Witness Name: Catherine Little
Statement: M4/HMT/1
Exhibits: CLM4/001 – CLM4/220
Dated: 21 October 2024

THE UK COVID-19 INQUIRY

MODULE 4 CORPORATE WITNESS STATEMENT OF HIS MAJESTY'S TREASURY

FIRST WITNESS STATEMENT OF CATHERINE LITTLE

Module 4 – HM Treasury statement

Contents

1. I, Catherine Little, make this statement on behalf of His Majesty's Treasury ("HM Treasury", "the Treasury", "HMT" or "the Department"). My current work address is Cabinet Office, 70 Whitehall, London, SW1A 2AS and my date of birth can be supplied to the Inquiry upon request.

2. I am providing this statement in response to the Inquiry's draft Rule 9 request dated 27 September 2023 ("the Rule 9 request") on behalf of the Department.

3. I joined the Civil Service in 2013 in the Legal Aid Agency following a career in professional services. I have also worked in senior leadership and strategic finance roles in the Ministry of Justice and the Ministry of Defence. In 2020 I joined HM Treasury as Director General Public Spending. I was then HM Treasury's Second Permanent Secretary from October 2022 until April 2024. In this role, I oversaw public spending, international and national security policy. From April 2024, I moved to the Cabinet Office to take up the role of Chief Operating Officer for the Civil Service and Cabinet Office Permanent Secretary.

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

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

6. In line with the Rule 9 request, this statement covers the period between 1 March 2020 and 28 June 2022.

Introduction

7. HM Treasury is HMG's economic and finance ministry, exercising control over public spending, setting the direction of the UK's economic policy, and working to achieve strong and sustainable economic growth. The Chancellor of the Exchequer, HMG's chief financial and economic minister, has overall responsibility for the work of HM Treasury. In the period covered by this statement, this office was held by the Rt Hon Rishi Sunak MP. The Chief Secretary to the Treasury (CST) is responsible for public expenditure. In the period covered by this statement, the office was held by the Rt Hon Steve Barclay MP followed by the Rt Hon Simon Clarke MP. For a full list of relevant Treasury Ministers in the period covered by this statement, see Annex 1.

HM Treasury's role in securing vaccines and therapeutics

8. HM Treasury's work in respect to vaccines and therapeutics during the pandemic was primarily around public spending approval in these areas. HM Treasury's role in relation to public spending is set out in further detail in Annex 3. Full details of how HM Treasury sets departmental budgets and controls spending across HMG departments is set out in detail in Annexes 2 and 3. Annex 4 sets out how HM Treasury applies this framework in the context of the Devolved Administrations.

9. The fundamental principles underpinning public spending are regularity, propriety, value for money, and feasibility ("CLM4/1" INQ000188728). Throughout the pandemic, including in relation to vaccines and therapeutics, HM Treasury continued to approach public spending in a way that upheld these principles ("CLM4/2" INQ000399236 and CLM4/3 INQ000399234).

10. However, in relation to decision making on vaccines and therapeutics, HM Treasury applied that framework with an appropriate degree of flexibility. HM Treasury considered that the potential benefits of securing future supply were so high that there was an overwhelming case for accepting a higher level of risk than usual on spending, committing future fiscal space to funding for potential vaccines despite the uncertain economic outlook. This approach was viewed as proportionate when weighed against HM Treasury's role in supporting the economy by deploying vaccines at scale to minimise loss of life and the economic impact of Non-Pharmaceutical Interventions (NPIs).

11. In line with the public spending objectives set out in HM Treasury's Module 3 witness statement, there were four objectives across which HM Treasury sought to balance its approach to vaccines and therapeutics spending:

i) maintaining value for money for taxpayers, avoiding waste and driving efficiency;

ii) delivering the best possible health outcomes;

iii) supporting ministers and Accounting Officers in various departments and organisations to ensure that HMG spending operated with regularity and propriety at all times; and,

iv) supporting HMG's wider economic considerations.

12. The way in which HM Treasury balanced these objectives, and the weight attached to each, evolved over the course of the pandemic. This evolution was driven largely by the changing epidemiological picture and wider context in which HMG operated.

The challenges HMG faced in respect to vaccines and therapeutics

13. HMG faced considerable challenges in securing access to safe and effective vaccines during the pandemic. Firstly, the UK had relatively little onshore vaccine manufacturing capacity or capability ["CLM4/4" INQ000420789; "CLM4/5" INQ000421254; "CLM4/6" INQ000421255; "CLM4/7" INQ000420800; "CLM4/8" INQ000420838]. There were only a small number of vaccine developers and producers, high barriers to market entry, and a complex, geographically dispersed supply chain.

14. Secondly, there were unique scientific and technical challenges in vaccine and drug discovery, development and delivery. There was uncertainty about whether it was technically feasible to produce a vaccine and very little was initially known about the disease. As a result, it was unclear what kind of vaccination strategy the UK needed to prepare for in terms of scale, and whether emerging virus variants would pose a serious threat to our vaccination strategies.

15. Finally, the rapid spread of the pandemic, and its impact on health and the world economy, led to sudden extraordinary global demand for safe and effective vaccines and drugs. A shortfall in global vaccine manufacturing capacity seemed likely.

16. The challenges on therapeutics were similar. It was discovered relatively early on that some existing steroids could be repurposed as treatments for Covid-19. This, and the very fast arrival of vaccines, reduced incentives to develop new treatments, so fewer novel therapeutics came to market than in the vaccines space and at a smaller production scale. This meant that where the UK sought access to new products, particularly antivirals, it was challenging to secure large volumes at a cost-effective price ["CLM4/9 INQ000421298; CLM4/10" INQ000421311].

The structure of this statement

17. HM Treasury's involvement in vaccines and therapeutics spending and policy can be broadly split into the following areas:

    i) Vaccine procurement, which includes:

        i) **The establishment and funding of the vaccine programme**; HM Treasury officials worked to understand the most effective routes to procuring an effective vaccine at pace and scale and worked closely to support the efforts of the newly establish Vaccines Task Force (VTF).

        ii) **The Vaccine Task Force's business case**; HM Treasury supported a multiyear funding envelope to put the VTF on a more secure footing and scrutinised the VTF's business case over July 2020 before eventually agreeing an initial £5.3bn envelope.

        iii) **Booster vaccines;** HM Treasury provided funding, seeking to ensure best value for money while ensuring resilience to mitigate against the risk of delayed supplies.

        iv) **Excess doses**; HM Treasury authority was required for spending/fiscal decisions on how surplus UK vaccine doses should be used.

v) **Negotiations with suppliers**; HM Treasury's primary role was to ensure value for money while supporting the Department for Business, Energy and Industrial Strategy (BEIS) and the VTF to secure supplies of promising vaccines at scale and pace through flexible use of the Managing Public Money framework. Commercial decisions on vaccine orders began to be taken from mid-2020 at which point HM Treasury's primary role was engaged. In the earlier months, HM Treasury worked with and assisted BEIS and VTF in their fact-finding and information gathering.

vi) **Manufacturing**; HM Treasury's primary role was to ensure value for money while supporting BEIS to onshore and increase domestic capabilities.

ii) Vaccine deployment, which includes;

i) **The Vaccine Deployment Programme;** HM Treasury's primary role was to provide the Department for Health and Social Care (DHSC) with the funding necessary **to** successfully deliver of the programme. HM Treasury ministers were also involved in signing off a prioritisation strategy for Phase II of vaccine deployment.

ii) **EU vaccine supply**; As part of HM Treasury's role in monitoring value for money and delivery against vaccination targets, the department assessed and responded to strategic risks to vaccine deployment, including disruption to vaccine supplies coming from the EU in the early months of 2021.

iii) **Community pharmacy indemnities**; HM Treasury worked with DHSC to provide HMG-funded indemnity to community pharmacies administering Covid-19 vaccines until a market-based solution could be found with insurers.

iv) **Booster campaigns;** HM Treasury authority made spending decisions balancing the strong health and economic case for booster campaigns and vaccine programme expansion against pressures on DHSC budgets.

v) The Vaccine Damage Payment Scheme.

iii) Medicines and therapeutics, which includes:

i) **The formation of the Antivirals Taskforce**; HM Treasury's role was to assess the ATF's original business case and subsequent updated business cases, including deciding on approvals for individual procurements.

ii) **Monoclonal antibody therapies**; HM Treasury also had a role in approving spending on novel monoclonal antibody therapies, the procurement of which was led by the Therapeutics Taskforce (TTF) in DHSC.

18. My statement will address each of these areas in turn and will set out the decision-making relevant to each and explain how and why HM Treasury's approach evolved over the course of the pandemic, including how HM Treasury sought to balance different considerations in vaccines and therapeutics spending decisions over the course of the pandemic.

19. Finally, my statement will consider the lessons that have been learned, and how HM Treasury has applied these lessons both across the department and across HMG more widely.

Vaccine Procurement

The role of the Treasury team

20. In March 2020, HM Treasury judged Covid-19 vaccines to be a significant new policy priority and area of new expenditure, and therefore created a dedicated team for Covid-19 vaccines, resourced from an existing team working on science and R&D policy. The new team worked closely with the Vaccines Taskforce (VTF) in BEIS. This team reported to Philip Duffy, who at that point was Director for Enterprise and Growth and HM Treasury's Chief Scientific Adviser and held overall responsibility in HM Treasury for vaccines procurement throughout the pandemic.

21. In June 2020, reflecting HM Treasury's increasing work on vaccines and the global nature of the vaccines supply chain, the team expanded and moved to HM Treasury's International Group, led by Veda Poon, HM Treasury's Director of International Finance (working to DG International Mark Bowman). This team was responsible for both domestic and international Covid-19 vaccines policy. Over the second half of 2020 this team also took on responsibility for Covid-19 medicines and domestic vaccine deployment, 'shadowing' DHSC, which had responsibility for these areas in England.

22. In April 2021 responsibility for domestic Covid-19 vaccines and therapeutics moved to the Health & Social Care (HSC) spending team in Public Services Group and was overseen by the HSC Deputy Director responsible for Covid Health policy. This team continued to shadow both DHSC and BEIS.

23. The evolution of this team reflects the changing nature of the pandemic and HMG's response to the challenges it posed. For example, the international team were able to focus on mobilising funding globally to support the development and deployment of vaccines at pace and scale. Throughout, there was stable governance and senior co-ordination, which provided consistent leadership and enabled an effective response.

24. HM Treasury's involvement in the vaccine programme in 2020 was broadly focused on agreeing HMG's overall approach for procuring Covid-19 vaccines and the signing-off the majority of HMG's individual contracts with vaccine developers. This period was characterised by high levels of uncertainty over the path of the virus, the speed at which vaccines could be developed and approved, and a very high pace of activity.

25. The UK began its vaccination campaign on 8 December 2020. From this point HM Treasury's focus was on agreeing the final contracts for the original Covid vaccine 'portfolio', the procurement of 'booster' vaccines and working with the Vaccines Taskforce to extract maximum value from the contracts.

26. By July 2021, every adult in the UK had been offered at least a first dose of vaccine and a more stable epidemiological picture had emerged. Between July and October 2021, HM Treasury focused its attention on maintaining value for money for taxpayers, avoiding waste and driving efficiency. This involved moving from a patchwork of very bespoke spending and approvals frameworks for individual programmes to annualised multi-year budgets set via Spending Review funding processes.

27. In late November 2021 it became clear that the UK was facing a significant peak of infections from the Omicron virus variant. HM Treasury agreed to expand the already planned Autumn booster vaccination campaign. HM Treasury also agreed significant amounts of new reserve funding additional to DHSC's settlement, in order to secure supply of mRNA vaccine for the next two years. This was on the basis that the health and economic benefits of vaccines had been shown to be so high that it was worth taking risks in order to be certain of future supply.

28. HM Treasury maintained a strong focus on VfM throughout the department's work on vaccine procurement. Importantly, HM Treasury demonstrated a significant degree of flexibility in relation to the spending framework. This flexibility was appropriate in the circumstances, given the sheer scale of value to the taxpayer offered by vaccines. Below I detail how HM Treasury worked closely with and supported the VTF to deliver this important success.

Establishing the vaccine programme

29. HM Treasury's view at the outset of the pandemic was that the UK was a world leader in biomedical sciences R&D, had an excellent clinical trials infrastructure and a flexible regulatory regime. However, the UK's vaccine manufacturing capability and capacity was less advanced, particularly at the later stages of the manufacturing process. Further, there was concern in HM Treasury that responsibilities for vaccine development, procurement and manufacturing were spread across DHSC, BEIS, GO-Science and other parts of HMG ["CLM4/11" INQ000421256; "CLM4/12" INQ000421257].

30. To address this gap, the Prime Minister established the VTF as a standalone unit in BEIS on 26 March 2020. The VTF was given three main objectives to:
    i) secure access to promising Covid-19 vaccines for the UK as quickly as possible;
    ii) make provision for international distribution of vaccines; and,
    iii) support the UK's Industrial Strategy by establishing a long-term vaccine strategy to prepare the UK for future pandemics.

31. On 7 April 2020 ["CLM4/13" INQ000421318], HM Treasury officials provided advice to the Chancellor setting out proposals for overarching vaccine strategy for HMG. The Chancellor was advised that, given the overwhelming case for large-scale HMG investment to bring forward the end of, and reduce future need for, containment measures, HMG's objectives should be to:
    i) ensure the UK is able to vaccinate the right proportion of its population as soon as a vaccine becomes available; and, in parallel.
    ii) accelerate international collaborative vaccine development to achieve a global public good.

32. Within this, the objectives of the UK's domestic efforts would be to:
    i) improve the global chances of successfully developing a vaccine;
    ii) increase the UK's chances of access to a Covid-19 vaccine should other countries adopt protectionist stances; and
    iii) build domestic manufacturing capability to be able to produce doses at scale when a vaccine becomes available.

33. Given vaccine development was high risk and posed significant technical challenges, officials recommended to the Chancellor that the UK pursue as many vaccines projects as possible. It was expected at this point that it would take at least one year to develop, test and manufacture an effective vaccine for mass deployment, so officials recommended industrial scale-up to accelerate the timelines. The Chancellor agreed.

34. The first VTF Programme Board was followed by a deep dive on vaccines commissioned by the Cabinet Secretary on 12 April 2020, which took place on 20 April 2020 ["CLM4/14" INQ000421261]. HM Treasury senior officials came away from this discussion conscious of the need for coherence across HMG, and agreed internally to focus on ensuring the vaccines programme was properly resourced and effectively governed. The Cabinet Secretary was of a similar view.

35. Over late April 2020, HM Treasury officials continued to provide active support for the VTF, ensuring it was given the direction, capacity, and priority necessary to the scale and importance of the task on vaccine development ["CLM4/15" INQ000420791].

36. Kate Bingham was appointed as Chair of VTF on 13 May 2020, reporting directly to the PM. In the same month, Philip Duffy was appointed as HM Treasury's Chief Scientific Adviser and Director General, Productivity and Growth. He continued to oversee HM Treasury's role in vaccines procurement in this role. Over the course of May, HMG shifted towards prioritising domestically focused efforts to support vaccine development in the short term, given the significant challenges the UK was facing in building a cohesive international coalition around global vaccine funding. HM Treasury continued to support efforts across HMG to build international support for a coalition ["CLM4/16" INQ000421265]; the PM was also strongly supportive of this approach.

Funding the vaccine programme

Applying spending principles to vaccine "portfolio" procurement

37. Funding needs in relation to civil emergencies are generally met through a combination of departmental reprioritisation and centrally held contingency funding for unforeseen, unabsorbable, and unavoidable pressures (aka the Reserve). HM Treasury controls how the Reserve is allocated. See Annex 5 for further detail about the Reserve and how departments may call on it.

38. The vaccines programme was extremely unusual in the context of public spending control. It was very difficult to accurately forecast spend, and impossible to set a precise budget for the programme in the early stages of the pandemic. There was a need to apply the public spending framework in a more flexible way, including:

    i) A generous commitment envelope enabling the UK's risk-spreading 'portfolio' approach to vaccine procurement, by allowing the VTF to manage the risk that multiple vaccines in the UK portfolio would meet delivery/regulatory milestones and trigger payments. This commitment envelope was over a three-year period, enabling VTF to make multi-year commitments as needed, and was increased several times – in the final instance to a total of £9.35bn. It is highly unusual for HM Treasury to agree to multi-year funding envelopes outside of an SR period.

ii) Explicit HM Treasury ministerial consent to indemnities is required for all HMG contracts involving indemnification, as this creates contingent liabilities to the Exchequer. In the context of the pandemic, the Exchequer took on unlimited liability (with very few exceptions) for any negative impacts resulting from the use of the vaccines. Thus, indemnities were agreed by HM Treasury for vaccine developers in which the Exchequer bore a much higher share of risk than would normally be the case, enabling the VTF to meet vaccine developers' negotiation 'red lines' in order to secure contracts. Considerations and adaptations ranged from wide ranging and uncapped indemnities (broadly similar to those agreed with other manufacturers) but with carve outs for gross negligence, wilful misconduct and defective products, and more demanding requests for the UK government to indemnify them against liabilities including those resulting from their own negligence. HM Treasury considered each on a case-by-case basis and where risk of losing access to the vaccine outweighed any associated risk of the requested indemnity, approved contractual terms that differed in varying degrees to those more usually agreed to. In doing so, the UK's access to invaluable vaccines was maximised as without this flexibility of approach, it is unlikely that the UK would have been able to secure vaccine supply contracts.

iii) Increasing the limit to which HM Treasury delegated authority to BEIS to spend without specific prior approval. For BEIS, this limit was £70m, but HM Treasury increased this to £150m for the vaccines programme. HM Treasury also increased the commercial delegation to £50m (compared to the-then departmental delegation for BEIS of £10m), meaning that commercial expenditure under the value of £50m was outside the scope of Cabinet Office commercial controls (although not the HM Treasury control for novel, contentious or repercussive spend), enabling the VTF to take decisions more quickly than would otherwise have been the case. Decisions on spending for funds of between £50m and £150m were routed through an 'Investment Committee' consisting of senior officials, again cutting decision times significantly by not having to go through Ministers for smaller items of spending.

39. Creating governance that collapsed the BEIS, HM Treasury and CO approvals for expenditure over the value of £150m into a single decision point (the 'Ministerial Panel') rather than sequential approvals, which reduced the time taken to award a contract. I provide examples of expedited procurement decisions later on in the statement.

i) A bespoke flexibility to reprofile budgets between financial years, which departments normally cannot do without Treasury Ministers' consent. This again enabled the VTF to manage the financial risks resulting from uncertainty as to which financial years contingent milestone payments might fall due.

ii) Bespoke flexibility to use the commitment envelope for either resource or capital expenditure – it is highly unusual for HM Treasury to delegate this responsibility to departments. This meant that the VTF could evolve its spending strategy over time, varying the proportions of its resource/capital spend as necessary to achieve its objectives.

iii) Very rapid turnarounds on spending approvals, often within 48 hours, and the establishment of a dedicated spending team ["CLM4/17" INQ000421271].

iv) A proportionate approach to the level of information sought to make approvals, particularly very early in the pandemic – for example, for urgent funding requests, HM Treasury did not seek full business cases and instead enabled the VTF to provide short documentation containing the core information essential to ensuring that adequate due diligence had been carried out on funding approvals ["CLM4/18" INQ000421259].

40. In 2020, as Accounting Officer for the Contingencies Fund, I (Catherine Little) approved three cash advances for BEIS from the Contingencies Fund so the Vaccines Taskforce could spend to secure the UK's interests on vaccines and antibodies without incurring a breach of regularity (this was during a period when BEIS did not yet have ambit for expenditure related to Covid-19 vaccines or antibodies):

i) The first approval was on 23 May 2020, for £62m, to enable the VTF to contract rapidly with Moderna for supply of their vaccine ["CLM4/19" INQ000421267]. In the event, the commercial negotiation was paused, and the advance was not used.

ii) The second approval was on 4 June 2020, for £5.67m, for purchase of vaccine vials and stoppers for use in the fill-finish stage of vaccine manufacture, at a time when these supplies were a key supply-chain gap for the UK and in high demand globally ["CLM4/20" INQ000485657].

iii) The third approval was on 9 July 2020, for £3.36m, to secure antibody manufacturing capacity quickly at a time of high global demand ["CLM4/21" INQ000485658].

41. Throughout this period, HM Treasury maintained a strong focus on VfM. As the potential gains from access to a vaccine or drugs so heavily outweighed the potential fiscal costs of action/NPIs, HM Treasury strongly supported innovative approaches which would maximise the UK's chances of access, even if this meant accepting a higher level of risk than usual on spending.

The VTF's programme business case

42. Funding for the vaccines programme between March and July 2020 was drawn from a combination of new funding from HM Treasury on a case-by-case basis, and reprioritisation of spend across BEIS and DHSC. While £915m of vaccine deals had been approved by July 2020, the lack of a stable base of funding was considered unsustainable in the long term.

43. The VTF submitted a programme business case to HM Treasury on 3 July 2020, requesting £5.3bn across FY 2020-21 to FY 2022-23. A Treasury Approvals Process (TAP) **[CLM4/22 INQ000510834]** was then scheduled on 17 July 2020. Between 3 and 17 July, HM Treasury officials worked with VTF and BEIS counterparts to exchange written questions and answers. Further lines of enquiry across the financial case, strategy, governance, risk and capability were issued to the TAP panel, which I chaired ["CLM4/23" INQ000421307].

44. In response to discussions with HM Treasury, CO, IPA and others, the VTF made material adjustments to the business case between 3 July and 17 July, for example by amending the headline spending request several times.

45. Kate Bingham raised concerns about the speed of approvals (across HMG) for the Programme Business Case during a meeting with the PM on 22 July 2020. HM Treasury had not received any previous indication that Ms Bingham was unhappy with the pace of progress before this meeting. Once aware of these concerns, HM Treasury took steps to engage with Ms Bingham directly to encourage a helpful dialogue and to set out to her HM Treasury's extensive engagement in the programme to date:

    i. Since the onset of the pandemic, HM Treasury officials and Ministers had worked flexibly to support the programme to secure a vaccine. Every individual funding bid submitted by the VTF to HM Treasury at that point had been approved, often within 24-48 hours – totalling £1.3bn. HM Treasury had not blocked or unnecessarily delayed any vaccine deals VTF had sought to enter into. Officials attended VTF team meetings on a daily basis to understand what support HM Treasury could provide, as they had done since the VTF's inception ["CLM4/17" INQ000421271].

ii. The VTF's initial funding request was for £5.3bn. There were a number of significant issues with the programme business case that required serious and considered attention, and the proposals for governance of the programme were highly novel and carried significant risks to HM Treasury's ability to fulfil its responsibility to Parliament that taxpayers' money be effectively and efficiently spent. The need for scrutiny and challenge was evidenced by the significant number of material revisions the VTF made to the business case between July 3 and July 17.

iii. At the same time as reviewing the business case, HM Treasury continued to review and approve Reserve cover for individual deals presented by the VTF. This included urgent approvals that enabled the VTF to enter new contracts with Pfizer/BioNTech, GSK/Sanofi and Valneva and to procure a large manufacturing facility at Braintree. Each of these approvals were turned around by HM Treasury extremely quickly – for example, the Pfizer approval was given within 36 hours.

iv. The Deputy Director responsible for vaccines spending had spoken to the Strategy Director of VTF hours after the TAP on 17 July to agree next steps. They agreed that further work was needed between the departments in three broad areas: the breakdown of costs within the business case, the governance of the programme, and resourcing and capability.

46. I met with Ms Bingham at 1pm on 23 July 2020, having been made aware of her concerns earlier that morning ["CLM4/24" INQ000420792]. We agreed that, in addition to attending the daily working level VTF meetings, HM Treasury officials would join the VTF steering group - providing senior officials with real-time access to high quality daily commercial information and increasing the transparency of the programme. HM Treasury also agreed to work with VTF to resolve the programme business case within the following week.

47. HM Treasury worked with the VTF to adjust the Business Case to propose the use of a Ministerial Panel to provide approvals for vaccine deals. This was designed to allow for quick turnaround of approvals for vaccine investments without limiting scrutiny, whilst addressing any real or perceived risk of burdensome processes. The Panel would consist

of Ministers from BEIS, DHSC, HM Treasury, FCDO (when considering international issues) and CO. The CST was HM Treasury's nominated Minister for the Panel.

48. The updated Business Case was submitted to the CST on 29 July 2020 ["CLM4/25" INQ000421308]. HM Treasury officials recommended that the CST provide a programme envelope of £5.23bn to FY 2022/23, which would cover total spending plus the total liabilities created through vaccine procurement deals. £3bn of this would be made available in FY 2020/21. The VTF would be given a delegated limit of £150m, significantly higher than BEIS's existing threshold of £70m. Any spending above that threshold, and anything below it deemed novel, contentious and repercussive, would not be delegated and would require approval by HM Treasury Ministers. The £5.3bn level of funding was subsequently increased at the Comprehensive Spending Review in November 2020 to £6.1bn, to reflect the VTF's latest understanding of the likely costs of procurement of Covid-19 vaccines.

49. HM Treasury officials considered that £5.23bn would be sufficient in the first instance for the VTF to build a strong portfolio, while applying some level of constraints to ensure the programme was prioritising and focussing on highest value vaccine candidates. The CST approved this on 31 July 2020. Approval for funding of administrative costs were requested on 31 July 2020 and approved by the CST on 4 August 2020 ["CLM4/26" INQ000420794].

50. After further negotiations, the final settlement letter ["CLM4/27" INQ000420795] set out the following conditions:

   i. Given the high level of uncertainty inherent in the vaccines programme, a minimum amount (a 'core budget') would be provided at Main Estimates, with further funding provided at Supplementary Estimates each year depending on which costs were likely to crystallise ["CLM4/28" INQ000232123].
   ii. Specific investment decisions would be taken on a case-by-case basis and decisions on vaccine or antibody deals, manufacturing considerations, or spend over £150m would be brought before a Ministerial Panel for approval.
   iii. Non-vaccine deal investment proposals from VTF with a value of less than £150m would be considered by the VTF's Investment Panel.

51. The first meeting of the Ministerial Panel took place on 27 August 2020. It was agreed that any indemnities taken on by HMG in vaccine supply contracts would be handled on a case-

by-case basis by the Panel, alongside consideration of any investment decision in the round ["CLM4/29" INQ000421273].

52. In February 2021, the VTF was asked to present a plan on virus variants and a revaccination strategy for the next 12 months. This was expected to include a plan for boosting UK vaccine manufacturing capability by the end of 2021.

53. HM Treasury supported the VTF's moves to bring in additional commercial expertise in April 2021, alongside the close-to-doubling of headcount in the Taskforce to c.140 full-time equivalent. HM Treasury senior officials considered that this would boost VTF's expertise in commercial negotiations, give VTF the capacity to fully understand every step of the vaccine supply chain across every vaccine in the portfolio, and ensure sufficient supply of every input ["CLM4/30" INQ000421282].

54. The table below summarises the funding provided to the VTF.

Date/Event	Funding provided (TDEL)	FY
September 2020	£5,230m	FY20/21 – FY22/23
November 2020	+£870m	FY20/21 – FY22/23
July 2021	+£3,250m	FY20/21 – FY22/23
Main Estimates (March 2021)	£860.7m (with potential Reserve access up to an additional £2,261.5m)	FY21/22 only
Supplementary Estimates (February 2021)	+£2,487m	FY21/22 only

55. The VTF ended operations in October 2022 – vaccine supply responsibilities were transferred to the UK Health & Security Agency, with onshoring vaccine manufacturing transferred to the Office for Life Sciences.

Procuring the vaccines

56. HM Treasury's primary role with respect to approving vaccine procurements was to ensure value for money while supporting BEIS and the VTF to secure supplies of promising vaccines at scale and pace through flexible use of the Managing Public Money framework. HM Treasury officials considered vaccines to offer the most promising and sustainable route towards an exit from the negative health, social and economic impacts of the pandemic, while recognising the VTF were operating in conditions of significant risk to public funds and very high uncertainty over outcomes.

57. Below, we outline the Treasury's role in the procurement of the seven vaccines that ultimately formed the VTF's vaccine portfolio.

Oxford-AstraZeneca

58. HM Treasury officials were first informed of a potential deal between Oxford University (OU) and the American pharmaceutical company Merck & Co in early April 2020. HM Treasury officials attended early meetings with BEIS, UKGI and the DCMO to discuss HMG's objectives for any deal ["CLM4/31" INQ000421260]. Officials recognised that OU required serious industrial capacity and expertise to produce doses to the scale globally required. There was concern an exclusive global license meant UK and global production would be dependent on the capability of a single company.

59. At the request of Number 10, the Chancellor called the Vice-Chancellor of OU on 24 April 2020 to make clear HMG's interest and objectives for any commercial discussion with Merck ["CLM4/32" INQ000421262]. This followed on from a letter sent by the PM to the University's Chancellor and Vice-Chancellor encouraging a close working relationship between OU and HMG as the University assessed commercial options. Negotiations between OU and Merck ended in late April 2020.

60. OU immediately turned their focus towards negotiating an agreement with AstraZeneca (AZ), a UK-Swedish multinational drugs manufacturer. HM Treasury officials were encouraged by this choice of partner from a domestic supply perspective given AZ's UK status. HM Treasury officials provided advice to the Chancellor on 13 May 2020 seeking agreement on the final deal including a requirement for AZ to use best reasonable efforts

to produce 100 million doses in the UK by the end of 2020 using OU's existing supply chains ["CLM4/33" INQ000421263]. He agreed to the deal proceeding and to further funding for manufacturing costs for production and clinical trials for the Oxford and Imperial Vaccines.

61. On 27 August 2020, the CST attended the first meeting of the Ministerial Panel to oversee vaccine approvals. At this meeting ministers considered a final supply agreement for the vaccine. HM Treasury officials advised the CST of concerns surrounding the risks of entering into a binding agreement with a supplier including the risk of oversupply, however recommended approve on the basis that early deployment of the vaccine outweighed the risks ["CLM4/34" INQ000421272].

Moderna

62. As part of its role in assisting HMG in its early investigations into feasibility, HM Treasury officials first advised the Chancellor on the Moderna vaccine and the uncertainty around its potential on 16 March 2020 ["CLM4/35" INQ000421255]. On 26 March 2020, HM Treasury officials updated the Chancellor on Moderna's candidate vaccine after a fact-finding call between Moderna's CEO Stephane Bancel, Philip Duffy, the Chief Scientific Advisor (CSA) and Deputy Chief Medical Officer (DCMO) ["CLM4/36" INQ000421258].

63. Further advice was provided to the Chancellor on 9 April 2020, following additional fact-finding discussions between the CSA and Moderna ["CLM4/37" INQ000421264]. Philip Duffy and the Chancellor had further discussions about and with Moderna on 12 and 13 April 2020.

64. It became apparent by 22 April 2020 that Moderna might be a viable investment. Ahead of any commercial decision making or investment requests from BEIS, the Chancellor recused himself from all commercial decision making in order to avoid any conflicts of interest arising from a family holding in Moderna, previously disclosed in line with the Ministerial Code. All commercial decision making related to Moderna was undertaken by the CST. The Cabinet Office's Propriety and Ethics Team later cleared HMT officials to advise the Chancellor on the fiscal impacts of the proposed UK-Moderna Strategic Partnership as was necessary and appropriate given the Chancellor's overall responsibility for the Exchequer.

65. From May 2020, once the fact finding and feasibility stage had ostensibly been completed, the negotiation process began. After further talks between BEIS and Moderna, BEIS requested HM Treasury approval for a negotiating mandate for up to 20m doses, which the CST approved. On 23 May 2020, I was asked to approve a Contingency Fund Advance for BEIS in my role as the Accounting Officer for the Contingency Fund, thus allowing BEIS to enter a contract with Moderna ["CLM4/38" INQ000421266]. However, commercial negotiations were then paused, and the advance was not required.

66. On 6 October 2020 the VTF recommended to the Ministerial Panel to purchase a small quantity (5m) of the Moderna vaccine to provide some mitigation against the risk of the OU/AZ and/or Pfizer vaccines failing. The Panel (of which CST was a member) agreed to continue to progress negotiations, and the VTF returned to the panel on 16 November to seek approval of new binding terms with Moderna. Moderna's interim efficacy data was very strong, and the vaccine was expected to be the third to start delivery behind Oxford/AstraZeneca and Pfizer/BioNTech, both of which were at the time facing manufacturing challenges. Officials therefore recommended that the CST approved the purchase, which he agreed ["CLM4/39" INQ000421314].

67. On 18 December 2020, the Panel was called to discuss an offer from Moderna to supply a small number of additional doses in January ["CLM4/40" INQ000421313]. The VTF recommended that the panel decline given that the OU/AZ contract would be enough to vaccinate the entire UK population and the Janssen and Novavax vaccines were expected to come online in Q2/Q3. However, HM Treasury officials advised the CST to delay the decision until January given the Moderna vaccine was at that stage a more known quantity than Janssen or Novavax and that the MHRA had yet to decide on OU/AZ.

Pfizer-BioNTech

68. HM Treasury's first involvement with the Pfizer/BioNTech procurement came on 14th July 2020 when Ms Bingham called the Chancellor and Philip Duffy to advise that an agreement to secure Pfizer's vaccine was needed urgently because the US were aiming to acquire Pfizer's entire initial supply. By signing quickly, the UK aimed to secure a supply starting Q4 2020, provided the vaccine was safe and effective. That same day, HM Treasury officials advised the CST that, while the vaccine had high cost, the deal presented good

VfM given the enormous economic benefit of securing a safe and effective vaccine ["CLM4/41" INQ000421310].

69. The Vaccines Ministerial Panel met on 6 October 2020 to discuss the final binding agreement with Pfizer/BioNTech to purchase 40m doses ["CLM4/42" INQ000421317]. The panel approved the agreement with no conditions attached.

Other vaccines

70. The remainder of the VTF's portfolio consisted of vaccine candidates from four companies: Janssen, Sanofi-GSK, Valneva and Novavax. The VTF led the procurement negotiations for these vaccines, with the CST signing off on final spending decisions that came to the Ministerial Panel. The table below summarises CST's involvement in these procurements. The CST also approved non-binding terms of CureVac's mRNA vaccine. However, CureVac withdrew its vaccine from consideration for regulatory approval in October 2021, and no final contract was signed by the VTF.

Vaccine	Date CST approved non-binding terms	Date CST approved binding terms
Janssen	13 August 2020	11 January 2021
Sanofi-GSK	17 July 2020	11 September 2020
Valneva	17 July 2020	11 September 2020
Novavax	11 August 2020	22 October 2020
Curevac	4 February 2021	N/A

71. In September 2021, following a clinical study that showed the Valneva vaccine was ineffective as a third dose, CST along with DHSC agreed with the recommendation from the VTF to terminate the contract **[CLM4/43 INQ000512911]**

EU Covid Vaccine Joint Procurement

72. The CST was first made aware of the EU Covid Vaccine Joint Procurement Proposal on 23 June 2020. The proposal involved the EU Commission negotiating Advance Purchase

Agreements with a variety of pharmaceutical companies developing Covid-19 vaccines. An upfront payment by the EU Commission of €2.7bn would cover the costs of development and manufacture; if successful, participating countries would be able to purchase vaccines early at an agreed price.

73. Several issues regarding the proposal were highlighted to the CST by HM Treasury officials, including what flexibilities the UK would have in negotiating with vaccine developers outside of this scheme, and how quickly the UK could acquire doses from agreed deals. On balance, however, HM Treasury officials recommended that the UK participate in the procurement scheme, viewing it as an opportunity to use collective bargaining power to acquire some of the first doses of any successful vaccine ["CLM4/44" INQ000421269].

74. The CST raised several concerns with the proposal, including it being unclear what the tangible benefits would be of ceding control of the programme to the European Commission.

75. After subsequent advice, he took the view that the COVAX scheme offered stronger benefits for the UK than the EU proposal. This worldwide initiative would aim for equitable access to Covid-19 vaccines and would not prevent the UK from pursuing its own bilateral agreement with developers. Rejection of the option to enter the EU scheme was also supported by the Secretary of State for BEIS.

Procuring booster vaccines

76. The VTF made several procurements for 'booster' vaccines in 2021 – the largest of these was agreeing to two major orders with Pfizer/BioNTech and Moderna in late November/early December 2021. As with the earlier procurements, HM Treasury sought to ensure the best value for money was achieved, while ensuring resilience to mitigate against the risk of delayed supplies.

77. On the 20 February 2021, HM Treasury advised the CST to approve a request for additional does of the Oxford/AstraZeneca vaccine, on the condition that any additional costs were met from the VTF's budget and to ask the VTF to set out a contingency plan to address any delays or problems. The CST agreed with the advice ["CLM4/45" INQ000420804]

78. In March 2021, the VTF proposed to bolster vaccine supplies, including Pfizer/BioNTech's proven formula. With worldwide demand surging, timely action would secure the UK's place in the queue, thereby helping to ensure the UK's health security against emerging Covid-19 variants and maintaining flexibility amid changing clinical guidelines and vaccination needs. HM Treasury submitted advice to the CST seeking his agreement on securing and additional 40 million Pfizer/ BioNTech vaccine doses ["CLM4/46" INQ000421315] In April 2021, the VTF proposed purchasing an additional 20 million Pfizer/ BioNTech vaccine doses for delivery in Q3-Q4 2021. HM Treasury submitted advice to the CST [CLM4/47" INQ000421319] on securing the additional doses to ensure sufficient contingency in the UK's vaccine supplies following the advice by MHRA to not offer the Oxford/AstraZeneca vaccine to under-30s.

79. In the same month, the VTF's budget was increased to enable further purchases in principle of vaccines, subject to conditions on clarifying the position of excess doses. In March 2021, the UK received an offer to procure doses of the Novavax vaccine through COVAX. This was Decision Window 1, where the UK was asked to opt in or out of the deal in principle, before Gavi (as host organisation for COVAX) negotiated the cost, quantity and delivery details of the order with Novavax. HM Treasury officials were not convinced that a procurement through COVAX would help mitigate the risk of EU supply chain delays enough to justify the cost and therefore advised the CST to opt out ["CLM4/48" INQ000421295]. However, the CST decided that opting-in would provide more resilience and boost the chances of delivering vaccines sooner ["CLM4/49" INQ000421279].

80. In June 2021, the VTF requested that HMG opt-in to Decision Window 2 for COVAX. This was to secure 14.7m doses. HM Treasury officials saw the case as finely balanced. They were concerned with the high risk of the vaccines not being delivered but advised that on balance the potential additional resilience ahead of the autumn booster campaign outweighed the risk ["CLM4/50" INQ000421294]. The CST agreed.

81. In July 2021, the VTF were negotiating a deal to purchase an additional 35m Pfizer/ BioNTech vaccine dose for delivery in autumn 2022 ahead of a potential booster campaign. HM Treasury advised the CST ["CLM4/51" INQ000421299] to agree to the proposal if the deal went ahead, recommending that the VTF should fund this from their existing multi-year £9.35bn commitment envelope (which had been increased from £3.33bn).

82. In November 2021, the VTF sought an urgent decision on additional Covid-19 vaccine procurement for 22/23 and 23/24. The 'Omicron' variant had emerged, so the procurement decision was being taken at pace. The VTF proposed two deals: the Pfizer deal was for 28m additional doses in 22/23 and 26m in 23/24. The Moderna deal was for 29m doses in 22/23 and 31m in 23/24. HM Treasury advised that the CST agree to the proposed expansion to the vaccine strategy for 22/23 and the CST gave approval for the VTF to proceed with the Pfizer and Moderna additional dose contracts for 22/23 ["CLM4/52" INQ000421304].

Managing excess doses

83. In the initial phase of the pandemic, the VTF entered into several contracts with vaccine manufacturers, placing multiple 'bets' on vaccines, with HM Treasury's approval. This undoubtedly paid off, giving HMG access to the first vaccines to be regulated and access to multiple supply chains. Although this resulted in excess supply, that was a known risk of the overall strategy. In November 2021, as the Omicron wave began, HM Treasury agreed to a risk tolerant approach to booster procurement. At this time, it was also unclear how frequently the UK would need to boost against variants. Again, this increased the risk of ending up with significant excess doses, but this was outweighed by the counterfactual risk of ending up with insufficient doses. HM Treasury supported the work of HMG to mitigate the risk of excess doses by making donations and renegotiating contracts where possible.

84. HM Treasury authority was required for spending and fiscal decisions on how surplus UK vaccine doses should be used. HM Treasury was supportive of a donation policy through COVAX, but there was concern regarding the fiscal risks of excess doses of vaccinations and the implications of using the Official Development Assistance (ODA) budget to cover those costs. HM Treasury ministers and officials were also concerned by the likelihood of a significant number of excess doses and the possibility of cost recovery from existing and new contracts.

85. In February 2021, FCDO circulated a paper which recommended that i) at least 80% of any surplus vaccine doses should be offered to COVAX ii) HMG should not provide any surplus doses in a way that would have ODA implications. On February 5 2021, ahead of a COVID-O meeting to discuss the paper, HM Treasury officials briefed the CST on excess vaccine doses and recommended that he agree in principle to offering at least 80% of any surplus doses to COVAX, whilst also suggesting that ruling options out at this stage based

on their ODA impact was premature. The CST was agnostic as to how the excess doses were disposed of, but firm that the cost needed to be recovered.

86. In the COVID-O meeting on 8 February 2021, the Foreign Secretary (FS) sought to agree an approach to reassign rights to surplus UK doses mainly through COVAX, in a way that minimised ODA implications. The CST's position was that he was content with an approach which would be fiscally neutral, including that any ODA implications should come from the ODA fund, and that we needed optionality and cost recovery ["CLM4/53" INQ000421274]. Subsequently, the Paymaster General wrote to the PM setting out ministers' positions and the Cabinet Office's recommended approach.

87. On 12 February 2021, HM Treasury provided further advice to the CST and the Chancellor on surplus vaccine doses ["CLM4/54" INQ000421275; "CLM4/55" INQ000421277] highlighting the possibility of additional ODA funding at Budget to help manage costs and the political pressures of any transfer of rights for UK surplus vaccines to COVAX.

88. On 16 February 2021, the PM agreed that the UK should announce an "in principle" approach to sharing the majority of our surplus vaccine supply with COVAX and for this to be made public in the margins of the G7 Leaders event on 18 February.

89. On 24 February 2021 officials wrote to the CST's office, who confirmed that the CST's position was to recover costs that the UK had paid for these vaccines or, if donating vaccines to COVAX, look to count the value of any donated vaccines as ODA (if eligible) and ensure these costs are considered in the round with the FCDO's ODA allocation ["CLM4/56" INQ000420805].

90. HM Treasury officials considered transferring vaccines to other countries to be extremely complex, and that any transfers, sales, or donations needed to be fiscally neutral ["CLM4/57" INQ000420807].

91. On 16 March 2021, HM Treasury drafted a paper on the possible fiscal and ODA implications of surplus doses and on 7 April 2021 shared an updated version of the paper with Cabinet Office ["CLM4/58" INQ000420810]. The paper outlined two different routes to utilising surplus vaccines internationally: 1) reassigning our rights/obligation to buy 2) transferring doses after taking possession. Both routes had different fiscal and ODA risks. For the first option, there were several risk factors which may have led to HMG recovering less than the full value of our contracts – including the willingness of third parties to

purchase vaccines from a given supplier at the same price as the UK, and the fees suppliers might charge for reassigning our rights. Moreover, if a third party was unwilling to pay the same price as the UK when they took on the rights, costs were unlikely to be ODA eligible. For the second option, we could transfer vaccines to high-income countries, avoiding ODA implications and allowing for some cost recovery, but undermining Ministers' desire to maintain UK leadership on equitable global access. Alternatively, we could transfer doses to low- or middle-income countries which would have significant cost and ODA budgetary implications. HM Treasury officials' preference was for the first option.

92. On 30 April 2021, the FS wrote to the PM proposing a donation of 500,000 surplus AZ vaccines to COVAX, alongside a larger donation of up to 30m doses to be announced at the G7 Leaders meeting in June ["CLM4/59" INQ000421288]. In light of the letter, HM Treasury reiterated that we expected all ODA eligible spend to come from within the existing 0.5% target and that for any further donations, especially those that had spending or ODA implications, the Chancellor should be sighted.

93. On 10 May 2021, officials put together a vaccine supply forecast which contained implications for excess doses and concluded that a short-term AZ donation (e.g., 1-5m before the end of July) could be an option to put to the VTF ["CLM4/60" INQ000420813].

94. In June 2021 it was confirmed that in addition to the 30m doses the PM had agreed the UK should donate before the end of the year, he would also like the UK to give a further 70m doses in the next twelve months. After discussion with the Chancellor, HM Treasury emailed FCDO and No10 ["CLM4/61" INQ000421296] to say it was: i) strongly supportive of the policy and that from the UK's aid budget donating vaccines was a top priority amid the pandemic ii) that we committed to 0.5% this year due to the economic emergency, and so donated doses would need to come out of the 0.5% budget.

95. Later in June, the PM made a commitment at the G7 Leaders meeting to donate 100m vaccine doses by June 2022, 30m by the end of 2021, and 5m by the end of September 2021. Through summer 2021, the VTF continued to seek HM Treasury approval on donations of AZ and the financial processes around excess doses.

96. On 24 January 2022 ["CLM4/62" INQ000420825] in response to a commission from the Chancellor in December, the CST shared findings of an exercise examining the costs of the vaccine programme. One of his key findings was a concern that, based on the procurement approach at the time, the UK would be left with significant volumes of excess

mRNA vaccines. The concern was acute given the lower-than-expected take-up of booster vaccines. He recommended HM Treasury push VTF to present credible options on cost recovery from existing contracts, such as an upcoming decision on the UK's contract with Novavax.

97. In February 2022, DHSC SoS requested urgent approval from the Ministerial Panel on two related issues: i) management of our contract with Novavax, and ii) how to meet the PM's G7 commitment to donate 100m Covid-19 vaccines by mid-2022. DHSC SoS recommended that the VTF seek to secure doses in July from the UK/EEA supply-chain and HM Treasury advised the CST to agree to this recommendation. In relation to the second issue, HM Treasury also recommended the CST agree to donate our full 14.7m COVAX Novavax order and donate c.10m mRNA doses bilaterally. The CST agreed with the recommendations ["CLM4/63" INQ000421306].

98. The Ministerial Panel agreed how they would reach the majority of the 100m doses: 50m AZ, 20m J&J, 10m MRNA & 15m Novavax. In March 2022, internal HM Treasury analysis suggested that there would be 75m excess doses at the end of 2022 worth £1.4bn - over and above those needed to meet the 100m donation target. However, it acknowledged that there was still significant uncertainty over this, due to uncertainty over the path of future vaccine deployment policy and uptake for future vaccines ["CLM4/64" INQ000420829].

99. In April 2022, FCDO and DHSC wrote to No10 with an update on the 100m dose donation commitment and proposed next steps. HM Treasury provided advice for the CST on the 100m vaccine donations target ["CLM4/65" INQ000420830].

100. In June 2022, DHSC submitted a proposal to HM Treasury to donate excess vaccines doses to non-ODA countries. The numbers involved were very small but required the CST's approval given they qualified as a gift. HM Treasury recommended that the CST approved the donation, but only on the condition that DHSC agree to absorb the costs involved within existing budgets. The CST agreed with the advice ["CLM4/66" INQ000420832].

101. In February 2022 the CST had agreed that the VTF should seek to re-negotiate the Novavax contract to take some doses and defer/cancel others. In June 2022, VTF sought approval on a re-negotiated agreement with Novavax that differed from the February mandate. Two options were presented - Option 1: Take a number of doses unconditionally

with additional doses only if the JCVI recommended deployment in the general adult/adolescent population and the SoS for Health endorsed. Option 2: HMG terminated the existing supply agreement for the full order. HM Treasury recommended that the CST agree with Option 1, with conditions.

102. HM Treasury later approved budgetary write-offs for excess doses that DHSC needed to dispose.

Vaccine manufacturing

103. It was recognised from the earliest weeks of the pandemic that the UK needed to work urgently to develop domestic vaccine manufacturing capacity – recognising both that other countries with manufacturing capability may prioritise their own populations, and this effort would build resilience against future pandemics ["CLM4/67" INQ000420790]. Below I outline how HM Treasury was involved in spending decisions for various manufacturing facilities over the course of 2020-2022.

104. The Chancellor was first advised on spending to support UK Covid-19 vaccine manufacturing capability on 7 March 2020 and on 21 March was sent a paper prepared by UK Research and Innovation which outlined in detail the vulnerabilities in the UK's vaccine manufacturing supply chain ["CLM4/68" INQ000421312]. Throughout the remainder of 2020 HM Treasury's focus was primarily on procuring vaccines, but in 2021 attention turned back to medium and long-term domestic manufacturing capabilities.

105. In preparation for a meeting chaired by the Cabinet Secretary on 28 January 2021, Philip Duffy met with senior officials to discuss medium- and long-term strategy ["CLM4/69 INQ000420799]. Officials recognised clarity would be required on whether the effort to scale up manufacturing should focus on immediate COVID-19 vaccine supply challenges, or the long-term capacity of the sector, and while not mutually exclusive, the different objectives would lead to different avenues for prioritising funding ["CLM4/70" INQ000420803].

106. HM Treasury officials developed a proposal for an independent review of UK domestic pandemic response capability, with a focus on strengthening the UK's manufacturing capacity and supply chain resilience, but divergences in view between the DHSC SoS and

HM Treasury on whether it should be independently led resulted in it being dropped from the Spring Budget package.

107. Further discussions between HM Treasury senior officials and counterparts in VTF, DHSC and No10 were held throughout Spring 2021 ["CLM4/71" INQ000421289]. HM Treasury officials raised concerns with the level of risk to delivery of contracted vaccines for autumn 2021, the shortfall in VTF's planning for boosting the UK's manufacturing capacity and capability in the medium-to-long term ["CLM4/72" INQ000421283] and the export limitations placed on vaccines and inputs which risked accentuating the gaps in the UK manufacturing supply chain ["CLM4/73 INQ000421280; CLM4/74" INQ000421285].

108. HM Treasury officials pushed at multiple levels over late March and early April for a set of clear objectives to be given to VTF to boost domestic manufacturing capacity for Autumn 2021, for VTF to scale up capacity to meet this objective, and for radical steps to be considered to boost UK vaccine manufacturing capacity at pace ["CLM4/75 INQ000421281; CLM4/76" INQ000421278]. The CST raised HM Treasury's concerns with DHSC SoS at a Ministerial Panel on 29 March 2021.

109. On 23 April 2021, No10 commissioned DHSC to develop a plan for improving security of supply and increasing domestic manufacturing to both maximise impact of security of supply for the autumn and winter, and build a sustainable supply chain for future years ["CLM4/77" INQ000468774].

110. On 25 April 2021, VTF officials approached HM Treasury counterparts to outline their concerns with the scope of the commission and asked for support in defining the scope of HMG's focus on building manufacturing capacity ["CLM4/78" INQ000421286]. Advice was submitted to the CST on 28 April 2021 to recommend he set the VTF a remit to prioritise supply resilience for Autumn/Winter 2021 and to signal preparedness to fund those options ["CLM4/79" INQ000421293]. HM Treasury officials pushed for further detail on vaccine-by-vaccine supply chain manufacturing details to be discussed at a planned PM meeting on the manufacturing issue ["CLM4/80" INQ000421287].

111. At a meeting with the PM on 6 May 2021 ["CLM4/81" INQ000421290], the VTF indicated it would support an increased focus on manufacturing.

112. After communications with VTF officials and GSK representatives over the prior week ["CLM4/82" INQ000421291], on 11 May 2021, HM Treasury officials notified the CST of discussions between VTF and GSK on an expansion of GSK's Barnard Castle site to enable the production of 300-400m doses per annum by 2024. The initial funding requested by GSK was considered by HM Treasury and VTF officials to be very substantial ["CLM4/83" INQ000421292].

113. By the end of May 2021, HM Treasury officials were more confident in the progress made by VTF on onshoring manufacturing. HM Treasury officials also continued work internally to consider how to strengthen vaccine manufacturing over the longer term ["CLM4/84" INQ000468775].

114. On 18 June 2021, SoS DHSC wrote to the CST to provide an update on VTF's progress in strengthening the UK's onshore capacity and capability in vaccine development and manufacturing ["CLM4/85" INQ000421297]. SoS requested that CST approve up to £81m of funding to secure two investments expanding the production of bioreactor consumables and lipids, two sets of vaccine inputs in the UK.

115. On HM Treasury officials' advice, the CST responded to SoS DHSC on 5 July confirming support for the VTF continuing to develop specific investment opportunities, and to develop a broader strategy on manufacturing proposals ahead of the Spending Review.

116. On 27 August 2021 ["CLM4/86" INQ000421316], officials advised the CST to approve a formal funding proposal from VTF to make an 'in-principle' grant offer to Croda, to increase the production of lipids used at the time in the Pfizer vaccine and allow them to produce additional lipids in the UK. While noting his concerns that the scale of grant funding provided to Croda risked setting a negative precedent, the CST approved the bid on 31 August subject to conditions [CLM4/87" INQ000421300].

117. The VTF submitted a request for c.£1.3bn of funding for discussion at Spending Review 2021. The CST and the Chancellor agreed with HM Treasury officials' advice ["CLM4/88" INQ000421309; CLM4/89 INQ000421302] to provide £250m for a new mRNA manufacturing facility, alongside £80.5m for vaccine supply chain investments, to sit alongside £99m of funding to complete existing investment in VMIC and the Cell & Gene Therapy Manufacturing Innovation Centre ["CLM4/90" INQ000421301]. After further

discussions on funding with VTF over October and subsequent advice to the Chancellor and the CST, HM Treasury confirmed this funding package on 19 October 2021 ["CLM4/91" INQ000421303].

Vaccine Manufacturing and Innovation Centre (VMIC)

118. The Vaccine Manufacturing and Innovation Centre (VMIC) was a private company that had in 2017 received a grant of £65.1m to build and operate a facility that would promote, develop and accelerate UK leadership in new vaccine production, technology and manufacturing. Despite Ministers' interest in building vaccine innovation capacity, the project suffered from significant issues and delays to the point it was no longer became commercially viable. In April 2020 VMIC received a £75m investment by HMG and by the end of 2020 it had been granted a further £140.6m through Innovate UK to expand and pursue a date of operation in mid-2021.

119. In February 2021, the expected date of operation for the facility had been pushed back to the end of the year, and by April 2021 the date was further pushed back into 2021 ["CLM4/92" INQ000421276], raising concerns among HM Treasury officials ["CLM4/93" INQ000421284].

120. On 15 December 2021, the CST received correspondence from the Minister for Science, Research and Innovation, George Freeman MP, detailing wide-ranging challenges with VMIC (CLM4/94, INQ000421305). The project had been beset by cost overruns, slow delivery and construction delays, with operation now not expected until mid-2023. The VTF did not believe that the current VMIC board had the ability to complete the project. Given it was also no longer clear whether VMIC could be made commercially viable, Minister Freeman proposed encouraging the VMIC board to sell the site to a private entity.

121. In response, HM Treasury officials advised the CST on 6 January 2022 that he request the VTF set out a fuller assessment of 1) the financial implications of VMIC's delays, 2) the operations for VMIC, 3) plans for addressing gaps in UK vaccine manufacturing capacity over the next 1-2 years, and 4) plans for continuing to build vaccine innovation capacity in the UK **[CLM4/95 INQ00421305].**

122. The CST sent a letter to Minister Freeman on the 18 January 2022 outlining HM Treasury's concerns and highlighting the need to develop options to address the UK's vulnerabilities in vaccine manufacturing, particularly mRNA capacity ["CLM4/96"

INQ000421305; CLM4/97 INQ000421312].

123. Minister Freeman responded to the CST's letter on 8 February 2022 ["CLM4/98" INQ000420826; CLM4/99 INQ000498504], agreeing with the CST's concerns and setting out the rationale of BEIS officials for the proposed sale approach. Minister Freeman wrote to CST again on 24 March 2022 to provide an update on the proposed sale to Catalent and to provide reassurance on any mitigating actions taken as part of the sale [CLM4/100 INQ000498505]. As detailed in the advice to CST on 25 March, HMT officials believed on balance that the proposed sale to Catalent was a positive development. It was also confirmed work would continue with the VTF on their onshoring programme to ensure the UK has additional resilience in the event of a future pandemic [CLM4/101 INQ000498506]. VMIC was finally acquired by Catalent on 6 April 2022.

Braintree

124. In July 2020 a new site for vaccine manufacturing became available for purchase and after some scrutiny by HM Treasury officials, BEIS's business case was approved.

125. On 17 July VTF & BEIS officials shared a business case with HM Treasury requesting up to £127m to enter in to a 5-year grant agreement with the Cell and Gene Therapy Catapult (CGTC – an independent centre of excellence supported by BEIS's arms-length body, UK Research and Innovation) to enable CGTC to purchase Benchmark Holdings' animal vaccine manufacturing facility in Braintree, Essex and convert it for human vaccine manufacture, including the manufacture Covid-19 vaccines or antibodies. The site was estimated to come on-line at the earliest in September 2021, with potentially full operating capability by December 2021 (approx. 20-30m doses per month).

126. It was not clear, at that time, if BEIS/VTF had given sufficient consideration to how spending on Braintree interacted with other spending on vaccine manufacturing (e.g., the VMIC). Officials advised the CST on the evening of Sunday 19 July 2020 [CLM4/102 INQ000421270] to approve the spend with the stringent condition that BEIS must develop a clear manufacturing strategy for vaccines and antibodies and share this with HM Treasury before any further long-term investments in vaccines and antibodies manufacturing would be considered.

127. On 20 July 2020, the CST agreed to spend £16m CDEL and £30.1m RDEL in 2020/2021 to fund the acquisition of Benchmark's facility in Braintree to boost the UK's Covid-19 vaccine manufacturing capacity. However, he raised several concerns with BEIS's request, including the use of grant funding rather than pursual of a joint venture, the viability of the project over the long-term, the lack of confirmation from BEIS's AO that the request met the tests set out in Managing Public Money, and the lack of an exit strategy for HMG's involvement.

Centre for Process Innovation

128. On 13 May 2020, the CST requested that officials provide advice on options to increase UK manufacturing capacity up to c.100m doses of mRNA vaccine. On 9 June 2020, HM Treasury officials recommended that the CST approve a BEIS request for £120.4m of new funding to secure access to four manufacturing facilities and their staff, and to purchase raw materials for c.80m doses of vaccine by March 2021. Three of these facilities were in Europe with one in the UK – the National Biologics Centre in Darlington, which is part of the Centre for Process Innovation (CPI – a private sector organisation which is part of the UKRI-funded Catapult Network). The Bioindustry Association had advised BEIS that there were no other companies in the UK that could manufacture this type of vaccine to this timescale.

129. The rationale was to secure slots in manufacturing facilities in advance of any successful mRNA vaccine trial, as competition among states for the limited number of slots was very high.

130. The CST approved the request on 10 June 2020, while requesting that HMG should maximise its efforts to manufacture vaccines in the UK. ["CLM4/103" INQ000421268]

Moderna

131. As any manufacturing partnership would not have been operational to a quick enough timeline to help with the Covid-19 pandemic, efforts were largely prioritised on vaccine procurement. That being said, BEIS were provided with £429.5m CDEL for investment in domestic vaccine manufacturing at the 2021 Spending Review.

132. HM Treasury ministers and officials continued as usual to push for value for money considerations in the proposed partnership with Moderna, with CST initially being

interested in - and offering funding for - a competitive process that would uncover the best possible deal for the UK taxpayer. A decision was ultimately taken to support the strategic partnership with Moderna **[CLM4/104 INQ000474609]** and this was eventually agreed with the company in December 2022.

Vaccine deployment

HM Treasury's role in the Vaccine Deployment Programme

133. The objective of DHSC's Vaccine Deployment Programme (VDP) was to deliver vaccine deployment and administration once a vaccine became available. HM Treasury's primary role was to provide DHSC with the funding necessary for the successful delivery of vaccination campaigns. At all stages, HM Treasury was supportive of the health and economic benefits of vaccination and strove to ensure that the programme was delivered as quickly and as efficiently as possible. After scrutiny of the initial VDP business case, HM Treasury approved funding of >£2.5bn for 20/21 and an initial £1.65bn for 21/22, topping up this pot as and when booster campaigns and child vaccinations were delivered. HM Treasury was also involved in signing off the prioritisation strategy for Phase II of deployment, where the overarching policy objective was to reduce hospitalisations, mortality and morbidity.

134. HM Treasury was committed to the objective of administering vaccines as quickly as possible and was prepared to commit funding at risk in advance of regulatory approval of vaccines. Maintaining value for money and ensuring that HMG spending operated with regularity and propriety most strongly informed HM Treasury's value judgements, particularly in relation to concerns about delivery feasibility. HM Treasury sought to drive the right balance of ambition and realism on delivery, as well as effective risk management, on issues that could impact public trust in the programme – such as the novelty, speed and scale of the programme, alongside operational decisions concerning indemnities for vaccine developers, contracting arrangements and legal issues. Drawing on experiences earlier in 2020 with Personal Protective Equipment (PPE) and Test, Trace, Contain and Enable (TTCE), HM Treasury made programme approvals contingent on several conditions designed to support effective and rapid delivery, including establishing a senior assurance function for the NHSE deployment programme, as had been done previously for PPE ["CLM4/105"; INQ000468809].

135. Value for money and delivering the best possible health outcomes stayed at the forefront of HM Treasury's considerations over the remainder of this period, where we continually monitored both incoming vaccine supply from our contracts and progress against vaccine administration targets to ensure that value for money was being achieved. The disruption to supply coming from the EU in the early months of 2021 was a major concern and prompted increasing focus in HM Treasury on its strategy for domestic vaccine manufacturing resilience.

136. DHSC first provided a business case for the VDP in September 2020. HM Treasury senior officials met with the then SRO of the programme, Neil Permain and raised concerns, which I put in a note to the Cabinet Secretary on 3 November 2020 ["CLM4/106" INQ000420796; **[CLM4/107 INQ000420796].**

137. Not wanting to hold up the programme while this was worked through, the CST provided DHSC with £475m RDEL in November 2020 to meet their immediate funding needs. However, he shared HM Treasury officials' concerns with the Chancellor of the Duchy of Lancaster (CDL) ["CLM4/108" INQ000468763].

138. On 30 November, DHSC submitted a revised programme business case to HM Treasury seeking an additional £3.6bn in FY20/21, taking the total ask for 20/21 to £4.0bn. Subsequently, the CST asked for a meeting between himself, Minister Zahawi, Lord Agnew and me to discuss the business case, which took place on 17 December ["CLM4/109" INQ000420797].

139. On 22 December 2020, HM Treasury provided further advice on the business case to the CST. Officials noted the significant progress made in terms of new leadership, gripping IT issues and sharing data transparently with other departments. However, officials still had concerns regarding programme strategy and the challenges associated with scaling up. It was recommended that the CST approve the spend, minus the £1.5bn set aside for optimism bias and contingency. The CST agreed, and approved funding of £2.3bn RDEL and £10m CDEL ["CLM4/110" INQ000420797].

140. As per the condition on this approval, DHSC submitted an updated financial case to HM Treasury officials in February 2021, with a request for £2.36bn RDEL for the VDP to continue in FY21/22. The Chancellor was advised on this on 11 February 2021 as part of a wider suite of Covid-19 policy announcements for Spring Budget 2021. Given the significant underspends of the programme in FY20/21 and the uncertainty around the costs of potential third doses or revaccination campaign, officials advised the Chancellor to allocate funding for the programme to continue for another four months (£1.57bn), subject to officials working with DHSC to refine costings and once again removing optimism bias and contingency ["CLM4/111" INQ000420798]. Refined funding of £1.65bn was approved by the Chancellor the following week. This figure and the formal spending approval was subsequently signed off by the CST in March 2021 ["CLM4/112; INQ000420802 "CLM4/113" INQ000420809].

141. HM Treasury ministers were also involved in signing off a prioritisation strategy for Phase II of deployment, which covered all adults under the age of 50. The Chancellor was first briefed on this in January 2021, where officials advised that i) as the rate of hospitalisations and, therefore, pressure on NHS capacity was the main factor in HMG's ability to ease economic restrictions, he should push for reducing hospitalisations to be the overarching objective of Phase II; and ii) ministers should seek input from the JCVI on the final prioritisation approach ["CLM4/114"; INQ000420835]. This was discussed at a Small Ministerial Group (SMG) on 28 January 2021 ["CLM4/115"; INQ000420837], where a decision was jointly taken for CDL to write to the PM setting out the options for prioritisation of doses.

142. In a meeting on 02 February 2021, the PM agreed with the recommendation of the SMG, and asked that the JCVI provide their recommendation on how to prioritise vaccines to further reduce mortality and morbidity in Phase II ["CLM4/116" INQ000420801].

143. Phase II prioritisation was then discussed by the CST at a Covid-O meeting in February 2021 ["CLM4/117" INQ000420842]. It was agreed that the overarching policy objective should be to reduce hospitalisations, mortality, and morbidity. The CST and HM Treasury officials were content with this approach, provided that Covid-O met again to ratify the JCVI's final recommendations. In a follow up meeting in late February 2021 ["CLM4/118" INQ000420843], the CST accepted JCVI's interim advice for Phase II but urged HMG to work together to ensure the final strategy was operationally compatible with maximising the pace of deployment.

144. Regular assurance meetings were one of the conditions sets by HM Treasury ministers for the 20/21 funding for the vaccine deployment programme and were intended as a mechanism for the department to scrutinise the programme and understand the progress it had made in mitigating and responding to previously identified issues. The first assurance meeting for the Covid-19 Vaccine Deployment Programme was held on 5 February 2021. Further meetings were held throughout 2021 ["CLM4/119 INQ000420840; "CLM4/120" INQ000420839; "CLM4/121" INQ000420841; "CLM4/122" INQ000420836]

EU vaccine supply chain challenges

145. As part of HM Treasury's role in monitoring value for money and delivery against vaccination targets, the department assessed and responded to strategic risks to vaccine deployment, including disruption to vaccine supplies coming from the EU in the early months of 2021 resulting from the EU blocking exports of the AstraZeneca vaccine to the UK. In responding to this risk to domestic vaccine deployment, HM Treasury needed to balance the importance of achieving the UK's planned vaccine rollout with the economic and health benefits to the UK of the EU (as a key ally and economic partner) moving towards full vaccination. HM Treasury therefore focused on working across HMG and with the VTF to explore contingency options for accessing vaccine doses and to assess the impact of the EU's actions on the UK's vaccine rollout. Ultimately, the export ban was found not to impact on the UK's target of vaccinating all adults before 31 July 2021. Nevertheless, the EU's actions prompted HM Treasury to focus on developing the UK's domestic vaccine manufacturing resilience.

146. In January 2021, HMG became aware of an EU Commission proposal to require registration of vaccine exports from the EU. In advice sent to the CST on 28 January 2021, HM Treasury officials explained that the EU Trade Commissioner had stressed the proposed requirements were purely for reasons of transparency and that no export controls had yet been applied. However, with little additional information coming from the EU, the VTF began to assess the UK's position if restrictions were imposed ["CLM4/123"; INQ000468765].

147. Advice from the Department for International Trade (DIT) stated that because exports to Northern Ireland required unfettered access it would be difficult for the EU to apply any restrictions to the UK. However, this could be challenging if Pfizer, who produced their vaccine in Belgium, had agreed to prioritise supply for the EU. Although there were no concerns with priority supply of the Oxford AstraZeneca vaccine, around 20% of a key component in the manufacture of the AZ vaccine was produced at Halix in the Netherlands and restriction of this supply would likely have impacts on delivery of doses to the UK. In light of this, the CST was made aware that the VTF were working to develop a contingency plan should restrictions be imposed.

148. On 5 February 2021 the CST said that it was difficult to see how the situation would not deteriorate, due to political pressure on the EU from member states. He was keen to start implementing full-scale contingency measures, including: onshoring the production of essential vaccine components, considering whether the opening of vaccine production sites could be brought forwards, and obtaining legal counsel.

149. On 4 March 2021, HM Treasury officials provided an update to the Chancellor and the CST on the AZ supply chain and the mitigation steps being taken by the VTF in the event of export restrictions - including that the VTF was confident that even if disruption occurred, the overall supply levels of vaccine would not adversely affect the speed of the rollout ["CLM4/124" INQ000420806]. At the same time as holding concern over the impacts of the EU's decisions on domestic vaccine supply, officials across HMG recognised the importance of limiting delays to the EU's rollout, in terms of the economic and health benefits to the UK of a key ally and economic partner moving towards full vaccination.

150. On 21 March 2021 the EU publicly announced that it would block export of the AstraZeneca vaccine to the UK. An urgent update to the Chancellor and the CST on 22 March indicated that HMG were primarily seeking a cooperative solution with the EU, particularly as there were now fears that export of the Pfizer vaccine from Belgium could also be blocked. Both legal and economic retaliatory options were also under review in case diplomatic channels failed, but it was believed that any sanctions applied would do little to alter the EU's position.

151. In response, the CST steered against imposing sanctions on EU financial services or trade routes. Instead, the CST was keen to explore the merits of AstraZeneca shipping its vaccines to the UK, via Northern Ireland, thereby taking advantage of the "unfettered access" granted by the Northern Ireland protocol ["CLM4/125" INQ000468770].

152. Between 24 March and 29 March, HM Treasury officials provided daily updates on management of the impacts on the UK's vaccination targets and the Roadmap for loosening restrictions. The VTF informed HM Treasury that the loss of 11m doses of AZ vaccine from the Halix plant would set vaccination timelines back by around a month, but with no further restrictions to shipments, the UK would still meet its original target of vaccinating all adults before 31 July. The CST was supportive of the VTF's plans to maximise supply chain resilience and flexibility.

153. HM Treasury officials also considered areas which the UK believed it could use to negotiate the release of AstraZeneca doses from the EU, including the provision of lipid components used in the Pfizer vaccine, and a potential offer to fill and finish the Novavax vaccine in the UK and export it to the EU. It became increasingly clear, however, that the UK was unlikely to ever receive its desired shipment of AstraZeneca.

154. In a meeting between Philip Duffy and senior officials across No10, the VTF and CO on 29 March 2021, it was recognised that the UK should plan for reduced reliance on supplies from the EU in its preparations for the procurement and manufacturing of Covid-19 vaccines going forward. On this basis, the VTF were asked to redouble efforts to develop the UK's domestic manufacturing supply chain.

Community Pharmacy Indemnities

155. In December 2020, NHSEI shared plans to set up around 400 pharmacy sites to administer the Covid-19 vaccine. This was to fill gaps among Primary Care Network (PCN) sites, adding c. 30% onto the PCN capacity. They requested a contingent liability fund of £30-60m to indemnify pharmacy businesses administering the Covid-19 vaccine. On 17 December 2020, HM Treasury officials advised that the CST should approve the request, with conditions ["CLM4/126"; INQ000468764]. CST agreed to provide funding up to 31 March on the basis that DHSC develop a market-based solution to cover 1 April-31 August.

156. In January 2021, DHSC requested that the indemnity for community pharmacies was extended until the end of August. JCVI had increased the recommended dosing schedule from three to twelve weeks, meaning pharmacies were no longer willing to sign contracts to administer doses without insurance or HMG indemnity in place. Following HM Treasury advice ["CLM4/127"; INQ000468812], the CST agreed to extend the indemnity until the end of June, conditional on DHSC continuing to work with insurers to develop a market-based, risk-sharing solution.

157. In March 2021, DHSC returned with a preferred option for after June. It contained three parts: i) temporarily extend the state indemnity until the end of August; ii) put in place a risk sharing arrangement from September 2021 until March 2022; and iii) transition to commercial arrangements from April 2022 by which point insurers should have sufficient claims data. The CST was advised on 15 March ["CLM4/128"; INQ000468814] that this option met his condition of developing a market-based solution and recommended that he

approve, provided that DHSC seek further approval once the final policy had been agreed with pharmacies and that they share additional analysis on costings. The CST agreed with this advice and approved the request ["CLM4/129" INQ000420808]. HM Treasury sent the CST follow-up advice on 26 March 2021 ["CLM4/130" INQ000468771].

Booster Campaigns

158. In June 2021, DHSC requested approval to spend £239m RDEL in FY21/22 and £51m RDEL for FY22/23 for the delivery of the autumn booster campaign. On HM Treasury officials' advice, the CST approved on the condition that the receipt of additional funding would be subject to HM Treasury approval of a programme business case and that NHSE submit a plan for curtailing planned expenditure where appropriate ["CLM4/131" INQ000468776].

159. Later in June, HM Treasury received a joint request from DHSC and NHSE&I to consider the Covid-19 vaccine rollout as one continuous programme to reflect the resources and contracts overlap between Phase II and the booster programme. On officials' recommendation, the CST agreed ["CLM4/132" INQ000468777].

160. In September 2021, DHSC submitted a further business case requesting an additional £1.5bn RDEL in FY21/22 for the autumn booster programme and for child vaccinations. HM Treasury officials recognised the strong strategic and economic case for the booster programme and advised the CST to provide DHSC with up to £895m – DHSC's full ask to cover deployment to individuals in scope for a booster and eligible children, minus the funding requested for optimism bias and contingency ["CLM4/133" INQ000468822]. This money would be provided at Supplementary Estimates and was subject to conditions. The CST agreed and approved the additional funding on 01 October 2021 ["CLM4/134" INQ000468790].

161. In November 2021, DHSC requested an additional £202.6m RDEL from the Reserve for technology and data platforms relating to Covid and Flu. The CST rejected the bid on the basis DHSC should find this money from their overall deployment budget but confirmed that he would consider it again in the round at Supplementary Estimates ["CLM4/135" INQ000420817].

162. Later that month, the CST approved a DHSC announcement to expand the booster programme, but emphasised the need to ensure as much of the costs as possible were funded through underspends in order to minimise the eventual reserve claim ["CLM4/136" INQ000468792].

163. In December 2021, in response to the emergence of the Omicron variant, the PM announced an acceleration to the booster vaccination campaign. DHSC immediately submitted a request for an additional £230m RDEL to fund this, on top of their previous £141m request for Supplementary Estimates. Officials advised ministers that the estimate was realistic and proportionate and recommended that they agree to a ringfenced funding envelope of up to the full £371m ["CLM4/137"; INQ000468807]. This was subject to the previous conditions of DHSC submitting a revised financial case, submitting weekly KPIs and regular assurance meetings. The Chancellor and the CST agreed to provide the funding but requested a further condition on DHSC exploring ambitious steps to speed up deployment ["CLM4/138"; INQ000420822]. As part of this request, DHSC also asked to be permitted to suspend some commercial contract controls, which was not approved ["CLM4/139"; INQ000420824].

164. JCVI updated their recommendations again in December 2021, expanding vaccinations and boosters to children – the CST granted approval for DHSC to expand the programme accordingly ["CLM4/140"; INQ000468799].

165. In February 2022, DHSC sought approval to expand the vaccination programme further following a recommendation from JCVI that vaccines could now be given to healthy 5–11-year-olds. The estimated £240m costs would fall in FY22/23 and had not been taken into account when setting future Covid-19 funding at the Spending Review, and therefore represented a significant funding pressure on DHSC's budgets. Given the expected health and economic benefits of expanding vaccination, HM Treasury officials recommended that the CST approve only the spend and communicate that a decision on the need for additional reserve cover would be subject to an ongoing reprioritisation exercise. The CST agreed ["CLM4/141"; INQ000420827].

166. The following week, DHSC requested urgent approval for an upcoming announcement to offer a second booster to older and immunosuppressed people following advice by the JCVI. DHSC had estimated the cost of delivering at £159.8m RDEL but had not been able to provide proposed delivery plans or a business case setting out the benefits and costs. HM Treasury officials advised that there would likely be a health and economic case for

this expansion but noted that they did not have sufficient information to be able to make a recommendation on funding. However, given devolved administrations were likely to accept the JCVI advice and make their own announcements, officials recommended that the CST approve the announcement, but postpone the spending approval until receipt of a proper business case. The CST agreed to this recommendation ["CLM4/142" INQ000420828].

167. In May 2022, officials provided the CST with advice concerning the Autumn booster campaign. They advised the CST to insist that DHSC return with a full business case before spending approval was granted, and that any spend come from existing budgets. The CST agreed with the recommendation ["CLM4/143" INQ000420831].

Vaccine Damage Payment Scheme (VDPS)

168. The Vaccines Damage Payment Scheme (VDPS) was created in 1979 and provides a one-off tax-free payment of £120,000 to successful applicants where, in extremely rare circumstances, vaccination has caused severe disablement. The VDPS is not a compensation scheme, and so recipients are still entitled to seek damages in the usual way.

169. On 20 October 2020, DHSC circulated a 'for info' paper on vaccines damages to the Ministerial Panel, where they outlined their plans to add Covid-19 to the list of diseases covered by the scheme ["CLM4/144" INQ000468802]. As per the Vaccine Damage Payments Act 1979, this was a decision for the responsible Secretary of State, in this instance SoS DHSC. CST was briefed on this paper for information only and it does not fall within scope of HM Treasury's responsibilities ["CLM4/145" INQ000468801].

Medicines and therapeutics

Role of HM Treasury

170. The Antivirals Taskforce (ATF) coordinated the end-to-end provision of antiviral treatments for Covid-19 in the UK. HM Treasury had concerns in relation to the cost-benefit balance of antivirals. The Chancellor ultimately agreed to funding for greater antiviral procurement, although the need turned out to be far lower than anticipated by DHSC. Due to the lack of uptake, a large number of doses (4.98 million) were not used, costing over £3bn.

171. HM Treasury was aware that treatments beginning to come to market, such as novel monoclonal antibodies, were potentially of greatest benefit for clinically vulnerable patient groups for whom vaccines were less effective, and in general prioritised access to treatments for these patients over cost. ["CLM4/146" INQ000468778] Activity in this period included considering proposals from DHSC for increasing our existing commitments on novel antiviral drugs, requiring very significant new funding additional to DHSC's already-agreed Levy settlement. In approaching this, the priority was to weigh maintaining value for money with delivering the best possible health outcomes. HM Treasury also considered HMG's wider economic considerations, on the basis that there was a theoretical economic resilience benefit from antiviral drugs being deployed at scale in order to avert any future use of NPIs.

Formation of the Antivirals Taskforce

172. HM Treasury was first made aware of the proposal for an ATF in February 2021 ["CLM4/147" INQ000468766; "CLM4/148" INQ000221861]. In an initial business case to HM Treasury, DHSC outlined that the taskforce would be responsible for identifying 2-3 effective antivirals by the coming autumn/winter. It was estimated that the ATF would cost around £500m, excluding the cost of antivirals, and that up to £410m would be provided for Phase I-III clinical trials, to better understand the effectiveness of any chosen antivirals. However, given the uncertainties around the exact costs and insufficient detail in the proposal, the Chancellor was advised by officials on 27 February 2021 not to provide funding or make any announcement at the Budget and to direct HM Treasury officials to engage with DHSC over the coming weeks to obtain a more detailed business case. The Chancellor agreed to this ["CLM4/149" INQ000468767].

173. On 8 March 2021, the Secretary of State (SoS) for Health and Social Care wrote to the Chancellor and the Prime Minister (PM) to reiterate the potential benefits of antivirals in HMG's response to Covid-19. The Chancellor was advised to respond with strategic questions ["CLM4/150" INQ000468768] on how antivirals would fit into the wider Covid strategy, and strongly agreed with the suggestion that a cross-HMG governance process (like that used in the Vaccines Taskforce) was created ["CLM4/151" INQ000468769 and "CLM4/152" INQ000468772].

174. The ATF was formally announced by the PM on 20 April 2021. Led by DHSC, its key aim was to identify and deploy new treatments for those infected with Covid-19 to stop the spread of infection and speed up recovery time. The ATF hoped to identify two effective treatments in 2021, in tablet or capsule form, that the public could take at home following a positive test for Covid-19 ["CLM4/153" INQ000468772].

175. In the days following the announcement, HM Treasury officials were contacted directly by Mark Walport on behalf of the Wellcome Trust regarding a proposal for a similar clinical trials platform to expedite the discovery of novel Covid-19 therapeutics. The scheme aimed to hold 40-50 clinical trials for novel treatments and required initial funding of around £150m. Ultimately, it was decided that the Wellcome Trust's offer would duplicate the work already overseen by the NIHR and, thereby, compete with the latter for funding and participants to clinical trials ["CLM4/154" INQ000468762; "CLM4/155" INQ000468761]. The scheme did not progress any further.

Evaluation of ATF business case

176. The Treasury Approvals Process subsequently convened on 28 May 2021 to review the ATF business case for initial funding of £621.5m. The ATF emphasised that, with swift approval, they could expedite negotiations on 3 promising antivirals. The response to the business case was positive, noting that whilst uncertainties existed around the development of such drugs, they could help the UK avoid a third lockdown. The CST reviewed this business case and approved it on 17 June 2021 ["CLM4/156" INQ000468824; "CLM4/157" INQ000468821; "CLM4/158" INQ000420814].

ATF initial negotiations with suppliers

177. With funding agreed, the ATF started negotiations with major suppliers, under the names: Project Arrow (Merck), Project Tyne (Pfizer), and Project Clyde (an undisclosed supplier).

Several weeks later, the ATF met with HM Treasury officials to provide an update and it was at this point that significant challenges to the original business case came to light. An initial tranche of Project Arrow doses would now cost significantly more, almost 50-times more than originally estimated. These developments shifted thinking on the potential impacts that antivirals could have, although both HM Treasury and the ATF believed antivirals still had an important role to play. In light of this, the ATF began to refine its target population to the clinically vulnerable and some older cohorts. The CST was advised to ask the ATF to produce updated business cases before submitting individual deals to a Ministerial Panel for approval. The CST agreed to this and emphasised that VfM was also considered ["CLM4/159" INQ000421298].

ATF bid for greater funding and procurement approvals

178. HM Treasury became aware that, in contrast to their earlier position, DHSC were likely to submit a large bid for antivirals into FY22/23 to support their initial aim of a UK-wide rollout. DHSC provided HMT with several papers to support discussions; **[CLM4/160 INQ000512913; CLM4/161 INQ000512914; CLM4/162 INQ000512915; CLM4/163 INQ000498507; CLM4/164 INQ000512916; CLM4/165 INQ000498508; CLM4/166 INQ000512917; CLM4/167 INQ000512917; CLM4/168 INQ000512918].** The business case set out DHSC's view on the importance of having a portfolio of antivirals to combat COVID-19. DHSC also sent a paper setting out the recommendations from the chair of the antiviral taskforce **[CLM4/169 INQ000420818].** This noted that senior officials across Government, including the Chief Scientific Advisor and Deputy Chief Medical Officer, acknowledged the potential contribution of antivirals but had concerns that the current state of data on these products did not offer much certainty on their effectiveness, and that the cost was such that it might compromise important spending elsewhere.

179. After considering the request, HM Treasury officials recommended that the Chancellor reject procurement at this stage but agree to current negotiations for AV purchases in FY21/22 – requiring an additional £650m of funding on top of the original envelope ["CLM4/170" INQ000468782; CLM4/170A INQ000468816"].

180. HM Treasury officials had concerns with the business case; DHSC had based their economic analysis on an assumption that AVs would reduce hospitalisations by 70%, a

figure from a study that had yet to be peer-reviewed. HM Treasury reiterated its view that the ATF should deliver its outcomes for FY21/22 within the original £620.5m envelope ["CLM4/171" INQ000468783].

181. The CST agreed to the purchase of additional doses of Project Tyne within FY21/22, but with several conditions attached ["CLM4/172 INQ000468815"]:

i. that DHSC share with HM Treasury an updated deployment plan for antivirals in 21/22, in line with recent SPI-M modelling for winter 21/22
ii. that all deployment and clinical trial costs be within the envelope for FY21/22; and
iii. that such costings were also approved by an AO

182. The CST also agreed to grant flexibility into the next financial year but asked that DHSC provide regular KPIs on doses delivered, doses deployed, stock levels and an estimated spend profile ["CLM4/173" INQ000468787].

183. Despite recent acknowledgements that spending would be kept within the original envelope, DHSC submitted a request for the procurement of 2.75m doses for Project Arrow (Merck) across FY21/22 and 22/23. The Chancellor and the CST were advised to withhold approval of this extra funding and instead agree to ask that DHSC use the existing envelope to procure doses and cover the cost of deployment and clinical trials. Furthermore, it was advised that DHSC look to deploy doses of Project Arrow into 22-23, thereby shifting costs into that financial year (as medicines are scored depending on the year they are used) ["CLM4/174" INQ000468810; "CLM/174A" INQ000468781].

184. On the 6 September both the Chancellor and the CST agreed not to sign off additional funding and only provide year end flexibility of 10-15% (unlike the full flexibility granted to Project Tyne), and the CST expressed serious concerns with how antiviral procurement was being managed and the lack of evidence that antivirals would work or significantly reduce the wider health pressures **[CLM4/175 INQ000468789].** It was also noted that the ATF steering group had not met for months. DHSC officials wrote to HMT on 8 September **[CLM4/176 INQ000474562]** and the following day provided a business case on Antivirals to further support the decision-making process **[CLM4/177 INQ000498511; CLM4/178** INQ000498512]. DHSC officials wrote to HMT again on 13 September **[CLM4/179** INQ000498513] outlining additional options as requested by HMT. HMT communicated concerns to DHSC, and additional conditions were put in place to ensure antiviral doses could be deployed into 2022/23 ["CLM4/180" INQ000468788].

185. In following days, No.10 intervened to request that HM Treasury provide DHSC with full year end flexibility for the total value of Project Arrow procurement and deployment, within the envelope of £620.5m **[CLM4/181 INQ000468789;** "CLM4/182" INQ000468811].

186. Ultimately, the Chancellor and CST supported full financial year flexibility on procurement and deployment of doses from Project Arrow in 22/23. However, the Chancellor stressed that such flexibility was absolutely exceptional on the basis that it related to previously agreed Covid-19 spend. In addition, any spend carried over into FY22/23 would be dealt with as an in-year reserve claim at Supplementary Estimates and should be prioritised with emerging underspends ["CLM4/183" INQ000468791].

Antiviral procurement and Omicron

187. With the arrival of the first cases of Omicron in the UK on 25 November 2021, the PM met with senior figures (including the Chancellor) on 27 November 2021. The group agreed that additional antivirals could be purchased but deferred the decision until the Chancellor had reviewed the new DHSC business case ["CLM4/184" INQ000420818]. The business case set out the clinical and medical advice on the importance of having a portfolio of antivirals to combat Covid-19. Following a review of DHSC's proposals for antiviral procurement, neither the Chancellor nor the CST were content to approve further procurement. They both considered vaccines to be HMG's priority in combatting Covid-19 and noted that any additional doses procured would not be delivered and deployed until the second half of 2022/23, making it unlikely that they would support the response to this winter's Omicron variant ["CLM4/185" INQ000468793; **[CLM4/186 INQ000498514].** On 29 November officials provided a note to CST setting out the merits of further antiviral procurement **[CLM4/187 INQ000498508].** Officials recommended on balance, a decision should be delayed until the variants are understood better, and the deployment model had been further tested. It was also noted production could be scaled up much faster than vaccine procurement.

188. As December commenced, HM Treasury was made aware to expect another revised business case from DHSC for greater antiviral procurement, with a push for a Ministerial Panel decision to be made within 24 hours (the norm throughout the pandemic had been 5 days) ["CLM4/188" INQ000420819; "CLM4/189" INQ000420820; **;CLM4/190**

INQ000498512; CLM4/191 INQ000498513; CLM4/192 INQ000498518]. HM Treasury officials and Lord Agnew raised doubts that the Covid-19 situation could have changed so drastically as to warrant an expedited decision ["CLM4/193" NQ000468794]. Officials reiterated their scepticism regarding VfM in purchasing more antivirals at this stage, particularly as Omicron was still relativity unknown as a new variant, and so waited for additional scientific advice to guide their decision-making ["CLM4/194" INQ000468795].

189. With HM Treasury unconvinced of the need for greater procurement, the Chair of the ATF, Eddie Gray, wrote to the CST on 8 December, expressing that he was "surprised and dismayed" that HM Treasury had yet to agree to additional funding. Gray stressed that "volumes [of antivirals were] diminishing on an hourly basis and so [was] our chance to procure for the benefit of UK patients" ["CLM4/195" INQ000468796].

190. Philip Duffy spoke with Jonathan Van-Tam (JVT), Deputy Chief Medical Officer for England, on the procurement of antivirals. JVT's view was that such interventions could be useful in combatting Covid-19, but that VfM could change substantially depending on how effective antivirals were in a vaccinated population. Ultimately, the VfM rested upon whether vaccinated people who contracted Omicron were hospitalised at the same rate as those who were unvaccinated ["CLM4/196" INQ000420821].

191. Following this, advice was sent to the Chancellor on the 13 December. The Chancellor was advised that he should agree to approving such a deal subject to various conditions ["CLM4/197" INQ000468823; "CLM4/197A" INQ000468797).

192. The Chancellor reluctantly agreed to DHSC progressing to the finalisation of contracts, with the aforementioned conditions ["CLM4/198" INQ000420814]. DHSC subsequently procured 4.25m additional doses.

193. As Winter ended and Spring arrived in 2022, it became increasingly clear that Omicron was a variant of lower lethality that was originally expected. The UK had procured 4.98m doses of antivirals but given the lack of high levels of hospitalisation or serious illness over December 2021 and the early months of 2022, the need for antiviral deployment was far lower than had been anticipated by DHSC.

194. Unless DHSC could successfully negotiate a delay to antiviral delivery schedules, there would likely be significant wastage. HM Treasury officials briefed the CST on cost mitigation options. The first of these was to sell doses back to manufacturer, thereby

reducing costs and increasing antiviral availability to the global market. This would, however, require willingness from the manufacturer, as none of the contracts contained sell-back clauses. The second option was to sell doses to another country; again, however, this would rely on the goodwill of the manufacturer. The third option, subject to international demand, was to donate the excess. The fourth option was to delay the delivery of antivirals in an attempt to push costs in FY23/24 ["CLM4/199" INQ000468817].

195. HM Treasury anticipated further requests for DHSC for (i) a request for additional funding for antiviral deployment; and (ii) a request for flexibility in spend on antivirals in FY22/23. HM Treasury considered it best to get DHSC to focus only on the deployment of antivirals in the highest risk groups, allowing scarce funding to be allocated most effectively. HM Treasury officials also felt that an approval of flexibility into the next financial year would be most appropriate, as this would allow DHSC to enter into negotiations with manufacturers to seek moving orders back to 2023. In turn, antivirals would be deployed in 23/24 (pushing costs back) thereby providing the UK with doses with a longer minimum shelf-life ["CLM4/200" INQ000468820].

196. In July 2022 HM Treasury officials advised the CST that a significant surplus of antivirals into 2024 was still highly likely and that the ATF had provided four possible divestment options – donations, volumes/delivery swaps, sales and destruction. The ATF's preferred option was to donate, but additional funding would be required for this. HM Treasury's preferred option was the sale of antivirals. However, this was unlikely to be feasible, and officials considered the very real possibility that a significant quantity of antivirals would be destroyed ["CLM4/201" INQ000468813].

197. As the final months of 2022 progressed, it became increasingly clear that the more favourable options to manage down the surplus would not prove fruitful. In a submission from HM Treasury officials, the CST was made aware that due to higher-than-expected impairments, the costs of DHSC's over-procurement placed significant pressure on this year's already over-stretched reserve and left them with the prospect of losses well in excess of £1bn. With DHSC having to rely on savings and underspends to relieve some of this pressure, the CST was advised to write to the SoS to express his concern at the high levels of antiviral wastage; notifying that conditions set by the previous CST had not been followed; and that a handling plan for such impairments was urgently produced by DHSC. The CST agreed and wrote to SoS to highlight these issues ["CLM4/202" INQ000468818].

198. DHSC notified HM Treasury on 13 December 2022 that it had successfully negotiated a delay to around £153m of Pfizer stock. The CST was informed of these potential changes and agreed to grant approval, as the renegotiation of the contact would reduce pressure on this year's reserve and overall wastage of antivirals ["CLM4/203" INQ000468806].

199. DHSC continued to explore options to manage down wastage, but experienced losses of £1.035bn with further expected losses of £1.758bn in FY22/23 and similar in FY24/25. DHSC sought HM Treasury approval to declare a first constructive loss of £1.035bn (constructive in this sense meaning that no blame would be apportioned to DHSC) on the basis it wasn't evident to them at the time that the Omicron variant would be less severe than previous Covid variants. The CST was briefed on DHSC's application for constructive loss in this financial year and agreed on the condition that a handling plan was produced ahead of the publication of their accounts.

Project Windermere

200. Project Windermere was the name given to the negotiations around and the procurement of monoclonal antibody therapies to combat Covid-19. Unlike antivirals, which prevent the entry of viruses into human cells or stop viral replication, monoclonal antibodies allow immune cells to recognise and destroy viral particles more effectively. The Therapeutics Taskforce (TTF) (a team separate to the previously discussed antivirals taskforce) had already successfully procured 50,000 doses of the mAb Ronapreve (antibody therapies) and now sought further approval to procure doses of Sotrovimab (antibody therapies) from GlaxoSmithKline. The target population for these doses was the immunocompromised, which the therapeutics taskforce classed as anyone ineligible or unable to receive a Covid-19 vaccine, along with those individuals who did not produce a sufficient immune response after immunisation. This cohort was estimated to be around 1.7m people in the UK.

201. The CST was first made aware of this proposal on 13 July 2021 ["CLM4/204" INQ000468778], and a full business case for Project Windermere had been submitted to the Ministerial Panel the day before ["CLM4/205" INQ000420815]. The CST and the Ministerial Panel agreed to the procurement of the above doses for delivery in September – November on the following conditions ["CLM4/206 INQ000468780; CLM4/207" INQ000468779]:

i) that this ringfenced funding was used only for this purpose, and any underspends returned to the Exchequer;

ii) that DHSC provide HM Treasury with monthly reports on volumes received and administered and any other relevant data; and
iii) that DHSC used any underspends at spending review 20 before claiming additional funds from the reserve.

202. With the terms agreed, the TTF was successful in securing the required number of doses for delivery in the autumn. Their use, however, was contingent on approval by the MHRA, which the TTF had estimated would be granted around September. Approval of Sotrovimab didn't arrive until December, at which point Omicron had arrived in the UK. The Omicron variant was sensitive to Sotrovimab. Naturally, this led to a worldwide surge in demand for it, and GSK contacted the TTF to confirm the quantity of Sotrovimab and delivery schedules, as per previous negotiations. The TTF, however, was mindful that the late approval of Sotrovimab meant that a substantial number of doses would be deployed into FY22/23. In light of this, DHSC sought financial year-end flexibility in FY21/22. This would allow the purchase of the original 100,008 doses to go ahead, with 30,000 doses delivered in 2021/22 and the remaining 70,000 in split between Q4 21/22 and 22/23.

203. Conscious that a late response might cause GSK to re-allocate doses to more eager buyers and that DHSC's previous commitments on vaccine and antiviral procurement were substantial, the CST was informed of a DHSC request for additional flexibility at year end 2021/22. It was recommended that year-end flexibility be granted, and the CST agreed, with the following conditions ["CLM4/208" INQ000468798]:

i) that DHSC send fortnightly updates on Sotrovimab regarding doses deployed per week, stock levels and efficacy data;
ii) that prior to drawing down the remainder of the available budget, DHSC manage these financial pressures across their existing wider budgets and savings elsewhere; and
iii) that a deployment strategy for Sotrovimab be shared with HM Treasury.

204. As a result, the TTF finalised a contract with GSK for 100,008 doses, with delivery spread across 2021-23, due to HM Treasury approval of financial year-end flexibility. 15,000 doses were scheduled for Q4 2021/22 (giving a total of 30,000 doses by end of 2022) and the remainder were delivered in 2022-23 ["CLM4/209" INQ000468800].

Prophylactics

205. In June 2021, The Vaccines, Antivirals and Therapeutics Strategy Board noted early-stage treatments and prophylactics were a gap in the UK's armoury against Covid-19. It was thought treatments that prophylaxis could have a major impact in reducing transmission of COVID-19 as well as the likelihood of severe disease being faced by individuals. However, there was lack of data regarding effectiveness and studies had been commissioned to research effectiveness **[CLM4/210 INQ000498088].** The following year, following studies, initiated by the RAPID-C19 group, there remained concerns over efficacy to Omicron and the advice to DHSC SoS had been not to pursue procurement **[CLM4/211 INQ000283349].** Searches of HMT files have found no requests of approval for the funding of procurement of prophylactics.

Lessons learned

206. Given the huge uncertainty at the outset of the pandemic, the delivery of the UK vaccination programme is considered by HM Treasury to be a significant success. From an economic perspective, the vaccines programme enabled HMG to move away from the use of NPIs to suppress the spread of the virus, enabling the return of stable economic activity across exposed areas of the economy.

207. HM Treasury worked from the start to support BEIS, VTF, DHSC and other relevant departments and agencies to cooperate in delivering on HMG's ambition at huge pace and scale. HM Treasury officials and Ministers repeatedly pushed for the vaccines programme to be given the capacity, leadership and direction necessary to fulfil its objectives. It also worked flexibly and rapidly to deploy funding as necessary to support progress across the programme, while continuing to carry out effective scrutiny of the value for money of HMG spending. Finally, it took significant risks in meeting requests from vaccine manufacturers for wide-ranging indemnities, a decision that enabled the VTF to secure deals which provided certainty and pace of vaccine supply. The decision (by the VTF with HM Treasury's support) on the portfolio approach was taken in the context of high levels of uncertainty.

The Public Spending Framework

208. As set out above, the principles underpinning HM Treasury's approach to spending did not fundamentally change during the pandemic. The established framework in which AOs are responsible for expenditure in their departments remained in place throughout, as did the requirement that AOs must ensure spending takes place in line with the principles of regularity, propriety, value for money and feasibility. In advising on value for money, HM Treasury's general considerations when advising Ministers also remained the same (albeit different considerations were weighted differently - and proportionately - according to the circumstances at the time during different phases of the pandemic).

209. Within that framework, HM Treasury was able to act flexibly thus allowing the VTF and DHSC (and HMG more broadly) to act rapidly when necessary, while establishing upfront scrutiny and risk management which, while varying from normal practice, were proportionate to the circumstances. In practice therefore, the public spending framework proved to be a flexible framework within which Ministers and departments could take

rapid decisions, balancing urgent public health need with value for money for the taxpayer.

210. The Ministerial Panel has been identified as a best practice example for how governance structures should be tailored to support the pace of work. Bringing ministers from four departments to simultaneously review expenditure decisions sped up contracting decisions and improved HMG's chances of successfully purchasing vaccines.

211. The vaccine programme operated at unprecedented pace, scale and complexity, and in conditions of profound uncertainty, to achieve the pressing objectives of supporting the creation of vaccines, securing access to them, and administering them to the population as quickly as possible. Given the unprecedented circumstances of the pandemic and the programme's achievements, the programme had provided value for money.

212. The Covid-19 pandemic was an unprecedented challenge for the health system and the management of public money in support of public service delivery in a crisis. HM Treasury has worked to embed lessons from the pandemic in our own practices and to share lessons on best practice more broadly across government. A number of elements of this work have been delivered through the Government Finance Function ("GFF").

213. I (Catherine Little), as Head of the GFF, convene a Finance Leadership Group ("FLG"), which meets every month outside August. The agendas include a Treasury update in which the latest information on fiscal events and other Treasury activity with departments is shared. The agendas also include items that require the attention of all government departments, and which allow departments to share best practice and common issues and concerns.

214. Previous sessions have covered the following topics:

i) Forecasting - this has led to the creation of an FLG forecasting sub-group tasked with working to improve forecasting accuracy. The group has discussed the impact of Covid-19 on departmental forecasting has set expectations around forecasting best practice for finance professionals and budget holders through the development of a new forecasting framework, which has been published and shared with departments ["CLM4/212" INQ000408792]. This sets out forecasting expectations and incentivises departments to share robust forecasts that enable HM Treasury to monitor public spending effectively and thereby minimise the risk to public finances. The sub-group is now exploring capital specific forecasting issues.

ii) Risk Management - several updates on risk management activities have been shared with and discussed at the FLG including the development, approval and publication of the Risk Control Framework as Part II of the Orange Book ["CLM4/213" INQ000412081].

iii) Financial Reporting - a joint session was held in November 2021 with FLG and the National Audit Office on timeliness and quality of reporting in Annual Report and Accounts ("ARA") for 2021-22 ["CLM4/214" INQ000412077 and "CLM4/214A" INQ000412079]. HM Treasury is currently undertaking a review to identify and resolve issues that may hinder more timely reporting for ARAs going forward and will cascade relevant updates as needed. On the content of ARAs for 2020-21 and 2021-22, HM Treasury has introduced new mandatory requirements for reports on the impact of the pandemic on departmental goals, strategic objectives and priority outcomes, and a fraud and error analysis of Covid-19 support schemes.

iv) Audit and Assurance – The GIAA attended a session in December 2021 on cross-government insights from the 2020-21 assurance work, in particular those related to the Covid-19 response ["CLM4/215" INQ000412078 and CLM4/215A INQ000412080]. FLG looked at the outcomes from the cross-government Risk Management review and discussed the impact of Covid on risk tolerance levels.

215. The GFF remains committed to ensuring that the finance community across government has access to adequate guidance and best practice. The GFF maintain a Covid-19 hub on the OneFinance platform, accessible to all government finance staff, that provides the latest advice and guidance in a single place online, including updates that cover AO flexibilities, response and recovery risk management, and changes to payment and debt processes.

216. HM Treasury has also reflected on the way the spending control framework operated during Covid-19, flexibilities that were agreed with departments, and the process of procuring specific products, including vaccines. The conclusions, including lessons learned for future crises, were set out in a letter from the CST to the Chair of the Treasury Select Committee in April 2021. HM Treasury applied learnings between key health programmes during the pandemic, for example, applying lessons from the PPE

programme in designing the assurance for the vaccine deployment programme **[CLM4/216 INQ000468800]**

217. One key lesson identified in the CST's April 2021 letter was the importance of high-quality data and data sharing in managing spending risks in crisis contexts. In some cases, DHSC had to act on the basis of the best available, but imperfect, information, and this resulted in decision-making that in hindsight was not optimal. HM Treasury put in place mechanisms during the pandemic to assure the quality of demand modelling and sharing of management information, and the quality of these improved over time. Demand modelling has also subsequently been examined by the Finance Leadership Group (see below).

218. The second key learning identified by the CST was the importance of commercial capability to decision-making, both embedded in programmes to provide advice at an early stage in decision-making, and in an external scrutiny role. Commercial expertise in programmes was particularly important because during the pandemic government relied more heavily than usual on the 'first line of defence' in assuring spending decisions, so there was a premium on strengthening commercial capability in programmes.

219. The third key reflection in the CST's letter was the benefit of embedding HM Treasury and Cabinet Office officials into internal processes in spending departments in order to facilitate earlier scrutiny of key data that would influence funding allocations.

220. Following the recommendations of the Boardman Review of Government Covid-19 Procurement in May 2021 ["CLM4/217" INQ000055876], HM Treasury undertook an internal exercise to record the flexibilities utilised within the spending framework during the pandemic and set out lessons learned, with the aim of informing the department's approach to future crisis scenarios ["CLM4/218"] INQ000107246.

221. Following the publication of the Living with COVID-19 Strategy in February 2022, HM Treasury:

i) published updated Accounting Officer Assessment guidance [CLM4/219, INQ000107246] that details better ways of joint working and advice on how to approach accounting officer duties in circumstances of uncertainty. We have also more explicitly linked business cases and accounting officer assessments and strengthened the role of the Finance Function in the authoring of assessments by requiring that such assessments should have Finance director sign off; and

ii) published an updated version of Managing Public Money with additions on combating fraud and communication with Parliament regarding Ministerial directions and contingent liabilities.

The UK's domestic vaccine manufacturing sector

222. It was recognised from the start of the pandemic that the UK's domestic vaccine manufacturing sector was less than ideally suited to the mass production necessary to respond to Covid-19. The UK was therefore exposed to scenarios where producer nations might impose export bans on vaccines or otherwise restrict supply in periods of shortage, which came to pass through 2021.

223. HMG has moved to address this by supporting commercial-scale vaccines and biotherapeutics manufacturing projects to improve the UK's health resilience for future pandemics. HMG have provided capital grant funding to incentivise onshore investment in the life sciences manufacturing sector, through fundings such as the Biomanufacturing Fund and the Life Sciences Innovation Manufacturing Fund. HMG has taken significant strides in bolstering the nation's onshore capabilities to produce vaccines, secured via a 10-year strategic partnership with Moderna. The construction of the new state of the art facility will provide capacity to produce up to 250m vaccines per year in the event of a pandemic. This is in addition to the investments in Croda in 2022, which secured domestic capacity for lipids production.

224. More generally, HMG has a range of different policy levers to manage, mitigate and respond to supply chain challenges, and to enable businesses and the wider public sector to build resilience. There is no "one size fits all" model and often a combination of levers may be the best solution to address a vulnerability. As announced in the Integrated Review Refresh, HMG will publish a new Critical Imports and Supply Chains Strategy to support specific HMG and business action to strengthen our resilience in critical sectors.

Equalities impacts

225. It should be noted that for vaccine procurement, consideration of equalities impacts was provided directly to the Ministerial Panel through the provision of business cases from

the VTF. While in many cases HM Treasury pushed spending departments to consider and account for equalities impacts in the design of programmes such as the Vaccine Deployment Programme, at times this could have been better reflected in the advice provided to Ministers.

226. Given HM Treasury's spending role, policies are first developed by OGDs, who then carry out their own Equality Impact Assessments. However, HM Treasury also has a role in considering the impacts on people with different characteristics.

227. Since the pandemic, HM Treasury's Executive Management Board, led by the Permanent Secretary, has agreed to provide additional resources to allow for the formation of the Equalities & Living Standards branch (ELSA), and for the expansion of the Equalities Policy branch to enable HM Treasury to go beyond fulfilling our legal obligations in the Public Sector Equality Duty (PSED) under the Equality Act 2010.

228. These two branches support teams across HM Treasury to consider equalities early in the policy making process to assist HM Treasury Ministers and staff comply with and fulfil HM Treasury's statutory duties and legal obligations under the Public Sector Equality Duty (PSED) in the Equality Act 2010. Their work has helped HM Treasury to better deliver awareness raising and capability building within teams across HM Treasury and includes issuing new internal advice on equalities **[CLM4/220 INQ000658676],** , specifically aimed at HM Treasury Spending Teams.

229. This change has enabled HM Treasury to provide a more proactive and thorough approach to understanding how policies impact different groups across the UK throughout HM Treasury policy making in a way that is consistent with HM Treasury values. This includes both the nine protected characteristics noted in the Equality Act 2010, as well as other socio economic 'markers' not included in the Act, but more aligned to the levelling up agenda, such as incomes.

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: 21 October 2024

Annex 1: HM Treasury's organisation and structure

230. HM Treasury have completed the below organogram of senior officials (Deputy Director and above) relevant to the decisions set out in this statement, based on the historical organisational records (the Annual Reports and Accounts) from the period covered by the Inquiry. Individual role holders, where known, have been included in chronological order.

231. It should be noted that the structure and roles of HM Treasury senior officials have changed over the time period covered in this organogram. Where job titles have changed but the job content remained broadly the same, we have included them in the same row.

1a. Organisational structure of relevant senior officials in HM Treasury

Job Title and Grade	Name	Job/Team Function
Permanent Secretary	Thomas Scholar (- Sep 2022)	Responsible for decision making, coordination and management of HM Treasury, line management of Permanent Secretaries across HMG, and communications with media and the public.
Second Permanent Secretary	Charles Roxburgh (- June 2022)	Responsible for growth policy, financial services and infrastructure (under Charles Roxburgh's tenure – portfolios were reconsidered on his departure).
Enterprise and Growth Unit		
Director General, Growth and Productivity	Philip Duffy (May 2020 – June 2023)	Responsible for leadership of HM Treasury's Enterprise and Growth Unit – including leadership on vaccines, medicines and life sciences policy. HM Treasury's Chief Scientific Adviser.
Director, Enterprise and Growth	Philip Duffy (- May 2020)	Responsible for leading HM Treasury's work on investment, innovation, science and research, infrastructure, productivity growth, culture and digital.

Deputy Director, Infrastructure, Digital and Culture	John Staples (-May 2023)	Responsible for Covid-19 vaccines from March 2020-June 2020.
Public Spending and Public Services Groups		
Director General, Public Spending	Catherine Little (March 2020 – Oct 2022)	Responsible for HM Treasury's work on public services with overall responsibility for managing public spending, strengthening financial discipline across central government, helping to ensure the delivery of more cost-effective public services, and contributing to creating the conditions for sustainable growth whilst supporting development in infrastructure and a low carbon economy.
Director, Public Spending	Conrad Smewing	Responsible for Spending Control, Pay and Pensions.
Director, Public Services	William Garton (March 2019 – March 2022) Philippa Davies (Jan 2021 - today) Antonia Williams (April 2022 – today)	Responsible for Oversight of Major Public Service Expenditure.
Deputy Director, Health & Social Care (Covid)	David Pares (Feb 2021 – June 2021) Joe Randall (Sep 2021 – Feb 2022) David Willis/Katie Law (jobshare – provided cover Feb 2022) Maeve Connolly (March 2022 – Aug 2022)	Responsible for oversight of spending on Covid-19 across the healthcare system.
Deputy Director, Health and Social Care (NHS and Social Care)	Philippa Davies (May 2019 – Jan 2021) Dharmesh Nayee	Responsible for business-as-usual spending across the healthcare system; alongside providing cover as needed on Covid-19 spending decisions.

	Rob Montanari (Sep 2022 – today)	
International Group		
Director General, International Group	Mark Bowman (- Oct 2021) Lindsey Whyte (Oct 2021-)	Responsible for leadership of HM Treasury's International Group, and delivery of HM Treasury's international objectives.
Director, Global Issues and Governance//International Finance	Veda Poon (- Aug 2023)	Responsible for leadership of HM Treasury's input to the G7 and G20 fora; engagement with the International Monetary Fund, the World Bank, and other international economic institutions; and international policy on climate change and global health.
Deputy Director, Vaccines and Global Health	Serina Ng (June 2020 – Apr 2023)	Responsible for leading HM Treasury's work on international vaccines and global health.
Strategy, Planning and Budget Group		
Director, Covid-19 Response	Kate Joseph (Dec 2020 – Feb 2022)	Lead Director on vaccines and medicines policy.
Deputy Director, Covid-19 Response	Jonny Medland (Mar 2020 – June 2021)	Responsible for coordination, briefing and advice of HM Treasury's cross-cutting Covid-19 response.

1b. Organisational structure of HM Treasury Ministers relevant to Module 4

Ministerial Post	Individual in post	Date Started in Department	Date left post/department	Responsibilities
Chancellor to the Exchequer				
Chancellor of the Exchequer	Rishi Sunak MP	13/02/2020	05/07/2022	The Chancellor of the Exchequer is HMG's chief economic and financial minister and as such is responsible for raising revenue through taxation or borrowing, for controlling public

				spending, and for delivering economic growth and stability. He has overall responsibility for the work of HM Treasury. The Chancellor’s responsibilities cover: • Fiscal policy (including the presenting of the annual Budget) • Monetary policy, setting inflation targets • Ministerial arrangements (in his role as Second Lord of HM Treasury) • Overall responsibility for HM Treasury’s response to COVID-19
	Sajid Javid MP	24/07/2019	13/02/2020	
CST				
Chief Secretary to the Treasury	Simon Clarke MP	15/09/2021	06/09/2022	The Chief Secretary (CST) is responsible for public expenditure, including: • Spending reviews and strategic planning • In-year spending control • Public sector pay and pensions • Annually Managed Expenditure (AME) and welfare reform • Efficiency and value for money in public service • Procurement • Capital investment • Infrastructure spending • Housing and planning • Spending issues related to trade • Transport policy, including HS2, Crossrail 2, Roads, Network Rail, Oxford/Cambridge corridor

				• Treasury interest in devolution to Scotland, Wales and Northern Ireland • Women in the economy • Skills, labour market policy and childcare policy, including tax free childcare • Tax credits policy • Housing and planning • Legislative strategy • State pensions/ pensioner benefits • Freeports – with support from EST on customs aspects
	Steve Barclay MP	13/02/2020	15/09/2021	
	Rishi Sunak MP	24/07/2019	13/02/2020	
FST				

	Lucy Frazer MP	16/09/2021	07/09/2022	The Financial Secretary to the Treasury (FST) is responsible for:
				• The UK tax system including:
				    • Direct, indirect, business, property, and personal taxation (except for taxes covered by EST and XST)
				    • European and other international tax issues
				    • Customs and VAT at the border
				    • The Finance Bill and the National Insurance Bill
				• Trade policy: goods, including tariffs
				• Departmental Minister for HM Revenue and Customs (HMRC), the Valuation Office Agency, and HMG's Actuary's Department
				• Tax administration policy

				• Input to Investment Zones and Freeports focussing on tax and customs elements • Overall responsibility for retained EU Law and Brexit opportunities
	Jesse Norman MP	23/05/2019	16/09/2021	
EST				

	John Glen MP	09/01/2018	06/07/2022	The Economic Secretary to the Treasury is the City Minister and is responsible for financial services.
				• Financial services policy, reform and regulation including:
				  • Financial conduct, including relationship with the FCA
				  • Financial stability, including relationship with the PRA
				  • Competitiveness and growth of the financial services sector
				  • Capital markets and listings
				  • Financial inclusion (overall HMG lead, working with DWP)
				  • Islamic finance, Fintech, and Crypto assets, including Central Bank Digital Currency
				  • International financial services (excluding input to DIT FTAs) including regulatory cooperation, the Swiss Mutual Recognition Agreement, EU issues
				  • Sponsorship of UKGI and State-owned financial assets, including NatWest shareholding
				  • Cash and Payments including Royal Mint

				• Financial services tax, including bank levy, bank corporation tax surcharge, Insurance Premium Tax • Personal savings tax and pensions tax policy • Foreign exchange reserves and debt management policy (including green gilt), National Savings and Investment, Debt Management Office • Public Works Loan Board • UK Infrastructure Bank, British Business Bank and British Patient Capital • Parliamentary deputy on economy issues • Supporting the Chancellor with his overall responsibility for appointments
XST				
	Helen Whately MP	16/09/2021	08/07/2022	The Exchequer Secretary (XST) is responsible for: • Growth and productivity, including skills, migration, infrastructure (physical & digital), digital economy, economic regulation, business regulation, competition, corporate governance, foreign direct investment (non-FS), and the Levelling Up White Paper living standards mission. • Energy, environment and climate policy and taxes (including transport taxes) • The following indirect taxes, including stakeholder engagement:

				• Excise duties (alcohol, tobacco, gambling, and SDIL), including excise fraud and law enforcement • Charities, the voluntary sector, and gift aid • Departmental minister for HM Treasury Group (including responsibility for the Darlington campus) • Crown Estate and the Royal Household Energy Profits Levy
	Kemi Badenoch MP	13/02/2020	16/09/2021	
	Simon Clarke MP	27/09/2019	13/02/2020	
Treasury Lords Minister				
Treasury Lords Minister	Baroness Penn	30/10/2022	Incumbent	The Treasury Lords Minister is responsible for: • Economic security • Financial sanctions (including OFSI) • Countering economic crime and illicit finance • Russia/Ukraine conflict • Trade policy (input to DIT FTAs): services, including financial services • International climate and nature finance • ESG in financial services, including Green Finance • Women in Finance • Overseas territories and Crown Dependencies
[as Minister of State for Efficiency	Lord Agnew of Oulton	14/02/2020	24/01/2022	

and Transformation]				

1c. Organisational structure of HM Treasury Special Advisers

Name of Special Advisor	**Date started in post**	**Date left post/department**	**Responsibilities**
Liam Booth-Smith	13/02/20	05/07/22	Chancellor's Chief of Staff
Lisa Lovering	01/09/20	05/07/22	Chancellor's Special Adviser
Douglas McNeill	13/02/20	05/07/22	Chancellor's Special Adviser
James Nation	06/01/21	05/07/22	Chancellor's Special Adviser
Michael Webb	23/03/20	06/06/22	Chancellor's Special Adviser
Cass Horowitz	24/02/20	05/07/22	Chancellor's Special Adviser - Media
Nerissa Chesterfield	13/02/20	05/07/22	Chancellor's Special Adviser - Media
Olivia Oates	15/09/21	06/09/22	CST's Special Adviser
Rupert Yorke	03/03/20	05/07/22	CST's Special Adviser
Allegra Stratton	28/04/20	25/10/20	Chancellor's Special Adviser - Media
Aled Maclean Jones	14/04/20	14/09/21	CST's Special Adviser

Annex 2: Overview of HMG budget setting process

232. HM Treasury sets departmental resource and capital budgets – known as 'Departmental Expenditure Limit' (DEL) – through the Spending Review ("SR") process. The process for SRs is not defined in law and the scope and length of an SR can vary. Resource DEL ("RDEL") is used on day-to-day expenditure, including pay and procurement, while capital DEL ("CDEL") is used for investment (e.g., in rail or roads) and financial transactions. SR processes are led by the Chancellor, but typically involve bilateral negotiations with departments and collective decision making to set the budgets for HMG priorities.

233. The SR sets departmental budgets for any particular year. The Secretary of State of each department, on the advice of their officials, is responsible for decisions on allocations within their budget. This will be guided by, amongst other things, their existing commitments, priorities and risks. Each department sets out to Parliament how it has funded its activities and used its resources during the financial year in its Annual Report and Accounts.

234. HMG can also use the annual Budget process to announce new policies. However, baseline spend per department is not updated at this point. To fund these new policies, a department's budget may need to be adjusted in-year.

235. While SRs are the internal process HMG uses to develop budgets, Supply Estimates are the process through which HMG seeks Parliament's authority for its spending plans. Supply Estimates are based on the principle of 'annuality', meaning that the provision voted by Parliament and authorised under the relevant Supply and Appropriation Act can only be applied to the financial years (running from 1 April to 31 March) specified in that Act. HM Treasury collates the Estimates from departments and lays them in Parliament. These Estimates, which set departmental budgets in RDEL and CDEL, are referred to informally as control totals. Spending in excess of these control totals is a breach of regularity and requires Parliament to approve that spending through an excess vote.

236. There are two annual Supply Estimates: Main Estimates, which set budgets at the beginning of the financial year, and Supplementary Estimates, which adjust for any variation to provide the most taut and realistic estimate for the end of the financial year.

237. HM Treasury delegates authority to departments to enter into commitments and to spend within predefined limits ("Delegated Authority Limit", "delegated limit" or "delegation"), without specific prior approval from HM Treasury. Delegated authorities strike a balance between HM Treasury's need to control spending to fulfil its

responsibilities to Parliament and the department's freedom to manage it within its agreed budget limits and Parliamentary provision. Delegated authorities can be set with a high degree of flexibility, e.g., they can apply as a broad spending limit on all individual projects within a department's remit, or they can be set as a spending limit for a specific policy or programme. Delegations are usually recorded in a bespoke delegated authority letter for each department, but this process can be departed from.

238. Before any expenditure outside the delegated authorities is submitted by the department to HM Treasury for formal approval, it should already have passed the highest level of scrutiny within the department. Expenditure submitted to HM Treasury for approval should also have been signed off by the relevant departmental minister (excepting cases related to special payments).

239. HM Treasury also delegates a number of spending controls to the Cabinet Office on particular areas of spending, for example commercial and digital spending. This means that departments must seek approval from Cabinet Office ministers for spending that falls in these categories, as well as seeking any necessary approvals from HM Treasury ministers. At the time the pandemic started, all commercial spending greater in value than £10 million was subject to CO commercial control.

Annex 3: HM Treasury's role in HMG spending and summary of the work of HM Treasury spending teams

240. HM Treasury is responsible to Parliament for creating and maintaining a framework to manage public resources (see Managing Public Money ("MPM")). Parliament looks to HM Treasury to make sure that departments only use their powers as intended; that revenue is raised, and resources are spent within agreed limits. HM Treasury performs this role in three ways: by designing the Budgeting Framework (set out in an annual Consolidated Budgeting Guidance document); setting departmental budgets through the Spending Review and Estimates processes; and controlling departmental spending on an ongoing basis so that they stay within budgets and achieve value for money.

241. To underpin the application of the framework across HMG, HM Treasury appoints a Principal Accounting Officer ("AO") in each central HMG department who is always the Permanent Secretary or Chief Executive. That Principal AO appoints the heads of any arms-length bodies (ALBs) within their departmental group as AOs. The Principal AO may also appoint AOs for specific areas of Departmental expenditure. AOs are responsible to Parliament for the stewardship of the relevant departmental or ALB's resources.

242. A key responsibility for AOs is to ensure that spending in their department conforms to the principles of regularity, propriety, value for money and feasibility as set out in Managing Public Money. Broadly, this means that AOs are responsible for ensuring that their department and any ALBs it sponsors operate effectively and to a high standard of probity, for managing risks in their organisation, for ensuring that spending has HM Treasury Ministers' approval and is compliant with the law and MPM guidance, and for ensuring that policies represent value for the taxpayer and are deliverable.

243. HM Treasury has specific teams ("spending teams") responsible for overseeing the spending policy for specific departments, for instance advising HM Treasury ministers on departmental allocations at fiscal events and in-year approvals. Spending teams consist of officials up to Deputy Director level. There is also a central spending coordination team called General Expenditure Policy ("GEP").

244. Regular meetings take place between HM Treasury spending teams and spending departments to discuss the department's key financial and policy issues and financial management information (including financial outturn and forecast data) and agree next steps. Directors and Director Generals also frequently interact with senior counterparts in departments, including the departmental AO.

245. There is significant engagement with departments in advance of an SR. Departments submit 'bids' to HM Treasury, which are then assessed by spending teams, and worked through between ministers in bilateral negotiations. This process considers the priority outcomes each department is responsible for delivering and the funding required to deliver those outcomes, taking into account the potential for efficiency and savings within each department.

246. In addition to the engagement described above, departments provide reporting on their overall financial position to HM Treasury. HM Treasury's spending teams monitor these data throughout the year, engaging with departments on any areas of concern. Where the team consider that action is needed to ensure that a department can operate within its budget, advice is provided to HM Treasury ministers on any options requiring their decision.

247. In line with Parliamentary expectations, as set out in the principles and rules in Consolidated Budgeting Guidance, departments must bring spending proposals to HM Treasury for approval where they exceed Delegated Authority Limits or are 'novel, contentious, or repercussive'.

Annex 4: HM Treasury's role with respect to funding arrangements for vaccines and therapeutics in Scotland, Wales and Northern Ireland

248. Similar to departments, the UK's three devolved administrations (DAs) in Scotland, Wales and Northern Ireland receive multi-year funding settlements at SRs, with in-year changes in funding determined through annual Parliamentary Estimates processes. The quantum of funding provided to the DAs is largely determined through the longstanding Barnett formula, with further adjustments to funding in relation to specific policy areas (notably agreed tax and welfare Block Grant Adjustments). The DAs also have their own agreed tax and borrowing powers.

249. HM Treasury does not directly approve DA spending on health and care as DAs take their own decisions and are accountable to their respective legislatures. DA finance departments set delegated authority limits for their policy/delivery departments. However, some routine (non-Covid and non-flu) vaccines and medicines for stockpiles are purchased centrally on behalf of the whole UK, with HM Treasury approval. For example, UKHSA – and previously its predecessor PHE – procure most routine vaccines used in the UK and DAs are invoiced for their share of these, should they wish to use them.

250. In 2020-21, the DAs were provided with an in-year funding guarantee, meaning that DAs could plan their response to the pandemic without having to wait for changes to HMG departments' budgets to be confirmed and without them having to make a claim on the Reserve. This guarantee was initially set at £12.7 billion on 24 July 2020 and subsequently uplifted to £14bn on 9 October 2020, £16bn on 5 November 2020 and finally £16.8bn on 24 December 2020. For 2021-22 onwards, Covid-19 was largely taken into account through Spending Review settlements, so a further funding guarantee was not required.

251. Policy on health and care continued to operate as a devolved matter during the pandemic (for example, policy on vaccination deployment was set and delivered by DAs). However, some elements of vaccines and medicines spending were delivered on a UK-wide basis in collaboration with DAs, and UK-wide budgets were set for lead HMG departments.

252. The two most significant examples of this with respect to this module were Covid-19 vaccines and antivirals, where the lead HMG departments (BEIS and DHSC respectively) conducted procurement on behalf of the whole of the UK and allocated inventory to DAs. This meant that in some areas of vaccines and medicines policy during the pandemic,

value-for-money and commercial judgements were in practice exercised at the HMG-level. However, this was consistent with the existing approach taken on centrally procured vaccines and medicines.

253. The existing policy framework would not have prevented DAs in principle from setting up their own procurement programmes had they wished to do so.

254. For DA funding in civil emergencies, Chapter 8 of the Statement of Funding Policy sets out the arrangements for the devolved administrations to access the UK Reserve. In summary, access will be considered by HM Treasury ministers in exceptional circumstances where either:

i. A UK Government department is granted access to the Reserve and a devolved administration is facing similar pressures,

ii. A devolved administration faces specific costs that cannot reasonably be managed without a major dislocation of existing services.

255. Devolved administrations must send a ministerial letter to the CST setting out their case. Access is judged on largely the same criteria as claims by HMG departments but also considering the additional tools and powers available to DAs.

Annex 5: Calling on the Reserve

256. HM Treasury agrees the budgets for departments through a process called Spending Review (SR), SR settlements are agreed between HM Treasury and departments based on anticipated spending needs across the years covered. However, departments are expected to identify 5% of their allocated departmental budget which can be reprioritised to fund unexpected pressures. The last SR conducted before the pandemic was in 2015 and covered the period from 2016/17 to 2020/21. As a result of the pandemic, the Chancellor delivered a one-year SR in November 2020 covering the period until March 2022.

257. As part of every SR, HM Treasury also sets aside centrally held contingency funding for unforeseen, unabsorbable, and unavoidable pressures. HM Treasury controls how this contingency – called the Reserve – is allocated. HM Treasury can also adjust the size of the reserves as part of the Budget or Autumn Statement every year. Access to the Reserve must be agreed by CST.

258. From early 2020 HM Treasury examined how resources might be reprioritised to meet the unanticipated funding need caused by the pandemic, while also providing very significant amounts of additional funding to departments. This was primarily delivered by applying additional scrutiny to overall budget positions and identifying areas where the pandemic could reasonably be expected to create underspends (for example where the delivery of a project had had to be slowed and it would no longer spend its full budget for that year as a result). This approach protected the taxpayer by only increasing funding where needed, while ensuring HMG's overall response at the height of the pandemic could flex rapidly to meet the needs of the moment. In the case of Covid-19 vaccines and medicines, in FY 20/21 these areas were principally funded from the reserve with a small amount of reprioritisation.

259. The level of the Contingencies Fund was increased using primary legislation amending the Contingencies Fund Act 1974 in both 2020-21 and 2021-22 to ensure that departments could access cash advances for urgent services in a timely manner, ahead of formal voting in Parliament at Main or Supplementary Estimates. For 2020-21 the Contingencies Fund

Act 2020 increased the percentage to 50% from the usual 2% (from approximately £11bn to £266bn). For 2021-22, the Contingencies Fund Act 2021 increased the percentage to 12% (from approximately £17.5bn to £105bn). In 2022-23 the Contingencies Fund returned to the usual 2% (approximately £15.1bn).

260. Consolidated Budgeting Guidance sets out the process that departments should follow if they wish to make a call on the Reserve. As well as proposing and discussing any alternative courses of action with their HM Treasury spending team as early as possible, departmental proposals for Reserve access must set out:

i. The size of the pressure;
ii. The cause and why it is unforeseen;
iii. Any offsetting actions to manage down the pressure – including cutting costs, cutting inefficiencies, cutting unnecessary programmes and cutting lower priority budgets;
iv. The residual pressure; and
v. Corrective actions they mean to take if Reserve access is granted.

261. If discussions conclude with no other alternative course of action identified, departments must submit a formal Ministerial letter to the CST with the support of their HM Treasury spending team. The drawdown of funding from the Reserve is then subject to an assessment of need, realism, and affordability at the time at which funds are released. Where the CST agrees to provide support to a department from the Reserve, the amount may be repayable the following year by means of a reduction in the department's budget.

262. Though departments should always follow the Reserve process set out in CBG where possible, there are occasions where a department's request for access to the Reserve may need to be approved to a much shorter timescale. In such circumstances, HM Treasury can agree to allow the department to access the Reserve in principle without following the standard approval process. These requests will still need Ministerial approval during the Estimates process and funding will only be provided based on the need, realism, and affordability of the claim. HM Treasury relied heavily on this approach during the early stages of the Covid-19 pandemic.

263. Budgets and any associated cash allocated through the Reserve still require voting in Parliament at either Main or Supplementary Estimates for departments to receive access

to this additional funding. If departments need to incur urgent expenditure ahead of it being voted in Parliament (and receiving Royal Assent), they can apply for a Contingencies Fund Advance ("CFA"). A CFA enables HM Treasury to make repayable cash advances to departments for urgent services, in anticipation of provision for those services by Parliament. HM Treasury may authorise issues out of the Fund subject to the limit set on the capital of the Fund by the Contingencies Fund Act 1974. The limit is fixed at 2% of the total of authorised Supply expenditure (i.e., the total of all authorised departmental net cash requirements) in the preceding financial year.

264. There are no special arrangements in place with Cabinet Office for funding civil emergencies, beyond the usual arrangements in place for all urgent and unexpected expenditure through application to the Reserve.