Witness Name: Dan York-Smith
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THE UK COVID-19 INQUIRY

MODULE 2 CORPORATE WITNESS STATEMENT OF HIS MAJESTY'S TREASURY

FIRST WITNESS STATEMENT OF DAN YORK-SMITH

1. I, Dan York-Smith, make this statement on behalf of His Majesty's Treasury ("HM Treasury" or "the Department"). [My address and date of birth are known to the Inquiry].

2. I am providing this statement in response to the Inquiry's draft Rule 9 request dated 12 October 2022 ("the Rule 9 request") on behalf of the Department.

3. As HM Treasury's Director General for Tax and Welfare, I am responsible for tax and welfare policy and spending. . Spending all but three of the past ten years within HM Treasury, I have worked on Enterprise & Property Tax, Personal Tax and Communications as Press Secretary to the Chancellor. At 10 Downing Street, I served as the Prime Minister's Private Secretary (Economic Affairs). During the Covid-19 pandemic I was Director of HM Treasury's Strategy, Planning and Budget Group.

4. Whilst I have a good degree of personal recollection of many of the events or processes described in this witness statement, I have also co-ordinated and liaised with a number of colleagues with the relevant knowledge and experience across the Department. Their contributions have been used to respond to the questions in the Rule 9 request. My statement therefore relies upon those contributions to form the responses in this statement. I am also reliant on document archive searches conducted by colleagues.

5. My statement should be read subject to the caveats above. I have done my best to assist the Inquiry on behalf of the Department against these limitations. If further material is made available to me, I would be happy to add to or clarify this statement to take it into account.

Background to this final unsigned draft statement

6. This statement provides HM Treasury's response to the UK Covid-19 Inquiry's Rule 9 request of 13 October 2022 with respect to Module 2. This statement is provided to the Module 2 Inquiry Team, and includes additional material which is provided in response to feedback from the Inquiry Team following its consideration of the initial statement submitted as an unsigned draft. This statement has been compiled in good faith and with the best efforts of HM Treasury in the time available.

7. This corporate statement covers HM Treasury's role in relation to the UK response to the pandemic between January 2020 and October 2020. This statement ("Volume 1") complements the corporate statement from Kate Joseph ("Volume 2"), which covers HM Treasury's role in response to the pandemic between November 2020 and February 2022, which is submitted alongside this document. The approach taken in this corporate statement is in line with HM Treasury's agreement with the Inquiry Legal Team that the statement should be approached chronologically, working from the January start date of Module 2, and focusing particularly on Cabinet-level decision-making. A number of text boxes have been inserted to cover thematic content that sits alongside the chronological approach and, in some cases, this content is relevant to both Volumes 1 and 2. I have read Kate Joseph's corporate statement and am content that any references in her statement to my corporate statement are correct to the best of my knowledge.

Approach to discovery and disclosure

8. HM Treasury has previously written to the Inquiry to explain the challenges the department has faced in getting the eDisclosure platform functioning as it should. HM Treasury has therefore undertaken a largely manual document review process to inform the drafting of this statement and to assemble the accompanying exhibits.

9. To make this resource-intensive manual review more manageable, HM Treasury has focused primarily on the Strategy, Planning and Budget Group's data repositories where most of the relevant information on Cabinet-level decisions on non-pharmaceutical interventions ("NPIs") and lockdowns is judged to be held. This approach means that only a partial picture has been revealed to date through documentary review and the content in this statement has been supplemented by the recollections of a number of current HMT officials in key roles at the time as well as *ad hoc* searches for specific documents.

However, in order to assist efforts to compile a comphrensive picture as possible of the key Cabinet-level decisions during this time, HM Treasury has also broadened out searches to data repositories from other parts of HM Treasury.

10. This statement is informed and supported by a selection of relevant materials, a further batch of which are being exhibited to the Inquiry alongside this final unsigned draft statement (in addition to the exhibits originally disclosed to the Inquiry). When HM Treasury submitted the first draft of the "Volume 1" statement, we advised the Inquiry that further relevant material may be discovered and exhibited in future and the statement may change as a result. Given the breadth of issues covered in this statement and the timescales for responding to the Rule 9, HM Treasury has taken the decision to focus on exhibiting selected key products that informed decisions (briefings, papers, letters etc.) rather than every piece of potentially relevant information.

11. The Eat Out to Help Out ("EOTHO") scheme is covered at a high level in this statement but a much more detailed account is available in Annex A. Decision-making associated with the EOTHO scheme is a relatively contained and narrowly scoped topic (as part of the wider Plan for Jobs package of announcements), concentrated over a few months in 2020. Ministerial ownership of decision-making on the scheme was also clear, resting with the Chancellor, with advice provided by HM Treasury and HM Revenue & Customs officials. This has made it possible to conduct a more thorough review of potentially relevant documents held by HM Treasury within the time available and to exhibit more wide-ranging relevant material. As a result, the main body of this statement and Annex A are somewhat stylistically divergent and the exhibits relating to Annex A are comparatively more comprehensive than those associated with the main statement.

Section 1. Introduction

1.1 HMT's role in decision making

12. HM Treasury is the Government's economics and finance ministry, whose objectives, as set out in HM Treasury's Outcome Delivery Plan, are to maintain sound public finances, deliver sustainable economic growth and maintain macro-economic and financial stability. HM Treasury contributes to Cabinet-level decision-making through the Chancellor of the Exchequer, with a focus on the objectives set out above [DYS001/INQ000088020].

13. Throughout the Covid-19 pandemic, decisions on NPIs were initiated outside of HM Treasury. The Chancellor's role in relation to such decisions was to represent economic and fiscal considerations, consistent with the objectives above, to inform and contribute to collective decision-making. He represented these views as and where appropriate and in the context of the public health advice and recommendations presented by the Secretary of State for Health and Social Care ("SoS DHSC") to support the formulation and delivery of the Government's strategy. It was ultimately the role of the Prime Minister to balance the range of objectives across the whole of the Government to reach collective decisions.

14. Cabinet-level decision-making structures evolved over the course of the Government's Covid-19 response. At the outset, decisions were made at Cabinet Office Briefing Room meetings ("COBR"). From March until late May 2020, daily meetings chaired by the Prime Minister drove the Government's strategy and decision-making, supported by four Ministerial Implementation Groups ("MIGs"): Economic and Business ("E-MIG"), which was chaired by the Chancellor; Health ("H-MIG"); International ("I-MIG") and General Public Services ("GPS-MIG"). Of the four MIGs, the Chancellor-chaired E-MIG was set up address the economic and business issues presented by Covid-19, in addition to coordinating round tables, led by the relevant Cabinet Ministers, with business groups and key sectors [DYS/002/INQ000181689].

15. From approximately mid-April 2020 and while the Prime Minister had Covid-19, the First Secretary of State chaired meetings of a decision-making "Quad" of ministers (First Secretary of State, Chancellor, Chancellor of the Duchy of Lancaster ("CDL") and Secretary of State for Health and Social Care) to take strategic decisions about management of the pandemic. Following the Prime Minister's recovery from Covid-19, there continued, at points, to be a decision-making "Quad" of ministers, typically comprised of the Prime Minister, Chancellor, CDL and SoS DHSC.

16. From late May onwards, the Cabinet Committee architecture was streamlined into the Covid-19 Strategy Committee ("Covid(S)") and the Covid-19 Operations Committee ("Covid(O)") (although at subsequent stages in the pandemic, groupings of senior Cabinet members chaired by the Prime Minister would meet to consider specific issues, such as approaches to NPIs and the approach to vaccine deployment). The Chancellor had a seat on both Covid(S) and Covid(O) though other departmental ministers, most often the Chief Secretary to the Treasury, typically deputised for him at Covid(O).

17. Following the publication of the Government's initial Covid-19 recovery strategy on 11 May 2020, the Chancellor further convened a series of meetings of a Small Ministerial Group during May and early June, to consider issues including the sequencing of easements from the first lockdown and associated regulatory easements to support economic recovery. These meetings were chaired by the Chancellor and, given their focus, attended by the CDL and the Secretaries of State for relevant economic departments (Department for Business, Energy and Industrial Strategy ("BEIS"), Department for Digital, Culture, Media and Sport ("DCMS"), Ministry of Housing, Communities & Local Government ("MHCLG") and Department for Transport ("DfT")).

18. Throughout the period addressed in this statement, HM Treasury officials worked to inform and advise the Chancellor and departmental ministers ahead of their participation in Cabinet-level decision-making fora, responding to ministerial requests for briefing, analyses and advice as necessary. Within a short time and based on steers provided by HM Treasury ministers, officials developed a detailed understanding of ministerial objectives and provided briefing aimed at supporting delivery of these. Given the often fast-paced nature of decision-making throughout this period and because HM Treasury participated in but did not own the decision-making process for NPIs, the audit trail is imperfect and HM Treasury's actions are therefore often less thoroughly or formally documented than might be normal. Many of these steers about information required by ministers were given verbally, via ministerial meetings and passed on through the relevant Private Secretaries.

19. These steers also informed how HM Treasury officials represented the Chancellor's and departmental ministers' positions in formal and informal meetings. In the context of Cabinet-level decision making on Covid-19, a ministerial meeting would typically be preceded by a preparatory meeting of senior officials on the same topic. HM Treasury officials would typically be invited to attend these by the Cabinet Office secretariat. Over

the course of the pandemic, official-level structures also evolved to bring together input from across government and support Cabinet-level decision-making.

20. By early June 2020, the Cabinet Office Covid Taskforce had been established, having grown out of the initial Cabinet Office coordination function. HM Treasury officials continued to have close and frequent contact with the Cabinet Office, through the newly establishd Covid Taskforce. They worked with the Taskforce to ensure that economic and fiscal considerations were included in decision-making. Alongside this, the Covid Taskforce was responsible for collating public health advice and recommendations from DHSC and public health authorities, as well as perspectives and input from other departments. The Taskforce then used that input to produce the options that informed Cabinet-level decisions. Given the speed with which policy options were developed, and the uncertain path of the pandemic, the extent to which HM Treasury officials were involved or sighted on policy options and recommendations varied throughout the period.

21. It was a priority for HM Treasury officials to have a detailed understanding of the health picture and the likely path of the virus, particularly given the speed with which the public health position evolved and the interaction between that, the NPIs, and the need for economic policy to evolve alongside the Government's public health strategy. To support this, HM Treasury officials worked closely and cooperatively with DHSC and wider public health officials and were regularly in direct contact with the Chief Medical Officer ("CMO") and the Government Chief Scientific Advisor ("GCSA"). HM Treasury senior officials attended SAGE in an observer capacity (as is noted in the published minutes) from March and received papers from the various sub-groups that made up SAGE such as the Scientific Pandemic Influenza Group on Modelling ("SPI-M"), the Scientific Pandemic Influenza Group on Behaviour ("SPI-B"), and the New and Emerging Respiratory Virus Threats Advisory Group ("NERVTAG"). HM Treasury senior officials also routinely attended Joint Biosecurity Centre ("JBC") GOLD meetings chaired by SoS DHSC, following the creation of the JBC in May 2020, where the latest health data was discussed. HM Treasury officials used the information shared at such meetings to inform briefing or advice for the Chancellor and other HM Treasury ministers ahead of the ministerial decision-making meetings as described above.

22. It should also be noted that, while HM Treasury is the economics and finance ministry for the whole of the UK, the UK Government's jurisdiction in the context of Covid-19 NPIs was England-only, and therefore much of the below focuses on England. Many Covid-19

economic support schemes operated UK-wide, and these will be covered in future modules.

1.2 Chronological account of HM Treasury's role

23. The remainder of this draft statement consists of five sections and two annexes.

24. Sections 2-5 below set out a broad chronological account of HM Treasury's role in core government decision-making within the scope of this Module between January and October 2020, as summarised below:

    a. Section 2. 1 January – 30 March 2020: The period between January and early March 2020 saw Covid-19 transform rapidly in the UK from an international economic issue to a domestic public health concern. HM Treasury ministers' and officials' response also evolved rapidly, particularly in the context of the Spring Budget on 11 March and the initial economic and fiscal policy response to the pandemic. In the run up to the Prime Minister's announcement of the first social distancing measures on 16 March, HM Treasury ministers' and officials' main contributions to cross-government decision-making on public health measures were via analysis of the possible economic impacts and in particular the potential supply hit to the UK economy of proposed health restriction measures, i.e. the ability of people and the economy to keep providing the goods and services people need, for businesses to stay open and for people to do their jobs. This was largely based on the SPI-M outputs capturing work hours lost. After the announcements of health restriction measures, HM Treasury officials also worked with the Cabinet Office and other departments on their implementation, to ensure critical economic functions could continue. Much of HM Treasury ministers' and officials' focus from March onwards was on matters outside the scope of this module: the rapid design, announcement and implementation of economic support measures to help mitigate the impact of initial public health measures and then lockdown on jobs, livelihoods and the economy at large and on the ability of the Government to finance public services and economic support interventions.

    b. Section 3. 1 April – 4 July 2020: Alongside ongoing work on economic support and spending decisions relating to public services, HM Treasury ministers and officials were focused in this period on understanding when and how NPIs could be eased in a way that limited economic damage while also managing the spread of the virus. Initially, HM Treasury officials and ministers were involved in monitoring the impact of NPIs ahead of the planned Easter review point after the initial three weeks of restrictions. As spring advanced, the Chancellor's and HM Treasury's work in scope of this Module focused on how NPIs might be amended or relaxed in the context of an improving health position and improving HM Treasury's understanding of the economic and fiscal impacts caused by restrictions, including learning from other countries. This was in large part driven by data on employment across various sectors and concerns about the long-term economic and fiscal consequences of stringent NPIs being maintained. This work fed into Cabinet Office-led plans for easing NPIs and cross-government decision-making, including into May's "*Our Plan to Rebuild: The UK government's Covid-19 recovery strategy*", which guided the phased reopening into the summer.

c. Section 4. 5 July – 31 August 2020: After the 4 July reopening of the hospitality, leisure, personal care and accommodation sectors, HM Treasury officials prioritised work that sought to minimise potential longer-term economic and fiscal impacts from the lockdown, including developing policies for the Chancellor's Plan for Jobs which was announced on 8 July. This strategic focus included working closely with the Covid Taskforce, JBC and others on operationalising regional restrictions, as well as contingency planning for a potential second wave and developing policy on international border restrictions. HM Treasury officials also contributed to work led by the Covid Taskforce on the strategic approach for managing the pandemic during autumn and winter, including on developing 'smarter NPIs' that were intended to avoid the need for restrictions on the scale that had been necessary in spring, and on Test, Trace, Contain and Enable.

d. Section 5. 1 September – 31 October 2020: Through September, restrictions were increased England-wide and in a growing number of regions. HM Treasury ministers were supportive of more targeted restrictions as a way to avoid the severe economic damage of broad sectoral closures. HM Treasury officials and ministers continued to focus on economic recovery, with a particular emphasis on city recovery, and the Winter Economy Plan was announced on 24 September. In October, a regional tiering approach to NPIs was introduced, and HM Treasury ministers and officials continued to work to ensure affected areas were receiving appropriate financial support. By the end of the month, discussions were underway about reintroducing more restrictive NPIs to manage increasing virus prevalence in a growing number of regions.

25. Annex A provides a detailed account of the Eat Out to Help Out ("EOTHO") scheme.

Section 2. 1 January – 30 March 2020

Summary

26. The period between January and early March 2020 saw Covid-19 transform rapidly in the UK from an international economic issue to a domestic public health concern. HM Treasury ministers' and officials' response also evolved rapidly, particularly in the context of the Spring Budget on 11 March and the initial economic and fiscal policy response to the pandemic.

27. In the run up to the Prime Minister's announcement of the first social distancing measures on 16 March, HM Treasury ministers and officials' main contribution to cross-government decision-making on public health measures was via analysis of the possible economic impacts and in particular the potential supply hit to the UK economy of proposed health restriction measures, i.e. the ability of people and the economy to keep providing the goods and services people need, for businesses to stay open and for people to do their jobs. This was largely based on the SPI-M outputs capturing work hours lost.

28. After the announcements of health restriction measures, HM Treasury officials also worked with the Cabinet Office and other departments on their implementation, to ensure critical economic functions could continue.

29. Much of HM Treasury ministers' and officials' focus from March onwards was on matters outside the scope of this module: the rapid design, announcement and implementation of economic support measures to help mitigate the impact of initial public health measures and then lockdown on jobs, livelihoods and the economy at large and on the ability of the Government to finance public services and economic support interventions.

Monitoring the emergence of the pandemic

30. Towards the latter weeks of January 2020, HM Treasury officials began work on the possible economic impact of Covid-19. Initial HM Treasury advice to the Chancellor on 4 February noted high levels of uncertainty but expected the primary short-term impact to be on the Chinese economy, with the global and UK economies only modestly affected (mainly through a China slowdown). The advice noted that if the disease developed into a global pandemic, the economic implications could be considerable. Finally, it was assessed that, while Covid-19 could pose risks to the UK and global financial systems, UK banks should be able to withstand them, although risks would ultimately depend on the

virulence of the virus [DYS003/INQ000088043]. The Cabinet Secretary also requested similar advice from HM Treasury on the likely impact of Covid-19 on the economy and financial stability soon after, which was submitted on 14 February [DYS004/INQ000088044].

31. On 13 February, the Rt Hon Sajid Javid MP resigned and the Rt Hon Rishi Sunak MP was appointed as the new Chancellor. The new Chancellor's primary focus was the upcoming Budget scheduled for 11 March. He requested advice from HM Treasury on the economic consequences of a Reasonable Worst-Case Scenario of a Covid-19 pandemic in the UK. This was based on the Scientific Advisory Group for Emergencies' (SAGE) Reasonable Worst-Case Scenario for an outbreak of pandemic influenza and was submitted on 14 February [DYS005/INQ000088045].

32. On 26 February, the Chancellor received advice setting out the latest DHSC health data on confirmed cases in the UK. The advice outlined two possible economic scenarios for the UK: an outbreak largely contained within China, with impacts changing little; and a global pandemic, with impacts aligning with SAGE's Reasonable Worst-Case Scenario from the preceding week. Given that most economic indicators come with a lag, officials' view was that the need for economic support, and trigger points for making decisions, would need to be guided by the CMO and SAGE [DYS006/INQ000088103].

33. The Government's approach at this point was to tailor the public health response around three expected phases of the epidemic:

    a. Contain – detecting and isolating cases as they arrived in the UK to delay the spread of the virus within the community;

    b. Delay – if the disease became established in the UK, reducing the rate and extent of its spread by promoting hand washing, the possible closure of schools, stopping large scale public gatherings and other forms of social distancing; and

    c. Mitigate – focusing on providing essential services and focusing healthcare resources on those most in need.

34. In this context, HM Treasury ministers and officials were involved in discussions over the shape of social distancing and other NPIs for the 'Delay' phase of the response.

35. At the same time, HM Treasury officials began to assess the potential economic impacts of moving to 'Delay'. HM Treasury officials contributed to Cabinet Office-coordinated work

examining the societal and economic impact of a potential package of NPIs on 5 March [DYS007/INQ000088046]. On 8 March, the Chancellor had a phone call with the CMO and the GCSA, ahead of the following day's COBR ministerial meeting. HM Treasury officials had prepared questions for the Chancellor to help scope the possible economic implications of the pandemic [DYS008/INQ000088047].

Box 1. Covid-19 measures in the Spring 2020 Budget

36. The package developed for the March 2020 Budget, announced on 11 March, included measures designed to respond to a 'short temporary shock' caused by Covid-19 (as informed by SAGE and DHSC analysis at the time). The Budget package therefore focused on ensuring adequate NHS funding, providing a welfare package for individuals made sick by Covid-19 and supporting businesses. The measures, as summarised in the Budget document, were as follows:

"The Budget announces a £12 billion plan to provide support for public services, individuals and businesses, whose finances are affected by COVID-19. This includes a £5 billion COVID-19 response fund to ensure the NHS and other public services receive the funding they need to respond to the outbreak as the situation develops, and recover and return to normal afterwards. For individuals it includes extending Statutory Sick Pay ("SSP") for those advised to self-isolate, and those caring for others who self-isolate, and support through the welfare system for those who cannot claim SSP, as well as a hardship fund. Finally, the government will support businesses that experience increased costs or disruptions to their cashflow. This includes expanded Business Rates reliefs, a Coronavirus Business Interruption Loan Scheme to support up to a further £1 billion lending to SMEs, a £2.2 billion grant scheme for small businesses, and a dedicated helpline for those who need a deferral period on their tax liabilities" [DYS009/INQ000088015].

37. As is the convention with all fiscal events and as set out in the Cabinet Manual, the Spring 2020 Budget was developed in consultation with the Prime Minister before being presented to Cabinet for collective agreement shortly before the event.

38. On 12 March, the Chancellor attended a COBR meeting on NPIs in place of the Chief Secretary to the Treasury, who was originally scheduled to attend. The meeting discussed a number of possible interventions, including positive cases isolating for 7 days and whole households isolating for 14 days. The Chancellor received advice setting out the case for supporting 7-day isolation over 14-day isolation as 7-day isolation would offer very little

difference in terms of health outcomes according to DHSC/SAGE analysis and almost halve the hit to GDP and number of workdays lost. The Chancellor was also advised to support social distancing for the elderly/vulnerable, given the material health impact it would offer with little impact on labour supply, but to probe further on the public health benefits of cancelling large events and closing schools [DYS/010/INQ000184563].

39. On 15 March, the Prime Minister chaired a meeting to discuss data showing that infections were more widespread than expected, meaning that the UK was a week further up the epidemic curve than SAGE modelling had previously predicted, and recommending that a wider set of NPIs be introduced. HM Treasury officials provided a note on the economic impacts with a table outlining whole economy impacts as well as the impact on specific sectors [DYS011/INQ000088048].

Introduction of NPIs

40. On 16 March, the Chancellor attended a COBR meeting. Briefing provided to the Chancellor by HM Treasury officials recommended that he support doing what was needed to protect public health, while also warning of significant (if temporary) economic disruption. The Chancellor was advised to make the case for close monitoring of the economic impacts, as well as clear messaging to avoid overcompliance (for example, those who could not work from home electing to stay at home and not work) [DYS012/ INQ000088105]. That evening, the Prime Minister announced an initial series of NPIs, including 14-day household isolation for anyone who had symptoms of Covid-19, or who had a household member displaying symptoms, and advice to avoid non-essential contact and travel [DYS013/INQ000088031].

41. HM Treasury ministers and officials continued to make the case for economic impacts to be presented as part of cross-government decision-making. For example, HM Treasury produced analyses on the economic impacts of closing schools (which suggested there could be a significant impact on the level of GDP from workforce absence impacts alone if schools were closed, with effects on consumption in addition to this), ahead of the 18 March school closure announcement [DYS014/INQ000088036]. HM Treasury officials also participated in decision-making on the definition of 'essential workers' for the purposes of defining which children would be able to go to school. Officials advised the Chancellor on 19 March to advocate for financial services employees to be included in the category of essential workers based on: the critical nature of the services they provide; the fact this had been done in other countries; and the risk that excluding financial services

employees could pose to financial stability given the role of the UK's finance sector in the global financial system [DYS015/INQ000088049].

42. HM Treasury officials contributed to a cross-government secretariat paper requested by No.10 for a discussion on further social distancing measures in London on 20 March. The paper outlined options for increasing social distancing in areas where there was significant pressure on ICU beds, with the immediate focus on the London area. HM Treasury officials provided additional commentary in the paper on the likely economic impacts, including on employment, of London-only social distancing measures, and cautioned that other countries which had taken similar steps for specific regions had subsequently needed to expand them nationally [DYS/016/INQ000184565].

43. The Chancellor attended a COBR meeting on 23 March. His speaking note laid out concerns over the economic impact of closing non-essential retail, overcompliance with stay-at-home advice, and the *"potentially catastrophic"* impact of possible border closures that could stop UK imports (including food) overnight, if guidance was not clearly communicated. Domestic 'lockdown' measures from a range of comparator countries were also presented for the Chancellor's information [DYS017/INQ000088104].

44. Later that day, the Prime Minister's instruction to the public was strengthened to a legally enforceable stay-at-home order. A series of NPIs, including instructions to work from home where possible, not to mix in groups larger than two people, the closure of non-essential retail and a stop to social events came into being for the first time [DYS018/ INQ000088033]. HM Treasury officials worked with the Cabinet Office on defining what 'essential' retail should include.

45. On 26 March, the Chancellor and Prime Minister had a bilateral meeting. The Chancellor's speaking note provided a summary of figures from the Office for Budget Responsibility's ("OBR's") recent modelling of the sizeable predicted impact of NPIs on the economy. The briefing notes that the OBR estimated that borrowing in 2020-21 would be higher than during the financial crisis, with debt over 100% of GDP, and the constraints on the Government's ability to raise cash from the markets at a time of high volatility. It also cites the OBR's indicative modelling of the impacts of social distancing measures imposed up to that point and the suggestion that, if they were extended, there could be a fall in GDP of over 30% in a single quarter, and nearly 15% in the year 2020-21 as a whole. The OBR also estimated an unemployment rate of 10%, after taking account of the Coronavirus Job Retention Scheme ("CJRS"). Overall, the briefing emphasises the impact of the NPIs on

the economy and public finances and the need for those to be fully considered when making the decision whether to extend, relax or introduce further NPIs [DYS019/INQ000088050].

Section 3. 1 April – 4 July 2020

Summary

46. Alongside ongoing work on economic support and spending decisions relating to public services, HM Treasury ministers and officials were focused in this period on understanding when and how NPIs could be eased in a way that limited economic damage while also managing the spread of virus.

47. Initially, HM Treasury officials and ministers were involved in monitoring the impact of NPIs ahead of the planned Easter review point after the initial three weeks of restrictions. As spring advanced, the Chancellor and HM Treasury's work in scope of this Module focused on how NPIs might be amended or relaxed in the context of an improving health position and improving HM Treasury's understanding of the economic and fiscal impacts caused by restrictions, including learning from other countries. This was in large part driven by data on employment across various sectors and concerns about the long-term economic and fiscal implications of stringent NPIs being maintained. This work fed into Cabinet Office-led plans for easing NPIs and cross-government decision-making, including into May's "*Our Plan to Rebuild: The UK Government's Covid-19 recovery strategy*".

3.1 Analysing the impact of NPIs on the economy

48. The restrictions announced in March 2020 were intended to be temporary and were subject to periodic review. The Government had committed to easing the restrictions over time as the numbers of infections reduced and hospital occupancy began to recede. The Government's planned approach to lifting NPIs, subject to the latest health evidence, was published on 11 May 2020.

49. The May plan for lifting NPIs reflected HM Treasury analysis about the impacts of the lockdown. By the start of April, the Chancellor was becoming increasingly concerned that, since NPIs had been introduced, levels of economic activity had fallen further than anticipated – for example, school attendance falling to around 2%, certain food retailers closing altogether rather than moving to run a delivery-based business model, and a much larger than expected impact on sectors who were not closed by the restrictions, for example the construction sector.

50. Analysis on these impacts was provided to the Chancellor on 1 April ahead of separate meetings with the Prime Minister and Cabinet Secretary. The analysis set out the case for

exploring whether certain NPIs could be relaxed at the Easter review point, recognising that this would also need to be weighed against advice on controlling the virus [DYS020/INQ000088052]. The key messages note for the Chancellor's meeting with the Cabinet Secretary covered the expected scale of the GDP hit caused by a three-month lockdown, the need for economic impacts to be reflected in the decision-making process, and the fact that the headline "stay at home" message had overshadowed the more nuanced guidance that people should continue to work if they could not work from home [DYS021/INQ000088051].

51. On 16 April, the First Secretary of State (deputising for the Prime Minister who was recovering from Covid-19 at this time) confirmed in a public statement that NPIs would remain in place for at least another three weeks.

52. On the morning of 20 April, following discussion between the First Secretary of State and the Chancellor, HM Treasury officials were asked to prepare a set of slides covering topics including how other countries were approaching reopening, risks to not reopening, and options for reopening businesses. These formed the basis of advice for the Chancellor for future Cabinet-level discussions throughout April. This included proposals to the Chancellor on prioritising economically valuable activity, including on the sequencing of the reopening of closed businesses over the summer, how this would interact with the approach to social gatherings, the return of pupils to schools, and 'enablers' such as the role of testing. After the Prime Minister recovered from Covid-19 and resumed work in late April, Cabinet-level discussions of these issues concluded in the publication, on 11 May 2020, of the Government's strategy to recover from Covid-19. This set out an intention, subject to the health position, for a phased reopening of society and closed businesses over the summer of 2020 along lines similar to those put forward by the Chancellor.

Box 2. HM Treasury's approach to economic analysis and developing epidemiological understanding throughout the pandemic

53. Throughout the Covid-19 pandemic, HM Treasury utilised a wide range of economic data and analytical techniques to inform its understanding of the impact of the pandemic and to support the development and calibration of NPIs. In all economic analysis conducted during this period – whether by HM Treasury, elsewhere in government, or externally – there was an extraordinarily high degree of uncertainty. Historical precedent to draw on to assess the economic impacts of NPIs was limited, with the impacts themselves changing over time and dependent on the path of the virus – which itself

was being learnt about and was changing over time. Given this high level of uncertainty HMT used the widest available range of analytical approaches and data sources to try to understand the economic impact of the virus and the NPIs, and these approaches evolved over time as more information became available. This uncertainty was reflected consistently in advice to ministers. The section below covers HMT's approach to economic analysis and developing its understanding of epidemiological modelling.

HM Treasury's approach to data

54. Reliable, timely and relevant data is of key importance to any economic analysis. Wherever it could, HM Treasury made extensive use of existing official statistics being produced by the Office for National Statistics ("ONS"), other government departments and credible external bodies.

55. However, the pandemic and subsequent government response was an incredibly fast-moving event and one which affected economic activity in an unprecedented manner in its speed and severity. Official statistics could not always be produced in the time required to inform decisions [DYS/022/INQ000184621]. This necessitated the department to seek higher frequency and new sources of data [DYS/023/INQ000184619] [DYS/024/INQ000184624] [DYS/025/INQ000184627] [DYS/026/INQ000184631].

56. HM Treasury officials, along with others across Whitehall, widened the scope of existing data they observed from both internal and external sources [DYS/027/INQ000184564] [DYS/028/INQ000184574] [DYS/029/INQ000184599] [DYS/030/INQ000184609]. For instance, officials made use of data that had not previously been used to consider economic impacts, such as DfT's transport data and DfE's education data to understand levels of mobility across the UK and school attendance / absences. HM Treasury officials drew from public source data collected by the private sector, for example, mobility data from Google on transport usage and time spent in different locations.

57. Some impacts however could not be fully assessed from existing sources. To address this, HM Treasury officials worked closely with the ONS and Bank of England to develop new or improved sources of data. The ONS rapidly developed the Business Impacts of Covid-19 Survey to better understand how firms were faring with the pandemic and NPIs [DYS/031/INQ000181687]. Changes were made to the Decision Maker Panel (a joint

effort between the Bank of England, Stanford University, and the University of Nottingham) to provide insight into business expectations and uncertainty [DYS/032/INQ000181690]. In addition, HMT joined other departments (such as the ONS) in the procurement of data sources that were not publicly available from private sector sources, for example, from companies such as Revolut and Morning Consult.

58. Data produced during this period – whether by official statistical bodies or by private firms – was often challenging to collect or subject to an extraordinary level of uncertainty. This applied to both health and economic data. This uncertainty was consistently reflected in advice to ministers. Where absences of data existed, officials sought to provide qualitative assessments, drawing on engagement with stakeholders (including business groups) and public sources.

59. Throughout this period, HM Treasury officials produced data packs to inform ministers of the impact of the pandemic and the actions taken in response (for example, please see exhibits [DYS/023/INQ000184619 – DYS/030/INQ000184609] referenced directly above). How these data were presented (for instance, in format and frequency) changed as the pandemic evolved and NPIs changed. For instance, as the virus first emerged in China, monitoring was focused on how the concern around the virus was affecting market and confidence indicators [DYS/033/INQ00000000] [DYS/034/INQ000184561]. As the virus took hold in Europe and in the UK (with NPIs subsequently assessed / introduced) a broader range of data was available with which to gauge the impacts on the economy.

60. Alongside monitoring for internal consumption, HM Treasury shared this material across Whitehall and supported other departments from the very start of the pandemic in their understanding of economic data [DYS/035/INQ000184617] [DYS/036/INQ000184618] [DYS/037/INQ000184620] [DYS/038/INQ000184622] [DYS/039/INQ000184629] [DYS/040/INQ000184632] . At an official level, the department met regularly with the Cabinet Office, JBC and DHSC to draw together information on the prospects for the virus and impact on the economy; shared a monitor with all government departments each week, reviewing recent data releases and their implications [DYS/041/INQ000184633] [DYS/042/INQ000184634]; and, at the onset of the pandemic, seconded experienced economists to Cabinet Office to ensure economic data was being integrated into data put to senior decision makers. At the ministerial level, HM Treasury and Cabinet Office jointly ran the Prime Minister's regular economy

update meetings on a weekly basis (the frequency of which change through the pandemic) [DYS/043/INQ000184623] [DYS/044/INQ000184625] [DYS/045/INQ000184630] [DYS/046/INQ000184635]. This provided senior misters and Whitehall with a clear picture of how the economy was being affected by the virus and measures taken in response to it in as close to real time as possible.

HM Treasury's approach to economic analysis

61. To inform ministers in HM Treasury and the centre of government on the impact of the virus on the economy and associated policy responses, the department produced a wide range of analysis [DYS/047/INQ000184607] [DYS/048/INQ000184604] [DYS/049/INQ000184611] [DYS/050/INQ000184606] [DYS/051/INQ000184605]. It utilised a full suite of analytical techniques and models [DYS/052/INQ000184610] [DYS053/INQ000088055], including but not limited to a labour supply model which was used early in the pandemic to anticipate the potential impact of a national lockdown [DYS/054/INQ000184562], the National Institute's Global Econometric Model, Input-Output modelling frameworks [DYS/055/INQ000184614], and a 'Nowcasting' framework [DYS/056/INQ000184628] [DYS/057/INQ000184626]. The department put substantial effort into adapting and continually refining its modelling techniques given the exceptionally high levels of uncertainty around the virus and its economic impact [DYS/058/INQ000184594].

62. In addition to its more standard economic tools, HM Treasury keenly explored novel techniques to analyse the unprecedented policy choices ministers faced. One such novel approach that was rapidly developing in the economics community was 'epi-macro' modelling, which combines epidemiological and economic relationships to estimate how characteristics of the virus and of control policies affect both transmission and economic activity (for example, please see "Box 2. Modelling vaccine roll-out and the impact on NPIs" in Volume 2). The department thoroughly examined these techniques and put findings to senior ministers over Summer 2020. In addition, HM Treasury developed its own epi-macro analytical capabilities, outputs of which were put to the Chancellor. These techniques proved to have a high level of sensitivity to underlying assumptions, meaning it was difficult to use them to answer specific questions around the application of a granular set of NPIs, its outputs informed the department's approach in advising ministers how NPIs should be deployed (e.g., prioritising low economic cost, high health impact NPIs).

63. In developing its analytical tools, HM Treasury closely studied work by academics and external bodies (such as think tanks). As part of this, the department undertook a series of sessions with expert panels, some of which were organised by the Royal Economic Society. For example, on 25 November 2020, HMT invited academic researchers from the University of Cambridge, the University of Chicago and Birmingham University, to discuss the advances in epi-macro modelling and its possible application to policy analysis.The sensitivity of policy under discussion however in some instances limited what the department could share.

64. Given that the response to the Covid-19 pandemic was a government-wide effort, the department shared analysis and developed economic understanding across Whitehall. Throughout the pandemic, HM Treasury officials worked closely with officials from the Cabinet Office to support them in their role to synthesise analysis and economic evidence. Alongside this, the department developed cross-Whitehall assessments for ministers of the economic impacts of the virus, restrictions, and policy responses with No.10, the Cabinet Office and economic departments (for instance, BEIS and DCMS). For instance, HM Treasury was central to various Cabinet Office reviews, such as the Roadmap and the Social Distancing Review. Further, the department worked closely – within their relevant remits – with the Office for Budget Responsibility ("OBR") and Bank of England to inform senior decision-makers on the impact of the pandemic. The OBR for instance published various scenarios in order to guide decision-making.

65. Using this suite of data, analytical techniques, engagement with and challenge from those outside the department, HM Treasury officials provided analysis to ministers on, among other issues, (i) how the pandemic and associated proposed NPIs were affecting, and how any changes might affect, the economy, and how economic activity might affect the progress of virus, (ii) how government support and wider policy responses might offset these impacts (or create unintended consequences), (iii) the relationship between the epidemiological and economic outlooks, (iv) how the government's response including on NPIs compared to other countries' responses.

3.2 Developing the roadmap to lifting restrictions

66. In April, HM Treasury officials began work to inform the development of the roadmap for lifting restrictions, which was published on 11 May. Significant work about the detail of when easements could happen, and on how best to support them taking place safely,

continued throughout the summer. Throughout, the Chancellor worked closely with the Prime Minister. This was in the context of an improving health position and a better understanding of the economic and fiscal impacts caused by restrictions. The Chancellor advocated at Cabinet-level meetings for providing a clear reopening timetable for closed sectors of the economy, including prioritisation of the most economically valuable easements, and for pupils to return to school. Officials provided the latest economic analysis and international comparisons, drawing this together with the latest health data and scientific evidence emerging from SAGE and other fora, to inform cross-government decision-making.

Box 3. International evidence

67. In this period, HM Treasury officials focused increasingly on what could be learned from international comparisons of measures and mitigations, particularly driven by sustained interest from the Chancellor about the detailed approaches that other countries were taking both in seeking to manage the pandemic and developing programmes to support their economies [DYS059/INQ000088016]. By May 2020, the Foreign & Commonwealth Office and Joint Intelligence Organisation had established the International Comparators Joint Unit ("ICJU") which sought to provide rapid thematic analysis of relevant international comparisons in order to inform cross-government decision-making. Comparative work conducted by both the ICJU and within HM Treasury was initially particularly relevant in the development of the reopening timetable announced in May 2020, and was used later in the summer to inform options around the phasing of the reopening of non-essential retail (where some European countries had reopened smaller shops before larger ones), in supporting decision-making over easing the two metre social distancing ("2m") rule, and subsequently on a continuous basis throughout the pandemic in informing decisions over the hierarchy of imposing and easing restrictions.

68. After the Easter review point, work began across government and in HM Treasury on how a higher proportion of children could be returned to in-person teaching in schools. Following a request from the Chancellor's Private Office, a note was provided to the Chancellor on 20 April setting out at a high-level emerging international approach to in-person teaching; the economic impacts of restricting teaching in schools; expected impacts on educational attainment; options for returning to in-person teaching in schools; and the latest scientific advice [DYS/060/INQ000184566]. After further cross-government

work over the subsequent ten days, the Chancellor attended a Prime Minister-chaired deep-dive on 1 May regarding the approach to returning to in-person teaching in schools.

69. A briefing note provided by HM Treasury officials to the Chancellor ahead of this meeting highlighted the economic arguments, particularly labour supply, for prioritising the return of early years education and primary schools, alongside the educational arguments for doing so [DYS/061/INQ000184567]. A similar position was taken in fuller advice provided to the Chancellor on 5 May [DYS/062/INQ000184568]. The cross-government decision-making process ultimately concluded, via the plan published on 11 May [DYS/063/INQ000181691], that there should be a phased return for early years settings and schools, with early years settings, Reception, Year 1 and Year 6 beginning to return from 1 June, with secondary schools and further education colleges being asked to prioritise Year 10 and Year 12 pupils with key exams in the next academic year. An ambition was also stated to return all primary school children to face-to-face teaching for a month before the summer holidays, if feasible.

70. The Chancellor attended a Cabinet discussion covering NPIs on 6 May. HM Treasury officials provided briefing which set out the case for a clear timetable for reopening the economy. This timetable would provide certainty for businesses and thereby minimise long-term damage to the economy. The focus was on encouraging the return to work where this could not be done at home and the managed reopening of closed sectors. The briefing contained analysis showing the UK was in a comparable position to other European countries which had announced changes and easements to restrictions [DYS/064/INQ000184569].

71. On 7 May, the Chancellor attended a Covid-19 Strategy meeting on Safer Workplaces which was also attended by the Prime Minister, the Secretary of State for Business, Energy and Industrial Strategy, the CMO and GCSA and other officials and advisers. A briefing from HM Treasury officials suggested that the Chancellor seek agreement to encourage a return to work in open sectors for those who could not work from home and announce the re-opening of all non-essential retail later in May. The briefing emphasised that publishing workplace-specific guidance to help businesses limit transmission risks would be crucial for making these workplaces safe and giving employees confidence to return to work, alongside further guidance for those in the community [DYS065/INQ000088053]. This guidance later became part of the Covid-Secure guidelines process.

72. On 10 May 2020, the Prime Minister announced a conditional, phased plan for lifting lockdown restrictions in England [DYS066/INQ000088030]. This was published the following day [DYS067/INQ000088024]. The plan amounted to a stepped lifting of NPIs, linked to the R (virus reproduction) rate and a related system of five alert levels. A new Joint Biosecurity Centre was also announced, tasked with providing real time analysis and assessment of infection outbreaks at a community level, to enable rapid intervention before outbreaks grew. The plan included confirmation of limited easements as part of 'step one' from 13 May, including emphasising that workers who could not work from home should travel to work if their workplace is open, allowing unlimited outdoor exercise and reopening outdoor public places.

73. Following the 10 May announcement, HM Treasury's attention turned to the detail and phasing of forthcoming easements. HM Treasury officials contributed to Cabinet Office advice to the Prime Minister on the re-opening of non-essential retail [DYS/068/INQ000184571] [DYS/069/INQ000184570].

74. On 15 May the Chancellor wrote to the Prime Minister recommending that all non-essential retail should be opened as part of step 2 of the roadmap, rather than a phased reopening of the sector [DYS070/INQ000088054]. Prior to this letter, HM Treasury officials provided advice on 14 May which also included advice on reopening other closed sectors from 4 July, as part of step 3 of the roadmap [DYS/071/INQ000184572].

75. On the same day, the Chancellor, via his Private Office, established the Small Ministerial Group set out at paragraph 17 above to drive forward work on the sequencing of reopenings, ensure that necessary guidance was in place to support businesses with reopening safely, and to consider proposed regulatory easements that could support economic recovery. Examples of such easements included encouraging better use of outdoor space by pubs and restaurants; waiving requirements on when domestic holiday sites could open; and relaxing licensing requirements for street markets.

76. On 21 May, the Chancellor met the Prime Minister, GCSA and the Cabinet Secretary, ahead of the forthcoming roadmap review point. The Chancellor received briefing from HM Treasury officials providing key points in support of proceeding with reopening plans. It included an assessment of the latest SAGE advice as understood by HM Treasury officials, noting SAGE's concerns about proceeding with further easements until Test and Trace was fully established. It included briefing on prior SAGE modelling and the latest data which suggested progressing with further planned easements beyond 'step one' was

consistent with keeping the R rate below 1. On Test and Trace, it noted good progress on operationalising and favourable comparisons with progress in other European countries which were already proceeding with reopening [DYS072/INQ000088057] [DYS073/INQ000088056]. The planned reopening of non-essential retail on 15 June was announced by the Prime Minister on 28 May [DYS074/INQ000088034].

77. In early June, the focus shifted to plans for the next steps in the roadmap. The Chancellor attended a Cabinet meeting on 1 June. Officials provided briefing recommending he raise the importance of sticking to the dates announced for reopening of non-essential retail (15 June) and hospitality and leisure (4 July), given delays would have economic consequences, particularly regarding employment [DYS075/INQ000088038].

78. The Chancellor wrote to the Prime Minister on 3 June reflecting the work that had been driven forward by the Small Ministerial Group, with his recommendations on the sequencing of reopenings in compliance with Covid-Secure guidelines, the need for these to be accompanied by regulatory easements, and his expectation that – in practice – it would be likely that suppressed demand would constrain activity in some sectors [DYS076/INQ000088059]. He wrote again to the Prime Minister on 8 June setting out his view that the 2m social distancing rule should be changed ahead of the reopening of the hospitality and accommodation sectors, drawing on international comparisons and economic evidence [DYS/077/INQ000184573]. HM Treasury officials subsequently provided more detailed analysis in support of this position to a review panel chaired by the No.10 Permanent Secretary and on which HM Treasury was represented by the Chief Economic Advisor. Although the Chancellor's letter focused on the economic impact of retaining the 2m social distancing rule whilst reopening sectors, this review panel was the forum for bringing together the existing scientific and international evidence on transmission risks, and the social and economic impacts of changing the guidance, which is best demonstrated by non-HM Treasury documents in the form of the review panel's Terms of Reference and the papers considered as part of this review [DYS/078/INQ000184612] [DYS/079/INQ000184613]. This panel reported publicly on 24 June, recommending that businesses should follow either 2m distancing or 1m with risk mitigations (where 2m was not viable), and that mitigations should be set out in relevant risk assessments [DYS/080/INQ000181693].

79. The Chancellor attended a Cabinet meeting on 9 June. HM Treasury officials' briefing suggested the Chancellor reiterated the points he made in his letter to the Prime Minister at that meeting [DYS081/INQ000088060].

80. On 10 June the Prime Minister announced that non-essential retail would be allowed to reopen on 15 June, alongside zoos and outdoor attractions where people could stay in their cars [DYS082/INQ000088029]. Places of worship were also reopened for individual prayer and support bubbles introduced. The Prime Minister announced that further changes would not take place until 4 July at the earliest, in line with the roadmap.

81. The Chancellor had been scheduled to attend a Covid(S) meeting on 11 June. The briefing provided by HM Treasury officials made the case for improving the quality of incidence data in hospitals and care homes, and regional data, to support targeted action and prevent the spread of the virus. However, this meeting was cancelled at short notice on the morning of the meeting. The Chancellor attended a further meeting of Covid(S) on 19 June. For this meeting, HM Treasury officials advised the Chancellor to continue to emphasise the importance of gripping transmission in high-risk settings such as hospitals and care homes. The briefing recommended continuing with the plan to reopen other closed sectors on 4 July, noting that data showed the tests announced in the roadmap were still being met, as well as making improvements in capacity and preparedness in the health system [DYS083/INQ000088067].

82. On 23 June, the Prime Minister announced the relaxation of further restrictions from 4 July, the earliest date indicated in the roadmap. This included the reopening of pubs, restaurants, and hairdressers. The Prime Minister also announced a relaxation of the two-metre social distancing rule to 'one-metre plus', following the outcomes of the review panel described above [DYS084/INQ000088026].

Section 4. 4 July – 31 August 2020

Summary

83. After the 4 July reopening, HM Treasury officials prioritised work that sought to minimise potential longer-term economic and fiscal impacts from the lockdown. This strategic focus included working closely with the Covid Taskforce, JBC and others on operationalising regional restrictions, as well as contingency planning for a potential second wave and developing policy on international border restrictions. HM Treasury officials also contributed to work led by the Covid Taskforce on the strategic approach for managing the pandemic during autumn and winter, including on developing 'smarter NPIs' that were intended to avoid the need for restrictions on the scale that had been necessary in Spring, and on Test, Trace, Contain and Enable.

84. In parallel, HM Treasury officials led work on support for the economy including through the Summer 2020 fiscal event, the Plan for Jobs, which included the Eat Out to Help Out scheme.

Box 4. The Plan for Jobs, including Eat Out to Help Out

85. Detailed examination of HM Treasury's role in the development of the Government's economic support package is for a future Inquiry module. However, given the Inquiry's interest in examining the Eat Out to Help Out ("EOTHO") scheme in this module, it provides important contextual information.

86. Alongside work on the roadmap, HM Treasury was focused on minimising the long-term adverse economic impacts of the period of lockdown. Two main issues were identified: economic scarring and consumer behaviour. HM Treasury ministers and officials were concerned about the freezing effect in the labour market that resulted from the Coronavirus Job Retention Scheme and the risk that this would turn into higher long-term unemployment.

87. On 8 July 2020, the Chancellor announced a 'Plan for Jobs' economic aid package in the House of Commons via his Summer Economic Update statement. As is the convention with all fiscal events set out in the Cabinet Manual, the Plan for Jobs was developed in consultation with the Prime Minister before being presented to Cabinet shortly before the event. The package sought to provide targeted and temporary support to employment through the recovery period, and in doing so to help minimise structural

damage to the economy and public finances. The introduction to the Plan for Jobs set out that:

"[The Plan for Jobs] will support the UK's economic recovery while continuing to prioritise people's health by:

- *introducing a new Job Retention Bonus to encourage firms to keep on furloughed workers*
- *supporting jobs with direct help to find work and to gain the skills people need to get a job*
- *protecting jobs in the hard-hit hospitality and accommodation sectors and at attractions by supporting demand for these businesses, giving them confidence to reopen*
- *creating jobs with action to get the property market moving, to increase and bring forward infrastructure investment, and to make homes greener, warmer and cheaper to heat* [DYS085/INQ000088027].*"*

88. The Plan for Jobs publication emphasised the importance of the work that had been done to support businesses to reopen safely: *"The Government and devolved administrations have worked closely with businesses to develop guidelines to keep staff and customers safe. These guidelines include advice to businesses to take steps such as frequent cleaning, making sure risk assessments explicitly take into account COVID-19, and keeping temporary records of customers and visitors to support contact tracing*."

89. The EOTHO scheme (decision-making on which is discussed in detail in Annex 1) was a novel and eyecatching measure within this package. However, it was a relatively small intervention. The scheme ran for just 13 days in total and was estimated to cost £500 million. It was intended to complement the introduction of a temporary reduced rate of VAT for hospitality, accommodation and attractions, at an estimated cost of £4.1 billion. The overall estimate of fiscal support via the package was up to £30 billion.

4.1 Local restrictions

90. Ahead of the easing of restrictions on 4 July, it was clear that Leicester's Covid-19 incidence rate had not come down as far as the rest of England, and that with increased testing capability at a local level it was possible to detect a localised increase in cases within Leicester and some neighbouring areas. With further easements set to take place

on 4 July, for example the reopening of higher risk settings such as indoor hospitality, DHSC (via the JBC) raised the issue of increasing cases in Leicester with ministers.

91. On 29 June, the Chancellor attended a Prime Minister-chaired Covid(O) meeting to discuss the situation in Leicester and next steps. HM Treasury officials provided the Chancellor with a briefing giving an overview of potential options to help manage the outbreak and provide additional financial support [DYS086/INQ000088042]. On the same day, the SoS DHSC made an announcement to the House of Commons outlining plans for managing the virus in Leicester [DYS087/INQ000088025].

92. Much of the work around Leicester fed into subsequent decisions on local restrictions. On 14 July, the Chief Secretary to the Treasury signed off DHSC's CONTAIN framework for local decision-making on Covid-19 outbreaks at a Covid(O) meeting. HM Treasury officials provided the Chief Secretary with briefing ahead of this meeting setting out how NHS Test and Trace and the new Joint Biosecurity Centre would work in partnership with local authorities, Public Health England ("PHE") and the public to take action at a local level to contain and manage outbreaks [DYS088/INQ000088091].

93. The Prime Minister met the Chancellor on 28 July to discuss how best to respond to an increase in cases across the North West of England and London. HM Treasury officials provided the Chancellor with a briefing ahead of this meeting which explored a hiearchy of approaches for dealing with various Covid-19 scenarios [DYS089/INQ000088097]. The briefing looked at options for responding to these outbreaks starting at a baseline of strengthening communications around hygiene before moving to more stringent restrictions such as delaying the 1 August reopening, restrictions on travel in-out of regions with outbreaks, and closures of economic settings (non-essential retail and hospitality).

94. Following evidence from an Office for National Statistics survey that indicated a continuous increase in infection particularly across the North West of England, the Chancellor attended a Prime Minister-chaired Covid(O) meeting to decide on the Government's response to the increase in cases and whether to move forward with reopening on 1 August. On 30 July, HM Treasury officials drafted a briefing for the Chancellor with options for responding to an increase of incidence, specifically across the North West of England. Officials advised that the 1 August re-opening should go ahead but with stronger communication in the North West around in-door mixing and the potential for broadening the use of face masks beyond the settings in which it was mandatory [DYS/090/INQ000184578].

95. During this period, and taking account of ongoing discussions across government regarding support for local areas that may need to reintroduce a subset of NPIs, HM Treasury officials provided the Chancellor with advice on 3 August. The advice set out options on how to best provide financial support for those impacted by local lockdowns [DYS091/INQ000088098]. It recommended that the Chancellor agree to MHCLG, DHSC and BEIS working up options for a limited, targeted approach to financial support delivered via local authorities. The submission recommended this support should be targeted at businesses that were legally required to close by local restrictions and individuals who were required to self-isolate but may not be financially able to.

4.2 Contingency planning and smarter NPIs

96. Throughout the summer, HM Treasury officials also actively engaged with cross-government work on contingency planning ahead of an anticipated second wave of Covid-19 over the autumn and winter. This work focused on designing systems and strategies that were intended to avoid the potential for further significant national restrictions. Examples of this were:

    a. The creation and development of the Joint Biosecurity Centre, with responsibility for monitoring the epidemiological picture at a local level, and advising on local public health interventions, including making recommendations on NPIs. This local monitoring was first used (as described above) in delaying reopenings in Leicester in late June/early July, followed by a series of localised restrictions during the summer and a regional 'tiering' system implemented in the autumn;

    b. Developing policy around restrictions on international travel, and testing/isolation requirements at the borders, where officials sought to establish a clear decision-making process around restrictions that brought together testing strategy and capacity, economic impacts and the evidence base on risks arising from international travel specifically;

    c. Participating in a Cabinet Office-led process around developing 'smarter NPIs' – running particularly through July and August and aimed at establishing how social and economic restrictions would be applied on an escalating basis, the role of shielding in a future wave, and what the triggers for escalation/de-escalation would be; and

d. Associated workstreams around, for example, strengthening the self-isolation regime (placed on a legal footing in September); how best to support compliance and enforcement of restrictions; and how best to monitor the impacts of different restrictions.

97. Work began within HM Treasury in late June on developing NPIs that were 'smarter' than the broad sectoral closures that had been implemented during the first lockdown – drawing on evidence from UK public health authorities and internationally on where outbreaks were taking place and the economic impact of different categories of restriction. This was shortly followed by, on 1 July, the No.10 Permanent Secretary establishing a panel of senior officials – with representation from the CMO, GCSA, HM Treasury (via the Chief Economic Advisor) and other senior officials from DHSC, BEIS, MHCLG and the Cabinet Office. Reporting initially by 17 July, the Panel had terms of reference including developing *"a hierarchy of smart Non-Pharmaceutical Interventions, which could be applied to reduce the transmission of Covid-19, seeking to provide maximum transmission benefit at the least economic cost".*

98. On 2 July, the Chancellor attended a Covid(S) meeting chaired by the Prime Minister to discuss contingency plans should England face a national increase of infections, and the challenges the winter months were likely to pose. In particular, this included discussion of an early warning system and prior agreement on triggers and possible responses. HM Treasury officials' briefing to the Chancellor provided evidence in support of contingency planning and learning from experience to develop a 'smarter' response in future, in particular ensuring the UK had an effective test and trace system and efficient Covid-19 data flows. Officials suggested the Chancellor reiterate that HM Treasury would have control over the economic policies included in any such plan [DYS092/INQ000088080] [DYS093/INQ000088078].

99. On 3 July, the panel of senior officials met to consider a paper from the ICJU on lessons learnt from international comparators [DYS/094]. A paper from HM Treasury was produced on the economic impacts of NPIs to date in different sectors which suggested alternative approaches including through leveraging government communications and targeting high-risk settings [DYS/095/INQ000184575]. A paper from the Government Office for Science on the scientific considerations that should inform the design and selection of specific NPIs was also circulated [DYS/096/INQ000184576].

100. Around the same time, attention was also turning to NHS capacity for that Winter, with No.10 seeking agreement on a plan. In response, the Chancellor received a submission from HM Treasury officials on the shape of the proposals, dated 9 July [DYS097/INQ000088088].

101. On 13 July, the Chancellor met the Prime Minister bilaterally to discuss a series of vignettes of post-Covid-19 life in the UK that the Covid Taskforce in the Cabinet Office had prepared for the Prime Minister as an aspirational target for policy. Briefing provided by HM Treasury officials for this meeting highlighted that, while the easing of restrictions should be the ambition, infections needed to be controlled to avoid a second national lockdown. The advice from HM Treasury officials recommended aiming to continue to relax measures and return to as close to normal as possible, but to do so by adopting a balanced strategy that simultaneously manages prevalence of the virus, noting the key objective was to avoid the economic consequences of a second national lockdown. It noted the importance of continuing to consider the economic perspective in determining which relaxations should be prioritised. Officials provided a provisional assessment of potential further relaxations in August, prioritising the return to in-person teaching in schools and reopening of closed sectors over promoting a return to office-based working and use of public transport [DYS098/INQ000088090].

102. On 16 July, ahead of the Prime Minister's announcement on the next steps of the Roadmap, the Chancellor received briefing from HM Treasury officials on the importance of building capacity and resilience for a future outbreak and reducing the risk of a second peak in autumn/winter [DYS099/INQ000088093]. The briefing drew on international comparisons, noting that Test and Trace was not yet performing as it should and there needed to be continued progress on quick, localised data to identify and suppress local outbreaks. The briefing reiterated the need to balance reopening with the risk of managing prevalence, given the economic and fiscal impact a second lockdown would have. It noted that while the interaction between working from home guidance and schools' return was complex, from an economic standpoint, the full return of schools in September was a higher priority than the return of office workers. On 17 July, the Prime Minister announced a further relaxing of restrictions as well as additional powers for local authorities and a continued focus on testing capacity [DYS100/INQ000088032].

103. As the most stringent restrictions lifted, the need for an ongoing contingency plan was recognised. On 22 July, the Prime Minister chaired another Covid(S) meeting on contingency planning which covered ways to prevent a national outbreak, as well as the

triggers for escalation. HM Treasury officials set out the case for why an effective Test and Trace regime was essential to reduce the risk of a national outbreak, and that "baseline" NPIs, reducing infection rates at a low economic cost, must be pursued. In the briefing for this meeting, HM Treasury officials recommended that in a situation where further action were needed, the Government's strategy should be focused on early detection and rapid, targeted interventions that minimised the economic impact [DYS101/INQ000088095].

104. On 28 July, the Chancellor met the Prime Minister to discuss how the Government might respond to plausible scenarios for an increase in infection rates. In the briefing for this meeting, HM Treasury officials suggested that the Chancellor support strengthened communications on measures with low economic cost, such as use of face coverings, and noted that segmentation (see below) may limit mortality but not the spread of infection [DYS089/INQ000088097]. The brief had specific recommendations for responding to scenarios including outbreaks in London, the North West and nationally.

105. Following the 22 July Covid(S) meeting, the Prime Minister asked for policy work to be conducted on a "segmentation" approach, whereby restrictions would be split by age group and vulnerability, as an alternative to a second lockdown. Work on this continued over the summer, with HM Treasury officials providing the Chancellor with advice on 18 August seeking his steers on whether he would be interested in further advice on the merits of different options around segmentation [DYS/102/INQ000184579]. Following this advice, the Chancellor concluded that a better focus would be to continue with the then-current strategy, but with an increased emphasis on testing, enforcement of requirements and a clearer communications campaign.

106. During summer and autumn, HM Treasury officials also continued work on two major policy areas, testing (test and trace) and international borders, that underpinned work on the roadmap, economic recovery and contingency planning.

Box 5. Test and Trace

107. Underpinning many of these discussions around contingency planning and reopening was an ongoing discussion on the role of testing and Test and Trace, given its importance to the strategy for managing Covid-19. There was broad consensus across government, informed by international experience, that, if delivered effectively, Test and Trace would enable greater levels of economic activity than would otherwise

be the case for a given level of incidence and prevalence of the virus. Detailed examination of this subject is for a future Inquiry module: however this section provides context on HM Treasury's role.

108. In the initial weeks of the pandemic, HM Treasury ministers agreed funding for testing based particularly on DHSC's prioritisation of hospital patients, care home residents and NHS/social care staff; surveillance testing; essential workers; and symptomatic over-65s. From April onwards, HM Treasury officials worked closely with the Cabinet Office and DHSC officials on how testing, contact tracing and self-isolation requirements could support greater levels of economic and social activity, and what testing strategies could most effectively support these objectives. By mid-May, and following publication of the strategy for easing the lockdown, Baroness Harding of Winscombe had been appointed as the Executive Chair of a new Test & Trace Taskforce, reporting directly to the Prime Minister.

109. In mid-June, HM Treasury officials actively engaged with decisions around broadening the funding for testing, following steers from No.10 and recommendations from SAGE to make testing a greater priority in the Government's Covid-19 response. In a submission to the Chancellor and the Chief Secretary to the Treasury dated 15 June, HM Treasury officials advised ministers to agree to a £10bn (plus £275m Barnett consequentials) ring-fenced fund for a Test, Trace, Contain and Enable ("TTCE") Programme run by DHSC. This fully met the funding request from DHSC for the TTCE Programme. In the advice, HM Treasury officials argued that the benefits of an effective test and trace policy would likely outweigh the fiscal costs. Due to the economic risks and fiscal costs of the policy, HM Treasury officials recommended close oversight of the programme [DYS103/INQ000088062].

110. As England continued to reopen more high-risk settings over the summer, there were some concerns around the effectiveness of the Test and Trace system. As DHSC advocated for an expansion of the Test and Trace system, HM Treasury officials wanted to first focus on addressing the performance issues within the programme and improving cross-Whitehall governance to ensure that the strategy was deliverable, better-targeted/prioritised on the basis of evidence, and more fully utilising testing capacity that had already been procured. HM Treasury officials advised that any considerations around expanding the testing capacity beyond what was previously agreed should be subject to DHSC outlining clear plans for ensuring that both existing and additional

testing capacity could be delivered and providing clarity on how additional capacity will be targeted under each proposal, with a clear plan for improving Test and Trace performance [DYS104/INQ000088096].

111. Ongoing work on winter preparedness and the situation in Leicester demonstrated the need for an effective test and trace system to identify local outbreaks. Policies such as the Contain Framework – how NHS Test and Trace and the JBC could work in partnership with local authorities, PHE and the public to take action at a local level to contain and manage outbreaks – relied on an effective test and trace system to reduce transmission amongst communities.

112. Later in the autumn, more areas across England began to experience an uptick in cases. There was a continuous effort across government to get cases under control with a strong desire, including from DHSC and the Cabinet Office, to avoid another set of national restrictions. Attention turned to mass testing and significantly expanding the funding for and focus on the development of mass testing, which initial analysis suggesting it could cut infections by 40% and secure significant economic benefits through allowing the easing of public health restrictions, reducing time in isolation and increasing economic activity.

113. On this basis, HM Treasury ministers were supportive in-principle of the move to expand mass testing capacity, initially through pilots, whilst putting safeguards around funding given most of the relevant technologies were as yet unvalidated/had not been tested at scale. At both ministerial and official level, HM Treasury continued to highlight concerns around deliverability and strategy.

114. Throughout October, as cases continued to rise across England, the Government was looking at options to tackle the rise in incidence. Alongside the announcement of the three-tiered system in October, HM Treasury officials continued work on ensuring that money being spent on testing was being used as effectively as possible, in the hope that might lessen the need for the most economically damaging restrictions and reduce the impact on businesses. This included trying to secure agreement across government for sectors that should be prioritised through mass testing and pushing the UK Health Security Agency to both provide clearer guidance for private sector test usage and increase the clarity of policies on using tests to safely reduce self-isolation.

Box 6. Borders

115. Throughout the pandemic, HM Treasury officials provided advice to ministers on options regarding measures at the UK border that could limit the spread of Covid-19, and particularly the economic and fiscal impacts of proposed measures.

116. In the initial weeks of the pandemic there were few ministerial discussions around borders as international travel effectively ground to a halt, and the Government's focus pivoted to the domestic response (albeit with significant workstreams in which HM Treasury officials were involved given the public spending implications regarding the repatriation of UK nationals who had been stranded overseas as a result of the steep decline in international travel). On 17 March, the Foreign Secretary made a statement advising that all non-essential international travel be avoided for a least 30 days [DYS/105/INQ000181694]. This statement reflected the pace at which other countries were either closing their borders or implementing restrictive measures in response to the virus.

117. Later in the spring and as the Government's focus shifted to the reopening of the economy, government departments began work around the effectiveness of health measures at the border. Acting on steers from ministers, HM Treasury officials began looking at the economic impact of potential measures at the border including the impact on business travel and services; tourism and hospitality and the import/export of goods. Whilst at the time the impacts were limited given how little travel there was, it would become more important as NPIs eased [DYS/112/ INQ000205658

118. The speed of ministerial decision-making on borders policy increased over the summer, following the May 2020 Plan to Rebuild which announced that "*the Government will introduce a series of measures and restrictions at the UK border*", and that, with a limited number of exemptions, the legal default would be for all international arrivals to be required to self-isolate in their accommodation for 14 days on arrival in England. These restrictions came into force on 8 June 2020, with a system of "travel corridors" introduced on 10 July. This system established a list of countries which people could visit and subsequently travel to England without self-isolating. However, briefing provided to the Chief Secretary for the Treasury set out the case for supporting the travel corridor system being in place for countries where safe to do so, supportive of regular (weekly) reviews and in favour of caution about moving towards a longer-term solution to policy at the borders, taking account of the link with wider testing strategy

[DYS/107/INQ000184577]. Over the course of the summer, there were short-notice decisions taken on changes to the list of counties with which a travel corridor had been established – for example to remove Spain from the list with effect from 26th July, and to remove France, the Netherlands and other countries with effect from 14th August – before a more established system of weekly changes to the regime was implemented.

119. Towards the end of summer and into autumn, there were increased calls from the travel industry for the Government to do more to support them and help boost international travel. The Government looked at the possibility of implementing a testing regime to allow for more free-flowing borders. HM Treasury officials provided briefing to the Chancellor on this in September, noting that given the economic damage and increased demands for sector support, there was a case for encouraging more targeted and 'smarter' approaches to the border than the current quarantine arrangements. These measures included a five-day test and release regime which would effectively halve the quarantine period and support for business exemptions [DYS/108/INQ000184586].

Section 5. 1 September – 31 October 2020

Summary

120. Through September, restrictions were increased in a growing number of regions. HM Treasury ministers were supportive of more targeted restrictions as a way to avoid the severe economic damage of a full national lockdown. Alongside discussions on restrictions, HM Treasury officials and ministers continued to focus on economic recovery, with a particular emphasis on city recovery, and the Winter Economy Plan was announced on 24 September. In October, regional tiering was introduced, and HM Treasury ministers and officials continued to work to ensure affected areas were receiving appropriate financial support. By the end of the month, discussions were underway about reintroducing more restrictive NPIs to manage increasing virus prevalence in a growing number of regions.

121. From early September, senior ministers were presented with evidence from the JBC of an increase in national Covid-19 cases. Initially, responses to this included considering: (i) toughening approaches to compliance with and enforcement of existing restrictions – including by simplifying existing guidance and requiring greater business support for Test

& Trace; (ii) introducing a more standardised set of localised NPIs including through a 'tiered' system rather than by imposing more bespoke restrictions in different regions; and (iii) establishing new England-wide restrictions on social contact. The Covid Taskforce circulated an initial proposal to senior officials in DHSC, No.10, HMT and the JBC on 4 September setting out an ambition to agree a system of tiering by midway through week commencing 7 September for implementation shortly thereafter [DYS/109/INQ000184616].

122. Alongside the evidence of the rise in Covid-19 cases, data showed economic recovery, although supported by measures announced in the Plan for Jobs, was developing unevenly across the UK. On 1 September, the Prime Minister's Private Office asked the Chancellor to oversee rapid work through the Domestic (Economic Operations) Cabinet Committee on the impact of the measures taken on cities. The scope of this included work on what options central and local government could take to help economic recovery in cities. HM Treasury officials provided the Chancellor with advice on 4 September seeking his early views on the approach to city recovery (particularly in London) [DYS/110 INQ000184582 and separate advice about his approach to Covid-19 strategy through the autumn [DYS/111/INQ000184583].

123. The advice on city recovery cautioned that businesses and consumer confidence could be dented from a push to open that was then reversed, suggesting that there was a strong argument for waiting to see the impact of schools and universities reopening before relaxing NPIs (such as pushing for a return of office workers). The advice also sought the Chancellor's views on stimulating domestic travel, highlighting that, with particular reference to London, increasing footfall in cities would not be enough to make up for the shortfall in international tourists.

124. The separate advice on Covid-19 strategy reiterated the arguments against further relaxing NPIs at that point, and sought the Chancellor's agreement that further work should be undertaken on what triggers would need to be met for NPIs to be imposed or lifted, how sectors should be prioritised for further NPIs (based on evidence of transmission risk and economic impact) and on risk stratification. On 7 September, the Chancellor's Private Office provided a readout from the Chancellor, noting that his focus was on understanding how NPIs could be relaxed in general, predicated on a better understanding of the data on transmission risk [DYS/112/INQ000205658

125. A meeting of senior officials from No.10, the Cabinet Office, HMT and the JBC on the morning of 7 September considered a paper from the Covid Taskforce recommending measures including a new communications posture which emphasised the need for strict compliance with existing restrictions, local interventions, as well as a tougher approach to enforcement and quarantine [DYS/113/INQ000184615]. It also presented more significant choices around restrictions on hospitality, potentially preventing the under-30s from visiting people in care homes and hospitals, as well as restrictions on mass events and social gatherings.

126. This was shortly followed by a Covid(S) meeting on 8 September which sought agreement to a package of measures on communications; establishing a legal limit on numbers of people who could meet socially; strengthening Covid-Secure guidelines (including placing them on a firmer legal basis); taking a stricter approach to enforcement at the border; and communicating that the planned 1 October reopening of stadia and business conferences would likely be delayed. HM Treasury officials and the Chancellor were supportive of the focus of the package of measures [DYS/114/INQ000184584], which was subsequently announced by the Prime Minister on 9 September, establishing the legal basis (with a limited number of exceptions) for the "rule of six" which legislated against social mixing in groups of more than six people among other measures [DYS115/INQ000088035].

Box 7. Covid-Secure Guidelines

127. In the course of summer 2020, relevant economic departments conducted wide-ranging engagement with their sectors to explore how firms could reopen in a Covid-Secure way that reduced the likelihood of transmitting the virus. BEIS engaged more than 450 employers, business representative organisations and trade unions, with DCMS, MHCLG and DfT all also conducting significant engagement with their sectors.

128. Although lead departments led on the process of developing guidance with their sectors, the Chancellor-chaired Small Ministerial Group received updates on this work during May and June 2020, given the strategic importance to the Chancellor of reopening closed economic sectors safely, and the role that mitigants (such as those set out in relevant guidance including use of screens and/or barriers, avoiding face-to-face working where possible, and avoiding people unduly raising their voices towards one another) could play in reducing social distancing requirements, so allowing businesses, particularly in the hospitality sector, to reopen safely.

129. Sectoral guidance, updated at various points during the pandemic, covered issues such as social distancing, the wearing of face coverings, introducing one-way systems, and hand sanitation. Later in 2020, beginning in September, more Covid-Secure guidance was put on a statutory basis to allow relevant authorities to better enforce breaches of it, and to support – for example – the Test & Trace programme through requiring businesses to require customers to register their details, and subsequently have them made available as necessary to Test & Trace. These measures were aimed to both reduce the transmission risk, and to support consumers to return to businesses that had been closed, given international evidence that demand had been slow to recover following the first wave of the pandemic.

130. On 10 September, the Chancellor's office, following a meeting with the Chancellor which had taken place on city recovery, discussed the Chancellor's priorities with HM Treasury officials, noting that he wanted to prioritise work on international comparisons covering health data, NPIs and quarantine rules.

131. On the evening of 11 September, the Covid Taskforce shared with HM Treasury a DHSC-produced paper proposing a three-tiered approach covering both social and economic restrictions in each tier [DYS/116/INQ000184585]. The paper set out an aim of simplifying the system of locally varied NPIs, while seeking to minimize economic disruption. After cross-government discussion in the course of the week of 14 September, HM Treasury officials submitted advice to the Chancellor on 17 September recommending that he should support the principle of a tiered approach to regional NPIs, but that DHSC's proposed approach should be amended so as to essentially implement very stringent restrictions on social activity before implementing restrictions on businesses and, in particular, that hospitality venues should not be required to close (or operate a takeaway / delivery-only model) in Tier 3 areas [DYS/117/INQ000184587]. This advice had been submitted ahead of a Covid(O) discussion due to consider the issue on 18 September [DYS/118/INQ000184588]. The Chancellor attended this meeting which did not reach a conclusion about the contents of the proposed tiers.

132. On 20 September, the Chancellor attended a Covid-19 Small Group Scientific Discussion, alongside the PM, Cabinet Secretary, CSA, CMO and a number of scientists, including Dr Anders Tegnell and Professor John Edmunds. The briefings provided by Cabinet Office sets out the purpose of this meeting was to discuss a range of scientific

views on the question 'should the government intervene now and if so, how?' [DYS/119 INQ000205659][DYS/120 OVERLAY][DYS/121 OVERLAY]. HMT officials were not asked to provide any briefings in advance of this meeting and were not advised as to the outcome.

133. A further Covid(S) meeting took place on 21 September, noting the continued rise in cases across England. Ministers were asked to agree measures including renewed messaging that winter would be challenging for management of the virus (and that a short and severe 'circuit breaker' might be required to decisively reduce cases either locally or nationally), in-principle agreement to a 'tiered' approach to regional interventions, a return to guidance asking people to work from home where they could, placing more Covid-Secure guidelines on a legal footing, requiring in law that all hospitality was table-service only and would be closed 10pm-5am except for delivery, requiring greater usage of face coverings, and removing exemptions to the rule of six. The briefing provided to the Chancellor highlighted the cumulative economic impact of the proposals on top of the restrictions already announced, particularly upon the hospitality sector. It supported further social restrictions, and cautioned against the mooted circuit breaker. The briefing highlighted international comparisons, arguing that other European countries were seeking to avoid national economic restrictions and that attempted short, sharp lockdowns were often extended beyond their intended duration [DYS/122/INQ000184589] [DYS/123/INQ000184590]. The package of measures put to the Covid(S) meeting was agreed and announced by the Prime Minister on 22 September [DYS/124/INQ000181692].

134. Following further discussion of tiering, there were exchanges between the Private Offices for the Prime Minister, Chancellor and SoS DHSC over 23-25 September about options for finalising Tier 3 [DYS/125/INQ000184591] [DYS/126/INQ000184592]. These remained inconclusive, with no agreement reached on whether Tier 3 would automatically mandate the closure of hospitality venues so they could operate on a delivery or take-away-only basis. The Covid Taskforce prepared separate advice for the Prime Minister, into which HM Treasury fed analysis on the economic impacts of different options being considered [DYS/127/INQ000184593].

Box 8. Winter Economy Plan

135. On 24 September the Chancellor announced his Winter Economy Plan to Parliament, which included a package of targeted measures designed to support growth.

136. The statement was clear that: 'As restrictions have changed, government support has evolved. Its goal remains to protect people's jobs and livelihoods, but as the path of the virus and the threat to the economy become clearer, government action needs to support jobs and businesses while at the same time allowing the economy to adapt to the new 'normal'.'

137. Measures included replacing the Coronavirus Job Retention Scheme with a new Job Support Scheme (less generous than CJRS and targeting the greatest support to legally closed sectors) and a further extension of the Self-Employment Income Support Scheme (also less generous than the previous scheme). There were also flexibilities to help businesses pay back loans and an extension of the tourism and hospitality sector VAT cut [DYS128/INQ000088028]. The planned replacement of the Job Retention Scheme with Job Support Scheme did not proceed on 1 November 2020 as planned following the announcement of the reimposition of national restriction for a four week period on 31 October. These measures will be discussed in more detail in the relevant module.

138. The Winter Economy Plan package also included the Test and Trace Support Payment ("TTSP") scheme which had been announced on 20 September following ratification of the policy at Covid (O) on 18 September (exhibit [DYS/118/INQ000184588] referenced above).

139. The TTSP scheme provided a £500 payment for people who: were self-isolating as a result of testing positive for Covid-19 or being identified as a close contact of someone who had tested positive; were employed or self-employed; were unable to work from home and would lose income as a result of self-isolating; and were currently receiving, or were the partner in the same household of someone receiving Universal credit or another means-tested benefit. Local authorities also had access to a discretionary fund to allocate to people who did not meet all of the criteria but would nevertheless suffer

hardship as a result of self-isolating. This scheme was initially introduced for four months from October 2020 to January 2021 but was subsequently extended.

140. Following further official-level discussions, an additional Covid(O) meeting on 5 October sought to finalise the position on tiering, ahead of a potential announcement planned for Thursday 8 October. HM Treasury officials briefed the Economic Secretary to the Treasury (who attended in place of the Chancellor) that he could agree in principle to this announcement, but that there remained points of ambiguity within the proposals which needed to be resolved prior to the announcement (for example on unclear distinctions between "*minimising non-essential travel*" and "*avoiding travel*") [DYS/129/INQ000184595]. Following this meeting, the Chancellor's office requested that HM Treasury officials pick up directly with counterparts in DHSC and the Covid Taskforce on outstanding points following the Covid(O) decision to agree the objectives in the paper, subject to some final clarification and the content of Tier 3.

141. The Prime Minister and Chancellor met on 7 October to discuss proposed restrictions across much of the North-West, North-East, Yorkshire and Derbyshire for four weeks from 14 October. The proposal included the prohibition of social mixing indoors and in private gardens, the closure of hospitality, indoor leisure and entertainment, personal care and most life events. The Chancellor's office commissioned briefing on the economic impacts of such proposals, which highlighted an expected increase in Universal Credit claims and a fall in hours worked, firm failures and redundancies, and the need for committing to a clear and prompt exit from the restrictions [DYS/130/INQ000184596]. No decision on these measures was taken at this meeting, with it instead being agreed that the Prime Minister and Chancellor would reconvene on 8 October to consider the latest health data regarding case numbers and trends on ICU occupancy, mass testing and the economic impacts of envisaged restrictions. The Chancellor's office commissioned briefing to support this, making specific requests across all three topics and asking for an alternative proposal regarding NPIs which could support more jobs while targeting settings that presented a higher risk of transmission.

142. Further briefing provided on 8 October to support this bilateral meeting (which was also attended by the CMO, GCSA, Chief Executive of NHS England and the Cabinet Secretary among others) set out detail on the NHS' levers to manage increased demand, how mass testing could best be funded and prioritised, and citing the latest evidence from PHE regarding where transmission was believed to be taking place. The briefing also set out

the expected economic impacts of the proposals being discussed [DYS/131/INQ000184597]. Following the meeting, it was confirmed by the Chancellor's office that although no final decision had been taken, the Prime Minister was not minded to agree to the proposal that had been tabled and that relevant local authorities would be engaged on potential NPIs over the course of the weekend of 10/11 October.

143. This approach led to a set of discussions with the leadership of relevant local authorities, commencing on 9 October. The Prime Minister, Chancellor, SoS DHSC and CDL received an update from No.10 and Covid Taskforce officials on these calls, setting out general scepticism among the leaders of local authorities in the North-West and North-East about economic restrictions, which was accompanied by requests for financial support and a more generous offer of economic support for local authorities implementing tighter NPIs. This meeting of senior ministers concluded that officials should prioritise reaching agreement with the local leadership of Merseyside and Manchester regarding tighter NPIs being imposed. Meetings with the leadership of relevant local authorities continued over the weekend to deliver against this objective, with HM Treasury officials joining certain calls to set out details of the envisaged financial and economic support offer for local authorities in different levels of restrictions.

144. After extensive discussion across government, the Prime Minister announced the initial system of "tiering" across England on 12 October. These tiers consisted of what was, at that point, the national baseline of NPIs in Tier 1, stricter social restrictions including a ban on household mixing in Tier 2, and further restrictions on hospitality (prohibiting venues from serving alcohol without a substantial meal) alongside potential further, bespoke, restrictions in other sectors in Tier 3.

145. After the adoption of the tiering system, the Covid Taskforce convened meetings of analysts from HM Treasury and the JBC to consider how best to monitor the impacts of different tiers from both a health (in terms of reducing the spread of the virus) and economic perspective. This work sat alongside ongoing ministerial meetings about moving different regions in between tiers, with changes taking place on each of 14, 17, 23, 24, 27, 30 and 31 October. Each of these changes required collective agreement, necessitating frequent ministerial meetings. While outside the scope of this Module, the increasing use of localised restrictions also led to further changes in the economic and financial support available depending on the levels of restrictions in place, and the consequential impact on both legally closed businesses and those that were open but facing reduced consumer

demand. These were announced by the Chancellor on 22 October 2020 [DYS/132/INQ000181688].

146. On 30 October, a Covid(S) was scheduled for the mid-afternoon. This meeting received a proposal from the Covid Taskforce for a four-week England-wide lockdown, with schools and universities remaining open, aimed at protecting the NHS, getting R decisively below 1, and acting at that point to allow better choices around Christmas. Given the uncertainty leading into the meeting and frequent discussions with the Chancellor over the preceding weeks, which included the provision of a number of papers and analysis ([DYS/133/INQ000184598] [DYS/134/INQ000184603] [DYS/135/INQ000184600] [DYS/136/INQ000184601] [DYS/137/INQ000184602]), no papers were circulated prior to the meeting and as a result no briefing or submission was commissioned for the meeting which agreed to the proposition. This decision was subsequently confirmed at a Cabinet meeting on 31 October.

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

Signe

Dated: 22/06/2023

Annex A. Eat Out to Help Out scheme

A.1 Introduction

147. The Eat Out to Help Out ("EOTHO") scheme was formulated in May and June 2020 by HM Treasury, in partnership with HM Revenue & Customs. The scheme was introduced in the context of the safe reopening of the hospitality sector following the first Covid lockdown, on the basis that premises implemented 'Covid-Secure' measures, designed by the Government in conjunction with health and scientific experts.

148. Following the first 2020 lockdown, HM Treasury was extremely concerned about the potential for widespread unemployment in the absence of a recovery in consumption. Consumption accounts for a large proportion of the UK economy and the hospitality and leisure sectors in particular are very employment intensive, with employees tending to be younger and on lower incomes and therefore extremely vulnerable to unemployment.

149. Hospitality and leisure businesses had been particularly impacted as their in-person settings had been closed during the lockdown, in contrast to many other sectors which were more easily able to adapt, for example with staff working from home. Even after the reopening of settings, necessary Covid-Secure measures had the effect of reducing the volumes of customers these settings could accommodate. Businesses in the hospitality sector are often low margin; therefore reduced demand and reduced capacity threatened the viability of many businesses in the sector.

150. The EOTHO scheme was designed to be relatively small and cheap, but eye-catching, in order to reassure the public that hospitality venues, in the context of their Covid-Secure measures, were now safe to access following the earlier mandatory closure of the sector, and hence to encourage behavioural change and increased consumption. The ultimate objectives of this, together with wider support for the hospitality sector, were to help support employment and preserve otherwise viable businesses at risk of failure.

151. Following the end of the scheme, HM Revenue & Customs, the department responsible for administering the scheme, examined available data to ascertain whether any relationship existed between the use of the EOTHO scheme and increased cases of Covid-19. This analysis found *"little evidence to support the claim that the [Eat Out to Help Out] scheme directly led to an increase in COVID-19 cases, on a UK-wide level"*.

A.2 Decision making and the EOTHO scheme

152. HM Treasury is the Government's economics and finance ministry, whose objectives are to maintain sound public finances, deliver sustainable economic growth and maintain macro-economic and financial stability. HM Treasury contributes to Cabinet-level decision-making through the Chancellor of the Exchequer, who decides on HM Treasury policy with a focus on the objectives set out above. Throughout the period addressed in this statement, HM Treasury officials worked to inform and advise the Chancellor and other departmental ministers ahead of their participation in Cabinet-level decision-making fora, responding to ministerial requests for briefing, analysis and advice as necessary. Please see the main statement for further details on the respective roles of ministers and officials, and the decision-making process.

153. Decision-making on the EOTHO scheme was the responsibility of the Chancellor. The policy design of the scheme was largely worked-up by HM Treasury officials, as directed by the Chancellor's objectives and steers. As the policy options were developed and narrowed into what ultimately became the EOTHO scheme, the Chancellor agreed that delivery of the scheme should be led by HM Revenue and Customs. HM Revenue & Customs officials therefore also played an important part in supporting the Chancellor through later advice on the scheme, both prior to and following its announcement. This statement therefore also includes reference to HM Revenue & Customs role in the issues, events and topics covered, where relevant information is held by HM Treasury. However, a detailed account of delivery matters and the full role of HM Revenue & Customs is outside the scope of this statement.

154. Under the EOTHO scheme, individuals could get a 50% discount on food or non-alcoholic drinks to eat or drink in, up to a maximum of £10 per diner. The EOTHO scheme ran every Monday, Tuesday and Wednesday between 3 August and 31 August 2020 (13 days in total). Individuals could use the scheme as many times as they wished. There was no minimum spend requirement. The discount was automatically available at participating restaurants, which had registered for the scheme. The establishments would then claim a reimbursement from HM Revenue & Customs for the discount provided to the individuals. Participating establishments could include restaurants, cafes, bars, pubs, work and school canteens or food halls, where food could be consumed on the premises. The EOTHO scheme did not extend to takeaway services. The EOTHO scheme closed on 31 August 2020. As set out above, during the period EOTHO was in place, hospitality venues could

open as long as they abided by Covid-Secure measures such as table service, providing clear guidance on social distancing and encouraging the use of hand sanitiser.

155. Whilst the EOTHO scheme was undoubtedly a high-profile and novel economic intervention, it was only one comparatively small part of a much broader package of economic support measures, which benefited the hospitality sector during the summer of 2020 . The EOTHO scheme was announced as part of the ‘Plan for Jobs’ by the Chancellor on 8 July 2020 – the overall package, and associated estimated costs, are set out in Table 1 below. Over the course of the crisis the sector also benefitted from the following measures, amongst others:

a. business rates support for the retail, hospitality and leisure sector,

b. business grants, administered by local authorities; and

c. access to economy-wide schemes, including the Coronavirus Job Retention Scheme (CJRS), the Covid-19 loan schemes, substantial tax deferrals and protection from eviction for commercial rent arrears relating to Covid-19.

Table 1: Plan for Jobs policy decisions

	£ billion Total
Job Retention Bonus	
Job Retention Bonus[1]	Up to 9.4
Supporting jobs	
Kickstart Scheme[2]	2.1
Boosting worksearch, skills and apprenticeships[3]	1.6
Protecting jobs	
Reduced rate of VAT for hospitality, accommodation and attractions[4]	4.1
Eat Out to Help Out[5]	0.5
Creating jobs	
Infrastructure package[6]	5.6
Public sector and social housing decarbonisation	1.1
Green Homes Grant[7]	2.0
Stamp Duty Land Tax temporary cut[8]	3.8
Total support announced[9]	**Up to 30**

[1] This presents the maximum possible cost if the bonus is paid to all 9.4 million furloughed jobs claimed for as at 5 July. The final cost will depend on the number of qualifying furloughed employees that are retained. Costs will likely be lower than the maximum presented in this table.
[2] Final costs and timing of spending subject to take up.
[3] Includes the indicative cost of 100,000 incentive payments for new apprenticeship hires. Final costs will depend on the number of new apprentices hired and may be lower.
[4] Based on eligible spending in the Spring Budget 2020 VAT forecast. The final cost will depend on consumption levels.
[5] Based on 2018 ONS Annual Business Survey turnover for the relevant sectors, then grown with the Spring Budget consumption forecast. The final cost will depend on take up and could be lower or higher.
[6] Infrastructure spending announced by the Prime Minister on 30 June.
[7] Final costs will depend on take up.
[8] Based on eligible payments from Spring Budget 2020 property forecast. The final cost will depend on property transactions and price levels.
[9] This presents the maximum level of fiscal support available. As explained above, the final costs will be dependent on take up of the schemes, how the economy recovers and the number of rehires of furloughed workers qualifying for the Job Retention Bonus. In aggregate the final costs are likely to be lower than the maximum set out here. A small proportion of the costs may occur after 2020-21, especially where spending is dependent on take up.

A.3 The formulation of EOTHO policy

156. As set out in the main statement, on 10 May 2020, the Prime Minister set out publicly a timetable for the easing of the Non-Pharmaceutical Interventions (NPIs) imposed in England, thereby seeking to ease the restrictions imposed during what is now referred to as the first national lockdown. This included setting out a roadmap that would see certain businesses be able to reopen, albeit subject to certain restrictions including strict social distancing requirements. Under the roadmap announced, pubs and restaurants were to reopen on 4 July 2020.

157. In May 2020, it was therefore in that context that HM Treasury officials' analysis of the economic impact of the pandemic included assessing the impacts on household consumption and considering ways to support consumption (and hence employment reliant on this consumption) and therefore the economy, as part of the immediate economic recovery following the easing of NPIs. This analysis was reflected in a submission commissioned by the Chancellor dated 19 May 2020, setting out advice regarding the impact of the pandemic on household consumption and its importance in economic recovery and setting out a number of policy options to help restore consumption [DYS053/INQ000088055]. As the 19 May 2020 submission explained, "*Household consumption represents 63% of GDP and is therefore the largest part of the economy. Due to this relative weight, small changes in household spending can have noticeable implications on [sic] economic growth*". Because household consumption is the largest component of GDP and because sectors within the economy that rely on it are employment intensive, it is vitally important for both the performance of the economy and employment in the near and long-term. HM Treasury officials were extremely concerned that, if consumers did not return to hospitality, leisure and retail venues, many businesses might not survive; this was exacerbated by these sectors being particularly reliant on customer footfall and limited in how they could adapt. Should this happen, hundreds of thousands of people risked becoming unemployed; the hospitality workforce is generally young and on lower incomes and therefore these workers are particularly vulnerable to sudden unemployment. There would also have been impacts on creditors, contributing to further economic disruption.

158. It follows that, the longer household consumption remained depressed, the greater the economic and fiscal cost. A significant part of HM Treasury officials' work around May 2020 was therefore to consider how best, within the context of the safe lifting of NPIs, to support the economy and stimulate consumption.

159. In order to help assess the impact of the pandemic on household consumption, and as set out in the 19 May 2020 submission, HM Treasury officials obtained card spending data from a number of sources, including Office for National Statistics card spending data, Barclays spending analytics and daily CHAPS Bank of England estimates. The data suggested that household spending had plateaued significantly below pre-Covid-19 levels. The examples cited in the 19 May 2020 submission indicate a year on year drop in card spending of between 20 and 30%. By way of comparison, and to provide context, the highest recorded fall in consumption in a previous recession was 5.5% between the first quarter of 2008 and the second quarter of 2009. The overall pattern of spending having plateaued substantially below pre-Covid-19 levels was consistent across the UK although there was variation in the scale of the spending decline across the country; card spending was noticeably down in London relative to the rest of the UK. There was also evidence that seaside and university towns had seen greater falls in spending.

160. The impact of Covid-19 on different types of consumer spending was markedly different. The largest falls in activity were seen in respect of (i) restaurants and fast foods, and (ii) travel, with spending down 71% and 88% respectively.

161. HM Treasury officials also examined international experience, following NPIs being eased in other countries. Generally, and as at 19 May 2020, a rapid return in activity and consumption was not being seen in other countries where lockdowns had been eased, although it was gradually increasing. Differences across countries, where first phase easing of measures varied, made drawing robust conclusions difficult. But, for example, in Germany, in the first week of eased restrictions inner-city sales were 67% lower than normal, compared to 83% lower during the 'hard lockdown'. In Spain, according to the Spanish Confederation of Commerce, over 80% of small businesses had chosen not to reopen as they expected low sales, although it was estimated that around 40% of retail had opened by the end of the first week. In China, retail sales recovered more slowly than industrial production following the lifting of NPIs and, in the USA, states which had eased restrictions (e.g. Alaska, Georgia, Oklahoma, South Carolina) had seen spending plateau well below pre-virus levels following the easing of restrictions on activity. HM Treasury officials also considered that confidence that the virus was under control may have played a role in people's behaviour: in New Zealand, for example, where case and death numbers had been very low, there had been more reports of a surge in activity, around fast-food restaurants and hair salons, as lockdowns had been eased. International experience

therefore indicated that the lifting of NPIs was unlikely of itself, at that stage, to see household consumption return to near pre-Covid-19 levels.

162. HM Treasury officials considered that the main factors that had affected consumption were (a) government action, including the imposition of NPIs, which had closed many sectors of the UK economy and made it impossible, and indeed illegal, for people to consume goods and services in the usual way, and (b) the strong public health message which the Government had sent which had dissuaded people from non-essential activity generally and meant that individuals could be reluctant to consume certain goods/services if they were concerned about the potential impact on their health. In the context of HM Treasury's role in setting the direction of the UK's economic policy, and working to achieve stronger and sustainable economic growth, and based on analysis of the factors set out above assessed to be affecting the level and growth of consumption (as set out in the 19 May 2020 submission), HM Treasury officials considered that the policy response needed to involve a series of steps.

163. First, HM Treasury officials considered the safe lifting of NPIs to be the initial and most vital first step for supporting consumption. That was a prerequisite for consumption recovering.

164. HM Treasury officials considered that measures also needed to be taken, simultaneously with the safe lifting of NPIs, to ensure that individuals felt that it was safe to consume goods and services. It was considered that this could be achieved through careful and positive communications, targeted advertising, clear government enforcement of measures such as social distancing and credible and effective health policy/spending.

165. They expected that the effective delivery of this first step (the safe lifting of NPIs and the simultaneous measures to ensure that individuals felt that it was safe to consume goods and services) would restore a significant proportion of the reduced consumption, because it would unlock the 'hard barriers' that had constrained consumers and because it was anticipated that many households would have increased savings as a result of the lockdown. HM Treasury officials assessed that this was likely to be causing a measure of pent-up demand expected to emerge once NPI constraints were lifted. That analysis was consistent with previous recessions where consumption had tended to return quickly after the initial shock.

166. Secondly, it was in this context, namely the safe lifting of NPIs and encouraging the safe consumption of goods and services (in order to support employment and preservation of viable businesses), that HM Treasury officials considered that there might be a case for temporary policies to support consumption, either to support certain sectors or to provide a targeted incentive to consumers who might not otherwise do so to leave home and consume certain goods and services. In order for such policies to be effective, theses policies needed to be credibly temporary (i.e. for a limited period only), so consumers were actively incentivised to bring forward their consumption rather than delay their spending. Also, it was considered that such policy options could send a strong positive signal that such consumption was safe.

167. Conversely, HM Treasury officials considered that measures targeted at the economy as a whole should not be deployed at that stage, so further support for the whole economy (such as, for example, a cut in the main rate of VAT) could be held back and deployed if consumption failed to 'bounce back' after the complete lifting of NPIs. There was also a concern that whilst the immediate outlook was for lower inflation, there was a risk that additional measures to boost consumption could lead to overheating the economy in recovery and higher inflation. Similarly, additional income support was considered unlikely to be an effective way of boosting consumption. The job retention and income support schemes already in place (e.g. CJRS and SEISS) were already providing significant and unprecedented support. Further broad-based income support (such as the stimulus cheques used in the USA) would be unlikely to be effective at supporting consumption, as the money would be more likely saved or used to pay down debts. That was especially the case if NPI measures remained in place or uncertainty / low confidence remained amongst consumers.

168. As a result, and as set out in detail in the 19 May 2020 submission, HM Treasury officials recommended that the Chancellor take steps to support consumption in the short term by safely lifting the NPIs and take steps to support consumer confidence through messaging to the public, supported by the Government's strategy on health, which would also be key to the return to consumer confidence. HM Treasury officials also recommended that the Chancellor should consider pursuing regulatory stimulus (examples being continuing the measure already in place to allow all restaurants to offer takeaway services with no change of use requirement, supporting planning changes to enable restaurants to use outside space or further liberalisation of retail opening hours), and developing temporary, targeted price incentives to support consumption in the sectors where there was greatest need. Because consumption, unlike investment, tends to recover

quickly after crises, HM Treasury advised the Chancellor to focus on short-term interventions which would bring forward consumption at that point in time and unwind quickly as the economy recovered. HM Treasury also noted that many of the most effective levers, such as mass voucher schemes, would be novel and untested and it would take time for HM Treasury to develop and deliver the best options. HM Treasury also considered that health interventions, including the readiness of Test and Trace (the strategy for which was being formulated at that time), would be essential to supporting consumer confidence and may have substantial benefits for consumption if delivered effectively.

169. As set out in the main Module 2 statement, HM Treasury's role in decision making is to set direction on economic policy and work to achieve stronger and sustainable economic growth. It is ultimately the role of the Prime Minister to balance the range of objectives across the whole of the government to reach collective decisions. In that context, the work that HM Treasury carried out, at that time, to analyse, devise and formulate economic policy to support and stimulate the economy was predicated on the basis that such policy could only be designed and implemented in a way that was consistent with the decisions taken around the safe easing or lifting of NPIs and therefore consistent with decisions taken collectively across government regarding how best to respond to the pandemic and when and how safely to ease NPIs. It was within those parameters that HM Treasury sought to formulate economic policy to support and assist the recovery of the economy, and, regarding what ultimately became the EOTHO scheme, to support and stimulate household consumption (in the context of supporting employment and preservation of viable businesses). In short, the EOTHO scheme was designed to operate consistently with the broader decisions taken by HM Government regarding how to respond to the pandemic (discussed in the accompanying overarching statement on Module 2). As a result, HM Treasury did not seek or receive scientific advice or data relating to the virus in relation to the EOTHO scheme. Nor did HM Treasury consult SAGE or seek its advice on the EOTHO scheme prior to its implementation. To have done so would have been extremely unusual, as SAGE's remit during the crisis did not include advising on economic support measures.

170. Overall, HM Treasury officials considered there to be a strong case for considering targeted price incentives, especially to support sectors which had been hardest hit. HM Treasury officials carefully considered international examples of voucher schemes (see in particular Annex B to the 19 May 2020 submission) as they had been a popular way, internationally, to support consumption, including, as in France and Austria, focusing on

bars and restaurants. As explained above, generalised stimulus, directed at the economy as a whole, was considered to be the wrong solution to the consumption problem at that stage, and recommended that whole economy levers should be kept in reserve and only deployed if there was ongoing evidence of a consumption problem once NPIs were fully lifted. Accordingly, the recommendation to the Chancellor was that HM Treasury officials develop temporary support options focused on targeted ways to reduce prices for consumers, including a possible voucher scheme, as well as to provide regulatory support, and in due course provide the Chancellor with a more developed proposal along those lines and reflecting any steers from him.

171. On 1 June 2020, HM Treasury officials provided a further submission to the Chancellor [DYS138/INQ000088058] . The purpose of the 1 June 2020 submission was to set out detailed information to enable the Chancellor to consider the relative merits of either a targeted VAT cut, aimed at particular sectors, or a bespoke voucher scheme to support consumer demand and therefore support economic recovery. HM Treasury officials' advice to the Chancellor in the 1 June 2020 submission can be summarised as follows:

a. Steps to stimulate consumption should only be deployed once the stringent NPIs then in place had been safely lifted. Whilst the timetable remained uncertain, at that stage the earliest dates when relevant sectors would be allowed to reopen were 22 June 2020 for outdoor restaurants, bars, cafes and pubs and 4 July 2020 for all other hospitality/leisure. It was also acknowledged by HM Treasury that sectors could be forced to close again if a second wave of infections appeared likely and that there could be geographical variations if lockdowns were reinstated on a localised basis once the Joint Biosecurity Centre was operational. Whichever course was chosen, the interaction with the NPIs would be crucial; no consumption stimulus could be effective until relevant sectors were allowed to reopen.

b. There was a case for targeted and temporary measures to support the hardest hit sectors by generating additional spending that would not otherwise happen and to bring forward that spending to support the recovery. A time-limited intervention with a clear expiry date would be most effective to bring forward consumption.

c. In this context, the policy can also send a strong positive signal to consumers that consumption is safe.

d. The economic evidence pointed towards pursuing a voucher scheme as the best option to generate additional consumer spending in a timely way. It could generate a clear signal to the public and would carry less deadweight loss (subsidising of expenditure that would have taken place in the absence of the intervention) and likely a lower fiscal cost than a VAT cut.

e. However, HM Treasury considered the delivery risks attached to a voucher scheme to be substantial and potentially insurmountable, if focused on a summer 2020 timetable.

f. The voucher scheme (or VAT cut) should be targeted at the worst affected sectors. The strongest case would be to target a scheme at food and beverage services (cafes, bars, pubs and restaurants), for the following reasons:

   i. The sector is a major employer, supporting 2 million jobs (5.5% of UK), disproportionately occupied by young, female, part-time workers, in the bottom half of incomes.
   ii. Linked to the previous point, this was a sector that was making heavy use of the CJRS. Therefore, whilst intervention to support the successful reopening of the hospitality sector would carry costs, these held out the possibility of off-setting savings by helping to reduce use of the CJRS.
   iii. This is a sector where consumption had been reduced most significantly. Spending on restaurants and fast food was down 58% compared to the same week in 2019, albeit an improvement on the minus 77% at the start of April.
   iv. The sectoral eligibility would be easy to explain via a public communications campaign.

g. Takeaways could be included in the scheme, which would increase the degree of support provided to the sector and also help mitigate likely criticism of the scheme from individuals/groups who would not otherwise be able to benefit from the voucher, particularly the shielding population. However, as below the advice noted that broadening the scope of the scheme would make it more challenging to define and police clear boundaries.

h. The strength of the case for targeting restaurants and bars would be subject to an ongoing judgement regarding the extent to which they have excess capacity, which in turn would depend on the latest requirements to be Covid-Secure, which remained uncertain.

i. In general, the broader the business population targeted, the more challenging it would be to define clear and policeable boundaries. HM Treasury officials had considered whether domestic tourism accommodation could be included in a scheme, as part of a campaign to promote 'staycations'. However, the voucher value would have needed to be much higher to generate additional trips than it would, for example, to generate additional meals out, so officials advised that vouchers for domestic tourism (unless very generous) were likely to generate a higher deadweight loss.

172. The 1 June 2020 submission analysed in detail the potential scope, timing and impact of a targeted VAT cut, again drawing on international comparators where certain tourism and hospitality-related services were subject to a reduced tax rate. Annex A to the 1 June 2020 submission sets out examples of other countries which had amended their VAT rules or taken other measures to support these industries.

173. In relation to the potential voucher scheme then under consideration, the 1 June 2020 submission also set out some possible options around individual eligibility (such as whether to restrict eligibility to lower income individuals or households) and how the scheme might be delivered, albeit on a preliminary basis and high level.

174. Some initial cost estimates of a voucher scheme were also provided in the 1 June 2020 submission. The cost assumptions ranged from £263 million (on the basis of a £20 voucher taken up by 25% of UK individuals aged over 18) to £1,053 million (on the basis of a £50 voucher taken up by 40% of UK individuals aged over 18). HM Treasury had also had regard to general analysis by the OBR, examining take-up of different government schemes, but it was recognised that more refined costings would need to be worked up as the possible scheme design became clearer.

175. At that stage, 1 June 2020, HM Treasury sought from the Chancellor any initial design steers for a voucher scheme, recognising that HM Treasury still needed to fully explore what could be delivered rapidly. An indicative model scheme was annexed to the 1 June 2020 submission together with a summary of how such a model would compare to existing gift card or pre-paid debit card schemes. In order to explore technological solutions, HM Treasury wished to discuss theoretical fintech solutions with private sector companies. HM Treasury therefore noted that if the Chancellor wanted officials to continue to develop the scheme, they would ask to engage more fully with the Cabinet Office and Crown Commercial Service to explore the best way to procure or deliver a scheme through a third-party. At that time a number of different options were being explored which would have required working with a third-party supplier, including:

a. Vouchers that could be distributed to individuals through different digital routes, e.g. in the form of a QR Code for mobile phones;

b. Pre-paid debit cards that could be distributed through digital wallets or distributed in physical card form;

c. Vouchers or financial rewards that could be loaded onto individuals' existing debit cards e.g. in the same way that some card providers have cash-back incentive schemes.

176. HM Treasury also suggested approaching HM Revenue & Customs to discuss their capacity to contribute to delivery, noting that they were already stretched across different priorities.

177. Following this advice, HM Treasury moved to focus its analysis on how such a voucher scheme might work. In a submission to the Chancellor dated 11 June 2020, HM Treasury set out its initial assessment, having built an understanding of the models and technologies used as part of other government voucher schemes (eg free school meals) as well as voucher schemes used in the private sector, that such a voucher scheme could be delivered for August 2020, albeit with rough edges and significant delivery risks, due to the extremely compressed timeframe [DYS139/INQ000088061]. In particular, there was a concern that HM Treasury would not have time to properly test developed systems, meaning that there would likely be issues with user experience. Also, it was considered inevitable that some businesses would be wrongly excluded or argue that their exclusion was unprincipled or arbitrary and that there would be issues with certain individuals accessing or redeeming their vouchers. Again, it was acknowledged that there would also be significant risks of fraud that HM Treasury could only partly protect against.

178. On the morning of 15 June 2020, it was indicated by the Chancellor's assistant private secretary that the Chancellor had noted the advice in the 1 June 2020 submission and wished HM Treasury officials to further explore the idea of the pre-paid Mastercard / Visa system and to provide a further update later that week. The Chancellor agreed with HM Treasury officials that delivery of any such scheme sat most aptly with HM Revenue & Customs but wanted to understand the impact on HM Revenue & Customs' other delivery priorities before making a final decision [DYS140/INQ000088063].

179. Later on 15 June 2020, the Chancellor's assistant private secretary emailed [DYS141/INQ000088064] HM Treasury officials to report that he had discussed vouchers

further with the Chancellor, and in particular that, "*is also open and would like you to explore at pace a more universal system, whereby all restaurants / eligible sectors automatically get say a 10% (or whatever the right number is) reimbursement from HMG for consumers on their dining bills, which those businesses can claim back via existing systems (CJRS or other etc). In essence, meaning all consumers need to do is turn up and eat at a restaurant, with 10% already automatically off their bill, and the restaurant reclaims that from HMG. Obviously will need to work the eligibility aspect – but if that's simpler to deliver than a twin-armed approach, we should prioritise that... We have some time Wednesday to discuss with the Chancellor, where we should go through a) your conversations with private sector providers and where you've got to with those b) whether this more universal model is a feasible alternative.*"

180. On 16 June 2020, HM Treasury officials submitted further advice to the Chancellor, setting out a review of conversations with third party card providers [DYS142/INQ000088065]. It was clear however that the implementation of any card-based scheme involving the provision of benefits or rewards tied to individuals was going to be very challenging in the time available.

181. As a result, the 16 June 2020 submission concluded with an invitation to consider other approaches for stimulating consumption within the hospitality sector. These included a reduced rate of VAT for the tourism and holiday sectors as well as "*measures that would entitle businesses to claim reimbursement for consumer expenditure in a qualifying period – e.g. a % claim back or an absolute reduction per meal or head, perhaps with a cap*". It was noted that such an approach could be made more flexible than VAT and could be made of benefit to businesses that fell below the VAT registration threshold. However, it was also noted that it would require a manual reclaim process and would mean businesses having to accept a cash-flow impact. HM Treasury assessed that options not tied to individuals would be less novel and simpler to deliver but that that would need to be traded off against their higher fiscal cost, the greater likelihood of deadweight and the risk of measures becoming permanent.

182. Work continued on the vouchers issue at pace. Following a meeting with the Chancellor on 17 June 2020, HM Treasury officials were tasked to do further detailed work, ahead of a further meeting on 19 June 2020, regarding the delivery of a) a scheme involving the distribution of pre-paid debit cards, or alternatively the provision of a cash-back reward to individuals that use a registered debit card to spend within participating restaurants; and b) an alternative proposal whereby a letter/voucher would be sent to all

households which would entitle the recipient to a cash benefit at eligible restaurants who would then reclaim the benefit. Also, a potential VAT cut for the hospitality sector remained on the agenda [DYS143/INQ000088066].

183. HM Treasury officials set out analysis of these options, including the risks attaching to them, in a submission dated 18 June 2020 [DYS144/INQ000088068] . Following the meeting on 19 June 2020, HM Treasury officials produced a further submission, dated 22 June 2020, ahead of a further vouchers meeting on 23 June 2020 [DYS145/INQ000088069]. The 22 June 2020 submission considered two options to encourage people to return to restaurants, namely a) the distribution of pre-paid debit cards and b) the announcement of a fiscal incentive for eligible expenditure in restaurants in the UK for a time limited period accompanied by a targeted communications campaign.

184. The first option, namely the distribution of pre-paid debit cards, presented substantial challenges and risks. For example, registering every adult in the UK would have presented very significant challenges in the time available. Even if that could be achieved, there would have been significant risks associated with tens of millions of cards being distributed through the post as part of a highly publicised and marketed scheme, such as theft, fraud and loss. That was a risk that also attached to sending out vouchers by post. A substantial customer support function would also have been required, which did not exist. The compressed timetable of the scheme increased the significance of these challenges.

185. The second option, as noted in the 22 June 2020 submission to the Chancellor, "*would be subject to your specification, but could be a percentage off or a reduction of £X, when you spend above £Y. The policy could also be finessed in a number of ways to sharpen its impact, including so that it would only be active Monday – Thursday when demand is lower. It may also be possible that the incentive may only be available against specific comestibles eg food and soft drinks, but this would be challenging to enforce.*" It was assessed that this scheme would have fewer delivery risks than the pre-paid debit card option and could be delivered to a summer timetable. In terms of risks associated with this option, HM Treasury officials assessed that it was likely to have less impact on behaviour than a pre-paid scheme, although it could be augmented by a targeted letter campaign and it was assessed that an ongoing incentive over the course of a month could be expected to have a greater behavioural impact than a one-off incentive. Other risks identified at this stage were around identifying eligible businesses, risks with fraud and compliance, such as preventing and detecting inflated claims, and ensuring that the

reimbursement process was particularly smooth so as to avoid the risk that restaurants that did not expect a demand problem chose not to register for the scheme.

186. Following the meeting on 23 June 2020, the Chancellor agreed to drop further work on the two debit card ideas (a pre-paid debit card or a rebate) [DYS146/INQ000088070]. The policy focus remained on restaurants and eating out and responding to the risk that the public had got out of the habit of eating out over the previous few months. The Chancellor requested that full policy focus be directed to developing the option of an HM Revenue & Customs letter to households which could be used as a voucher in eligible businesses. As recorded in the summary of the 23 June 2020 meeting, the Chancellor remained minded towards excluding alcohol, a capped meal size to avoid subsidising very expensive meals and a system which was only available Monday to Wednesday/Thursday, when demand is lower. The Chancellor had noted the fraud risk but asked HM Treasury to do further work on how best it could be mitigated.

187. At this time, HM Treasury officials were analysing the various impacts of the voucher schemes under consideration. On 25 June 2020, HM Treasury officials circulated a document [DYS147/INQ000088071] analysing the potential benefit of a £1 billion voucher scheme to households in different income brackets, depending on whether the benefits of the scheme were distributed across the household income distribution in line with expenditure on restaurant and café meals or equally. The latter was considered to be more progressive.

188. There continued to be frequent dialogue between HM Treasury officials and the Chancellor in this period in relation to this proposed policy. A further meeting [DYS148/INQ000088072] with the Chancellor took place on 25 June 2020 (following the production by HM Treasury of a further submission dated 24 June 2020) at which, amongst other things, eligibility criteria were discussed [DYS149/INQ000088073]. At that stage, the Chancellor was minded not to include takeaways in the voucher scheme but HM Treasury officials agreed to come back with full and final advice on eligibility including more analysis to inform the decision as to whether or not to include takeaways.

189. As HM Treasury officials sought to refine the proposal, further work was carried out to understand the sector better, including through detailed analysis [DYS150/INQ000088074] of the average household spend on eating out and speaking to Henry Dimbleby, a hospitality sector expert with connections to other parts of the sector [DYS151/INQ000088075].

190. By the end of June 2020, the final version of the scheme was starting to take shape. A further meeting took place, at short notice, between the Chancellor and HM Treasury officials on 29 June 2020 [DYS152/INQ000088076] . The readout from the meeting on 29 June 2020 records the Chancellor's decisions on a number of issues, which were ultimately reflected in the final design of the EOTHO scheme, including:

a. The design approach of a discount per head,

b. The maximum cap per head of £10. In relation to the % discount, the Chancellor wanted further advice from the behavioural insights team as to whether 1/3 off or 40% off would drive greater consumer response,

c. No minimum cost cap,

d. The scheme was to operate Monday to Wednesday,

e. Alcohol would not be included in the scheme.

191. HM Treasury officials continued to brief the Chancellor on the impact of the Covid-19 crisis on various sectors of the economy, including the hospitality sector. A briefing on the hospitality sector to the Chancellor dated 30 June 2020 explained that, by that time, pubs and restaurants had been closed since 22 March 2020 and had been some of the businesses hardest hit by Covid [DYS153/INQ000088077] . Before the pandemic, pubs and restaurants had together contributed approximately £40 billion in Gross Value Added and employed over 2 million people. However, 83% of workers had been furloughed and 75% of businesses were not trading. Pubs and restaurants were due to reopen on 4 July 2020 but it was clear they would be impacted by both constrained supply and suppressed demand in the near to medium term. This analysis considered how to help increase both supply and demand. The most recent polling data available to HM Treasury, from 17 June 2020, suggested that if restrictions were lifted that day, 34% of respondents would be willing to visit a pub, bar or restaurant whereas 52% wouldn't (versus 31% and 55% on 27 May 2020). It was also noted that firms in the sector typically operate on very slim margins and low cash reserves and many would not be profitable with social distancing in place. Re-opening at 1 metre social distancing would constrain capacity, even if there was sufficient demand. UK Hospitality reported that, on average, capacity across the sector would be capped at 60%. It weas estimated that, if trading at 60%, costs would outweigh sales for many businesses and redundancies and insolvencies would begin to crystallise. This supported the importance to the sector of making best use of available capacity by stimulating demand. HM Treasury officials' analysis concluded that vouchers would have

behavioural impacts and indicated the scheme should be limited to Monday to Thursday to help smooth demand across the week, limiting excess demand at the weekend and reducing spare capacity Monday to Thursday.

192. In a submission dated 30 June 2020, the policy design for what was by then being referred to as a 'restaurant discount scheme' (rather than a voucher scheme) was becoming increasingly developed [DYS154/INQ000088079]. The policy objective of the scheme, namely to intervene to boost consumption in the hospitality sector (and thus to protect employment and preservation of viable businesses), remained constant however and is encapsulated in paragraph 1 of the 30 June 2020 submission: "*Consumption is the largest component of GDP and vital to the performance of the macroeconomy. The longer consumption is depressed, the greater the economic and fiscal cost of the COVID-19 crisis, including via business and labour market scarring channels. Consumption in the hospitality sector has dropped significantly during lockdown, in line with NPI restrictions and connected to health uncertainty and low confidence. Internationally, where lockdowns have been eased, we have not seen a rapid return in activity and consumption, though it is gradually increasing.*" In paragraph 2 of that submission to the Chancellor, HM Treasury officials recorded that, "*You have asked us to consider how to support the economic recovery by stimulating consumption in the hospitality sector, with focus on businesses that sell food for immediate consumption on the premises, including restaurants, cafes, pubs and bars. You have also asked us to consider how we can incentivise consumers to break their lockdown habits and consume sit-down meals, altering social behaviours that risk becoming entrenched. You have decided that you wish to provide that incentive through a discount on sit down meals.*"

193. The purpose of the 30 June 2020 submission was to secure final decisions from the Chancellor on a number of features of the policy design including whether he still wished to exclude alcohol from the scheme, the scale of the discount to be offered (at that point the options were either 1/3 or 40%), that he agreed to roll out the policy UK-wide, and also setting out a detailed equalities impact assessment of the scheme. HM Treasury officials considered that this scheme may be disproportionately under-used by disabled people, those who have been shielding, pregnant people, BAME people, men and those with caring responsibilities. HM Treasury officials considered whether amendments to the policy should be made to address these issues, including whether to include takeaways in the policy in order to mitigate some of the access issues faced by different groups with protected characteristics. However, officials did not consider this would be in line with the Chancellor's intent to encourage confidence to attend hospitality settings in person. HM

Treasury also noted that this was a time-limited offer which would support employment, and that employees in the sector were disproportionately young, female, part-time workers and in the bottom half of incomes. Accordingly, on balance HM Treasury did not consider that the Chancellor needed to significantly alter the scheme (or not proceed with it at all) on the basis of these equalities considerations. The full Public Sector Equalities Duty Assessment is at Annex A to the 30 June 2020 submission.

194. The 30 June 2020 submission also addressed devolution issues associated with rolling out this scheme across the UK. Whilst lockdown was being eased more slowly in the devolved nations, which potentially meant fewer restaurants had reopened, HM Treasury still believed there was a strong argument for this scheme to be rolled out UK-wide.

195. The Chancellor's responses to the 30 June 2020 submission were sent to HM Treasury officials on 2 July 2020 [DYS155/INQ000088081]. The Chancellor essentially agreed with the advice but wished to give further consideration to a small number of issues, including the 1/3 or 40% discount issue.

196. By early July, therefore, the Chancellor had taken detailed decisions on the shape of the scheme, which was by then being referred to as the 'Eat Out to Help Out' scheme (a name approved by the Chancellor on 3 July 2020) [DYS156/INQ000088083] . Also, the Chancellor was unequivocal that the scheme must be up and running so that claims submitted by businesses on Friday 7 August 2020 would be paid in 5 working days (i.e. by Friday 14 August). The Chancellor also decided that letters would not be sent to each household and alternative communications strategies would need to be worked on. More generally, it had by then been decided by the Chancellor, having regard to advice submitted by HM Treasury officials, that the shape of the scheme would be as follows:

a. The scheme would run from 3 August to 31 August 2020.

b. HM Government would provide a percentage reduction on all food and non-alcoholic beverages consumed on an eligible bill in an eligible business. Any other consumables, such as tobacco products, were not eligible for this reduction.

c. Eligible businesses were at that stage defined as any establishment that sells food for immediate consumption on the premises. Takeaway meals were not eligible.

d. Any adult or child eating in an eligible business would be eligible for the discount. There were no limits on the times it could be used.

e. Eligible spend was restricted to food and non-alcoholic drinks bought on Monday to Wednesday.

f. Savings were capped at £10 per head per eligible bill.

197. On the basis of the decisions taken to date, HM Treasury officials continued to analyse the potential value of the scheme based on the decisions taken [DYS157/INQ000088082] [DYS158/INQ000088087]. A value for money assessment was set out for the benefit of the Chancellor in a submission dated 3 July 2020, which also concluded that it was likely that the HM Revenue & Customs Accounting Officer would require a ministerial direction on the basis of Managing Public Money principles [DYS159/INQ000088084] . The attitude of the public to re-entering hospitality venues played an important part in the economic evidence for the potential impact of the scheme. This submission therefore included consideration of the survey and polling evidence relating to consumer behaviour, reflecting that evidence of public concern noting that: "*There is an additional element of health uncertainty which may continue to suppress consumer demand, with consumers worried about the health risks of going out and visiting public places. This is likely to be particularly relevant to social consumption, with polling suggesting that members of the public who would normally visit pubs, bars and restaurants are currently less willing to do so.*"

198. In parallel, the Chancellor was taking advice on delivery of the scheme from HM Revenue & Customs officials. As anticipated in the 3 July value for money assessment, because of the uncertainty as to the effect of the scheme in the exceptional context in which it was to be introduced and the risks that came from introducing a novel scheme within the short time-frame available, the Principal Accounting Officer at HM Revenue & Customs wrote to the Chancellor on 6 July 2020 to request a written direction that HM Revenue & Customs undertake this work [DYS160/INQ000088018]. The Chancellor signed the written direction to HM Revenue & Customs to be responsible for the payment and management of amounts to be paid under the EOTHO scheme on 7 July 2020 [DYS161/INQ000088019]. It should be noted that the EOTHO direction was far from unique in the exceptionally uncertain and challenging policy-making circumstances of 2020, where written directions were sought for several other support schemes, as can be seen from the collection published on GOV.UK [DYS162/INQ000088022].

199. The legislative underpinning for the scheme was Section 76 of the Coronavirus Act 2020, which gave HM Treasury the power to direct HM Revenue & Customs to carry out functions in relation to coronavirus or the coronavirus disease.

A.4 The announcement of the EOTHO scheme

200. The EOTHO scheme was announced as part of the Chancellor's Summer Economic Update, known as the Plan for Jobs, on 8 July (see below). As is the convention with all fiscal events set out in the Cabinet manual, the Plan for Jobs was developed in consultation with the Prime Minister before being presented to Cabinet shortly before the event. The Prime Minister's Deputy Principal Private Secretary was provided with hard copies of the draft statement on 3 July and 5 July. In both iterations the EOTHO scheme is described in principle, with exact policy details (such as the level of the discount) subject to final decisions [DYS163/INQ000088039] [DYS164/INQ000088041]. The Chancellor then briefed Cabinet on the 'Plan for Jobs' ahead of his statement to Parliament, in accordance with usual procedure. The Chancellor's briefing for Cabinet included the EOTHO scheme specifically [DYS165/INQ000088040].

201. By 7 July 2020, the shape of the EOTHO scheme was finalised, including the 50% discount rate. As explained in an HM Treasury briefing document of 7 July 2020, prepared ahead of the Summer Economic Update on 8 July 2020, "*In order to support 129,000 businesses and help protect almost 2 million jobs by encouraging people to return to eating out, the government is launching an Eat Out to Help Out scheme. This will entitle everyone to a 50% discount on their meal, up to £10 per head, at any participating restaurant, café, pub or other food service establishment. The scheme will be valid from Monday to Wednesday on any eat in meal or non-alcoholic drinks for the entire month of August. Participating restaurants will be fully reimbursed*" [DYS166/INQ000088085]. That briefing document also provided updated international comparison in relation to the use of subsidy or support schemes for the hospitality sectors in France, Austria and Germany.

202. The Chancellor delivered his Summer Economic Update statement to the House of Commons on 8 July 2020, setting out HM Government's Plan for Jobs. The Chancellor announced a number of measures as part of the plans to support, protect and create jobs, including the Job Retention Bonus, the Kickstart Scheme, boosting worksearch, skills and apprenticeships and a reduced rate of VAT for hospitality, accommodation and attractions. One of the measures announced was the EOTHO scheme. Business registration for the scheme, across the UK [DYS167/INQ000088086], opened on 13 July 2020. HM Treasury officials continued thereafter, at the Chancellor's direction, to address outstanding policy issues, such as the regional impact on the scheme of local lockdowns (see submission dated 16 July 2020) [DYS168/INQ000088094] . By that stage, the main focus was on the delivery of the scheme, which was the responsibility of HM Revenue & Customs.

203. Following announcement of the EOTHO scheme, but before its commencement, HM Treasury officials engaged extensively with the hospitality sector on some remaining uncertainties regarding the scheme's design. Issues discussed included, for example, how best to define an eligible establishment, whether existing offers could be included in the scheme and scheme marketing.

204. Takeaways were not included in the EOTHO scheme for two key reasons. First, the policy was aimed at encouraging people to safely return to eating out and to support dining in restaurants. Second, takeaways had been less hard hit by the Covid-19 crisis and associated closures and social distancing than restaurants. Unlike takeaway outlets, many restaurants had had to shut entirely during this period. Spending on takeaways and fast food had reduced during the first lockdown (by 27% in May) but by much less than in restaurants (down 90% in May) [DYS169/INQ000088092]. Also, takeaway businesses would benefit from the temporary VAT reduction for hospitality from 20% to 5% in the period from 15 July 2020 to 12 January 2021 (later extended). This was explained in response to questions asked in Parliament in July 2020 about why takeaways were not included in the scheme.

205. Various risks were identified and assessed in connection with a scheme of this type, as referred to above and set out in the ministerial submissions and briefing notes exhibited to this statement – including the scheme's impact, value for money, delivery, presentation, potential for fraud and non-compliance. Advice on these risks was taken into account by the Chancellor in deciding to proceed with the scheme and directing the HM Revenue & Customs Principal Accounting Officer to proceed accordingly. There was no specific risk assessment of how the EOTHO scheme might impact on Covid-19 transmission. However, as described above and in the accompanying statement the decision to proceed with the scheme took place in the context of extensive cross-Government decisions on the safe lifting of NPIs, in which HM Treasury participated. In turn, HM Treasury's policy work on development of the EOTHO scheme assumed a safe lifting of NPIs (and continued social distancing and other restrictions in hospitality settings), as described above in relation to the 19 May advice in particular. This safe lifting of NPIs was often referred to as 'Covid-Secure', and included, for example, limits on group sizes in hospitality settings and ensuring a safe distance between different groups. Businesses had to abide by those rules whilst participating in the EOTHO scheme, just as they would if they had not.

206. Following the decision to proceed, a briefing note was produced shortly before the scheme's launch, which sought to capture the risks associated with the scheme's launch [DYS170/INQ000088089]. The most significant risks identified at that stage were IT changes not being ready or failing to deploy, a major criminal attack or fraud and customer experience issues. The principal risks focused upon at that stage were operational risks. The briefing did, however, note the risks to the successful delivery of the scheme as intended if there were a tightening of NPIs or local lockdowns.

A.5 The Delivery and Winding Up of the EOTHO scheme

207. The scheme was rolled out and delivered by HM Revenue & Customs between 3 and 31 August 2020.

208. Towards the end of August 2020, specific consideration was given to accommodating an extension for Aberdeen so as to permit the scheme to operate there in September 2020 [DYS171/INQ000088099]. Whilst there had been a variety of local restrictions in the UK during August 2020, none had required the enforced closure of "standalone" restaurants, cafes, pubs and bars. However, in Aberdeen a localised lockdown resulted in the scheme being unavailable for 11 of the 13 days on which it was available, in 188 registered restaurants. The Chancellor commissioned advice on this issue, which was that if he wished to announce a regional extension of the scheme in Aberdeen this was both appropriate and in accordance with the policy intent of the scheme. Ultimately, however, this option was not taken forward.

209. Otherwise, the advice submitted to the Chancellor by HM Revenue & Customs officials on 26 August 2020 was that there should not be any local extension in areas where restaurants, cafes and pubs had been able to remain open, there should not be a national extension in September and HM Revenue & Customs should close the scheme in a way that allowed it to be resurrected at a future date [DYS172/INQ000088100]. The scheme was not extended.

210. It was too early at the end of August 2020 to assess the full impact of the EOTHO scheme on the hospitality sector. However, there was, as set out in the 26 August 2020 HM Revenue & Customs submission, considerable reporting that the scheme had been successful at restoring consumer confidence and providing support to the hospitality sector, examples of which included the following

a. Insight received on 14 August 2020 from a data analytics firm, CGA, indicated that the *"the scheme appears to have achieved the sector's hope of bringing back people who were previously hesitant about eating out".*

b. The EOTHO scheme had incentivised some operators to reopen more sites, with four in five (79%) venues in the Tracker cohort trading in the previous week.

c. Research by retail analysts, Springboard, indicated that footfall rose 18.9% across the UK's high streets, shopping centres and retail parks between Monday and Wednesday, during the first days of the scheme. The scheme also boosted visitor numbers between 12pm and 2pm, when they rose 9.6%. Smaller market towns benefited the most, with footfall up 25% over the first three days of the previous week (to 26 August 2020), while regional cities recorded a 19.2% gain.

d. Open Table data showed that in the first two weeks of August 2020, restaurant bookings were between 10% and 48% higher than on the equivalent days in 2019.

e. The stakeholder panel (which included some large chains and UK Hospitality) were also enthused about how confidence among consumers had increased. Their sales data echoed the reports from CGA and others. Indeed, businesses had been encouraged by the success of the scheme and were planning their own promotions for September 2020.

211. By midnight on 31 August 2020, there had been 100 million meals claimed for as part of the scheme. Subsequent Open Table data showed that in the final full week of the scheme, seated diner numbers were up 65% compared to 2019 and up 95% on EOTHO days (i.e. Mondays, Tuesdays and Wednesdays) [DYS173/INQ000088101].

212. At that stage, it was considered possible that the scheme had already generated sufficient consumer confidence to support the sector going forward but that in any event it had provided the intended boost to the hospitality sector. It is also important to note that the hospitality sector continued to benefit from the temporary reduced VAT rate (reduced to 5%) until 12 January 2021 (which was later extended further) so targeted sector support remained in place in any event and the sector (and its employees) also continued to benefit from the broader range of economic support schemes including the CJRS and SEISS, business rates relief, business grants, tax deferrals, loans and protection from eviction for commercial rent arrears. HM Treasury also considered there to be good political and presentational reasons not to extend the scheme, in particular because it had received

such good reviews and had done what had been announced and what the Chancellor had set out to achieve.

213. As explained in paragraph 22 of the 26 August 2020 HM Revenue & Customs submission, the key risks for the scheme were assessed to be fraud, HM Revenue & Customs receiving unmanageable levels of contact from businesses and/or customers about the scheme, and policy implications of local lockdowns. Contact had been low but levels of fraud and error were high – and HM Revenue & Customs was seeing a marked increase in risk in newer registrations – although they remained within original estimations and agreed risk tolerance. However it was considered that any extension would have increased these risks, particularly if new registrations were allowed. As the scheme became more understood, there was an increased risk of attempts of fraud by organised crime, as well as a greater risk of abuse by existing businesses with a high appetite for risk. The advice also noted the presentational risk that, "*an extension may be criticised for encouraging people to go out in higher risk areas, in contrast to its origins of supporting consumer confidence as COVID transmissions slowed.*"

214. The Inquiry has asked HM Treasury "*to provide HMT's view as to the impact, if any, of the Eat Out to Help Out Scheme on Covid-19 transmission rates*". Ahead of publication of local area data on EOTHO, HM Revenue and Customs officials investigated EOTHO data and Covid cases at a local level for evidence of correlation. At HM Treasury's request, on 15 December 2020 HM Revenue and Customs shared a note on this analysis, ahead of the publication of local area data on EOTHO [DYS174/INQ000088102]. That exercise was completed by examining the meals claimed per head in local authority areas against new Covid-19 cases during September and October 2020. The HMRC note set out that *"Currently, we find little evidence to support the claim that the EOHO scheme directly led to an increase in COVID-19 cases, on a UK-wide level. Generally, correlations are either weak or not statistically-significant."* This note was not published, however the underlying local area data on EOTHO was published [by HMRC] on 28 January 2021 [DYS175/INQ000088023].

215. The Inquiry further asked whether HM Treasury or the Chancellor received any information from DHSC or the SoS DHSC in or around August 2020 about whether "*the Eat Out to Help Out Scheme was causing problems in 'intervention areas'*?". Extensive searches of HM Treasury's records have found evidence of this being raised at one meeting with HM Treasury: a Local Action Committee (GOLD) meeting which took place on the morning of 20 August 2020, chaired by the SoS DHSC and attended by the Chief

Secretary to the Treasury. This discussed areas of high Covid incidence in England and associated interventions in these areas. At this meeting, there was a brief mention of consideration given to local suspension of the Eat Out to Help Out scheme based on local insights from Oldham, Blackburn with Darwen and Pendle but no action was recommended [DYS/176/INQ000184580)] [DYS/177/INQ000184581]. No other records of any concerns on EOTHO being raised by DHSC or the SoS DHSC with HM Treasury or the Chancellor were found.

216. The final claims by participating restaurants had to be submitted to HM Revenue & Customs by 30 September 2020, and HM Revenue & Customs made payments within 5 working days of claims. The final cost of the scheme was recorded as £840 million in the HM Revenue & Customs Annual Report and Accounts for the financial year 2020 to 2021 [DYS178/INQ000088021]. This compared to an estimated cost at the time the scheme was announced of approximately £500 million (as a demand-led scheme subject to take up, it was acknowledged at time of announcement that final costs could be higher).