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THE UK COVID-19 INQUIRY

MODULE 7 CORPORATE WITNESS STATEMENT OF HIS MAJESTY'S TREASURY

FIRST WITNESS STATEMENT OF DAN YORK-SMITH

1. I, Dan York-Smith, make this statement on behalf of His Majesty's Treasury ("HM Treasury" or "the Department"). My current work address and date of birth are known to the Inquiry.

2. I am providing this statement in response to the Inquiry's Rule 9 request dated 7 November 2024 ("the Rule 9 request") on behalf of the Department.

3. As HM Treasury's Director General for Tax and Welfare, I am responsible for tax and welfare policy and spending. Spending all but three of the past twenty years within HM Treasury, I have worked on Enterprise & Property Tax, Personal Tax and Communications as Press Secretary to the Chancellor. At 10 Downing Street, I served as the Prime Minister's Private Secretary (Economic Affairs). During the Covid-19 pandemic I was Director of HM Treasury's Strategy, Planning and Budget Group.

4. Whilst I have some limited personal recollection of some of the events or processes described in this witness statement, I have also co-ordinated and liaised with a number of colleagues with 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 am also reliant 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 against these limitations. 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 January 2020 and 28 June 2022.

7. The statement is structured as follows:

    a) Introduction
    b) HM Treasury's engagement with other government departments (OGDs) during the relevant period
    c) Funding of the Test and Trace programme in England
    d) Support to those self-isolating (Test and Trace Support Payment)
    e) HM Treasury's role in border related decisions
    f) Lessons learned

Introduction

8. HM Treasury is His Majesty's Government's ("**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 ("**CX**"), 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.

9. HM Treasury contributes to Cabinet level decision making through the CX and the CST, focusing on its objectives. HM Treasury officials' role is to advise our ministers, who take decisions on behalf of the department (including via Cabinet collective agreement processes). The positions taken by HM Treasury officials, for example when engaging in cross-departmental negotiations, represent our ministers' views. It is ultimately the role of the Prime Minister to balance objectives across government to reach collective decisions. During the relevant period, HM Treasury held a pivotal role in setting budgets and approving spending related to testing, tracing and isolation. HM Treasury's role in budget setting and spending control is set out in Annex 2 of the statement.

10. The focus of this module is on the approach to testing, tracing and isolation adopted during the pandemic. This statement primarily addresses the role of HM Treasury in setting budgets, applying spending controls and influencing strategic decisions in the context of the Test and Trace programme in England, financial support for those self-isolating and the departments involvement in border policy decisions. The statement also details the ways in which HM Treasury's risk management systems and processes were engaged as the COVID-19 pandemic emerged, and the need to test and contain the virus became urgent and paramount.

The Test and Trace programme in England

11. Health policy in the UK is primarily a devolved matter. This included policies around testing, tracing, and isolating in the event of infectious diseases. HM Treasury therefore does not approve health and care spending by the Devolved Governments as they take their own decisions and are accountable to their respective legislatures. The funding arrangements for

the Devolved Governments are set out in Annex 4. HM Treasury's involvement in TTI was therefore limited to the Test and Trace programme in England.

12. While HM Treasury worked closely with relevant departments, HM Treasury did not have responsibility for the design and operation of the Test and Trace programme. Before the pandemic, responsibility for responding to outbreaks of infectious diseases, including through testing and tracing, sat with Public Health England ("**PHE**"), an Executive Agency of the Department of Health and Social Care ("**DHSC**"). From 28 April 2020, the government's test, trace, contain and enable approach in England was led by the NHS Test and Trace Service ("**NHST&T**", "**T&T**" or "**Test and Trace**"), which was part of DHSC. Responsibility for NHST&T moved to the UK Health Security Agency ("**UKHSA**") in April 2021.

13. COVID-19 represented an unprecedented civil emergency affecting health and care systems and necessitated a response by government equally unprecedented in speed and scale. HM Treasury had to support decision making on significant expenditure and novel interventions for health and care systems, including on test and trace infrastructure, at an unusual pace and in a more uncertain environment than usual. This was due to the speed at which the pandemic unfolded, the pace at which global markets for health supplies moved, and uncertainty over the course and endpoint of the pandemic (including uncertainty over when pandemic-controlling pharmaceutical interventions would be available and the impacts of virus variants).

14. Throughout the relevant period, HM Treasury continued to apply the principles of effective and efficient public spending in a consistent fashion, in line with its responsibility to deliver value for money for the taxpayer (see Annex 2 for further detail). However, there was a need to apply the spending framework in a more flexible way than would otherwise have been the case, to meet the spending requirements of the health response at the necessary pace. Managing Public Money ("**MPM"**) states that it is the responsibility of departmental Accounting Officers ("**AO"**) to have regard for 'value for money' ("**VfM**"): 'ensuring that the organisation's procurement, projects and processes are systematically evaluated to provide confidence about suitability, effectiveness, prudence, quality and good value judged for the Exchequer as a whole.' In March 2020, the HM Treasury Permanent Secretary wrote to all departments – exhibited as [CL/003/INQ000399236] – reminding them of the need to consider AO duties, the process for Ministerial directions if control totals were likely to be breached, and confirmation that spending teams would respond to requests with urgency and understanding.

15. The chronology of key decisions relating to these schemes is detailed in paragraphs 25 to 111.

Financial support to those self-isolating

16. Another key role of HM Treasury was to implement COVID-19 economic support schemes to protect the economy and wellbeing of millions of people. The government provided almost £400bn of support during this period. Of particular relevance to this module was the rapid design, announcement and implementation of economic support measures to help mitigate the impact of isolating, including changes to Statutory Sick Pay ("**SSP**"), ensuring it remained fit for purpose during the pandemic and the introduction of a rebate scheme, and the targeted Test Trace and Support Payments scheme ("**TTSP**"). The chronology of the key decisions made relating to these schemes is detailed in paragraphs 112 to 148.

17. SSP is a reserved matter in Great Britain and is a devolved matter (transferred) in Northern Ireland. The SSP rebate scheme detailed in the statement was a UK-wide scheme. TTSP was an England only scheme and was delivered by DHSC via local authorities. The Devolved Governments received Barnett consequentials in the usual way.

Border policy

18. Finally, the statement sets out HM Treasury's role with regards to the development of policies and strategies concerning UK borders in relation to test, trace and isolate. HM Treasury officials sought where appropriate to provide advice on the economic costs of border controls in proportion to the potential health benefits of any travel restriction. A chronology of where HM Treasury inputted into decisions or provided advice is provided at paragraphs 149 to 187.

HM Treasury's engagement with other government departments (OGDs)

19. HM Treasury engaged across the government to ensure economic policy supported health policy, to avoid duplication of efforts across departments, and to ensure that HMG's response to the pandemic remained united. This was achieved through its participation in the Ministerial Implementation Groups (**"MIGs"**) introduced by the Prime Minister (**"PM"**) in early March 2020. Strategic decisions were made by Cabinet Office Briefing Rooms (**"COBR"**). The C-19 daily meetings would 'monitor progress' and 'refine measures' agreed by COBR, with the implementation committees feeding into the C-19 meetings.

20. In early June 2020, the government moved away from the four ministerial implementation groups. The Cabinet Committee architecture was streamlined into the Covid-19 Strategy Committee ("**Covid(S)**") and the Covid-19 Operations Committee ("**Covid(O)**") (although at subsequent stages in the pandemic, groupings of senior Cabinet members chaired by the Prime Minister would meet to consider specific issues, such as approaches to NPIs and the approach to vaccine deployment). The CX had a seat on both Covid(S) and Covid(O) though other departmental ministers, most often the CST, typically deputised for him at Covid(O).

21. Throughout the relevant period, HM Treasury used these meetings as an opportunity to gather information on relevant modelling and forecasts in relation to the rate of usage, level of supply, and the need for vital healthcare equipment, as well as to remind relevant departments to follow proper spending controls.

22. HM Treasury also participated and took an active role in several cross-government boards which facilitated discussions on ongoing and pressing issues surrounding TTI, including the Test and Trace Investment Board (NHST&T acted as secretariat) and the International Travel Programme Board (Department for Transport (**"DFT"**) acted as secretariat).

23. HM Treasury has specific teams (spending teams) responsible for overseeing spending and policy for specific departments, for instance advising HM Treasury ministers on departmental allocations at fiscal events, for example Spending Reviews and in-year approvals. Spending teams consist of officials up to Deputy Director level (SCS1). HM Treasury has a specific team (the Health & Social Care team, HSC, sitting in the Public Services Group) responsible for health and care spending and policy. This is the team within HM Treasury that was responsible for advising Ministers on the NHST&T programme. Where necessary, other spending teams might also advise on aspects of health policy, for example the DLUHC

spending team where funding is delivered by local government. There is also a central spending coordination team called General Expenditure Policy ("**GEP**") in the Public Spending Group.

24. 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 Directors General also frequently meet with senior counterparts in departments, including the departmental AO. There was regular engagement between the Health and Social Care Spending Team and DHSC on testing and tracing policy. Engagement ranged in purpose but would often be a means for HM Treasury officials to gain further information about DHSC requests that needed HM Treasury approval before advising Ministers.

The Test and Trace Programme in England

25. From the beginning of the pandemic, the government recognised the vital role an effective testing regime could play in protecting the vulnerable and containing the virus. At the MIG on 17 March 2020, it was noted there was a broad consensus that a mass testing strategy would be needed [DYS-7/001/INQ000055915 and DYS-7/002 /INQ000585913].

26. HM Treasury's assessment of the value of Test and Trace (**"T&T"**) during the relevant period was underpinned by an understanding that widespread testing and self-isolation, particularly finding and isolating index cases, could reduce transmission significantly. Alongside benefits for patient outcomes and public health, Ministers saw the potential for an effective testing system to be as central to the UK's economic response to the pandemic along with the more traditional economic policy levers, such as business support and employment schemes.

27. HM Treasury's interest in the overall testing programme thus covered two broad principles – first, ensuring the system realised the potential health and economic benefits outlined above and, second, managing the financial risk to taxpayers in the pursuit of these benefits through minimising waste and maximising value.

28. HM Treasury's work on the T&T programme can be characterised in three distinct but overlapping phases.

29. **Phase 1: March 2020 – May 2020**. At the start of the pandemic, outcomes for patients, care users and public health were the government's overriding priority, with the CX committing to give the NHS 'whatever it need[ed]' to tackle COVID-19. This included T&T, where HM Treasury's main priority was to provide DHSC with the funding they requested to rapidly scale up existing infrastructure and procure a substantial amount of testing capacity to realise the Secretary of State (**"SoS"**) DHSC ambitions of 100,000 tests a day. As with other areas of pandemic related health policy at the time, it was inevitable that the Government's appetite for risk was inherently higher in this phase. This risk was exacerbated by several factors including:
    a) *Pace*. This was particularly true in the early months of the pandemic when there was global hyper-competition for testing technologies and consumables. Pace limited the scrutiny HM Treasury was able to put around spend – as a result, HM Treasury relied heavily on the judgements of departmental AOs and on setting conditions to reduce taxpayer exposure.

b) *Uncertainty.* Even compared to the rest of health and care spending, uncertainty was particularly acute for T&T. Initially, for testing alone, there were significant questions around scientific reliability, use cases, lab/delivery capacity, unit cost, demand and behavioural response. Recognising the need to accept a proportionate level of uncertainty was critical to spending decisions given the potential economic benefit T&T could unlock.

c) *Incomplete information.* It was, at points, challenging to secure regular information flows from an NHST&T programme that was new, under pressure and subject to rapid scale up. As a result, testing the VfM of proposals was at times challenging. Given the economic importance of T&T, unlocking information was a significant focus for HM Treasury Ministers.

d) *Capacity and capability.* Given the pace at which NHST&T was required to scale up, it was understandable that time was needed for the organisation to mature, particularly in terms of its financial and commercial expertise. This led to initial teething problems when scrutinising spend, which HM Treasury worked to mitigate over time by insisting on the embedding of formal expertise into the programme (for example through Infrastructure Projects Authority **"IPA"**, Government Communications Service **"GCS"** and Government Finance Function **"GFF"**), implementing backstops (for example, a formal condition that Cabinet Office had to be content with the commercial arrangements for all testing procurements) and improving relevant governance structures.

30. **Phase 2: May 2020 – December 2020.** As incidence slowed, there was greater opportunity for HM Treasury to put in place proportional measures to manage these risks through setting DHSC a substantial delegated budget with agreeing outcomes in line with MPM and the spending framework. This enabled HM Treasury to focus on economically strategic issues. The theoretical economic value of T&T could only be realised if, in practice, its use informed government decisions on Non-Pharmaceutical Interventions (**"NPIs"**), allowing these to be avoided or scaled back at the appropriate time. HM Treasury's approach focused on advocating for a clear prioritisation of use for T&T, which developed as the pandemic progressed. HM Treasury continued to provide the T&T programme with the funding it requested throughout this phase, ultimately increasing its budget to £22bn, to enable mass testing from autumn 2020.

31. **Phase 3: January 2021 – June 2022.** The impact of vaccines from early 2021 meant trade-offs between **financial** and **clinical priorities** were less acute than at the start of the pandemic. Between peaks, increased focus was put on working with DHSC, UKHSA and the

T&T programme to strengthen spending control and prepare systems for returning to pre-Covid spending arrangements, including via agreeing longer term funding at Spending Review (**SR**) 21 and through the Living with Covid strategy. In peaks, most notably after the emergence of the Omicron variant, patient and public health outcomes remained paramount, and HM Treasury continued to approve spending for the procurement of testing capacity as required.

Phase 1: March 2020 – April 2020

32. In the early months, scaling up existing small scale and tightly focused T&T infrastructure was necessary if any system was to have a measurable impact on transmission rates. HM Treasury therefore supported the Health Secretary's ambitions in relation to both domestic manufacture and international procurement of tests, as well as full consideration of effective tracing methods, and approved numerous funding requests by DHSC.

33. This included recognising early that government would need rapidly to procure tests in a fast-evolving, challenging, and competitive market. On 19 March 2020, the CST retrospectively agreed a £64m request for lab testing kits and provided DHSC with a £100m testing envelope to enable the department to procure testing kits rapidly [DYS-7/003/ INQ000585914]. This was to support the four testing workstreams - symptom testing in hospitals, symptom testing in local centres and home-based, immunity testing and mass population surveillance - agreed at the No.10 workshop on 17 March 2020. On 25 March 2020, the CST then agreed to increase the testing envelope to £300m [DYS-7/004/ INQ000477810

34. On 6 April 2020, the Health Secretary announced the Government's ambition to deliver 100,000 tests per day by the end of the month, now over five 'pillars': i) swab testing delivered by public sector labs, ii) swab testing by commercial partners, iii) antibody tests, iv) surveillance and iv) scaling up the UK's diagnostics industry. HM Treasury officials provided updates to Ministers in early April 2020 on progress of the new testing strategy [DYS-7/005/ INQ000596039 and DYS-7/006/ INQ000596040

35. Over this phase, a number of spending requests from DHSC were approved for improving tracing services (including funding for a tracing app, manual contract tracers and various surveys) and the procurement of tests to deliver this strategy, as per MPM guidance on the approval of novel, contentious, or repercussive spend.

Phase 2: May 2020 – December 2020

NHS Test and Trace Programme Budget

36. As per MPM rules, DSHC were initially required to secure the approval of HM Treasury for all spending by the T&T programme. HM Treasury agreed to provide a ring-fenced budget for testing with the clarification that payments made under the testing strategy, which delivered against one of the five testing pillars, would not be seen as novel and thus did not require individual approval by HM Treasury. This allowed normal MPM frameworks to apply – with HM Treasury approval only required for procurements which breached DHSC's delegated limit, or were otherwise novel, contentious, or repercussive [DYS-7/007/INQ000585916]. This approach had three aims – to move decisions and accountability closer to the experts, in line with best evidence on delivering VfM; to ensure the programme had sufficient operational freedom to focus on delivery; and to allow HM Treasury to focus on wider strategic questions around ensuring the system realised its economic benefits, reducing the number of requests and time spent clearing what were – at times – multiple spending requests each day.

37. On 7 May 2020, Baroness Harding was appointed as the Executive Chair of the T&T Taskforce, reporting directly to the Prime Minister. HM Treasury officials advised the CX and the CST on 11 May, outlining what they believed HM Treasury's priorities for the T&T programme should be [DYS-7/008/INQ000585920]. This included:

    a) Substantially scale up both testing (measured by completed tests) and tracing, to a high enough level to keep R under control as restrictions are loosened – with higher ambition for both domestic manufacture and international procurement of tests, and a realistic expectation of the potential role of the app vs manual tracing;
    b) Deliver a much faster test turnaround (<24hrs, with focus on innovative models which could deliver onsite/within minutes) and reduce test/trace false positives, to minimise 'needless' self-isolation and generate public confidence;
    c) Use T&T specifically to get control of the outbreak in care homes immediately, through stronger prioritisation and innovative delivery mechanisms, given care home transmission was then driving R;

d) Develop well-functioning national surveys and early warning systems to enable national-level decisions on the NPIs to be taken more decisively and more regularly;
e) Improve engagement with the business community to ensure implementation of both testing and tracing is a core part of plans for return to work.

38. Officials also provided slides that set out data gaps [DYS-7/009/ INQ000585919] where they would like to see the new data scientists and analysts work towards refining, as part of a dashboard. The CX agreed with the areas for prioritisation on 15 May 2020 [DYS-7/010/ INQ000585921].

39. On 16 May 2020, the CST wrote to the PM and the CX, noting £886m had now been provided to support the delivery of up to 190k tests per day. The CST expressed concern about the pace of tests being carried out, and the lack of prioritisation being given to care homes and suggested looking at how departments could better utilise data to support good decision making in the upcoming spending review [DYS-7/011 /INQ000585922].

40. The NHS Test and Trace Service (**"NHST&T"**) was formally launched on 27 May 2020 to lead on four areas of pandemic response, known as test, trace, contain and enable, and to bring these together into a single national programme. HM Treasury officials recommended that Ministers agreed to DHSC's request for a £10bn ring-fenced budget. This was to include all expenses and approvals for T&T to date [[INQ000477874].

41. The need for robust accountability, governance, and controls underpinned the decision to set a large, ring-fenced budget. As set out in a letter to David Williams confirming the funding, HM Treasury made use of existing HM Treasury levers as safeguards **INQ000507659** . This included clear delegations whereby HM Treasury continued to approve contracts that were longer than six months and greater than £100m; set formal conditions on the funding, including that a comprehensive Major Projects/Treasury Approval Process style review would be conducted jointly with the IPA to test whether the approach remained effective and was delivering value for money, and HM Treasury involvement in all levels of T&T strategic development and decision making to ensure economic and financial considerations were properly considered.

Contain Outbreak Management Fund

42. The Contain Outbreak Management Fund ("**COMF**"), initially badged the Test and Trace Support Grant, was established by DHSC in May 2020 with the aim of providing LAs in England with financial support to be used for test, trace and contain activity. The COMF was the primary source of funding to support LAs in delivering their outbreak management plans, as well as implementing measures to tackle transmission, and enhanced response activity in areas with particularly challenging disease situations. From 2020 to 2022, over £2.1 billion was allocated to the COMF from the Test and Trace programme budget.

43. On 20 May 2020, the CST approved £400 million for this, which was ring-fenced with conditions (Annex 5). Of this, £300 million was announced by DHSC with £100 million held back as surge funding for areas that experienced peaks in Covid-19 cases. As per Managing Public Money rules, HM Treasury continued to approve spending within this fund that was novel, contentious, or repercussive [DYS-7/012/INQ000585926] [DYS-7/013/INQ000585927].

44. By 8 October 2020, while only £12.5m of the £100m surge funding had been paid out so far, it was expected that there would soon be significant further bids given the increasing rates of Covid-19 cases in many areas. In anticipation of this, and to support LAs in developing effective intervention measures to drive down community transmission, HM Treasury officials advised the CST on a new method of allocating this funding [DYS-7/014/ INQ000585953]. Funding would be provided to upper tier and combined LAs 4-weekly in arrears on a formula basis:

    a) An initial one-off payment of £1 per person for proactive containment measures, given to LAs at Tier 1.
    b) A second one-off payment of £2 per person for LAs subject to Tiers 2 and 3 ('local lockdown').
    c) A supplementary and discretionary increase of £1 per person (total of £4 per person) was available for LAs that could prove particular need (e.g. smaller LAs with fewer economies of scale.

45. On 10 October 2020, the Chancellor and CST agreed an additional higher tier of funding so that LAs who moved to Local Covid-19 Alert Level Very High would receive additional funding via the COMF, bringing the level of support up to £8 per person for a period of four weeks with a small amount of additional funding available for exceptional circumstances

[DYS-7/015/ INQ000585954]. These revisions were approved by Ministers at a projected maximum cost of £465m (in addition to the £300 million already distributed to LAs).

46. Following the announcement of a national lockdown on 1 November 2020, LAs in tiers 1 and 2 were also provided with COMF funding at £8 per head [DYS-7/016/INQ000585961]. On 17 November 2020, the CST approved a top-up to the COMF until the end of the financial year at a projected maximum cost of £903 million (if every LA was to be in tier 3 at the same time). Funding would be allocated at a rate of £4 per head per month for any LAs remaining in Tier 3 (or future equivalent) and £2 per head per month for any LAs remaining at Tier 2 (or future equivalent). The funding was ringfenced, with underspends returnable to HM Treasury. In addition, HM Treasury attached conditions, which included the introduction of a review point following an evaluation by DHSC, as well as a requirement for LAs to account for any funds spent [DYS-7/017/INQ000586002] [DYS-7/018/INQ000585964].

47. DHSC conducted a review of COMF in late January 2021 [DYS-7/019/INQ000586006]. Following this, HM Treasury officials advised the Chancellor recommending that the COMF was continued for the remainder of the financial year at the rate of £4 per head per month [DYS-7/020/INQ000585977]. On 19 February 2021, the Chancellor responded with a steer to offer a £400 million lump sum up front in April 2021. [DYS-7/021/INQ000585979].

Realising the strategic benefits of T&T

48. As set out above, HM Treasury put a formal spending condition on T&T's £10bn budget to ensure influence over strategic choices being made on testing and tracing that would unlock economic benefits. Throughout summer 2020, HM Treasury officials actively engaged with cross-government work on contingency planning ahead of an anticipated second wave of Covid-19 over the autumn and winter. This work focused on designing systems and strategies that were intended to avoid the potential for further significant national restrictions. HM Treasury continued to push for assurances that the T&T programme was as effective as possible.

49. Underpinning many of these discussions around contingency planning and reopening was an ongoing discussion on the role of testing, given its importance to the strategy for managing Covid-19. There was broad consensus across government, informed by international experience, that, if delivered effectively, test and trace would enable greater levels of

economic activity than would otherwise be the case for a given level of incidence and prevalence of the virus. This was because: i) T&T would act to reduce transmissions by identifying cases and encouraging individuals and their contacts to self-isolate, and ii) increased localised data on transmissions from testing would enable the Government to plan for and implement smarter, localised NPIs.

50. Ongoing work on winter preparedness and a significant increase in cases in Leicester demonstrated the need for an effective test and trace system to identify local outbreaks. Policies such as the Contain Framework — how NHST&T and the Joint Biosecurity Centre could work in partnership with local authorities, PHE and the public to take action at a local level to contain and manage outbreaks — relied on an effective test and trace system to reduce transmission amongst communities.

51. As England continued to reopen over the summer, there were some concerns around the effectiveness of the T&T system. DHSC advocated for an expansion of the T&T system, however HM Treasury officials wanted to first focus on addressing the performance issues within the programme and improving cross-Whitehall governance to ensure that the strategy was deliverable, better targeted/prioritised on the basis of evidence, and more fully utilising testing capacity that had already been procured.

52. On 2 July 2020, the CX attended a Covid(S) meeting chaired by the PM to discuss contingency plans should England face a national increase of infections, and the challenges the winter months were likely to pose. This included discussion of an early warning system and prior agreement on triggers and possible responses. Officials advised that decision making had previously focused heavily on R and recommended moving to the use of a much broader range of metrics including hospital admissions, T&T performance data, NHS capacity and a range of sources on behaviours. On tracing, the advice also noted that to be effective, SAGE had previously said 80% of contacts would need to isolate within 48 hours to for R to remain below 1 if testing found 50% of all cases. At this point, testing was identifying only 20% of cases and 72% of contacts were being asked to isolate. On the basis of this evidence from SAGE, HM Treasury took the view that making the system work would require identifying a greater proportion of Covid-19 cases and improving contract tracing **INQ000585046**

53. HM Treasury officials' briefing to the CX provided evidence in support of contingency planning and learning from experience to develop a `smarter' response in the future, ensuring the UK had an effective test and trace system and efficient Covid-19 data flows. This was based on assessment by HM Treasury officials that economic and fiscal considerations - as highlighted

by OBR data – as well as the considerable strain it would put on public services, meant that a second national lockdown was not at this point feasible. Evidence from local measures in Leicester suggested that efficient data flows from Test and Trace into the centre of Government could be crucial in suppressing local outbreaks and avoiding a second national lockdown. The UK at this point had the capacity to conduct a high number of daily tests, and HM Treasury officials argued that attention should now turn to agreeing how to best prioritise the use of antigen tests to best target high risk areas and individuals, and what further technologies could be used to improve timing, accuracy, and usability. Officials suggested that the CX reiterate that HM Treasury would have control over the economic policies included in any such plan [/INQ000088080].

54. On 16 July 2020, ahead of the PM's announcement on the next steps of the roadmap, officials provided briefing to the CX on the importance of building capacity and resilience for a future outbreak and reducing the risk of a second peak in autumn/winter [INQ000088093]. The briefing drew on international comparisons, noting that while Australia and Israel had successfully controlled the virus, both were now seeing substantial outbreaks, demonstrating the risk of the UK requiring another large-scale lockdown. Moreover, given that based on SAGE targets, T&T was still not yet performing as it should (only 22.2% of all estimated covid cases were listing their contacts, with around 76% of those being successfully reached), officials advised that work needed to be done to drive progress on quick localised transmission data to identify and supress local outbreaks. The briefing reiterated the need to balance reopening with the risk of managing prevalence, given the economic and fiscal impact a second lockdown would have. It noted that while the interaction between working from home guidance and schools' return was complex, from an economic standpoint, the full return of schools in September was a higher priority than the return of office workers. On 17 July 2020, the PM announced a further relaxing of restrictions as well as additional powers for local authorities and a continued focus on testing capacity.

55. As the most stringent restrictions lifted, the need for an ongoing contingency plan was recognised. On 22 July 2020, the PM chaired a further Covid(S) meeting on contingency planning which covered ways to prevent a national outbreak, as well as the triggers for escalation in the event of localised upticks in cases. In advice for the CX ahead of this meeting, HM Treasury officials set out the case for why an effective test and trace regime was essential to reduce the risk of a national outbreak, and that "baseline" NPIs, such as face coverings and improving personal hygiene that reduced infection rates at a low economic cost, must be pursued. Officials recommended that in a situation where further action were

needed, the Government's strategy should be focused on early detection and rapid, targeted interventions that minimised the economic impact [INQ000088095].

56. On 28 July 2020, HM Treasury officials provided advice to the CX on the in-principle proposal to increase testing capacity to 800k per day by the end of December. Officials noted the potential economic benefit of testing and asked for more developed proposals to ensure that VfM and margin gains could be fully realised [INQ000088096].

57. Following the 22 July 2020 Covid(S) meeting, the PM asked for policy work to be conducted on a "segmentation" approach, whereby restrictions would be split by age group and vulnerability, as an alternative to a second lockdown. Work on this continued over the summer, with officials providing the CX with advice on 18 August 2020 seeking his steers on options for a segmentation approach [INQ000184579]. The advice also explored options for a minimalist intervention (allowing infections to rise while protecting those most at risk) and using regulation to enforce NPIs. The CX concluded that a better focus would be to continue with the existing strategy, but with an increased emphasis on testing, enforcement of requirements and a clearer communications campaign. For example, while the public were highly receptive to government instructions in some cases (e.g. 95% of surveyed adults wearing face coverings), understanding and compliance with local guidance was poor (e.g. a focus group in Greater Manchester had revealed participants did not understand the rules and were not sure whether they were following them correctly).

Expanding the T&T Programme

58. As discussed above, there were some concerns around the effectiveness of the T&T system, given the programme was not yet reaching SAGE targets for an effective system. The advice to the CX and the CST on 28 July 2020 noted concerns from the programme that as much as 20% of daily testing capacity was going unused, only 60% of the public were aware of T&T, and that overall, fewer than 19% of potential contacts of Covid-19 cases were being told to isolate [INQ000088096].

59. From late July 2020, DHSC advocated within Government to increase testing to 800k tests per day by the end of December. HM Treasury officials advised that any considerations around expanding the testing capacity beyond what was previously agreed should be subject to DHSC outlining clear plans to ensure that both existing and additional testing capacity could be delivered and providing clarity on how additional capacity will be targeted under each

proposal, with a clear plan for improving T&T performance. The CX agreed with the recommendations on 3 August 2020.

60. The CX met with Baroness Harding regarding this ambition to increase testing on 4 August 2020 [DYS-7/022/INQ000585939], and on 6 August 2020 Baroness Harding presented the ambition to Covid(O), which agreed to an increase in principle. The CX and HM Treasury officials were clear that while HM Treasury understood the benefits of increased testing, it was still unclear how this would be delivered and its cost [DYS-7/023/INQ000585940].

61. In a meeting on 12 August 2020 to discuss population wide testing, the PM emphasised that obstacles raised by Baroness Harding involving Cabinet Office and HM Treasury approvals should be removed [DYS-7/026/ **INQ000596046** 0, DYS-7/027/ **INQ000498301** and DYS-7/028/ INQ000585944]. Previously, at a Covid(O) meeting on 6 August 2020, the Health Secretary had requested a shift in the process for commercial and financial approvals within the T&T envelope to one like the Vaccine Taskforce model. HM Treasury officials were of the impression that these barriers were mostly related to Cabinet Office commercial controls, and that the spending approval process had not delayed vital spending. The CST received advice on this on 7 August 2020, recommending the framework for approvals remain within the existing £10bn budget and expressing scepticism over taking large funding decisions through set piece meetings given the programme often struggled to provide data underpinning financial asks [DYS-7/029/ INQ000585941]. Officials did however recommend approving committee decision making for any spend up to £500m contingent on information being shared at least 48 hours in advance. The CST agreed to this in principle, however felt the £500m limit was too high and wanted it lowered to £250/£300m and 48 hours moved to 72 hours, given that approving 5% of the Test and Trace budget at one meeting with information only available for 48 hours felt too quick [DYS-7/030/ INQ000585942].

62. Following the PM's steers on the 12 August 2020, officials provided the CST with revised advice on 14 August 2020 [DYS-7/031/ INQ000585945]. This noted the importance of HM Treasury's duties to Parliament in approving spending, but explored options to devolve control and accelerate approvals, including a substantially larger delegated budget and a more permissive interpretation of MPM guidance. A new approval process was eventually agreed between HM Treasury and CO on 28 August 2020, and the CST and Lord Agnew wrote to the SoS DHSC detailing the new process [DYS-7/032/ **INQ000473893** This aimed to provide a balance in supporting the department to work at pace, while continuing to provide constructive challenge. The letter acknowledged the programme still lacked a full business case and line

by line financial plan and asked for this to be finalised as soon as possible. It also welcomed the move to appoint a Financial Director and Chief Commercial Officer for the programme.

63. Once DHSC had shared costings, officials advised the CX on increasing the TTCE funding envelope to £12.1bn on 17 August 2020, to fund the proposed increase in testing. Officials recommended the request was approved subject to a condition to include break/wind down clauses into contracts to manage the risks associated with the required testing technology being in a very early stage and enable switching to cheaper contracts [DYS-7/024 **INQ000585053** The CX agreed with the advice and approved the increased £12.1bn budget on 18 August 2020 [DYS-7/025/INQ000585946].

64. On 2 October 2020, advice was sent to the CST detailing a request from DHSC for a £2bn interim envelope for T&T spend in the 2021-22 financial year [DYS-7/033/ INQ000586000]. This was approved on 7 October 2020, subject to the recommended conditions including all contracts having AO sign off, evidence of attempted negotiations on break/winddown clauses and that DHSC must work with the CO's commercial team on obtaining better terms from suppliers [DYS-7/034/ INQ000585950].

Mass Testing

65. Later in the autumn, more areas across England began to experience an uptick in cases. There was a continuous effort across government to get cases under control with a strong desire, including from DHSC and the Cabinet Office, to avoid another set of national restrictions. Attention turned to mass testing and significantly expanding the funding for and focus on the development of mass testing. Initial analysis suggested this could cut infections by 40% and secure significant economic benefits through the easing of public health restrictions, reducing time in isolation and increasing economic activity.

66. On this basis, HM Treasury ministers were supportive in principle of the move to expand mass testing capacity, initially through pilots, whilst putting safeguards around funding as most of the relevant technologies were still unvalidated or had not been tested at scale. At both ministerial and official level, HM Treasury continued to highlight concerns around deliverability and strategy, as per my evidence below.

67. HM Treasury officials first provided the CX with a briefing on mass testing for a meeting with the PM on 12 August 2020. Officials noted the best way of breaking transmission chains was

finding positive cases and casting a wide net could achieve this. However, it was noted further assurances were still needed on testing the technology and understanding the costs [DYS-7/026], DYS-7/027/ INQ000498301 and DYS-7/028/ INQ000585944]. In this meeting, the CX agreed to provide DHSC with a £500m seed funding budget to buy tests for population wide testing at risk.

68. On 19 August 2020, the CX chaired a meeting on behalf of the PM on population testing where they discussed the challenges of scaling up. Baroness Harding noted they were working on indicative costs. [DYS-7/035/ INQ000585947].

69. On the same day, HM Treasury officials circulated internal analysis on the economic value of T&T. The analysis found that uncovering symptomatic and asymptomatic cases was the most effective policy lever, potentially reducing R0 by around 20-30% when used together. [DYS-7/036/ INQ000585982 and DYS-7/037/ INQ000585951.]

70. On 4 September 2020, officials advised the CST and the CX on an urgent DHSC request for a further £1.5bn of seed funding to purchase tests at risk [DYS-7/038/ INQ000585981]. HM Treasury Officials continued to have concerns over DHSC's delivery plan and whether the costings were realistic but advised ministers to approve given the potentially significant economic benefits that mass testing could unlock. The CX approved on 9 September 2020, subject to a Treasury Approval Point ("**TAP"**) being scheduled, where DHSC could present an economic analysis, a cost model and a business case summarising the impact and delivery plan [DYS-7/039/ INQ000585949]. Details of the TAP that took place later that year are provided in paragraphs 82-84.

71. On 11 September 2020, officials sent an update to ministers on testing data and mass screening, at the request of the CX. It noted from DHSC data there was lab capacity to meet 180k tests a day. It explained lab capacity was increasing daily to meet the target of 500k daily tests by the end of October, followed by 800k tests a day in January. The update noted the current challenges included improving compliance, ability to scale up and the need for better data, including on economic impact [DYS-7/040/ INQ000596042

72. Throughout autumn, as cases continued to rise across England, the Government looked at options to tackle the rise in incidence. Alongside the announcement of the three-tiered system in October, HM Treasury officials continued to ensure that money spent on testing was used as effectively as possible, with the aim that this might lessen the need for the most economically damaging restrictions and reduce the impact on businesses. This included trying

to secure agreement across government for sectors that should be prioritised through mass testing and the UKHSA providing clearer guidance for private sector test usage and increasing the clarity of policies on using tests to safely reduce self-isolation.

73. On 5 October 2020, the CST approved a request from DHSC to approve contracts for the procurement of 220m lateral flow tests agreeing to increase the mass testing envelope from £2.1bn to £2.91bn, taking the total T&T budget to £15bn [DYS-7/041 INQ000596047 DYS-7/042/ INQ000585952].

74. On 14 October 2020, HM Treasury officials provided advice to the CX as DHSC were in the process of making decisions on testing priorities for existing and new testing technologies. This recommended that further spending approvals were paused until a clear strategy for the use and prioritisation of tests had been agreed and further information on demand modelling had been received to support this. Contracted testing capacity (LFD, PCR and LAMP) indicated that the UK would have capacity to conduct 4m tests a day by November, and HM Treasury officials were concerned that this capacity risked being wasted without a clear plan to use the tests that reflected economic priorities. While the CX was not content to pause spending approvals, he requested officials provide further advice setting out HM Treasury's proposal for how to best use testing capacity to the benefit of the economy [DYS-7/043/ INQ000585957].

75. This advice was provided to the CX and the CST on 26 October 2020 [DYS-7/044/ INQ000585959]. It noted DHSC's three priorities for testing: Protect (most at risk); Find (cases to reduce R); and Enable (return to normal life). Officials argued that HM Treasury should actively seek to engage and shape the 'enable' strand of work more directly, to have a greater impact on economic performance over the coming months. The CX agreed with the policy approach on 28 October 2020 [DYS-7/045/ INQ000585958].

COVID-19 Winter Plan

76. Ahead of a Covid(O) meeting on 18 November 2020, officials advised the CX, the CST and the Financial Secretary to the Treasury (FST), who attended the Covid(O), on a suggested approach for prioritisation of tests [DYS-7/046/ INQ000232107 and DYS-7/047/ INQ000113692 While officials broadly supported DHSC's ambitions on core actions to reduce R, they recommended Ministers should push for greater ambition on using tests to enable economic activity. This included quick progression on testing in lieu of isolation, testing to

lower the risk of air travel, systematic testing in the riskiest settings, testing to allow closed sectors to re-open by reducing NPI's, and an increased role for private sector testing.

77. The Cabinet Office published the government's Covid-19 Winter Plan on 23 November 2020, which introduced a tiering system to take effect once the second national lockdown was lifted. This set out how the government would suppress the virus until the vaccination programme could begin and was backed by £7bn of additional funding for the T&T programme, taking their total budget to £22bn.

78. On 25 November 2020 officials sent advice to the CX regarding a proposed community testing offer to local authorities. Officials suggested this should be supported, provided that funding was drawn from the existing NHST&T budget. The CX agreed with the recommendations on the same day [INQ000232111].

Spending Review 2020

79. HM Treasury conducted a Spending Review on 25 November 2020, which set departmental budgets for 2021-22 (the continuing uncertainty around Covid meant HM Treasury deviated from its usual multi-year approach to Spending Reviews). Officials first advised the CST on funding for the T&T programme on 30 October 2020. Officials expressed concern they had yet to receive a formal bid or strategy from the programme but suggested providing between £12bn and £17.5bn, enough to buy c.2m tests a day for nine months [DYS-7/048/ INQ000585962].

80. In a bilat with the SoS DHSC on 9 November 2020, the CST offered £15bn for the programme [DYS-7/049/ INQ000585962]. This was subject to conditions and agreement to a fully costed plan. It was intended to provide the assurance for the T&T programme to continue to enter critical contracts, rather than approve specific test and trace bids.

81. On 15 January 2021, the CST wrote to the SoS DHSC detailing the final £15bn settlement [CL3/036/ INQ000399223]. Under the terms of the settlement, all spend should be based on up-to-date demand modelling, especially in the context of a successful vaccine rollout, and the programme should be pragmatic in ensuring that plans could be wound down to avoid the government being left with a significant oversupply.

Approving the Test and Trace Business Case

82. During November, the T&T programme continued to develop and finalise an in-depth business case which HM Treasury scrutinised. A TAP was conducted on the 27 November to discuss the business case [DYS-7/050/ INQ000534525 and DYS-7/051/ INQ000585994]. The TAP provided an opportunity for assurance that spending was targeted on the programme's objectives and underpinned by a sound financial and commercial strategy.

83. Following the TAP, on 4 December 2020, the business case was sent to the CX and the CST for approval [DYS-7/052 INQ000585043 An additional £7bn funding was sought to support the establishment of mass population testing, with a projected expansion in the number of tests to 4.5 million a day from December. The analysis by the DHSC, academic research and SPI-M showed that, if the system worked, it would result in a 20% reduction in R and a reduction in the economic costs associated with NPIs. Officials noted controlling the virus through enhanced testing was a potential net gain and welcomed the establishment of the programme's Finance Investment Board. However, there remained concerns about spending controls, including governance and HM Treasury's ability to input and scrutinise early enough. Officials recommended the uplift was approved subject to several conditions including; DHSC develop a lab capacity strategy, model vaccine and impact on demand scenarios, a rapid reduction in consultation spend and the inclusion of break clauses in contracts [DYS-7/053/ INQ000585967 and DYS-7/052/ INQ000585043 . Following further requests for information on value for money of the increase, officials sent follow up advice on 10 December 2020 [DYS-7/054/ INQ000585970]. Officials assessed this to be a finely balanced judgement, given the unknowns as the T&T programme was still being ramped up and developed. However, they concluded that if the programme was effective then the value for money case was strong in view of the economic case provided by the programme analysts which showed the net economic impact of expanding testing. On 14 December the CST approved the uplift to the programme subject to the conditions recommended by officials [DYS-7/055/ INQ000585971].

84. On 1 February 2021 the HM Treasury Director of Public Services Group wrote to NHST&T thanking them for a constructive meeting and confirming HM Treasury approval to the new £22bn budget. He welcomed the improvement to internal controls and confirmed the business case had been approved. The letter also identified further joint areas of work on capacity and prioritisation strategy and requested further analysis supporting a costed strategy for 2021-22 and reducing consultancy spend [DYS-7/056/ INQ000585973].

Phase 3: January 2021 – June 2022

85. Now that budgets had been confirmed and vaccines were being rolled out, this phase was characterised by an increasing focus on working with T&T, DSHC and UKHSA to strengthen spending controls and forecasting in order to ensure the programme was delivering the greatest value for money and to put T&T on a sustainable financial footing. In peak prevalence, most notably after the emergence of the Omicron variant, patient and public health outcomes remained paramount, and HM Treasury continued to approve spending for the procurement of testing capacity as required.

Financial performance and spending control

86. Given the size of the T&T programme, and the rapid pace at which the infrastructure had scaled up, HM Treasury had ongoing concerns from the start regarding governance, spending control and financial reporting. As I have outlined in the sections above, HM Treasury attempted to get on top of these issues early by:

    a) Setting spending conditions on T&T's envelope (paragraph 41). This included insisting on regular review points and that a comprehensive Major Projects/Treasury Approval Process style review would be conducted jointly with the Infrastructure Projects Authority ("IPA").
    b) Using ministerial meetings with the department to engage on spending control. The CST met with the SoS DHSC on 16 September 2020 to discuss wider concerns over spending controls in his department, the monitoring of conditions and HM Treasury's access to data [DYS-7/034/ INQ000585950]
    c) Scrutinising the programme's business case at a TAP in November 2020 (paragraphs 82-84). Further conditions on the T&T programme budget were set after this TAP, including setting the expectation that internal controls and planning continued to improve, and that the programme build a better pipeline of approvals and contracts.

87. On 10 December 2020, Lord Agnew wrote to the CX to inform him of a letter he had sent to Baroness Harding outlining his significant concerns about T&T's governance and how it was using public money. Lord Agnew believed the previously agreed £150m spending controls should be reviewed and they should consider freezing approval on long term contracts until a forecast and an outline of the governance structure was further developed [DYS-7/057/ **INQ000585059** and DYS-7/058/ **INQ000477870**

88. HM Treasury was made aware late in the financial year that the programme was on course to significantly underspend its £22bn budget for 2020-21, at that point by an estimated £5.4bn [DYS-7/059/ INQ000585974 and DYS-7/060/ INQ000585975]. At Supplementary Estimates (which is the last opportunity within the financial year for HM Treasury to reallocate unused funding to other Government priorities) a few weeks earlier, DHSC had been forecasting a much lower underspend of £300m.

89. After further analysis, HM Treasury recommended to the Office for Budget Responsibility that the T&T programme was likely to end the financial year with an underspend of £7.4bn. By the end of the financial year, the eventual underspend was reported by DHSC as £9.5bn.

90. HM Treasury therefore sought to assist the T&T programme, DHSC and eventually also the UKHSA - when it took control of testing from April 2021 - in making adequate improvements on spending control, governance and forecasting into the 2021-22 financial year.

91. Senior HM Treasury officials met with senior officials from DHSC to discuss issues around spending control in the department, including on T&T on 16 February 2021 [DYS-7/061/ INQ000585976].

92. On 29 March 2021, officials advised the CST on progress being made with DHSC to improve spending controls. The advice recommended reducing the T&T Capital Departmental Expenditure Limit budget by £807m following accounting treatment of testing inventory carried over into the next financial year [DYS-7/062/ INQ000585983].

93. On 30 March 2021, Lord Bethell wrote to the CST to provide an update on financial planning in relation to the £15bn testing budget for 2021-22 [DYS-7/063/ INQ000585984]. Lord Bethell explained that while the programme's forecast of costs for 2021-22 currently stood at £17.9bn, DHSC would seek in the first instance to live within the allocated budget. It was noted that officials from the T&T programme had agreed to meet with the CST to discuss LFT forecasting, which took place the next day.

94. The CST wrote to the chair of the Treasury Select Committee on 1 April 2021, setting out his approach to spending control over the course of the pandemic [INQ000068427]. On T&T specifically, the CST set out lessons learnt from the first year of the programme, including improvement of data sharing, greater Cabinet Office commercial scrutiny earlier in the process and embedding HM Treasury and Cabinet Office officials into internal processes in spending departments to enable earlier scrutiny of data.

95. Senior Assurance Meetings on T&T commenced in April 2021, giving HM Treasury the opportunity to further engage with DHSC on the issues outlined above. The first meeting took place on 14 April 2021 and lessons learned from the underspends for FY 20/21 were discussed. The underspends were attributed to proactive savings, volumetric demand of tests and slippages. At the meeting it was agreed a 'deep dive' would be arranged to discuss the forecast and any underlying assumptions [INQ000507668 and DYS-7/064/ **INQ000534532**

96. This was followed by a bilateral between the CST and the SoS DHSC on 21 April 2021 to discuss a reset on spending control over the coming year [DYS-7/065/ INQ000585987 and DYS-7/066/ INQ000585988]. On 29 April 2021 the CST wrote to the PM noting the meeting had taken place to discuss concerns over the DHSC underspends. The letter set out the importance of improved forecasting in order to be able to fund other priorities, avoid waste and have a successful spending review [DYS-7/067/ INQ000586004].

97. On 21 April 2021, officials sought the CST's views on DHSC's spending forecast for the 2021-22 financial year and his agreement to a new approach on risk management [DYS-7/068/ INQ000585986]. Officials recommended that the CST agreed to this approach, subject to DHSC presenting a concrete plan to manage within the £15bn with HM Treasury and DHSC officials working together to agree high, low and central estimates and DHSC sharing additional detail underpinning their forecast.

98. On 24 May 2021 officials in HM Treasury and DHSC held a deep dive session to discuss the T&T financial plan for 21/22. Officials provided a briefing to Cat Little, setting out asks to DHSC to improve their forecasts. [DYS-7/069/ INQ000585991 and DYS-7/070/ INQ000585989]. At the meeting it was agreed that T&T would develop a financial forecast that included only agreed policy. It was also agreed that T&T would develop a method for tracking policy, and other pressures on this forecast set against the £15bn envelope, for example a risk register [DYS-7/071/ INQ000585990].

99. On 7 June 2021 the third senior assurance meeting took place [DYS-7/072/ INQ000585992] which provided an update on the building of UKHSA and transition work that had taken place. T&T also provided an update on the new governance structured and projected headcount.

Roadmap out of lockdown

100. In early 2021, the Government published a Covid-19 roadmap out of lockdown which set out a framework for exiting lockdown. This outlined four steps between early March and late

June. The CX and the CST were advised on the roadmap on 16 February 2021 [INQ000113719]. The CX and the CST had concerns over the delivery and costs of testing at the scale proposed in the roadmap on an ongoing basis but recognised the need for testing over the coming months to support reopening the economy. [DYS-7/073/ INQ000585061 They approved the testing proposals in the roadmap, subject to funding within the £15bn budget for 2021-22, and a review taking place ahead of the summer on the policy in order to assess whether mass testing remained good value for money in the context of the vaccine rollout.

Omicron

101. While a ramp down on asymptomatic testing by reducing the universal offer had been expected by HM Treasury officials, on 2 September 2021, officials sent advice to the CST detailing an increase in cases. It was noted there were over 900 hospital admissions per day amongst a continued uncertain backdrop around the impact of the upcoming return to schools. UKHSA sought to extend the universal testing offer to December and approval to purchase 400m lateral flow devices (LFDs) at a cost of £1.3bn. Officials worked with UKHSA to agree a compromise of 208m tests of a cost up to £669m that would enable the universal offer to continue until late November and therefore give Ministers time to see if the uptick in cases continued before committing to maintaining the universal offer for longer. Due to the expected pressures on the NHS over the winter, officials recommended this was approved [INQ000477884, DYS-7/074/INQ000572248 The CST agreed to the increased procurement on the 6 September 2021 [INQ000477883].

102. HM Treasury conducted a multi-year Spending Review on 27 October 2021. DHSC was allocated a covid envelope of £4.3bn in 2022-23, £3.7bn in 2034-34 and £2.2bn in 2024-25 for funding related to vaccines, T&T, UKHSA, anti-virals, therapeutics and other Covid-19 related costs, with the aim of ramping down emergency spending on Covid and putting the government's pandemic response on a sustainable financial footing. Of this, £1.3bn was earmarked for T&T activity in 2022-23 [INQ000412036].

103. Following the emergence of the Omicron variant, DHSC and UKHSA began ramping up testing operations to meet demand from higher COVID prevalence and introduced policy changes such as Daily Contact Testing. At this point, HM Treasury agreed to provide extraordinary and limited cover for DHSC spending on UKHSA above SR settlement for 2022-23 as detailed below.

104. Officials sent advice to the CST on 10 December 2021 requesting approval for UKHSA to procure 200m LFDs at a total cost of £393.9m to meet demand for the response to Omicron. The advice also noted UKHSA's forecast for 2021-22 had increased by c. £1.6bn due to increased demand and likely extension of the universal offer to testing. The CST approved the procurement request on the same day [INQ000477886].

105. That day officials also sent advice to the CST detailing UKHSA's request to uplift PCR testing capacity by up to 200k tests per day and expand reflex assay testing capacity (genotyping to identify mutations) to quickly detect Omicron cases, at a maximum cost of £469m. Given the wider Omicron concerns and the flexible nature of the contract, officials recommended approving the request on the condition DHSC developed a PCR prioritisation plan. Officials also recommended approving the reflex assay request subject to DHSC ensuring the rolling forecast took into account the reducing of reflex testing if the Omicron variant became dominant [INQ000477887]. The CST agreed to this request on the same day [INQ000477888].

106. The following week, on 16 December 2021, UKHSA sent another urgent request to procure an additional 150m LFDs at a cost of £363m to facilitate a surge in demand. Given the risk of stock outs, and the importance of LFD tests to the government's Covid policy, approval was recommended to the CST who agreed [DYS-7/075/ **INQ000596043**

107. On 28 December 2021, officials sent advice to the CST detailing UKHSA's request for approval to procure an additional 350m LFDs to sustain levels of demand until the end of the financial year. Despite the two recent procurements earlier in the month intended to ensure sufficient supply until the end of March, UKHSA projections indicated a stock-out in early February. Given the surge in demand officials recommended 200m LFDs were approved in the first instance. This was on the basis that prevalence of the disease was likely to drop in the new year, that UKHSA were basing demand forecasts on theoretical maximums in the absence of firm data, and that distribution issues continued to be a limiting factor. 200m LFDs would meet demand into March and enable officials to reassess demand forecasts in January [INQ000477896].

108. However, a new DHSC modelling subsequently suggested that the 200m additional tests would now run out by late February, and that global supply was tightening. HM Treasury officials therefore sent further advice to the CST on 30 December 2021 on a procurement request for the additional 150m LFDs, at a cost of up to £438m, to bring the total to 350m devices. It was noted the spend was unlikely to be affordable from within UKHSA's £15bn

2021-22 budget or covered by wider DHSC underspends. Although officials remained sceptical that the level of demand would continue at the same rate, given the LFD-intensive policy that had been taken to tackle Covid-19 in light of Omicron, and uncertainty on demand, approval was recommended and the CST provided this on the same day [DYS-7/076/ INQ000596044

The Living with Covid Strategy

109. In early 2022, officials worked with DHSC, the CO Covid-19 Taskforce and No10 to agree the 'Living with COVID-19 Strategy', which was published on 21 February 2022. This strategy marked a significant milestone in the government response to Covid-19 and set out a plan for eventually managing Covid-19 in the same way as other respiratory infectious diseases, underpinned by the ongoing use of pharmaceutical interventions (principally vaccines). It was the collective judgement of Ministers at the time that the balance between health need and taxpayer considerations had shifted significantly from the previous period, due to the changed epidemiological and hospital capacity picture following the vaccination campaign, which had included managing the Omicron wave largely through vaccination. The strategy acknowledged the very significant cost to the taxpayer of Covid-19 health programmes such as the testing programme, and it was accordingly announced that government spending on Covid-19 would reduce significantly.

110. The strategy therefore set out that from 1 April 2022, the Government would no longer provide free universal testing for the general public in England. Testing from this point was limited to a small number of at-risk groups and social care staff. Routine national contact tracing ending on 24 February 2022, with local health teams continuing to use contact tracing wherever it was assessed necessary as part of their usual role in managing infectious diseases.

111. In the process of agreeing the strategy, HM Treasury Ministers agreed in February 2022 – as exhibited at [INQ000399233] - that £941m would be added to UKHSA's SR21 allocation for 2022/23, funded from within existing DHSC 2022/23 control totals. In March 2022, it was agreed that a further £120m could be added to UKHSA's 2022/23 settlement: this represented final ring-fenced settlement of £2,629m for UKHSA in 2022/23. This is exhibited as [INQ000412037].

Financial support for those self-isolating

Statutory Sick Pay

112. On 27 February 2020, the CX commissioned HM Treasury officials to develop a budget package to tackle the Covid-19 pandemic [DYS-7/077/ INQ000585908] and specifically asked for the issue of statutory sick pay (SSP) to be covered as part of this work. Officials responded with advice and a grid of seven potential options for SSP the following day [DYS-7/078/ INQ000585906]. Options included the potential extension of SSP to self-isolators and the self-employed.

113. On 28 February 2020, following a meeting with the PM, SoS DHSC and Chief Medical Officer (**"CMO"**), the CX requested more detailed advice on SSP, including an indication of how quickly measures could be implemented. [DYS-7/077/ INQ000585908]. On 1 March 2020, further advice was provided to the CX covering a number of key SSP interventions, with the intention of quickly utilising SSP to support the government's response to COVID-19 [including supporting self-isolation].[DYS-7/079/ INQ000585907, DYS-7/077/ INQ000585908]. The advice considered the overarching objective, along with the operational feasibility and legislative requirements. The advice recommended:

- Temporarily extending SSP to self-isolators who are currently not eligible
- Temporarily replacing the GP fit note system
- Extending both of the above measures to benefit claimants
- A commission to HMRC and DWP to understand the feasibility of government intervention to fund SSP for SMEs
- A commission to DWP to understand the operational and legislative requirements of an extension of SSP to self-employed people

114. Further detail was provided in advice on 3 March 2020 [DYS-7/080/ INQ000585909] and the following day the PM announced that SSP would be paid from the first (rather than fourth) day of sickness as a temporary measure.

115. Officials continued to work at pace over the following days to develop a support plan for sickness and isolation to be announced as part of the upcoming Budget. By 8 March 2020 officials had developed seven measures to ensure financial support was in place for vulnerable people to be able to self-isolate [DYS-7/081/ INQ000585910]. On 9 March 2020 officials advised the CX on the operational design of a plan to rebate up to two weeks of paid

SSP to small and medium enterprises (SMEs) [DYS-7/082/ INQ000585912]. The final details of the Covid budget were developed across 10 March 2020 [DYS-7/083/ INQ000585911].

116. On 11 March 2020, the CX announced in the Budget changes to SSP which:
   (i) Confirmed that SSP would be available from day 1
   (ii) Extended SSP to those who were self-isolating and to carers for individuals who were self-isolating because of Covid-19
   (iii) Removed the condition of the GP fit note to certify Covid-19 related absence for SSP eligibility and replaced it with the isolation note from NHS 111
   (iv) Introduced a rebate provision for small and medium sized enterprises (SMEs) with fewer than 250 employees, to reclaim SSP paid for sickness absence due to COVID-19, capped at two weeks per employee
   (v) Removed the 7 day wait for the new style Employment and Support Allowance (ESA) for those advised to self-isolate
   (vi) Suspended the Minimum Income Floor (MIF) in universal credit for self-employed people directly affected by Covid-19
   (vii) Announced a £500m pot to support vulnerable people to be distributed via local authorities (LAs)

117. On 19 March 2020, the CST asked officials for an exploration of SSP, including the consideration of a potential increase in the weekly amount [DYS-7/084/ INQ000585915]. Officials responded within the context of a broader exploration of welfare support looking at a wide range of measures, and operational feasibility of any changes. Officials flagged that an SSP increase was one of the measures which was potentially viable but carried risk, such as an increased burden on businesses (due to the higher costs they would incur) [DYS-7/085/ INQ000585998]. Ultimately an SSP increase was not included in the package of welfare measures which was announced on 20 March 2020 and included the Coronavirus Job Retention Scheme [DYS-7/085/ INQ000585915].

118. On 8 April 2020 advice was sent to the CX on extending SSP to employees who were being shielded and had been told to stay at home for 12 weeks [DYS-7/086/ INQ000585929]. The advice explained an estimated 900k extremely vulnerable people had received a 'shield' letter advising them to remain at home for at least 12 weeks. DWP estimated that 200-400k of the people in that group were employed. Some of those could work from home or would have access to other support such as an employer occupational sick pay scheme and CJRS. However, there was increased anecdotal evidence (including through MP correspondence) that there were hard cases where employers were refusing to furlough someone being

shielded or to pay them for that period. As such, the advice recommended an extension to SSP to cover that cohort, where employees would be entitled to use the letter from the NHS as evidence for their employer. On 9 April 2020 the CX confirmed he agreed with all the recommendations.

119. On 22 May 2020, ahead of planned announcements on the future of CJRS and the shielding programme officials provided advice to the CX. The advice noted there was growing pressure to consider options for further support and sought initial policy steers regarding future financial support to the 'clinically extremely vulnerable' (CEV) group who would be asked to remain 'shielded' [DYS-7/087 INQ000585068 The advice noted that upcoming changes in employer contributions to the CJRS and a pending review of the shielding programme would increase pressure to clarify the financial support available to the clinically extremely vulnerable. The advice recommended that the CX hold off making decisions on further support for shielders until more clarity was provided by DWP, MHCLG and DHSC on the characteristics of the shielding cohort and future size and scope of the shielding programme. The advice also asked for a steer to work up further income support options for the shielded group. Ultimately, the CX decided that SSP was sufficient at the time but indicated he was content to consider this again once further clarity and evidence on the shielding programme was available [DYS-7/088/ INQ000585930].

Test and Trace Support Payments

120. On 19 June 2020, No10 commissioned HM Treasury to provide options for supporting: i) those in the CEV group being asked to shield, ii) those told to isolate by Test and Trace and iii) those affected by local lockdowns, following concerns raised by the PM about the possibility people might not comply with guidance to isolate due to financial pressures [DYS-7/089/ INQ000585931].

121. The CX attended a Covid(O) meeting on 30 June 2020 on the wider operational effectiveness on the T&T system. Here the CX pushed for Ministers to consider the most ambitious package of measures that could be deployed to increase compliance before reaching for financial incentives and requested that DHSC provide further data on the need for additional financial support. Ministers agreed that a review should be held in three weeks' time to take stock of the interventions proposed to drive higher compliance and participation in the system [DYS-7/090/ INQ000585934 and DYS-7/091/ INQ000585936].

122. This was followed on the 2 July 2020 by a note to No10 in response to the PM's commission which – as there were multiple factors influencing the decision by an individual to self-isolate – concluded that further support to individuals should be provided through non-fiscal measures. It was also noted that there was "a lack of robust data" on the "reasons for non-compliance (in particular, financial pressure [versus] social factors" [DYS-7/092/ INQ000585937].

123. As the number of cases continued to increase throughout July, the PM again asked HM Treasury and DHSC to work up options for encouraging people to comply with isolation using financial incentives [DYS-7/093/INQ000585938]. On 3 August 2020, HM Treasury officials advised the CX on potential options, with the CX choosing to provide a means tested payment of £13 a day [DYS-7/094/ **INQ000088098** DYS-7/095/ **INQ000585075** and DYS-7/096/ INQ000576764].

124. The following day, the CX discussed the T&T system with Baroness Harding. The CX reiterated his view that he was not convinced of the case for further financial support but confirmed that officials were exploring options for very targeted measures for local areas where nationally imposed restrictions had been imposed. [DYS-7/097/ **INQ000585077** Following on from this meeting, NHST&T shared details on their preferred option of ring-fenced grant funding provided to LAs in England to support vulnerable groups to self-isolate [DYS-7/098/ INQ000576767].

125. On 5 August 2020 [DYS-7/099/**INQ000596805** the CX sent a note to the PM re-stating his view that it was not clear that there was a strong case for further financial support to local lockdowns, outlining his specific concerns, and again noting the significant levels of support already in place. However the note included a draft plan, should the PM wish to proceed. This plan was based on two principles: i) that support should be targeted, and ii) that it should avoid the risk of becoming an unaffordable national programme, and consisted of four pillars:

a) Support for business through a discretionary business grant scheme
b) Compliance payments of up to £13 per day for workers unable to work from home who were required to self-isolate
c) Support for CEV or other self-isolators who couldn't self-isolate unassisted to provide access to basic services
d) Community based services to support with compliance

126. On 17 August 2020 the PM confirmed his wish to go ahead with a programme of financial support, as per the CX's draft plan. The PM asked for this to start in the northern areas already subject to local restrictions and asked HM Treasury to work with other government departments to take this forward [DYS-7/099a/ INQ000576769]

127. HM Treasury officials recommended that the CX approve a pilot proposed by DHSC in Blackburn, Pendle and Oldham on 23 August 2020. This included several conditions, including a requirement that payments be limited to £13 per day, which the CX approved [DYS-7/100/ **INQ000585078** nd DYS-7/101/INQ000576771].

128. In August 2020, HM Treasury officials sent advice to the CX on the tax implications of the T&T support payments for the pilot scheme. HMRC's technical view was that the payments would be subject to income tax by default and would be captured by existing legislation. HM Treasury officials recommended not exempting these payments due to concerns it would place administrative burdens on local authorities, as a third party rather than an employer, they would have to add the affected population into their PAYE scheme. They also advised an exemption would diverge from the treatment of other Covid support schemes that were not exempt and the SSP [which is liable to tax]. The CX agreed that the grants should be subject to income tax as they were a replacement of earnings but should be exempt from class 1 employee and employer National Insurance contributions (NICs) to reduce cost burdens for employers [DYS-7/102/ INQ000576772]. The payments were lso exempted from Class 2 and Class 4 self-employed NICs at a later date.

129. On 14 September 2020, in advance of a meeting with the PM and the CX the following day, HM Treasury officials provided advice to the CX recommending that he maintain the position that DHSC needed to provide further evidence from the pilots on the efficacy of self-isolation payments before a further roll out or increasing in payment [DYS-7/103/ INQ000576773] . HM Treasury officials recognised that the PM was considering making self-isolation mandatory and that financial incentives may support that policy, so suggested the option of exploring the introduction of a one-off payment of £300 to self-isolators who fulfilled eligibility criteria.

130. The PM asked for more to be done to encourage isolation in the meeting and accordingly, HM Treasury officials recommended that the CX agree to an England-wide self-isolation payment scheme [DYS-7/104/ INQ000576776, DYS-7/105/ INQ000576774 , DYS-7/106/ INQ000576775]. The CX decided that eligible individuals (in receipt of means tested benefits)

would receive a flat payment of £500 for the 14 days of isolation [DYS-7/107/ INQ000585081 DYS-7/108/ INQ000576777].

131. Officials continued to work with the Cabinet Office to develop the implementation details of the policy [DYS-7/109/ INQ000576779]. Ultimately this measure was approved at Covid(O) on 18 September 2020 [DYS-7/110/ INQ000576780] and the scheme, named the Test and Trace Support Payment ("TTSP"), was announced on 20 September 2020. Details of the TTSP were then included as part of the Winter Economy Plan package published on 24 September.

132. Following the planned rollout of the scheme nationwide, the same concerns remained on tax treatments as detailed in paragraph 128, and it was recommended the payments continued to be subject to income tax and remain exempt from NICs, the CST agreed to this on 28 September 2020 [DYS-7/111/ INQ000232103

133. On 30 September 2020 officials sent advice to the CST recommending approval to disregard payments from this scheme for means-tested benefits entitlement, for both income and capital rules. The advice also recommended disregarding payments from the LA's discretionary pot, and from any similar DA's scheme that may be announced in future. This was intended to minimise burdens on LAs. The CST agreed with the recommendations on the same day [DYS-7/112/ INQ000576784].

134. HM Treasury officials proposed an initial allocation of £40 million funding to LAs for their administration of the TTSP scheme. This comprised £25m for general case payments, £10m for administration and £5m for discretionary funding for 'hard cases' (relating to people who need support to self-isolate but fall outside the main eligibility criteria). This funding was approved by the CST, who noted high administration cost and requested that data be shared regarding payments, and relevant departments were notified [DYS-7/113/ INQ000576781]. Following a request from DHSC, the amount for 'hard cases' was increased to £15m a few days later [DYS-7/114/ INQ000576782].

135. The CX agreed to some limited extensions of the TTSP scheme on 15 December 2020, including extending the scheme until March 2021 and allowing the parents of self-isolating children to become eligible [DYS-7/115/ INQ000585086 The CX had initially been reluctant to approve any expansion on the basis that the data did not so far suggest that isolation incentives played a large part in ensuring compliance, a point he made in a Covid(O) meeting on the 21 November 2021 [DYS-7/116/ INQ000113694. DHSC had been seeking expansion

of the scheme, including the removal of the means tested element [DYS-7/117/ INQ000585082], but HM Treasury officials had previously outlined their concerns with the low take up, lack of evidence that the payments had increased compliance, and uncertainty over how the self-isolation regime would operate over the following year with the rollout of vaccines [DYS-7/118/ INQ000585082 DYS-7/119/ INQ000232105 , DYS-7/120/ INQ000576785 and DYS-7/121 INQ000585084 . Officials instead recommended that they work with DHSC on policy development for how an expansion to eligibility could be delivered, before ultimately recommending the limited expansion [DYS-7/122/ INQ000585085

136. Ministers continued to discuss options to improve compliance with self-isolation in the early months of 2021, with the CST attending a Covid(O) on the topic on 10 January [DYS-7/123/ INQ000113708 Ahead of a further Covid(O) on 19 January 2021, the CX's private office sent a note to the CDL's private office outlining the CX and CSTs view that there was a lack of clear evidence that expanding the eligibility or generosity of TTSP payments would increase the number of people taking a covid test and self-isolating. The CX wished instead to focus on exploring the viability of accommodation provision, food delivery and other targeted support schemes that could be delivered [DYS-7/124/ INQ000585090 DYS-7/125/ INQ000576810, DYS-7/126/ INQ000585088

137. Ahead of the Spring Budget in 2021, HM Treasury officials sent advice to the CX and the CST recommending they approve a three-month extension of TTSP until the end of June 2021, to be funded from within the overall T&T budget [DYS-7/127/ INQ000576808]. This recommendation was made in the context of new variants of concern as well as the upcoming planned relaxation of other NPIs in the spring, both increasing the need for effective self-isolation. Without an extension the TTSP was due to expire at the end of March.

138. Officials also sent advice to the CX on 18 February 2021 recommending approval of a business case from DHSC to provide practical support to self-isolators. DHSC had provided modelling suggesting that increasing the number of people who self-isolate fully by 5% would reduce R by 3%. The funding would ensure a base level of local authority support as well as medicine delivery to self-isolators. The CST agreed with the recommendations [DYS-7/128/ INQ000576791]. The CST also agreed to extend the eligibility of the TTSP scheme to include parents and guardians of children under the age of 12 and of individuals aged between 16-25 years-old with additional support needs, and to increase the discretionary funding available to local authorities to £20 million per month.

139. On 2 March 2021, officials advised the CST to support the proposal from DHSC to expand eligibility for the TTSP to parents and carers of children under the age of 16 in time for schools reopening on 8 March 2021. The CST agreed to the recommendation the same day [DYS-7/129/ INQ000576792].

140. On 9 June 2021, HM Treasury officials sent advice to CX on the potential options for self-isolation support ahead of meetings that week for planning step 4 of the roadmap. The advice acknowledged that the decision regarding the timing of step 4 would be led by public health and epidemiological data and made recommendations for both a situation where the easing of restrictions would begin as well as options where a delay was needed [DYS-7/130/ INQ000596052 and DYS-7/131/ INQ000585093]. The advice discussed options for the TTSP and recommended agreeing to extend the scheme until the end of September 2021 if required.

141. At the Quad meeting on 13 June 2021, ministers agreed in principle to extend the TTSPR and on 22 June 2021 the CST approved the spend [DYS-7/132/ INQ000576794].

142. On 12 August 2021, officials provided advice to the CX on the future of the SSP rebate scheme, with previous steers from the CX having indicated that the scheme should run until September 2021. Officials recommended closing the scheme at the end of September, noting that DWP's modelling did not suggest the scheme would see significant usage if extended and that the real-word impact of ending it would be limited. The advice noted take-up of the scheme had continued to be low, with 173k claims submitted for 531k employees. This represented c.10% of eligible employees whom DWP estimate had taken Covid-19 related sick leave.

143. The advice also recommended enabling backdated claims until 31 December 2021, as the SSP rebate claims were made retrospectively it was considered crucial to have a period in which employers could make backdated claims [DYS-7/133/ INQ000576795]. On 16 August 2021 after receiving further clarification on the rationale for the backdated claim period to be extended to December, the CX confirmed that he was content to end the scheme in September 2021 and to proceed with the three-month backdated claims window as recommended [DYS-7/134/ INQ000576796].

144. On 3 September 2021, SoS DHSC wrote to the CX and the CDL requesting that the TTSP scheme be extended until the end of March 2022, and proposed simplifying TTSP to ensure a

consistent offer across England [DYS-7/135/ INQ000203797 and DYS-7/136 INQ000596049. It was agreed that DHSC and the HM Treasury would work together to consider the simplification of self-isolation support [DYS-7/137/ INQ000585097 and DYS-7/138/ INQ000596048. HM Treasury officials advised the CST to approve DHSC's proposal to extend existing self-isolation support, on the basis that financial incentives would continue to support testing and isolation behaviour through the winter. Officials recommended against agreeing to the DHSC's proposed changes to the TTSP to make individuals earning £500 per week or less eligible for the scheme [NQ000116424]. The CST agreed to the recommendations on 13 September [DYS-7/139/ INQ000576799].

145. As a result of the Omicron outbreak, officials considered the case for reintroducing the SSP Rebate Scheme to provide financial support for businesses facing higher levels of staff absences and provided advice to the CX on 17 December [DYS-7/140/ INQ000585098 and DYS-7/141/ INQ000585099. The advice proposed the reintroduction of the SSP Rebate Scheme under various parameters including a two-week limit per employee, the CX agreed to on 20 December [DYS-7/142/ INQ000585101

146. On 11 February 2022, officials provided advice to the CX recommending that the powers under which the temporary Covid-19 changes to SSP and the SSP Rebate Scheme, should be allowed to lapse on 24 March, and the reintroduced SSP Rebate Scheme close on 17 March 2022 with a 1 week period for employers to put in their last claims.[31] The SSPRS scheme had been open since 19 January to deal with the Omicron outbreak, with employers able to make backdated claims for the period from the date of announcement (21 December 2021) onwards. The advice noted as of 6 February 2022, the scheme has supported 28,000 employers with SSP costs for 78,000 employees costing £9.2m in AME [DYS-7/143/ INQ000585102 On 15 February 2022, Private Office provided a readout confirming that the CX was content with the recommendation that the changes to SSP and the SSP Rebate Scheme should lapse on 24 March 2022 [DYS-7/144/ INQ000585103

147. The Living with Covid Strategy, published on 21 February, announced that TTSP would come to an end on 24 February 2022. The document also announced that the Covid-19 provisions with the SSP and Employment and Support Allowance regulations would come to an end on 24 March 2022.

148. As the requirement on self-isolation changed to require individuals to isolate for a shorter period of time, the flat rate £500 TTSP payment became more generous in relative terms. In

November 2020, HM Treasury officials noted in advice that when it was first introduced, the £500 payment was intended to support isolators for a 14-day period, equating to £35.71 per day, or 82% of the National Living Wage rate at that time. When the self-isolation requirement for most cases was reduced to 10 days, the £500 payment equated to £50 per day, or 115% of the National Living Wage. The self-isolation requirement was further reduced to 7 days on 22 December 2021, and to 5 days on 17 January 2022. The £500 payment stayed constant during this period, meaning that eligible fully-vaccinated index cases who were able to exit self-isolation after 5 days could have received £100 per day of self-isolation support.

Border Control

149. Throughout the pandemic HM Treasury supported cross government decision making on policy regarding border control measures, particularly to ensure that the economic costs to the pandemic-necessitated border restrictions remained proportionate to the health benefits. This calculus evolved significantly (and rapidly) over time, responding to factors including the development of variants of concern (VoCs), the latest testing technology and the prevalence of the virus in different countries (and parts thereof).

150. As set out in the timeline below, HM Treasury ministers were standing attendees at HMG ministerial meetings that considered the detail of border restrictions (such as Covid(O) meetings). The advice HM Treasury officials provided to ministers focused particularly on strategic policy at the border, while also making sure ministers were properly brief on each individual decision taking place.

January – March 2020

151. Between January and March 2020, DHSC, DfT and FCDO, informed by advice from the CMO, led discussions at Cabinet level meetings on travel restrictions and border measures. HM Treasury followed steers from the CMO on changes to travel advice, with a focus on whether the proposed measures would be effective in curbing the spread of the virus. This is reflected in examples of readouts and briefings to the CX and the CST during this period [INQ000232176 , INQ000232136 , , INQ000232175, DYS-7/172/ INQ000232127].

152. On 17 March 2020, the Foreign Secretary made a statement advising that all non-essential international travel should be avoided for a least 30 days.[1] This statement

[1] Travel Advice against all non-essential travel: Foreign Secretary's statement, 17 March 2020 - GOV.UK

reflected the pace at which other countries were either closing their borders or implementing restrictive measures in response to the virus. On 23 March 2020 the PM announced the first lockdown in the UK.

April – September 2020 (Introduction of Health Measures at the Border)

153. As international travel began to increase again when lockdown measures were gradually lifted, there was a need to introduce health measures at the border, to; reduce onward transmission of imported cases, supplement any future testing programme and to bring the UK in line with other countries.

154. Ahead of a MIG officials sent a paper to the CST on 29 April 2020, which recommended introducing a combination of additional health monitoring measures at the border. [DYS-7/145/ INQ000585917]. This included introducing a 14-day self-isolation period for travellers, either immediately or at a future 'tipping-point' (recommended by SAGE). Officials provided additional information on financial costs on 5 May, and on 6 May the CX and the CST agreed with the proposals subject to two recommended conditions including measures to ensure the flow of goods should not be affected and the need for regular reviews to take place to ensure the economic costs remained proportionate to the health benefits. Movements across the Ireland/UK land border would be exempt [DYS-7/146/ INQ000585918].

155. On 13 May 2020, officials sent advice to the CX relating to quarantine proposals and exemptions to border measures following discussions with the French government. Final details of the border measures were agreed by Ministers at a MIG on 18 May 2020 [DYS-7/147/ INQ000585924, DYS-7/148/ INQ000585106 and DYS-7/149/ INQ000585925]. The measures required passengers arriving in the UK to provide digitally their contact details in the UK, as well as their flight or train number and port and date of arrival. All travellers at the border would be strongly advised to download and use the NHSX contact tracing app. All arrivals to the UK would be required to self-isolate in suitable accommodation for 14 days. Exemptions to self-isolation applied for several exceptions, including:

- Road haulage and freight workers, to ensure the supply of goods was not impacted.
- Medical professionals who were travelling to help support the fight against coronavirus.
- Anyone who moved from within the common travel area, covering Ireland, the Channel Islands, and the Isle of Man.
- Seasonal agriculture workers who could self-isolate on the property they were working.

156. The measures were introduced on 8 June, with reviews planned to take place every 3 weeks.

157. Officials briefed the CST ahead of a Covid(O) meeting on the approach to lifting quarantine border measures on 26 June 2020 [DYS-7/150/ INQ000585933]. Officials advised that as the UK economy was reopening, maintaining the border quarantine requirement could have a significant negative economic impact. HM Treasury submitted an assessment of economic impact of the border measures to the CO for the first review [DYS-7/151/ INQ000585935]. On 3 July 2020 it was announced passengers returning or visiting from certain destinations which pose a reduced risk to the public health of UK citizens would no longer need to self-isolate when arriving in England. The DGs set out their own approach to exemptions as health measures at the border were a devolved matter.

158. Ahead of a Covid(O) meeting on 23 July 2020, officials provided briefing to the CST in relation to amendments to the list of countries exempted from the border quarantine measures (travel corridors), and the introduction of testing at borders. Officials advised that changes to the travel corridors list should be based on robust epidemiological data, and countries should only be removed from the exempted list if they become high risk ('red') [INQ000184577]. It was also advised that any changes by DHSC to isolation periods for those who are symptomatic or have tested positive for Covid-19 should be aligned with the approach to quarantine and testing at borders to avoid inconsistency or lack of clarity. Testing proposals were put forward by the DfT to develop a voluntary testing regime enabling arrivals from non-exempt countries who provide comparable reciprocal arrangements (or have no border restrictions for arrivals from England) to reduce the length of the mandatory self-isolation period. Advice to the CST on testing at the borders was that no decisions should be made until further consideration, including the likely economic benefit, had been undertaken. It also advised the DHSC analysis of health benefit of these proposals must be shared with departments prior to decisions being made. An action from the meeting was for DfT to take forward further work on the options, working closely with DHSC and T&T [DYS-7/152/ INQ000053621

September – December 2020 (Test and Release)

159. In the Autumn, following the development of T&T and a move towards mass testing (detailed earlier in the statement), there was a case to make new approaches to arrivals at the border then previous quarantine arrangements had allowed for.

160. On 17 September 2020 the CST attended a Covid(O) meeting which considered a 'test and release' system for borders. In a briefing for the meeting, officials noted that a 'test and release' regime for international arrivals was the most realistic route towards encouraging travel and mitigating the economic impact but needed to be taken into consideration of wider testing priorities. Other recommendations included further exploring how Joint Biosecurity Centre country risk analysis could become increasingly sub-national, and the possibility of exemptions from self-isolation requirements for some business travellers. Officials advised aligning with the SoS DFT on pushing for arrivals to take a test on day 5 to reduce quarantine length. If negative, self-isolation could be shortened from the previous 14 days [INQ000184586]. It was recommended and agreed that the DfT and DHSC would establish a new Taskforce with industry to consider the practicalities around implementing a 'Test to release' scheme for international arrivals based on a single privately provided test [DYS-7/153/ INQ000053787

161. On 7 October 2020 the government announced the formation of a Global Travel Taskforce. The taskforce was chaired by SoS DFT and SoS DHSC and worked with departments across government (including HM Treasury), to help develop options for a testing regime at the border, increase the understanding of VoCs and to inform wider border policy decision.

162. On 14 October 2020 the CX had an evening call with SoS DfT and SoS BEIS. SoS DfT committed to bringing a proposal for a day 5 test and release system to Covid(O) the following week, for final PM sign-off by the end of the week [DYS-7/154/ INQ000585956].

163. On 15 October 2020, a Covid(O) meeting covered travel corridors [DYS-7/155/ INQ000585955]. Officials advised the CST that the decision on Italy needed further analysis on the likely trend of the epidemiological data, so that a fully evidenced decision could be made ahead of half term. Officials also advised that the Global Travel Taskforce was due to meet that day, with the XST planning to attend, and would cover evidence and engagement around testing and border policy. Officials advised the CST that the CX had expressed an interest in implementing a testing regime as soon as possible.

164. Following the increase in cases and hospital admission, on 31 October 2020 the PM announced there would be a second lockdown to prevent the NHS from becoming overwhelmed. The announcement of measures included the prohibition of international travel

except for work, education or other legally permitted exceptions, however inbound international travel would continue to be governed by the existing travel corridor policy.

165. On 13 November 2020, a statutory review of the international travel regulations and list of exemptions was considered at a Covid(O) meeting. Officials briefed the EST to support the regulations as still being necessary and agreed to the amendments to existing exemptions. It also recommended asking BEIS to finalise a paper on business travel exemption, allowing senior executives to travel more easily into England from countries outside the travel corridor system when undertaking activities likely to bring significant economic benefit to the UK [INQ000113690]. The introduction of a business travel exemption took effect from 5 December 2020, after agreement at Covid(O) on 26 November 2020 [DYS-7/156/ INQ000585965].

166. As testing capacity continued to ramp up in the UK, on 18 November a further Covid(O) meeting agreed a "test to release" scheme for international arrivals with effect from 15 December 2020. The scheme would allow passengers arriving into England to pay to take a test on or after the fifth day following their arrival and, if negative, leave self-isolation at that point [INQ000113692]. Officials noted they strongly supported the scheme and advised the FST to agree to the proposal, in line with a recommendation from the cross-Government Global Travel Taskforce.

January – February 2021

167. On 4 January 2021, following a rapid rise in hospital admissions, the PM announced there would be a third national lockdown. During this period HM Treasury supported cross-government decision making aimed at operationalising the lockdown, preserving economically essential travel in a way that minimised risks of transmission of Covid-19, and reducing the risks of importing VoCs. HM Treasury ministers also participated in statutory reviews of policy at the border (for example of the legislation that required self-isolation on arrival) and — until the regime was suspended — of routine changes to countries with which travel corridors were permitted.

168. HM Treasury officials typically briefed ministers to support a precautionary approach on travel, as there was a broad belief at the time that such an approach could slow the entry of a new VoC. This is illustrated, for example, in a briefing to the CST on 7 January 2021 to support extending a travel ban on inbound flights from South Africa pending a more definitive assessment of the Beta variant (and then extending this travel ban to further countries on 21 January) [INQ000113707]. This is also illustrated by a briefing for the CST on 15 January 2021

to support both the establishment of a new, rapid process for responding to VoCs and a temporary suspension of the travel corridor regime (while noting that a longer-term strategy to reopen international travel safely would need to be agreed, and that assessments of the economic impact of border measures should also be taken into account) [INQ000113710].

169. Although HM Treasury ministers (and briefing to them from officials) were supportive throughout this period of tightening policy at the border on a precautionary basis – for example at a Covid(O) meeting on the 26 January [INQ000116406], ministers continued to support economically essential travel. For example, at a Covid(O) which took place on 8 February, officials briefed the CST to not support any proposals that could prevent hauliers arriving from red listed countries delivering vital freight such as food and medicines [INQ000116408].

170. Following the early positive uptake of vaccines amongst the elderly, briefings provided by officials focus on the need for a longer-term plan for a re-opening strategy for borders in the upcoming roadmap. Officials also took into consideration the negative economic consequences resulting from the inability of the travel sector to operate [INQ000113717]. The roadmap out of lockdown was published on 22 February 2021, this created a framework for lifting restrictions in the UK and committed to global review of travel by the Global Travel Taskforce by April 2021.

March – June 2021

171. During the period from March to June 2021, the approach to health measures at the border was led by the Global Travel Taskforce, with HM Treasury providing views through meetings such as Covid(O). Following the strategic framework set out in the roadmap, the Global Travel Taskforce set out a proposed framework for international travel at Covid(O) on 1 April 2021, which included the RAG rating system for classifying destination countries. Officials provided the CST with a briefing which recommended agreeing to a cautious approach given the uncertainties around VoCs and supporting the RAG-rated system. The advice also recommended regular review points as HMGs understanding of VoCs and vaccine rollout increased. [INQ0001164014. The Global Travel Taskforce's report was published on 9 April 2021.

172. Following the publication of this report, border measures were again focused on the risk posed by VoCs. On 19 April 2021, Covid(O) met to agree the addition of India to the red list due to concerns about a surge in case numbers potentially caused by a new variant of interest, which officials briefed the CST to support, while noting the risk of increased pressure on Managed Quarantine Service hotels and the need for a consistent approach to adding countries to the red list (for example whether the approach should require the identification of a variant of concern rather than a variant of interest) [INQ000113729] . Ahead of the CST's attendance at a Covid(O) meeting on 29 April 2021 focused on border readiness and the traffic light system, HM Treasury officials provided a briefing which recommended that economic factors should be included in the decision making on the allocation of countries to the RAG lists. It also covered the movement of countries between lists, which ran contrary to the Joint Biosecurity Centre draft proposal on the traffic light system and its underpinning methodology which was circulated ahead of the meeting [INQ000113733].

173. Ahead of the reopening of international travel in May 2021, Covid(O) met on 7 May 2021 to agree that lifting restrictions on outbound travel could take place on 17 May 2021. It also agreed the allocation of countries under the traffic light system, with officials briefing the FST to support the recommendations but to push for marginal cases to be included on the green list [INQ000113737]. That day the re-opening of international travel from 17 May 2021 was announced.

June – November 2021 (Vaccine Certification)

174. Substantial progress had been made on vaccinations by summer 2021, which reduced health risks and increased the possibility of more targeted and bespoke border restrictions linked to the vaccination status of individual travellers (vaccine certification) as had been set out as an aspiration in the Global Travel Taskforce's report in April (paragraph 171). HM Treasury become increasingly concerned with the impact of ongoing border restrictions both on the travel sector and on the economy more broadly given the wider developments and progress made. HM Treasury's approach to borders from summer 2021 onwards was therefore reflective of the broader shift from the use of NPIs (such as flight bans and restrictions on travel) to pharmaceutical interventions.

175. HM Treasury officials submitted advice to the CX and the CST on 16 June 2021 on a specific vision for a medium-term strategy for borders, which would seek to balance the reduced public health risks posed by international travel (following the vaccination rollout) with

the significant economic and fiscal impacts of border restrictions [INQ000116419]. The advice emphasised that restrictions on international travel were damaging the UK economy, with particularly concerning impacts on tourism, trade, the recovery of individual cities, and on the UK's international reputation and competitiveness. Officials recommended that HM Treasury Ministers should pursue shorter-term reforms to border measures — particularly via the implementation of business traveller exemptions and reforms to stabilise the traffic light system — in the immediate term, while pushing across HMG for agreement and announcement that vaccine certification would be the medium-term goal. The advice also recommended advocating for the use of bilateral trials with economically important countries, ahead of a move to "a universal, individual-based system (any individual with a recognised vaccine)" by late September, when the UK's domestic vaccination programme would be largely completed. The CST responded on 23 June 2021 asking for more detail on the interplay between asymptomatic testing vaccine rollout [DYS-7/157/ INQ000585993].

176. HM Treasury officials continued to be supportive of the development and use of vaccine certification. Officials briefed the CST in advance of Covid(O) on 2 July 2021 to support an early announcement on vaccine certification (to enable fully vaccinated arrivals from "amber" list countries to be exempt from isolation requirements), and to emphasise the importance of clear direction on the next phases of certification (such as bilateral agreements with the EU) in order to give confidence to the travel industry [INQ0001137489]. On 8 July 2021, the SoS DFT announced that from 19 July, fully vaccinated UK residents would no longer be required to self-isolate on arrival in the UK (although some testing requirements remained for this cohort), and that guidance against travelling to countries on the amber list would be removed.

177. Despite these changes, as the summer progressed officials remained concerned about the borders strategy. Further advice sent to the CX and the CST on 22 July 2021 described growing cross-Whitehall agreement that the current traffic light system and its underpinning methodology was unsustainable and out of step with the improved epidemiological understanding of VoCs. It sought agreement for officials to work with the Covid-19 Taskforce and relevant departments to implement a longer-term borders policy ahead of the 1 October 2021 Global Travel Taskforce checkpoint. Again, emphasis was placed on moving from blunt restrictions to a more targeted regime focused on the vaccination status of individual travellers, rather than on individual countries (albeit a time-limited and focused red list was recommended for retention). The advice made three recommendations for short-term improvements to the borders regime: supporting the expansion of international certification at pace; supporting changes to the traffic light methodology (for example, differentiating between variants of concerns, creating a feasible route off the red list, and creating a more stable and

easier to reach green list); and creating improved cross-Whitehall governance of the borders regime to enable wider factors (such as economic impacts) to be incorporated into decision making [INQ000116420]. On 26 July 2021 the CX sent a letter to the PM setting out his concerns and preferred approach [INQ000116421

178. On 28 July 2021, the government announced that fully vaccinated travellers from the EU and the USA would no longer be required to quarantine on arrival from 2 August 2021, and that international cruises could restart. Throughout August, officials continued to develop options on a long-term strategy on borders, set out in a draft position paper shared with officials in the Covid-19 Taskforce [INQ000113761]. Officials also continued to advise Ministers to aim for changes to the borders framework at Covid(O) meetings, including on 4 August [INQ000113759] and 25 August 2021 [INQ000113767].

179. Further economic analysis by officials from HM Treasury and the DfT of the economic impact of testing and isolation measures was sent to the Covid-19 Taskforce on 7 September 2021 INQ000116422 Ahead of a Covid(O) meeting on 16 September, HM Treasury officials provided briefing in favour of a proposal to enable arrivals to take lateral flow tests instead of PCR tests. The briefing also recommended a broader review of arrivals testing and exit strategy, as well as a two-tier "red" and "non-red" system. Overall, the briefing proposed pushing for a review of the red list to improve transparency and predictability [INQ000116426].

180. Throughout the remainder of the autumn, HM Treasury officials continued to advocate for reforms to the borders regime to support the recovery of international travel. On 7 October the EST attended a Covid(O) meeting to discuss the international travel red list. The briefing welcomed the progress made on issues such as expanding international vaccine certification and alternative options for managed quarantine, while noting that substantial further work was needed [INQ000116422]. On 21 October 2021 the CST attended a Covid(O) meeting on international travel. The briefing officials provided supported retaining managed quarantine to the end of the year but was clear that it must be seriously considered as part of the upcoming international travel January review [INQ000116428]. The following week the CST attended another Covid(O) meeting on the international travel, to discuss the red list and further expansion of international vaccine certification. Officials provided briefing that advised supporting the removal of the final seven countries from the red list and proposed changes to inbound vaccines policy [INQ000116429]

November – December 2022 (Omicron Variant)

181. The emergence of the Omicron variant brought discussions of temporary measures and pushed back the planned review of the border system. Ahead of a Covid(O) on 4 December officials sent advice to the CX in relation to further red listing countries in response to the Omicron variant. The advice recommended seeking assurances to remove restrictions quickly if concern over Omicron dissipates, and/or once it is clear restrictions are no longer effective and pushing back on further red listings of countries given the economic, diplomatic and social impacts [DYS-7/158 INQ000585109 The following day the CX agreed with the recommendations but noted it should be revisited once there is country specific health data available for any specific country decision [DYS-7/159/ INQ000585110 . The briefing sent to the CST ahead of the meeting recommended pushing back on adding further countries to the red list [INQ000113777].

182. In advance of a Covid(O) on 14 December officials sent briefing to the CST in relation to a 3-week review of border restrictions that were brought in following Omicron. The briefing recommended agreeing to remove all 11 countries from the red list from 15 December. It also recommended agreeing to maintain a temporary non-red list travel measures and review in early January, with a view to lifting the pre-departure test requirement in the week commencing 10 January at a minimum, subject to the latest evidence [DYS-7/160/ INQ000585996].

183. Ahead of a Covid(O) on 5 January 2022, officials sent briefing to the EST. The briefing recommended agreeing with the proposals in the paper to remove the pre-departure test and self-isolation component that was introduced following the emergence of Omicron, as well as moving back to day two LFD testing [INQ000113787]. On 7 January, the government announced the removal of the requirement to quarantine on arrival in England if individuals qualified as fully vaccinated for travel.

January – March 2022

184. Following the removal of the temporary Omicron border measures, and a move towards global travel volumes returning to normal, attention turned back to the need for a longer-term border strategy, placing it on a more sustainable footing and in line with the UK's domestic policy.

185. On 17 January 2022, ahead of a review of border restrictions, officials sent advice to the CX on the department's priorities [INQ000116435]. The CX agreed with the recommendations including continued differentiation based on vaccination status and pushing to remove the remaining testing requirements for vaccinated arrivals. The CST attended the Covid(O) on 24 January 2022 and officials had provided briefing recommending signalling support for the removal of testing requirements for fully vaccinated arrivals [INQ000113793].

186. On 11 February 2022, individuals no longer needed to take any COVID-19 travel tests or self-isolate on arrival in England if qualifying as fully vaccinated and from 24 February 2022, there was no longer a legal requirement to self-isolate following a positive day two test result.

187. The Living with Covid Strategy, published on 21 February stated there was a commitment to see a return to unrestricted travel and to support recovery across all sectors. On 14 March 2022 officials provided briefing to the CST ahead of a Covid(O) meeting on borders on the same day. The briefing noted the Covid(O) would consider the removal of all remaining border measures in place, believing they were no longer proportionate and in line with the UK's domestic policy. The briefing recommended agreeing to all lead proposals in the papers and supporting the move towards unrestricted travel [DYS-7/161/ **INQ000116436** From 18 March arrivals to England from abroad no longer needed to take any COVID-19 tests or fill in a UK passenger locator form.

Lessons learned

188. HM Treasury committed to learn lessons throughout and beyond the pandemic. We evaluated and reflected on our approach at regular intervals to ensure that our processes were constantly adapting and improving, to meet the rapidly changing and unique demands of the pandemic. We carefully reviewed our standard processes throughout, making informed judgements on the most effective ways to meet our responsibilities in a pragmatic and flexible way.

Spending Control Framework

189. 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 fundamental

considerations when advising Ministers also remained the same (albeit different considerations were weighted differently – and proportionately – according to the circumstances during different phases of the pandemic).

190. Within that framework, HM Treasury was able to act flexibly thus allowing HMG to be responsive in its approach despite the key challenges posed by the pandemic, predominantly pace and uncertainty. HM Treasury worked to ensure HMG could act rapidly when necessary, while establishing upfront scrutiny and risk management which, while varying from normal practice, were proportionate to the circumstances. HM Treasury was also able to strengthen risk mitigation and assurance with bespoke processes after decision-making took place and was able to act quickly and responsively when necessary.

191. 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. The framework also proved to be adaptable over time and was able to accommodate evolution in the weighting of spending considerations over the course of the pandemic. Test and Trace was provided with an initial envelope to support the scale up of the programme to meeting the PM's testing ambitions. Initially, tighter delegations were imposed for internal spending approval to ensure spending remained targeted as plans developed. Over time there was collective agreement to successive expansions of NHS Test and Trace, as it was understood that this was essential to the programme's ability to deliver the increased scale of testing required to generate the potential economic benefits it could bring. The programme's envelope was raised accordingly.

192. There were challenges with this approach, and as with other spending in the pandemic, at times HM Treasury had limited opportunity to provide full scrutiny of contracts or proposals for new testing through business case processes. Full scrutiny would have resulted in delays to securing testing supply which was an essential pillar of our resistance against the virus, which is why HM Treasury's approach to ringfenced budgets enabled decision making and accountability to be devolved closer to the experts who were best placed to take those judgements. Over time, DHSC gained a better clinical understanding of how rapid tests could be used to find cases that has informed testing strategies – for example SAGE analysis showed the importance of regular testing for health and social care workers – and, as the government moved away from the critical expansion phase of the programme, it built stronger internal controls. The move to raise commercial and spending delegations reflected assurances from the Test and Trace Programme on the strengthened internal controls.

193. HM Treasury has worked to embed lessons from the pandemic in its 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).

194. Catherine Little, while Head of the GFF, convened a Finance Leadership Group (FLG), which meets every month outside August. The agendas include a HM Treasury update in which the latest information on fiscal events and other HM 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. During the pandemic the FLG met much more frequently, moving from monthly to weekly calls.

195. Previous sessions have covered the following topics:

a. 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 and 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. 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.
b. 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 [INQ000412040] and [[INQ000412081].
c. Financial Reporting – a joint session was held in November 2021 with the FLG and the National Audit Office on timeliness and quality of reporting in Annual Report and Accounts (ARA) for 2021-22 [INQ000412077] and [INQ000412079]. On the content of ARAs for 2020-21 and 2021-22, HM Treasury 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.
d. Audit and Assurance – The Government Internal Audit Agency ["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. FLG looked at the outcomes from the cross-government Risk Management review and

discussed the impact of COVID-19 on risk tolerance levels [INQ000412078] and [INQ000412080].

196. 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.

197. Further to this in December 2024 the CX appointed the Covid Counter-Fraud Commissioner to use every means possible to recover public money lost in pandemic-related fraud and contracts that have not delivered. At the end of this year the Commissioner will provide a report to Parliament outlining his findings on PPE procurements and other areas of Covid fraud, as well as identifying lessons and recommendations for future govts in the face of crises.

198. 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 T&T. 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 [INQ00068427]. HM0 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 [INQ000399216]

199. 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. As a result, there was a premium on strengthening commercial capability in programmes.

200. 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.

201. Following the recommendations of the Boardman Review of Government COVID-19 Procurement in May 2021 [DYS-7/162/ 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 **INQ000399235**

202. Further, HM Treasury has separately considered lessons relevant to the AO assessment process. In winter 2021, HM Treasury facilitated a review for the Civil Service Board of the application of the AO processes during the initial phases of COVID-19 [INQ000399235]. This review identified the following lessons:

a. AO assessments are a valuable tool in undertaking a systematic appraisal of specific significant projects or proposals;
b. detailed arrangements for producing AO advice should be tailored to the wider structures of each organisation. However, the Finance Function within each body provides an important second line of defence and should, therefore, sign off an AO assessment before it is put to the AO for final clearance; and
c. AOs and those who support them would benefit from enhanced training and support, as well as more detailed central guidance in specific areas, including the circumstances that merit departments assuming a greater level of risk appetite than they would in usual conditions.

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

a. published updated Accounting Officer Assessment guidance [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 AO 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
b. published an updated version of Managing Public Money with additions on combating fraud and communication with Parliament regarding Ministerial directions and contingent liabilities.

TTSP

204. TTSP was set up rapidly by DHSC in the summer of 2020, in consideration along with other forms of available financial support including SSP, CJRS and universal credit, to support the policy of mandatory self-isolation. Throughout this period, the evidence as to whether payments had increased compliance with the rules or whether a focus on non-financial support such as accommodation provision, food delivery or other targeted support scheme would be more effective, remained unclear. HM Treasury was also concerned at various points with the low take up in people claiming the support. UKHSA published a report titled 'Improving testing and self-isolation adherence in low-income groups: preliminary evaluation of the impact of TTSP' on 16 June 2023. The report found testing uptake increased by 18% amongst those who received the payment, however noted the true effect of the policy is uncertain.

205. Theoretically, TTSP is a policy option that could be stood up again in the event of a future pandemic, although the decision to do this and the exact policy details would need to correspond with the particular nature of that pandemic and the government's wider public health response. Evaluations have been published on the CJRS and SEISS, and HM Treasury's knowledge management systems maintain detail on all policies delivered in response to CV-19. These can provide the basis for any work required at pace in response to future pandemics, should Ministers be interested in similar policy solutions again. HM Treasury welcomes the work of the Inquiry in exploring this issue and stands ready to support DHSC/UKSHA on this.

The Living with Covid Strategy

206. As I have discussed in this statement, the Living with Covid Strategy set out a plan for eventually managing Covid-19 in the same way as other respiratory infectious diseases. As part of this, HM Treasury Ministers agreed to provide DHSC and UKHSA with a ringfenced Covid envelope of £4.3bn in 2022-23, £3.7bn in 2023-24 and £2.2bn in 2024-25, from which further testing and tracing activity was funded. It was ultimately up to DHSC and UKSHA how this envelope was allocated.

207. At Autumn Budget 2024, HM Treasury Ministers invested £460m to address the risk posed by future health emergencies and implement the lessons learnt from the pandemic by replenishing personal protection equipment (PPE), vaccine and medicines stockpiles, and investing in critical health protection infrastructure, such as high-containment laboratories.

Statement of Truth

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

Signed: Personal Data

Dated: 7 April 2025

Annex 1: HM Treasury's organisation, role, people, and structure

1. HM Treasury have completed the below organogram of senior officials (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.

2. 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.

Job Title and Grade	**Name (in post for duration of pandemic unless stated)**	**Job/Team Function**
Permanent Secretary	Thomas Scholar	Responsible for decision making, coordination and management of the Department and communications with media and the public.
Second Permanent Secretary	Charles Roxburgh	Responsible for growth policy, financial services and infrastructure.
Director General, Chief Economic Adviser to the Treasury	Clare Lombardelli	Responsible for economic and fiscal policy advice, analysis and surveillance. Also head of Government Economic service – leadership of the economic profession across government, working closely with other heads of profession, in particular for social research.
Director – Economics	Vanessa MacDougall (until Nov 2020) James Benford (Nov 2020 – Feb 2023)	Responsible for UK Economic analysis, surveillance, and professionalism

Director, Fiscal Policy	Tom Josephs	Responsible for Fiscal Policy Framework and Statistics and Debt, Cash, and Reserves Management
Director General, Tax and Welfare	Beth Russell	Responsible for Tax and Welfare.
Director, Strategy Planning and Budget	Daniel York-Smith	Responsible for defining forward strategy, work programme, the budget, tax strategy and short-term priority policy projects
Director General, Public Spending	James Bowler (until March 2020) Catherine Little (March 2020 – Oct 2022)	Responsible for the 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 Jean-Christophe Gray (until Dec 2020) Philippa Davies (from Dec 2020)	Responsible for Oversight of Major Public Service Expenditure.

<u>1b. Organisational structure of HM Treasury at Ministerial level</u>

Ministerial Post	**Individual in post**	**Date Started in Department**	**Date left post/depart ment**	**Responsibilities**
Chancellor to the Exchequer				
Chancellor of the Exchequer	Rishi Sunak MP	13/02/2020	05/07/2022	The Chancellor of the Exchequer is the government'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 the 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 the Treasury) overall responsibility for the Treasury's response to COVID-19
	Sajid Javid MP	24/07/2019	13/02/2020	
Chief Secretary to the Treasury ("CST")				
	Simon Clarke MP	15/09/2021	06/09/2022	The 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	
Financial Secretary to the Treasury ("FST")				

	Lucy Frazer MP	16/09/2021	07/09/2022	The 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 the Government's Actuary's Department
				• Tax administration policy
				• Input to Investment Zones and Freeports focusing on tax and customs elements
				Overall responsibility for retained EU Law and Brexit opportunities

	Jesse Norman MP	23/05/2019	16/09/2021	
Economic Secretary to the Treasury ("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 government 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
The Exchequer Secretary (“XST”)				

	Helen Whately MP	16/09/2021	08/07/2022	The 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 and Transformation]	Lord Agnew of Oulton	14/02/2020	24/01/2022	

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 SpAd
Douglas McNeill	13/02/20	05/07/22	Chancellor's SpAd
James Nation	06/01/21	05/07/22	Chancellor's SpAd
Michael Webb	23/03/20	06/06/22	Chancellor's SpAd
Cass Horowitz	24/02/20	05/07/22	Chancellor's Media SpAd

Nerissa Chesterfield	13/02/20	05/07/22	Chancellor's Media SpAd
Olivia Oates	15/09/21	06/09/22	CST's SpAd
Rupert Yorke	03/03/20z	05/07/22	Chancellor's SpAd
Allegra Stratton	28/04/20	25/10/20	Chancellor's Media SpAd
Aled Maclean Jones	14/04/20	14/09/21	CST's SpAd

Annex 2: Overview of HMG budget setting process

1. 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.

2. 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.

3. 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. There are two main ways in which a budget can change in-year. The first is by increasing a department's overall spending power (i.e., increasing the department's budget above the current levels through a DEL Reserve Claim), and secondly, by allowing a certain flexibility in how the total budget is allocated internally. The DEL Reserve is a small unallocated amount within the total DEL allocated in the SR. It is available for genuinely unforeseen contingencies, which are unavoidable and departments cannot absorb themselves. Claims on the Reserve are only agreed in exceptional circumstances and need to be authorised by the CST.

4. 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. If departments need to incur urgent expenditure ahead of it being voted Parliament, 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. Set requirements laid out in the Estimates Manual must be met before a CFA can be considered. HM Treasury may authorise issues out of the Fund, subject to the limit set on the capital of the Fund by the Contingencies Act 1974.The limit is fixed at 2 percent of the total of authorised Supply expenditure (i.e., the total of all authorised departmental net cash requirements) in the proceedings financial year.

5. 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. An out-of-turn Supplementary Estimate may be presented at any time when Parliament is sitting. If sought between the normal Main and Supplementary Estimate rounds, it is because urgent additional provision is needed at short notice, and this cannot await a normal Estimates round or be met through a cash advance from the Contingencies Fund. If sought after the normal Supplementary Estimate round, the government would provide urgent additional provision in order to avoid an Excess Vote. An alternative solution could be to use primary legislation to increase the limit set on the capital of the Contingencies Fund, currently set by the Contingencies Fund Act 1974.

6. HM Treasury delegates authority to departments to enter into commitments and to spend within predefined limits (DAL, "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. Certain transactions by public bodies may fall outside their usual planned range of activity and may exceed statutory and contractual obligations. HM Treasury calls these special payments.

7. HM Treasury also delegates a number of spending controls to the Cabinet Office on particular areas of spending, for example commercial and digital spending. Thus, 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. However, the Cabinet Office subsequently decided not to apply this commercial spending control to the award of PPE contracts, because of the pace of the market decisions required, and the seniority of the staff working on PPE. The PPE procurements were subject to the normal

departmental spending controls, including HM Treasury approval of new spending proposals, as well as the control of a clearance board established by DHSC and the Cabinet Office to approve PPE contracts with a value larger than £5 million.

8. 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).

9. 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

1. HM Treasury has a constitutional role and is responsible to Parliament for creating and maintaining a framework to manage public resources, which applies across the whole of government. This framework is codified in the document Managing Public Money exhibited as CL5/119 INQ000068420. Parliament looks to HM Treasury to make sure that departments only use their powers as intended, and that revenue is raised and resources are spent within agreed limits. 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.

2. 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.

3. 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.

4. As of March 2020, DHSC appointed a Second Permanent Secretary as an additional AO to address the operational pressures that arose due to the Department's role in responding to the pandemic. This appointment did not detract from the Permanent Secretary's overall responsibility

as Principal AO for the department. The Principal AO for DHSC appoints the Chief Executive for NHSE to act as AO for the NHS.

5. During the pandemic, the basis on which AOs made decisions about expenditure in their departments did not change; at all times they needed to be satisfied that spending decisions met the usual AO standards of regularity, propriety, value for money and feasibility. HM Treasury reiterated the primacy of this responsibility to AOs and Ministers across spending departments at multiple points throughout the pandemic and provided support to department AOs throughout. The following exhibits are relevant; CL5/08 INQ000399236; CL5/120 INQ000408779; CL5/121 INQ000399234; CL5/122 INQ000408780; CL5/123 INQ000408781

6. 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).

7. 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 Directors General also frequently interact with senior counterparts in departments, including the departmental AO.

8. 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.

9. 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.

10. 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 in Scotland, Wales and Northern Ireland

1. Similar to departments, the UK's three DGs 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 DGs 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 DGs also have their own agreed tax and borrowing powers.

2. HM Treasury does not directly approve DG spending on health and care as DGs take their own decisions and are accountable to their respective legislatures. DG 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.

3. In 2020-21, the DGs were provided with an in-year funding guarantee, meaning that DGs 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.

4. 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 DGs).

5. For DA funding in civil emergencies, Chapter 8 of the Statement of Funding Policy sets out the arrangements for the DGs 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 DA is facing similar pressures,

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

6. DGs 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 DGs.

Statement of Funding Policy

7. The Statement of Funding Policy [CL5/124, INQ000068425] is a HM Treasury policy document that is subject to consultation with the DGs, though much of the document now reflects agreements reached with the DGs about their funding arrangements. In particular:

   a. **Scottish Government:** The Statement of Funding Policy reflects the jointly agreed Scottish Government Fiscal Framework [CL5/125, INQ000068434], which sets out the funding arrangements that underpin the latest Scottish devolution settlement (Scotland Act 2016). In particular, the UK and Scottish Governments agreed through the Joint Exchequer Committee (Scotland) that: the Barnett formula will continue to determine changes to Scottish Government block grant funding in relation to departmental spending (Departmental Expenditure Limits); this Barnett-based block grant funding will be adjusted in relation to tax and welfare devolution through an agreed Block Grant Adjustment methodology; the Scottish Government can borrow up to £3bn for capital purposes and up to £1.75bn for certain resource purposes (notably tax/welfare forecast error); and the Scottish Government can operate a £700m Scotland Reserve. Following a review of the Fiscal Framework concluded in August 2023, the capital and resource borrowing limits and Reserve limits will all be increased from 2023-24 onwards using the GDP deflator.

   b. **Welsh Government:** The Statement of Funding Policy reflects the jointly agreed Welsh Government Fiscal Framework [CL5/126, INQ000068435], which sets out the funding arrangements that underpin the latest Welsh devolution settlement (Wales Act 2017). In particular, the UK and Welsh Governments agreed through the Joint Exchequer Committee (Wales) that: a needs-based factor (initially 5%) will be added into the Barnett formula to uplift changes to Welsh Government block grant funding in relation to departmental spending (Departmental Expenditure Limits); this Barnett-based block grant funding will be adjusted in relation to tax devolution through an agreed Block Grant Adjustment methodology; the Welsh Government can borrow up to £1bn for capital purposes and up to £500m for certain resource purposes (notably tax forecast error); and the Welsh Government can operate a £350m Wales Reserve.

c. **Northern Ireland Executive:** There is no Fiscal Framework agreement between the UK Government and Northern Ireland Executive, though nor have there been as significant changes in the Northern Ireland devolution settlement as in Scotland and Wales. However, the Statement of Funding Policy still reflects specific agreements reached between the UK Government and Northern Ireland Executive. In particular, it includes the Northern Ireland Executive's £3bn capital borrowing under the Reinvestment and Reform Initiative (RRI) and the agreed mechanism for adjusting Barnett-based block grant funding in relation to the devolution of long-haul Air Passenger Duty.

267. The below identifies and describes the key roles of those in the DGs who cooperated with HM Treasury in relation to setting funding and controlling spending:

a. **Scottish Government:** The Scottish Government's organisational structures have evolved over the past decade to reflect its significant increase in tax, borrowing and welfare powers. The key roles now sit within the remit of the Director General Scottish Exchequer (with the Budget and Public Spending Directorate responsible for operating the Scottish Government's Fiscal Framework and setting the annual Scottish budget and medium-term financial strategy) and the Director General Corporate (as the Financial Management Directorate is responsible for in-year spending control).

b. **Welsh Government:** The Welsh Government's organisational structures have also evolved over the past decade to reflect its additional tax and borrowing powers. HM Treasury now works most closely with the Director General Economy, Treasury and Constitution (which includes working with the Welsh Treasury to set funding, under the Director of the Welsh Treasury) and the Chief Operating Officer's Group (which leads on in-year spending control under the Director of Finance).

c. **Northern Ireland Executive:** HM Treasury's main relationship is with the Department of Finance, which was the Department of Finance and Personnel until May 2016. Within the department the key engagement is with the Central Expenditure Division, which sits within the Public Spending Directorate.