25. The pandemic affected every aspect of HM Treasury's work, and each group played a part in the department's response. The ten groups that played a central role in designing and delivering economic interventions within scope of this Module are discussed below.

Strategy, Planning and Budget Group

26. The Strategy, Planning and Budget Group ("**SPB**") sits at the heart of HM Treasury and leads on the department's overall strategy, resourcing and prioritisation, and acts as HM Treasury's central coordination function. During the relevant period, Dan York-Smith was Director for SPB. SPB supports the EMB in setting strategic direction for HM Treasury, working with and alongside groups across the department to bring together HM Treasury's departmental objectives into a coherent strategy. SPB oversees the Budget and other fiscal events and delivers HM Treasury's overall business plan and permanent and flexible resource allocations to achieve that plan, amongst other functions.

27. Early in the pandemic, a dedicated team – called the Covid-19 Response Team – was established in SPB to lead and coordinate the department's work on Covid, with responsibility for:

    a) Synthesising Covid-related advice to the Chancellor and HM Treasury ministers. This brought together analysis on the economic impacts, business impacts, public services, costs, risks, distributional effects, international experience and other pertinent issues.
    b) The relationship with, and HM Treasury input into, the central decision-making processes, particularly Cabinet Office and No.10 Downing Street.

28. The Unit was originally set up with two Deputy Directors working for Dan York-Smith, Director of SPB. The volume of work resulted in the Director role being split, with Kate Joseph taking over Dan's role as Director of the Covid-19 Response Unit from November 2020 and Dan continuing as Director of SPB.

Business and International Tax Group

29. The aim of the Business and International Tax Group ("**BIT**") is to provide strategic oversight of business, environmental, transport, property and excise taxes that together

334. HM Treasury produced scenario analysis that sought to map out how differing paths of the virus and subsequent restrictions might affect headline macroeconomic variables and the fiscal position. For example, HM Treasury conducted analysis of how different paths of the virus could cause economic scarring – the medium to long-term economic damage that can occur following a severe economic shock which then leads to a recession – and how this could be mitigated through policy. This analysis informed policy decisions, such as in education policy to limit the impacts of education-driven scarring. The analysis also informed the OBR's assessment of economic scarring from Covid, initially produced in their November 2020 EFO and revised in subsequent EFOs. Such analysis built on the OBR's reference scenario analysis published on 14 April 2020. One such example of this HM Treasury scenario analysis, produced in May 2020, detailed how a "V-shaped" recession might differ from a more protracted "U-shaped" or "L-shaped" recession, and how this might affect tax receipts with subsequent pressures on public spending [**BR/098-INQ000184606**]. This allowed the Chancellor to understand the outlook against which he might make further decisions on economic support and what medium-term challenges he might face at future fiscal events. This scenario analysis is different from a forecast, which the OBR are responsible for as discussed in paragraphs 181-185 and 312 above; instead, it was a stylised projection to analyse different impacts on the fiscal position.

335. In summer 2020, HM Treasury developed new epi-macro modelling and analysis for autumn and winter planning, using a Susceptible Infected-Recovered Removed ("**SIR**") model combined with the NiGEM model [**BR/093-INQ000609883**]. This was used to study voluntary social distancing. Research indicated it significantly reduced mobility, spending, and employment during the first Covid wave in the US. The outputs were dependent on the modelling assumptions used. By 18 August, HM Treasury presented the Chancellor with analysis on different virus management strategies. It proposed a potential "sweet spot" with an 'Advise' strategy, stressing effective communication [**BR/099-INQ000236542**]. The modelling showed health and economic outcomes' sensitivity to factors like social distancing and NPI compliance, guiding policy focus.

336. In autumn 2020, with vaccines approved, it was clear that mass vaccination would change the link between epidemiological and economic impacts. The department adapted its epi-macro model to study how vaccine rollout and NPI policies would affect the virus and economy. This analysis refers to the need for policymakers to consider both the economic impacts and associated harms alongside the epidemiological assessment. Early results, shared on 18 December, considered vaccine effectiveness

95