

Witness Name: Kate Forbes  
Statement No.:1  
Exhibits: KF  
Dated: 16 November 2023

## **UK COVID-19 INQUIRY**

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### **WITNESS STATEMENT OF KATE FORBES**

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**In relation to the issues raised by the Rule 9 request dated 5 July 2023 in connection with Module 2A, I, Kate Forbes, will say as follows: -**

1. I am Kate Forbes, Member of the Scottish Parliament and former Cabinet Secretary for Finance and the Economy in the Scottish Government. I have prepared this statement myself with reference to records and material provided to me by the Scottish Government. I have also received assistance from the Scottish Government Covid Inquiry Response Directorate and a solicitor has reviewed a draft of my statement.
2. Unless stated otherwise, the facts stated in this witness statement are within my own knowledge and are true. Where they are not within my own knowledge, they are derived from sources to which I refer and are true to the best of my knowledge and belief. References to exhibits in this statement are in the form [KF/number-INQ000000].
3. I have answered the questions put to me by the Inquiry to the best of my ability. Where I am unable to answer the questions posed, for example because the question falls outside my remit or my expertise as Cabinet Secretary for Finance and the Economy, I have informed the Inquiry of this and the reasons why in accordance with the instructions outlined in the Rule 9 request, within [KF/010-INQ000268011].

## **Part A - Decision making structures**

### **a) My roles and responsibilities**

4. I was appointed as the Cabinet Secretary for Finance on 17 February 2020. I served in this role until May 2021, after which I assumed additional responsibility for the Economy in my new remit as Cabinet Secretary for Finance and the Economy. I remained in this role throughout the remaining months of Covid-19. My list of responsibilities can be found in [KF/001-INQ000268005]. Until 17 February 2020, I was the Minister for Public Finance and Digital Economy. In this role, I supported the Cabinet Secretary for Finance, with responsibility for fully devolved taxes and the digital economy.
5. In relation to managing the pandemic as Cabinet Secretary for Finance, my responsibilities were entirely and only related to managing the Scottish Government Budget. That included setting the Budget, which was agreed by the Scottish Parliament in February 2020. I was responsible for managing the Budget throughout Covid-19, including all costs related to Covid-19 and all sources of funding. This required extensive dialogue with my counterparts in the UK Government, as well as engagement across the Scottish Government and specifically with the First Minister. This dialogue and engagement within and across Governments was principally conducted through the formal processes of emails, submissions and meetings. As a relatively new Cabinet Secretary at the start of the pandemic, I was unaccustomed to engaging with my colleagues and officials through informal means. The process, therefore, for communicating all views, preferences and decisions was entirely through my Private Office. My Principal Private Secretary changed once during the Covid-19 years, just prior to the General Election in 2021, but the process remained the same. I communicated directly with Private Officer, largely through email. I occasionally communicated with Private Office using informal messaging. Private Office then formalised all of my communications, including by informal messaging, and relayed them using formal processes to relevant officials and Ministers. As such there is a formal record of every and all decision, query or request I made as Finance Secretary. This formal record is stored on erdm and, as far as I am aware, has been retained in full and is available for consideration by the Inquiry. I have also retained all messages exchanged on messaging platforms between myself and my two Principal Private Secretaries and I have shared them as part of this submission. I never communicated with officials or Ministers in the UK. However, all of these

messages were incidental as all formal decisions, and the wider debates surrounding each decision I made, are captured through the formal processes of the Scottish Government using informal messaging platforms.

6. Every Cabinet Secretary manages the Budget for their own area of responsibility, which is called their portfolio. The envelope of funding is set for every portfolio when Parliament votes on, and agrees to, the Budget Bill. It then becomes law. However, during the pandemic, the extraordinary increase in costs, the speed with which funding decisions had to be made and the level of additional funding from the UK Government meant that the Budget which was initially set was almost immediately irrelevant and out of date. As such, I conducted a widespread re-budgeting exercise, which included recycling some parts of the Budget which could no longer be spent (for example on capital projects like building roads which could not proceed due to the lockdown) and allocating new funds that were provided to the Scottish Government by the UK Government. I engaged in regular dialogue with every Cabinet Secretary on financial matters and advised Cabinet regularly on the Budget position.
7. I was also responsible for identifying and allocating funding for the various financial support schemes, including all the financial support schemes for businesses, industry, and self-employed workers. A full list of all business support schemes can be found in [KF/002-INQ000268006]. This became relevant to the management of the pandemic in so far as it allowed us to partly relieve (but not eradicate) the economic harms of non-pharmaceutical interventions ("NPIs"), particularly lockdown and all other NPIs that reduced economic activity.

**b) Decision-making structures within the Scottish Government in response to the Covid-19 pandemic**

8. The primary formal decision-making body in relation to managing the pandemic was the Scottish Government Cabinet, which I attended on a weekly basis. There were emergency Cabinet meetings outwith the normal weekly cycle when an urgent decision was required in relation to managing the pandemic. During each weekly meeting, all Cabinet Secretaries considered Covid-19 advice and agreed to specific recommendations for managing the pandemic. All other discussion groups ultimately

- fed into Cabinet papers and therefore the Cabinet was the final decision-making committee.
9. I presented regular papers on managing the Budget, with options for Cabinet to consider for making additional Budget allocations. I regularly submitted information on the financial and economic implications of specific recommendations as part of these papers. I also regularly provided updates on Budget management, to ensure all Cabinet Secretaries were sighted on the financial implications and options of all decisions related to management of the pandemic.
  10. Internally, other committees also met. Over the course of the pandemic, these evolved in terms of frequency and content depending on the nature of the pandemic. I was a regular member of Gold command meetings. These were smaller groups, including the First Minister, Deputy First Minister, Health Secretary and Finance Secretary. Occasionally they also included a wider group of people if it was required, for example if particular advice or specialisms were required. The purpose was to provisionally consider the latest advice on managing the pandemic, in advance of Cabinet Meetings. This allowed for sharing of information, advice and opinions.
  11. I also attended Scottish Government Resilience Room ("SGORR") meetings, which were also attended by representatives of public agencies and local government. These meetings allowed for greater levels of coordination and discussions on a wide ranging agenda of issues. For example, membership included Police Scotland and the Convention of Scottish Local Authorities ("COSLA"). These meetings were for sharing information and coordinating activity rather than taking decisions. I contributed on any matters that were financial in nature, but the focus was largely on the operational side of managing the pandemic and so my contributions were minimal. There is a list of my attendances at SGORR meetings and Gold command meetings in [KF/003-INQ000268007] and [KF/004-INQ000268008] respectively.
  12. Externally, I attended Finance four nations meetings (more commonly known as quadrilaterals) with the Chief Secretary to the Treasury and Finance Ministers of Wales and Northern Ireland. The timings of these were ad hoc in nature, rather than regular, and allowed the Devolved Ministers, including myself, to air concerns, make requests and seek further information on financial matters. The same discussion featured at every meeting, namely the request for greater clarity on UK Government spending decisions which would generate consequential funding so that the Scottish



Government could have maximum information about our Budget position. By 'consequential funding' I am referring to the standard mechanism by which funding is generated for the Scottish Government. Any spending by the UK Government, which is only for England, generates a certain percentage of funding for the Scottish Government. That percentage is calculated through the Barnett Formula. We refer to it as consequential funding, i.e., spending in England carries the consequence of always generating some funding for all the other Devolved Governments. A helpful summary of the funding mechanisms for the Scottish Government is included in the Corporate Statement of the Director General Scottish Exchequer (second witness statement of Alyson Stafford), dated 23 June 2023, in paragraphs 1-39. If the UK Government spends on a UK-wide basis, then it does not generate consequential funding for the Scottish Government.

13. I had very little involvement, if any, with the Secretary of State for Scotland as my primary contact in the UK Government was the Chief Secretary to the Treasury.
14. I was chiefly advised by officials in the Scottish Exchequer, who have responded to this Inquiry already with a Corporate Statement that contains relevant information and provides important context to the financial and economic powers and responsibilities of the Scottish Government in relation to the pandemic.
15. The overarching principle in all of these internal meetings and in all decision making processes was to protect the public from the four harms of Covid-19. The Four Harms Framework for Decision Making [KF/005-INQ000131028] outlined the Scottish Government's four objectives of protecting people from the harm of contracting Covid-19, from the wider health harms and from the social and economic harms of the efforts to manage the pandemic. This meant, for example, that we considered all options for managing the pandemic by weighing up the potential harms and concluding which option would minimize all of the harms the most. The Terms of Reference for the Four Harms Group is explained in [KF/006- INQ000232945]
16. I had a central decision-making role on all matters related to finance, although every Cabinet Secretary continued to retain all financial responsibility for their portfolio area. This meant that I managed the overall Budget, including managing all risk related to balancing the Budget, allocating new consequential funding to portfolios and recycling any funding that was no longer able to be spent due to lockdown. Although I managed the day-to-day functions of the Budget, all significant collective

financial decisions were agreed by Cabinet. This included allocation of any additional consequential funding or updates to the Budget. I offered advice and recommendations to Cabinet and the First Minister on these matters. I also informed the Cabinet and the First Minister on the financial implications of all decisions that were made to manage the pandemic. I had no other distinct functions beyond Finance and the Economy, except those which are listed in [KF/001-INQ000268005]. I engaged with a number of public bodies, including the Economic Development Agencies like Scottish Enterprise, Highlands and Islands Enterprise and South of Scotland Enterprise. I also engaged regularly with Visit Scotland, COSLA and individual local authorities.

17. I worked closely with the First Minister. In general, the First Minister's role was to take overall responsibility for leading the Cabinet, signing off on final decisions and communicating to the general public. My communication with the First Minister about the pandemic was entirely in the context of pre-arranged meetings on an ad hoc basis, usually by video or audio call, and through regular written updates, informing her or seeking her advice on financial matters. I did not communicate with the First Minister using private messaging on matters related to managing the pandemic. It is not a medium I used to make decisions relating to the pandemic. I have retained my text messages from that period, but my text messages with the First Minister relate to private matters (such as sharing personal or family news) or to wider matters unrelated to decision making about the pandemic. I never used WhatsApp or other messaging platforms to communicate with the First Minister, on private or professional matters. I communicated with the Deputy First Minister in the same manner as I communicated with all Cabinet Secretaries, through established fora and Cabinet. I occasionally communicated via text or WhatsApp message with colleagues, for logistical or personal reasons. I have retained these messages. Any communications related to Covid-19 were also formalized through the standard processes, via my Principal Private Secretary who was sighted on everything. Any decisions related to Covid-19 were determined when Cabinet met every week. Other meetings related to managing the pandemic were on an ad hoc basis, for example to discuss the Education budget. The Deputy First Minister often attended by Budget update meetings with the First Minister. I often copied in the Deputy First Minister to my written updates to the First Minister. Beyond that, I communicated largely through group meetings as my Budget updates were relevant to all Cabinet Secretaries. I occasionally communicated with the Deputy First Minister using text message, all of

which have been retained. Most of my exchanges relate to personal matters, logistical questions (such as scheduling meetings) or matters that resulted in formal dialogue which would have been minuted. I only used WhatsApp on one occasion with the Deputy First Minister, on a purely informative basis confirming the title of a report.

18.

19. In terms of other Cabinet Secretaries, I worked very closely with the Cabinet Secretary for the Economy, Fiona Hyslop MSP, until May 2021. I also worked very closely with the Cabinet Secretaries for Health, Jeane Freeman MSP and Humza Yousaf MSP throughout the duration of the pandemic to support Health decisions that had financial implications. This included, for example, trying to smooth the Budget across financial years for the Health portfolio. Unfortunately, the Scottish Government must operate within a fixed budget. In short this means that it can only spend, within each year, the specific funding that was allocated for that year. It cannot overspend, even if there is growth in costs immediately prior to the end of the financial year because of a new development with the pandemic. Funding must be accounted to the correct financial year. The Deputy First Minister was also responsible for the response to the pandemic in Education and substituted for the First Minister on occasion when it was required, although this was rare. Cabinet Secretaries were responsible for managing the Covid response in their respective portfolios and for being actively involved in Cabinet. Other Ministers were less involved but supported Cabinet Secretaries on specific areas within their portfolios. I did not engage with the Office of the Secretary of State for Scotland, and so I cannot comment on the role. Senior civil servants and special advisers helped to coordinate advice, guidance and actions in managing the pandemic.

20. This, of course, created challenges during the pandemic, as costs were not smooth. There were significant peaks; periods that required much higher levels of funding due to more activity for managing the pandemic – for example, hiring vaccination venues or increased business support due to a lockdown. Those activities, and the associated costs, happened at the point of need, irrespective of where it fell in the financial year. They had to be funded at the point of need, which required extremely careful Budget handling to avoid overspending in one year and underspending in the subsequent year.

21. This was complicated further when, in some cases, the UK Government only agreed

that consequential funding would be allocated to the Scottish Government near the end of the financial year. All funding was of course extremely helpful, but as this funding had not been expected, decisions had already been taken on managing the pandemic which ensured the Budget did not overspend. Had this funding been available earlier, it would have allowed for greater flexibility on decision making. For example, additional funding could have been allocated and distributed to businesses that were affected by reduced economic activity as a result of restrictions which were implemented to reduce transmission of the virus.

22. Within the group of key decision makers, communication was almost entirely through written updates or meetings (usually audio or video call). This was an extremely intense period of working. As I was only appointed Finance Secretary in the early days of the pandemic, my relationship with all key advisors and colleagues revolved entirely round the management of the pandemic. All meetings were by telephone until at least after the first lockdown and I had only attended Cabinet a few times in person prior to lockdown. This did not hinder our response as we were all working to one goal. As with most workers on the frontline of the pandemic, we regularly worked as many hours as possible. Often advisers worked late to ensure advice was prepared in advance of meetings first thing in the morning. I cannot see any way in which the nature of our relationships affected the response from the Scottish Government or inhibited the efficiency of the response. Certainly, from a financial perspective, our working relationship was entirely focused on maximizing and accelerating the speed of response.
23. The Inquiry asks me to identify areas that worked well, and areas where there were obstacles and missed opportunities about adequacy of information, information sharing, coordination and planning. In response, some areas of Government were better adapted than others to moving at pace and reorganizing teams and functions to respond to the specific needs of managing the pandemic. For example, the Scottish Exchequer had just been through the Budget process, which requires a significant increase in activity and 'all hands on deck' to complete the Budget. Every year, this requires other teams to temporarily suspend their activities to focus on the Budget. This was exactly what was required from all Scottish Government teams to manage the pandemic. It meant that those who were not dealing with Covid-19 critical work should temporarily suspend their activities to focus solely on the pandemic. It meant that the entirety of the Government should focus only on work related to managing the pandemic. The Scottish Exchequer refocused its attention on



the pandemic with laser-like focus, almost as though it stayed in Budget-mode for the duration of the pandemic. In the years prior to Covid, normal Budget decisions might have taken a few weeks. During the pandemic, the Scottish Exchequer often provided advice within hours of an event or announcement on substantial funds. It was able to pivot quickly, absorbing new information, providing advice and acting on decisions made. This meant that, where information existed (for example on consequential funding available) it allowed other parts of the organization, particularly the NHS to make decisions quickly.

24. If some areas of Government successfully achieved this, others moved at a slower pace. This was often due to inadequate systems or data. For example, to relieve the harms of NPIs, including lockdown, the Scottish Government had to distribute financial support to businesses and to community groups, amongst others. There was no mechanism by which it could distribute such financial support easily without access to a central databank of businesses or groups (in contrast to the UK Government which could use HMRC's data bank of all businesses). It was also due to a lack of comprehension at the outset of the pandemic, which most decision-makers shared, about the potential extent, scale and impact of the pandemic. If we had known that the pandemic was to last over two years, with multiple lockdowns and extended periods of social isolation and reduced economic activity then we should have invested better in building systems or collating data that would last. Instead, we were often in a position of having to start again at the point of announcing another lockdown, for example on distributing financial aid, without taking the opportunity to overhaul the systems we'd used during the first lockdown. Over the course of the pandemic, some organisations became increasingly involved having been less involved at the beginning. For example, we originally operated entirely through local government to distribute the initial Covid Business support grants. However, we then used a much longer list of public and third sector bodies to help with distribution of support . Of course, I am only speaking here to the financial and economic decisions rather than the wider health or social consequences.
25. We did not Budget on the basis of a pandemic which might last over two years, but we should have. That assumption is also clear from the UK Government's actions, for example the temporary nature of furlough (which then had to be extended multiple times). The profoundly damaging impact of lockdown on young people, vulnerable people and businesses, in particular, was partly due to constant uncertainty and changing positions. When economic activity resumed, many businesses bounced



back. The constant uncertainty of further restraint, however, eroded confidence. That was inevitable with the rise and fall in infections and the need for greater or lesser Government interventions. However, if we had understood that we were making financial or operational decisions for a much longer period of time (over two years), we should have invested in better systems. In short, we often provided funding to mitigate the impact of NPIs rather than avoid the harms of NPIs. For example, if we had invested in better technology up front for Test and Protect or in Education so that children's education wasn't disrupted, the harms might have been less pronounced. I also think that coordination across the Scottish Government improved over the course of the pandemic. It is a long-standing criticism of every Government that it takes a siloed approach to decision making. In a pandemic, we needed to ensure there was joined up decision making as clearly actions taken in one portfolio would have an effect on another portfolio. This improved over time as one Directorate took overall responsibility for Covid, coordinating the decision making, information sharing and actions required across all portfolios. I understand the Covid Inquiry has already taken evidence from the DG Strategy and External Affairs, which includes information as to how the Directorate operated.

26. Lastly, many of the funding mechanisms which work reasonably well in normal times were found wanting during the pandemic. I outline this in more detail further in this Statement. The primary block to faster decision making on Budgets was the lack of critical information or conflicting reports from the UK Government on consequential funding. With the lack of clarity on certain issues, it fell to me and other Cabinet Secretaries to consider how to manage Budget risk and ensure that key decisions would not be compromised by uncertainty over Budget. A prime example was in the funding of personal protective equipment ("PPE"). Please note that I am distinguishing here between the funding for PPE and the provision of PPE. It is the former which I was involved with as Finance Secretary. The volume and urgency of need meant that the Scottish Government had immediately established its own supply chains and procured PPE. The other Devolved Governments had done similarly. However, the UK Government was not providing consequential funding to reimburse Devolved Governments for procuring PPE. These costs had obviously risen significantly and would likely rise further. Whilst the Scottish Government can manage limited risk, the likelihood of having to fund several hundred million pounds of unbudgeted costs, without consequential funding, would have been almost impossible. This issue was raised with the Chief Secretary to the Treasury on several occasions. He understood the issue and the risk for the Devolved Governments but

had to resolve the internal agreement between HM Treasury and the Department for Health and Social Care. This was eventually resolved amicably, after the Devolved Governments proposed a resolution, over the summer of 2020. This of course was several months after procurement had started. The Budget position did not delay procurement of PPE as we were committed to finding a financial resolution and managing the cost risk. However, it was an enormous risk to carry in extremely uncertain times. Correspondence about the funding protocol for PPE as agreed by the Devolved Governments is found in [KF/007-INQ000268010].

**c) Informal Decision Making and Communication**

27. As far as I can recall, the key decisions which I was involved in for managing the pandemic were made through formal written papers or in Cabinet discussions. Meetings appeared to be minuted and I would expect a record to be held of meetings at which key decisions were made. I am unaware of digital or verbatim recordings being made of meetings. Notes could record areas of debate where there was no agreement. All meetings were essentially formal meetings during the pandemic because everything had to be scheduled through a Teams meeting or telephone call. This contrasts with physical meetings in person prior to the pandemic, where conversations or discussions might take place in the margins of the meeting and remain unrecorded. An agenda was usually distributed in advance of any meeting so as to give all participants an indication of how to prepare. For example, if there was to be any discussion with financial implications it was important that I was prepared to speak to all about the financial implications.

28. I did not use informal messaging platforms to make decisions about managing the pandemic nor was I in any messaging groups related to managing the pandemic, particularly as most decisions were reached by the collective agreement of Cabinet or through discussion with the First Minister. Guidance about internal messaging can be provided by the Scottish Government. I am unaware of any gaps in communication or record keeping. I have retained messaging with the First Minister and Deputy First Minister as detailed above.

29. As far as I am aware, I was invited to all relevant meetings that were brought to my attention. For certain meetings, such as SGORR, there was a standard agenda which was adapted for topical matters. The First Minister chaired SGORR. The agenda for

other meetings, such as Gold command, were adapted to reflect circumstances and critical issues. The First Minister also chaired Gold command meetings. The agenda was usually set according to the First Minister's requests, relevant Cabinet Secretaries' requests and anything that officials deemed to be urgent and topical. Anything new that emerged in these meetings was then presented at Cabinet, giving all Cabinet Secretaries the opportunity to express their opinion. I was briefed by officials in advance of meetings as and when it was required. This could have been because it was especially important or it was an issue on which I had not been previously sighted. This would involve a very brief discussion, via teams or telephone call, in advance of the formal meeting beginning. Competing views were captured in Cabinet minutes. Advice might include the different views of various stakeholders. The implications and the decisions made were communicated to Cabinet Secretaries via the minutes of the meeting. Beyond that, the First Minister communicated decisions to the Scottish Parliament and the public through parliamentary statements and press briefing updates. Decisions were usually communicated in a timeous manner. I cannot recall any relevant informal meetings which are not already detailed. All meetings which were significant in terms of the matters discussed or the list of attendees were formal in nature. A record of SGORR and Gold Command meetings is already provided in [KF/003-INQ000268007] and [KF/004-INQ000268008].

**d) Inter-governmental working between the Scottish Government and (i) the UK Government and (ii) the other devolved administrations in response to the pandemic**

30. To respect the respective powers of the UK and Scottish Governments, I participated in four nations calls on finance. After I assumed responsibility for the Economy, I also participated in four nations calls on the Economy. The finance calls included the relevant devolved Minister and the Chief Secretary to the Treasury. This allowed us to communicate and receive more granular information about any announcements that the UK Government made which generated consequential funding. There was recognition of Devolved Government's responsibilities in terms of health, local government and education but also that UK Government decisions about economic and financial support had a significant bearing on devolved Government's options. In terms of the effectiveness of the way that roles were allocated, it wasn't always effective because, although health is fully devolved, it was obviously affected by financial choices made by the UK Government or economic decisions, such as keeping the UK borders open for longer than the Scottish Government might have

chosen. To maximise the effectiveness of working between the UK and Scottish Governments, we agreed to share as much information as possible, sought to schedule as many meetings as possible and agreed to consider alternative mechanisms for example for drawing down emergency funding. Unfortunately, these alternative mechanisms did not materialize and meetings continued to be held on an ad hoc basis. I do not recall any other mechanisms which were implemented to maximise the effectiveness of the working relationship between the Scottish Government and the UK Government.

31. My only working relationship with the UK Government was through the four nations calls, bilateral meetings with the Chief Secretary to the Treasury and written correspondence. I did not attend meetings with the following organizations: Scientific Advisory Group for Emergencies ("SAGE"); COBR; 4 Nations' Chief Medical Officers; the four Ministerial Implementation Groups ("MIGs"); The Chancellor for Duchy of Lancaster/Heads of Devolved Governments calls; (Cabinet Secretary Officials Meetings ("Cab Sec (O)"); Covid-19 Permanent Secretary Officials Meetings ("Perm Sec (O)"); UK-wide C-19 coordination forum; 4 Naton Ministerial Covid-O calls; Scientific Pandemic Influenza Group on Modelling ("SPI-M"); Scientific Pandemic Insights Group on Behaviors ("SPI-B"); Joint Committee on Vaccination and Immunisation ("JCVI"); Joint Biosecurity Centre ("JBC"); and UK Health Security Agency ("UKHSA"). The quadrilateral calls between the four nations of the UK did not take place on a regular basis. Instead, it was ad hoc, often in response to specific circumstances such as a Budget update by the UK Government.

32. I would have liked to meet more frequently with the UK Government. Although there was a standing agenda item to allow Devolved Governments to brief the Chief Secretary to the Treasury on the latest developments or decisions taken by Devolved Governments, our primary interest was in making requests for budget flexibilities or seeking further clarity on funding announcements which had been made or might be made in future. I worked closely with my devolved counterparts to ensure the meetings were effective and efficient. Whilst we were grateful for the time granted us by the Chief Secretary to the Treasury, we were often frustrated by the lack of information or clarity about upcoming decisions. This was heightened by a series of examples in which decisions were later taken which directly contradicted earlier assurances given to us. For example, we appealed for many weeks for furlough to be extended, which was Denied. These requests were made in quadrilateral and



bilateral calls, as well as publicly in the press. It was then extended in early November 2020 to coincide with reduced economic activity in England. This was also true of additional funding for business support. I therefore only agree in part with the statement of the Office of the Secretary of State for Scotland which said [at paragraph 125] that the engagement between the Scottish Government and UK Government (such as in relation to the coordination of policy and communication responses, sharing of data and analysis, and pooling of resources) worked well in general.

33. Whilst there was certainly more engagement between the Scottish and UK Governments on financial matters than there had been prior to the pandemic, I believe that the main hurdle to working together was the lack of upfront information from the UK Government about future decisions. This did improve at certain points. It was my impression that this was not intentional by the UK Government but instead because the UK Government was itself making decisions late in the process with very little thought of the impact downstream on Scottish Government decision making processes. I agree with the comments made by the Director General Strategy and External Affairs (second witness statement of Ken Thomson dated 22 June 2023) on behalf of the Scottish Government (Strategy and External Affairs), who said at paragraphs 56 – 57 that the period from June 2020 saw a less intense rhythm of inter-governmental engagement. I don't know why this was, but it might be because most of the UK was in the process of exiting lockdown restrictions. I agree that we should have had more inter-governmental engagement, particularly from a financial perspective as many of the key issues were still being resolved.

34. Often the Scottish Government was conscious of the need to act urgently, but only had information from the UK Government about consequential funding after a decision had been reached. In some cases, this meant that the Scottish Government proceeded with a decision based on a particular Budget envelope (which was incredibly constrained) only for additional funding to then be allocated by the UK Government after processes had been established and decisions had been made. To address these issues, the Devolved Governments requested further financial flexibilities, some of which were granted. I often had to proceed at considerable risk, such as procuring millions of pounds of PPE or announcing business support without receiving guarantees of funding from the UK Government. Many other Governments can do that to an extent because they don't operate within a fixed Budget. The Scottish Government, however, cannot overspend, which made these choices all the



more risky. However, I strongly believed that we could not be financially risk averse in a pandemic.

35. The devolution settlement is well understood by the Scottish Government. We are familiar with devolved and reserved responsibilities. However, the source of all additional emergency funding has always been the UK Government. Requests for other sources of temporary additional funding were denied (such as resource borrowing powers). With a fixed Budget, we are extremely constrained in meeting new funding needs. As such, the more advance sight we have about UK Government-initiated consequential funding, the more informed decision making can be. Usually, we were only informed about additional consequential funding after the UK Government had publicly announced a decision, which was often after the Scottish Government had also reached a decision. Sometimes this put additional pressure on the Scottish Government to replicate UK Government decisions, such as for business support, which created inefficient processes. If we had earlier sight of a subsequent decision we could have proceeded in the full knowledge of all funding, rather than on the basis of constrained funding. The primary frustration in terms of finance was the extent of information and foresight afforded to the Scottish Government by the UK Government. Reserved decisions had implications for the Scottish Government as it initiated consequential funding if the UK Government made a funding decision for England only. The Scottish Government was not informed in advance of such decisions and had limited time to respond. This was also the case when we had made requests for specific information over an extended period of time.

36. I personally don't recall examples of not receiving meeting invitations or agendas ahead of the meeting. Usually, our experience was of announcements being made without any prior notice. In normal budget periods, we always had a courtesy call with the relevant UK minister to discuss in confidence the implications for Scotland's budget. I think that losing these calls was a consequence of the speed of decision making, but I also think that more could have been done if there was greater recognition of the roles and responsibilities of the Scottish Government. I agree with suggestions about the need to increase the level of understanding of devolved capabilities, systems, and responsibilities. It was quite clear in our engagement that understanding varied across UK civil service teams and individuals. Equally it was clear that communication between UK departments about Scottish Government

responsibilities varied. For example, the devolution team in the Treasury might come to certain arrangements with the Scottish Government only for other Treasury teams to disagree or fail to take heed.

37. I can only speak to the decisions I made as Finance Secretary. In its corporate statement, Transport Scotland says at [paragraph 67] that there were a number of decisions taken by the UK Government which impacted transport operations in Scotland and cross-border, for example Covid-19 testing for hauliers. It is said that Transport Scotland officials were informed about these decisions after they were taken by the UK Government but were not involved in the decision making process. In my experience, the UK Government took decisions which indirectly affected the Scottish Government without consultation or giving any advance notice to the Scottish Government. I raised concerns about this with the Chief Secretary to the Treasury on a number of occasions. We were obliged to make timely decisions, having failed to obtain any clarity from the UK Government about their intentions. When decisions were then made by the UK Government, it was often quite frustrating as, if we had known, the decision making processes would have been a lot simpler. In other words, it was to our disadvantage for the UK Government to leave the Scottish Government to make decisions without sufficient information of UK Government decisions. I agree that the UK Government needs to consider the implications for all devolved nations. I am asked by the Inquiry to comment on the corporate statement of the Office of the Secretary of State for Scotland which says [at paragraph 142] that the coordination and timing between decisions being made on a four nations basis and then communicated was a challenge and it was sometimes the case that the First Minister announced the agreed position before the UK Government. I can only speak to financial matters, but I do know that timing was critical during the pandemic and it was essential that the First Minister provided timely communications to the public. I believe that her approach improved compliance considerably.

38. I engaged regularly with the Chief Secretary to the Treasury , which was Steve Barclay MP initially and then Simon Clarke MP, entirely on a professional basis and not on a personal basis. My relationship with both Chief Secretaries to the Treasury was constructive. I did not engage with any degree of frequency with the Secretary of State for Scotland so I cannot comment on the effectiveness of his office. With both Chief Secretaries to the Treasury, we did not have a standing meeting, but instead had ad hoc communications throughout the pandemic period. I only used formal

means of communication, including teams meetings and letters, through civil service channels. I am unaware of the nature of relationships affecting key decisions.

**e) The other Devolved Administrations**

39. I had regular engagement with the devolved Finance Ministers, as detailed in the paragraphs above. This included regular quadrilateral (including the Chief Secretary to the Treasury) and trilateral meetings (excluding the Chief Secretary to the Treasury). We discussed the latest steps taken by the other Devolved Governments to manage the pandemic.

**f) Funding**

40. The Corporate Statement of the Scottish Exchequer (second witness statement of Alyson Stafford dated 23 June 2023 ) explains the means by which the Scottish Government raises or receives funding to meet its Budget obligations. I agree with the explanation which is included in paragraphs 1-39 of the Scottish Exchequer's Corporate Statement. I was responsible for budgeting for the way in which the pandemic was managed in Scotland and for securing and allocating funding for it. To meet the costs of the pandemic, I made representations to the UK Government, as detailed in paragraph 46 of the Scottish Exchequer's Corporate Statement. I spoke directly to the Chief Secretary to the Treasury and wrote to the Chancellor. I agree with the Director General Scottish Exchequer that there is no mechanism to formally request emergency or additional funding over and above any funding that would be generated in the normal way through the Barnett formula. The Barnett formula is the mechanism through which funding is allocated to the Scottish Government by reference to funding that is spent by the UK Government on England only. In other words, the Scottish Government receives funding according to a percentage (as set by the Barnett Formula) of what is spent in England.

41. I agree with the Director General Scottish Exchequer that there is no formal requirement on the UK Government to consult with the Devolved Governments on the level and timing of grant funding. This was challenging as the level of infections, and therefore the response, fluctuated across the four nations but the only Government which could generate funding in response was the UK Government. I agree with the Director General Scottish Exchequer that we often had to react or fit in with policy decisions made by the UK Government rather than planning ahead with full knowledge.

I refer here solely to funding decisions. As funding was announced for England-only decisions or initiatives, the three other devolved nations received a share of the funding. However, if no decision was made for England then there was no subsequent funding and therefore no share for the Devolved Governments. I agree with the Director General Scottish Exchequer that therefore the announcement of funding additions were not always aligned with either the rate and spread of the pandemic across the four nations.

42. As paragraph 49 makes clear in the Corporate Statement of the Director General Scottish Exchequer, the quantum of funding was the only material change during the pandemic, not the processes or mechanisms for generating, accessing or allocating funding. I made representations, along with my counterparts in Wales and Northern Ireland, for new processes that would only operate in emergency circumstances like the pandemic that allowed Devolved Governments to access funding without reference to England-only funding. However, this did not progress. The absence of a standardized mechanism meant that we used every means at our disposal. It complicated decision making as we had to make decisions about the health impact of the pandemic without the requisite clarity on funding arrangements. This needs to be considered for all future pandemics.

43. Other minor flexibilities were granted, for example to guarantee funding. Before that, there was always a risk that our funding package would be lower than announced as the Scottish Government is given a share of what is actually spent in England rather than what is promised to be spent in England. Of course, the UK Government only confirms what was actually spent after the end of the financial year. If for example, the Scottish Government had been promised a specific share of funding, but the UK Government had been unable to spend the totality of what was announced then the Scottish Government would have to pay back the difference. This was a risk that we carried until the UK Government agreed to guarantee the funding, irrespective of what was spent in England. This was helpful.

44. Paragraph 53, in the Corporate Statement of the Director General Scottish Exchequer, provides a useful timeline of key changes to the Scottish Government's Budget. This should be considered alongside a timeline of key Scottish Government decisions about the Budget, which will illustrate that often the Scottish Government was required to



make timely decisions about managing the pandemic independently of financial guarantees or security. I have already referenced the example of PPE, when funding was confirmed several months after the Scottish Government had started to procure PPE. I agree with the Director General Scottish Exchequer that it created operational planning challenges.

45. The primary issue for me as Finance Secretary was the ongoing insufficiency of the Budget provision. We had just set a Budget, which had to be rewritten in a matter of weeks. The Scottish Government operates a fixed Budget which meant the only additional resource came from repurposing minor amounts of funding and from the UK Government. The UK Government indicated that there would be Barnett Consequentials, but such consequentials are based on what the UK Government actually spent rather than what they promised to spend, meaning that our figures were only estimates until the end of the year. Furthermore, as the pandemic progressed, we often had to make decisions without any security over funding. This felt very risky as the costs ran into hundreds of millions of pounds.
46. Ultimately, I don't believe that lack of clarity or standardized mechanisms had a material impact on decisions about managing the health harms of the pandemic, but it added risk to the decision-making progress and may have affected other harms like economic harms.
47. The primary way that this could be resolved was allowing for some financial flexibility so that certain interventions could be triggered by different conditions. It was plain that the conditions in certain parts of the UK were different – for example it was used as a political point that the rate of infections was worse, or better, in Scotland at certain points. So, the fact that conditions differed across the UK should have been accepted, as should the need for Scotland-specific mechanisms to trigger additional support – like extending furlough. I agree with the Director General Scottish Exchequer that the inability to influence decisions on the extension of the eligibility for the furlough scheme was a significant constraint. It was only as the situation worsened in England, that the UK Government extended furlough in early November. It was clear that it was the situation in England that had triggered an extension of furlough, rather than the calls by the Scottish Government as the situation worsened in Scotland. This meant we were making decisions about lockdown in Scotland, not



knowing what economic support would be in place or what the UK Government might do.

48. In the end, the Cabinet and First Minister made decisions that were right for managing the health impact of the pandemic, irrespective of the financial implications. I agree with the Director General Scottish Exchequer that despite operational challenges, UK Government funding decisions had no impact on specific decisions and negligible cost consequences of implementing or altering isolation guidance in Scotland. However, the decision making process was harder because we didn't know the full extent of funding that might be available. As a responsible Finance Secretary, I had to Budget on the basis of certainty; I could not promise to fund business support schemes without access to such funding. The lack of certainty did not compromise the health approach, but it may have exacerbated some of the other harms, like economic harms, because the funding available for business support and other means of alleviating financial harm wasn't as joined up.
49. Quite clearly, the Scottish Government was willing to carry substantial financial risk in order to make the right decisions and manage the pandemic effectively. For example, even with minimal funding with which to offer business grants, the Scottish Government announced additional funding to accompany lockdown over Christmas 2020/2021. Funding was announced by the UK Government after the Scottish Government had already announced business grants which were much smaller (due to affordability) than those announced by the UK Government. As such we were able to 'top up' those grants. However, it would have been more straightforward and less damaging for businesses if there had been consistency from the start. I agree with the Director General Scottish Exchequer that UK Government funding had an impact on the Scottish Government's ability to implement different measures such as vaccine roll out but less so on measures that could be achieved through guidance, messaging, and legislation. I also agree that restrictions could have been kept in place longer if furlough support had been available for longer. In the end, the UK Government did extend furlough lessening the impact of this.
50. The Scottish government had a commitment to weigh up all the harms associated with the pandemic and seek to lessen all of them. That meant that, when there was no or less economic support we had to deliberate much more about the advantages and disadvantages of further interventions to manage the pandemic, for example

instigating another lockdown. I believe that the Scottish Government made the appropriate decisions in a timely manner in relation to the pandemic, however it was far more fraught than it needed to be. Also, it meant we proceeded at considerable risk – for example procuring PPE before we knew it would be funded.

51. The bottom line is that the level of funding allocated to Scotland was based on the Barnett Formula, not on need. As such, funding was only allocated when the UK Government made a funding decision that generated consequential funding. That was the only way funding was allocated. This meant that it was extremely difficult to plan ahead financially. The funding required hugely outstripped the funding provided, and additional funding could only be allocated once it was announced by the UK Government. This meant we couldn't plan ahead, and it also meant that we carried high levels of risk.
52. All funding for items such as PPE, testing and vaccine came from Barnett generated consequential funding. It wasn't determined on need or costs in Scotland but instead was purely based on the population share that was generated by the UK Government's spending. The Barnett formula works relatively well in ordinary times, but in the pandemic, it proved to be really challenging because the pandemic affected different nations of the UK in different ways. As such, the need and subsequent costs of meeting that need therefore fluctuated significantly. Funding was based largely on conditions in England. I don't think the answer is found in better structures for communicating need, it is found in better mechanisms for accessing emergency additional funding when an emergency arises.
53. Anything that is unique to Scotland did not receive additional Barnett consequentials – for example inter-island ferries and flights. We also had additional challenges, due to rurality, for delivering all that was needed across the country. I therefore agree with Transport Scotland's Corporate Statement where it states at paragraph 70 that there was no funding allocated by the UK Government to specifically deal with inter-island ferries and inter-island flights. Anything unique to Scotland did not receive consequential funding because there was no similar issue in England to give rise to the funding in the first place.
54. In June 2020, the Scottish Government set out ten principles it proposed the UK Government should follow to support the UK economy and public finances as the UK

began to recover from the impacts of coronavirus. The paper is included in [KF/008-INQ000182949]. We believed that we had a duty to not only identify failings on the part of the UK Government but also to offer ideas and solutions in a constructive fashion. That is why we set out ten suggestions regarding public finances, dealing with debt, supporting the labour market and improving the welfare safety net. Of course, as macro economic and financial powers are all reserved, it made sense that this included reserved matters like taxation. We also felt a duty on behalf of the Scottish people to identify things that would benefit the Scottish people.

55. I made regular public announcements in the Scottish Parliament and in the media calling for additional funding, including dealing with the Omicron variant in December 2020. These are publicly available. I agree with the Director General Scottish Exchequer that there was not sufficient funding to deal with the Omicron variant. We played no role play in devising, implementing and operating the furlough scheme, Self-Employment Income Support Scheme, Bounce Back loans and the Coronavirus Business Interruption loan scheme. We sought to influence the extension of these schemes. We had a duty to minimize all harms, including economic harm, which the furlough scheme did. As the pandemic was at a slightly different stage in Scotland than in England, it was frustrating when decisions about furlough were only taken with England in mind. As Cabinet Secretary for Finance and Economy, I requested the extension of the furlough scheme in written and verbal communications, which is a matter of public record. We also requested options by which it could be extended for Scotland only. The impact was to increase the level of uncertainty as we weighed up how to manage the pandemic.

#### **g) Conclusions and lessons learned**

56. The procedures for considering, recording and implementing core decisions evolved over the pandemic and became far more formalized as the pandemic proceeded. Initially, the pandemic prompted a complete change in procedures to accelerate decisions, especially financial decisions. By the end of April 2022, the processes looked very different as these faster decisions were set in stone, whereas in early 2020 they were being trialed for the first time by necessity.

57. Everybody was learning about the pandemic, how to work in a far quicker time frame. The First Minister provided exemplary leadership throughout and ensured that

Cabinet Secretaries performed at the level required. Some civil service teams adapted faster than other teams but by and large every team in the Scottish Government had evolved in terms of ways and focus of working. My experience of the UK Government varied, but only on the basis of the engagement with Devolved Governments. I have no basis on which to comment on its performance, or performance of my UK counterparts, otherwise.

## **Part B - Sources of advice; medical and scientific expertise, data and modelling**

### **a) Advisory bodies**

58. I had minimal involvement with advisory bodies like SAGE, the sub-groups of SAGE and the Scottish Government Covid-19 advisory group and its sub-groups, beyond benefiting from their advice when making decisions at Cabinet.

### **b) Scottish Government Covid-19 Advisory group ("SGCAG") and SAGE**

59. I don't recall attending any of the meetings of the Scottish Government Covid-19 Advisory Group and SAGE. In my economic role, my primary concern was the extent to which live updates of the economic impacts were captured on a granular level by industry.

60. Decision makers, such as Cabinet Secretaries, were informed about the latest medical and scientific information at Cabinet each week and in the course of arriving at specific decisions. Cabinet papers included the latest updates and advice from the advisory groups.

61. Decision makers weighed up medical and scientific advice with other considerations such as the likely impact of decisions on the economy when making key strategic decision-making in response to the pandemic. However, the medical and scientific advice was prioritized because it was understood that all the other harms would be more short-lived if infections were suppressed.

62. The Four Harms group weighed up the impact on all four harms. Their advice was summarized in Cabinet Papers, including specific information on each of the harms.

### **c) Data and modelling**

63. The Four Harms group used data and modelling to inform their conclusions on the

impact of specific decisions. From a Finance and Economy perspective, I was heavily informed by regular dialogue with industry and business organizations, as well as the weekly Economy sub-group. This was led by the Chief Economist, who modelled the potential economic harms as well as reviewing harms that were being inflicted as a result of decisions taken to reduce economic activity. Information from the office of the Chief Economist and the feedback from business and industry groups was used to inform Cabinet of the potential impact of all decisions.

64. The discussions with these groups centred on the financial support available, future plans to implement or ease lockdowns and the specific rules governing that industry. The general sense of confidence was captured in Cabinet papers. The specific requests were actioned by the relevant teams. For example, on business support, we extended or adapted funding. The information from stakeholder groups was considered in great detail and summarized in cabinet papers. There was a formal record of the discussion. Where specific requests had been made, an action log was established which tracked progress against specific actions. Unfortunately, many of the requests by stakeholders who were deeply concerned about the viability of their business, the future of their industry or the jobs of their workforce were not easy to deliver whilst also suppressing the virus through limited economic activity. I believe that Cabinet understood how grave the situation was for business, industry and workers but there were very few ways of relieving that harm whilst also suppressing activity through lockdowns. As Finance Secretary I primarily made decisions about allocating Budget. This was based on need, at the request of the Health Secretary or the Economic Secretary.

#### **d) Operation of advisory mechanisms**

65. Every Cabinet Paper, on which Cabinet Secretaries came to final conclusions, included a summary of the latest analysis of the pandemic, as well as possible options for managing the pandemic. Cabinet Secretaries did not sit on the Advisory Groups which modelled data and examined the evidence, but they were advised by these Advisory Groups. As such, there was an element of trust required in the expertise of the Advisory Groups. Furthermore, the Chief Medical Officer attended Cabinet every week to inform Cabinet of the latest evidence, analysis and advice and offered the opportunity to query or question anything. Beyond that, there were sub-groups which allowed Cabinet Secretaries to interrogate specific, more granular evidence even further. I sat on the sub-group on the Economy, which met over the initial part of the



pandemic. This included quite extensive modelling of the current and potential economic impact. This was supplemented further by qualitative evidence, derived from extensive dialogue with business representatives. As such, I think there was a huge volume of advice, evidence and data. Initially, there were obvious gaps in the data, such as around the likely economic impact. This was partly because very few people knew the scale or extent of the pandemic. Economists suggested various shapes of recovery. The key was to distill it down and come to the correct conclusions. We sought to balance the four harms, knowing that some parts of the population were experiencing certain harms more acutely than other harms. We consulted as extensively as possible, but of course the very tight timescales and urgency of the decisions meant that we could not operate formal consultation processes which traditionally take several weeks to complete.

## **Part C - Decisions in relation to non-pharmaceutical interventions ("NPIs")**

### **a) Overview**

66. Considerations about the wider harms were considered extensively through the four harms group, which I have referenced above. I was particularly sighted on the economic harms as part of my role. In terms of consideration of public behavior, it was understood by Cabinet to be important to have the support of the majority of the public on key decisions. We shared anecdotal evidence of human behaviour and were sighted on evidence offered by the Compliance Programme, which included an academic that specializes in group psychology. The Scottish Government can provide more information on the information and evidence gathered by this programme and was provided to Cabinet. Economic harms were an important consideration and it was discussed at length by the Scottish Cabinet. However, it was recognized that if Covid-19 was effectively managed through, for example, lockdowns then economic activity could restart more quickly. Failing to effectively manage Covid-19 could mean that economic activity was constrained and suppressed for longer.

### **a) General questions about NPIs**

67. I believe that wider health, social and economic harms were considered in relation to all NPIs and Cabinet regularly considered public compliance and behaviors in relation to all NPIs. For example, it was clear that there was a significantly detrimental impact on mental health from isolation. That included working from home, reduction of person-to-person contact and the closure and opening of schools. As

Economy Secretary, the industry regularly made the point that young people, in particular, suffered from working from home as they were unable to access on the job training or benefit from peer to peer support in the workplace. The industry appealed to the Scottish Government to remove the requirement to work from home, but it was one of the last restrictions to be lifted.

68. There was a hugely detrimental impact on economic activity and, by extension, business viability and workers' jobs from new requirements like the certification and app system, restrictions on travel to and from Scotland and social distancing. Particular industries like hospitality and tourism were hit particularly hard as it significantly reduced footfall and created a much higher risk of having to self isolate even without Covid-19 symptoms. They were also affected by regional and local restrictions as even if certain areas could open more freely, they were dependent on customers located in other regions which might have been more restricted. However, other industries like manufacturing, were badly hit by social distancing requirements as fewer workers were able to work in particular locations.

69. In stakeholder calls, all the NPIs were discussed with business and industry representatives. All of them were designed to suppress infections, manage the pandemic and prevent death. However, in doing so, the harm inflicted on the economy was undoubtedly catastrophic in some cases. This had far reaching impacts beyond profit margins or income levels. For example, it was regularly cited that owners of small businesses in particular suffered from severe mental health as they navigated the stress of reduced or no trade, complex requirements and limited financial support. It is well documented that many businesses closed down. It is also worth saying however that some industries found it easier to bounce back when lockdown lifted because of pent up demand amongst consumers. Other businesses were unable to resume trading as extensively as required because ongoing restrictions limited them – for example the use of face coverings in the beauty industry.

70. I can only speak to the financial and economic implications of the decision around lockdown. The effectiveness of lockdown was largely based on the public's supportiveness for, and compliance with, lockdown. As such the timing of lockdown was key. The Scottish Cabinet agreed that all efforts to tackle the pandemic should be based on a national, collective endeavor which would require maximum transparency and appropriate communication. The decision about lockdown followed extensive

discussions at Cabinet in the weeks prior to the announcement of lockdown, considering all options for suppression and containment of Covid-19.

71. Consideration was given to the adoption of strategies other than lockdown in March 2020 in Cabinet. Of course, the pandemic was completely unprecedented, and Cabinet sought extensive scientific and medical advice. Measures were introduced in advance of lockdown over the course of March 2020 in an effort to restrict transmission of the virus. This included limited self-isolation for those with symptoms and limiting social contact. It was also highlighted publicly, and through internal discussion, that vulnerable people would require additional support. From a financial perspective Government immediately began to reprioritize activity to free up resources and capacity to respond to the pandemic. This included procuring equipment like ventilators. Furthermore, in the weeks prior to wholesale lockdown being announced, all options were considered by the Scottish Government and it was understood by Cabinet that if initial actions (such as requesting voluntary self-isolation) were not effective then there would be a move to compulsory actions. I don't recall any discussion about the Scottish Government's exit strategy at the point of entering lockdown, but it was understood that the lockdown would be temporary and only for as long as it was required to control the virus.

72. The Scottish Government published a paper in April 2020 entitled a Framework on Decision Making which included an exit strategy from the first lockdown. It is included as [KF/009-INQ000131056]. The publication was accompanied by extensive engagement work with key stakeholders. This was well received by the business and industry representatives with whom I had extensive dialogue. The plan to phase the lifting of restrictions provided greater certainty to sectors and industries as to when economic activity could resume. It was regularly conveyed to Ministers by industry that publishing a strategy offered greater clarity on what might trigger further or lesser restrictions. The strategy was formulated along the lines of the four harms to allow decision makers to consider a more balanced approach than the first lockdown had allowed. Whilst we had previously considered all of the harms of lockdown, the four harms approach formalized the evaluation of non-Covid-19 harms like economic harms. The harms were informed by expert analyses, as well as lived experience of the public. Inequality was part of each of the harms. Cabinet agreed to this approach. My involvement was limited to any financial elements of the strategy.

73. The decision to implement a second lockdown was extremely difficult. We were

conscious that the public had adapted to living and working more freely after the first lockdown and nobody wanted to enter a second lockdown. The second lockdown was announced, and implemented, extremely quickly resulting in, for example, huge waste of goods, food and other things. It was complicated by uncertainty over whether furlough would be extended or not. With every lockdown, other options were considered, for example limiting restrictions to certain areas. We were far more prepared for the second lockdown in terms of communicating messages, the impact on the public and the need for financial support. We had also assessed the impact of lockdown on, for example, the economy and so had a greater sense of the industries most and least affected.

74. In December 2020/January 2021, Cabinet again considered all options to control the virus, recognizing this as a particularly important time socially and economically, including measures other than lockdown. I don't recall any Cabinet discussions which only considered protecting the medically vulnerable, although there was always careful consideration of specific measures to protect the medically vulnerable. However, I recall advice that indicated that there was widespread community transmission which required measures to control spread beyond just the medically vulnerable. I can only offer limited comment on auditing the impact of lockdown; our primary advice centred on reducing the number of infections and the 'R' number (the R number or "reproduction number" is the average number of secondary infections produced by a single infected person). As the R number fell on a more sustained basis, discussion turned to exiting lockdown. In terms of wider harms, work has been conducted but others are better positioned to share the Government's work in this regard.

75. Evaluating the right time to implement NPIs was extremely difficult. On one hand there was considerable pushbacks from stakeholders who suffered unimaginable difficulties as a result of certain NPIs. On the other hand, there were limited tools available to suppress infections and manage the pandemic. As such the Scottish Government sought to use the NPIs as effectively as possible. There were many situations where the Scottish Government sought to balance NPIs with the need to allow a little bit more normality. For example, on Christmas Day 2020, there was a limited easing of restrictions to allow families to meet. In every case of imposing NPIs, there will be a well documented record of papers, advice and discussions. In all of these, there will be evidence of the desire on the part of Ministers to balance all the NPIs, knowing full well how damaging failure to act would be as well as how



damaging some of the NPIs would be.

76. At times, waiting for the weekly meeting of Cabinet or waiting for an extraordinary meeting of Cabinet was deemed to be too slow for a decision to be made. Furthermore, sometimes Cabinet would discuss all the factors related to a decision and agree that the final decision would rest with the First Minister. This wasn't an uncommon way of working during the pandemic.

### **c) Eat Out to Help Out**

77. I was not involved at all in the Eat Out to Help Out scheme, as such my answers to these questions are extremely limited. We had no discussion with the UK Government prior to the announcement and I was not afforded the opportunity to discuss it directly with the Prime Minister or Chancellor prior to the implementation. We recognized the significant economic opportunity of the scheme but reservations were expressed about how it might encourage the spread of Covid-19. It was introduced on a UK-wide basis, without any decision making or funding implications for the Scottish Government.

## **Part D - Decision-making between the Scottish Government and (a) the UK Government and (b) the other Devolved Administrations in Wales and Northern Ireland**

78. I am asked by the Inquiry to comment on a number of intergovernmental structures with which I had no involvement. I am therefore unable to provide any information on the workings of those structures or processes of consultation for changes in those structures. In relation to financial decisions, I have already documented the nature of the relationship between the Scottish Government and other Governments of the UK above. I believe that other Ministers will be better able to comment on policy decisions such as the movement from 'contain' to 'delay' and imposition of, easing of, or exceptions to NPIs. I played a full role in trying to ensure that the financial response to all of these were on a four nations basis, but other Government Ministers took the lead on collaborating, coordinating and communicating with the UK Government and the Scottish Government on NPIs like Border controls, social distancing and quarantining of whole households. However, there was certainly a desire to act on a four nations basis as much as possible.



That was certainly true on the finance side, not least because the funding support that was announced by the UK Government was often then provided by the Scottish Government in Scotland. As far as possible, we shared information and discussed options. I did not attend COBR meetings and therefore I am unable to comment on attendance or involvement of the Scottish Government in these meetings. I cannot comment on why the Devolved Administrations were not invited to attend COBR as a matter of course. I think intergovernmental structures are important, built on mutual respect. But they cannot be a wallpapering exercise, we need fundamental reform to where powers lie and a willingness for each government to adapt based on new information that emerges in these structures. I am not in a position to comment on the discussions between the Health Secretaries of each of the four nations. I remain deeply upset at the harm that was done to vulnerable groups as a result of the impact of lockdown. The view was taken that effective management of the pandemic would lessen the other harms by shortening the time that lockdown or such measures would be required. These wider harms were considered in every decision about the pandemic but I think that we could have lessened the harm with better systems in place.

## **Part E - Interrelation between the Scottish Government and local government**

79. From the very beginning of the pandemic I had extensive engagement with the Finance Spokesperson at COSLA, Cllr Gail MacGregor, because local authorities were heavily involved in distributing financial support to businesses. That was my primary engagement with local government. The Minister for Public Finance and Migration, Ben MacPherson, and I also engaged directly with every Chief Executive and Leader of each local authority as part of an effort to work more closely together and understand the extent of the operational and financial challenges faced by every council area. Roundtable discussions were chaired by the Minister. The Scottish Government heavily relied on Local Government for operational reasons. Local Government took the lead on distributing financial support to community groups, businesses and vulnerable people. That meant that substantial funds were distributed to, and through, local government during the pandemic. That was the extent of my involvement with Local Government as the Cabinet Secretary for Communities and Local Government, Aileen Campbell, led on the substance of the policies to support Local Government. The President of COSLA, Alison Evison, was also invited to SGORR meetings.

80. I believe that the engagement between officials in the Scottish Government and in local government on financial matters was frequent and extensive. That worked well, I believe. However, I recognize that there was often a sense in local government that we did not commence that dialogue early enough or that local government colleagues only learned about new schemes that they were required to distribute after the announcement. I therefore established a group, comprised of officials in the Scottish Government and in Local Government who were actively involved in distributing business support. This allowed local government officials to feedback on what was working well and what needed to be improved. I am unable to comment on other matters relating to specific discussions with local authorities around lockdowns, discussion with local authorities regarding imposition of specific NPIs, or science advice provided to local government etc., as these matters fell outside my remit as Cabinet Secretary for Finance and the Economy.

## **Part F - Key challenges and lessons learned**

81. I have not contributed any oral or written evidence to the UK Parliament Select Committees. During the course of the pandemic, I provided written and oral evidence to the Scottish Parliament and specifically the Scottish Parliament Finance Committee about ongoing Budget management, but this was not specific to the pandemic.

82. In relation to Finance and the Economy, rather than to wider Cabinet decisions, I believe that many lessons were learned over the course of the initial few months which were then adapted for subsequent phases of the pandemic. The four harms approach allowed the Cabinet to consider the impact of the pandemic on a more holistic basis. The analysis and evidence, particularly of the economic impact, was expanded considerably. There were very few options for distributing business support over the first lockdown, which is why we largely worked with local government using the Non Domestic Rates system. Non Domestic Rates, or Business Rates as it is sometimes known, is the property tax paid by all non-residential properties. It is the most effective way of identifying businesses in Scotland, as we don't have control over other business taxes like corporation tax. However, it excludes all non-property based businesses such as those who work from home. Over subsequent lockdowns, we expanded this to include other public

bodies on the basis of other criteria. This took time to expand. In future, the Scottish Government should be prepared from the very beginning to analyze the potential economic impact on a more granular basis, as well as be prepared to distribute funding more widely and on a more timely basis. This will require entirely new mechanisms based on collated data.

83. In terms of the relationship with the UK Government, there needs to be a mechanism which allows for Devolved Governments to access extraordinary, additional funding to tackle emergencies which isn't contingent only on UK Government action. This would have allowed the Scottish Government to make funded commitments in response to Scotland-only events and ensured that Cabinet could consider all options. We should also have been able to suspend some of the Scottish Government rules on Budgeting, for example being required to balance a budget on an annual basis. Instead, being able to move funding across financial years would have relieved some of the internal risk and pressure and allowed us to focus more on purely tackling the pandemic.

84. There are many lessons to be learned about how the Scottish and UK Governments should work collaboratively in a time of crisis. This is particularly true when a crisis cuts across devolved and reserved decision making. At a time when substantial additional funding is required to deliver devolved responsibilities, there is a tension. Generating additional resources is reserved, but public services are devolved. That means new ways of accessing funding to ensure public services meet the need are required.

### **Statement of Truth**

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

# Personal Data

Signed: \_\_\_\_\_

Dated: \_\_\_\_\_ 16 November 2023 \_\_\_\_\_