

IN THE UK-COVID 19 INQUIRY

Before the Right Honourable Baroness Hallett D.B.E.

MODULE 9

THE WELSH GOVERNMENT'S MODULE 9 OPENING STATEMENT

1. In Module 9, the Inquiry will consider a range of issues relating to the economic response to the pandemic, including the economic support provided for businesses, employees, the self-employed, vulnerable people and those on benefits, and the impact of key economic interventions across the United Kingdom.
2. In accordance with the division of responsibilities under the devolution settlement, a significant proportion of the support for jobs and businesses in Wales was provided by the UK Government. These schemes were fundamental to the ability for businesses in Wales to 'hibernate' and the Welsh Government acknowledges and appreciates the level of support provided.
3. However, there are lessons to be learned about the support provided by the UK Government. There was very little engagement about the design and implementation of the UK Government's support schemes and an absence of support in Wales where a scheme had been deemed unnecessary in England. As to the support provided via consequential funding, although measures such as the 'Barnett Guarantee' helped, there was considerable uncertainty about the scale and timing of funding from the Treasury to support the Welsh Government's response and missed opportunities for other flexibilities to be applied.
4. The complementary schemes provided by the Welsh Government were instrumental in providing economic support, particularly to businesses and individuals that are over-represented in Wales and which did not benefit from the UK Government's various support schemes. The Welsh Government's schemes successfully provided essential support to the newly self-employed, to freelancers and others, which were not eligible for UK Government support.

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5. Notwithstanding the success of the economic interventions in Wales, the Welsh Government acknowledges there are lessons to be learned. Alongside consideration of the successes and determination of what should be retained in the event of a future pandemic, the Welsh Government welcomes the Inquiry’s consideration of lessons to be learned and improvements to be made to ensure (i) the existence of an appropriate fiscal framework that places all nations of the UK on an equal footing in their ability to respond to support the economy in their countries, and (ii) the provision of appropriate support for businesses, individuals and public services to limit the impact of and assist in the economic recovery from any future pandemic.

Legislative Competences of UK Government and Welsh Government

6. Legislative competence for fiscal, economic and monetary policy is reserved to the UK Government, as are matters generally relating to employment rights and duties. The economic interventions and support packages put in place by the Welsh Government in these areas were implemented by Welsh Ministers using powers within their executive competence. These powers derive from several sources, including s. 60 of the Government of Wales Act 2006, which provides Welsh Ministers with the power to do anything they consider appropriate to achieve the promotion or improvement of the economic, social or environmental wellbeing of Wales.
7. Similarly, legislative competence in relation to social security schemes is reserved to the UK Government with the majority of social security benefits in Wales being administered by the Department for Work and Pensions or HM Revenue and Customs. The Senedd does have legislative competence, and the Welsh Government has executive competence, to provide grants and allowances provided they do not fall within the definition of social security schemes, with the Welsh Government accordingly running its own system of grants and allowances in areas which intersect with devolved responsibilities, such as the Council Tax Reduction Scheme or Free School Meals.
8. Insofar as transport schemes are concerned, the division of powers is more complex. The arrangements that govern railway and other transport services are set out in the Welsh Government’s evidence.¹ In summary:

¹ Corporate ESNR (Module 9) Statement, paras.34-43 (Rail) & 44-51 (Bus)

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- (a) In relation to railways, under the Railways Act 2005, the Welsh Ministers shared executive competence to provide financial support for rail, but the Welsh Ministers’ power under s. 10 of that Act to provide financial assistance to any person for the purpose of securing the provision, improvement or development of railway services or assets is only available where that assistance relates to Welsh services or to a franchise agreement to which the Welsh Ministers were a party. For present purposes, the only public rail services within the Welsh Government’s statutory responsibilities were part of the Wales and Borders Franchise. For other rail services, the Secretary of State for Transport was the relevant (and sole) franchising authority.
- (b) As for bus support, executive competence rests with both Welsh and UK Ministers. The Welsh Ministers have specific powers and responsibilities for funding and securing the provision of local and national services in Wales but UK Ministers are responsible for the wider public service vehicle regulatory regime. Although bus operators (among others) benefitted from the UK Ministers’ general competence to provide financial assistance to people and organisations in Wales, the exercise of specific functions relating to support for local and national bus services was solely that of the Welsh Government.

Financial Constraints upon the Economic Response

Fiscal Framework and Funds Provided Directly to Welsh Government

9. The Inquiry has gathered considerable evidence about the fiscal framework governing public expenditure in the UK. HM Treasury controls the overall level of such expenditure: a portion of the total funds raised in the UK and earmarked for public expenditure is, after adjustment, allocated to the Welsh Government through the ‘Block Grant’. This represents around 80% of the Welsh Government’s annual financial resource. The remainder of Wales’ funding comes from the devolved taxes – Welsh Rates of Income Tax, Land Transaction Tax, Landfill Disposals Tax and Non-Domestic Rates.
10. Utilisation of these devolved tax-raising powers as a means to provide additional funding in Wales was not a viable option during the pandemic due to the severe negative economic impact of Covid-19. Increasing taxes in such extremely difficult economic circumstances would have risked further exacerbating the damage to the economy and raised only limited

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amounts of additional revenue. Accordingly, the Welsh Government did not have scope to significantly increase the level of funding for its Covid-19 response beyond that ‘enabled’ by the consequential from UK Government funding for England-only interventions in devolved areas.

11. Adjustments to the Block Grant are determined using the Barnett formula, which calculates by how much the grant will change following the increase or decrease of spending in areas of devolved functions in England. The formula factors in the comparable population in Wales and the extent to which changes to funding relate to comparable areas within the devolved responsibility of the Welsh Government. In normal times, the Welsh Government would receive formal notification of positive and negative consequential funding at Supplementary Estimates very late in the financial year (January or (usually) February). Both positive and negative consequential prove challenging as they can result in (i) missed opportunities where the positive consequential are larger than can be accommodated in the Wales Reserve, or (ii) money being clawed back by HM Treasury late in the year where there are negative consequential.
12. The Wales Reserve permits the depositing of money to carry across financial years. It is capped at £350m, with annual drawdown limits of £125m revenue and £50m capital. Against the overall size of the Welsh Budget, which is now in excess of £27bn, these are demonstrably small. The Framework also provides Wales with borrowing powers which are capped at £150m per year and £1bn aggregate. Borrowing can only be used for capital spend or to manage tax volatility.
13. This existing fiscal framework was designed for use in normal business operating scenarios. It was not designed for an economic crisis such as a pandemic.² Further, the figures originally agreed have not been updated since 2016, even for inflationary purposes. The power to provide funding for an economic response to an emergency lies solely with the UK Government, with any departures from the framework requiring prior approval of the Chief Secretary to the Treasury. Despite the Welsh Government being responsible for decision-making in Wales following the UK Government’s decision to use public health legislation, only HM Treasury was in the position to mobilise large amounts of additional

² Drakeford (Module 9 statement), para.25 onwards.

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funding (including re-allocation of existing funding) to permit creation of national support schemes.

14. As the Welsh Government has always recognised, the extent of funding provided by the UK Government during the pandemic was significant. The Welsh Government’s recommendations about how this may be improved generally relate to the manner in which that support was delivered including (i) the lack of clarity about the support available, particularly at the outset of the pandemic, (ii) the limited engagement and provision of information by or on behalf of the UK Government, and (iii) the considerations of HM Treasury in exercising their powers over the flexibilities to be offered to the fiscal framework.
15. In the early stages of the pandemic, it was unclear what level of funding support would be provided by the UK Government. This inevitably posed significant challenges for the Welsh Government and impacted its initial ability to formulate its economic response to the pandemic. The importance of clarity on the funding to be made available to Wales was communicated to HM Treasury at that time wherein it was stated: *“The Treasury is in a unique position to enable or prevent the devolved governments from taking timely decisions to respond to this crisis. Any delay which prevents our ability to take the decisive action needed presents unacceptable additional uncertainty.”*³
16. Assumptions had to be made about the level of funding likely to flow from UK Government announcements, and Welsh Ministers were encouraged not to permit this uncertainty to slow down the pandemic response.⁴ During a call with the Chief Secretary to the Treasury and the Finance Ministers of the Devolved Governments on 18 March 2020, the Welsh Government repeated its plea for greater engagement from HM Treasury with the Chief Secretary acknowledging co-ordination was *“very challenging”* and expressing a desire to *“do better”*.⁵
17. In the absence of any greater engagement or clarity, the Welsh Government proactively sought to manage its existing (and assumed) funding by repurposing individual portfolio budgets to assist in the response⁶ and establishing the Star Chamber as an advisory body

³ Letter, 13 March 2020 [INQ000230760].

⁴ Cabinet Minutes, 16 March 2020 [INQ000048797].

⁵ Note of Telephone Call, 18 March 2020 [INQ000336307].

⁶ E-mail, 20 March 2020, INQ000271458.

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to maximise the impact of available resources and provide strategic oversight of all major spending decisions.⁷ On 25 March 2020, the Star Chamber identified £256.5m to be re-purposed and placed into the newly-created Covid-19 Response Reserve.

18. During the pandemic, there was a need not only for greater engagement from the UK Government and HM Treasury, but also for budgetary and fiscal flexibilities. These were requested by the Welsh Government on several occasions (orally and in writing⁸) including:

- (a) Full access to the resources in the Reserve and the ability to carry forward more resource and capital in the Reserve at the end of the financial year;
- (b) The ability to carry forward, at the end of the year, more than the overall £350m limit on the Reserve;
- (c) The ability to switch from capital to revenue budgets, and the option to deploy revenue borrowing;
- (d) An increase in the annual capital borrowing limit (of £150m) and the aggregate ceiling (of £1bn) to enable further support of capital programmes, if necessary;
- (e) More flexible repayment terms for Financial Transactions capital.

19. On 23 July 2020, the UK Government agreed to the introduction of the ‘Barnett guarantee’.⁹ This provided advance confirmation of the level of additional funding that Devolved Governments would receive as a result Covid-19 response interventions in England. Although it did not entirely remove uncertainty surrounding the provision of consequential funding to Wales, it had a significant positive impact on the Welsh Government’s ability to plan and deliver Covid-19 response interventions, including to provide continued support for businesses and individuals that complemented the support provided by the UK Government.

20. However, it did not address all proposed budgetary flexibilities sought nor the restrictive nature of the fiscal framework. This lack of flexibility resulted in recoupment by HM Treasury of £155m from the Welsh Government due to an underspend of funds provided by the UK Government very late in the 2020-21 financial year and a refusal by HM Treasury to permit the Welsh Government to switch additional revenue to capital.¹⁰

⁷ Terms of Reference, INQ000066177.

⁸ See, for example, Letter, 3 July 2020 [INQ000066172].

⁹ Note of Telephone Call, 23 July 2020 [INQ000066173].

¹⁰ Evans (Module 9 Statement), para.53 onwards.

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21. Overall, the amount of funding received by the Welsh Government was generally effective in enabling the provision of a comprehensive and generous package of support for businesses and individuals in Wales that complemented the UK Government interventions. However, the initial uncertainty and reliance of funding on UK Government financial commitments and decisions was prohibitively restrictive to the Welsh Government’s ability to respond to the economic crisis, particularly during those earlier periods. The speed at which the Welsh Government could respond was often impacted by the speed of decision-making and communication of consequential funding in England. For example, certain business support schemes under the Economic Resilience Fund were funded in part by consequentials from similar schemes in England. Communication as to the level of those consequentials was necessary before final decisions could be made on the level of support and additional funding required. Although such reliance is inevitable where funding is consequential, the limited engagement and clarity provided beforehand meant that, on occasion, Welsh Government decision-making could not be as reactive as might otherwise have occurred.

UK Government Schemes in Wales

22. As detailed above, several of the areas involved in the economic response fell within those powers reserved to the UK Government. Once more, the Welsh Government expresses its gratitude for the UK-wide economic interventions that were put in place to assist and support jobs, businesses and the self-employed in Wales.

23. Schemes such as the Coronavirus Job Retention Scheme and the Self-Employed Income Support Scheme (“the Schemes”) generally worked well. They were successful in Wales in that they prevented employers from closing, preserved jobs and supported household spending. In Wales, they were particularly important to the hospitality sector where job loss and business closures would otherwise likely have been far higher.

24. There were gaps where individuals fell outside of the rules of the UK schemes, such as those who had only started trading after 31 March 2019 and failed to qualify under the Self-Employed Income Support Scheme. As there are proportionately more self-employed individuals in Wales, those gaps had the potential for greater impact than in England. The Welsh Government sought to fill those gaps where appropriate with its own interventions, which are addressed below.

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25. Notwithstanding their successes, similar difficulties arose regarding a lack of clarity and engagement from the UK Government, together with HM Treasury decisions regarding the availability of the schemes in Wales, in accordance with English considerations.
26. The absence of Welsh Government involvement in the design of the schemes presented some difficulties in the timely development of complementary support for businesses and individuals. The Welsh Government was required to wait for formal notification of the principal decisions being made before being able to confirm its own schemes and support packages. Although the Welsh Government was able to put in place its own package of complementary support, earlier and fuller engagement with UK Government would have ensured a more constructive process from the start. It would have permitted the Welsh Government to take a proactive stance and enabled simultaneous announcement, providing necessary reassurance during a period of considerable uncertainty.
27. There were individual occasions where the Welsh Government provided a Welsh perspective that influenced changes. For example, following representations made by the Minister for Economy, Transport and North Wales at quadrilateral meetings with the Department for Business, Energy and Industrial Strategy and the Parliamentary Under-Secretary of State, changes were made to the upper limits for the Coronavirus Business Interruption Loan Scheme for larger companies.¹¹ However, such occasions were few.
28. These issues were most demonstrably impactful on Welsh Government decision-making insofar as the cessation of these schemes, particularly during the approach to the October 2020 ‘Firebreak’ lockdown in Wales, and on the emergence of the Omicron variant in late-2021.
29. In May 2020, the UK Government announced the proposed closure of the schemes at the end of October 2020. Mindful of the diverging approaches as to the easing of restrictions and the potential for a second (or further) wave, clarification was sought from the Chancellor about whether the planned closure would proceed in the event that various sectors remained closed in Wales and/or that such further peaks materialised.¹² No response was ever received.

¹¹ Notes of Meetings, 17 April 2020 [INQ000626299] & 27 April 2020 [INQ000626300].

¹² Letter, 4 June 2020 [INQ000336761].

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30. On 24 September 2020, the UK Government announced its plans to extend the Self-Employed Income Support Scheme, to close the existing Coronavirus Job Retention Scheme and replace it with a new Job Support Scheme as of 1 November 2020.
31. A request was made for the earlier commencement of the new proposed scheme in Wales in light of the proposed firebreak lockdown commencing on 23 October 2020.¹³ In making that request, the Welsh Government offered to reimburse the additional costs of the earlier implementation. That request was refused on 19 October 2020,¹⁴ with e-mail advice to the Chancellor that day suggesting the existence of a UK Government policy not to provide financial support in situations where “DAs [are] going further than HMG on NPIs”.¹⁵ This demonstrates a distinction in availability of Treasury funds to support action taken by the Welsh Government where it does not align with the UK Government. This was further substantiated when the UK Government announced its own lockdown commencing 5 November 2020 supported by extension of the existing scheme on enhanced terms.¹⁶
32. The unavailability of Treasury funds to support public health decision-making in Wales was even more stark at the time of the Omicron variant. By this time, neither the Barnett Guarantee nor the schemes remained available to support any restrictions considered appropriate. Following receipt of evidence from its Chief Medical Officer about the increased transmissibility of Omicron and its potential to evade vaccines, the Welsh Government made several requests for confirmation that HM Treasury would provide financial support schemes to the devolved governments in the event increased restrictions were required in Wales, even where not considered necessary in England.¹⁷ No confirmation was provided.
33. The refusal by HM Treasury to exercise its discretion to support the decision-making of the Welsh Government had a direct impact on the options available to protect the public health situation in the face of the emerging variant. Advice to Ministers from the Technical Advisory Group stated that modelling suggested a significant reduction in transmission driven by stringent measures (such as those in Alert Level 4) would be required to keep

¹³ Letter, 16 October 2020 [INQ000216554].

¹⁴ Letter, 19 October 2020 [INQ000216555].

¹⁵ INQ000397193.

¹⁶ [Furlough Scheme Extended and Further Economic Support announced - GOV.UK](#).

¹⁷ For example, Letter, 29 November 2021 [INQ000256922] and Letter, 15 December 2021 [INQ000321139].

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hospitalisations below the height of previous waves.¹⁸ The introduction of lower Alert Levels was considered unlikely to have a significant enough effect to prevent material harm to care services.

34. Notwithstanding, and with no confirmation from HM Treasury about the availability of support by way of the furlough scheme (or similar), it was recognised that harms from restrictions could not be mitigated in the same way as in previous waves, thereby ruling out the most stringent measures.¹⁹ The Welsh Government’s ability to act on the scientific advice available was accordingly curtailed directly due to its inability to require the re-introduction of a wage support scheme in the same way that the UK Government could have done. There is little doubt that, had the UK Government considered it appropriate to impose further restrictions or lockdowns to support the public health situation in England, the financial levers to support such action would have been made available by HM Treasury.

35. To that end, the Welsh Government notes the conclusions of David Phillips that “*plans to end the Furlough scheme at the end of October, which was only cancelled when a decision to put England into lockdown in November was made, did affect the timing and duration of Wales’ circuit breaker*”.²⁰ Similarly, he concludes that “*In the Omicron wave, a major crisis was averted only when it became clear that mortality rates remained low (following vaccination) and the UK government announced and funded a grant scheme for Q1 2022*”.

Welsh Government Key Economic Interventions

36. From the very outset of its consideration of appropriate economic interventions, the Welsh Government’s intention was not to compete with the UK response, but to enhance it by targeting those individuals and businesses who fell through the gaps of those interventions. Given the demographics of the Welsh economy, it was noted this was most likely to particularly apply to those who were self-employed, casually employed or operating in the informal economy.²¹ The Welsh Government would submit it was largely successful in achieving this objective, with more than a quarter of a million of grants worth more than

¹⁸ TAG Advice, 15 December 2021 [INQ000058972].

¹⁹ Cabinet Review Paper, 21 December 2021 [INQ000057994].

²⁰ M9 Report, Devolved and Local Government funding – actions taken and lessons learned, May 2025.

²¹ Cabinet Paper, 23 March 2020 [INQ000048815].

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£2.6bn distributed to protect businesses and their employees through Welsh Government economic interventions.²²

37. There were various features of the Welsh economy that both assisted and disadvantaged the ability to weather the economic impact of the pandemic. Some of the key sectors in the Welsh economy such as tourism, hospitality and manufacturing, were not sectors that could transfer to at-home working. The sectors requiring physical presence at a workplace presented longer-term vulnerabilities during those periods where there could be no safe return to work.
38. Further, Wales is demographically an older country, with a higher proportion of older people in work. It also has a higher proportion of unemployed individuals and those on long-term sick leave, all of which require more assistance to get into work. The impact of the pandemic made this return to work after an extended period an even more difficult task.
39. As referenced above, Wales also had proportionately more self-employed people and those on zero-hour contracts. In March 2020, there were 210,000 self-employed people in Wales, which represented 14.3% of all people in employment.²³ This meant a particular focus for the complementary support provided by the Welsh Government was placed upon this sector.
40. However, and to the benefit of the economy, the proportion of people in Wales working in public services is higher than in England, which assisted in terms of re-deployment of public-sector employees into other pandemic-related roles such as the administration of business support schemes. This re-deployment kept individuals in work and avoided their reliance on private sector support, which would have come at a correspondingly higher cost.

Economic Resilience Fund

41. The Economic Resilience Fund ran in eight phases between April 2020 and February 2022. This fund was developed to provide direct support to businesses, social enterprises and third-sector organisations affected by the restrictions in place. Each phase sought to target those most in need, particularly in the retail, hospitality and tourism sectors and was typically made up of packages of support including (i) local authority-delivered business

²² Corporate ESNR (Module 9) Statement, para.334.

²³ Policy Paper, 25 March 2020 [INQ000320771].

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support (predominantly non-domestic rates-based) grants on the basis of assumed impact, (ii) Welsh Government-delivered application-based discretionary support grants to supplement the local authority grants or for those not in rateable properties, and (iii) bespoke support for areas not covered by the above. The latter of these targeted start-up businesses, residential outdoor centres, sole traders and hospitality sectors using discretionary, grant-based, conditional funding. Specialist sector funds set up included schemes such as the Cultural Recovery Fund, which applied similar principles and systems as used for the Economic Resilience Fund.

42. The development of this fund involved frequent engagement between the Welsh Government, business representative bodies and trade unions; listening to businesses and stakeholders was crucial. Fundamental to its success was the positive relationships also shared with local government. The Welsh Government consulted and engaged with the Welsh Local Government Association and individual local government leaders throughout its response to the pandemic. These relationships used pre-existing local government systems and information to efficiently implement and deliver financial support under the remit of the Economic Resilience Fund. It also had the significant advantage of providing the Welsh Government with direct information regarding locally specific issues and permitted businesses to access support from familiar avenues.
43. As a result of the phased approach, the fund was able to respond promptly to any cohorts or groups unable to access support. One particular example where this occurred was in relation to taxi drivers who experienced issues of eligibility as sole traders and were generally ineligible for local government support as they did not operate from a property. To address this identified gap, a bespoke element of the local government-delivered discretionary fund was implemented to ensure equal access to support using taxi driver registration documents.
44. Earlier phases of the fund targeted initial support, the middle phases thereafter targeted sector-specific support or specific periods (such as the firebreak lockdown and the December 2020 restrictions) and the later phases sought to concentrate on longer-term recovery prospects. This included the set-up of a specific fund for co-investment-based grants to assist with the development and growth of businesses as part of the economic recovery. The final phase was created to respond to the Omicron variant.

45. During all eight phases, 31,936 grants were provided at a total cost of £362,340,820.²⁴ The desired objectives of quickly providing financial support to the businesses which needed it and achieving value for money were successfully met. As a result, 94% of recipients were still be trading in May 2024, representing a stronger survival rate than the wider Welsh economy.²⁵ Although acknowledging that delivering such levels of support at the pace required by the pandemic brings with it the risks of overfunding or underfunding, and provides limitations in relation to the measures to be taken to avoid fraud, these risks were fundamentally outweighed by the benefits achieved by the Economic Resilience Fund.

Measures to Address Risk of Fraud and Error

46. Implementation of a fund of this nature brought with it inevitable risks of error and fraud. Such risks ranged from applicants falsifying accounts / documentation or non-declaration of business rate relief, to incorrect payment information being given or duplicate funding where a business may have already claimed from other sources. The urgent need for support presented a situation whereby a reduced level of pre-offer due diligence was necessary to maintain the required pace of the scheme and the Welsh Government accordingly sought to introduce procedures to mitigate the increased risks this posed.

47. The mitigations put in place included a review system, self-declared pre-eligibility and rapid assessment of claims. The reviews took place one week and one month post-application by way of a ‘hot and cold review process’. Sample checks were undertaken as ‘hot’ reviews at the point of approval and ‘cold’ reviews one week later, with additional reviews following at 3, 6 and 12 months. A review undertaken after phases one and two of the Economic Resilience Fund showed there had been 647 awards and 88 rejections or nil awards. Of those awards, 68.6% were green (meaning a clear decision with no action or few minor tweaks), 17.6% were amber (requiring some adjustment to records to make decision / evidence clear) and just 5.1% were red (representing clear issues identified and a priority for action).²⁶

48. A ‘process now, check later’ approach was adopted, following the same principles utilised by HM Revenue and Customs in their self-assessment process. This approach made clear

²⁴ Corporate ESNR (Module 9) Statement, para.332.

²⁵ Economic Intelligence Wales Report, May 2024, p.4 [INQ000591733].

²⁶ [INQ000321154]

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that the applicant was responsible for providing accurate information with retrospective due diligence followed by enforcement action (if required) thereafter. This enabled applicants to benefit quickly from the support available, but also maintained compliance checks retrospectively.

49. Applications were made online and required a signed declaration from the company. The level of due diligence checks completed on applications and the supporting information requested was directly aligned to the level of grant sought. Information provided was checked against official sources: Welsh Government staff assessed claims against grant criteria, bank account details were checked against the Welsh Government banking service, and tools were used to check VAT statuses, Company House checks and Creditsafe checks on viability. Checks were carried out with the Welsh Government due diligence hub, which was a digital tool developed to permit the sharing of information to assist in the decision-making process and included information such as address, company / charity registration details, audit details, due diligence record, assessment, persons of concern, SAP vendors and the most recent grant history.
50. Larger business applications required an additional ‘panel’ of economy department team members to assess the request on a case-by-case basis, alongside additional checks carried out on directors, profit and loss accounts and forecasts.
51. The Welsh Government will submit that all of these processes served to reduce the level of risk of fraud and error successfully. The ‘Economic Resilience Fund Exit Strategy’ produced earlier in 2025 outlined the average application rejection rate across the schemes was 25%, ‘demonstrating the effectiveness of the applicational controls that were utilised pre any award and demonstrating robust pre checks’. It also noted that the Head of Welsh Government’s Counter Fraud confirmed that there had been no identified instances of fraud in respect of Welsh Government-delivered schemes, and ‘considers the controls and identification of fraud risks put in place by delivery teams was impressive’.²⁷
52. The strategy further confirmed that controls operated by the delivery team at each phase prevented a significant number of erroneous applications being awarded. Whilst the Welsh Government has supported the National Fraud Initiative and supplied details of grant recipients to HM Revenue and Customs for this purpose, there had been no referrals from

²⁷ [INQ000591696]

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the National Fraud Initiative of any cases related to the Economic Resilience Fund, as at the date of the strategy.

53. Finally, a total of £2,407,056 from 76 cases has been recovered by the Economic Resilience Fund Post Completion Monitoring Team where grant recipients have been unable to show that the grant was used in line with terms and conditions.²⁸ This demonstrates the Welsh Government’s ongoing commitment to post-completion monitoring to ensure that all funds advanced under grant support have been used for the purpose for which they were provided.

Covid-19 Wales Business Loan Scheme

54. The Covid-19 Wales Business Loan Scheme was a short-term scheme, developed in conjunction with the Development Bank of Wales, specifically designed to plug the gap left by the UK Government’s Coronavirus Business Interruption Loans Scheme. As a result, it was a time-limited intervention and ran between 30 March 2020 and 8 April 2020 and sought to provide immediate financial support to address cash flow difficulties ahead of the roll-out of the UK Government scheme.
55. The scheme provided 1,331 loans totalling £92 million, with a default rate of 6.3% at the end of December 2024 (being significantly lower than that originally modelled). To this end, it met its objective of delivering quickly and allowing businesses to access finance ahead of securing support from the UK Government Loan Schemes. The use of the existing skills and delivery of the Development Bank of Wales proved particularly effective and efficient.

Transport Schemes

56. Although the dominant mode of transport in Wales is the private car, use of rail and bus services remained significant pre-pandemic. The impact of Covid-19 on both modes of transport was substantial due to passenger demand collapsing. The aim of Welsh Government interventions in this area was to ensure that Wales had (and continues to have) a sustainable integrated public transport network.
57. Insofar as rail services, this was achieved initially by the Emergency Measures Agreement, which temporarily suspended the requirement on Keolis Amey (as the train operating

²⁸ Corporate ESNR (Module 9) Statement, para.359.

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company under the franchise agreement) to meet certain obligations and replaced the schedule on payments to define that costs and revenue risk would be met by government. This transfer of risk to the Welsh Ministers was initially recommended for up to six months, with an option to extend subject to further agreement. Implementation was overseen by the Rail Services and Infrastructure Programme Board.

58. Following the extension of the Emergency Measures Agreement to 6 February 2021, the operation of rail services in Wales transferred into public control on 7 February 2021, with Welsh Ministers assuming responsibility (via Transport for Wales as agency) for the provision of services previously comprised in the Wales and Borders rail franchise. Although this transfer into public ownership took place during the pandemic, it has since demonstrated the benefits of public ownership and control of public rail transport services. There is greater control and transparency, removal of commercial sensitivities inherent in the private sector-delivered franchising system and the Welsh Government has developed the ability to be agile, adaptable and responsive to changing circumstances. Further, the pandemic also demonstrated the emergence of Transport for Wales as an organisation capable of supporting Ministers by not only operating a railway but also, in time, by playing a greater role in relation to bus services and other modes of transport.
59. Insofar as the bus sector was concerned, considerable work had been undertaken by the Welsh Government prior to the pandemic. The culmination of that work resulted in the publication of the Bus Services Wales Bill on 16 March 2020, a measure which could not be progressed because of the pandemic. In March 2020, the Bus Hardship Fund was introduced to provide financial support to the bus industry and community transport sector. As with the Economic Resilience Fund, local authorities played an important role, administering grants from the Hardship Fund. The aim of the Bus Hardship Fund was for key workers and those without access to a car to travel for work, and to enable access to essential food and medical supplies for such persons.
60. The Bus Hardship Fund was followed by the Bus Emergency Scheme, Bus Emergency Scheme 1 and Bus Emergency 1.5 interventions. These were all short-term measures lasting a few months and intended to meet increasing capacity and evolving demands as restrictions were lifted. The Bus Emergency Scheme 2 was intended as a structured, long-term arrangement securing ongoing support during the pandemic and post-pandemic recovery period together with transforming the Welsh Government’s approach to sector

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funding. These support measures were all overseen by the Welsh Government’s Bus Reform Programme Board. Transport for Wales also worked closely with local authorities and Welsh Government officials.

61. The collective partnership between local authorities, Transport for Wales, bus operators and the Welsh Government provided a good foundation for future bus work. The relevant schemes ultimately saved the bus industry in Wales. An important feature of the Welsh economy is that bus provision is dependent upon small and micro businesses (unlike the system in England). By providing support, bus businesses remained operational and not one operator was lost directly due to the pandemic. The public network and services that emerged at the end of the pandemic were largely in line with what had been available at the start.

Conclusion

62. As before, the Welsh Government stands ready to provide the Inquiry with any support that it needs in this Module.

10 November 2025