions we put in place during this period aimed to build relationships and shore-up various sectors and build resilience, and it is my view that this kind of preparation was helpful in preparing various sectors to face the pandemic – at least, to a degree. Funding for 2019-20 from the EU Transition Fund was allocated in this Supplementary Budget. The Fund (for which

£50m was made available overall) was designed to help businesses, public, and third sector organisations prepare for Brexit by working with businesses and communities to identify those areas that required additional support. Although the funding was important in the context of preparing for Brexit, it was also an opportunity cost. Funding spent preparing for Brexit could, of course, have been spent on other Welsh Government priorities (such as public services) if the circumstances had been different. It was the good relationships and open partnership working which Welsh Government Ministers and officials developed with the various sectors during the course of preparations for a “no deal” Brexit – business, higher education, and the third sector, for example – which paved the way for further close and collaborative working when the pandemic arrived. Spending time and resource developing trust and a shared approach to problem-solving proved to be a good investment in the long run.

18. At this Supplementary Budget I also announced a capital stimulus investment package totalling £85m as an immediate boost to provide confidence and certainty to businesses in Wales at a time when both were in short supply as a result of the UK Government’s failure to put an end to the Brexit uncertainty. Maintaining business confidence was essential. Funding was focussed on investing in local government social housing programmes and the maintenance of the strategic road network, as well as supporting businesses through the Economy Futures Fund, supporting delivery of the Economic Action Plan. The Welsh Government’s willingness to intervene when business confidence was low helped to build good faith and trust with business which, in my view, again helped in responding to the pandemic in due course.

Preparations for the 2020/2021 Budget

19. In March 2019, I led a “discursive” Cabinet on the approach to the 2020-21 Draft Budget. In addition to our formal Cabinet meetings, the Welsh Government has what are described as “discursive Cabinets”, where an initial exploratory discussion can be had on an issue without a formal decision being sought. The 2020-21 Budget would be the first ‘proper’ annual budget for which I had responsibility as Minister for Finance. Although I did not know it at the time, it would cover the first year of the pandemic.
20. Although our capital budget was already set for 2020-21, I did not expect to know our revenue budget until the Autumn. However, it was important to have an early

exploration of the options for our budget against the backdrop of the disappointing medium-term outlook for the UK economy.

21. The discursive Cabinet reaffirmed our collective commitment to prioritise public services including NHS Wales, social services, and education.
22. The Prime Minister had spoken recently of ending austerity and, in his Spring Statement, the Chancellor had confirmed that he had amassed a “deal dividend”, which he would spend only if a Brexit deal was agreed. It was clear to me that there had been missed opportunities for the Chancellor to make significant investments in our vital public services and to boost the economy.
23. In April 2019, I took a formal paper to Cabinet which set out my proposed approach to the 2020-21 Budget **[Exhibit RE01M1RE01/011 – INQ000187585]**. I told Cabinet that my focus was on continuing to invest in the performance and delivery of frontline NHS services, whilst recognising the importance of deploying additional funding for health in a way which supported our priority areas and progressed a preventative agenda, such as funding for social care. I also said that a further priority area would be local government, and that a key consideration for this budget round would be providing local government with the best possible settlement given the continued constraints on our budget.
24. I should add here for completeness, that every budget is informed by a series of ‘budget bilateral’ meeting rounds, which I hold with each individual Minister to discuss matters including their budgetary pressures and priorities, the delivery of the Programme for Government, and emerging problems and opportunities. The draft and final budgets are agreed by the whole Cabinet.
25. Alongside the 2019-20 Final Budget **[Exhibit RE01M1RE01/002 - INQ000116579]**, I published the Welsh Government’s first Budget Improvement Plan – a rolling five-year plan which set out how the Welsh Government will continually strive to improve the process of budget-setting **[Exhibit RE01M1RE01/012 – INQ000187584]**. This included driving innovation in the budget process. For the 2020-21 Budget, I told Cabinet that, in line with the Well-being of Future Generations Act, I would focus a spotlight on the eight cross-cutting priority areas of early years, social care, housing, skills and employability, better mental health, decarbonisation, poverty, and biodiversity as the areas where, if we worked more closely across Government, we could have the greatest impact within our available resources. The First Minister and I

asked Ministers to lead cross-government discussions on areas which were outside their own areas of responsibility with a view to identifying new ways to work across government to deliver improved outcomes, particularly in areas which may require new or additional funding through the budget process.

26. On 4 September 2019, the Chancellor presented the UK Government's Spending Round setting out its spending plans for 2020-21. The Chancellor's announcement provided, for the first time, details of our revenue budget for 2020-21 which provided an increase of 2.3% in real terms. The Spending Round also included an increase of £18 million to our capital budget (which had already been set for 2020-21). Our capital budget would be 2.4% higher in real terms than in 2019-20.
27. Despite this, the reality was that the Welsh Government's budget in 2020-21 would be nearly £300m lower in real terms than in 2010-11. The additional funding did not even return our spending power to the levels of a decade before. Even though in Wales we have continuously prioritised funding for public services, the decrease in the value of our budget demonstrates just how stretched public services had become, and how the UK Government's policy of austerity had severely diminished the funding available for public services.
28. Aside from the quantum of funding, one of the most frustrating aspects of this Spending Round was that the UK Government provided the NHS and schools in England with multi-year settlements, but in providing the Welsh Government with a one-year settlement they did not afford us the same ability to do so. Therefore, we were not able to provide NHS Wales or our schools (via our local authorities) with the same ability to plan for the longer term. Public services have always impressed upon us how important long-term planning and budgeting is for service stability and for delivering value for money, and we have always passed on that certainty when it is afforded to us.
29. It is also worth noting that the UK Spending Round was based on forecasts from March 2019 and a previous administration's fiscal policy. Without new fiscal forecasts, it was unclear how these new spending announcements would be financed. To support our own planning and that of other Welsh public authorities and others who received funding from the Welsh Government, we published our Chief Economist's report alongside our own plans, setting out his view on the medium-term prospects **[Exhibit RE01M1RE01/013 – INQ000187586]**.

30. The Budget I published on 14 January 2020 **[Exhibit RE01M1RE01/014 – INQ000187583]** provided an above-inflation increase of more than £400m for health and social care, bringing our total investment as we entered the pandemic year to more than £8.7bn. This was alongside almost £4.5bn for local government, which included £200m extra delivered through the local government revenue and capital settlement as compared to the previous year. Through the local government settlement and our £1.8bn education budget we were investing heavily in our education system, including more than £200m in our educational infrastructure.
31. Although it will be for individual portfolio Ministers (particularly the then Minister for Health and Social Services, Minister for Local Government, Minister for Education, and Minister for Economy and Transport) to expand on the outcomes achieved by the funding allocated to them, specific allocations which would be relevant to our pandemic preparedness in this budget included an additional £342m for NHS Wales, which took the total NHS funding in 2020-21 to more than £8bn. This additional funding was intended to enable the continued delivery of quality health services, ensure access to the services people need and deliver good health outcomes. As well as funding pay awards in 2020-21 and inflationary cost growth, we were aiming to invest in transforming the delivery of health services and in new technologies and treatments.
32. Our investment in NHS Wales also included increased funding for Public Health Wales of £6.8m. This meant we were investing nearly £103m in 2020-21 to support a range of preventative health protection functions delivered across the NHS in Wales. Of the extra funding, £4.9m was intended to support the development of a National Health Protection Service, and £1.9m would be invested in Improvement Cymru, our national improvement resource for health and social care.
33. A significant factor in our decision to increase the funding for the local government revenue settlement had been our intention to recognise the impact of teachers' pay and pensions for the remainder of that academic year, and to provide funding beyond this to recognise the future impacts of teachers' pay awards which would come into effect from September 2020 and to support other services where there are also some significant pressures. Again, we were acting to protect the education workforce.
34. I had also taken steps to ensure that the Development Bank of Wales (DBW) had made more than £200m funding available to support businesses of all sizes in Wales. The

ability of the DBW (which sits in the portfolio of the Minister for Economy) to invest in, and support, businesses would be important during the pandemic. Indeed, the DBW invested £200m in Welsh businesses during the first year of the pandemic, delivering a rapid and well-received response to the pandemic which included managing the Welsh Government's Covid-19 Wales Business Loan Scheme, supporting businesses affected by lockdown restrictions, backing entrepreneurs who were starting a new business, and financing companies which had found ways to adapt their business models in response to the pandemic. The DBW's investments directly helped to safeguard 16,000 jobs. Laying the Budget, I said that it was vital that the UK Government took steps to influence commercial and retail banks to make finance available to small businesses who may face short-term cash flow difficulties as a consequence of Brexit. I would find myself making the same arguments to the then Chief Secretary to the Treasury in the context of the pandemic.

35. Finally, several of the investments made under the cross-government working as part of the budget process led to investments which would prove important during the pandemic – particularly those attached to the poverty strand of work, such as our Holiday Hunger Pilot, Free Breakfast Allowance Pilot, and School Holiday Enrichment Programme. All of these programmes are aimed at tackling poverty, and in particular, hunger amongst children. During the pandemic, Wales became the first part of the UK to provide free school meals during the holiday period. The development of these programmes, and our cross-government work on poverty, had paved the way for us to act quickly during the pandemic in an area which we had already identified as a priority.
36. Overall, it is my view that a decade of austerity meant that public services were entering the pandemic in a very stretched state indeed. However, it is also my view that continued prioritisation of public services by the Welsh Government over many years meant that, from a financial perspective, public services in Wales were as well supported as they could be under the circumstances and given the resources available to the Welsh Government. Similarly, our prioritisation of support for the workforce meant that these key workers were in place to respond to the pandemic when it arrived. And our Welsh way of working in social partnership with our stakeholders meant that our relationships were in good shape going into the pandemic – and they improved and strengthened as we jointly responded to the crisis.

The Fiscal Framework and Statement of Funding Policy

37. Turning from budget-setting during the pre-pandemic period to finance more generally, the Welsh Government's ability to be financially agile and respond to unforeseen whole-system emergencies such as a pandemic is limited by the Fiscal Framework **[Exhibit RE1M01RE01/015 - INQ000116461]**, which was agreed with the UK Government in 2016. Whilst the Framework was an important step forward at the time, it has not changed or kept pace with the wider fiscal and economic context.
38. Under the Framework, Wales' borrowing powers are capped at £150m per year, and £1m aggregate. Borrowing can only be used for capital spend. Our preference would be for the Welsh Government to have prudential borrowing powers, and for the borrowing plans to be voted on by the Senedd. The Senedd would, I am sure, be interested in scrutinising aspects such as the proposed repayment profiles, for example.
39. The Framework also put in place provision for a Wales Reserve, which the Welsh Government can deposit money into and carry across financial years. The Wales Reserve is capped at £350m, and there are annual drawdown limits of £125m revenue, and £50m capital. In the context of the overall size of the Welsh Budget, these sums are miniscule and not appropriate for our needs. At the very least, these figures should rise in line with inflation.
40. In addition, there should be greater flexibility late in the financial year. When the UK Government makes adjustments to our budget late in the financial year (at UK Supplementary Estimates), the Welsh Government should have the automatic ability to carry additional funding – or manage reduced funding – in the next financial year without having to negotiate the matter each time with the Chief Secretary to the Treasury.
41. I have worked closely with my counterparts in Scotland and Northern Ireland over a number of years to make the case to UK Government Ministers for greater fiscal flexibilities. I have also had the support of the Assembly/Senedd's cross-party Finance Committee, as well as a range of other stakeholders such as the Wales Governance Centre.
42. The pandemic and the funding made available for our response made 2020-21 an extraordinary year and the consolidated accounts for that year **[Exhibit**

RE1M01RE01/016 - INQ000116471] bear out my belief that the Fiscal Framework was not flexible enough and allowed the then Chief Secretary to the Treasury to exercise too much discretion. Significant funding was provided to the Welsh Government by the UK Government very late in the 2020-21 financial year. To make the most effective use of this funding and secure best value for the taxpayer, we made decisions to maximise expenditure wherever possible, including bringing forward progress on our capital plans.

43. As a devolved government, we operated within the overall Welsh Government budgetary control set by HM Treasury and should have been allowed a reasonable level of flexibility in respect of the individual revenue and capital controls. Our decisions to maximise capital expenditure were made having regard for the rules within HM Treasury's Consolidated Budgeting Guidance **[Exhibit RE01M1RE01/017 – INQ000187590]** that revenue budgets can be switched to capital – a practice we have utilised in the past to manage the financial position.
44. Following a protracted exchange with the then Chief Secretary to the Treasury and HM Treasury officials, we were denied the flexibility to switch revenue to capital. This is despite being given to understand that the revenue and capital imbalance could be managed after the year-end via an outturn adjustment. As a result, funding was reclaimed by HM Treasury due to a completely arbitrary application of the Consolidated Budgeting Guidance which did not fully recognise the arrangements agreed with devolved governments in their respective financial frameworks.
45. The situation should be seen in the wider UK context – a context which in my view goes some way to explaining Treasury's approach. The total underspend in 2020-21 by all UK government departments was £25bn – the UK Department for Health and Social Care alone underspent by over 9%, returning £18.6bn to the Treasury. Overall, UK departments returned almost 6% of their funding to the Treasury that year. In Wales, the figure returned represented only 1% of our available resources. A Barnett share of the funding returned to Treasury by UK departments would have been well in excess of £1bn, rather than the much lower £155m (which would have been nothing had the revenue to capital switch been agreed).
46. The Welsh Government has a long record of being amongst the best UK departments and devolved governments in terms of utilising our budget. This remained the case in 2020-21. Our better management of public money (in terms of our delivery of our public-sector delivered Test, Trace, Protect scheme, for example) meant that we were

able to do more in Wales to support people and businesses through the pandemic – such as providing businesses here with a more generous package of support than was available in England, and providing free school meals to families throughout the school breaks, to name just two examples.

47. However, on the matter of the £155m reclaimed by HM Treasury, I believe that Wales was treated unfairly. There is a general approach from HM Treasury which treats devolved governments as 'just another spending department.' However, we are not like Whitehall departments. We have responsibilities to our own Parliaments (such as through our Budget Protocol with the Senedd's Finance Committee, for example **[Exhibit RE01M1RE01/018 – INQ000187591]**), and are quite rightly subject to scrutiny by Senedd Members, the media, and the public in a way that individual Whitehall departments are not. Two years on from the end of the 2020-21 financial year, this issue is still generating a lot of attention – the vast majority of it, misinformed. This was a highly avoidable situation and reflects poorly on the financial arrangements underpinning devolution.
48. The Statement of Funding Policy is another important document which affects the funding available to Wales. It sets out how the Welsh Government will receive its funding – including through Barnett consequentials. The process proved very problematic at the start of the pandemic in the sense that the UK Government was making a series of rapid announcements on a wide range of issues which had funding attached to them. Under normal circumstances, when the UK Government makes an announcement on action it is taking in England in an area where we have devolved responsibility, Welsh Government officials will seek confirmation from HM Treasury as to whether this is 'new' money which will result in a Barnett consequential, or whether the announcement is being funded via existing resources. This can sometimes take some time.
49. However, the need to make rapid decisions, and the pressure to provide clarity to stakeholders and the public on interventions, meant that searching out information (often from the media, or HM Treasury press releases) and waiting for the UK Government to confirm the details of each announcement was not appropriate. Between the start of the 2020-21 financial year and the publication of the UK Government's Main Estimates on 4 May 2020, the Welsh Government's budget increased by £1.856bn as a result of Barnett consequential funding. Seeking clarification of each funding decision at the start of the pandemic made it difficult for me to know how much funding I had available to me to make interventions, and at

times I needed to proceed at risk given the seriousness of the situation and the need to act quickly and decisively.

Other budgetary tools to manage the financial response

50. I was also undertaking an exercise to reprioritise Welsh Government funding, and repurposing European funding following proposals announced by the European Commission to provide unprecedented flexibility in the application of European Social Fund and European Rural Development Fund money as part of the steps the EU was taking to make money available to tackle the effects of the pandemic. My Ministerial colleagues were also reprioritising funding within their own budgets to respond to the pandemic.
51. I mentioned earlier that as Minister for Finance I was able to tighten or loosen the central control of budgets during the financial year. This would prove to be a useful tool during the pandemic. For example, at the start of the pandemic, I undertook an exercise to work with Ministerial colleagues to review departmental budgets in order to maximise the amount of money which I could repurpose within existing budgets to respond to the crisis. £256m revenue was identified and returned to the central reserves.
52. To minimise the impacts of this reprioritisation exercise I sought to protect (i) expenditure which protected the lives of citizens, (ii) areas where we had a legal or statutory commitment to deliver, and (iii) areas of Government priority. I also sought to minimise the impact through identifying where funding could not be used for its intended purposes, or where it was allocated for new activities planned during 2020-21 but which had not yet started and could be deferred to a later date.
53. To give a small flavour of the results of the exercise, examples of funding returned to reserves for redeployment to tackling the pandemic included £50m performance fund money related to support for NHS Wales to address waiting times. This was identified because routine activity had been stepped down due to pandemic-related capacity requirements in the acute sector. The Childcare Offer for Wales was closed to children due to start after the Easter holidays in 2020; this enabled £30m of funding to be redirected to support key workers with their childcare costs and support vulnerable children during the pandemic. £1m was returned from the major events budget related to cancellations and delays to events. £390,000 was released from the National Forest

budget from work identified intended to support face to face engagement with farmers during the spring which could no longer take place.

54. I also allowed Ministers to fund a number of pandemic interventions within their existing budgetary allocations to respond to the pandemic, the impact of which was fiscally neutral as interventions were funded within the existing spending envelope. Examples included £35m of capital funding which was provided from the Integrated Care Fund and Innovative Housing Programme to accelerate discharge from hospital and decelerate hospital admissions and for more permanent accommodation for vulnerable people temporarily housed. £5.5m was allocated from the Rural Affairs department to provide extra support for Welsh farmers and also provided eligible dairy farmers with the ability to claim up to £10,000 to cover 70% of their lost income to allow them to continue to operate without impacting on animal welfare and the environment. £3m to was made available from the Education department to make digital provision available to disadvantaged learners recognising that many young learners did not have access to an appropriate internet-connected device to participate in online learning activities from home.

55. By July 2020, alongside my Scottish and Northern Ireland counterparts, I had managed to persuade the then Chief Secretary to the Treasury to introduce a 'Barnett Guarantee' so that we would no longer have to wait for funding clarity on individual announcements but would be given a funding amount that the UK Government would guarantee that our budget would not fall below. This would assist with our planning and our response to some extent. I hope to have the opportunity to go into this in further detail in future statements as the Inquiry explores the response to the pandemic (rather than preparedness which is the focus of this Statement).

Intergovernmental relations – a finance perspective

56. It is worth spending a moment reflecting on inter-governmental relations from a finance perspective. In the period before the pandemic, Finance Quadrilateral meetings (of the Finance Ministers of Wales, Scotland, and Northern Ireland and the Chief Secretary to the Treasury) were infrequent and lacked a reliable routine. This was a concern to me, so I tabled a paper for discussion at my first Quadrilateral meeting [**Exhibit RE01M1RE01/019 – INQ000187589**] which set out proposed Terms of Reference for the meetings which would mean that they would take on a more regular rhythm and have a clear purpose. I wanted to see greater parity among participants (such as the Chair rotating between Ministers) and tangible outcomes which would benefit citizens.

The relatively fast turnover of Ministers in Whitehall meant that by the time the pandemic began in March 2020, I was already working with my third Chief Secretary to the Treasury since coming into post fifteen months previously, meaning that it was not possible to establish strong working relationships with individuals in that post in the run-up to the pandemic. The frequency of engagement did pick up during the pandemic (and the nature of engagement has improved further since the establishment of the Finance Interministerial Standing Committee).

Economic levers

57. It is very important that the Inquiry fully understands which aspects of the economy are devolved to Wales and which are reserved to Westminster.
58. The major levers of fiscal, economic and monetary policy are the responsibility of the UK Government, as are main levers of trade and industry, with a small number of exceptions. Similarly, employment is generally a reserved matter, with a small number of exceptions. There are also other sector-specific reservations on matters such as telecommunications, postal services, electricity, coal and oil and gas. As such, HM Treasury and the Department for Work and Pensions hold the major levers in terms of macro-economic policy, taxation, and welfare and benefits. (This would become an issue when, during the pandemic, the UK Government was only prepared to use its furlough lever when England decided to go into lockdown, for example.)
59. The devolved economic responsibilities sit largely in the area of economic development and the promotion of the economic well-being of the people of Wales. Economic policy in the Welsh context is the responsibility of the Minister for Economy. As such, the then Minister for Economy will be best placed to provide commentary and views on the decisions on economic development policy which would have had an impact on economic readiness for the pandemic.
60. In my own portfolio, I have responsibility for local taxation policy. This includes council tax and Non-Domestic Rates (NDR).
61. NDR, also known as business rates, are calculated by taking the Rateable Value of a property and multiplying it by the NDR 'multiplier.' The Valuation Office Agency (VOA) is responsible for valuing properties and assigning the Rateable Value. The VOA is independent of the Welsh Government. NDR is charged on most domestic properties, and as such most businesses feature on the NDR list for Wales. The availability of this

list, and local authorities' familiarity with it, meant that the Welsh Government had a simple and transparent means of identifying businesses and paying funding to businesses (thanks to the good partnership working with local government) when we needed to rapidly develop and deploy funding to businesses to support them during the pandemic.

62. Our approach to NDR in Wales meant that we were able to design a system of business support which was appropriate for Wales, reflecting the nature of our businesses and our tax base. Whilst the then Minister for Economy was responsible for developing the business support schemes, my own reflection is that the NDR system was invaluable in helping us identify the businesses which would receive support, and providing that support to them very rapidly.

Conclusion

63. To conclude, the successive decisions of the Welsh Government to prioritise public services over the preceding years were important in terms of ensuring that public services were as well supported as they could be when the pandemic arrived – at least insofar as Welsh Governments resources allowed, recognising that this was constrained by a decade of austerity. Prioritising support for the NHS and education workforce served Wales well, as did the nurturing of good relationships and partnership working. Our ability to use existing systems to get support quickly to businesses was also important. The pandemic reinforced my concerns about the Fiscal Framework, and it exposed the weakness of the Statement of Funding Policy to be able to respond rapidly to a system-wide emergency situation.

Statement of Truth

I believe that the facts stated in this witness statement are true. I understand that 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.

Personal Data

Signed: Rebecca Evans AS/MS

Minister for Finance and Local Government

Dated: 05/05/2023