IN THE MATTER OF THE UK COVID-19 INQUIRY

MODULE 7: WRITTEN CLOSING SUBMISSIONS
ON BEHALF OF HIS MAJESTY'S TREASURY

A. Introduction

1. These written closing submissions in respect of Module 7 of the Inquiry's work are submitted on behalf of His Majesty's Treasury ("HM Treasury"), following the conclusion of the oral hearings on 30 May 2025.

2. Module 7 concerns the approach to testing, tracing and isolation during the pandemic. The module considers the policies and strategies developed and deployed, by the UK Government and the Devolved Administrations, to support the test, trace and isolate system. This consideration includes the decisions made by key bodies, other options or technologies that were available and factors that may have influenced public compliance. In relation to factors that may have influenced public compliance, the module has included examination of the adequacy of and trust in messaging, financial and practical support to those required to isolate.

3. The purpose of these written submissions is, first, to explain, in the context of the matters under consideration in Module 7, the roles and responsibilities of HM Treasury and, secondly, to address issues explored during the Module 7 oral evidence which pertain to the work of HM Treasury. In particular, regarding the work of HM Treasury, there has been a focus during Module 7 on (a) the adequacy of statutory sick pay during the pandemic for those required to isolate and (b) the Test & Trace Support Payment and in particular the amount (£500 per week) paid under it in England.

B. Summary of assistance provided to the Inquiry by HM Treasury in Module 7

4. For the purposes of Module 7, HM Treasury has continued to assist the Inquiry through disclosure of relevant material and the provision of comprehensive witness evidence. Considerable resources have been made available for these tasks.

5. In relation to Module 7, HM Treasury has supplied a detailed corporate witness statement[1], dated 7 April 2025, from Dan York-Smith, who, during the pandemic, was Director of HMT's Strategy, Planning and Budget Group and is presently HM Treasury's Director General for Tax and Welfare. That detailed statement both annexes further information (in relation to HM Treasury's organisation, processes, role in Government and role with respect to funding arrangements in Scotland, Wales and Northern Ireland) and exhibits a substantial quantity of contemporaneous documentation (there are 162 exhibits) relevant to HM Treasury's involvement in the matters under consideration by the Inquiry in Module 7.

6. On 20 May 2025, the Inquiry heard relatively brief oral evidence (lasting approximately 1 hour) from Mr York-Smith. As was recognised by Counsel to the Inquiry ("CTI"), it was only possible to touch briefly on some core themes in the evidence in that time. It is intended that these written submissions provide greater context around those core themes.

7. For the purposes of Module 7, the Inquiry also has a witness statement[2] from the then-Chancellor, Mr Rishi Sunak MP, which addresses in detail the relevant decisions that he took. Mr Sunak was not asked to give oral evidence in Module 7.

8. Regarding the work of the Inquiry generally, the Chair has previously stressed that whilst the oral evidence is an important part of the evidential picture, the Inquiry will have regard to all the evidence which has been submitted to it. HM Treasury is grateful for that assurance on behalf of the Inquiry, which is of particular importance in modules where the oral hearings are heard within a relatively short period (for example, the public hearings in Module 7, including oral closing statements, were concluded in 12 days only) but there is extensive underlying documentation. During the course of this Inquiry, HM Treasury has repeatedly and diligently provided, and continues to so provide, very large quantities of written evidence and documentary materials to the Inquiry, a very large proportion of which is unreferenced at the oral hearings. HM Treasury would invite anyone who wishes to understand the role and responsibilities of HM Treasury and the Chancellor of the Exchequer in relation to the issues under consideration by the Inquiry generally to have regard to the full range of written evidence submitted to the Inquiry by HM Treasury and the Chancellor of the Exchequer. This is summarised above so far as Module 7 is concerned; however the evidence submitted in Module 2 also touches on these issues. As has been submitted previously by HM Treasury, it is important that the public understands

[1] INQ000587305
[2] INQ000587405

that the core decision-making under scrutiny by the Inquiry, in this instance in Module 7, was underpinned by a vast amount of difficult, hard work carried out at pace by a very large number of diligent, conscientious, hard-working individuals operating in the most challenging and novel circumstances. That is what is reflected, and plainly established so far as HM Treasury is concerned, in the detailed witness statements and documents supplied to the Inquiry on behalf of HM Treasury and is also why an appreciation and reflection of the totality of the material supplied is so important.

C. The Role of HM Treasury and the Broader Module 7 context

9. In summary, HM Treasury is the Government's economic and finance ministry, responsible for maintaining sound public finances, delivering sustainable economic growth and maintaining macro-economic and financial stability. The Chancellor is the Government's chief financial minister and has overall responsibility for HM Treasury and for economic and fiscal policy, and the financial services sector. The Chancellor is involved in collective Cabinet-level decision-making, with a focus, as Mr Sunak explained during his oral evidence in Module 2, on representing economic and fiscal considerations in the decision-making process.

10. As the Inquiry is aware, there is a clear distinction between the roles of Government departments, such as HM Treasury, and ministers. As with all policy, HM Treasury officials' role is to advise ministers, who take decisions on behalf of the department. Throughout the pandemic, HM Treasury officials worked to inform and advise the Chancellor and departmental ministers in order to respond to ministerial requests for briefing, analysis and advice as necessary and, overall, to support Cabinet-level decision-making. Decisions, in light of that analysis and advice, were, as usual, taken by ministers.

11. The advice provided by HM Treasury, in accordance with the civil service code, is impartial, honest and objective. As explained in Module 2, HM Treasury officials used the information shared at scientific committees, including in readouts from HM Treasury officials who observed these meetings, to inform this briefing and advice and to inform internal policy development. The positions taken by HM Treasury officials, for example when engaging in cross-departmental negotiations, are determined by ministers, in light of the analysis and advice they receive. This remained the position during the pandemic.

12. The Chancellor's ministerial responsibility during this period, supported by HM Treasury, was to provide economic and fiscal evidence, analysis and advice in relation to decisions

and interventions (in the context of the pandemic) that would impact those areas for which HM Treasury was responsible. This was considered by the Prime Minister and by Cabinet, where appropriate, together with all other relevant evidence such as the minutes and reports produced by the Scientific Advisory Group for Emergencies ("SAGE"). As the Inquiry has heard across the modules heard to date, during the pandemic ministers would put forward the key considerations relevant to their individual departments and it was necessary, as has been explained, for the Prime Minister then to balance those interests in order to reach a decision as to how to proceed. Arguments would be tested and challenged, and alternative options explored. In that process, the Chancellor had a specific responsibility of tailoring economic advice, policy and decision-making to the context of an international pandemic. As HM Treasury explained in Module 2, that responsibility, in the context of HM Treasury's and the Chancellor's broader roles and responsibilities, necessarily required HM Treasury and the Chancellor to ensure that the often grave economic consequences of the policy decisions under consideration were properly factored into decision-making.

13. In relation to Module 7, and in the context of HM Treasury's role more generally, there are three general points which HM Treasury wishes to emphasise.

14. **First**, the policy behind Test, Trace and Isolate was a Health policy. Health policy in the United Kingdom 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 to Mr York-Smith's witness statement (see pages 69-72). HM Treasury's involvement in Test, Trace and Isolate was therefore limited to the Test & Trace programme in England.

15. In England, the lead Government Department for Test & Trace (with responsibility for the design, operation and delivery of the Test & Trace programme) was the Department for Health and Social Care ("DHSC"). Before the pandemic, responsibility for responding to outbreaks of infectious diseases, including through testing and tracing, say with Public Health England, an Executive Agency of 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, which was part of DHSC. Responsibility for the NHS Test and Trace Service moved to the UK Health Security Agency in April 2021.

16. In relation to Test & Trace in England, HM Treasury's responsibility was to discharge its responsibilities as the Government's economic and finance ministry (as summarised above), including exercising control over public spending and maintaining economic and financial stability. 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. An overview of the Government's budget-setting process is set out in Annex 2 to Mr York-Smith's witness statement (see pages 63-65). An overview of HM Treasury's role in Government spending and a summary of the work of HM treasury spending teams is set out in Annex 3 to Mr York-Smith's witness statement (see pages 66-8).

17. The funding of the Test & Trace programme in England is set out in detail on pages 8-29 of Mr York-Smith's witness statement. HM Treasury's assessment of the value of Test & Trace during the pandemic 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 United Kingdom's economic response to the pandemic along with the more traditional economic policy levers, such as business support and employment schemes.

18. As a result, HM Treasury's interest in the overall testing programme covered two broad principles: (a) ensuring the system realised these potential health and economic benefits; and (b) managing the financial risk to taxpayers in the pursuit of these benefits through seeking to minimise waste and maximising value. However, as the Inquiry is by now well aware, discharging its responsibilities during the unprecedented circumstances of the pandemic necessarily involved HM Treasury adopting a much higher-risk and more flexible approach than usual to spending very large sums of public money.

19. Of that unprecedented public spending, Test & Trace was of course only one part. As Ms Little explained in Module 4, in the context of vaccines, HM Treasury often signed off significant public spending within 48 hours of receiving a complex written case and HM Treasury teams worked round the clock to make sure that resources were available where required. For example, whilst the Vaccine Task Force business case was under consideration in the summer of 2020, HM Treasury signed off £1.3 billion of additional specific funding approvals to ensure the Vaccine Task Force could maintain its momentum and pace of work. That was at around the same time that the Test & Trace programme in

England was being developed and upsized significantly: Baroness Harding was appointed as the Executive Chair of the Test & Trace Taskforce on 7 May 2020.

20. HM Treasury does not understand there to be any criticism of the level or timeliness of the funding provided for the Test & Trace programme in England. This, HM Treasury respectfully submits, is unsurprising. Overall, and as detailed in Mr York-Smith's witness statement, HM Treasury provided the Test & Trace programme with the funding it requested. As early as 19 March 2020, £64 million was made available for lab testing kits, with a testing 'envelope' of £100 million, which increased to £300 million on 25 March 2020. By 16 May 2020, £886 million had been provided for testing. The budget was ultimately increased to £22 billion to enable mass testing from autumn 2020.

21. **Secondly**, in Module 7, there was understandable focus on the financial support that was provided to those self-isolating and an understandable interest in exploring the impact that that financial support had on compliance with the requirements to self-isolate. However, given the much broader context of the economic response to the pandemic, HM Treasury respectfully invites the Inquiry to be cautious when looking at aspects of financial support in isolation. It is important, HM Treasury respectfully submits, to set any piece of the jigsaw of economic and financial support provided during the pandemic (which totalled almost £400 billion of support) within the context of the support provided as a whole. Indeed, HM Treasury is currently working with the Inquiry to prepare for Module 9 (due to be heard in November and December 2025) which will be exclusively concerned with examining the economic interventions taken by the UK Government and Devolved Administrations in response to the pandemic. HM Treasury has already provided the Inquiry with a very large volume of information and material regarding those economic interventions. HM Treasury submits that any assessment of the adequacy of any particular part of the economic response should be carried out in the context of the economic response as a whole.

22. **Thirdly**, as Mr York-Smith's evidence highlighted, HM Treasury does also respectfully submit that it is important not only to view advice given and decisions made in the broader context of the economic response to the pandemic but also to view advice given and decisions made in light of what was known and happening at the relevant time. The focus of Module 7, for example in relation to Statutory Sick Pay, has often been on the early months of the pandemic, when understanding of the virus and its future impact was very uncertain and the health response was also evolving. For example, the March 2020 decisions around Statutory Sick Pay pre-dated the legal requirement to self-isolate.

D. Financial Support for Those Self-Isolating

23. There are two aspects to the financial support for those self-isolating which have received particular focus in Module 7: (a) Statutory Sick Pay ("SSP"); and (b) Test and Trace Support Payments ("TTSP").

24. Core Participants have been critical in some instances of the availability and in particular the amount of financial support provided via these measures. HM Treasury responds to those criticisms as follows.

Statutory Sick Pay ("SSP")

25. Notwithstanding the huge uncertainty at the outset of the pandemic, HM Treasury submits it is striking that early steps were taken by HM Treasury and the Chancellor to explore and extend the reach and availability of SSP. As Mr York-Smith explains in his witness statement (see paragraphs 112-115), when the Chancellor commissioned HM Treasury officials, on 27 February 2020, to develop a package to tackle the Covid-19 pandemic, he specifically requested that the issue of SSP be considered. HM Treasury provided advice on 28 February 2020, which included options relating to the potential extension of SSP to self-isolators and the self-employed. Over the following days, HM Treasury continued to work at pace to develop a support plan for sickness and isolation to be announced as part of the upcoming March 2020 budget, including the operational design of a plan to rebate up to two weeks of paid SSP to small and medium enterprises. The final details of the Covid budget were developed across 10 March 2020 and the budget was announced on 11 March 2020.

26. In the March 2020 budget, as set out in paragraph 116 of Mr York-Smith's witness statement, the Chancellor announced changes intended to support vulnerable people required to self-isolate, including to SSP, which:
    a. confirmed that SSP would be payable from the first (rather than fourth) day of sickness (this had been announced by the Chancellor on 4 March 2020);
    b. extended SSP to those self-isolating and carers for individuals self-isolating due to Covid-19;
    c. removed the GP fit note condition to certify Covid-19 related absence for SSP eligibility and replaced it with the isolation note from NHS 111;

d. introduced a rebate provision for small and medium businesses with fewer than 250 employees to enable those businesses to reclaim SSP paid for sickness absence due to Covid-19, capped at 2 weeks per employee;
e. removed the 7-day wait for the new Employment and Support Allowance for those required to self-isolate;
f. suspended the Minimum Income Floor in Universal Credit for self-employed people directly affected by Covid-19; and
g. announced a £500 million fund to support vulnerable people to be distributed via local authorities.

27. Additionally, on 9 April 2020 the Chancellor approved an extension to SSP to include the c.900,000 extremely vulnerable people who had received a 'shield' letter, enabling those employees to use the letter from the NHS as evidence for their employer if necessary. The HM Treasury advice, sent to the Chancellor on 8 April 2020, which recommended an extension to SSP to cover that cohort reflected increased anecdotal evidence, including through MP correspondence, of cases where employers were refusing to furlough[3] someone being shielded or to pay them for that period (see paragraph 118 of Mr York-Smith's witness statement).

28. HM Treasury acknowledges that criticism has been made of the fact that the rate of SSP payable was not increased as a result of the pandemic. However, that criticism appears to overlook the very broad and substantial set of economic support measures announced on 20 March 2020 which included schemes such as the Coronavirus Job Retention Scheme ("CJRS") (or 'furlough' scheme) and the Self-Employment Income Support Scheme ("SEISS") - those benefiting from those schemes and therefore not working did not require SSP - as well as uplifts to other parts of the welfare system, including Universal Credit and Working Tax Credit.

29. It would also be wrong to think that the rate of SSP was simply overlooked. Indeed, on 19 March 2020, the Chief Secretary to the Treasury asked officials for further analysis in relation to SSP, which addressed a potential increase to SSP and flagged the associated risk such as the increased burden on businesses due to the higher costs they would incur (see paragraph 117 of Mr York-Smith's witness statement). In light of advice, the decision was for the Chancellor to make and an SSP increase was not included in the package of measures announced on 20 March 2020. However, as that Treasury advice reflects, as

[3] The Coronavirus Job Retention Scheme or 'furlough' scheme was part of the package of economic measures announced on 20 March 2020.

Mr York-Smith explained in his oral evidence, and as HM Treasury has no doubt the Inquiry will acknowledge, all these difficult decisions involved competing considerations: there was a need, for example, to balance the provision of enormous taxpayer-funded financial support with the need to mitigate the risk of fraud and to avoid creating a perverse incentive not to work. HM Treasury was also sensitive to the fact that SSP was paid for by businesses and concerns were expressed by the then-ministers that any measures should be easily reversible and not lead to a permanent change to the benefits system, including SSP. Ultimately, it was for the Chancellor to decide where those difficult lines should be drawn within the vast package of economic support made available during the pandemic.

Test and Trace Support Payment ("TTSP")

30. As explained above, through the summer of 2020, HM Treasury fully supported the development of the Test and Trace scheme by DHSC, through the provision of extensive funding. Overall, the funding totalled £38 billion.

31. In the summer of 2020, HM Treasury also advised on associated financial incentive schemes intended to promote compliance with self-isolation requirements. In response to requests from Ministers and the Prime Minister, (a) in August 2020, HM Treasury advised on a pilot scheme (proposed by DHSC) to provide compliance payments for workers unable to work from home who were required to self-isolate; and (b) in September 2020, in response to a requirement to provide a greater incentive to self-isolate, HM Treasury advised on the TTSP scheme, in respect of which the Chancellor ultimately decided to agree that eligible individuals would receive a flat payment of £500 for the then-14 days of isolation. The evolution of the TTSP and HM Treasury's involvement in that process is set out in paragraphs 120-148 of Mr York-Smith's witness statement.

32. HM Treasury acknowledges that criticism has been directed at the TTSP and in particular the amount paid under it in England (£500). However, HM Treasury respectfully submits that that criticism requires close scrutiny. For the following reasons, which have not been substantively engaged with by those who have sought to criticise the level of the payment, the position was much more complex and nuanced than the bare criticism of the £500 payment suggests:
    a. This was an incentive payment; it was not intended to be an income replacement payment which would have been significantly more complex to deliver, not least because for some people income may not in fact have fallen.

b. Bare criticism of the rate paid (for example by reference to the national living wage) also overlooks, for example, that not all recipients were in full time employment and also that the TTSP was payable in addition to existing benefits, a number of which were uplifted during the pandemic, and SSP. Indeed, Professor Machin acknowledges in his report[4] (see paragraphs 93 and 94) that CJRS and SEISS delivered net income gains of 10.5% and the temporary uplift of Universal Credit resulted in a net income gain of 2.8%. As a result, as Professor Machin acknowledges, in the short-term, disposable income inequality fell during the pandemic as a result of temporary social security enhancements and job support schemes.

c. From December 2020, the 14 days of self-isolation was reduced to 10 days, but the rate of the TTSP was not changed, thereby increasing the generosity of the scheme. The rate also remained constant when the self-isolation period was further reduced to 7 days (December 2021) and 5 days (January 2022).

d. As set out in paragraph 148 of Mr York-Smith's witness statement, £50 per day in fact equated to 115% of the National Living Wage for someone working full time.

e. There has been some speculation that an increased payment at a specified level would have made a material difference to self-isolation compliance (Professor McKee, Professor of European Public Health at the London School of Hygiene and Tropical Medicine, has posited £800), but, as Professor McKee acknowledged in his oral evidence on 13 May 2025 (p70 of the published transcript; lines 9-11), this is based on a feeling rather than grounded in any data. This is not evidence that supports the proposition that an increased payment to any specified or quantifiable amount would have made a material difference to self-isolation compliance.

f. It has been highlighted that in August 2021, the Welsh Government increased the £500 payment to £750. This was in part a response to the ending of the temporary Universal Credit uplift and the CJRS. However, from 28 January 2022, the payment reverted to £500. Whilst it is right that self-isolation periods were by then shorter (making the schemes comparatively more generous), Professor Machin has highlighted in his report (INQ000575999; paragraph 72) that that decision was also based on feedback from local authorities, via the Internal Self-Isolation Support Scheme Steering Group, that the majority of people claiming support under the scheme were losing approximately £200 to £300 during the self-isolation period. Even if that feedback was based on a 7-day isolation period, it does not suggest that the initial £500 payment was clearly insufficient.

[4] INQ000575999

g. During the course of Professor Machin's oral evidence on 30 May 2025, the Chair asked Professor Machin the direct question as to whether there is "hard evidence" that increasing the payment in Wales improved adherence (see page 39, lines 11-23 of the hearing transcript for 30 March 2025). Professor Machin responded as follows: "*Not that I've seen, no, no. So -- and I think that's part of the challenge I've had with the report, is, drawing on lots of different sources of information, some of that is speculative. So certainly my recommendations, and we discussed this a few moments ago, about the need for that robust information, quantitative monitoring on a monthly basis, and those links to transmission rates, that doesn't exist*".

h. In that context, HM Treasury also invites the Chair to have regard to paragraphs 166 and 167 of Professor Machin's report, in which, regarding research carried out in Wales regarding self-isolation experiences, Professor Machin states: "*A range of perceptions were recorded about the level of payment. Typically, respondents believed that £500 was an appropriate amount, particularly if this closely matched lost earnings during isolation. Some participants felt that a higher amount, similar to usual earnings, was needed to meet financial need… The availability of financial support was not generally considered to be the defining factor in self-isolation adherence. Protecting family members, the wider community and a moral duty were more influential drivers.*"

i. That research reflects (i) the more nuanced view taken by HM Treasury and acknowledged across Government during the pandemic, including at the outset, that there were multiple factors which influenced the decision by an individual to self-isolate, and (ii) a lack of robust data on the reasons for non-compliance, in particular financial pressure versus social factors (see paragraph 122 of Mr York-Smith's witness statement). The Inquiry is asked to have regard to HM Treasury's position of fiscal responsibility and the difficulty of justifying an increase in spending in circumstances where there was no evidence available at the material time (and indeed there is no hard evidence available now) that a higher payment would have made a material difference.

j. Any flat rate scheme will inevitably create uneven outcomes. As Mr York-Smith said in his evidence, £500 meant that some individuals were better off not working and decisions around the amount of the TTSP had to strike a delicate balance between, amongst other considerations, providing an incentive to comply with the self-isolation requirements and mitigating the risk of fraud. As Mr York-Smith explained in his oral evidence, HM Treasury provided the Chancellor with periodic updates on equalities impacts, and also had regard to DHSC's equalities analysis. A key benefit of a flat rate scheme is that it is more straightforward to deliver and

administer; it is not at all clear how any alternative scheme should or could have been formulated in all the circumstances.

k. Whilst HM Treasury is committed to learning from this exercise, other criticisms ventilated during this module do reveal a failure to grasp the complexity of delivering a scheme such as this in the context of short-term isolation. For example, (a) it would not have been more straightforward to deliver TTSP simply by extending SSP (which only relates to the employed and is paid by the employers): that would have required two systems, thereby adding to the complexity, as well as legislation; (b) it would not have been more straightforward to deliver TTSP centrally: local authorities held the relevant data to identify those people on benefits in their areas in need of support and the local authority discretionary payments were designed to support the most vulnerable who otherwise were not able to access the TTSP. An application process was unavoidable, given Government does not routinely hold the details required to enable payment. Again, despite what has been said by way of complaint and criticism, it is not in fact clear how a better scheme could have been designed and delivered in all the circumstances.

E. Lessons Learned

33. As explained above, Test and Trace was a Health policy. Nevertheless, lessons learned by HM Treasury in connection with the matters under consideration by the Inquiry in this module are set out on pages 49 to 54 of Mr York-Smith's witness statement.

34. An additional reflection on behalf of HM Treasury, in light of the evidence provided to the Inquiry for this module (and in particular that of Professor Machin referenced above), is that the available financial incentives were plainly not the only reason why people did not self-isolate as required. The reasons were diverse and complex. In particular, it appears that issues around the visibility of the TTSP scheme and public awareness of eligibility may have been more significant than the amount paid. Lessons learned for the future should include a better understanding of the steps needed to raise and increase, quickly, awareness of such support measures upon announcement. This should involve a collaborative approach to raising awareness with the interested groups represented before this Inquiry, including the Trades Union Congress and the Federation of Ethnic Minority Healthcare Organisations.

35. HM Treasury looks forward to considering any additional recommendations which the Inquiry makes that can improve HM Treasury's discharge of its function and responsibilities.

F. **Conclusion**

36. HM Treasury is grateful for the opportunity to assist the Inquiry in respect of Module 7 and wishes to conclude these written closing submissions by assuring the Inquiry of HM Treasury's continuing assistance in its work.

Dated: 27 June 2025

His Majesty's Treasury