

**Witness Name: Alyson Stafford**  
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**UK COVID-19 INQUIRY**  
**MODULE 2A**

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**WITNESS STATEMENT OF THE DIRECTOR GENERAL SCOTTISH EXCHEQUER**

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**This statement is one of a suite provided for Module 2A of the UK Covid-19 Inquiry and these should be considered collectively. In relation to the issues raised by the Rule 9 notice dated 10 March 2023 served on the Scottish Government, in connection with Module 2A, the Director General Scottish Exchequer will say as follows: -**

**Introduction**

1. This statement has been prepared by the Director General Scottish Exchequer with contributions from Directors General for Corporate, Health and Social Care, and Communities.

**Structures**

2. The overall structure and delivery of spending and financial management activities within the Scottish Government involves a number of different roles and responsibilities across the organisation.
3. The Scottish Government is responsible for deciding, subject to approval of budget legislation by the Scottish Parliament, how public money will be spent each year, and Scottish Ministers propose spending plans for scrutiny by the Parliament in the annual budget. The annual budget sets out the allocation for each Portfolio, and Cabinet Secretaries take lead responsibility for applying their Portfolio Budget in line with the purposes in the annual Budget Act to deliver the Scottish Government's objectives. Once the Budget Act has been approved by the Scottish Parliament, there are usually two opportunities to amend the budget as the year progresses.

4. The Public Finance and Accountability (Scotland) Act 2000 (the 2000 Act) sets out the accountability of officials, the rules for spending money, accounting and auditing arrangements. Portfolio Accountable Officers are answerable to the Scottish Parliament for the resources for which they have a designated personal responsibility, and for providing assurances on the systems of internal control within their areas of responsibility that support the achievement of relevant policies, aims and objectives as set by Scottish Ministers. Portfolio Accountable Officers are designated by the Principal Accountable Officer.
5. To assist them in their role, Portfolio Accountable Officers delegate authority for budgets and associated strategic and financial management responsibilities to Directors (or equivalents) for further sub-delegation as they consider appropriate. Part 2 of the 2000 Act sets out the accountability of the Permanent Secretary and Portfolio Accountable Officers (Directors General) to the Scottish Parliament. The Permanent Secretary of the Scottish Government is the Principal Accountable Officer for the Scottish Administration in terms of section 14 of the 2000 Act. An explanation of the basis of accountability in Scotland and its key components, including the role of the Principal Accountable Officer and Accountable Officers, is contained in the previously provided document: *Basis of Accountability in Scotland* [AS3/0001-INQ000102907].
6. Part 2 of the 2000 Act also provides the basis for the *Scottish Public Finance Manual* (SPFM) [AS3/0002-INQ000102918]. The SPFM is issued by Scottish Ministers to provide guidance on the proper handling and reporting of public funds. Annex 1 of the accountability section of the SPFM addresses accountability of the Permanent Secretary and Portfolio Accountable Officers (including Directors General) [AS3/0003-INQ000102909].
7. The approach to delegation is explained in the previously provided *Delegated Authority*: [AS3/0004-INQ000102910]. The delegated authority section of the SPFM is also provided: [AS3/0005-INQ000182923].

### **Key mechanisms and entities**

8. The Scottish Government is structured into a number of Director General 'families' which are responsible for different ministerial portfolios and policy areas. Director General families comprise several Directorates and these will vary given the range of devolved activities; including policy making, operational delivery and core central functions of Government. Due to the way in which Scottish Government finance functions are structured, four separate finance functions ((i) Exchequer within DG Scottish Exchequer, (ii) Financial Management within DG Corporate, (iii) Local Government Finance within DG Communities and (iv) Health Finance within DG Health and Social Care) are dispersed across separate Director General areas in the Scottish Government. All of these areas have therefore contributed to the

preparation of this statement. These finance functions are described in more detail from paragraphs 26-34 and work to support the Scottish Government's core financial, corporate monitoring and associated governance and reporting mechanisms. The Scottish Government is required to operate a balanced budget, matching its spending to available funding each year.

9. Director General families and their public bodies also maintain decentralised finance teams to support ministerial decision-making at portfolio level regarding management of budgets and resources, and to manage resources and any specific initiatives or funds for which they are responsible (in accordance with the responsibilities of the Scottish Public Finance Manual, described at paragraphs 6-7). This is in line with the flow of budgets and associated strategic and financial management responsibilities from designated Portfolio Accountable Officers (Directors General) to Directors (or equivalents) through the Scottish Government's Accountable Officer and delegated authority arrangements (including framework agreements for public bodies). Further information on the role of Portfolio Accountable Officers and Accountable Officers is set out in the Module 2A DG Corporate statement provided 23 June 2023.
10. The process of developing, setting, and managing the annual budget and strategic financial management is undertaken corporately through a close collaboration between the directorates that comprise Director General Scottish Exchequer and the Financial Management Directorate within Director General Corporate (see paragraphs 26-31 below). In broad terms, Director General Scottish Exchequer and Financial Management Directorate together oversee the processes of:
  - delivering the annual budget and associated fiscal events
  - medium term financial planning and related decisions on fully devolved and partially devolved tax policy and borrowing
  - management of the Scottish Government's overall budget position.
11. Specific Exchequer responsibilities include oversight and development of the annual Scottish Budget for the whole of Scottish Government, fiscal policy, public spending, and taxation (working where relevant with the Local Government Finance Unit regarding non-domestic rates).
12. The Financial Management Directorate works alongside these functions to deliver central oversight and coordination of corporate finance processes for the organisation; in-year financial management of the annual budget; delivering technical accounting and reporting requirements; producing the Scottish Government's consolidated annual accounts, leading second line governance and risk functions; updating and further development of the SPFM;

and a range of operational financial services such as payment processing and financial systems.

#### Context and Frameworks for Scottish Government finance and exchequer functions

13. Paragraphs 15-39 of the Module 2A DG Scottish Exchequer statement provided 23 June 2023 (M2ASG01), set out in detail an overview of the annual budget and associated processes as well as Scottish Government funding sources. In addition to the Block Grant, the Scottish Government has three additional funding mechanisms. These are: (a) Scotland-raised taxes, (b) limited borrowing powers in specific circumstances, and (c) a limited Scotland Reserve facility to smooth spending within and between years, within set limits.
14. Finance and Exchequer functions aligned closely with the *Coronavirus (Covid-19): framework for decision-making*, which was published by the Scottish Government in April 2020. The framework set out the basis for Scottish Government decision making during Covid-19 based on an assessment of the “four harms” that had been identified as having been caused or likely to be caused as a result of the pandemic. Those harms were: (i) the direct effect on society’s health by the virus (ii) the indirect effect on health as a result of the virus (iii) societal (including issues such as loneliness and education) and (iv) economic. A detailed overview of the framework has previously been provided in paragraphs 72-85 of the Module 2A DG Strategy and External Affairs corporate statement provided 23 June 2023.
15. The framework provided a mechanism through which Accountable Officers and policy areas were able to evaluate and formulate proposals and advice, including in relation to spending across the four harms in a holistic way. This approach enabled holistic decision-making by the Scottish Government so as to recognise that, for example, supporting a business would also enable staff to self-isolate where necessary, and supporting families isolating would also assist physical and /or mental health and seek to reduce the risk of transmission.
16. Further to explanations provided from paragraph 6 onwards, the SPFM, issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds, continued to apply throughout the pandemic. It sets out the relevant statutory, parliamentary and administrative requirements. It emphasises the need for economy, efficiency and effectiveness in the use of public money, and promotes good practice and high standards of propriety.
17. Scottish Government borrowing and other funding policies are set out in the *Scottish Government’s Medium-Term Financial Strategy*. The latest publication, dated May 2023, is provided: [AS3/0006- INQ000215056].

18. All Scottish Government financial accounting policies are set out in the Consolidated Financial Accounts, which are published annually. The *Statement of Accounting Policies*, previously provided, for the most recent consolidated accounts (2021-22) can be viewed in the 'Notes to the Accounts' section: [AS3/0007-INQ000102920].
19. A significant proportion of the Scottish Budget continues to be funded through the Block Grant from the UK Government. The Scottish Government's central exchequer and finance functions liaise with HM Treasury within the UK Government in connection with any changes to the Block Grant and to provide regular spending data to meet UK Government financial reporting requirements. A detailed explanation of the Fiscal Framework and Statement of Funding Policy arrangements are set out in detail in the Module 2A DG Scottish Exchequer corporate statement provided 23 June 2023 (M2ASG01).
20. These funding mechanisms, and the fiscal relationship between the Scottish and UK Governments as set out in the *Statement of Funding Policy (2021)* [AS3/0008-INQ000102912] and the *Fiscal Framework Agreement (2016)* [AS3/0009-INQ000102914], continue to apply in the event of civil emergencies and govern the ways in which any financial response to such an event can be delivered by the Scottish Government. Existing arrangements in relation to borrowing also continue to apply, meaning the Scottish Government cannot borrow to support additional discretionary resource spending or to respond to an emergency situation. The Scottish Government only receives financial resources to respond to an emergency event when the UK Government increases spending on devolved areas in response to that same event or funds the Scottish Government specifically for that purpose. Any additional in-year expenditure, in a given area where the UK Government has not agreed to provide additional funding, has to be paid for by reductions elsewhere in the Scottish Budget.
21. The associated mechanisms and operation of the Scottish Government's finance functions delivered by the Financial Management Directorate and Scottish Exchequer therefore also continue to apply in the event of a civil emergency. The Scottish Government has only limited flexibilities available to it within the established framework to support decisions taken by Scottish Ministers, and nothing more, at times of civil emergency.
22. It is also important to note that the Fiscal Framework, Statement of Funding Policy, budget process and other factors which are specific to the shape and nature of the devolution settlement in Scotland mean that the Director General Scottish Exchequer, the Financial Management Directorate or other finance functions within the Scottish Government do not replicate exactly the structures and functions associated with HM Treasury.

## Ministers and Personnel

23. As set out previously, spending decisions are made by Scottish Ministers. Scottish Ministers determine policy and are accountable to the Scottish Parliament for the policy decisions and actions of the Scottish Administration, including Scottish Government Executive Agencies and non-ministerial offices. Ministers propose annual spending plans for scrutiny in accordance with the process set out in the Written Agreement and to be authorised by the Scottish Parliament in the annual Budget Act (see paragraph 45 of Module 2A DG Scottish Exchequer corporate statement provided 23 June 2023 (M2ASG01) and in the written agreement between the Finance and Constitution Committee and the Scottish Government, provided: [AS3/0010- INQ000215055].
24. Ministers responsible for Bills being introduced in the Parliament also ensure that these have explanatory notes and a Financial Memorandum which sets out associated costs. Scottish Government Executive Agencies (such as Scottish Forestry), Non-Ministerial Offices (such as Consumer Scotland) and bodies sponsored by the Scottish Government are distanced to varying degrees from the Scottish Ministers. However, the responsible Cabinet Secretary or Minister is accountable to the Scottish Parliament for the degree of autonomy enjoyed and for the organisation's contribution to the delivery of government policy. Only Ministers can propose the use of resources by such organisations to the Parliament in the Budget Bill, and therefore remain ultimately accountable to the Parliament for these resources, and for the organisation's performance.
25. A list of Ministers and Special Advisors for the timescale of 21 January to 30 April 2022 was previously provided here: [AS3/0011-INQ000131090].
26. Scottish Exchequer is one of eight Director General (DG) areas that comprise the Scottish Government. Alyson Stafford CBE was appointed Director General Scottish Exchequer in July 2017.
27. Director General Scottish Exchequer is responsible for the overall Scottish Budget including tax, public spending, fiscal policy and internal audit functions.
28. As of January 2020, Director General Scottish Exchequer was comprised of four directorates – Budget and Public Spending (led by Andrew Watson), Taxation and Fiscal Sustainability (led by Lucy O'Carroll), Performance and Strategic Outcomes (led by Jennie Barugh) and Internal Audit and Assurance (led by Sharon Fairweather).
29. As of March 2022, the Scottish Exchequer evolved into five directorates – Budget and Public Spending (led by Andrew Watson), Fiscal Sustainability and Exchequer Development (led by

Jennie Barugh), Tax and Revenues (led by Andrew Scott), Fiscal Policy and Constitution (led by Lucy O'Carroll) and Internal Audit and Assurance (led by Sharon Fairweather).

30. Separate to Director General Scottish Exchequer, Financial Management is a single directorate located within Director General Corporate led by Lesley Fraser. The Director General Corporate was formed in March 2021 and the directorate formed part of Director General Organisational Development and Operations prior to this. Financial Management Directorate is led by the Chief Financial Officer and supports Ministers and senior officials to make sound decisions about the use of allocated resources across the Scottish Government. The directorate was led by Gordon Wales from October 2014 to July 2020, Kerry Twyman on an interim basis from July 2020 to November 2020, and by Jackie McAllister from November 2020 to present.
31. Health Finance, Corporate Governance and Value Directorate (DHFCGV) is a single directorate located within the Director General Health and Social Care family. The directorate is led by the Director of Health Finance and Governance and oversees financial strategy for the Health and Social Care portfolio and related financial performance and financial advice activities. The directorate works closely with the Financial Management Directorate to ensure that financial management approaches are aligned, and that key messages are appropriately escalated to the Chief Financial Officer.
32. Richard McCallum occupied the role of Director of Health Finance and Governance on an interim basis from December 2019 to March 2021 and on a permanent basis since then.
33. The Directorate for Local Government and Housing is located within Director General Communities (formed in March 2021, it was previously Director General Education, Communities and Justice). Within this directorate, the Local Government and Analytical Services Division (LGASD) develops and implements policy on local government finance, manages the strategic relationship between Scottish Government and Local Government, and has an embedded analytical team to provide analytical support. The directorate liaises closely with both the Directorate for Financial Management and the Directorate for Budget and Public Spending to align local government financial planning and monitoring with wider budgeting processes. The directorate, which was the Local Government and Communities Directorate until March 2022, was led by Stephen Gallagher from November 2018 until February 2021, David Robb from March 2021 until May 2021, and Sean Neill from May 2021 until the present.
34. In the early stages of the pandemic, the majority of the Scottish Government funding provided towards business support measures was administered through the Local Government non-domestic rates system. Non-domestic rates, often referred to as business

rates, are a tax on non-domestic property. The Scottish Government sets the tax rates and national reliefs, while councils collect and administer the tax and have local relief powers. The Local Government and Analytical Services Division (LGASD) was responsible for the design and implementation of the Small Business Grant Funding Schemes (Small Business Grant Fund and Retail, Hospitality and Leisure (RHL) Grant Fund) in 2020-21. These schemes were aimed at keeping companies in business and maintaining productive capacity so they could recover. The intention was to protect jobs, prevent business closure and promote economic recovery. The funds were in place for the first half of 2020-21. LGASD's Non-Domestic Rates Team was responsible for the design of non-domestic rates reliefs, including the Covid-19 Non-Domestic Rates reliefs in 2020-21, 2021-22 and the first three months of 2022-23. LGASD was also responsible for providing any required revenue payments to local authorities in the deployment of these grants and adjustment to local government finance to account for the introduction of Covid-19 reliefs.

#### Structural changes in response to the Covid-19 pandemic

35. Finance and Exchequer teams supported the Scottish Government's Covid-19 overall response, primarily by providing information to Cabinet, (the policy decision-making authority within Scottish Government), and to the Scottish Government Resilience Room (SGoRR) function.
36. Following the outbreak of Covid-19 the Permanent Secretary, in consultation with the Scottish Government's Executive Team, agreed that the Scottish Government's corporate governance structures should be streamlined to focus governance activities and resources on the organisation's response. These adapted governance structures were put in place in March 2020 to reflect the response to Covid-19 to support timely decisions, underpinned by the principles of good governance. Accountable Officer duties set out in the Scottish Public Finance Manual remained extant. An overview of the governance arrangements that were introduced is set out in the Annual Governance Statement contained in the Scottish Government Consolidated Accounts 2019-20, which is provided in the documents for general disclosure. Further information on governance arrangements within the Scottish Government is set out in the Module 2A DG Corporate statement provided 23 June 2023.
37. In addition to the adaptations to the corporate governance system, the Scottish Government also changed operations and functions to support the Covid-19 response. A network of hubs was established to co-ordinate and support effective decision-making and situational awareness, at the pace required by the pandemic, and to clarify lines of communication.



This hubs network did not replace the Scottish Government's existing directorate and portfolio structures but provided pooled resources to support the response effort.

38. Four Ministerial Support group hubs were created within the Scottish Government: (i) Health, (ii) Economy, (iii) Communities & Public Services, and (iv) Government Business & International.
39. The organisational change within the Scottish Exchequer and Financial Management Directorate was the creation of a Scottish Exchequer and Finance Group Covid-19 Hub to liaise on appropriate Scottish Government Resilience Room (SGoRR) Officials and Ministerial meetings and manage day-to-day response activity, including the sharing of information and upward corporate reporting. The Scottish Exchequer and Finance Group Covid-19 Hub, led by Alyson Stafford, was one of four *corporate* group hubs overseeing the organisation's corporate systems and resources. The Exchequer and Finance Group Covid-19 Hub operated alongside the other corporate hubs of Scottish Government Business Continuity, Communications, and Resilience and Readiness.
40. The Scottish Exchequer and Finance Group Covid-19 Hub was established in order to:
  - facilitate rapid and effective communications when required
  - coordinate appropriate briefing for Ministers as required for SGoRR
  - act as 'gatekeepers' to those at the 'front line' of the response whose time needed to be protected for the most significant issues
  - provide an effective triage and tasking function
  - report any top-level issues to SGoRR in a clear and effective way that minimised the need for detailed trawls
  - escalate major issues to the top level via SGoRR Secretariat, via Situation Reports (SitRep) or directly if time critical, from all relevant directorates.
41. SGoRR developed the overarching network in March 2020 and by 27 March 2020 the Scottish Exchequer and Finance Group Covid-19 Hub was fully operational. The hub was staffed to ensure responsive cover including out of hours arrangements where appropriate.
42. The operations of the Scottish Exchequer and Finance Group Covid-19 Hub were maintained until September 2020 when they were gradually scaled back towards the end of the 2020 calendar year, moving to emergency cover only from 14 January 2021 when the hub was formally stood down. Scottish Exchequer and the Financial Management Directorate continued to play a role with SGoRR coordination but without the hub architecture that was created to deal with the immediate pandemic response. The Director General Scottish Exchequer and Financial Management Directorate routine governance

arrangements continued to operate during this period, with the Scottish Exchequer and Finance Group Covid-19 Hub reporting into relevant groups.

43. Additionally, at the start of the pandemic, continuity arrangements were put in place within the Financial Management Directorate to ensure that its operational financial services and payments teams continued to operate effectively during the pandemic. This involved steps to move to a virtual working environment, whilst enabling a small core of essential staff to be able to make safe and appropriate use of office facilities to undertake essential accounts payable, to pay for services and supplies, and banking activities that were not possible remotely. Similar virtual arrangements were put in place by Revenue Scotland for the operational administration of the fully devolved taxes.
44. Beyond formal changes to central finance structures, across the Scottish Government reprioritisation and redeployment of staff took place to meet operational financial requirements for key activities, and to de-prioritise any non-essential work. For example, individuals from Local Government and Analytical Services Division and the Economy Directorates were temporarily redeployed to work on the Small Business Grant Fund, and the Retail Hospitality and Leisure Grant Fund in 2020-21, liaising with local authorities before and after the funds' introduction. Scottish Exchequer staff that had previous Scottish Government Health and Social Care Directorates analytical and policy experience were redeployed to assist the capacity needed for the health response.
45. The Health and Social Care Directorates have a dedicated financial management service through the Directorate for Health Finance, Corporate Governance and Value (DHFCGV). This directorate works with internal stakeholders (the wider health directorates) and external stakeholders (NHS Boards and Health and Social Care Partnerships) to:
  - devise and implement a financial strategy for the Health and Social Care portfolio
  - financially manage NHS Boards and delegated health functions within the Health and Social Care Partnerships/Integration Authorities, and internal health directorates
  - devise and implement policy and structured investment in NHS infrastructure
  - provide advice, insight and intelligence to ministers and policy colleagues on inter- and cross-portfolio matters.
46. While the structure of DHFCGV did not change in response to the Covid-19 pandemic, in March 2020, the Director of Health Finance and Governance emailed all Health Directors setting out arrangements for financial planning and assurance within the pandemic response. A copy is provided: [AS3/0012-INQ000182925]. This email noted that specific resource had been provided to the NHS Scotland Chief Operating Officer to support Covid-19 specific activities around resilience and mobilisation.

47. Finance business partners within DHFCGV were responsible for working with health directorates to identify, assess and log spending decisions. Any spending decisions over £1 million were taken to the Health and Social Care Management Board for full consideration and approval, before onward submission to Ministers.
48. Internal audit activity within the Scottish Government was also reviewed and reprioritised to support Covid-19 assurance activity, including redeployment of some staff into specific delivery areas in health finance and Covid-19 business support to advise on new practices and frameworks.

Roles and responsibilities of the Scottish Government's Finance and Exchequer functions in response to the Covid-19 pandemic

49. As set out above, the role of the Financial Management Directorate and Director General Scottish Exchequer is to deliver the Scottish Budget process and associated strategic fiscal activity, and to provide financial advice and services across the Scottish Government and its associated public bodies (outwith Local Government and Health which operate their own direct management structures), working alongside Accountable Officers to support proper principles of financial management and governance.
50. As indicated in paragraph 20 above, the overall parameters set out in the Statement of Funding Policy and Fiscal Framework continued to determine the ways in which the financial response to the pandemic could be delivered and paid for by the Scottish Government. Block Grant funding transferred to respond to the crisis was allocated to the Scottish Government in accordance with the principles set out in the Statement of Funding Policy, with additional funding calculated as a proportion of allocations to equivalent UK Departments, and existing arrangements in relation to borrowing continued to apply.
51. The key requirements and roles fulfilled by the Scottish Government's central exchequer and financial management arrangements therefore did not fundamentally change as a result. However, there was considerable work to adapt these arrangements to address the speed of decision making and the increase in the quantum of funding that was triggered by the pandemic.
52. This work included the provision of regular management information to budget holders, to the Executive Team, and to Ministers, detailing current budget allocations, spending against individual programmes, and any funding available. Formal Budget Act revisions for the 2020-21 and 2021-22 financial years were presented to the Scottish Parliament (including an additional Summer Budget Revision) transparently setting out all additional funding

allocations, with scrutiny at relevant Scottish Parliament Committee sessions. These revisions are detailed in paragraphs 103-111 below.

53. In line with the structure and processes set out above, key decisions on the allocation of funding would be taken by Cabinet and the application authorised via the Covid-19 Accountability template process as set out in paragraphs 55-58 below.
54. The Scottish Government's central exchequer and finance functions did not set policy for the Scottish Government. Rather, they supported consideration of the financial implications of activities deemed necessary as part of the four harms methodology against the overall financial resources that were available to the Scottish Government, for delivery through Director General directorates and relevant bodies working in line with accountable officer and delegation arrangements.

#### Covid-19 Accountability 'AO Template' Framework

55. At the commencement of the Covid-19 outbreak, it was envisaged that decisions would require to be taken at pace, with funding implications.
56. To manage potential budget volatility and ensure funding was available to meet commitments made throughout the pandemic, a new Covid-19 Accountability Framework (also known as an AO template) was introduced for Accountable Officers (AOs) in March 2020 to support effective and robust evidence-based decision making and to capture related spend as part of the overall Scottish Government financial management process. The process applied to the Scottish Government and its public bodies.
57. This framework was designed to provide financial guidance to Accountable Officers regarding the Covid-19 outbreak whilst enabling a timely response to issues identified. It also helped Accountable Officers consider where any previous activities could be reduced, stopped, or re-profiled. Scottish Government directorates, working through the Accountable Officer arrangements, were responsible for the development and authorisation of these 'AO templates' through appropriate channels, and for the alignment of associated policy advice and decisions. The template process was designed to ensure that the development of policy and decisions across the Scottish Government addressed key areas for consideration including value for money, affordability, probity, regularity and strategic rationale. The Financial Management Directorate, along with other corporate service areas such as legal and state aid services, provided support and challenge to policy makers during the development of their templates, focussing on affordability and value for money. The templates thereafter required approval and sign off at appropriate levels including by the

designated Accountable Officer, central Scottish Government Finance, and by relevant ministers.

58. The template and detailed explanatory guidance regarding its use is published within the Finance Guidance Notes contained within the Scottish Public Finance Manual: *FGN2020/03 SPM Covid-19 Accountable Officer Guidance and Funding Ask Template: March 2020*. A copy is provided: [AS3/0013-INQ000182926].

#### Financial Management of the Health and Social Care Directorates

59. Within the Health and Social Care Directorates, financial governance principles were implemented with effect from 13 March 2020 to support necessary decision making, often at short notice, by the portfolio while ensuring that activity complied with revised Scottish Government policy. These principles included revision of delegated authority to allow Directors and Deputy Directors within the Director General to approve spend up to £1 million and agreement of all spending decisions in excess of £1 million by the Health and Social Care Management Board (or Planning and Assurance Group while it was in existence prior to formal approval by Ministers).

60. All spending requests were accompanied by an AO template, as described at paragraphs 55-58, aligning the approach to the wider corporate approach set out above, and this template required that the following were taken into consideration prior to allocation of funding:

- whether proposed spend was novel or contentious
- under what statutory or budgetary powers the spend was to be directed
- cash availability, ensuring that the Scottish Government's Treasury and Banking team within the Financial Management Directorate were sighted on significant outlays
- whether spend would have implications for procurement on either existing or pending contracts.

61. The guidance was designed to ensure that financial and related activities were performed in accordance with Scottish Government policy at all times. This ensured the following key principles of managing public money: probity, accuracy, economy, efficiency and effectiveness.

62. Similar arrangements were agreed for use across NHS Boards. Initially NHS Boards had delegated authority of up to £1 million for Covid-19 spend with requests over this level subject to scrutiny by Scottish Government officials and, latterly, authority to spend against signed-off local mobilisation plans, with spend in excess of this still requiring further approval

from Scottish Government. Mobilisation plans were continually updated by NHS Boards over the period of response and included details of planned and actual Covid-19 response activity. During the initial response, a specific delegation was provided for NHS National Procurement of up to £2 million to support increasing stocks of consumables such as face coverings, hand hygiene and ventilation equipment.

#### Chronology of events, meetings and liaison

63. A summary timeline of relevant Scottish Government finance and exchequer developments over the time period under review is provided: [AS3/0014-INQ000182927].

64. A summary of decisions taken on business support is provided: [AS3/0015-INQ000182928].

#### Key meetings and records management

65. Key fiscal decisions drawing on Finance and Exchequer advice would be made at Cabinet, as the main decision-making body of the Scottish Government. As set out earlier, SGoRR acted as the Scottish Government's central co-ordinating function for the initial Covid-19 response until March 2020 in which Financial Management Directorate and Scottish Exchequer functions participated as required. A timeline of SGoRR meetings has been previously provided: [AS3/0016-INQ000131057]. Finance and exchequer officials did not attend COBR, Ministerial implementation Groups, Covid-O or -S Committees, SAGE, or meetings (at UK or Scotland level) with the Chief Scientist or Chief Medical Officers.

66. Over the period specified, Scottish Exchequer and Financial Management Directorate officials attended a range of meetings which considered finance specifically, and whether arrangements for ensuring that the various sources of funding to the Scottish Government specifically were appropriate. These meetings largely related to funding sources rather than spending decisions. Spending discussions and decisions took place at ministerial level.

67. The Scottish Government has well established records management practices demonstrating compliance with Public Records (Scotland) Act 2011 (the PRSA), recognised as some of the most robust legislation in Europe. The Scottish Government's approach to minuting and use of messaging applications is set out in detail in the Module 2A DG Corporate statement provided 23 June 2023. Any use of text or messaging applications by officials relating to finance was only for the exchange of information, and all key points or decisions were recorded in an email or text document and saved on eRDM.

### Liaison between Scottish Government's finance and exchequer functions and UKG

68. Scottish Ministers and officials engaged with HM Treasury (HMT) via a number of existing and some Covid-19-specific channels over this period. The finance-specific routes of engagement are set out below, and the ministerial correspondence between Scottish Ministers and UK Ministers on finance matters over the period under review has been provided under general disclosure. When required, individual Scottish Government portfolio areas would engage directly with the respective HM Treasury spending team (such as health finance) or with the UK Government department with spending authority over Covid-19 funds that applied UK-wide (eg. the furlough scheme).

### Liaison between Scottish Government's finance and exchequer functions and other devolved administrations

69. Engagement between Scottish Government Ministers and officials and the other devolved administrations took place throughout this period in a number of fora.

70. Ministerial Four Nations Quadrilaterals took place between finance ministers and the Chief Secretary to the Treasury regularly throughout the period specified for this statement (beginning of January 2020 to 30 April 2022) although more frequently during 2020.

71. Trilateral Ministerial engagement also regularly took place between Ministers for the devolved administrations. Outwith this setting, the Cabinet Secretary for Finance also engaged with devolved administration counterparts on a range of finance considerations across the pandemic period under review. Engagement would take place by calls and by correspondence and where relevant resulted in a joint statement or letter to the Chancellor of the Exchequer or Chief Secretary to the Treasury.

72. The Scottish Government's finance and exchequer functions officials also participated in what were usually daily four nations officials calls in the early stages of the pandemic, organised by HM Treasury. These were for information-sharing purposes rather than decision-making and generally did not have formal agendas or minutes. Occasionally, informal readouts were shared with ministers, usually the Cabinet Secretary for Finance, and the Cabinet Secretary for Economy, Fair Work, and Culture, and relevant officials across the Scottish Government. These calls were more frequent at the start of the pandemic, with frequency dropping as time went on. Notes from the meetings described, *Covid-19 HMT daily call – Note of discussion – 17 April 2020* and *Covid-19 HMT daily call – Note of discussion – 27 April 2020*, have been provided under general disclosure.

73. In relation to the separate arrangements for Local Government Finance, the Non-Domestic Rates teams of the devolved nations meet on a regular basis, with continuing engagement

during the Covid-19 pandemic, to informally discuss matters of non-domestic rates policy. Meetings with finance counterparts in the devolved administrations are generally informal and these meetings were not routinely minuted.

74. There was also liaison with:

- Scottish Futures Trust, a Non-Departmental Public Body responsible for improving the efficiency and effectiveness of infrastructure investment and use in Scotland
- Scottish Fiscal Commission, an independent statutory body which produces official fiscal and economic forecasts twice every financial year. It is Scotland's equivalent of the Office for Budget Responsibility and provides independent forecasts of taxes, social security expenditure and GDP forecasts in Scotland. The Scottish Exchequer uses the Fiscal Commission's forecasts to develop the Scottish Budget when setting tax rates and spending envelopes for the Scottish Government and the Medium-Term Financial Strategy
- Revenue Scotland, a Non-Ministerial Department which is responsible for the administration and collection of the fully devolved taxes in Scotland. HMRC is responsible for the administration and collection of Scottish Income Tax
- In addition to these, the Scottish Government liaised with Audit Scotland to support its external audit responsibilities and in relation to specific work that it undertook in relation to the financial management of the Covid-19 pandemic.

### **Local Government Covid-19 funding**

#### **Liaison between the Scottish Government's finance and exchequer functions and local authorities**

75. Liaison with local authorities is led by the Scottish Government's Communities and Local Government Directorate (since April 2022 restructured as Local Government and Housing Directorate).

76. Before and during the pandemic, Scottish Government Ministers continued to meet routinely with political representatives from the Convention of Scottish Local Authorities (COSLA) to discuss financial matters, particularly ahead of fiscal events. An overview of how local government was funded during the pandemic is provided: [AS3/0017-INQ000182929], [AS3/0018-INQ000182930], and [AS3/0019-INQ000182931].

77. Officials from the Local Government and Analytical Services Division (LGASD) met with officials from COSLA and Directors of Finance from individual local authorities on a weekly and monthly basis respectively. Officials also liaised, and continue to liaise, regularly with councils' heads of service for Non-Domestic Rates through fora organised by the Institute of Rating, Revenues and Valuation (IRRV). During the pandemic, particularly in the earliest



stages when the initial business support grants were being designed and delivered, those networks were mobilised to support enhanced liaison between national and local government.

78. Meetings with local authorities' Directors of Finance were established weekly and a specific advisory group consisting of Scottish Government officials and representatives from COSLA, Directors of Finance, IRRV, Society of Local Authority Chief Executives and Senior Managers (SOLACE) and the Improvement Service was established. That advisory group met twice weekly through March 2020 to July 2020 to ensure business support was delivered efficiently and consistently across the country. Discussions were recorded through the operation of an issues log which was updated and circulated weekly, and an example is provided: [AS3/0020-INQ000182995]. These discussions helped inform ministerial advice by government officials, and the production of further Scottish Government guidance where appropriate.
79. More strategically, the discussions between ministers and/or officials and COSLA, referenced above, highlighted the fiscal challenges presented to local authorities, not only in terms of the additional cost pressures they faced but also reduced income from, for example, chargeable services such as parking and leisure facilities. Those discussions resulted in additional funding being allocated to local authorities via existing fiscal mechanisms such as the budget process and associated revisions.
80. The decisions to provide additional funding to local authorities were communicated to Parliament and then formalised in a Local Government Finance Circular. An example of the *Local Government Finance Circular from March 2020* is provided: [AS3/0021-INQ000182932].
81. With regards to the immediate financial response to the pandemic through grants and non-domestic rates reliefs, the Minister for Public Finance and Migration, and the Cabinet Secretary for Finance hosted calls on at least a daily basis. These were often called at short notice by the Cabinet Secretary for Finance in order to react to immediate issues that had arisen during UK fiscal events or subsequently during the implementation of the grant funds and non-domestic rates reliefs. Scottish Ministers would be briefed via written submissions by Local Government and Analytical Services Division before meetings took place.
82. Where appropriate, proposals were then discussed at a political level between Cabinet Secretaries and the First Minister before a decision was issued. Parliamentary statements were made for key decisions, with associated press releases and updates to the Scottish Government website, and to Scottish Government guidance, where appropriate.

Grant Funding Schemes (Small Business Grant Fund and Retail Hospitality and Leisure Grant Fund) and non-domestic rates reliefs

83. The design and management of the Small Business Grant Fund and Retail, Hospitality and Leisure (RHL) Grant Fund in 2020-21, as well as the Covid-19 non-domestic rates reliefs in 2020-21, 2021-22 and the first three months of 2022-23, were led by LGASD in liaison with Scottish Government central finance teams.
84. Proposals were designed by officials in LGASD in collaboration with special advisers and informed by discussion with COSLA, local authorities and ministers and cabinet secretaries. Decisions were approved by the Cabinet Secretary for Finance, including the successive expansions in scope of the grant funds, for example adding self-catering properties and eligibility requirements for these properties. Key decisions were also approved by the First Minister.
85. In an attempt to limit fraud on the grant funds, a number of measures were put in place including the exclusion of certain property types from eligibility, the requirement for an application form to be submitted and a lower grant on second or more properties (75% of the value of the full grant).
86. The grant funds were first announced on 18 March 2020 in a statement to the Scottish Parliament. The grant funds were administered, and payments made, by local authorities, with the Scottish Government increasing the General Revenue Grant (GRG) for Local Government in 2020-21 by the estimated cost of the funds.
87. LGASD set up a project group with representatives from Scottish Government, COSLA and local authorities. It met on a weekly basis with an issues log established to record matters in the administration and/or delivery of grants. Meetings were coordinated and chaired by the Scottish Government for the period from March 2020 to August 2020, though meetings continued in a similar form when further grant schemes were announced.
88. The legislation for the 2020-21 Covid-19 non-domestic rates relief was laid on 26 March 2020: The Non-Domestic Rates (Coronavirus Reliefs) (Scotland) Regulations 2020. The cost of the Covid-19 non-domestic rates reliefs was first forecast internally in order to adjust the General Revenue Grant, before being officially forecast by the Scottish Fiscal Commission (SFC) in March 2020 after the legislation for the reliefs was laid. A copy is provided: [AS3/0022-INQ000182933]. The Scottish Budget 2021-22 and 2022-23 announced the RHL relief proposals for these years, costed by the SFC, and these were legislated for in advance of the respective financial years.

89. The Scottish Government also produced guidance for the non-domestic rates reliefs:
- Local government finance circular 4/2022: non-domestic rates relief guidance (for 2022-2023)
  - Local government finance circular 6/2021: non-domestic rates relief guidance (for 2021- 2022)
  - Local government finance circular 6/2020: non-domestic rates relief guidance (for 2020-2021).

Copies of these circulars are provided in general disclosure.

90. The Scottish Government collected and quality assured data returns from local authorities on both the grants and the reliefs (including in the annual Billing System Snapshot), as well as regularly published aggregate data on fund awards including as part of a summary of Scottish business support funding referenced above in paragraphs 83-89.

#### Equality impact and related considerations

91. As part of its annual budget cycle, the Scottish Government produces an Equality and Fairer Scotland Budget Statement alongside its main budget documents. These were published during the review period for the Scottish Budgets for 2021-22 and 2022-23 and present an analysis of the expected impact on equality characteristic groups, and how the allocation of available funding across Scottish Government portfolios is anticipated to impact on individuals, groups and communities. The work undertaken as part of the Equality and Fairer Scotland Budget Statement is used to inform budgetary decisions and how they might impact different groups of people (and, where possible, intersectionality is considered).
92. The *2021-22 and 2022-23 Equality and Fairer Scotland Budget Statements* included information on a set of ten key risks that emerged as a result of the Covid-19 pandemic and considered how policy and activity funded by the corresponding budgets responded to those challenges. The risks included analysis and references related to specific groups of people in Scotland, including women, young people and low-income households. These statements are provided: [AS3/0023-INQ000182934], and [AS3/0024-INQ000182935].
93. The Scottish Government's approach to incorporating equality, fairness and human rights analysis into policy-making and budgetary decisions is informed by advice from the non-statutory advisory group, the Equality and Human Rights Budget Advisory Group (formerly the Equality Budget Advisory Group). The group includes both external and Scottish Government members (including Finance officials) and continued to meet regularly over the Covid-19 pandemic.

94. The remit of the group is to help shape the equality and human rights approach to the budget. The Equality and Human Rights Budget Advisory Group does this by:
- supporting a process of equality analysis to ensure the equality and human rights implications of the policy process informing budgetary decisions are considered, and that corresponding information presented in the Scottish budget documents is clear
  - contributing to mapping the pathway between evidence, policy and outcomes with the allocation and spend of public finance
  - identifying linkages between the Draft Budget, the National Performance Framework, the Economic Strategy and policy making in general, supporting scrutiny of outcomes in relation to these measurements
  - contributing to improved awareness of and commitment to mainstreaming equality and human rights analysis into policy and budget processes.
95. The Scottish Government also developed and produced distributional analysis of the income tax policies related to the 2021-22 and 2022-23 financial years. These analyses show the redistributive nature of the tax decisions made in the Scottish Budgets and considers the impact on different groups of taxpayers.
96. Equalities analysis featured strongly in the four harms assessments, particularly under social harm. There was recognition and consideration of the particular disadvantage experienced by particular vulnerable groups within groups of people with protected characteristics (i.e. age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation). The damaging effect on poverty and inequality was a particular concern. In June 2020, a slide pack for policymakers was created that set out inequalities in the context of Covid-19 by age, disability, ethnicity, gender and sexual orientation. There was also a *Coronavirus (Covid 19): health and social impact assessment* paper, published in June 2021, which explored the ways in which particular groups (based on Equality Act protected characteristics and socioeconomic disadvantage) were disproportionately affected by the coronavirus pandemic. Research was undertaken to investigate why the wellbeing of five subgroups in the Scottish population was disproportionately impacted by the Covid-19 pandemic and is provided: [AS3/0025-INQ000182936].
97. In December 2020, Scottish Government published a report titled *Scotland's Wellbeing: the impact of COVID 19*. The purpose was to report openly and transparently on how Covid-19 had affected progress towards Scotland's National Performance Framework Outcomes, including the unequal impacts on different groups in society. A specific section of the report looked at the multiple unequal impacts for particular groups of people in Scotland, including

low-income households, low-paid workers, children and young people, older people, disabled people, minority ethnic groups and women.

98. In addition, the tracking of progress towards the National Performance Framework Outcomes was adapted to take account of pandemic-impacted data availability, and to capture the Covid-19 impact on specific groups and individuals. The 2020 report therefore brought together a range of timely evidence sources, as well as analysis and insight, to show the impact of Covid-19 across the National Outcomes during 2020 and its potential future impacts. This report is provided: [AS3/0026-INQ000182937].

### **The funding of the pandemic response**

#### Overview

99. The arrangements for the funding of the Scottish Government are set out in detail from paragraph 46 onwards of the Module 2A DG Scottish Exchequer corporate statement provided 23 June 2023 (M2ASG01). The annual Scottish Budget covers a financial year, which runs from 1 April until 31 March.
100. As indicated above, the principles set out in the Statement of Funding Policy remained in place during the pandemic and meant that block grant funding transferred to respond to the crisis was allocated to the Scottish Government by the UK Government as a proportion of allocations to equivalent UK Departments. The Scottish Government's corporate Scottish Exchequer and Financial Management functions had no role in determining the level of additional funding that was allocated to the Scottish Government.
101. Funding was provided via the Block Grant, the size of which was determined by the Barnett Formula and the Fiscal Framework Agreement between the UK and Scottish Governments. Funding was announced at numerous different points throughout the pandemic, as illustrated below. Funding is formally allocated at HM Treasury Main and Supplementary Estimates and is formally reflected in the Scottish Budget when the Budget is set before the start of the financial year, as well as in the Scottish Budget Spring and Autumn Revisions (which enable additional consequentials received in-year to be formally allocated to Scottish Budget spending lines).
102. More detail is contained within the timeline of in-year fiscal movement to Scottish Government funding 2020-22 set out below:

Figure 1: Timeline of in year fiscal movement to Scottish Government funding 2020-22

<b>Date</b>	<b>Change in 2020-21 funding</b>
March 2020 – May 2020	UK Government provides numerous (indicative) estimates of Covid-19 funding available in 2020-21. £3.1 billion was formally added at the UK Government Main Estimate in May 2020. The informal estimate had reached £3.6 billion which was allocated by the Scottish Government in the Summer Budget Revision on 27 <sup>th</sup> May 2020.
27 May – 24 July 2020	HM Treasury continue to provide informal estimates of Covid-19 funding available. The figure reached £5.7 billion (£2.6 billion more than the confirmed amount from Main estimate).
24 July 2020	HM Treasury confirmed a minimum level of guaranteed Resource funding for Devolved Governments to support the Covid-19 response – an uplift of £800m to £6.5 billion for Scottish Government.
9 October 2020	HM Treasury confirmed a further £700m Resource uplift to a guaranteed total (floor) of £7.2 billion.
5 November 2020	HM Treasury announced a further £1 billion Resource uplift to the guaranteed total (now £8.2 billion in total).
24 December 2020	HM Treasury confirmed a further £400 million Resource uplift to the guaranteed total (now £8.6 billion in total).
15 February 2021	UK Government announced a further £1.152 billion of Barnett consequentials to help tackle Covid-19 (£874 million Resource, £237 million Capital and £41 million of Financial Transactions). This funding was to be carried over into the 2021-22 financial year. This increased the overall guarantee to £9.7 billion.
25 February 2021	The final tranche of the £8.6 billion of 2020-21 consequentials were allocated in the Spring Budget Revision (earlier allocations were included in the Summer and Autumn Budget Revisions).

<b>Date</b>	<b>Change in 2021-22 funding</b>
25 November 2020	UK Spending Review confirmed allocation of £1.328 billion of Covid-19 consequentials for Scottish Government in 2021-22.
15 February 2021	UK Government announced a further £1.152 billion of Barnett consequentials in financial year 2020-21 to help tackle Covid-19 (approx. £874 million Resource, £237 million Capital and £41 million of Financial Transactions). This funding was to be carried over into the 2021-22 financial year.
3 March 2021	UK Budget allocated £1.206 billion of Covid-19 consequentials to Scottish Government for 2021-22.

14 April 2021	A further £1 billion of Covid-19 consequentialia were allocated to Scottish Government at the UK Main Estimates bringing the total for 2021-22 to £3.534 billion (including the consequentialia carried forward, the total consequentialia for 2021-22 is £4.686 billion).
27 October 2021	UK Government included £516 million of additional Covid-19 consequentialia for 2021-22 as part of the UK Spending Review 2021.
14 December 2021	UK Government announced £220 million of additional Covid-19 funding for the Scottish Government to address the Omicron wave, doubled to £440 million on 19 December.
January 2022	During January 2022 HM Treasury officials provided SG officials with indicative figures for Covid-19 funding. These estimates changed considerably but one formal confirmation at this time was that £143 million of Covid-19 related test and trace funding (but not consequentialia) was to be in addition to (rather than within) the Omicron funding announced in December 2021.
21 February 2022	<p>The final Supplementary Estimate numbers provided a further £125 million of Resource Covid-19 consequentialia, and £55 million of additional Covid-19 Capital consequentialia, confirming a total increase of £762 million since the previous estimate in October 2021.</p> <p>This brought total Covid-19 funding received in 2021-22 to £5,964 million (£5,631 million Resource; £333 million Capital) including the Test and Trace budget cover transfer and the funds deferred from 2020-21. The total Covid-19 funding received across both years (on the same basis) was just over £14.5 billion.</p>

103. During the pandemic, there was a consistent need to adapt the budget to respond to the demands of the pandemic and the additional funding received from the UK Government. These changes were recorded in the formal budget revisions presented to the Scottish Parliament during the financial year and through outturn positions published after the end of each year.

104. These formal budget revision processes are part of the annual budget cycle. The process commences with the publication of the draft Scottish Budget and the annual Budget Bill setting out details of the Scottish Government's spending plans. The Budget Bill has to be passed by Parliament before the start of the financial year on the 1st of April and becomes the Budget Act for the year. The Budget Act can be revised within the financial year. The

revisions can, for example, allocate any new monies that have come to the Scottish Government to individual portfolios, they can move budget between portfolios and spending programmes, and reflect technical changes affecting budgets.

105. Budget revisions are made via a Scottish Statutory Instrument. In the normal course of events, these are known as the Autumn Budget Revision and a Spring Budget Revision and are laid around September and February, after which they are scrutinised by the Scottish Parliament's Finance Committee. The Spring Budget Revision provides the final budget figures against which outturn is reported in the Scottish Government's annual accounts. All budget revisions are subject to approval by the Scottish Parliament following a full scrutiny process by the Finance and Constitution Committee.

106. An additional Summer Budget Revision was also introduced on 27 May 2020 to amend the Budget (Scotland) Act 2020, which authorised the Scottish Government's spending plans for the financial year 2020-21, providing the Scottish Parliament with the opportunity to scrutinise the budget measures taken by Scottish Ministers up to that point in response to the Covid-19 emergency. This additional *Summer Budget Revision for 2020-21* was specifically aimed at clearly demonstrating how the Covid-19 response funding was applied, and included the allocation of just over £4 billion in funding for the Covid-19 response and was funded by a £3.5 billion rise in the Block Grant resulting from extra UK Government Covid-19 spending, £112 million of non-Covid-19 related funding received following the UK Budget of March 2020, and £255 million reprioritised from within existing budgets, including where Covid-19 had an unavoidable impact on the pace and extent of previously planned spending. Full details of this Budget Revision are provided: [AS3/0027-INQ000182938].

107. The *Autumn Budget Revision* was published on 24 September 2020 and allocated a further £2.5 billion to Covid-19 related measures, funded through a further £2.4 billion of Barnett consequentials from the UK Government, £142 million of reprioritisation of existing expenditure, and £30 million of Scotland Reserve drawdowns. Full details of this Budget Revision are provided: [AS3/0028-INQ000182939].

108. The remainder of the £8.6 billion received for 2020-21 was allocated in the *Spring Budget Revision*, published on 25 February 2021. This revision allocated a further £3.2 billion to Covid-19 and other funding changes, funded through £2.6 billion of Barnett consequentials and £745 million of reprioritisation of existing expenditure. Full details of this Budget Revision are provided: [AS3/0029-INQ000182940].

109. Covid-19 funding was next allocated through the 2021-22 Scottish Budget. Due to the timing of the annual budget processes and the interplay with the course of the pandemic and HM



Treasury processes, this was the only occasion where Covid-19 funding was detailed in the Scottish Budget document itself. £3.686 billion of Covid-19 consequentials were included in the 2021-22 Scottish Budget which was passed by the Scottish Parliament in March 2021. This sum deployed three tranches of funding as detailed in Figure 1; i.e. the consequentials announced as part of the UK Spending Review (£1.328 billion), the deferred consequentials from 2020-21 (£1.152 billion), and the consequentials arising from the UK Budget in March (£1.206 billion).

110. The *2021-22 Autumn Budget Revision* was published on 27 September 2021, and deployed a further £1.05 billion to Covid-19, utilising the £1 billion of Covid-19 consequentials received as part of the Main Estimate process.

111. The *Spring Budget Revision* was published on 3 February 2022 and deployed a further £1.246 billion of the £1.278 billion allocated in Covid-19 funding. This utilised the balance of Covid-19 funding received through the UK Spending Review 2021, Omicron funding announced in December 2021 and an indicative estimate of final 2021-22 Covid-19 funding, which was subject to confirmation at Supplementary Estimate (confirmed later in February 2022). Full details of these Budget Revisions are provided: [AS3/0030-INQ000182941], and [AS3/0031-INQ000182942], along with the *Finance Update* provided to the Scottish Parliament's Finance and Public Administration Committee detailing the stages of deployment of Covid-19 funding versus the final figures received through Supplementary Estimate [provided under general disclosure]. A copy of the Consolidated Accounts for each of the financial years 2019-20, 2020-21 and 2021-22, and transcripts of the Budget Revisions scrutiny undertaken by the Finance and Constitution Committee during the period of the pandemic have been provided under general disclosure.

#### Context and considerations

112. There are several contextual issues with regards to funding to be noted. With regard to the timing and scale of UK funding announcements, a number of factors meant that the financial impact of UK Government spending decisions for the Scottish Government was not straightforward to track and manage. For example, initial advance notice of the level of consequential funding being made available in relation to specific UK measures did not always make it clear whether such funding was related to Covid-19 or not. These initial figures were also regularly subject to change by the UK Government as UK Government policies were refined and finalised, with an associated impact on the final Barnett consequentials available to the Scottish Government. This presented planning and tracking challenges. The need for rapid Scottish Government responses to support the demands faced by health and social care service provision, and to support businesses when public

health measures prevented them from being able to operate, meant that it was not always practical to await confirmation of the final detail of the consequential funding before making funding allocations in Scotland based on provisional anticipated funding figures. The funding guarantee approach set out at paragraphs 142-144 was helpfully developed in recognition of this, and whilst it still had some difficulties, it was an improvement.

113. The unpredictability of the demand for support meant there were also differences in initial designated funding allocations and final take up of that funding for individual measures announced by Scottish Ministers.

114. Across the period under review for this statement, what could be considered Covid-19 expenditure varied. In some areas, such as business support and some health expenditure, there was a clear distinction between Covid-19 and non-Covid-19 expenditure. On the other hand, and where discretionary funding was provided, the distinction is less clear, as illustrated when £259 million was added to the Local Government settlement in February 2021 for general Covid-19 pressures. This example is provided: [AS3/0032-INQ000182999]. Similarly, Covid-19 funding may have supported on-going activities of an individual organisation, for example where it was allocated by Ministers to compensate for loss of income as a consequence of the pandemic. As the pandemic moved from direct response phase to a recovery phase, the judgement on the distinction between Covid-19 and non-Covid-19 expenditure becomes increasingly blurred.

115. Covid-19 is also not a formal budgetary or accounting classification. The Scottish Government has to balance its budget and remain within overall control aggregates, whilst ensuring that its Accounts are compliant with International Financial Reporting Standards (IFRS). Overall funding availability and budget limits take precedence when budget allocations are finalised.

Cumulative Covid-19 Consequentials and Budget Allocations

116. The 2021-22 UK Supplementary Estimate brought the total Covid-19 funding received from the UK Government to just over £14.5 billion (see figure 2 below):

*Figure 2: UK Government Covid-19 Funding Allocations*

<b>UK Government Covid-19 Allocations to SG (£ million)</b>	<b>Resource</b>	<b>Capital and FTs</b>	<b>Total</b>
2020-21 Funding Allocated by UK Government as Barnett Guarantee	8,600	-	8,600

2020-21 Funding Allocated by UK Government at Supplementary Estimate (Feb 2021)	874	278	1,152
2020-21 Funding Allocated by UK Government – UK Spending Review 2020 (Nov 2020)	1,328	-	1,328
2021-22 Funding Allocated by UK Government – Budget (Mar 2021)	1,206	-	1,206
2021-22 Funding Allocated by UK Government – Main Estimate (May 2021)	1,000	-	1,000
2021-22 Funding Allocated by UK Government – UK Spending Review 2021 (Oct 2021)	516	-	516
2021-22 Funding Allocated by UK Government – Supplementary Estimate (Feb 2022)	707	55	762
<b>Total</b>	<b>14,231</b>	<b>333</b>	<b>14,564</b>

117.The £707 million funding in the 2021-22 Supplementary Estimate includes £143 million of 'Budget Cover transfers' in relation to Test and Trace/vaccinations. The UK Government did not classify this as a Covid-19 Barnett consequential but it has been included in the Scottish Government total for completeness.

118.Full details of all individual changes to Scottish Government Block Grant are set out in the *Scottish Affairs Estimates Memoranda* for each year available, which are attached. It should be noted that the Supplementary Estimate tables for each year contain details of every individual change applied to the Block Grant for that year, including whether the change was Covid-19 related. These are provided: [AS3/0033-INQ000182943], and [AS3/0034-INQ000182944].

119.This provides the cumulative total of Covid-19 funding received across financial years 2020-21 and 2021-22. As indicated at paragraph 109, £1.152 billion of the consequentials received on 22 February 2021 at Supplementary Estimates 2020-21 (the amount over and above the £8.6 billion guaranteed) were allocated too late to be effectively deployed in the 2020-21 financial year. They were therefore deferred into 2021-22 and allocated as part of the Stage 2 (8 March 2021) and Stage 3 (9 March 2021) amendments to the Budget (Scotland) Bill for 2021-22 alongside further funding for 2021-22 allocated by the UK

Government at the 3 March 2021 UK Budget. This was approved by the Scottish Parliament on 9 March 2021 and the details are provided: [AS3/0035-INQ000182945].

120. Figure 3 below sets out when Covid-19 funding was formally allocated in Scottish Government budgets:

Figure 3: Scottish Government Covid-19 Funding Allocations

<b>Deployment of funds to support Covid-19 response by Scottish Government (£ million)</b>	<b>Deployment of UK Government consequentials</b>	<b>Scottish Government re-directed budget</b>	<b>Total</b>
2020-21 Budget Revisions	8,600	88	8,688
2021-22 Scottish Budget Bill as Amended	3,686	185	3,871
2021-22 ABR	1,000	50	1,050
2021-22 SBR	1,278	(32)	1,246
<b>Total</b>	<b>14,564</b>	<b>291</b>	<b>14,855</b>

Notes:

- (1) £70 million of the £3,686 million deployed in the 2021-22 Scottish Budget ultimately funded non-Covid-19 elements of the Scottish Budget as this helped address a late reduction to non-Covid-19 funding confirmed in March 2021, but this was compensated for by the net £203m redirected from other non-Covid-19 budgets in 2021-22..
- (2) The £1,278 million deployed at 2021-22 SBR includes £143 million of budget cover transfers which were in relation to Test and Trace. The UK Government did not class this as a Covid-19 Barnett consequential as described in paragraph 117 above.

121. The 2021-22 Scottish Government Spring Budget Revision brought total Covid-19 funding allocations to over £14.8 billion, c. £300 million more than the UK funding received (with the balance over and above the UK allocations made up from Scottish Government modest reserves and predominantly from reprioritisation of funding from other government funded activities).

122. Further to paragraph 112 onwards, there are some points to note in considering direct comparisons between UK and Scottish Government allocations.

123. Firstly, the Scottish Government budget publications show the “net funds deployed”. The documents show the total formal budget allocations used to support Covid-19. This was often after some Covid-19 funding initially announced had been redeployed on other Covid-19 measures. For example, some support originally announced for health services was redeployed for self-isolation grants to support essential public health measures to reduce the spread of Covid-19. Another example is when demand-led transport and business support schemes funding was adjusted between initial announcement and final allocation, to reflect the levels of demand/uptake on individual schemes and emergent needs elsewhere.

124. Secondly, £278 million of Capital and Financial Transactions set out in the Scottish Budget were not specifically delineated (by HM Treasury) between Covid-19 and non-Covid-19 expenditure. Capital and Financial Transactions budgets by their nature have to be managed in totality and were used to support the Capital Spending Review (published in February 2021) and to deliver the projects and programmes outlined in the Infrastructure Investment Plan. Nonetheless capital was deployed to support Covid-19 measures, for example in areas such as investing in improved ventilation; in 2021-22 there was a £25 million fund for improving ventilation in businesses, as well as a £10 million (with further £5 million top-up) fund for improving ventilation in schools.

125. Overall, the analysis shows that despite the complications with timing, classification and interpretation, the Scottish Government deployed all of the Covid-19 funding it received from the UK Government over the course of the pandemic to directly support Covid-19 response measures.

#### UK Government Business Grants, Self-Employment Income Support Scheme, and the Coronavirus Job Retention Scheme

126. There were various phases of business support funding during the pandemic to enable adherence to public health restrictions and requirements and to sustain economic capacity in Scotland. In summary - the initial crisis period began from the end of March 2020, at which point the Scottish Government launched the Small Business Grant Fund, the Retail Hospitality and Leisure Grant Fund, the Pivotal Enterprises Resilience Fund, and non-domestic rates relief (as set out above in paragraphs 83-88). There followed a number of UK Government initiatives which are set out below in paragraphs 128-132. The introduction of the Coronavirus (Covid-19): Scotland's Strategic Framework from 2 November 2020 – which provided a consistent view of the restrictions that would be in place across the country – was accompanied by the Strategic Framework Business Fund which provided consistent financial support in response to those restrictions. Restart and Recovery support was offered as Scotland came out of the second lockdown in March-April 2021. In December 2021, additional support was launched for businesses impacted by the necessary measures introduced to control the spread of the Omicron variant. The Omicron funding package was allocated and spent in the 2021-22 financial year. A full breakdown is provided in the Overview of Business Support referenced above in paragraphs 83-88.

127. In terms of UK Government business support, the Self-Employment Income Support Scheme (SEISS) was announced on 26 March 2020 as part of the UK Government's support package for self-employed individuals and members of trading partnerships. There

were five grants in total paid out between 13 May 2020 and 30 September 2021. As a UK Scheme, no funding was allocated to Scottish Government.

128.The Coronavirus Job retention Scheme (CJRS) (also known as the Furlough Support Scheme) was introduced by the UK Government to support employers. The scheme was based around HMRC's Pay As You Earn (PAYE) system. It provided grants to employers of up to a maximum 80% of salary to a maximum value of £2,500 per employee per month. All the funding and administration of these arrangements were made direct by the UK Government and no funding was given to the Scottish Government for this scheme.

129.Further information and statistical evidence on the take-up of the furlough scheme in Scotland is provided: [AS3/0036-INQ000182946].

130.Scottish Ministers wrote to and engaged with UK Ministers regularly in relation to these arrangements and the furlough scheme in particular, and this correspondence is provided in the general disclosure documents. On 1 September 2020, the then First Minister Nicola Sturgeon called in her Programme for Government Statement for the UK to extend the furlough scheme, saying: "We also welcome the scale of the UK government's economic interventions. However, the looming withdrawal of the furlough scheme risks a tsunami of redundancies. I am therefore calling again today on the UK to follow the lead of countries like France and Germany and extend the Job Retention Scheme for a further 12 months – especially for the sectors hardest hit by Covid-19 and with the longest road to recovery. Withdrawing this support while otherwise viable businesses are still unable to operate normally – and in full and certain knowledge of the impact it will have – would be unconscionable. It must not be allowed to happen".

131.For completeness and not related to Covid-19, the UK Shared Prosperity Fund was funded and administered directly from the UK Government to Scottish local authorities, with no role for the Scottish Government in decision-making or delivery. Launched in April 2022, it was proposed to replace European Union (EU) funding lost as a result of the UK's exit from the EU. The UK Shared Prosperity Fund is deployed entirely at the discretion of UK ministers, providing allocated funding to agreed economic development activity proposals submitted by local authorities, that meet criteria set by the UK Government.

## **Reflections and lessons learned**

### Spending discretion of Scottish Ministers and Effectiveness of Funding

132.The Scottish Government made many spending announcements during the pandemic period, with increased sums being spent ahead of other parts of the UK entering periods of

restrictions. The timeline referenced above at paragraph 63 and the overarching timeline of publications and administrative decisions over the period February 2019 to April 2022 provided in the Module 2A DG Corporate statement provided 23 June 2023, and referenced at paragraph 67, together set out the range of related announcements.

133.Scottish Ministers maintained discretion to spend money allocated to them by the UK Government, although during the pandemic their spending of additional funding generally aligned with the approaches used by the UK Government. However, the Scottish Government delivered some funding streams slightly differently to UK Government, as well as developing some bespoke arrangements to meet local needs. Examples are provided below:

- Business Support Grant Schemes - in Scotland these were designed excluding certain property categories on the valuation roll in order to target support to businesses considered to need support most, and to minimise the risk of fraud.
- Self-Isolation Support Grants - had different criteria for Scotland compared to the UK, including parents on low incomes whose children were asked to self-isolate, and people who were earning the real living wage or below.

134.The Scottish Government also developed specific schemes for Scotland to help fill gaps in how existing Covid-19 financial support met local needs. For example:

- Pivotal Enterprise Resilience Fund – enterprise agencies delivered this fund to businesses vital to local economies. The enterprise agencies developed the fund to fill gaps in pre-existing UK Government business support funds.
- Moray and Glasgow Localised Restrictions Funds – the Scottish Government provided additional support to businesses in Moray and Glasgow while they remained under more stringent restrictions, and for a longer period than other parts of Scotland.

135.Scottish Ministers had no discretion on spending those funds which were administered by the UK Government for the whole of the UK. Overall, the continued operation of the *Statement of Funding Policy 2021 (SoFP) (2021)*, [AS3/0037-INQ000102912], provided previously in the Module 2A DG Scottish Exchequer corporate statement provided 23 June 2023 (M2ASG01) and the *Fiscal Framework Agreement (2016)*, previously provided: [AS3/0038-INQ000102914], meant that funding for devolved administrations continued to be set by reference to equivalent UK funding allocations. The size of the Scottish Budget was therefore impacted by UK fiscal policy and changes to funding for UK Departments for comparable spending, with Barnett consequentials generating the Block Grant for the Scottish budget.

## Timing

136. An important consideration of the effectiveness of the funding arrangements related to the *timing* of the increases to the Block Grant to the devolved administrations. Sequencing and announcement of UK Government departmental funding decisions dictated the value and the timing of the increases to the Block Grant to the devolved administrations and impacted on the nature and timing of financial commitments that could be made by the Scottish Government. The announcement of funding additions was not always aligned with either the rate and spread of the pandemic across the four nations within the UK, or the preferred public health responses across different parts of the UK. The lack of alignment in funding was at times both in terms of timing and scale.
137. This process did mean that there were points where the Scottish Government was in a position where it was having to fit in with or react to UK Government policy decisions rather than have freedom to exercise what might be the most effective solutions for Scotland, with knowledge of and full agency over all contingency funding available. Combined with limited advance notice of funding decisions, this presented some operational challenges for the Scottish Government at points over the pandemic period.
138. There were a number of instances, from a funding perspective, whereby the Scottish Government had sought to make different decisions with regard to Covid-19 mitigation. For example, in late 2021, public health restrictions were announced only in Scotland for areas such as hospitality and sporting events. Whilst HM Treasury did provide some upfront funding following a request, it did not replicate the furlough system for this wave of the virus, despite calls from Scottish Ministers to do so.
139. Scottish Ministers did publicly state that adequate funding was not available to support their desired response to the Omicron variant, with the Cabinet Secretary for Finance writing to the Chancellor on 15 December 2021. The letter is provided: [AS3/0039-INQ000182947].
140. In January 2022 Finance Ministers in Scotland, Wales and Northern Ireland also issued a joint request for flexibilities in relation to funding to tackle Covid-19, and for funding to align with the public health situations in each nation. The statement is provided: [AS3/0040-INQ000182948].
141. While the overall arrangements remained generally determined by the Statement of Funding Policy (SoFP), some developments were undertaken during the course of the pandemic to aid planning and management. In accordance with the SoFP, up until July 2020 the level of funding provided to the Scottish Government by the UK Government was determined by UK Government departmental spending plans via the Barnett Formula. This process did not



provide devolved administrations with certainty about the resources available to support their planning, as the funding was generally only notified by the UK Government *after* the UK Government had developed and announced their policies.

142. However, from July 2020, following recognition of the need to support planning in devolved administrations, the process was changed. The UK Government introduced a new approach for the remainder of 2020-21 that guaranteed the devolved administrations certain additional amounts, up front, relating broadly to anticipated UK Government policies that were still to be announced. In practice, this meant that the UK Government notified the Scottish Government in advance of increased levels of minimum total Covid-19 consequential at various points later during 2020-21, prior to determining and declaring the final change to the Scottish Block Grant in accordance with SoFP (at HM Treasury's UK Supplementary Estimate). These advance notifications were made respectively in July 2020, October 2020 and December 2020 (with the guaranteed minimum funding level being increased on each occasion).

143. This new arrangement of advance notifications did not continue beyond 2020-21, despite that being requested by the devolved administrations, and from 2021-22 the pre-existing arrangement applied (i.e. Covid-19 consequential were notified by the UK Government only following development of the UK Government's own spending plans). Helpfully, the Scottish Government was also allowed to carry forward a larger proportion of Covid-19 consequential, out with the usual Scotland reserve arrangements (i.e., the limits in the Fiscal Framework) in the years 2020-21 and 2021-22.

144. In addition, there was dialogue with HM Treasury over the tax treatment of Scottish Government bonus payments for social care workers and National Health Service workers, where the Scottish Government argued that these payments should be tax exempt. Negotiations did not progress to the point of discussing mechanisms, and HM Treasury chose not to make an exemption in this instance, but to maintain the prevailing devolved settlement and interpretation of tax rules, which meant that NHS and social care workers paid tax on their bonuses.

145. There was also engagement on how Covid-19 related funding changes were presented, largely related to timing differences between UK announcements and formal allocation of funding to Scottish Government aggregates. This led to differences of opinion on what constituted *new* funding. Final allocations of funding were ultimately calculated by reference to standard Barnett arrangements and there is no suggestion that the final allocation was not calculated transparently and accurately.

146. The introduction of the funding guarantee described above was an attempt to support more effective planning by devolved administrations, but minimum funding levels were revised significantly over the course of the period, which meant that Scottish Ministers were continually reacting to UK decisions rather than proactively being able to respond in accordance with their assessment of priorities. The sequencing and announcement of UK Government departmental funding decisions dictated the value and the timing of the increases to the Block Grant to the devolved administrations and impacted on the nature and timing of financial commitments that could be made by the Scottish Government.

147. The pandemic highlighted limitations of the Fiscal Framework especially in enabling the Scottish Government the flexibility to respond to the degree of volatility that the pandemic presented. In addition to the funding guarantee that was provided, Scottish Ministers sought additional budget flexibilities (such as the ability to borrow for the pandemic) under the Fiscal Framework to support their response to the pandemic, but these were not granted.

#### Lessons Learned

148. Lessons were learned throughout the period under review, with regard to improving support for decision-making to respond to the pandemic through the four harms methodology. Adaptations and solutions were identified and applied iteratively, alongside reviews of specific initiatives or challenges (see paragraphs 157 to 170 below). Furthermore, listening to feedback and to the observations of external organisations and associated review of aspects of the financing of the Covid-19 response all helped to inform improvement activity during the period under review.

149. As set out elsewhere and in the Module 2A DG Scottish Exchequer statement provided 23 June 2023 (M2ASG01), there were points where the Scottish Government would potentially have taken additional steps in response to the pandemic but was constrained either by lack of funding, a lack of knowledge of funding that might be forthcoming, or by lack of consideration by the UK Government of the impact of budget decisions during the pandemic either in devolved areas of policy or when putting UK-wide unilateral measures in place. Scottish Ministers did repeatedly request additional budget flexibilities (such as the ability to borrow for the pandemic) under the Fiscal Framework to support their response to the pandemic, but these were not granted. This exposed the limitations and inflexibilities of the Fiscal Framework at a time of intense volatility for all governments.

150. On 29 June 2020, the Scottish Government published *Coronavirus (COVID-19): UK fiscal path – a new approach*, which outlined ten principles it believed the UK Government should follow to manage the UK's public finances and ensure strong economic recovery whilst reducing inequalities, including provision of consequential for investment into the Scottish

economy and extension of Scotland's fiscal flexibilities. The report is provided: [AS3/0041-INQ000182949].

151. An example of external reflection that provided Scottish Government with useful insight was the University of Stirling, Fraser of Allander Institute and Institute for Fiscal Studies' joint report on *Options for reforming the devolved fiscal frameworks post-pandemic*, published in December 2021, and provided: [AS3/0042-INQ000182950]. The report recognised the need for closer collaboration between the UK and devolved governments on the design of an appropriate fiscal response in the event of a similar future shock. Specifically, it called for a genuinely collaborative approach, aimed at forging consensus, to provide greater legitimacy to decisions taken. In addition, the report pointed to the case for an expansion of borrowing and reserve flexibilities available to devolved governments in 'normal' times, to better position them to respond to emerging crises. Although, the report also noted that these additional powers would "not be sufficient during an extreme and rapidly moving adverse shock like the Covid-19 pandemic" and that "in such circumstances, some combination of a reintroduction of funding guarantees and extensions to the devolved governments' borrowing powers is likely to be warranted".

152. Internally, the Scottish Government also used organisation-wide mechanisms to help policy makers across the Scottish Government provide policy advice to Ministers that took account of the latest science and evidence, and to update, learn and re-evaluate as information and knowledge developed. For example, the Chief Social Researcher held weekly analytical briefings to convey new and updated information and support interpretation, with significant attendance from across the organisation.

153. Financial monitoring and reporting mechanisms remained in place to monitor and update the associated overall budget position within the Scottish Government. This monitoring and reporting in turn enabled policy makers across the organisation to manage and develop their policy responses or developments, and any associated deployment or impacts of measures such as Non-Pharmaceutical Interventions.

#### Nature of the Budget and Accounting Process

154. The large number of additional funding changes required during the pandemic also required considerable ongoing adaptation of the budget beyond the extent to which would routinely take place through the budget setting and scrutiny process. The Scottish Parliament budget revision process allowed for these changes to be made to spending plans in an extra summer budget revision in May 2020 (in addition to scheduled Spring and Autumn budget revisions processes) so as to amend the original budget plans agreed in the Scottish Budget

Act, but the volume of these changes was unusual and required regular briefings to be given by the Cabinet Secretary for Finance to the Scottish Parliament to aid transparency.

155. Additionally, Scottish Government budgets are managed on the basis of ministerial portfolios, and it is worth noting that, in terms of established accounting practice, Covid-19 spending is not a formal budgetary or accounting classification which can be used to consistently record, and track spend information through systems.

#### Transparency

156. This period drew more interest in being able to 'follow the money' through the system. In early 2021 the Scottish Exchequer commissioned a piece of Discovery work to understand better the challenges people have in accessing and using data on the public finances. The *Discovery Report* was published in March 2022, and is provided: [AS3/0043-INQ000182951]. Progressing the essence of the report's recommendations is now part of the Scottish Government's Fiscal Transparency commitment under the *Open Government Action Plan 2021-2025*, provided: [AS3/0044-INQ000182952].

#### Accountability

157. The introduction of the Covid-19 Accountability Framework in March 2020 (AO Templates) ensured that the Scottish Government had an appropriate expenditure assessment and tracking tool to manage budget volatility and support appropriate expenditure governance throughout the pandemic. The process underpinned good financial decision-making and budget management across the organisation and provided consistency regarding how spending would be funded, any options for reprioritisation, the impact of spending not taking place, and any long-term financial implications.

158. This template process has subsequently been retained as an important ongoing tool for financial management across the Scottish Government and its format and parameters have been subject to continuous ongoing improvement to reflect the organisation's evolving budget management requirements and objectives.

#### Corporate Systems and Data

159. The Scottish Government monitored funding and spending closely throughout the pandemic response, in line with its budget management and reporting arrangements, and within overall budget limits.

160. Although existing systems addressed this requirement, the speed and complexity of funding requirements presented by the pandemic have underpinned the importance of developing and modernising the supporting systems and technology available to the Scottish

Government and its agencies to support budget management, track the range and complexity of associated data, and generate real time management information and insights.

161. The Scottish Government is currently implementing a large-scale programme to introduce a new shared service capability and replace separate existing HR and Finance systems with a new Enterprise Resource Planning system. The move to this cloud-based digital infrastructure will bring financial and people data together and create significant new abilities to generate 'real time' data insights and analysis to support planning and decision making into the future.

162. This work is part of a multi-year Corporate Transformation Programme agreed by the Cabinet of the Scottish Government in March 2022 to ensure that the Scottish Government has the appropriate organisational design and culture of outcome-focused continuous improvement.

#### External Reviews

163. The Scottish Government has supported work undertaken by Audit Scotland to develop a suite of reports examining initiatives and policy themes associated with the pandemic across the Scottish public sector. The key Audit Scotland reports that relate to the funding of Scotland's response to Covid-19 are provided in the general disclosure documents.

164. In summer 2020, the Scottish Government's Directorate for Internal Audit and Assurance undertook a review of the Covid-19 Accountability Framework (AO Templates) as described at paragraph 55-58. Whilst the audit found that the framework had worked well, it identified some areas where awareness of the process required to be increased. This was acted on through promotion and communication via a range of Scottish Government fora. The Internal Audit report is provided in the general disclosure documents.

#### Future Pandemic Response

165. The experience of responding to the pandemic has illustrated the importance of building on existing methods of joint working, processes, and structures, and being ready to scale these up quickly. This experience has reinforced the importance of maintaining and strengthening relationships between the four nations of the UK and highlighted the need for more 'four nations' political engagement, consultation and collaboration on finances in the event of future national emergencies. Such steps could provide greater clarity and assurance to devolved administrations that necessary funding would be forthcoming in times of need. Ideally this would cater for regional differences by reference to severity, timing and spread of a disease. The same is true for Scottish Government's relationships with local government, and other key delivery partners and stakeholders.

166. The temporary introduction by the UK Government of guaranteed funding from July 2020 provided the Scottish Government with more certainty about available funding to respond to the pandemic and associated decision making. Work between the devolved administrations and the UK Government to rapidly re-establish these arrangements in the event of a future emergency is likely to be critical in providing the funding certainty required to support strong planning and decision making.
167. The Scottish Government AO template process identified above proved to be an important element of the response and continues to be retained and enhanced. The associated role of Finance Business Partners as a flexible and responsive resource that could be channelled into quickly supporting delivery of emerging priorities across the organisation was similarly important throughout the pandemic, particularly in terms of the provision of professional guidance and support on the development of AO templates by relevant parts of the organisation. It is envisaged that this business model would again be replicated in any future emergency.
168. Within the Health and Social Care Portfolio, the 2023-24 budget continues to deliver funding for Board resilience which will maintain preparedness of Scottish Government and NHS Scotland for the event of future pandemics. In addition, the 2023-24 budget continues to provide funding for legacy costs associated with public health initiatives, including vaccine staffing/delivery and testing activities, and these are provided as additional funding for NHS Boards. Further, NHS Boards have been reminded, as part of the annual budget process, of their requirement to fund public health priorities, including local preparedness, from recurring baseline funding.
169. Responsibility for funding of Personal Protective Equipment (PPE) remains with the Directorate for Health Finance, Corporate Governance and Value. This Directorate is also responsible for overall sponsorship of National Services Scotland, of which National Procurement is a part. Agile remobilisation of key supply chains and procurement networks, if necessary, is thereby facilitated.
170. As set out in the Module 2A DG Strategy and External Affairs corporate statement provided 23 June 2023, the Scottish Government has established a statutory inquiry under the Inquiries Act 2005 to examine the handling of the Covid-19 pandemic in Scotland.

## **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.

**Signed:**

**Personal Data**

**Dated:** 23 June 2023