

Witness Name: Rishi Sunak

Statement No.: 2

Exhibits: RS/M2B/1-12

Dated: 16.01.2024

## UK COVID-19 INQUIRY

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### WITNESS STATEMENT OF RISHI SUNAK

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I, Rishi Sunak, will say as follows: -

1. I, Rishi Sunak, make this statement in response to the UK Covid-19 Inquiry's ("the Inquiry") request to me for evidence in relation to Module 2B of the Inquiry's work ("the Rule 9 Request").
2. I have some recollection of the matters referred to in the Rule 9 Request, and I have been assisted by His Majesty's Treasury ("HMT") senior officials who I worked closely with at the time of the events in question in order to prepare this statement. I have reviewed documents that were created at the time of the events under scrutiny and key documents are exhibited to this statement.
3. To assist the Inquiry, I have quoted from many of the documents exhibited to this statement. These are in italics.
4. I have previously given evidence relevant to the questions in the Rule 9 Request both in my witness statement of 6 September 2023 made in response to the Inquiry's request to me for evidence in relation to Module 2 of the Inquiry's work (see in particular paragraphs 556-559 of that statement) and also in my oral evidence to the Inquiry on 11 December 2023 (see in particular pages 169-176 of the transcript of the hearing) and this statement falls to be read alongside that earlier evidence.
5. As advised in the Rule 9 Request, I have addressed the questions posed to me in the Rule 9 Request through a "free-flowing" narrative, rather than individually.

UK Government's funding of the devolved administrations ("DAs")

6. As explained in my witness statement of 6 September 2023, the UK Government has a constitutional settlement whereby funding for DAs comes through block grants, their own tax raising and borrowing powers and the Barnett formula. Under the Barnett formula, a population-based share of changes in UK Government departmental funding for areas that are devolved in Scotland, Wales and/or Northern Ireland are added to existing DA funding. For example, additional spending on health in England automatically leads to additional funding for the DAs through the Barnett formula.
7. In addition, many of HMT's key economic interventions and financial investments made during the Pandemic, including the Coronavirus Job Retention Scheme ("CJRS"), Self-Employment Income Support Scheme ("SEISS"), uplift in Universal Credit, increase in Local Housing Allowance welfare payments, VAT cuts for businesses, purchase of PPE, parts of NHS Test and Trace, the Vaccines, the Coronavirus Business Interruption Loan Scheme ("CBILS"), the Bounce Back Loan Scheme ("BBLs"), and Eat Out to Help Out ("EOTHO"), were all UK wide. It was in fact the case that the majority of financial support HMT provided to businesses and individuals during the pandemic was UK wide.
8. During the Pandemic, funding for the DAs was ultimately determined through the Barnett formula. However, the DAs had requested additional flexibility to manage the lack of Barnett certainty, which was granted by an **unprecedented** upfront funding guarantee in July 2020 for the fiscal year 2020-21. This allowed the DAs to spend without having to wait for England to spend and trigger their respective proportionate funding. As noted in paragraph [6], the DAs have, alongside this, their own agreed tax and borrowing powers.
9. The UK Government initially announced a guarantee of an additional £12.7 billion in funding for the DAs on 24 July 2020, and this guarantee was subsequently uplifted three times, to the following:
  - a. £14 billion on 9 October 2020
  - b. £16 billion on 5 November 2020
  - c. £16.8 billion on 24 December 2020
10. This meant that Wales received £5.2 billion additional upfront spending by 8 January 2021 [RS/M2/467/INQ000236870]. These funds were provided in advance of the Barnett scheme being triggered as a result of spend in England, and were completely

un-ringfenced which meant the Welsh Government could spend these funds on whatever they wanted to prioritise.

Coronavirus Job Retention Scheme ("CJRS") and Job Support Scheme ("JSS")

11. The questions in the Rule 9 Request relate to correspondence that I had with Mark Drakeford, First Minister of Wales, in late October 2020, which arose out of two UK wide financial support schemes, the CJRS and the JSS. I hope it is helpful if I summarise those two schemes so as to put in to context that correspondence and the related HMT/Welsh Government official level communications.
12. The CJRS, also known as furlough, was a support measure that I initially announced in my role as Chancellor of the Exchequer on 20 March 2020 in response to the Covid-19 Pandemic [RS/M2/169/INQ000065324]. The scheme enabled employers to apply for a government grant to cover the cost in part of salary payments, for their employees who were not working as a result of the Pandemic. Employers were able to apply for CJRS from the beginning of March, initially until 17 April 2020. The scheme was extended until 30 June, then extended again until 31 October 2020.
13. Originally the government's contribution was 80% of wages, to a cap of £2,500 a month – with all National Insurance Contributions ("NICs") and pensions contributions being included. By October 2020, the government's contribution had reduced to 60% of wages to a cap of £1,875 – with employers paying NICs, pension contributions and 20% of wages up to a cap of £2,500.
14. The JSS was another support measure which was designed over September 2020 to be the successor to the CJRS. It was announced on the 24 September that the JSS would be introduced on the 1<sup>st</sup> November, immediately after the CJRS was scheduled to close on the 31<sup>st</sup> October, ensuring continuity of employment support [RS/M2B/01/INQ000397195]. The JSS had the following two variations:
  - a. 'JSS Open' – for businesses which were still operating but with decreased employee working hours, and;
  - b. 'JSS Closed' – for businesses who had closed and whose employees had ceased work as a result of health protection related regulations which had been put in place by the Government or a DA.

15. Under the JSS Closed, the Government would pay 66.67% of an employee's wages, up to a cap of £2,083.44 per month. Employers were required to deduct and pay tax and employee NICs, and pay employer NICs to HMRC on the full amount paid to the employee (inclusive of any government granted money). Employers would also be required to pay pension contributions. The JSS Closed differed from the CJRS in that the CJRS was more generous in terms of 'take-home pay', however the JSS did not require the employer to contribute to any of the employees' wages.
16. The CJRS was initially due to end on 31 October 2020, with the JSS planned to start on the following day. An announcement was, however, made on 31 October 2020, extending the CJRS and postponing the commencement of the JSS [RS/M2B/02/INQ000397191]. **There was therefore no gap in financial support and there would not have been a temporal gap in financial support between the CJRS and JSS, had the change gone ahead.** As explained at paragraph 7 above, Wales also had access to UK wide economic support schemes and had been provided with discretionary funding to spend on its own priorities.
17. Having made the decision to move to the JSS, the possibility of extending the CJRS beyond the end of October was not initially considered. However, on 31 October 2020, I received a submission stating "*You are considering extending the CJRS to provide additional economic support in response to the introduction of a more stringent lockdown across the UK. In particular, the inclusion of non-essential retail in the proposed health restrictions has resulted in a significant expansion in scope and likely use of the JSS-Closed. You are also considering options to increase the employee generosity of the support from 66% back to 80%. Given these considerations, you are considering extending CJRS as a simpler option to achieve these aims, ensuring employers can claim more quickly and receive support faster than would have been the case under JSS.*" [RS/M2B/03/INQ000397190] I was advised that "*We recommend extending CJRS for the month of November initially*" and also that the JSS should be delayed by at least a month.
18. I decided to extend the CJRS and to delay the JSS and announced this on the afternoon of 31 October 2020 [RS/M2B/02/INQ000397191], following the announcement by the Prime Minister of the second lockdown [RS/M2B/04/INQ000397194]. The Welsh Government requested further information about the announcements that had been made in relation to the CJRS changes. An official level meeting with the DAs took place in the afternoon of 31 October 2020.

19. Further details and a further extension of CJRS until the end of March were announced on 5 November 2020 [RS/M2B/05/INQ000397192]. The CJRS was extended a number of times after this point, and the JSS was ultimately never introduced.

Welsh 'circuit breaker'

20. I understand from HMT that during October 2020 there were interactions at official level with all DAs being briefed on the subject of financial support systems. Between 12 and 18 October 2020, there was communication between HMT officials and Andrew Jeffries, the director of the Welsh Treasury, in relation to the movement from CJRS to JSS. **I am informed by HMT that the records of discussions over this period do not show the Welsh Government seeking assurances that the CJRS would continue beyond the end of October 2020.**
21. I received a letter from Mark Drakeford dated 16 October 2020 [RS/M2B/06/INQ000216554], setting out plans for a circuit breaker lockdown in Wales. Mark Drakeford asked me to bring forward the date of the introduction of the JSS by one week, to coincide with the dates of the Welsh Government proposed circuit breaker lockdown.
22. On 18 October 2020, Andrew Jeffries confirmed to officials that the Welsh First Minister would be making an announcement in relation to a Welsh circuit breaker the following day and requested an official level conversation, which took place the following morning.
23. My office received advice from HMT on the morning of 19 October 2020 that Mark Drakeford intended to announce a circuit breaker and that he wanted to bring forward the JSS for Welsh businesses. It said that *"The FM wants to stand up at lunchtime and announce a circuit breaker. As part of that he wants to say that we are bringing forward the JS opening date for Welsh biz/all biz. We can't do that as a matter of delivery (as well as policy) and furlough anyway runs to end Oct."* [RS/M2B/07/INQ000397193].
24. I replied to Mark Drakeford on 19 October 2020 [RS/M2B/08/INQ000216555], explaining that *"Unfortunately, as the Chief Secretary of the Treasury and I referenced in our briefings with the Devolved Administrations in advance of the announcement of the scheme, we are unable to bring the claims date for the expansion of the Jobs*

*Support Scheme forward from 1 November to 23 October due to limitations in HMRC delivery timelines. My officials have been speaking to yours this morning to communicate the detail on this.”.*

25. Mark Drakeford wrote to me on 20 October 2020 [RS/M2B/09/INQ000216553], requesting a change to the eligibility criteria for CJRS during the last week of its operation (i.e. during the first week of the operation of the Welsh circuit breaker). I am informed by HMT that, although thorough searches of records have identified that work was undertaken by HMT officials on a draft reply to Mark Drakeford’s letter, there is no record to show that I received a copy of Mark Drakeford’s letter, nor any advice on it or a draft of a reply to it. Those searches have also not identified that any reply was ever sent.
26. As stated above (paragraph [18]), CJRS was, in any event, extended beyond the end of October 2020. As a result, this meant that during the first week of the Welsh circuit breaker, businesses had access to CJRS across Wales. From the second week of the Welsh circuit breaker, the extended CJRS scheme was available to all eligible closed businesses until the end of November.

#### The Eat Out To Help Out Scheme

27. In my witness statement of 6 September 2023 and in my oral evidence to the Inquiry I explained the background to the introduction to the Eat Out to Help Out Scheme “the Scheme”. As I made clear in my statement to Parliament when I announced the Scheme [RS/M2/238/INQ000236912], it was a national scheme, covering the whole of the United Kingdom. As a consequence, the default position was that any eligible business in Wales could register with HMRC in order to participate in the Scheme.
28. The Scheme was brought into effect by way of a direction to HMRC made in exercise of the powers conferred on the Treasury under sections 71 and 76 of the Coronavirus Act 2020.
29. I am advised that HMT have undertaken searches to establish whether at any point the Welsh Government made any request for the Scheme not to be made available to businesses in Wales or otherwise whether any concerns about the Scheme were raised by the Welsh Government between the announcement of it on 8 July 2020 and the Scheme coming in to force on 3 August 2020. I am advised that the searches have not identified any such communications from the Welsh Government. As a

result, the question of whether Wales could have opted out of the scheme was never explored.

**Statement of Truth**

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

Personal Data

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

Dated: \_\_\_\_\_

16 Jan 2024