

Witness Name: Dr. Gary Gillespie

Statement No.: 1

Exhibits: GG

Dated: 16 November 2023

UK COVID-19 INQUIRY

WITNESS STATEMENT OF DR. GARY GILLESPIE

In relation to the issues raised by the Rule 9 request dated 15 August 2023 in connection with Module 2A, I, Dr. Gary Gillespie, will say as follows: -

1. I am Dr. Gary Gillespie Scottish Government Chief Economic Adviser (CEA). I have been asked to give this statement as I was CEA both before, during and after the COVID-19 period – January 2020 to 18th April 2022 – which is of interest to the UK inquiry.
2. I have prepared this statement myself by reference to records and material provided to me by the Scottish Government. I have also received assistance from the Scottish Government Covid Inquiry Information Governance Division, and it has been reviewed by the Scottish Government Legal Department. References to exhibits in this statement are in the form [GG/number-INQ000000].
3. Unless stated otherwise, the facts stated in this witness statement are within my own knowledge and are true. Where they are not within my own knowledge, they are derived from sources to which I refer and are true to the best of my knowledge and belief.
4. I joined the Scottish civil service in August 2000 as an Economic Adviser, from the Fraser of Allander Institute at the University of Strathclyde. Prior to joining the civil service I was employed as a research fellow and undertook economic research relating primarily to the Scottish and UK economies. This covered all aspects of

economics but my areas of research related to regional economic policy, modelling and foreign direct investment. My doctoral thesis focused on modelling the economic impact of foreign direct investment to Scotland and I have published peer reviewed academic papers and commentaries on the Scottish economy.

5. On joining the Scottish Government, I worked as an economic adviser in both the Scottish Government Health (2000 – 2003) and Enterprise and Lifelong Learning (2003-2006) departments. I was promoted to senior civil service in 2006 when I began work as Deputy Director in the Finance & Central Service department. Following on from this, from 2007 to 2011, I worked as Deputy Director in the Office of the Chief Economic Adviser (OCEA). Both of these roles involved providing analytical and economic advice and managing an analytical division comprising economists, statisticians and social researchers. I was appointed Director and Chief Economic Adviser in 2011. I was made an Honorary Professor at Glasgow Caledonian University in 2011 and have been a Visiting Professor at the University of Strathclyde since 2015. I was also appointed a Fellow of the Academy of Social Sciences in 2017.
6. As CEA, I have provided economic advice and analysis to the First Minister and Ministers covering a range of strategic economic issues covering, for example, economic strategy, the Scottish independence referendum, the EU exit, COVID-19 and more recently the cost of living crisis. The advice and analysis draws on economic data, statistics, modelling and analysis, often produced within the Directorate I lead – OCEA – or from across Scottish Government. My Directorate, although part of Director General Economy, plays a wider corporate function in the provision of strategic economic advice. I also publish regular assessments of the “State of the Economy” and “Monthly Economic Briefs” covering key areas and impacts (for example of EU Exit, COVID-19, supply chain disruption, inflation etc.) on changes in the Scottish and UK economies.
7. During the specified period highlighted by the UK inquiry I led a Directorate with circa 120 plus staff comprising two core analytical divisions, an external facing analytical division which supported the Enterprise & Skills board and towards the end of 2020 an economic policy coordination division, which had previously been an economic policy hub for COVID-19. Following restructuring in 2022, my current Directorate

comprises two analytical divisions, which are led by Deputy Directors. The Directorate is primarily analytical in terms of its functions - for example, we cover over 100 analytical publications per year, reflecting economic statistics, evaluations, economic assessments and modelling in support of Scottish Government.

8. As CEA I have primary responsibility for economic advice relating to evidence, analysis and data. I have full autonomy over the production of evidence and advice as per the civil service code and I am also part of the Government Economic Service. I formally report to the Director General Economy.

Economic Advice and Covid-19 - January to March 2020

9. As CEA, I regularly attend Scottish Government resilience planning meetings. My role is to provide economic analysis and insights relating to the resilience event - particularly if there are economic impacts. I attended Scottish Government resilience meetings relating to COVID-19 from 14th February to 31st March 2020. This was my first official engagement in relation to COVID-19 in a professional or advisory capacity within Scottish Government. Over this period there were numerous meetings – both for officials and with Scottish Government Ministers. I am of the opinion that both the Scottish and UK Governments took the threat of COVID-19 seriously from the outset as demonstrated by the frequency and substance of these meetings and action set in train.
10. These early meetings covered the potential threat from COVID-19 based on the assessments at that time. The focus was primarily on readiness and understanding potential health threats and impact on health provision. In terms of economic impacts, I provided and presented analysis at these meetings in February and throughout March 2020.
11. The focus of the analysis at the February 2020 meetings considered the potential channels of impact on the Scottish economy from COVID-19. At that time COVID-19 had not yet spread beyond China. It was expected to have a negative impact on global economic activity and growth in 2020. The most immediate impacts on economic activity were likely to be in China, with restrictions on the workforce and movement of

people (through illness and quarantine measures) disrupting production and output. The global impacts risked being compounded as COVID-19 spread internationally. Examples of sectors potentially exposed to global effects were - tourism, manufacturing production (exporters and those in global supply chains), and higher education.

12. The analysis I produced set out the channels for impact and was informed by the evidence and assumptions at that time. We had evidence of the impacts on supply chains in Scotland from the pandemic outbreak in China in early 2020. However, our assessment of the impact of COVID-19 on the labour market were based on assumptions relating to workforce absenteeism due to the pandemic, rather than assuming full or partial lockdowns. Though it was recognised that COVID-19 could spread internationally, my reflections certainly from February 2020 was that lockdowns were not a central option being considered in the UK or Scotland in terms of the health response at that time.
13. At these meetings we received information relating to the health impacts, national health system capacity and potential responses. This was led primarily by the Scottish Government Chief Medical Officer and Scottish Government senior health officials and was informed by engagement with UK government health and science officials. These meetings were also supported by senior officials in education, communities, transport etc. as well as Scottish local authorities and resilience partners.
14. In March 2020, there was a greater recognition of the risk of transmission of COVID-19 through the population and our analysis evolved to reflect the potential economic impacts of the restrictions that could be required. From an economic perspective, there was a greater focus on costs for business and how we supported businesses that would be unable to trade due to COVID-19. Consideration was given to what the impacts would be for business and how we could protect capacity in the economy during this period. The point regarding productive capacity related to the risk of well performing businesses becoming insolvent due to not being to trade due to the pandemic. There was a growing recognition that this had the potential to be a significant economic event and we started modelling different scenarios for the economy. Our analysis during this period reflected this and the slides presented to the

Scottish Government Resilience meeting of 26th March capture this analysis and framing [GG/001-INQ000282440].

15. From early March there was a greater focus on the need and potential requirement of non-pharmaceutical interventions (NPIs). The announcement on 18th March by Scotland's First Minister of the intention to close all schools in Scotland by the end of that week [GG/002-NQ000302520] and the subsequent full lockdown of 23rd March reflected that focus [GG/003-INQ000346408] and [GG/004-INQ000302524]. There was also discussion at Scottish Government Resilience Meetings relating to the timing or need for restrictions along with a focus on tracking cases. There was also a recognition of the potential financial cost to the Scottish Government, given the fiscal framework which links spending in equivalent UK functions which are devolved to Scotland. If the Scottish Government moved ahead of the UK in terms of NPIs there was potentially risks in terms of funding. This was particularly a concern in relation to business support and the potential cost or requirements to support workers in businesses unable to trade.
16. My input into decision making regarding the use of NPIs was focused on the economic impact of restrictions - not the immediate timing or need for these which were primarily driven by the health concerns relating to the spread of the pandemic and the capacity of the health system to deal with cases. The Scottish Government's objective was to contain and minimise the spread of the virus and to minimise the overall harm it could do.
17. My focus was on the likely economic impacts of restrictions and how to mitigate the economic harm given the greater risk the pandemic posed at that time. The economic advice I provided was part of Scottish Government resilience discussions. However the primary focus at that time was the risk to health and loss of life relating to the pandemic and the ability of the health service to cope with a significant caseload. The economic and wider social impacts of the pandemics were recognised but dealt with through the respective Cabinet Secretaries, at the time, rather than fully integrated as was the case with subsequent four harms approach.

18. For example, the Scottish Government Resilience meeting – 20th March 2020

GG/005 INQ000233524, GG/005a INQ000233525]

Chaired by the First Minister with Deputy First Minister and Cabinet Secretary's covering Economy, Transport, Finance and Rural Affairs focused specifically on the economic impacts and business support. At this meeting an economic framework for support was discussed, which mirrored health interventions (NPIs) and also scenarios for the economy based on the evidence of impact from other countries at that time. The analysis identified the sectors and businesses most at risk and what the impact of falling demand (output) would mean. The scenarios did not specifically model a full lockdown as announced on 23rd March 2020.

19. This Ministerial forum, Chaired by the First Minister became a regular weekly cycle of meetings, which focused specifically on the economy and the economic impact of COVID-19. As part of these meetings, I attended and presented a weekly economic update. The meetings were attended by senior Scottish Government officials including Director General Economy and officials from Scottish Government Exchequer and from other areas of government related to the economy and business support. These weekly Ministerial meetings started on 20th March 2020 and continued consecutively through to 28th August 2020 with 21 meetings over this period. This was the main forum at that time for considering economic impacts and the Cabinet Secretary for Economy was the lead Minister in terms of the economic response. The Finance Secretary led on funding issues and discussions with the UK Government regarding operation of the fiscal framework.

20. During this period there was also engagement with UK Government through Ministerial channels relating to the economy at both the official and Ministerial level. This formal engagement began mid-March. I attended the Economic and Business Response Implementation Group – both the Ministerial Group EBRIG(M) and the Officials Group EBRIG(O). I presented at EBRIG(O). As time went on, these meetings considered the reset and restarting of the economy given the likely impact of the pandemic. These meetings included UK Government, Wales Assembly Government, Northern Ireland Executive and Scottish Government. I also attended the weekly Ministerial Quadrilateral Economy Ministers' meetings which considered the economic framework and future economy. The Quadrilateral focused on the economic support which was structured and phased through 4 Rs - Response, Reset, Re-start and Recovery. From

the outset working relationships were strong and collaborative between officials and Ministers across devolved administrations and with the UK Government. This included the open sharing of analysis and working together to develop more timely statistics.

First National Lockdown – 23rd March 2020

21. The Scottish Government Chief Medical Officer and health officials, in liaison with UK government counterparts, provided the main health advice relating to the need for NPIs. Education officials also provided advice relating to schools. This culminated with the announcement by Scottish Government regarding school closures and the UK Government – 23rd March 2020 – of the need for a full lockdown as described at that time. This was informed by available scientific, clinical and public health advice from across the UK.

22. I was not involved directly in the discussion of whether to use a national lockdown and if so at what point and for how long. This decision was announced nationally by UK Prime Minister on 23rd March 2020. As noted above, my locus was the economic issues. As such I had no involvement in the decisions such as: to allow large scale events like the Nike conference and rugby match to take place, consider herd-immunity as a strategy or consider things like the position in relation to the discharge of patients to care homes. Similarly I was not directly involved in the legislative side such as the Coronavirus (Scotland) Act 2020.

23. With regard to the first national lockdown, the scope, I believe, for the Scottish Government to have acted at a different pace or out of lockstep with the UK Government at that time was limited for a number of reasons.

- The health approach in terms of response was driven by UK Government and shared health and science advice through inter-government channels with devolved administrations. There was an agreed UK wide response at that time.
- The UK Chancellor announced funding to support business on 11th & 17th March 2020. Importantly, details of the operation of the furlough scheme were not announced until 20th March and support for self-employed business on 26th March followed the start of the first national lockdown – 23rd March 2020.

- Without clarity or agreement on the funding to support business, particularly the operation of furlough (job retention scheme), Scottish Government were limited fiscally in terms of their ability to support the economy if they moved in advance of UK Government. (Also Scottish Government were not directly involved or had input to the design or operation of furlough scheme which was announced directly by UK Government.)
- The pace and uncertainty regarding restrictions, public mood and timing of lockdown, I believe, made it difficult to depart from a UK wide approach at that time particularly for business.

24. The start date for the first National Lockdown was announced by the UK Prime Minister and covered the whole of the United Kingdom. As noted above, I don't believe the Scottish Government could have acted differently at that time with regard to the scope or timing of the lockdown. Given the shared UK wide monitoring of case numbers, NHS readiness, increased transmission risk and potential health impacts. Also the fact that the initial prevalence of cases within the UK were concentrated in the greater London area meant the imperative for a response was geographically concentrated in South of England.

25. Alongside this, my sense from that time was the public mood had moved more quickly towards expecting or recognising the need for a lockdown, as case numbers began to rise and public awareness of the risk to health and life became clearer. Also, individual behaviour had started to change in terms of minimising personal risk, particularly for those individuals that were considered at risk or vulnerable. This change in personal behaviour – with individuals changing their daily routines - started to impact business and added to the need for a clear national response.

The Economic Impact of the First National Lockdown

26. The scope of the national lockdown with regard to NPIs announced on 23rd March provided greater clarity for our analysis of the impacts on the economy. In contrast, our earlier analysis around the framing, channels and potential impact was based primarily on assumptions relating to worker absenteeism due to the pandemic rather than the direct closure of economic activity. The reality was much worse and we began

to simulate the impact of the lockdown given we knew the restrictions that were now in place.

27. Across the Scottish Government, COVID-19 was the main issue of focus and there was restructuring to reflect this and link to the resilience governance the Scottish Government had in place. I restructured my teams to focus almost exclusively on the COVID-19 response relating to the economy. We set up an analytical hub relating to the economy which supported Ministers and provided information directly to our resilience planning teams. The OCEA COVID-19 Hub operated on a shift basis and covered weekdays through to 10pm and weekends – with hub staff triaging the requests that came in and ensuring deadlines were met. Such was the volume of requests and associated correspondence dedicated staff were also required. This was complimented by a COVID-19 Economy policy hub which we worked closely with in supporting Ministers during this period.

28. In considering that initial period there was a number of things that worked really well within the Scottish Government.

- The speed of response in terms of restructuring across policy, delivery and analytical areas to a single shared focus to support the response to COVID-19.
- The Scottish Government resilience team in coordinating information and actions across Scottish Government, linking to Ministers, UK resilience and our wider delivery partners.
- Our ability to move to hybrid and home working and the willingness and flexibility of staff to adapt to different working patterns and demands, despite many having direct caring responsibilities as a result of the lockdown.
- The recognition at the outset of the wider impacts of the pandemic beyond health and the need to take a broader perspective right from the start.
- The engagement with UK Government was productive from the outset on economic issues but less open in the design of the economic policy response for instance relating to reserved areas such as furlough.
- On the application of NPI guidance, differences in interpretation and the application of UK/Scottish guidance was not entirely consistent at the outset. Differences , for example, within the construction sector of what was considered of national

importance or essential existed. This improved as there was stronger direct communications from devolved administrations reflecting the circumstances in those areas.

Scale and Analysis of COVID-19 Impacts – April 2020

29. On 21st April 2020 I published a synthesis of the economic impact of COVID-19 in the “State of the Economy” report [GG/006-INQ000182974]. I also attended and presented at the daily COVID-19 briefing with the First Minister and Chief Medical officer on that day. The “State of Economy” report drew on our earlier analysis and framing that had been provided to Ministers including updated modelling relating specifically to the impact of lockdown over that immediate period.
30. It noted that the COVID-19 pandemic was a health crisis that had now become an economic crisis. The priority was to protect public health with social distancing measures quickly introduced to contain the spread of COVID-19. This necessitated the shutdown of economic activity in many parts of the Scottish economy and economic output was expected to fall by around one third during the period of restrictions announced on 23rd March (national lockdown).
31. This was no ordinary economic downturn - many productive, profitable and sustainable businesses had been required to temporarily close bringing immediate financial stress. The policy response to the pandemic was unprecedented with a combination of fiscal, monetary and macro-prudential measures to maintain cashflow, incomes, wages and employment across the economy - reflecting both the indiscriminate nature of the crisis and the need to protect productive capacity.
32. The collapse in economic activity was also steeper and faster than in previous downturns and it had similarly impacted our major trading partners. The latter meant many of our external markets both for goods and supplies were also impacted. The sudden cessation of economic activity focused the economic policy response on maintaining productive capacity, which in many cases meant supporting temporarily closed businesses.

33. The analysis for Scotland estimated that Gross Domestic Product (GDP) during the first lockdown could fall by up to one third and approximately 900 thousand jobs in the economy would be directly impacted by restrictions. These figures were unprecedented in scale at that time and we communicated the fact that COVID-19 was also an economic crisis. This was reflected in the nature of the policy response for the economy particularly the furlough scheme, direct financial support provided by government to business and also the availability of support through the banking sector.
34. Our analysis also highlighted a scenario where social distancing measures are lifted and the economy re-opens and starts to recover from the initial lockdown. However, the restrictions (NPIs) are reintroduced, with output and economic activity falling again. This scenario was described as a 'W' shaped recovery. As such, the path of the recovery at that time remained uncertain for several reasons.
35. Firstly, as business and society reopened we would see a reversal of the output contraction for many parts of the domestic economy. However, not all sectors would come back immediately as external demand, consumer tastes, and business models would have changed significantly. This would present challenges and opportunities for different segments of the business base reflecting their exposure to different economic channels - both external and domestic.
36. Secondly, we would continue to lose productive capacity as the restrictions in economic activity continued and this would lengthen the recovery period. This would be mirrored in the labour market as we expected to see significant rise in unemployment and the scarring effects that has on individuals and communities.
37. Thirdly, the longer the measures were in place, the harder the impact would be on the public finances and the less scope there would be for a fiscal stimulus in the recovery, with a greater risk of wider economic contagion.
38. Finally, the economy would recover but the path and speed of recovery would mirror our success in managing the health crisis and would require careful planning and management of economic activity so that we could operate in a different but productive manner.

39. In considering this initial assessment, economic output actually contracted by approximately 25 per cent during the first lockdown and 911,900 jobs were supported by furlough in Scotland. The success of furlough limited the rise in unemployment which was less than we had anticipated.

40. One of the key challenges of the pandemic was getting timely data with which to monitor the impact. The 20 April 2020 "State of the Economy" publication also outlined our considerable progress with this. It noted the two new surveys developed by the UK's Office for National Statistics (ONS): the Opinions and Lifestyle Survey and then titled Business Impact of Coronavirus (Covid-19) Survey. Both of these surveys covered Scotland and fed into ONS' weekly Faster Indicators publication. Statisticians in my Directorate liaised with the ONS on these new developments. My team also developed an experimental series of monthly GDP for Scotland's onshore economy consistent with the Quarterly National Accounts. In addition my team also developed a weekly economic impact / economic harm index (see paragraph 56). Other measures set out in the April "State of the Economy" include our exploration of Google Mobility data to analyse the behaviour of people compared with the average mobility prior to lockdown. As the pandemic developed we were interested in inequalities and the distributional impact of COVID-19. The October 2020 "Monthly Economic Brief" [GG/023-INQ000273938] sets out how COVID-19 was affecting the labour market for different groups such as low earners, young people, women and minority ethnic people.

41. In April 2020, my Directorate also developed an assessment framework for the economic harm being caused by COVID-19 [GG/007-INQ000346406]. This set out five criteria considered in combination.

- The channel of economic impact and the scale of contribution to the economy pre-COVID-19.
- Extent of economic harm already arisen with COVID-19.
- The rate at which further economic harm may continue / the rate at which economic harm may be reversed.
- Duration and timing of measures and impacts.

- Secondary impacts on health and social harms.

42. This was designed to provide a framework to assess the impact of NPIs and was subsequently used as part of the four harms approach to assess economic impacts of various NPIs. We also identified lead indicators in April 2020 to feed into a the four harms dashboard, developed by analytical colleagues in the COVID-19 hub, which cover the impact of the pandemic, the impact on health provision, as well as social and economic costs [GG/008-INQ000131028]. This included the following economic harm indicators:

- Cumulative Universal Credit claims (Scotland)
- Consumer Spending (Scotland, weekly, 2019=100)
- Value of Exports to non-EU countries (Scotland, fortnightly) £m
- Firms temporarily closed or paused trading (Scotland, fortnightly)
- Firms (trading) with decreased turnover (Scotland, fortnightly).

43. As the response to COVID-19 developed within the Scottish Government through 2020/21 the four harms approach was used as the main framing for input for decision making by Ministers. Officials summarised advice relating to each of the harms and there was a qualitative process for scoring the impact of the different NPIs. My focus was the economic harm - primarily providing evidence and an assessment of the impact of NPIs in relation to policy proposals and assessing the impact of restrictions on the economy.

44. This approach and framing, I believe, improved the decision making within the Scottish Government following the first national lockdown. It provided a governance and decision-making making framework for bringing together the evidence to inform decisions for Ministers. Although each of the four harms were considered in the run up to the first national lockdown, the focus was rightly dominated by the impact of the pandemic on health and loss of life. However, that strategic approach from the outset enabled the early publication of “Covid-19: A Framework for Decisions-Making” on 23rd April which set out an integrated approach for each of the four harms in Scottish Government decision making [GG/009-INQ000256711].

45. The Scottish Government through the Chief Medical Officer established a Covid-19 advisory group, which was chaired by the Chief Scientific Adviser in Health. I attended these on occasion as we discussed the integrated harms – economic and social - alongside the health impacts of the pandemic and contributed to discussion regarding NPIs. Again the integration and discussion of the health and economic modelling, potential scenarios and impacts was important in integrating analysis and advice.
46. The advice from the Covid-19 advisory group was also reflected by the CMO as part of the four harms assessment. Public Health Scotland were also integral to this process both through the resilience meetings and their monitoring of the pandemic. The economic scenario modelling we undertook simulated the impact of restrictions on the economy but was not an integrated epi-macro model. The epidemiology modelling of the pandemic in terms of case numbers and hospital admissions was undertaken by Scottish Government officials in the central Covid analytical hub. As described, our analysis simulated the impact of the pandemic (including behavioural effects) on the economy, but was not an integrated health-economy model. (Our earlier scenario analysis did however simulate the impact of a variant with the W-shaped recovery).

Moving Beyond the first National Lockdown

47. With the national lockdown in place, the focus in relation to the economy was primarily on the resilience of business and the extent and provision of financial support. For example, Scottish Government announced a hardship fund for the newly self-employed on 21st April 2020 to cover those who would not qualify for UK-wide provision [GG/010-INQ000282442]. This was also open to small and medium sized enterprises in hardship.
48. In terms of decision making, the publication of “COVID-19: A Framework for Decision Making” by Scottish Government set out how the Scottish Government would assess risks across each of the four harms during the lockdown and the approach to gradually ease constraints. It also recognised the harms caused did not impact everyone equally given existing structural inequalities. This formalised the four harms approach to

decision making within the Scottish Government. It also committed to on-going collaboration with UK Government through the UK expert advisory groups but also signaled a potential for different timing on the easing of restrictions in Scotland relative to the UK and a reflection of local conditions and choices in Scotland relative to UK and within Scotland.

49. The four harms approach which brought together the evidence from each harm provided a systematic way to assess the trade-offs from the NPIs. It is also provided an evidence base to reflect conditions in Scotland across each harm, allowing Scottish Ministers to reflect Scottish specific conditions and concerns in their decisions. The framework for decision making set in train a 3 week cycle for reviewing the current restrictions against the four harm criteria.
50. Again, my role was primarily focused on the economic harm and assessing the data and impact of restrictions in Scotland. There was also continuous engagement both at Ministerial and official level with the key business sectors in Scotland through regular meetings. This was put in place at the outset of the pandemic and continued throughout this period. This enabled direct feedback from business sectors across Scotland with regard to economic conditions, the adequacy, clarity and delivery of financial support, the operation of NPIs in settings for example such as retail, construction and hospitality.
51. This direct engagement was important and established a two-way channel in which officials (including health and science advisors) were able to engage directly with business sectors and explain both the health rationale and also the four harms process, but also to get feedback directly from those sectors regarding both the impact of restrictions but also the wider personal and emotional stress caused by restrictions. Engagement and feedback from business was also reflected at the weekly First Minister economy meetings and through the four harms process which fed directly into Scottish Government decision making.
52. There was also a Banking and Economy forum set up to discuss and share intelligence relating to Covid-19 impacts between the Scottish Government and the banking sector in Scotland. This was Chaired by the Cabinet Secretary for Economy, Fair Work and

Culture and first met on 24th March 2020. There was also engagement with Scottish Trade Union Council (STUC) in terms of response and impact on workers. These were chaired by the First Minister.

53. In assessing the economic harm, a key factor was the extent to which the financial impact was mitigated by government support including UK wide and Scottish specific support. There was a lot of focus on getting support to those parts of the economy most impacted, which was supported by our analysis. For example, on 30th April Scottish Government announced a £100 million package of additional grant support for SMEs and newly self-employed [GG/011-INQ000282443]. There was increased funding for the Pivotal Enterprise Resilience Fund (PERF) which was administered by local authorities as a grant for those businesses unable to trade due to the lockdown.
54. My continued input to COVID-19 analysis and decision making came through the weekly Economy Ministers meetings Chaired by the First Minister. As outlined in paragraph 19, these took place weekly until 28th August 2020. In total there were 21 meetings over this period from the first meeting on 20th March. At these meetings, I presented an economic overview, reflecting most recent data and the meetings focused on economic and financial issues related to business support, sectoral and wider economic impacts. Attended by the key economy and related Cabinet Secretaries this was the main forum at that time for economy related issues, which were then fed into the three weekly reviews as part of the Scottish Government framework for decision making.
55. The publication of the “Route Map” on 21st May 2020 by Scottish Government with the levels approach set the framework for easing the lockdown [GG/012-INQ000256709]. From 21st May till October 2020, my team led the assessment of economic harm for the “Route Map” using the assessment framework for economic harm set out in paragraph 41 and 42 above. This was brought together by the central policy team alongside the other harms. Within the Director General Economy area, there was a Covid business directorate created in 2021 to bring together direct business engagement, financial support and resilience work. Economy officials from this area fed into the four harms process also.

56. My team also developed a weekly economic impact / economic harm index in June 2020. This was based on combining a set of high frequency indicators relating to demand, supply and forward expectations covering 8 lead indicators. Given the lag in economic data this was designed to indicate the extent to which economic conditions were improving or deteriorating. Configured as an index – anything above 1 was improving and below 1 deteriorating. This was first published in the July 2020 “Monthly Economic Brief” Monthly Economic Brief [GG/013-INQ000282444] but was used as a lead indicator at the weekly Economy Ministerial meetings.
57. Established in April 2020 and reporting on 22 June 2020 the Advisory Group on Economic Recovery (AGER) - Chaired by Benny Higgins - was asked to advise on the economic recovery from the coronavirus pandemic. The group, which I supported also, set out 25 recommendations for how Scotland could transition to a greener, net zero and wellbeing economy with equality and fairness at its heart. Indeed one of their 10 guiding principles was *“We must accelerate action to promote wellbeing and Fair Work and tackle inequality by mitigating the risks of unemployment, especially among groups hit hard by the crisis”*. Many of the recommendations were carried on to future strategies given the re-emergence of Covid-19. [GG/024-INQ000131080].

Operation of Levels Approach and second National Lockdown in Scotland

58. The publication of “COVID-19: A Framework for Decision Making” by Scottish Government and subsequent publication of the “Route Map”, with the 3 weekly reviews, set the governance framework for decision making both in exiting the first national lockdown but also a framework which was used later in 2020 when further restrictions were required. Both documents also signaled Scottish Government would reflect conditions in Scotland given devolved competencies and respecting local and geographical differences.
59. As the economy re-opened through the summer of 2020 economic activity picked up again but the changes in behaviour in terms of individual preference, consumption, work and commuting patterns meant the economy was operating differently from the pre-pandemic period. The sectors most impacted during the first lockdown were still operating at below pre-pandemic levels of economic activity. Whilst for example

health, life sciences, digital, tech and food retailers were operating above pre-pandemic levels.

60. Therefore, for those business sectors most impacted during the lockdown their financial resilience was still challenged even when they re-opened as their market had changed and so had their business model and for some their business viability. This meant the need for continuing support for many businesses during this period and for re-opening. For example the Scottish Government announced provision of additional support on 16th June 2020 with £230 million as part of a return to work package [GG/014-INQ000282445].
61. UK Government schemes such as Eat Out to Help Out, which was announced on 13th July 2020 by the UK Chancellor, provided a subsidy towards the cost of eating on-premise for restaurants and food outlets applied across the UK. This was designed to boost trade in this sector and influence consumer behaviour by incentivising people to return to restaurants. This was operated and administered solely by UK Government and Scottish Government were not involved in the design or operation of this scheme which applied to businesses in Scotland.
62. The operation and duration of UK wide schemes like Eat Out to Help Out and, more importantly, furlough restricted the ability of the devolved administrations to diverge to greater extent in terms of NPIs. Furlough was essential to maintain the income of workers. Where divergence did occur in relation to timing and scope of NPIs, it tended to be within the scope of the operation of key UK support packages and happened relative both to the UK but also within Scotland reflecting geographic differences (rurality) and public priorities.
63. As the Delta variant emerged in autumn of 2020 and case numbers began to rise across different parts of Scotland and the UK, our analysis focused more on the health board and local authority level data reflecting the approach set out in the Scottish Government route map. For example, we provided input and analysis for the 'circuit breaker' lockdown announced for Glasgow and subsequent Central Belt on 7th October 4 2020 and estimated the scale and cost of financial support for those businesses

affected – hospitality etc. This was part of the four harm approach and was reflected in the advice provided to Ministers in relation to that decision. Decisions regarding the levels approach operating across Scotland were part of the 3 weekly decision making cycle and were informed by the process set out earlier regarding the four harms approach.

64. The Scottish Government also published the five-level Strategic Framework on 23rd October [GG/015-INQ000249320] which set a framework for indicating the different levels of protection that might be required, given the different levels of transmission across Scotland. The subsequent levels and restrictions came into force on 2nd November 2022.

65. This approach progressed through autumn and into winter 2020 with the operation of the levels framework and restrictions on economic activity and non-essential travel across Scotland. Again this was informed by regular reviews following the four harm approach, which we continued to input to. One of the key issues at that time was the extent to which on-going COVID-19 restrictions would be lifted over the festive period. For the economic harm, many of the consumer facing sectors such as hospitality and non-essential retail relied on this festive period to boost earnings and profitability so restrictions at that time were significant for those parts of the economy. Another important point was that economic impacts were non-linear, you could not assume that they would remain constant over time. We also reported the extent to which sectors of the economy remain below their pre-pandemic output.

66. On 19th December 2020 – Scottish Government announced the tightening of COVID-19 restrictions around the festive period [GG/016-INQ000346407]. The easing of restrictions around Christmas was limited to Christmas Day itself, and not the previous 5-day window that was planned. From Boxing Day, all of Scotland had Level 4 restrictions applied, including the closure of non-essential retail and hospitality. Other than for specific exemptions, travel between Scotland and the rest of the UK was restricted. These decisions were informed by the four harms process and for the economic harm our main concern related to the resilience of those businesses and

sectors of the economy that had continued to be impacted by NPIs through this period. In terms of variations in the application of NPIs, most of the focus was within Scotland and was also informed by on-going research into public attitudes and behaviour across Scotland.

Delta Variant and 2nd National Lockdown – January 2021

67. On 4th January 2021 – Scottish Government announced mainland Scotland would return to lockdown restrictions from 5th January 2021 [GG/017-INQ000249238] – with a new legal requirement forbidding anyone from leaving their home except for essential purposes. With the UK CMOs raising the UK COVID-19 alert level from level 4 to 5 also at that time, this reflected a return to a national lockdown similar to the first national lockdown.
68. The January 2021 lockdown was not as significant, at the national level, in terms of the contraction of economic activity and output as the March 2020 national lockdown. This reflected both changes in business models, tastes, technology and new consumption patterns with the latter benefitting other parts of the economy. For example, the focus on home working, home improvement, garden space etc. shifted consumption patterns. There was also an expansion in health related activities in sectors supplying or responding to the pandemic such as life sciences, testing, tracking etc. given the development and importance of vaccines at that time.
69. There was also clearer communication of the application of NPIs. One difference from the first national lockdown in Scotland was that most construction activity was able to continue operating fully. Continuation of furlough and other business support had also been extended. In terms of decision making, this was informed both through Scottish Government resilience meeting, which reflected the four harms process, and subsequent advice to Ministers.

Scottish Parliament Committee Evidence

70. In the course of the pandemic I supported two Cabinet Secretaries at four different Committee meetings of the Scottish Parliament. I attended the Economy, Energy and Fair Work Committee on 24th March 2020 and 2nd June 2020 supporting Ms Hyslop the Cabinet Secretary for Economy, Fair Work and Culture. Both of these sessions (24th March and 2nd June 2020) discussed the economic implications and response to the pandemic [GG/018-INQ000282446] and [GG/019-INQ000282447].

71. I also attended the Economy and Fair Work Committee on 29th September 2021 [GG/020-INQ000282448] supporting Ms Forbes the Cabinet Secretary for Finance and the Economy. This session focused on the development of the Scottish Government's economic strategy for recovery – National Strategy for Economic Transformation – which was in development at that time. I also attended the Economy and Fair Work Committee on 16th March 2022 [GG/021-INQ000282449] supporting Ms Forbes regarding the National Strategy for Economic Transformation which was published 1st March 2022 [GG/022-INQ000131082]. This sets out a 10 year plan for the economy reflecting the post Covid period but also the transitions needed to deal with climate change targets also. I did not attend or give evidence to UK Parliamentary committees over this period.

Final Reflections and lessons learned

72. Covid-19 was unprecedented globally in terms of scale and economic impact certainly in the context of the last century. This, in part, reflected the globalisation of the economy with greater connectivity of both people and trade, which made this a truly global pandemic. In reflecting on the response by Scottish and UK Government with regard specifically to the economy I would make the following summary points.

- The economic response reflected the scale of the crisis and was delivered at pace. The global financial crisis of 2007/08 had led to a coordinated global response with a coordinated international policy response. The response to the pandemic was different, reflecting much more local country conditions and public preferences

across countries including within the UK. Overall, the scale of support was unprecedented and supported the economy during this period.

- In terms of the coordination of policy response between UK and devolved administrations this generally worked well – particularly at the beginning. The package of support and delivery of furlough and banking support via UK Government and local grants, hardship funds via the devolved administrations was clear.
- However, uncertainty over the duration of support, particularly UK Government, created uncertainty both for business and also in terms of the planning for the devolved administrations.
- The extent to which variations in NPIs operated within the UK reflected, in part, the devolved competencies and the often distinct needs of populations and areas. It also reflected different political judgement/preferences in terms of the differences in public perceptions or geographic and economic considerations that varied within Scotland and across the UK.
- The operation of NPIs at the Scotland level worked well and was clearly communicated with direct Ministerial briefing and engagement by officials. The four harms approach also worked well, though could have been integrated more fully at the outset. This approach has remained a feature of Scottish Government decision making with greater cross profession and portfolio working within the Scottish Government.
- Finally, in terms of economic analysis and understanding I believe we had sufficient data, expertise and modelling capability within the Scottish Government to support devolved decision making in relation to the economy. That capacity reflected investment in economic capacity within the Scottish Government through-out the period of devolution.

Informal communications and Documents

73. OCEA had only the one informal channel of communication during this time. It was a WhatsApp group that was used to ensure resilience for our COVID-19 Hub. It was occasionally used to ensure we had cover for shifts, if emergency cover was needed, and to contact staff out of hours if urgent requests came up and the staff on the hub were unable to help as well as to alert others in the team when there were any issues

