Monday, 1 December 2005

(10.30 am)

LADY HALLETT: Ms Wilson.

MS WILSON: My Lady, the first witness today is Ms Sarah Elliott.

MS SARAH ELLIOTT (affirmed)

Questions from COUNSEL TO THE INQUIRY

LADY HALLETT: Thank you for coming to join us on a wet Monday morning.

MS WILSON: You are Sarah Elliott; is that right?

A. Yeah.

Q. And you've provided two witness statements to this module, one with reference number INQ000656193, dated 26 September 2025, and another with reference number INQ000659803, dated 21 November 2025. Are both of those true to the best of your knowledge and belief?

A. That's true, yes.

Q. Thank you. And you're giving evidence today, Ms Elliott, in your capacity as the former chief executive officer of the National Council for Voluntary Organisations; is that right?

A. That's correct.

Q. A role you left recently but held for the majority of the pandemic?

A. That's correct.

Q. And a bit of background on the NCVO, it's the membership community for charities, voluntary organisations and community groups in England; is that right?

A. That's right.

Q. Over 17,000 members, the majority of whom are small or micro organisations?

A. That's right.

Q. And the NCVO's role and responsibilities include working with government to ensure charities have the conditions they need to achieve their mission and roles, but also to ensure government understands the significant social and economic role of charities?

A. That's correct.

Q. Can I start with a brief overview of the charity sector. It's very diverse, isn't it?

A. Yes, it's a very diverse sector, and indeed, NCVO's membership reflects the diversity of the sector. So the majority of the sector are very small, often volunteer-led, often community groups, and the more sort of household-name charities that would be more familiar to the public represent a minority of the sector, but receive a larger proportion of the sector's income.

Q. And you say in your statement that the smaller and more specialist organisations were especially vulnerable to economic shocks. Why was that?

A. In part it was because ahead of the pandemic, they had been underinvested in for many years for lots of complex reasons. They often lacked the capacity to access grants from trusts and foundations, or indeed to access government funding.

Q. Thank you. The role of charities in response to the pandemic was significant, wasn't it? I think you say in your statement they were at the heart of the nation's response; is that right?

A. That's correct. Charities at the start of the pandemic did what charities do best: they stepped up to support communities to respond to the crisis.

Q. And you describe a core element of the NCVO's work was to assess the financial -- the ongoing financial health of the sector, and the impact on charities during the pandemic. Can you just provide an overview of what the pressure points experienced by your members were?

A. Yes. So charities really faced a perfect storm of declining income, and indeed declining resources more broadly in terms of volunteers, at a time of increased costs and increased need in communities. So just to go into a bit more detail on those elements, in terms of income, donations and fundraising were very severely affected upon lockdown. So for example, events were cancelled, it's well documented, the amount that was

lost just by the London marathon being cancelled but also all of those smaller community events.

And also in less obvious ways, so for example, door-to-door fundraising couldn't happen anymore and that's a really important pipeline for charities in securing those regular givers, those direct debits.

Investment income was also severely affected and another pressure point was public services. So charities deliver public services using public money and for many years ahead of the pandemic, those contracts were often underfunded, not keeping up with inflation, so charities were subsidising those but less able to do so with that fund-raised income cut off.

In terms of the increased costs, this included having to switch to remote delivery, so investing in digital costs, and also, for those who did keep delivering face-to-face, investing in personal protective equipment.

And then in terms of rising need in communities, some of this was about the immediate pandemic response but some of this might have been the well documented need for increased support for domestic violence, loneliness and isolation, charities providing mental health support. Just to give a few examples.

Q. Thank you. And you've described a moment ago that many of your members really stepped up and were able to continue operating during the pandemic. The Inquiry's listening exercise, Every Story Matters, heard similar accounts to that but also, for example, from a leader of a charity in England who described:

"As a not-for-profit company, we don't have a lot of financial reserves. We live fairly hand-to-mouth ... we were 100% self-funded. We weren't reliant on funding from anywhere. We earned the money that we spent and, obviously, when you lose the ability to earn that money it puts everything that you were doing on hold. So, it stopped out operations straight away."

Is that reflective of some of your members' experience, that the perfect storm you've described meant they couldn't continue?

A. It is, yes. I mean, as I said slightly earlier, the nature of the sector is hugely diverse and each charity will have a different make-up of income streams. Some charities will hold more reserves than others. We know a proportion of the sector came into the pandemic with no reserves. So the statement you just read out is reflective of a proportion of the sector that had no reserves to fall back on and, with income cut off, would have to stop all expenditure and operations as a result.

Q. You explain in your statement that charities required

targeted financial support during the pandemic. Can you elaborate on why you say that was?

A. Well, there were two main reasons. One was that, unlike businesses, charities were having to step up. They couldn't mothball like a pub or a cinema could. Many charities were most needed during the pandemic, and needed to step up to meet that increased need, and so actually required additional resources and additional funding to be able to do that.

But even for those charities that were not essential to the immediate pandemic response, we now know they are essential to the recovery from the pandemic and to the wider -- and to wider society and the economy. And so they needed to be able to stabilise because of those very severe and immediate economic shocks that they experienced when lockdown commenced.

LADY HALLETT: Can I ask you to slow down?

THE WITNESS: Of course.

MS WILSON: Did the operating or economic model of some charities mean that they in particular needed targeted support?

A. Every charity was different and every charity had a different make-up of income streams. Some of those were more impacted than others. We know, for example, that trusts and foundations really stepped up during the

pandemic, even though their own investments were impacted, and they tried to continue to not only honour their existing grantees, but also, where they could, provide additional support, whereas other charities, perhaps those who were more reliant on face-to-face fundraising, may that have lost all their income overnight. So it was a very diverse picture.

Q. I want to ask you now about cooperation and joint working with the government on the economic response. How did the NCVO go about working jointly with the government and particularly which parts of it?

A. So the NCVO had longstanding existing relationships with DCMS in particular and what was then the office -- no, now it's the Office for Civil Society, then it was -- had a different name. Sorry, I forget. And we also had recently established relationships with officials in Number 10 in the relatively new government in Number 10.

And when the pandemic started, those -- we drew on those existing relationships, and our communications, both in terms of meetings and emails and letters, were more frequent, sometimes twice-daily meetings with officials in DCMS, from my recollection.

One of the biggest challenges we faced was we didn't have relationships across government in the way that we needed, given the cross-governmental nature of the

support that the sector requires, both in peacetime but also in a crisis. In particular, we had no relationship with the Treasury, which is where all of the major decisions were being taken in terms of providing economic support to the different sectors of the economy.

Q. So did you rely on the Office for Civil Society to pass on that information that you'd passed to them, to people like the Treasury or the other relevant departments?

A. We did, yes. That was our main way of communicating with the Treasury, via the Office for Civil Society.

Q. Did you think that message was passing on effectively?

A. Well, what we have to go on is what came out in terms of those support schemes and, as I'm sure we'll go on to discuss, they were often not designed with charities in mind and therefore difficult to access. And even the specific support scheme for charities was quite late in being announced, and probably not as substantial as it needed to be to respond to the need in communities that the sector was supporting.

We know officials in DCMS were working at pace and under immense pressure, and as I say, we had daily communication with them, but we often got the message back via them from the Treasury that they needed more data, more information, and they weren't -- seemingly

weren't convinced by the case that we were making.
Q. Thank you.
You also say in your statement that you felt there was an undue focus of government on charity closures in order to make the case for support. Why did the NCVO consider this wasn't an effective measure of the impact on the sector?
A. Well, what we took from this was again a lack of understanding about the nature of the voluntary sector. Charities are founded by people that want to make a difference in the world, and by our very nature, when there's a crisis, we will step up and we will help as much as we can. And so many charities that faced a shortfall in income chose -- made really difficult decisions about long-term financial sustainability or immediate needs, so many drew on their reserves which are there for a rainy day and for when there is a crisis. And even those that didn't have reserves perhaps just chose to reduce or even cease all of their operations, perhaps go into almost hibernation for a time rather than choose to close.
And we know from the data from that 2020-2021 year that we didn't see a significantly higher number of closures than normal. And so we didn't feel that closures would happen quickly, if indeed they did happen

at all and we thought there would be a delayed effect and charities would do all they can to keep going for as long as they can.
Q. I want to ask you now about the economic schemes which were available to your members. I'm going to start by looking at the sector-specific support but we'll come back to the pan-economy measures afterwards.
A. Yes.
Q. So the main package available, as I understand it, to your members was the £750 million financial package to the voluntary, community and social enterprise sector; is that right?
A. That's correct.
Q. This was announced by the Chancellor on 8 April 2020. Was that announcement and that support soon enough for your members?
A. It was not soon enough. Many charity leaders in those first few weeks of lockdown were facing impossible decisions. It takes time to reduce the size of an organisation in terms of making staff redundant, and charity leaders were calling me on an almost daily basis asking when support was coming, was support going to be announced, because they and their boards were facing impossible decisions, as I've already outlined, about whether they draw on their reserves and put at risk the

long-term sustainability of the organisation or reduce quickly. So it was not quick enough, in my opinion.
Q. As part of his announcement, the Chancellor said that he couldn't stand there and save every single job, protect every single business, or indeed every single charity. And in your statement you say the NCVO viewed the comparison between business and charities as misinterpreting the contribution charities make. Why do you say that?
A. Because at the same time as we were hearing that statement from the Chancellor we were also being asked to step up and support the response to the crisis, which made us very different from businesses that could mothball for a time.
So, just to give one example, we were asked for lists of charities in local community areas which could distribute to the pandemic response. We were supporting them with the mass mobilisation of volunteers. And so we felt the comparison just misunderstood the nature of charities, which were not profit-and-loss businesses, but absolutely kind of vital to the -- to the health of communities.
Q. Your organisation did welcome the support package being announced at that time as I understand it but you identified some concerns with it. Would you outline

what those were, please.
A. Yes. So, in the run-up to the £750 million being announced, we said the scheme needed to be three things: it needed to be substantial, swift and simple. And in my view, it fell short on all of those counts. In terms of swift, as I've already outlined, we thought it took too long. In peacetime it would have been an extremely fast announcement of funding.
Q. Could I just ask you to slow your answers down a little --
A. Yes, of course.
Q. -- so the stenographer can keep --
A. In peacetime it would have been a very quick piece of work, but given the crisis, given the impossible decisions charity leaders were making about their organisations, it wasn't fast enough.
In terms of substantial, at the time, we welcomed the support. We didn't want to appear ungrateful as a sector. We knew the amount of work that had gone into the fund by colleagues in DCMS and Treasury. We knew the political capital that had been expanded by politicians. But compared to, for example, the arts sector, as a proportion of the sector's overall income, it was not enough. It was too small.
We also -- as well as the announcement being slow,

it took a long time to distribute the funds. On average, I think it was 61 days for a decision, and that compared to an average of around a month to access support if you were a business applying to one of the business schemes.

We felt that, in making decisions, other DCMS sectors were perhaps prioritised over the sector at the start of the pandemic.

And in terms of simple, we felt the scheme was perhaps unduly bureaucratic. We totally understand the need for proportionate due diligence, but charities are already a highly regulated sector by the Charity Commission for England and Wales. There was lots of detail required in applications, many of which were unsuccessful, and so wasted energy by charities that were trying to respond to the pandemic. And then, at the beginning of the scheme, there were additional checks requiring by PwC. This was actually changed so only grants over £10,000 were required to have those additional checks. But we didn't understand this because the National Lottery Community Fund is a very experienced funder and we felt they were able to do the checks.

I think the final thing I'd say is this was a crisis response fund which was, as I say, welcome and needed,

but many organisations needed to also stabilise. They weren't responding to the immediate crisis and so they weren't eligible for this scheme, but they were still essential to the recovery of the country. And again, we make comparison with the youth fund that was set up, which was eligible for stabilisation funding. And so, yeah, many organisations that needed funding to keep running were not able to access this scheme.

Q. Just touching on a couple of points you've mentioned there, one, about the size and scope of the £750 million package, was the NCVO invited to provide feedback on that before it was announced?

A. Generally, we didn't find out about announcements until a little bit too late to provide feedback. So in the case of the £750 million, in the run-up to it being announced, we heard conflicting messages from different parts of government, from different politicians that we had relationships with. In the event, the former CEO of NCVO actually had a phone call with the Chancellor just hours before it was announced, so giving us very little time to -- well, no chance to input into the quantum, but very little time to prepare a response, and to ready the voluntary sector for the response.

Q. And you mentioned a moment ago the additional levels of bureaucracy in parts of the scheme. I understand a key

element of the package was the £200 million Coronavirus Community Support Fund, which was distributed by the National Lottery Community Fund; is that right?

A. That's right.

Q. Which conducted their own checks --

A. Yeah.

Q. -- of applicants. But an additional layer of vetting was also required to be carried out by PricewaterhouseCoopers; is that right?

A. That's correct.

Q. And you say that fund, in your statement you say the fund lacked the necessary flexibility to be distributed at pace. Are you referring to those additional checks and vetting?

A. The additional checks and vetting but the application process itself was, it was still lengthy, it still required a lot of information about need and activities. As I say, we understand the need for proportional due diligence but we do not feel that businesses were subject to the same level of scrutiny in seeking financial support as the -- (overspeaking) --

LADY HALLETT: How long did you have the extra element of the PwC checks, roughly?

A. I don't have that information to hand, but I know they did reverse that decision and made it so only

applications over £10,000 would have those additional checks.

LADY HALLETT: Are we talking days, weeks, months?

A. Weeks.

MS WILSON: Did the government explain why those additional checks were required initially?

A. No, I don't recall having that explained to me. Other than it's public money, and there must be some scrutiny of the spending of public money.

Q. The final element of the funding, around a £360 million fund, was distributed by a range of government departments and also some external agencies, as you set out in your statement, and you say they also experienced some difficulties and inefficiencies. Were they along the same lines or were those additional problems?

A. Very -- I mean, very similar in terms of needing to apply for funding, often lengthy processes, sometimes different requirements for different schemes. So, similar.

Q. So looking ahead, in any future scheme, you would look to see those additional checks, the vetting, those aspects that slow down the money going to charities to be removed or confined to as limited as possible; is that right?

A. I think it needs to be proportionate. As I say, public funding needs to have some level of scrutiny, but given we were in a crisis and charities were having to make impossible decisions and needing to step up and respond, it felt unduly onerous, the process that charities had to go thorough to secure those funds, and for some of them it was just too late.

Q. Thank you.

I now want to move to ask you about the wider measures brought in, so not just those specific to your sector. In your statement you say the government adopted a one-size-fits-all approach to some business support schemes. What did you mean by that?

A. One of the things that we continually came up against was an assumption that because charities were organisations, they were the same as businesses, which is -- while there are some similarities, there are many really important differences between charities and businesses. And we tried throughout the early stages of the pandemic to get this message across to different parts of government, and given what came out in terms of the business support schemes, we didn't feel that this was always consistently understood.

Q. So can we look at some examples. Can we start with the Coronavirus Job Retention Scheme. Did it work well for some charities?

A. For some charities it did work well, and I think it's fair to say we know, after the event, that many charities did make use of the scheme. But the fundamental flaw with the scheme was that charities, unlike businesses -- so I've used the example of a pub or a cinema, which could just close -- charities couldn't just close their doors. It's not in a charity's nature to close its doors when there is such increasing need in communities. And so charities were faced with the choice of furloughing their staff and protecting their organisations, financial health for the long term, or stepping up to meet the need in communities, which is what most organisations did.

For some charities, some parts of the organisation were quite suitable to the furlough scheme. So, for example, organisations which run charity shops, which -- which couldn't open, could furlough those charity-shop staff. And we know from our research that just under 40% of charities actually used the scheme.

One of the biggest barriers, though, was that charities, when they furloughed their staff, those staff could volunteer for other organisations, but they couldn't volunteer for their own organisation. And indeed, this was one of the changes that we proposed as a workaround the scheme, so charities were able to

continue to deliver those vital services.

Q. And I think one of the changes you proposed in January 2021, or sought, was a targeted furlough-type scheme for your sector; is that right?

A. That's right. We -- I mean, I think our primary argument was that we needed a stabilisation fund that was specific for the voluntary sector, but failing that, the furlough scheme, we called for it to be amended so that charities could continue to deliver.

Q. And what sort of response did you get from those requests?

A. It's -- it's difficult to say, because I think that probably speaks to the challenge in communicating with the, kind of, decision-making heart of government during the pandemic. It was always secondhand through the -- through DCMS, who, as I say, worked tirelessly, and worked in partnership with us, but they were the ones speaking to the Treasury and making these proposals for amendments.

And, generally, we were kind of caught in this circular situation where we would ask for something, we would be asked for data on -- and evidence, we would try to find the data and evidence, and then it wouldn't be sufficient for what the Treasury needed, and so then we'd go away to find more data and evidence. And that

would continue.

LADY HALLETT: Can I just ask a question. You say there's a flaw with the furlough scheme. That is because people who normally work for a charity couldn't volunteer for the charity when they're on furlough. We all understood that: that was to try to stop companies or businesses from saying, "Right, you're on furlough, now come back and work for us."

And I'm afraid there were companies that did that.

So is it necessarily a flaw with the scheme or is it a flaw with what you say is the package of support should have been available, because it depends, does it not, on what your policy objective is with the furlough scheme?

A. I completely agree with what you've just said. I think, for me, it's just a demonstration of why the furlough scheme wasn't really suitable for charities. We needed to keep working. We couldn't really mothball in the way that some businesses could.

In the event, some charities did choose to mothball because they tried to preserve that part of the organisation for the longer term. But in practice, what the sector needed was something much more targeted and specific that enabled us to continue our operations through the pandemic.

LADY HALLETT: Thank you.
MS WILSON: Moving to another scheme, please, the Coronavirus Business Interruption Loan Scheme. I think you say some of your members and charities had difficulties accessing that scheme in particular. Why was that?
A. So, in the first instance, it was challenging -- well, if not impossible, for many charities to access the scheme, because to access the scheme you needed to deliver over half of your turnover from trading. That would be quite unusual for most charities, to receive over half of their income from trading, although there will be some examples.
And so we lobbied quite strongly for this rule to be lifted, and it -- indeed, it was lifted.
Q. Around the end of April I think it was changed?
A. Yes, that is correct.
Q. So in any future version of that scheme you'd like to see that restriction for charities lifted from the outset; is that right?
A. That's right. Although I think it's probably important to say that any sort of loan scheme is not what we would have advocated for for charities, first and foremost, because many charities either cannot take on debt because of what's written into their articles and

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governing documents, or they would choose not to, because again, charities are not aiming to make a profit and at a time of such crisis, for a board of trustees to make a decision to take on debt would be potentially, it depends on the circumstances, quite risky, not knowing when operations would start again and when that debt could be paid back.
Q. I think that's now the second example we've touched upon where, as a result of feedback which you and other -- yours and other organisations has given, amendments have been made to the schemes in charities' favour. Does that demonstrate that government was listening?
A. I think parts of government listened to some of the things that we said. As I say, we worked with some very, very hardworking officials at the time who really wanted to work with the sector and did understand the role the sector were playing and the constraints, but that was not universal across Whitehall or across government.
Q. And the third scheme I want to touch upon with you is the Small Business Grant Fund which was part of the first cohort of business grants. And you say in your statement that this fund inadvertently sidelined charities. Why was that?
A. So charities pay a special -- have a special business

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rate relief, charitable business rate relief, and to access the Small Business Grant Fund, you had to be in receipt of small business rate relief, or I think there was a rural rate relief, as well, that meant you were eligible. So, it was -- so charities were not eligible for that scheme.
Q. That position, following your organisation's feedback and some other organisations, that was amended though, wasn't it? And I think an additional discretionary fund was announced in May '20 which charities were eligible for; is that right?
A. That's correct, yes, there was a discretionary fund set up that was for small businesses and specifically included charities.
Q. So although that wasn't tailored to charities initially, improvements, again, were made following feedback and then government or parts of government listening to your organisation and others?
A. Yeah, we were pleased to see that. Although in the event, and we don't have robust data on the extent of the use of the scheme, but from the anecdotal evidence we have from members, the way this discretionary fund was administered was that local authorities were asked to identify priority organisations in their areas, and although we know some members and some wider sector

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organisations were able to access this fund, we know of many more that were not prioritised by local authorities and didn't have access to the scheme.
Q. Thank you.
The final part of your evidence I want to touch upon are lessons learned and recommendations, and you set out a number in your statement and I just want to touch upon couple of those.
You ask that in any future scheme, or schemes, in a pandemic, design features take into account the economic model and also the needs of charities so that there aren't those restrictions in accessing support. How do you think that's best approached?
A. Sorry, could you just repeat the beginning of that question?
Q. How do you think support schemes could be the best -- most effectively targeted towards the charity sector?
A. Well, I think the most important thing to underpin the development of any charitable scheme is the development of a much better understanding across Whitehall of the voluntary sector, both in terms of what its value is kind of economically, preventatively, socially, but also understanding kind of the nature of how charities work, how reserves work, what it means to be not for profit, and governed by a boarding of trustees.

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So I think investing in that understanding and therefore relationships would mean that, at a much earlier stage, charities could be taken into consideration, and understood in terms of the value of the sector in supporting, responding to a crisis, but crucially, in recovering from a crisis and in the longer term in terms of the social and economic health of the country.

Q. Which brings me to the second point I wanted to explore with you. You say this foundational understanding needs to be improved, both now and also in any future pandemic, and also that your organisation wanted to work with government as a trusted partner. How do you think that's best achieved in a future pandemic? *Ad hoc* communication? A more structured forum, for example?

A. A much more structured forum. And we're really pleased that since the pandemic, and over the last few years, there's been the development of a new Civil Society Covenant, which is intended to underpin trusting relationships between the sector and government so that the sector can play all of the various roles that it does play, both in terms of public service delivery but also giving -- giving voice to communities. And my understanding is there will now be a regular forum between voluntary sector leaders and the Treasury, which

I think is absolutely crucial, because, in designing any economic support measures, whether it's the regular budget or in a crisis, the Treasury will be a key decision maker. And not having those relationships, in my view, really hampered our ability to influence the development of those schemes.

MS WILSON: Thank you, Ms Elliott, those are all the questions I had.

LADY HALLETT: And there are no other questions.

Thank you very much indeed, Ms Elliott, I'm very grateful for your help. And don't worry about speaking quickly, the stenographer is used to it because I speak very quickly. But thank you very much indeed for the help in providing the written statement and, of course, coming along today.

Thank you, thank you.

LADY HALLETT: I wouldn't normally break but, Mr Wright, I gather there's a reason I need to break at this stage?

MR WRIGHT: I think so, briefly, yes.

LADY HALLETT: How long?

MR WRIGHT: Only five minutes will suffice.

LADY HALLETT: Well, we'll do ten. I'll come back at quarter past. Thank you.

(11.05 am)

(A short break)

(11.15 am)

LADY HALLETT: Mr Wright?

MR WRIGHT: Thank you, my Lady. The next witness is Sir Oliver Dowden.

SIR OLIVER DOWDEN (sworn)

Questions from RICHARD WRIGHT KC, LEAD COUNSEL TO THE INQUIRY for MODULE 9

LADY HALLETT: Welcome back, Sir Oliver.

THE WITNESS: Thank you.

MR WRIGHT: Sir Oliver, you've provided a statement to this module of the Inquiry, the reference is INQ000588159. And you have also provided -- today, I think, a short statement making a couple of corrections.

Can we deal with those first of all, and then this statement will formally be entered into the Inquiry.

A. Yes.

Q. But just to deal with them, I think first of all, at paragraph 103(e) of your original statement you refer to a sum of money as £130 million but in fact should that have been £310 million?

A. Yes, that's correct.

Q. Thank you. And then at paragraph 108 of your original statement you refer to an instruction given to policy officials on 18 March 2020. That should have been 18 November 2020?

A. Yes, that's correct.

Q. And then paragraph 110 of the original statement was included in error, and should not have been read within the context of that section of the statement because that paragraph relates not to Coronavirus Job Retention Scheme, but to the Self-Employment Income Support Scheme which you've dealt with at paragraph 124?

A. Yes, it's a repetition, a mistaken repetition.

Q. Yes, thank you very much.

Well, those corrections having been dealt with, I want to ask you questions about your role as Secretary of State in the Department for Digital, Culture, Media and Sport. And the first topic I'd like to cover with you, if I may, please, is just to understand how, operationally, you adapted the structures within the department, particularly with a focus on the economic response as it affected the sectors that you were responsible for.

A. Yes.

Q. So if we can start by looking at that, please.

Now, we know that prior to 2021 that the Civil Society and Youth Directorate was known as the Office for Civil Society; is that right?

A. Yes, that's correct.

Q. And that that was responsible for policy relating to

charities, volunteering, social action, and so on?
A. Yes, that's correct.
Q. And did the Office for Civil Society therefore continue to feed into you as Secretary of State throughout the pandemic?
A. Yes, it did.
Q. And did it feed into you concerns relevant into the sector it represented relating to the economic response of the government?
A. Yes, it did, yes. Alongside other parts of my department as well.
Q. Yes, and I'm going to come on to those. There was also a team known as the Strategy, Policy and Fiscal Events Team; is that right?
A. That's correct, yes.
Q. And you describe that as really being the central coordinating team for Covid-19-related policy and commissions, is that --
A. Yes, certainly in the initial period. I think I then set out how that subsequently changed as time went on.
Q. Yes. So was that a pre-existing team?
A. Yes, it was, yes.
Q. That had ordinary functions in ordinary times?
A. Yes, so essentially it was the -- sort of the principal fiscal advisory unit, for want of a better word, within

the department, so that would typically deal with the department's engagement, for example, with the Treasury in response to budgets and other fiscal events, and other related activities. So it was -- there was a sort of natural transition for its role during Covid.
Q. So there would be established channels that existed before the pandemic for liaison with the Treasury and interaction with the Treasury on economic matters that affected the department?
A. Yes, that's correct, yes.
Q. And so, as you say, naturally, that was a good starting point for liaison, was it?
A. That's correct, yes.
Q. Yes. And in the early stages, that team, did that team engage with the Treasury about the design of general support, economic support?
A. Yes, it did. As I'm sure you'll appreciate, the Treasury, in respect of the pan-economy measures -- I think I sometimes refer to them as horizontal measures in my witness statement -- was the principal -- or was the decision maker in respect of those measures, and then other government departments engaged with them as appropriate, and my department did so extensively through them.
I should also say it sat alongside other engagement,

including from my political advice -- or special advisers, with their political opposite numbers in the Treasury, and of course my personal engagement with the -- with the Chancellor and others.
Q. Just so that everyone watching your evidence understands the way the terms you're using, in terms of "pan-economic" and "horizontal" measures, did you mean by that that these were measures that the Treasury were taking that were designed to provide support to the economy in general? These were not sector-specific measures; these were, if you like, the big-ticket items, the big things that the Treasury was doing for the economy as a whole?
A. Yes, that's correct. Very early on in the pandemic, once the government had introduced all the restrictions that everyone is familiar with, it was apparent that the -- that would have a profound impact on many, many parts of the economy, and so the decision taken by the Chancellor, and indeed collectively by the cabinet, was that the principal means of dealing with that should be by measures that could be accessible to all or as many as possible. So a pan across -- across the economy.
Q. Yes, understood, thank you.
Then you also speak in your statement about establishing the Covid-19 Hub. Just so we understand,

that is internal to your department; is that right?
A. Yes, all of this is the sort of wiring of my department.
Q. Yes. And you describe that as having what you call a cross-cutting function, coordination function?
A. Yes.
Q. Can you just expand a little bit and put that into simple language in terms of what it was actually doing?
A. Yes, sorry, it's a slightly jargon -- jargon term --
Q. No, don't worry.
A. What I mean by that is that it was engaging across different parts of the department, and indeed would also work with other relevant government departments as -- as appropriate. So it would pull together all the relevant information and analysis.
I think it's also just important, if I may add, in terms of my position as Secretary of State, I would tend to commission advice and -- or advice would be given to me. The key thing for me was the advice as requested through the -- through my permanent secretary and indeed my private office.
So there wasn't a huge amount of distinction as to -- to which different bit of the department it came from, the question I was always asking myself was: is this giving me the information that I require in order to discharge my duties as Secretary of State?

Q. I see. So there is a final filter -- it doesn't really matter where it's originating from -- of the information that then comes to you for decision making and direction of policy; is that right?
A. Yes, so everything that I received as a minister in a written format would come to my private office and my private office would then take that advice, and they would provide a cover note which would summarise the nature of the decisions I had to take and so on. Also additional advice would be provided both from the private office in terms of their perspective on what the key issues were, and almost always, except in a few national security related issues, it would have advice from political advisers, as well, on it.
Then the other forms of advice I would receive would generally be orally in meetings or telephone calls. But again, the private office would engage with different parts of the department to determine who was the most appropriate person to attend that meeting or to provide advice over the telephone.
Q. So we've dealt with the Strategy, Policy and Fiscal Events Team, pre-existing, had established lines of communication with the Treasury and so a good starting point. You established the Covid-19 Hub. But is it right you also established the Economic Response

Directorate, known as the ERD?
A. Yes.
Q. And that was established on 23 March. And did that have, as its name perhaps suggests, an economically focused responsibility?
A. Yes, that's correct, and became one of the -- well, the principal way in which we dealt with the Treasury.
Q. Okay.
A. In respect of Covid-related interventions.
Q. Yes. But just looking at those different bodies, how were they working together? We've got there three teams: strategy, policy and fiscal events, Covid-19 Hub, Economic Response Directorate, pre-existing fourth, Office for Civil Society. How was that all working together? It may sound that's four things doing -- four different bodies doing similar things.
How did you see it?
A. Well, as I say, the first way in which I saw it was: am I getting the right information? So, as I think I set out in my witness statement, and I believe that Sam Lister sets out in his witness statement as well, the principal responsibility for the organisation of the department and the delivery of what we are seeking to achieve lay through the Permanent Secretary, and so I would rely on the Permanent Secretary's advice in

respect of that.
The second thing is that I would engage in a number of different ways. First of all, I've set out how I engaged with the private office, so everything went through the filter of the private office. So they co-ordinated with the appropriate bits of the department that I needed advice from.
I also met, on at least a weekly basis, with both the Permanent Secretary and with the relevant Director Generals, and in particular, Sam Lister as the Director General sort of oversaw all these different cross-cutting elements.
So I was confident that it went up a Whitehall hierarchy that went through Sam Lister as the DG to the Permanent Secretary. I met with both of those people, and then there was the filter of the private office.
Q. All right, I suppose the important thing for you, as the ultimate decision maker, did you ever feel that you were getting conflicting advice from different teams, or that they weren't working well together, or rather, did you feel that each was complementing the other, doing slightly different things but ultimately leading to coherent advice to you -- how did it appear at the time?
A. And I think that's a very important question and I -- I assure(?) I never felt there was conflicting advice.

The -- one shouldn't view these as being sort of different fiefdoms or baronetcies, they were all playing their role, as the -- and I think it was also worth appreciating that this was a function of the department pivoting to the Covid crisis situation, where suddenly, as a department, we were dealing with all these different bits that the department was responsible for. So the DCMS had -- and even more so at the time I was Secretary of State -- had a very wide range of responsibilities, going through telecommunications to the newspaper industry, sports, civil society, arts, culture and so on. And we were -- we were trying to coordinate our response to all those different sectors, all of whom had significant needs.
Q. And your experience of government, is -- that array of sectors for which you were responsible, is that unusual for a department, to have that sort of breadth of different sectors, ranging from, say, the charity section all the way through to telecommunications and media?
A. Yes, it is. I mean, I think the other -- the other department that used to be much more like that was the Home Office. And if one wants to get into the, sort of, history of all of this, I believe that the department was hived off of the Home Office at one point because

the Home Office had such a wide variety of different responsibilities.

And just fast forwarding slightly to the department, the department acquired a responsibility for digital, I believe, of business before I became Secretary of State, and civil society has sat in other parts of government, including in the -- the Cabinet Office.

Q. So, what I'm really trying to understand is whether it was the breadth of the sectors that your department was responsible for that necessitated different bodies within the department feeding in advice on different issues?

A. I think it was more -- in terms of the creation of these different units, and particularly the Covid hub, this was more a reflection of the department stepping up to a new role, which was about how can we support these different sectors, in two respects: one, the impact of them from being locked down, or many of them from being locked down? So then, what the rules meant and so on and so forth. And then, secondly, the support that they would need then from the government, principally financial support.

Q. When it came to financial support and when it comes to it, we're going to go on and I'm going to ask you some questions about sector-specific support that was

introduced, but was your focus on that: identifying what sector-specific support the department could offer, funded by the Treasury if necessary? Or was it on ensuring that the pan-economic measures that the Treasury was introducing worked for your sectors? Or both? I'd just be interested if you could help us with your strategy for that.

A. Yes, both and sequentially. So, to begin with, it was to understand what the lock -- what the -- sorry, forgive me, the non-medical interventions that they used for -- I forget the term, terminology --

Q. NPIs?

A. Yes, exactly, the non-pharmaceutical interventions. What the non-pharmaceutical interventions meant for our sectors. Then, as -- and there was a lot of engagement with the sectors in respect of that.

Then, as it became apparent that lots of non-pharmaceutical interventions would have potentially an existential threat -- present an existential threat to those sectors, it was understanding what that actually meant and the scale of the support they needed.

Then it became apparent from our engagement, particularly with the Treasury and the discussions that we were having, including collectively as -- as ministers in the government, that the first line and the

principal means of response was these pan-economic measures. So at that stage it was making sure that -- that those applied to as many of our sectors as possible. That certainly wasn't a given at the beginning, so we wanted to make sure that was the case.

Once we then understood where it applied and where the gaps might emerge, we then started to engage more in terms of what sector-specific interventions might be required, hence the charities support package, the £750 million, the Culture Recovery Fund, and all -- all the other sector-specific packages that we engaged with.

Q. Okay. So, in terms of those significant pan-economic measures, we're talking, are we, about things like the job retention scheme?

A. Yes.

Q. Self-Employment Income Support Scheme, loan schemes, grants, and business rate relief, those sorts of schemes that were applying across the economy?

A. Yes, PAYE deferral is another one, yes.

Q. Yes. So first focus is see what the Treasury is delivering, and see how that might apply to our sector and how we can try and ensure that it does apply to our sector?

A. Yeah.

Q. And then look for gaps that are emerging or areas that

might need additional support and see whether we can land schemes that are specific to our sector, or sectors?

A. Yes, that is correct, yes.

Q. Okay. Now can we look, first of all, at some of that sector support.

A. Yes.

Q. And in particular, support for the voluntary, community and social enterprise sector.

I'm just going to ask, please, if we could have up on the screen INQ000623471, and it's page 1. There we are. Thank you.

A. Yes.

Q. I think this is from 18 March of 2020, so this is a submission to you, as Secretary of State. And if we could just focus on the recommendation, that this was a recommendation on 18 March that essentially you should request, of the Treasury, £2 billion of funding, to deliver a proposed package of support, which was (i):

"a £1 billion UK Community Mobilisation Fund to ensure mission critical parts of the voluntary sector are able to respond to this emergency"

And (ii):

"£1 billion Stabilisation Fund to prevent large scale closures of charities that provide direct support for the most vulnerable people in our communities, such as hospices."

Just so we understand this, this is coming to you from the Office for Civil Society; is that right?

A. Yes, it is, yeah.

Q. And it's essentially a suggestion that you should be going to the Treasury at that stage and saying, "Can we have £2 billion of funding", split in that way --

A. Yes.

Q. -- to be delivered by the department? So this is funding, so we're clear, is it, that was being suggested you should ask for in addition to all the pan-economic measures that you've touched on?

A. No, I don't believe it was. And I think if you look at the sequencing of it, that is dated the 18th, I don't think the pan-economy measures were announced, I think, maybe until the 25th, from recollection. So this was prior to the pan-economic measures.

Q. I see, so this was a sort of early pitch --

A. Yes.

Q. -- as to what you should be going to ask for.

A. It's worth bearing in mind, because things moved so quickly during the Covid crisis, we were -- we were simultaneously engaging with the Treasury about the pan-economy measures, not knowing exactly what the

pan-economy measures looked like, but also the Office for Civil Society was engaging with the charitable sector and others, and this is them coming to me and saying, through my private office and so on, "This is what we would recommend as a package of direct support", in the way described in paragraph 3(a).

Q. Okay. So this is Office for Civil Society engaging with the charity sector, this is the -- if you like, the early --

A. Yes.

Q. -- bid --

A. Yes.

Q. -- of what they are telling them --

A. Yes.

Q. -- they think they are going to need --

A. Yes.

Q. -- and coming to you and asking for you to make that case to the Treasury?

A. Yes.

Q. What was your reaction to that, that? Your response to that request at the early stage?

A. The first thing I should say is that unfortunately we haven't been able to get through the department the cover note. So typically this would come with a cover note with advice from my private secretary, precise from

my special adviser, then I would write on that cover note, my response to that. We have been unable to -- the department has been unable to track that down. However, my recollection is that I came back and asked for -- I would say it would almost always be the case, if I was given a submission like this asking for £2 billion of taxpayers' money to be spent, I suspect, I am pretty sure I went back and asked some further questions about exactly how we derived these numbers, who it was seeking to benefit, and so on.

Q. You certainly say, I think it's paragraph 84 of your statement, that you had concerns on that submission, and were those essentially the concerns: that this was a lot of money to be asking for at that stage?

A. Yes. I mean, it was a lot of money to be asking for full stop, and certainly as the Secretary of State, I would not want to sign off on such a large request, even though it was essentially the first stage of going to the Treasury, until I had full confidence in it. So I believe, and as I set out in my statement, as you say, I asked questions of this because it was a significant amount of money, and to get further detail.

Q. Now, at any time, what sort of things are you balancing as Secretary of State when requests for funding, particularly in that sort of level, are being made

to you?

A. So I'm considering the needs of the sector, I'm considering whether it represents value for money, I'm considering how we would distribute this, I'm considering is the deadweight cost, that is to say that there is some other scheme that is already providing it, so we could be replicating that; I'm also all the time thinking of my constituents and the people that elected all of us, who will end up -- it'll be their taxes that pay for it. Is this getting the balance right? Is it (a) effective and is it (b) proportionate to the need?

LADY HALLETT: Presumably if you don't ask questions like that as Secretary of State you're going to lose credibility with HMT for any other funding requests?

A. Yes, both with HMT and indeed with Parliament, to whom I'd have to justify almost all of these things. So you invariably end up being hauled before a Select Committee and so on. So I had to be very confident that this was the right amount of money that I was requesting.

MR WRIGHT: Was there, from your perspective, an additional concern that this was a bid for a very large sum of money even before you knew what the Treasury was going to actually announce in terms of support and how that support would be delivered?

A. Yes, of course. I mean, as I said, there was a sort

of ... and it's a little difficult to recall exactly the sequencing in my thoughts at the time, but I'm aware that we were in parallel engaging with the pan-economy measures so clearly it would have -- I think this is what transpires in the subsequent piece of evidence that I have submitted and the Inquiry has, that we then took into account the effect of the pan-economy measures in refining this number.
Q. Well, I think it was on 25 March 2020.
That's INQ000623559, please, and page 1.
If we look at that number 4 there:
"In light of the Treasury's comments, the economic support package and other government announcements ... we recommend seeking funding for a smaller package now to which we could add later if needed. There is a balance between going to HMT with a number that we think they will agree and pushing for a larger number that the sector wants. We recommend that an initial package on this scale is deliverable."
Then it sets out a small allocation to a National Emergencies Trust of 10 million, and a larger boost of 500 million new money to the National Lottery Community Fund.
So that's a week on from the previous document we looked at. But in that intervening week, you know more about what the Treasury is doing; is that fair?
A. Yes, that is correct, yes.
Q. And so that became the advice. And how did you react to that advice?
A. I seem to recall -- and again, I do have to say the caveat that I would have liked to be able to have seen my -- the actual physical box notes --
Q. Of course.
A. -- that it was sort of hoving in to broadly the right sort of amount, given the -- the pan-economy measures.
The other thing that I recall at -- at the time was that the -- the decision was taken by the Treasury but collectively agreed across government that we would have these pan-economy measures. So, therefore, the focus of this became more: okay, so the bits of the charterparty sector that are going to carry on delivering in response to Covid, how do we support them in doing that?
Q. So was it that part of the equation that you were in particular looking at supporting those parts of the sector -- or prioritising, rather than looking to support -- prioritising those parts of the charitable sector that were going to be playing that part in the response to Covid?
A. Yes. And indeed, if one looks at the -- the overall package and the breakdown of that, as it transpired a lot of it was in response to what we saw as being pinch points in respect of that.
Q. And the Inquiry understands that on 8 April 2020 -- so we're moving forward a couple more weeks in a timeline of rapidly moving events -- the Chancellor announced a £750 million emergency funding package to support the sector; is that right?
A. Yes, that's correct, yes.
Q. And you describe that in your statement as a figure that had been reached by negotiation between your department, the Department of Health and Social Care, and the Treasury; is that right?
A. That's correct, yes. And of course it is also worth noting for completeness that a package of this size will also attract the interest of 10 Downing Street as well.
Q. Ah, yes. Thank you.
So that was £750 of additional monies and a support in addition to the pan-economic support that you've described?
A. Yes. 750 million, yes.
Q. Sorry, did I say --
A. You missed off the "million" bit.
Q. Well, what's a million between friends, I could say, but no, that's an important correction, so thank you.
Can you assist at all in terms of how that figure was arrived at? I mean, is it more scientific of -- you pushed for what you could get, and that was, given the other fiscal response of the government, that was what was available?
A. So it was, I would say, a combination of three things. So, first of all, as we have discussed, the -- the interaction between the pan-economy measures and the needs of the sector. Secondly, it was specific needs from the response to Covid. So if one looks at the breakdown, particularly with the other government departments, of areas where we spent money, £200 million was for hospices. There was an awful lot of attention at the time about the pressure that was on hospices. Even smaller numbers, I believe there's some money that goes to zoos. There was a lot of pressure at the time about how zoos were responding to this, this crisis. So there was that kind of analysis.
And of course, in that context, a large chunk of it from my department came from the engagement that the Office for Civil Society had with the sector, understanding the needs and so on, as set out.
And then, of course, finally, there is an element of the art of the possible. That is to say, what the Treasury is going to agree to. And I don't mean that to be dismissive of the Treasury, because the Treasury is

the only -- the only department across the whole of government whose sole focus is on the totality of government expenditure. So they have to make the ultimate decision about how expenditure on individual schemes sits -- sits in the context of the whole of government expenditure and the -- how that's paid for, whether that's through taxes, the -- bond issuance and so on.

Q. Thank you.

Now, in terms of the number, the amount -- the amount of money, we've heard evidence this morning that -- that the sector considered that the amount of money available was not adequate, it wasn't -- wasn't a sufficient sum of money, and the Inquiry has received evidence, for example, that it was estimated that the charity sector would lose £3.69 billion of income within 12 weeks of the -- of the first lockdown.

Were you thinking about this package and the sum of money in terms of what was adequate? In other words, what would replace, pound for pound, the money that was lost? Or were you thinking about it in a different way?

A. I was thinking about it in a slightly different way. So -- and indeed, the position that was agreed with the Treasury collectively was: the principal means of supporting all organisations, whether they were

businesses, charities, and so on, was through the pan-economy measures.

So that was the, sort of, baseline.

And then I was thinking, in respect of this sum, about how it would address the specific needs of the sector, but specifically through the lens of those activities that were required to support people, and the hugely important role that the charitable sector played in supporting people through the -- the Covid crisis.

Q. Thank you. It's been suggested in evidence from Sarah Elliott from the National Council for Voluntary Organisations, that the amount of money could or should be compared to the amount of money that was being given to other sectors, and that it fell below that being given to other sectors, for example. Her statement refers to the 1.57 billion that was provided to the arts and culture sector.

I'll just give you an opportunity to deal with that. Were you viewing -- you had a lot of sectors, were you viewing this as a competition between sectors or an allocation between sectors? Were you having to balance one against the other? How were the amounts of money being determined?

A. No, each sector was considered on its own merits and according to its needs. It is worth noting that in

respect of the comparisons Sarah Elliott makes with the Covid recovery scheme for the -- sorry, the cultural bailout, the Culture Recovery Fund, that that, I believe, was allocated about three months later. So at the time, we had more of a picture of where that sector was. Remember that this, this package that we agreed with the Treasury in respect of the charitable sector was almost immediately after lockdown had been announced. We didn't know exactly how things were going to transpire over the coming months. Nobody knew how things were going to transpire over the coming months.

So they were very different packages at different times with different needs. And I mean, I could go through the needs of the 1.57 billion, how that was derived. It was a totally different set of circumstances.

Q. Thank you. Can I just take a slight detour from the theme of my questions, just to pick this up here because I think it's probably as convenient a place to do so, because I've just asked you a question about that cultural sector. You established in May 2020 the Cultural Renewal Taskforce; is that right?

A. Yes, yes.

Q. And you chaired that yourself, I think?

A. Yes, I believe I did, yes.

Q. What was the remit of that taskforce? Can you just help us with why you created it?

A. So I believe that I established that, first of all to properly understand the pressures that the sector was under. Remember, this was -- the culture sector was very diverse, it spanned everything through film and television and museums, galleries, the commercial theatre sector, the publicly-funded commercial -- the publicly-funded theatre sector. So to understand what their needs were, both in respect of what financial support they might need but also whether it was viable for them to continue to operate, because, as you may recall, at different times during the Covid pandemic we had different restrictions, the 2 metres, the indoor/outdoors, but helping them to find a way through to see whether there was any cultural activity that could happen in the context of the rules that stood at the time.

Q. Having established it, did you think it was beneficial? Did it assist you to do that?

A. Yes, it did, yes. I mean, I found all engagement with the multiplicity of sectors that I dealt with helpful. It's one of the sources of information that I drew on, amongst many others, in making decisions that I had to make as Secretary of State.

Q. Can I pick that up, then, as a theme, the issue of consultation. Again, Sarah Elliott in her witness statement and touched on in her evidence, has raised the issue that the sector really only became aware of the support package shortly before it was announced, and the details just hours in advance. And that there wasn't really, she would say, sufficient consultation with her organisation and therefore with the sector about the design of the support. What would you say to that, as a complaint, if that's the right word?
A. Well, first of all, I appreciate her concerns, and in a normal world, when we were designing a £750 million package like this, it would have taken months and would have been the principal focus of my department. And so, in normal circumstances, I would have expected us to have several rounds of consultation and engagement to refine it. We didn't have that luxury in Covid, and we wanted to get the money out of door very, very quickly and, as you can see from the chronology, there was a very short period of time between the announcement of the lockdown and their package being announced, it was the first one out of the door.
It is also always the case, though, that the Treasury is very reluctant to engage on the specifics of proposals until they are finally agreed, because it's

the nature of policy making, particularly with the Treasury, that schemes change and then they change again so they don't wish to set hares running or false expectations that then mean that people don't fully understand where they are in terms of the support.
It is worth noting, though, that there was engagement. I was able to listen to some of Sarah Everett's (sic) evidence. It was very kind of her to make reference to my officials and how she and her team engaged extensively with them. That, in turn, was feeding through to me and feeding through to the Treasury, both me directly and through the -- directly from civil servants to civil servants. And it's also the case that I did engage with the sector. I had a roundtable with them, and crucially, I had an excellent junior minister in Diana Barran, Baroness Barran, who had experience of the charitable sector who did a lot of the heavy lifting in terms of engagement with them and was a very valuable source of advice to me as well.
Q. So to summarise your answer, there was consultation, and that was going on all the time, with the sector, but, given the pace and the need for the Treasury to sign off on the package and formally announce it, there wasn't a blow-by-blow consultation on the precise shape of what

was going to be --
-- (overspeaking) --
A. Yes.
Q. -- is that a fair summary?
A. That's a fair summary, yes.
Q. Okay, thank you.
Generally, did you find that the greater the consultation, that the better schemes landed and support landed or was that not your experience?
A. Umm, well, yes and no. So it's important to record that engagement with the sector is just one way in which we derive information. So we would derive information from the experience and expertise of the officials in my department, many of whom have either worked in the sector or had been engaging with the sector for many, many years. We derive advice and information from reports that were prepared on the sector, official statistics, so all of this came together. Of course, if we had enough time, more consultation is always better, but as a department and as a government we had to trade off the time for consultation with the speed of the response.
Q. Thank you.
Now the monies that became available, the additional monies, were delivered through a number of different

schemes. I think seven in total.
A. Yes.
Q. Is that right?
A. Yes, yes.
Q. We can take it as read. Why deliver the monies across lots of different schemes rather than have one central scheme that could provide support?
A. Well, it was to reflect the different needs of the sector. So the fund that was allocated to other government departments was a reflection of specific needs, principally that had already been identified by those departments. Those departments had the existing relationship. So, for example, DHSC had the relationship with the hospices sector. To take another example I've used, DEFRA would have had the relationship with the zoos. So it made more sense for them, having had those relationships, to get money out to those specific sectors.
Additionally, if you look at the breakdown, there was -- also we had match funding. So, for example, I think we had the Big Night in Children in Need, so we were aware that by providing that match funding, we were able to get more money in, and then we also, for example, had the funding for the VCSE, which was about essentially lubricating the system in terms of

understanding more about the sector, so they needed more support for that.

Then we had the principal package which was the responsibility of the department, which was the hundred -- or the £310 million charities package.

Q. Do you think there was a danger in that approach to delivering funding that different departments were bidding for their own directors and effectively promoting the interests of their own sectors and that there was only lack of transparency about who made, ultimately, the decision about what money went where?

A. No, I don't -- don't think that was the case, because there were -- there were just certain sectors that very easily sat with a given government department. Those departments then put bids into this decision-making mechanism that we set up, a sort of star chamber, and then collective decisions were made in respect of those bids by a combination principally of DCMS and the Treasury, which -- which you would expect to be the case.

In all of this, we were seeking to get money out the door as quickly as we could to the sectors that needed it most but, at the same time, trying to build a structure around it that was defensible to the public, whose money we were spending.

Q. Now, if we think about it in ordinary times, and there's a spending review and different departments make bids for money from the Treasury, I mean, do you accept that in ordinary times there is an element of competition, if you like, between departments as to who can secure their funding for their programmes going forward?

A. Well, I suppose there's an implicit competition but it's not really how it feels from an individual department. What you do for an individual department is go through the needs of your department and make the case to the Treasury for your department.

I was never particularly concerned in any spending review or budgetary process about the bids from other departments. That was for the Treasury to make the decision on. I was -- I was concerned about the needs of the department that I represented to ensure that appropriate funds were -- were given to them.

Q. So, as far as you're concerned, this star chamber, as you've called it, effectively worked as a way of departments could come and identify sectors that were in particular need, and then the funding could be distributed?

A. Yes. And it's important to remember -- first of all, it's always the case that, as a government, we are interested in the whole interests of the nation and the

government over the individual departmental interests. That was even more so the case during this -- this once-in-a-generation crisis.

Q. I've already touched on the sum of money that was available, but just to give you an opportunity to deal with the criticism that was made this morning that this just wasn't enough money, what would you say to that?

A. Well, first of all, the number of people touched by these various schemes, I believe, is about 21 million people one way or another, so we managed to -- to use a colloquialism, to get quite a lot of bang for our buck from it.

Secondly, it was the case that, within a year or two, contrary to many of the concerns that had been raised, we didn't see a wholesale collapse of the charitable sector. The number of charities ceasing to exist, I think it declined by about 1%, which I think was kind of roughly about where we would have expected. Although what I would say is, of course, as the responsible Secretary of State, I always wanted to get more money for -- for the sectors for which I represented and I was passionate about.

But I think it -- I feel reasonably comfortable that it was a -- (a) it was a defensible package, but (b), it did have a profound impact on -- on many, many people.

Q. The Coronavirus Community Support Fund, can I just ask a couple of questions about that.

Do you accept or recognise the concern that it lacked flexibility?

A. No, I'm afraid I think is the short answer. I just have to be honest with you.

Q. Well, we obviously prefer honest answers.

A. Well, every answer is honest, I should say.

Q. So why was it configured as it was, from your perspective?

A. So -- is this the point about the alleged complexity of it?

Q. Yes.

A. Right. So the -- I was very cognisant, at the time, of the need to protect the interests of the taxpayer and to make sure that we had rigorous mechanisms in place to ensure that money was allocated properly. And indeed, without wanting to comment on any of the other allegations around that, I think, with the passage of time, this has been one of the public's big concerns, about was the money spent wisely.

So I'm glad that we took a rigorous approach to the allocation of public resources. This was still a huge amount of money, £300 million-odd, that we were responsible for -- for distributing.

Q. So if we took a compare and contrast, say, between the support a business could get -- apply for a bounce-back loan, minimal scrutiny, and furloughed staff -- as against additional layers of -- not complexity, but requirements that had to be met for this fund, would you say that the introduction of requirements was a good thing, in that it was looking after public money, or would you say you're -- it's comparing two different things, really, in terms of support?

A. Well, I can only really speak to the schemes for which I was responsible, and I felt that it was appropriate -- particularly it's worth noting in the -- in this context that many of the organisations that were receiving money were receiving it for the first time. They weren't experienced with receiving it. They had limited experience of -- of managing government funds. There were -- it included non-registered, new organisations that were being given rapid emergency funding.

So the judgement that I -- I took was that it was proportionate to have this additional layer. However, as things transpired -- I was always mindful of making it proportionate, and I received representations that, for relatively small amounts of money, we should -- we should raise the threshold to £10,000. I felt that, on balance, that was a proportionate approach.

But again, I think that I personally felt more comfortable with having more rigour to begin with and then easing off on the rigour than the other way round.

And so one final point worth making is if you look at the surveys conducted subsequently -- and I'm happy to write to the Inquiry with the -- the details of those -- I believe that about three-quarters of the -- those surveyed who applied for funds under the scheme found that it was reasonably simple and straightforward. So it wasn't out of the normal bounds of what -- what they might expect for applying to a government scheme.

Q. Accepting that one person's rigour might be another person's layer of unnecessary complexity, depending about your perspective.

Can I ask you about the National Lottery Community Fund. That was a fund that was long-established, do you accept?

A. Yes, that's right.

Q. And had a long history of delivering grant funding; it knew what it was doing in ordinary times?

A. Yes, but it is worth noting that the scale and speed and volume of this was much, much greater than what they would deal with in -- in normal times. So they were being asked to take on an enormous new workload in a very short period of time.

Q. So why, if they were familiar with delivering that sort of support, bring in external consultants, PricewaterhouseCoopers, paying them -- I think the estimate was over or about £1.4 million to do what the fund already knew how to do?

A. Well, first of all, for the reasons I set out: that these organisations had limited experience of managing government funds, there were non-registered new organisations. And secondly, because the scale and speed of what we were asking them to do. I took the judgement at the time that an additional layer of scrutiny would be appropriate, and as I say, when that proved not to be required in respect of those smaller sums the department showed flexibility or we showed flexibility in respect of it.

Of course it's always the case that as a minister you're trading off things; you're trading off speed, rigour, complexity. But I suppose -- I don't -- if one looks at the evidence of the people that experienced the scheme, their feedback, even afterwards, was that three-quarters of them found this was a reasonably normal level of scrutiny. And, indeed, £1.4 million, although it's a large sum of money, in the context of a £300-odd-million scheme, I think that would be broadly in the sort of boundaries of what one might expect

around administrative costs.

Q. So did you view that not as adding complexity so much as ensuring delivery in a time of massive increase in applications and need?

A. Yes, well, I was very mindful of the fact that we were giving lots and lots of money to organisations that we didn't know terribly well, and that I wanted some more reassurance, not for me personally, but for the government as a whole, and indeed the taxpayer.

Q. Thank you. Can I move on, then, to the second significant topic, which is your department's engagement with and feedback on the pan-economy measures.

A. Yes.

Q. We've dealt with the funds that were set up, the new money. But your engagement with the wider measures that are applying across the economy, please.

I think you had some particular concerns, is that right, about different aspects of the pan-economic measures so far as they affected your sector or sectors.

A. Yes, well, one of my responsibilities and the department's responsibilities was to engage with all the relevant sectors which were responsible, pick up their concerns, analyse those concerns, and if we felt that those concerns were legitimate and had merit, to engage with the Treasury about those concerns.

Q. Okay. Can I just pick up a couple of concerns, I think, that arose from the Job Retention Scheme.
If we can have up, please, INQ000623481, page 3 of that.
This was advice to you from the Economic Response Directorate of 27 March of 2020. And this was raising issues about zero hours workers who were not on the PAYE payroll.
A. Mm.
Q. "Arrangements for employers which are not able to cease trading or close down their services", and then give some examples, tourism companies.
And then at the bottom there:
"Charities which are delivering the same (or additional) level of services as they would ... in normal circumstances, but with significantly reduced income from an individual giving and grants."
What did you do with that advice, to take forward those concerns?
A. And again, I just have to put the caveat in that I don't have the covering box notes, but what I would typically do, and I'm sure and I remember some of these very well, would be to engage with the Treasury -- if I felt that those were legitimate concerns, probably my first response would be to ask for some more detail on some of

these things to make sure we were on solid ground, and I might question: are there schemes available, had they thought about doing so, and so on. If I still felt that was the case, I would seek to engage with the Treasury.
The usual sort of hierarchy of engagement with the Treasury would be that I would instruct or request my officials to engage with their appropriate opposite numbers in the Treasury to see if they could get some movement there. Then if they didn't have some movement there, I'd ask my political advisers to engage through political channels, and then I would engage both with the Treasury or, indeed, with Number 10 because it's worth noting that in Downing Street there are private secretaries and policy officials that roughly sort of cover each individual government department. So we would engage with them as appropriate as well.
So we would always try and do our best by the sectors for which we were responsible, but ultimately, accepting that the Treasuries are the ultimate custodians, both of these schemes, they designed them, so they were responsible for them, and they were the ultimate custodians of public money.
Q. Now, we heard this morning a concern raised about the fact that one of the features of the Job Retention Scheme, particularly in the charity sector, was that you

couldn't be furloughed --
A. Mm-hm.
Q. -- and then volunteer within the charity that had furloughed you, although you could volunteer with another charity. And obviously that might sound like a good idea, but it might not match the skill of the charity worker with the --
A. Yeah.
Q. -- with the particular charity.
Rather than looking back over that, can we look forward. If there was ever a need for another Job Retention Scheme, do you consider that a carve-out for the charity sector that would enable furlough of employees in the charity sector and volunteering within their own charity would be (a) a good idea, (b) deliverable?
A. Well, I made the case at the time extensively that they should be able to volunteer within their own sector. The legitimate pushback that we had from the Treasury was that how would that sit in terms of fraud? So the concern that, probably less from the charitable sector but from elsewhere, that companies could furlough someone and then get them to volunteer for that sector and sort of get it -- get the benefit twice, both the furlough scheme, and then the benefits of the services

of that person.
Of course with the benefit of time, if we could design a scheme working with the Treasury with sufficient time that we could really test it, that it was robust enough, we could find a way of enabling those charities to allow their staff to re-volunteer. I think it would have to specifically be to deliver specific Covid-related functions, then of course I would like that to be the case. And indeed, we did try and find a way of doing it; we just never got to a point where the Treasury could be sufficiently satisfied that it met those concerns.
Q. So you would say, and I don't want to put words in your mouth, but I think you're saying lots of good policy reasons generally why the Treasury would be concerned about that sort of ability to volunteer back for fraud reasons and so on and so forth, but the charity sector is a different sector, and if it could be done in a secure way that avoided the potential for fraud, that's something that you would support going forward?
A. Well, yes, both -- the potential for fraud, but also, again, there is a need to protect value for money for the taxpayer, because if it was the case that across all activities of a charitable sector, they -- they were able to get the furlough -- the benefit of the furlough

money and then have all of their staff working, then I think that would probably put excessive demands on the -- the public purse. So my inclination, what I had hoped we could try and get to a point was to have it targeted at those delivering frontline services that required it at the time of the Covid crisis.

Q. Yes, or any future crisis --

A. Oh, indeed, any future-related crisis, of course.

Q. Understood.

So those who were delivering services that were tackling the immediate crisis, whatever that may be at the time, in an emergency sense?

A. Yes. And I should say in defence of the Treasury on this, and the Treasury can speak for itself, there wasn't a sort of lack of understanding from them about the issue, we just couldn't get to a point where it worked.

Q. Was there -- was there any sense in which there was a concern within government that the more complicated you started to make these schemes, and the ability of businesses or charities to apply for them, that that would start to defeat the purpose of the scheme?

A. Of course, that was always a trade-off. And particularly when we were going back to the Treasury, once the pan-economy schemes had been designed, saying

"Can we tweak this?" or "Can we tweak that?", every iteration means -- and this is how government works -- a whole fresh set of guidance goes out, new rules, and it's -- you've already got organisations that are applying under an old scheme, then you put out -- put out new rules. It just makes things more challenging.

Q. Thank you.

Can I move on to the business interruption loan schemes. It's right, isn't it, that concerns were raised with you that some charities were struggling to access funding through the loan schemes?

A. Yes, that's correct, yes.

Q. And what did you do in reaction to that -- (overspeaking) --

A. Well, this was the point about I think the 50% of their income needed to come from trading, and that was one of the areas where we were successful in convincing the Treasury to -- to tweak the rules, which I think benefited a number of charities.

Q. We understand that, after engagement, the Treasury prohibited lenders requiring personal guarantees, for example, and changed other elements, as you've said, of the 50% rule.

And was that, in your view, a particular success for the charity sector? Was that what was driving your

engagement with the Treasury on that?

A. Well, we were driven by doing what was right, and my belief was that this was a sensible change that would -- would benefit the charitable sector, but it is also worth noting the -- the wider public benefit, then, of -- of those organisations being able to draw on additional resources.

Q. Can I, then, give you an opportunity to look ahead and share learning and reflections from -- from your time as Secretary of State during the pandemic. I know you set out in your statement that, generally, you consider that the department stepped up well and obtained funding from the Treasury. Can I just ask you, first of all, about the Covid-19 Analytical Hub that you set up, and whether there were particular benefits from that hub, and if so, what they were and how they might apply going forward.

A. Yes, so one of the challenges that we faced when Covid struck was that we had this very wide array of different sectors for which we were responsible. Some of whom we'd engaged with more, others we'd engaged with less. And most of them were putting new demands on us, rightly. They were asking us to provide support for them, to engage with the Treasury on their behalf.

So we did find, in respect particularly of those sectors that we didn't normally engage with in respect

of that issue -- so, for example, in the context we've been discussing, charities, OCS wouldn't historically have engaged that much with charities about a direct funding package provided by DCMS to them.

So it's certainly a lesson for me that we need -- in future, it would have been better to have more information about the specific needs of those sectors, in respect of financial support that they might need. That, in turn, could have helped us in the earlier engagement with the Treasury but, more importantly, going forward, for the Treasury to have a sort of war book, as it were, of understanding these things in more detail. The analytic function was an attempt to -- to improve our understanding across the board. And indeed, I think I then subsequently appointed a director of analytics, I think, in March or something, of the following year. So that was one of the gaps that we sought to -- to close up.

Q. Did you find generally that the -- first of all, that the analytical -- or the quality of the analytical product you were getting got better over time?

A. Yes -- broadly, yes. Yes. If not for the simple fact that we simply had more time to draw in more information and processes over time. In the very early days of the pandemic we were trying to do a huge amount in a very,

very short period of time.
Q. And generally, did you find, as Secretary of State, that the better the analysis, the better the decisions that were made by the department?
A. Yes, I think probably the principal way in which that manifested itself was I'd go back asking less questions. So more questions would be -- have been answered in the initial piece of advice, and so I'd -- I'd have to request less -- less information subsequently.
Q. Did you think that there was a challenge in communicating and engaging with a vast number of businesses and sectors that fell under your remit? And if you do, is there anything that can be done going forwards to facilitate better engagement in a future emergency?
A. I think it's difficult to see how one could sort of square the circle, as it were, between having a very wide, variety of different departments with areas for which we were responsible and the short period of time that we had to engage with them.
Every single one of them was making legitimate demands of us in terms of communications, from the newspapers that were worried that they were going to go bust because there were no physical newspapers being sold, to the broadband companies that thought that their

infrastructure would crumble under the pressure of everyone working from home and doing video calls and so on.
So I think -- I think broadly, what we did was correct, led by my very, very good permanent secretary, we -- we shifted resources from all the different -- other different areas into the -- the front line of dealing with the -- the crisis.
I think the risk is that if we put too many resources into communications, for most of normal activity, those will be surplus to requirements. So I think that is just a -- in terms of any recommendations the Inquiry would choose to make, it's how one balances having too much idle -- or too many idle resources that aren't being used outside of a crisis situation.
MR WRIGHT: Well, Sir Oliver, thank you, those are my questions.
I think there are, my Lady, some questions from Core Participants.
LADY HALLETT: There are.
Ms Beattie, who sits just there.

Questions from MS BEATTIE

MS BEATTIE: Sir Oliver, I ask questions on behalf of national Disabled People's Organisations, being

organisations that are majority led, directed and staffed and governed by disabled people as distinct from charities.
A. Yeah.
Q. The National Lottery Community Fund guidance that was used for the Coronavirus Community Support Fund suggested that priority should be given to organisations that are primarily led by people with lived experience, and said this applies throughout the whole organisation, including senior management and board representation, and also priority to organisations that are currently and historically underfunded, for example disabled people's organisations. But that being so, that intention wasn't actually within the guidance carried through into the description of three priority organisations that would be earmarked for that funding.
So my question is, did any reviews of that Coronavirus Community Support Fund assess and look at whether funds in fact went to representative organisations, being ones such as DPO which are primarily led by people with that lived experience as distinct from charities?
A. I'm afraid I can't give you that answer now, but I'm very happy to write back in terms of the reviews that were undertaken in terms of the extent to which it

manifested itself in terms of the resources that were given to those disabled-led organisations. It certainly, as you say, it was reflected in the criteria that was provided for it, and it was something we were mindful of as a government, and indeed, we were governed in all our decisions by the Public Sector Equality Duty to bear these things in mind. And --
Q. And I think did we also see it, actually, as part of the grant management and reporting requirements that was coming from the fund --
A. Yes.
Q. -- into the department about whether those organisations were in fact receiving, applying, and being given those grants? Do you remember seeing that kind of analysis coming in?
A. Um, I can't recall. That's not to say that I didn't see it. What I do recall, though, and indeed in the conversations that we had around the designing of the scheme, was first of all to make sure that the scheme addressed those concerns and making sure, in terms of discharging our Public Sector Equality Duty, making sure that groups most in need had access to the schemes.
And it was also the case, I think, that when we had -- subsequently as the crisis went on, the Cabinet Office certainly looked at groups that required more

support as well. So it was something that was front of mind throughout the period of time.

What I can't refer you to now, and I'm happy to write back on, is the specifics of how that may have manifested itself in advice that I received.

Q. And do you think that grant criteria could have been better designed to ensure that it does get to such organisations?

A. I mean, I think it -- and I'm afraid without pulling it up in front of me I can't say for certain, but I do seem to recall that one of the criteria specifically dealt with this. Of course, as I made the point in evidence previously, there's always ways that we can refine this. And if we had had more time to design it in more detail, I would have liked us to have engaged more, with more organisations, to make sure that we could ensure that that guidance was absolutely bespoke to the needs of those sectors.

Q. So in the event of a future pandemic, do you think that both Disabled People's Organisations and the National Council for Voluntary Organisations could be better involved in helping to determine and shape that kind of support package?

A. Yes, what I would rather is that they were -- and you talked about a war book sort of plans for Covid going

forward, that we had that engagement before in terms of our general resilience planning. What I can't say is that if we were faced with the same situation again, we may well find the same problem of just the speed of engagement, which meant that we did engage with disability organisations but it tended to be more through other representative organisations of different charities. We just didn't have the time to engage with every single organisation. It tended to be more representative organisations of different groups of charities. But I certainly think that that is an important consideration.

MS BEATTIE: Thank you, my Lady.

LADY HALLETT: Thank you, Ms Beattie.

Mr Jacobs.

Mr Jacobs is over that way.

Questions from MR JACOBS

MR JACOBS: Sir Oliver, some questions on behalf of the Trades Union Congress.

A. Yes.

Q. As I know you were acutely aware, many in the creative industries found themselves out of work but also because of the nature of their employment, also ineligible for support, whether under the Job Retention Scheme or the self-employed scheme.

A. Mm.

Q. We understand from your statement that it was raised with the Treasury by your department. Why was it that ultimately there wasn't a deviation from the pan-economic approach, or pan-economy approach, as you've described it, in order to address the problem with sector-specific support?

A. Well, I believe rather like the issue of volunteering, when we covered off, it was finding a way that we could do this that addressed the concerns of the sector. So I think some of the issues related, for example, to whether there were -- whether those people had been trading for long enough to be able to provide sufficient accounts to do so. There was also, I think, an issue -- separately, there was an issue around thresholds where I believe there was a cut-off, I think at £50,000. Ultimately, the Treasury took the view that in terms of protecting public funds, they didn't want to raise that threshold across the board.

What I should say, though, is that I was very mindful of this, both in terms of the Cultural Recovery Fund, and that's one of the reasons why we came to quite a large sum for the Cultural Recovery Fund, I did try to encourage in the distribution of that to see how we could support the self-employed and the creatives and

why, latterly, I became -- I was very keen to get sectors to reopen to create opportunities. For example, we managed to do that with the film and television restart scheme.

Q. Sir Oliver, you've helpfully pointed to some of the causes of those gaps that were felt particularly keenly in the creative industries. But that doesn't necessarily explain why there wasn't a sector-specific package for those working in the sector. Do I understand that it was really a practical problem?

A. So I think principally, it was about -- when we engaged with the Treasury, we -- we couldn't find a way of making that work from a practical perspective.

But I would just like to pick up on the point you made about the sector-specific scheme. There was the £1.57 billion Culture Recovery Fund. Now, of course, that was not directly aimed at creatives and the self-employed, but by getting resources to those organisations, it created opportunities for them.

So there was -- there was some indirect support that way.

But of course, I mean, it's a regret of mine that we -- we couldn't find a way of doing that, and I was acutely aware of the pressures that those -- those individuals were under.

Q. And on this point, at paragraph 116 of your statement, you describe having raising this point with the Treasury. You say:

"Ultimately, the collectively agreed approach was to take broad measures."

And then you say:

"In future resilience planning should develop a more detailed understanding within sectors of employment types so we have a clearer view at the outset."

What would or should that more detailed understanding lead to, in terms of perhaps the war book, as you've -- to use your phrase?

A. Yes, so the trade-off that we were making was between a simplicity and bespoke schemes. I think that if we had more time, and in designing it in future, with time, I would hope that we could find a way of designing the self-employed support scheme in such a way that it would capture more -- more creatives than we -- we managed to do. So that wasn't from a lack of will on the department's side, nor, I think, from the Treasury side; it was just how -- how we could tailor that scheme as it was at the time to meet those needs. With -- with more time, I would hope that we could find something that met those needs.

Q. And with more time, might it be that, rather than, perhaps, seeing the simplicity of a pan-economic scheme with a bespoke scheme, that actually, a bespoke scheme could be supplementary, it could overlay a national scheme?

A. Well, I think the challenge with that is that one can end up in a situation where there's a myriad of bespoke schemes. So I did support the position that the Treasury took, which was to try to have a pan-economy scheme that did what it said on the tin, helped all sectors, because there's a benefit of that simplicity. So I would rather that the approach for doing it would be to design the pan-economy schemes in such a way as they captured more self-employed rather than overlaying the pan-economy scheme with a myriad of bespoke schemes for different sectors.

Q. But the outcome either way should be narrowing the gaps?

A. I would very much hope so, yes.

MR JACOBS: My Lady, thank you very much.

LADY HALLETT: Thank you very much, Mr Jacobs.

That completes the questions we have for you, Sir Oliver. Thank you very much indeed for your help and for coming back a second time and preparing a witness statement.

You've offered, very kindly, to produce more information. To save you unnecessary work, or your former colleagues unnecessary work, the Inquiry will contact you if it needs more from you, if that suits you.

THE WITNESS: Great. Thank you very much.

LADY HALLETT: Lovely. Well, thank you very much again. Really grateful.

Very well, I shall return again at 1.35.

(12.33 pm)

(The Short Adjournment)

(1.35 pm)

LADY HALLETT: Ms Wilson.

MS WILSON: My Lady, the next witness is Kate Bell.

MS KATE BELL (affirmed)

Questions from COUNSEL TO THE INQUIRY

MS WILSON: Ms Bell, you've provided a statement to this module of the Inquiry dated 15 July 2025 with a reference number INQ000587945.

Is that statement true to the best of your knowledge and belief?

A. It is.

Q. Thank you. You're giving evidence today in your capacity as the Assistant General Secretary of the Trades Union Congress, a role which you held during the pandemic alongside your role as the head of the rights, international, social and economic affairs department in the TUC; is that right?

A. I wasn't actually the Assistant General Secretary during the pandemic but I was head of our rights, international, social and economics department.

Q. Thank you. And it's right, isn't it, that the TUC represent 5 million members across 48 affiliated unions and as a Core Participant in this module, are working in partnership with your organisations across the devolved administration?

A. That's right. Since we wrote the statement, we're 47 unions now.

Q. Thank you. I want to start by asking you, please, about joint working with the United Kingdom Government, please. How did you go about representing your members and engaging with the UK Government?

A. Thank you very much, and thank you for having me here today. So we made frequent representations to government and I will say in this area of economic support, I think it was our most positive area of engagement. We'd published reports at the start of the pandemic and we'd been focusing on sick pay but also calls for a wage subsidy scheme.

We published a report on 18 March which set out what we believed to be a comprehensive response to the pandemic, and we sent that to government, and we very rapidly began engaging with the Treasury. So there was a call with the Chancellor on 18 March. That was followed with engagement with both the Chancellor and officials, a round table the next day with ourselves and business organisations.

And that engagement continued on this particular issue throughout the pandemic so we were speaking to our members, we held regular executive meetings to hear from our affiliated unions about the experience of their members, supplemented by calls. And we reflected that both by publishing a series of reports which set out what we believed needed to happen, and sharing those findings with government, both with officials and at a political level.

And as the witness statement set out, that included a number of round tables with the Chancellor and our affiliated unions.

Q. Because am I right in that there was no established framework for partnership working prior to the pandemic? So a lot of this positive engagement you've described was really in response to the crisis on an *ad hoc* basis; is that right?

A. Yes, I think that's definitely right.

Q. But I think it's described in your witness statement as a very intense period of engagement?

A. It was a very intense period of engagement. It was very welcome engagement. We had frequent meetings with officials, frequent meetings with our own unions. I remarked to a colleague earlier that I was reviewing my pandemic notebooks and trying to work out where one day went into the next, because there were so many pages in each day of notes of the engagement we were having at this point.

Q. You suggest in your statement any future scheme or engagement should be via a tripartite panel. So given what you describe as very positive, albeit *ad hoc*, engagement at the start of the pandemic, why does this need to be formalised, in your view?

A. Well, I think we need to be ready for any future pandemic and I think, and I can go on to say more about this if you want, but the results of our engagement were really positive. I think it would have been easier for everybody if such a structure had already existed before we went into the pandemic, because although, as I said, the engagement was positive, it was *ad hoc* and people were kind of working at pace, let's say, to get those forms of engagement established.

If it's helpful now, I can go on to say why I think that engagement was so valuable and --

Q. Of course, yeah.

A. -- what it produced. I mean, I do think there are a number of areas where that engagement of unions as the voice of workers really made a difference to the type of support that was provided. One of those was the relatively generous level of coverage of the furlough scheme at 80%. We'd shown evidence from across European countries that showed that that level of support was possible, deliverable, and worked.

I think we were one of the first people to raise the issue of, about a month and a half into the scheme, that people were needing to make statutory redundancy notifications, because the scheme was due to come to an end, and the real need to extend the scheme to prevent that from happening.

We were also one of the organisations that pushed really hard for the creation of flexible furlough. I think that was already being raised by business but again, showing the real value of that tripartite engagement.

The inclusion of zero-hours contract workers, multiple times where we pushed for clear guidance for parents and those who were shielding. Again, that was on an *ad hoc* basis. It was due in some ways to the goodwill of officials and indeed the ministers they were working to. But a regular structure for engagement

would have made it easier to make those points known.

LADY HALLETT: Can I ask you to slow down.

THE WITNESS: Sorry.

MS WILSON: Going back to the beginning of the Coronavirus Job Retention Scheme, your organisation called for a wage subsidy scheme right at the outset, didn't you?

A. We did. I think -- and I think the first time -- we should check this against the witness statement, but I think the first time was when my colleague Paul Nowak, who was then the Deputy General Secretary, gave evidence to a select committee, and we press released the need for a wage subsidy scheme.

We then, as I mentioned, had a report out on 18 March which called for that as our central demand for the economic response to the pandemic.

Q. And I just want to take you and all of us back to when that scheme was announced, if I can.

If I can have on screen, please, INQ000656362.

This was an email from Rain Newton-Smith, from the Confederation of British Industry, to Dr Tim Leunig, who we'll hear from shortly. Now, you weren't included in this chain, but it's stated there, in real-time response to the furlough announcement:

"It has saved jobs in real-time. We've had members on the phone in tears. I'm not saying all the problems are fixed but immediate reaction from some of the very big employers [is] positive."

Did you have a similarly powerful positive reaction from your members?

A. Absolutely. We were hearing from -- we'd been hearing prior to the announcement of the scheme from big manufacturers in the automotive sector about the very real risk of redundancies, people being, you know, at real threat of being laid off immediately. And I think all of our -- you know, our members are quite well networked with other organisations across Europe, where these schemes are positive. So we knew that this was something that could work, and we knew it was something that was important. And I think our press release at the time was very warmly welcomed, the announcement of the scheme, and I think there was a hugely positive response.

Q. Yes, I think your press release described it as a breakthrough.

A. Yeah.

Q. All right. And indeed you've reflected on the scheme in your statement and you've described it as the "most successful scheme in the pandemic"; is that right?

A. I think that's right. We know it saved millions of jobs. That's what the evidence says. Millions of jobs

and millions of people's livelihoods.

Q. And notwithstanding that success, I think there are some features of the scheme that you would like to see refined or addressed in any future iteration; is that right?

A. I think that's right. I can outline them if that's helpful now.

Q. If you could outline the ones that would be priority for you, Ms Bell, please.

A. I think -- and maybe we can go on to talk about this when we talk about the Self-Employment Income Support Scheme but the gaps between people who fell between the two schemes were really very difficult. Particularly, with relevance to people -- when it comes to the CJRS, people who are on multiple contracts, so had no single employer who would furlough them. That's a particular issue with this scheme.

Maybe two other issues which we highlighted throughout and would want addressed in the design of any future scheme. We believed very strongly that people on the minimum wage should receive all of their wages protected and not have that dropped down to 80% of their wages. We think the minimum wage is what it says on the tin: it's a minimum you should be paid for your work, and we thought that was really important.

The other issue I think we'd highlight, and I think there were some efforts made in this direction, but could have been more, was the provision of some form of training, proactive approaches to people being able to receive training while they were on furlough so that they could be refreshing their skills to return to their job. Or if their job did disappear, they would have a better chance of moving on to the next one.

Q. Because, as I understand it, workers could receive training even though they were furloughed; is that right?

A. They could receive training but we were pushing for a kind of cross-government effort to make sources of information about training possible, potentially for a duty on employers to tell their workers that they could be trained and to help with the sourcing of that training, and potentially to identify the skills that they needed for their business to support employers with gaining those.

Q. Do you think it was widely understood amongst employers that they could offer training to their employers whilst furloughing them?

A. I don't think so. It was something we continued to raise and our members continued to raise throughout.

Q. Thank you. Another gap which we heard about last week

was in respect of employees who were denied furlough by their employers and so they were effectively left at risk of redundancy. Was that a concern which your members raised with you or which you saw at the time?

A. We did repeatedly hear concerns about people who were not able to get furlough. I think at times we thought about issues like writing to employers, encouraging them to make sure they were making use of the scheme where they could. We tried to make efforts to make sure that the guidance was as clear as it could possibly be about who could be furloughed. I think I mentioned before, particularly around parents with specific caring responsibilities and those who were shielding.

So we were making efforts, our unions were making efforts, to make sure that workers and their employers understood that this was a scheme that could be used to protect their jobs.

Q. One amendment or potential solution we heard last week was about a right to request furlough. Is that something which your organisation would support?

A. I think it's something we could definitely consider. And again, we've talked about that tripartite engagement in terms of with unions and businesses. I think there's some situations, again, particularly for those shielding, where that would be really important. So

I think we'd have to think through carefully how it would fit with the fact that it's sort of the business that triggers the furlough, and of course with the range of other rights that workers do have.

Q. Can I move now to ask you about how the CJRS was extended.

And can I bring up on screen, please, INQ000612664.

This is a letter to Mr Sunak of 24 April '20. And in the second paragraph there, it followed a very recent amendment to the furlough scheme, which you considered to be at the last possible minute, and in the end, the final sentence there, you're noting a period of consultation around possible redundancies such that any extension would need to be issued around 17 May.

So, as I understand it, you had concerns there around the timing of the previous amendment; is that right?

A. That's right, that's the point I was raising earlier about the statutory period for redundancy consultation, meaning -- I think it was -- we raised it and two days later it was amended, but it was very close to the point at which otherwise employers would have had to be sending letters to people telling them, "You are at risk of redundancy", and that would have been very, very difficult for those workers.

Again, maybe just going back to the point you made at the beginning about formal processes for engagement. Perhaps if we had had those formal tripartite processes for engagement, that might have been a point we would have been able to raise earlier, recognising, of course, that these were pretty exceptional times we were operating in.

Q. And what you were asking government there, really, was to take into account other labour market laws and rules around redundancy and so the reality with which employers and employees were operating?

A. Exactly that.

Q. And it also furthered further the objective of furlough, which was of course to avoid large-scale redundancies?

A. Yes.

Q. Do you think the later extensions of furlough took that into account?

A. I think the point about redundancy consultations had been made, and when furlough was extended that summer, I think that point had landed. I think the period between, I think, June and October of that year, I think there was probably, including amongst ourselves, excessive optimism about what might happen next. So we at that point had called for the introduction of a different type of short-time working scheme. And then

the decision to extend furlough in November, I think, was taken very much at the last minute when it became clear that lockdown was going to come back, basically.

That did have real impacts. You can see a spike in redundancy notifications in the September prior -- when people thought that furlough was going to end. And I think maybe the desire for the pandemic to come to an end and the desire for furlough to come to an end, and I think to some extent there was a real concern amongst some areas of the media and potentially within government that furlough should not be extended, may have slowed down the realisation that, actually, what needed to happen at that point was the furlough scheme just needed to be reinitiated, because the lockdown was going to be back in place.

I think maybe another reflection and maybe it's easier to have this in hindsight, is some clearer criteria about the situations in which a furlough scheme would apply or be triggered, would have helped with that decision making and would have provided greater certainty to businesses and to workers during that period.

Q. So you would like to see, in any future pandemic, a clear basis on which a government might withdraw or extend furlough?

A. I think so. We can't anticipate the scenario for any future pandemic, but I think a sort of initial set of guidelines about the situations in which this type of scheme is sensible, possible, and desirable to deliver would really help with the decision making in that regard.

Q. Moving now to the decision in March '21 to end, bring the scheme to an end, and it was brought to an end at the end of September '21, your organisation called for it to continue longer than that, until the end of '21. Why was that?

A. I think we'd learnt from that period of uncertainty I just described, and the importance of providing greater certainty to business. We pointed out, and I think it's in our evidence, that France and Germany had done the same thing. And I think we also knew, or thought we knew, by that point, that businesses were not using furlough if they didn't need to. So we were pointing to evidence, for example, in the construction industry that at the beginning of the pandemic, a large proportion of the workforce had been furloughed. By that point, people had found safer ways of working, ways to operate, and the number of people on furlough had dramatically reduced.

So our perspective was it's better to be safe in this respect, and the disadvantages of extending furlough seemed to us to be outweighed by the advantages of that certainty.

Q. Thank you. Can I move now to ask you about the Self-Employment Income Support Scheme, or the self-employed scheme, if we can call it that.

On 23 March 2020, you called for greater support for the self-employed, didn't you? I think we can just bring this up. It's INQ000612684.

This is part of your report, which I think you've touched on earlier, called Fixing the Safety Net, and so what you're asking for there is for the government support to the more than 5 million self-employed people who at that point were not eligible for the government's job retention scheme.

And later on in the report you suggested the most effective way to support the self-employed would be to bring in a scheme which mirrored the support to the employed. So a support of 80% of income up to a maximum of £2,500 a month.

Now, some of the evidence we've received suggests that there was a moral rather than an economic case for supporting the self-employed. What's your view on that?

A. I don't think we considered it in those terms. We had received calls from our members as soon as the CJRS was

announced. I think we had calls from our members representing self-employed workers who were talking about the impact on those workers, and of course their businesses.

Obviously, you know, the situation is different for self-employed workers, although we should note that many of those workers may not necessarily be self-employed by choice. They will have been required to work under those arrangements by the people who are contracting them, so I think it's difficult to draw the boundaries sometimes between the self-employed and the employed and I think that's one of the cases we were making, is there will be many people in that situation who had no other choice about how to protect their livelihood and we needed a scheme that would protect them.

Q. Can I move now to ask you about some of the design features of the scheme. And again, although you welcomed the self-employed scheme and the additional support it gave to those who qualified, I think you've identified some coverage issues which you would like to see addressed in any future iteration of the scheme.

A. That's right and I think, you know, this was always going to be a difficult scheme to design and there may always have been sort of edge issues about people who fell either side of those gaps. But I think four issues

we were raising: one was that "not quite in self-employment not quite in employment group", for example with multiple PAYE engagements, who were kind of neither one or the other. The well-known issues about those people who didn't have a tax return of the relevant year. Those who were kind of just over the border, the £50,000 cut-off, again, really tricky to design that taper but over time we thought maybe that could have been addressed. And of course some particularly difficult issues around people who received their income through dividends.

Again, I think those were difficult design issues. They were hampered by kind of lack of data and government information which was difficult to solve but again, I think that makes the case for early engagement with a range of different stakeholders in thinking how you would prepare for a future pandemic.

I think maybe just the other point maybe I would like to raise, if that's okay here, is one of the reasons that these kind of exclusions were so sharp was because of the inadequacy of other forms of social security or other forms of support. So in other countries, if you lost your job and were not eligible for other forms of support, you might have been getting around 80% of your previous wages anyway through the

social security system.

But our particularly mean social security system meant the consequences of falling outside, between the gaps in these schemes, or outside one of the boundaries that this scheme had set were really devastating for people, and you see that in our evidence where you see half of BECTU members, so they were members in the creative industry, saying they were having to borrow money to make ends meet.

Q. Thank you. The final scheme I want to ask you about is the Kickstart scheme. So this was the scheme designed to support jobs placements for 16 to 24-year-olds on Universal Credit, announced in July '20, and went live in September '20.

You've commented in your statement that the scheme was underwhelming in its delivery and you've raised some concerns around the quality of training. Can you just elaborate on those issues, please.

A. Yes, of course. I think I should say in the first instance that it was a welcome scheme. We'd called for that scheme, and we published a report calling for a jobs guarantee scheme, because we were very clear about the terrible experience young people were having in the pandemic. They were most likely to be in the sectors which were affected by job losses, and of course, much less likely to have savings and most likely to be scarred by the impacts of unemployment.

So, the existence of the scheme was very welcome, and when we look at the evaluation of it we can see that it did deliver positive results, and there were, I think, over 160,000 people who benefited from that scheme.

However, I think our ability to engage with the scheme or the willingness of government to engage with us on the scheme diminished a little bit through the course of the pandemic.

And one of the issues we'd consistently raised was the need for some more local coordination in how the scheme was delivered. So we asked for local or regional panels bringing together union representatives, business representatives, and Jobcentre Plus, who were the main body responsible for delivering the scheme, to really coordinate on how those placements were delivered, who was getting them, the type of additional support that young people with additional needs might require. And that wasn't really something that was ever taken up, as far as I know. That suggestion seemed a little bit to fall on deaf ears.

And we think that kind of local level of coordination might have helped with some of the kind of

teething problems the scheme faced, some of the concerns that you can see in the evaluation from some young people, although the majority did have a positive experience about the quality of their placements and the training they were receiving.

Q. Thank you, Ms Bell.

We've touched on a number of reflections and recommendations throughout your evidence but there's just one point I want to touch on from your statement. You ask the Inquiry to consider recommending a permanent furlough scheme to deal with the future periods of economic turbulence caused by a future pandemic. Why a permanent scheme rather than, for example, an off-the-shelf Coronavirus Job Retention Scheme?

A. I'm not sure there's a huge difference between those two. I think you can see that in countries which already had schemes up and running, or short-time working schemes available, it was easier for them to adapt those schemes. And I think some of the issues we've talked about, about kind of when you pull the lever to have your furlough scheme or short-time working scheme in place, are made much easier if you've got a scheme which is already existing which has a set of criteria which you may need to adapt in the circumstances of a pandemic, that you've got shared

agreement, maybe some of that tripartite agreement as well, unions, businesses, government, about how such schemes work and then how they can be adapted to the particular circumstances of a pandemic.

We obviously also don't know that the next crisis we face will be a pandemic, and I think we can think of other situations in which a scheme like this might have real benefits. Flooding might be an example, where there's a short-term temporary interruption to business. And such a scheme, once again, as we saw with this scheme, can protect jobs, livelihoods and businesses.

Q. Thank you. Those are all my questions. Are there any additional reflections or lessons learned you'd like to share?

A. I suppose we that kind of four points, most of which I think I've made, but I think it is really important to remember these schemes really worked. They did save jobs across the country, they did save businesses and they did really protect people's livelihoods. And I think we should be collectively proud of that.

I think they really showed the benefit of engagement. I've talked about how that engagement could be improved, but workers' voices were able to make a difference to that scheme, as were businesses.

I've just talked about the importance of thinking

now about any future scheme and what conditions we would want, and that would also help us think about the kind of data requirements we might face, and getting ahead of some of those data requirements that, for example, made some of the self-employed scheme difficult to manage.

And then I think I would want to reiterate that point that the gaps in the, kind of, UK's overall safety net made all of the choices about these schemes much harder, because it meant that if you fell through the cracks, you were falling a long way. And that shouldn't have been the case now and it shouldn't be the case in the future either.

MS WILSON: Thank you, Ms Bell.

LADY HALLETT: Thank you very much, Ms Wilson.

Thank you very much indeed, Ms Bell, I'm extremely grateful to you. You've given a lot of help to the Inquiry already, I know, in its various modules. I know the TUC are helping us in M10 as well, so I'm not sure that --

THE WITNESS: Not me.

LADY HALLETT: -- I can say "Thank you and goodbye", but thank you very much indeed for all the help you've given so far.

THE WITNESS: Thank you very much for listening to us.

LADY HALLETT: Right.

MR WRIGHT: Yes, my Lady, the next witness is Dr Tim Leunig.
LADY HALLETT: I'm really sorry to be picky, can you take your hands out of your pockets when you take the affirmation.

DR TIM LEUNIG (affirmed)

Questions from RICHARD WRIGHT KC, LEAD COUNSEL TO THE INQUIRY for MODULE 9

LADY HALLETT: Sorry about that.
THE WITNESS: That's fine.
MR WRIGHT: Dr Leunig, you've provided a statement to this module of the Inquiry, which is INQ000588231. Before I ask you some questions arising from your statement, I think you've drawn to the Inquiry's attention two short corrections, so can we deal with those at the outset and there will be a further short statement formally addressing them, but I understand the two corrections are that at paragraph 434 of your statement, where you reference "R below zero", the reference should have been "R below 1"; is that right?
A. Correct.
Q. And at paragraph 555 of your statement, the reference to 110 million should be to 110 billion?
A. Embarrassingly, but yes.
Q. Thank you. Thank you very much.
That presages me asking you that you are the -- or

were the economic adviser to the Chancellor at the time of the pandemic; is that right?
A. That is right, yes.
Q. Thank you very much.
Dr Leunig, your background has been in economics throughout your working life, as an academic and practising economist; is that right?
A. Yes.
Q. And you then found yourself working in government at different times, including at this time as an adviser to the Chancellor of the Exchequer.
A. Yes.
Q. Thank you.
I want to ask you first of all about the Coronavirus Job Retention Scheme. But before we get into the nuts and bolts of that scheme, I'd like you to assist the Inquiry, if you could, with understanding in a wider sense where a scheme like that sits in terms of economic response, what it is it's intended to do, if we can examine that for a moment, and to look at what other options may have been available, policy options in this sort of situation.
Should we think about the Job Retention Scheme as a labour market scheme, a scheme that's designed to support the labour market, or is it an income support

scheme? How would you term? How should we think about it.
A. Well, it's many things simultaneously. The point of a furlough scheme, and they exist in just about every European country, is indeed manyfold. As you say, one aspect is simply to replace income, but that's not the primary intent.
Q. Can I pause there, because otherwise I'll be told off. We're going too quickly.
A. I'm sorry.
Q. No, no, it's not your fault, it's mine, because I need to just slow things down little bit. It's because a note is being taken, so just take it a little bit more slowly if you wouldn't mind.
A. So one of the objectives, aims, outcomes, call it what you will, of a furlough scheme, is income protection. That's not its primary aim.
Q. So can we just pause there?
A. Yeah.
Q. Just to unpack this for anyone listening, income protection, so that's what the protection of the income of the worker?
A. Yes, absolutely.
Q. Okay.
A. And we can see that in continental Europe where they

have, as Kate Bell, your previous witness from the TUC has said, much more generous welfare schemes but they also have furlough schemes. And there, the aim is explicitly really not to protect the incomes of the workers because they are protected by other things.
Rather, the primary aim of a CJRS-style scheme is to maintain that link between workers and their employers, and that reduces the risk that workers will drop out of the labour market altogether.
I remember shortly before or roughly at the time, Top Shop went bankrupt and I remember an interview on the BBC with one woman who said she hadn't applied for a job in 30 years, she didn't know where, how to begin, and she thought she might just quit.
If we'd had massive redundancies at the time caused by Covid, there would have been other people like that who would have chosen or felt that they were forced to choose never to work again. And that's bad for those individuals, it's bad for their income, it's bad for their mental health, it's bad for national income, and therefore it's bad for public services because we get less taxes.
Q. Just pausing there. So a scheme like the CJRS scheme, it supports the income of employees, and relative to the amount of money that was available in terms of income

support through benefits through Universal Credit at a higher level. So for those who are furloughed, their income is relatively better protected than it would be if they were forced or required to claim benefits?
A. Yes, that would absolutely be the case. And of course, being placed on furlough doesn't preclude you from claiming Universal Credit. Universal Credit is a benefit available to people in work as well as those out of work.
Q. To top up their income?
A. Yes.
Q. Right. But it preserves a --
A. It preserves a match --
Q. -- match does it --
A. Yes.
Q. -- between the member of the staff and the --
A. Employer --
Q. -- business?
A. Absolutely. That also makes it much easier for a business to reopen. If we imagine that tomorrow this building was shut down and everybody was made redundant, it would take some time to rehire people and get them trained up so that the business of running this building could function effectively. But with a furlough scheme you just recall them and, by and large, they all return

and then you can reopen. And you can also be confident of that for all of your supply chain.
So the example I give in my evidence is the café that can be confident that it can hire its staff, but it can also be confident that the pastries will arrive because the company producing the pastries will have retired their staff, and therefore the economy can restart much more quickly than if everybody is made redundant and firms have to start from ground zero.
Q. So taking your example, it means when the economy can restart, the pastry chef is still matched to the job making pastries?
A. Correct.
Q. And the barista, not barrister, but the barista is still matched to the coffee shop where he makes the coffee or she makes the coffee?
A. Correct, and that is better than them having to find a pastry chef from scratch, having many applicants, some of whom, frankly, don't know a choux bun from a -- he demonstrates he knows nothing about choux buns or pastries, from another form of pastry, and should not be hired or would not be as good at it were they to be hired. So the economy can start much more effectively. And that's really critical when you're going to reopen an economy because you want to be able to reopen the

economy and boom! It's what was called a V-shaped recovery at the time. Those are very rare in general economics but a furlough scheme makes them much more likely.
Q. So it's not just about matching skills to jobs; it has another advantage which is about the speed of recovery?
A. Absolutely.
Q. You turn the tap back on --
A. Yes.
Q. -- and people can come back to work straight away --
A. Absolutely, yeah.
Q. -- and that applies all the way through the supply chain?
A. Yes, and it also gives people a lot of hope. Because if you're sitting at home but you're furloughed, you are furloughed in the reasonably confident expectation, particularly once your firm is having to pay a proportion of your salary, that as soon as they can reopen, they will want to rehire you, whereas if you'd been made redundant you might think, "Hey, I'm a good worker, someone is going to want to hire me", but you don't have any evidence of that, so it's altogether a better proposition to be furloughed in terms of mental health, in terms of confidence in the future.
Q. And in terms of the Treasury's response to this

emergency, is it fair to say that the majority of the support, certainly in pounds, shillings and pence terms, and in terms of workers, was through this job matching scheme and income support delivered in that way?
A. I'd have to check that but I doubt it's true. I think when you add up the SEISS, the grants to local authorities, the grant -- the reopening grants to business and the losses on the loans, I'd be very surprised if the furlough scheme was a majority, very surprised. But I haven't done that test before.
Q. In terms of support for jobs, furlough was at the heart of that?
A. Yes.
Q. Right.
A. But we should also remember that a reopening grant to a firm is also support for jobs, as well, indirectly. So it would depend on how you classify things, but it was indeed the principal labour market intervention.
Q. All right. And you've explained the benefits of that --
A. Yes.
Q. -- labour market intervention. But before we look at those benefits and whether they apply in all economic emergencies, and all economic circumstances, can we just touch on alternatives.
A. Yeah.

Q. There wasn't presumably a sense in which the only thing the government could have done was introduce a job retention scheme?
A. Oh no, there are lots of things the government could have done, including absolutely nothing. If this had happened 100 or 150 years ago there is no doubt the government would have done absolutely nothing because that was an era of laissez-faire where governments were absolutely willing to say unemployment, as Keynes wrote, "Employment is the lot of man. Each generation must take its fair share without grumbling." We are not in that world any more for sure.
Q. But that was an option -- (overspeaking) --
A. Yes -- (overspeaking) --
Q. -- albeit one that -- (overspeaking) --
A. Just for the record, I'm not saying we ever considered doing absolutely nothing and tolerating four million people becoming unemployed.
Q. No. Now, another approach may be an approach more like the approach taken in the United States of America that I think you've described as the "helicopter money approach"; is that right?
A. Yes, that's the standard economic description of it.
Q. Yeah. Just explain to somebody who doesn't understand anything about economics what that means?

A. So the idea is that to keep jobs going you simply give everybody a lot of money, they spend the money, people get employed. And so the idea as a helicopter goes overly materially dropping ten-pound notes. Now, of course, nobody is literally suggesting a helicopter goes over and drops ten-pound notes. The usual way it's done is to give every individual or household a sum of money. And if we work out arithmetically what that would mean is this case, because I did the numbers in advance, that would mean the amount of money we spent on the furlough net of tax, because it's important to remember the furlough was taxable and actually a lot of the money came back immediately through Income Tax and National Insurance and later through the contributions from firms.
So the net cost to government was 25, 26 billion, which equates to about £520 as a tax-free gift to any individual -- to every adult in Britain. So we could, instead, have given everybody £520. However, to do that at the beginning, would have required us to know how long the crisis was going to go on for. So more likely we might have given out a couple of hundred pounds in March 2020 and then another hundred or 150 in the autumn and so on.
But it seems unlikely that giving you £200 in

March 2020 or, bluntly, I, without wishing, I do not know your income but I'm willing to bet that £200 is a very small proportion of your annual income, and it wouldn't really have led you to spend £200 more at that point.
So what we know is that the problem with helicopter money is a lot of people just save it, especially in a context where you cannot go out to dinner, you can't go to the theatre, you can't go on holiday. There are so many "can'ts" during Covid that helicopter money really would have been an ineffective way of doing something.
Q. Is it just that I can't spend the money or is it also that in a time when the country is frightened about the future, does not know what's going to happen --
A. Mm, yeah.
Q. -- or when, it's not just I can't -- I'd spent it if I could, it's that I don't want to spend it, I want to keep it in case I need it, because I don't know when I'm going to go back to work, when I'm going to have a job, when I'm going to have income.
A. So there are many reasons why people's propensity to consume, as we say in economics, falls. It fell during Covid. A lot of that money would have been saved, and therefore it would not have been effective, but even if

it had have been --
Q. Sorry, I don't want to cut you off from saying anything important and forgive me if my questions sometimes disrupt your flow --
A. That's all right.
Q. -- but I just want to pick things up as a you are dealing with them. Under the helicopter money approach, is there not also a sense in which you would be giving out money to a lot of people who didn't need it?
A. Yes.
Q. Because you'd be delivering the £520 per adult in the United Kingdom to people who had no need for any money at all?
A. Absolutely, it would have been absurd, had I been given £520, and as I say, I don't wish to pry into your circumstances five years ago, but I suspect it would have been absurd to give you £520 as well.
Q. Yes, I'm getting a bit nervous, it's always coming back to my circumstances --
A. Yes.
Q. -- Dr Leunig, so let's move on from me as the exemplar, shall we?
THE WITNESS: [Addressing Chair] I'll pick on you next.
LADY HALLETT: I wondered when that was coming.
MR WRIGHT: Inevitable.

So that's one of the problems, you're giving out money to everybody, there's no targeting where it's needed. And if you compare that helicopter money approach, which unless you have the data, requires you to give it to everybody, does it already feel much less targeted than a job retention scheme --
A. -- (overspeaking) --
Q. -- of just giving it to those who can't work?
A. 100 per cent. And we shouldn't forget, the only country who used helicopter money was the country that didn't have a PAYE system, which is a requirement --
Q. We're going to come on to that --
A. -- to run a furlough scheme.
Q. Yes.
A. So, in a sense, it's almost pointless to ask me about a scheme that no one in their right mind would choose. And we know empirically that no country that had the choice chose to use helicopter money rather than a furlough scheme. The only people who used helicopter money were people who couldn't run a furlough scheme.
Q. No, and I appreciate that's your view about it, that the -- (overspeaking) --
A. No, no, that's an empirical fact.
Q. -- no, no, that it's pointless me asking you about it -- (overspeaking) --

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A. Oh, sorry.
Q. But this is an opportunity for you to explain why the Treasury took the approach that it did.
A. Hmm.
Q. So the country you're referring to is the United States.
A. Yes.
Q. And even if the United States had wanted to have a job matching scheme, a job retention scheme, they don't have a PAYE tax system; is that right?
A. Correct.
Q. They wouldn't have known who employed who?
A. Correct.
Q. They wouldn't have been able to deliver the support?
A. Correct.
Q. And so they were starting from a basis where they couldn't do it even if they'd wanted to?
A. Oh, absolutely. They had not a chance of doing it.
Q. Yes.
A. And hence when Bernie Sanders called for the British furlough scheme to be copied in the United States there were some wry smiles in the Treasury, because we knew that was impossible for them.
Q. So, is that why you say any sort of comparison between "Well, the Americans did it this way" --
A. Yeah.

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Q. -- "We should have thought about doing that", they did it that way because they couldn't do it any other way?
A. Indeed.
Q. And what are -- I mean, we've touched on some of them but are there any other downsides to doing it the way the Americans did it, so far as you're concerned?
A. Well, it would not have overcome the ability to reopen quickly because people -- many of those people would have been made redundant. Anyone working in a shop -- in a restaurant would almost certainly have been made redundant under the American model because the employer would not have had any income to fund them.

It would almost certainly have overloaded the welfare system, which was a problem we saw in the US. The US welfare system is much more complicated than ours, because it's delivered at local level, but if we had have seen 4 million lose their jobs, even if they'd have got other jobs a month or six weeks later, there would have been a lot Universal Credit claims, to the point where it seems unlikely the system could have coped.
Q. Just pausing there, we heard some evidence last week about the uptick in the Universal Credit claims --
A. Yeah.
Q. -- in the early days of the pandemic, over a million

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extra claims, and that that number of claims, it was said in evidence last week, risked --
A. Yes.
Q. -- knocking over the entire system.

So if we'd been talking about a situation where there there'd have been many more millions of claims, your view was also that that was also undeliverable?
A. Well, that was the advice we got from DWP. Now, I'm not a computer programmer, I know nothing about the scalability of UC, but DWP's advice was that if 4 million new claims came along in a month, that was, you know, curtains for the system.

And that's understandable. You would -- you can put up the number of people who would usually claim and you can say "We need a margin of error ten or twenty times bigger", it would have been bizarre for the British Government to have specified a system with, you know, a 1,000 multiple sort of margin. That would have been not a good use of taxpayer's money whenever UC was created.
Q. So there were other things that theoretically could be done if you take the view you need --
A. Yes.
Q. -- to do something, but you've explained the downsides --

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A. Yes.
Q. -- of helicopter money.
Were there any other viable alternatives other than helicopter money and furlough?
A. Well, it depends what you mean by viable. As I say, in the 19th century --
Q. Or done nothing?
A. -- we would have just done nothing. People would have lost their jobs, they would have lost their livelihoods, they would have been seen in the street in the way that the Victorian era was quite famous for.
Q. Yes. But if you accept the argument that the government had to do something --
A. Yes, then I -- I can think of no other --
Q. -- other than those two -- no.
Yes, I'm sorry, I'm being told to ask you to slow down again.
A. Ah, yes. Well, wave that little thing at me and then I'll know what if it means. That will be helpful.
Q. I'll just keep telling you to slow down, all right. Let's try and do that if we can.
On the subject of the helicopter money approach, and I asked you about the fact you'd end up giving money to lots of people who didn't need it under that approach, can I just pick up on one issue about data, and we'll

come back to data, I'm sure, during your evidence, but we've heard from a number of witnesses about the lack of data for this or that, but one issue that's emerged through a number of witnesses is about a sort of household dataset, so a set of data that would enable the centre to actually understand something about the need of individual households' financial need in a time of crisis.
Do you, first of all, think it would be a good idea to build the capability to establish that sort of dataset? Secondly, do you think it's feasible?
A. So the first thing you'd have to do is define what a household is. Because a household has many different meanings. A decade ago, my household was quite straightforward: it was my wife and I and our daughter. It's still my wife and I and our daughter, but she's now an adult. Are we one household or are we -- she's a working adult -- are we one household or two households? If she then moves out and then moves in a flatshare, are they one household or are they two households?
I believe Facebook used to have the relationship status "It's complicated", and that's certainly true for anybody trying to devise a database based on households.
So my biggest concern about it is we simply don't

have an agreed definition of what a household is that is universal and covers all the myriad of different living arrangements we have.
The second issue we have is how we would keep up to date who is living with whom. There is no requirement in Britain to tell the state where you live. It's hard to believe that we could keep that up to date. So it depends what you mean by a database. A database that is good enough on balance to inform policy, I think that is relatively straightforward. A database that is strong enough to actually allow for operational decisions, such as giving £520 to every household, I think that's way harder, and I -- I would defer to experts at the ONS and elsewhere on whether that was possible to do, but I admit, as an economist rather than a data expert, I am not convinced that's an easy thing to do.
Q. So the more data you can gather that will enable analysis to inform policy, good thing --
A. Yes.
Q. -- but you doubt whether you can ever gather enough data to actually deliver support through that data in a joined-up way?
A. I doubt it would be politically feasible.
So I recollect that DWP, if they're deciding whether two people live together as a couple, look at things

like where is their toothbrush in the bathroom. Do they share a single tube of toothpaste? Apparently that's if -- if the DWP inspectors visit you, that's one of the standard tests of are you cohabiting or is this person a lodger.
Now, of course, we could look at every single person's bank account to discover if they buy their toothpaste separately. I mean, at a technical level, that might be possible, but I really doubt any politician that says "We're going to look at every person's bank account to discover who buys the toothpaste" -- I can't see that happening any time soon.
Q. All right.
Can I move on a little in the context of the Job Retention Scheme, because you've touched on this to a limited extent so far.
You've explained why a furlough scheme -- or the advantages of a furlough scheme, but there wouldn't be -- there would not necessarily be advantages in all emergencies; is that right?
A. Correct.
Q. Does it depend on the type of economic emergency you're facing as to whether you want to go down the job matching route?
A. Absolutely. You really want to use a furlough scheme

when you think the economy after the emergency will be the same as the economy before.
Q. Right.
A. So if we go back, and some people in this room will be old enough to remember, the 1970s, we had two oil shocks. They were genuine emergencies. I mean, I'm just old enough to remember as a child queueing with my grandma to buy petrol in about 1979. Because I loved cars, that was quite exciting for me. It was rather boring for my grandmother and she complained about the cost of petrol, about which I knew nothing.
But that sort of crisis, which is going to lead to a change in the optimal nature of the economy, a furlough scheme could be very bad news. Because if you've got a company that is shut down because the price of oil is so high they can't make money, well, unless you think the oil price is going to come back down, it's not sensible to furlough all those workers.
So there are some crises where a furlough would be the wrong approach.
So the question is: do you think the post-crisis economy will be substantively the same in terms of where people will be working? If you do, then a furlough scheme is great. If you don't, then all you're doing is giving people false hope, and that's not -- that's not

going to be helpful.
Q. And so, was the Treasury proceeding -- were you proceeding, in giving your advice to the Chancellor, on the basis that this was the sort of emergency where you could broadly expect that the economy would be the same after the emergency --
A. Oh, absolutely.
Q. -- as it was before it?
A. In March 2020, all the talk was of flattening the curve, sort of banging it on the head to begin with, evening it out to cope with NHS capacity, and then we'd come out the other side having reached herd immunity. And although that phrase is unpopular today, I think it is medically the correct phrase, and at that point we were thinking three or, more likely, six months we'd be out of it, people would be going back to restaurants, they'd be going on cruise shops, they'd be going to nightclubs, and all those jobs would come back, give or take. Obviously some firms would go bankrupt along the way but by and large, yeah, that's what we were expecting.
And of course that is what happened, albeit with delay.
Q. I was going to pick up on that. I mean, you've factored in another issue here, which is, firstly, there was an expectation that the economy would reopen in broadly the

same form, but also, was there an expectation that this would be a relatively short shock --
A. Yes.
Q. -- of duration?
So is duration of the shock important to furlough? And let me ask you in this --
A. Yes.
Q. -- way: if it had been expected that there would be a shutdown of society for five years, would a furlough scheme have been the right answer?
A. Well, let's take the extreme case, let's say it's 20 years, then obviously not. And it's a judgement as to how many years. And it depends how accurately you think your prediction of it rebounding is. It also depends on what you can do with people in the interim. So in a period where we wanted people to stay at home, protect the NHS and save lives, if you want them to stay at home, kind of paying them to stay at home through a furlough scheme might actually be an effective health policy. But would you do it for five years? I doubt it.
Q. Right.
A. But it really does depend on whether you think they can get another useful job, and that's one of the reasons that I pushed so hard, and the British furlough scheme

is internationally pioneering, in that people could get another job along the way. Because we didn't want Tesco ringing us up saying, "Hey, we've bought thousands of vans, there are thousands of people wanting their shopping delivered, but we can't recruit people for love nor money because they're on furlough", so we wanted it to be really clear that you had the right to take another job temporarily.
And having spoken to the OECD subsequently, they do think that is an interesting variant of furlough that is suitable for a national crisis as opposed to an industry-specific crisis which is what furloughs are usually used for in Europe.
Q. So this is part of the scheme architecture --
A. Yes.
Q. -- that allowed a worker who had been furloughed --
A. Yes.
Q. -- to, if another job presented itself, they could undertake that job --
A. Absolutely.
Q. -- without jeopardising their ability to return to their pre-existing employment --
A. Absolutely.
Q. -- post-pandemic?
A. Absolutely.

Q. But also presumably giving them the flexibility to retain that other job if that in fact turned out to be a better job or a job they were more suited to?
A. Yes.
Q. Or equally, for people who were furloughed but felt they wanted to make a contribution in other ways, to volunteer in some way towards the national effort?
A. Absolutely, with the exception that you couldn't volunteer for the firm you worked for, because that creates all sorts of risks of bad behaviour.
Q. I'm just going to pick up on that because we've heard about that this morning and I just want your explanation for that. This was in the context of the charity sector, Sir Oliver Dowden was explaining that point that there was a concern within the Treasury that if you allowed people to volunteer within their own job, that there could be issues. Would you explain why, and what -- (overspeaking) --
A. Yes, we worried, and I'd be interested to have heard -- you asked Kate Bell this question, actually, whether the TUC would have been worried about the pressure on workers to accept being furloughed and then returning to work "voluntarily". And our view was, and who knows who DCMS would have spoken to in the Treasury, you'd really need to ask Beth Russell or the Permanent Secretary this

rather than me, but I'm not aware of DCMS raising that with us at the time and I think our general view was that most people who volunteered could find a similar charity to volunteer for. So if you volunteered in one food bank -- sorry, if you were paid to work in one food bank, there was almost certainly another neighbouring food bank for which you could volunteer and, indeed, there was nothing to stop two food banks ringing each other up saying, "Hey, I furloughed this person. Hey, I furloughed that person. Why don't we both ask them to volunteer in the other ones?"

But we really did think it was important to protect workers from bullying bosses expecting them to turn up and work for a 20% wage cut or doing something really naughty like saying, "If you're furloughed we guarantee you a bonus of 40%, so you will be a winner, we will be a winner and the poor old taxpayer is a loser."
Q. And the flexibility that you've described in the UK furlough scheme that allowed people to take other jobs, is it your position that that wasn't replicated anywhere else in the world so far as you're aware?
A. My understanding is we were the first in the world and that it was not introduced by any other country during the Covid era, yes.
Q. Right.

You've made the point about furlough can go on too long.
A. Yeah.
Q. Or the longer the emergency, the less likely it will be the right policy response. I just want to pick up on that in the context of the UK response, and the UK scheme. Where do you stand on the question of whether, looking back, the scheme went on in the UK for too long?
A. So with the benefit of hindsight we could easily have ended it three months earlier, but that really is with the benefit of hindsight. I mean, you've heard Kate Bell say that the TUC were claiming that we were ending it too early, and they weren't alone in saying that at the time. And the cost to the final three months was pretty low. I give some estimates in my evidence of the fiscal benefit of ending it early, and it isn't high. So yes, with the benefit of hindsight it could have been ended a little earlier but the savings would have been small.

Because the great thing about furlough schemes is they are self-tapering in the main. As soon as the company can reopen they will resummon their workers because they make a profit out of their workers. Everybody employs someone for a reason and so as soon as you're allowed to trade by and large you will resummon

that worker, and therefore the cost of keeping it going too long is pretty small.
Q. So the furlough scheme almost self-polices --
A. Yes.
Q. -- because ultimately you work on the basis, do you, that the employer business actually wants to go back to profitability --
A. Yes.
Q. -- and to start --
A. Exactly.
Q. -- producing widgets again --
A. Yes.
Q. -- rather than remaining dormant for a longer period of time?
A. It wants to make and sell pastries. However, there are some favour furloughs that we know are out there who -- you might have a member of staff who you know wants to retire but they're an old family friend, you're a small firm, so you leave them on furlough because it costs you nothing. You will get some like that. So if we get a complete blanket open furlough where an employer could furlough everyone, then you would get some furloughs that would last forever and towards the end we would have had a high proportion of favour furloughs, and the like, at the end. And that's why when the scheme ended

we didn't see a rise in unemployment.

So that's why you shouldn't simply have a British-style furlough system forever. The continental ones have more checks and balances in them.

Q. Right. Were you yourself arguing, actually, that a decision should have been made earlier to announce that furlough would end at a fixed point, that there would be a date in the future when it would end?

A. Well, we agreed in the Treasury in the Easter that it would end that summer. I'd have to go back and check the notes to give you a definitive answer either way on that one.

Q. What's the advantage of providing that sort of certainty to business that -- it's certainty the other way, that support is going to end as opposed to support is going to continue?

A. Well, at one level the two are the same thing. I mean, as Kate said, and the TUC was right, they were the first people to tell us that a lot of firms had 45-day notice periods of intention to make people redundant. And 45 days is almost seven weeks. So it meant the government really should, if they can, be giving businesses seven weeks' notice. That would only give a business two days to decide whether to make someone redundant.

So we therefore need to give people seven weeks'

notice and that's -- in that summer we knew from the previous year that cases were likely to be lower but also that furlough use was going to be low so it seemed easier, particularly in the experience of the last autumn, to play it safe and add another month or two on. That's my recollection.

I'd have to double-check the emails to see if that's true but that's my recollection sitting here today.

Q. We know that an element of tapering was introduced to the furlough.

A. Yeah.

Q. Can you just explain to us why that was introduced, what the rationale was?

A. So the rationale was two-fold. Firstly, that we started off with 100% of cost furlough being met by the government. We wanted this to be the no-brainer option for firms, because we wanted firms to say to workers: "Stay at Home, your job will come back, you don't want to move house, you want to be in the same place. Just 'Stay at Home', 'Protect the NHS' and 'Save Lives'."

So we didn't -- it had to be an absolute no-brainer which it really was. That's why we got the numbers of people furloughed that we did. But over time what we needed to say to firms is: if you think the world has changed, you shouldn't be able to hold on to workers at

absolutely no cost to yourself. We want you to make --

Q. Sorry, can we --

A. Sorry.

Q. You are just speeding up again a little bit so can you slow down a touch.

A. We wanted to say to firms -- it's exciting. We wanted to say to firms that if you want to retain this worker you need to have a little bit of skin in the game. You've got to be saying to the world, yeah, I want to reemploy this person, I'm putting my money where my mouth is. Not too much money, not sums of money we don't think they have or can get hold of, but a little bit of something, and that is the continental model.

Now, the continent started the other way, they started with their standard rules of furlough, which involved employer co-payment but they soon gave up with them. And in a sense that's the danger of preparing too much in advance. If you think you have a playbook, what you've got is the playbook for the last war and you have to change it. But because we were writing a new playbook, I actually think our way round was better: no initial co-payment and a later co-payment. And what we discovered is that most firms were absolutely willing to make those co-payments. We did not see jumps in redundancies when they were announced.

Q. Can I just pick up on something you've landed on there, which is planning.

A. Mm.

Q. And playbooks.

A. Yeah.

Q. We've heard about talk of off-the-shelf schemes, and permanent schemes, and the like. Dr Leunig, from your statement, would you say we might be right to detect that you're not a great fan of pre-planning for economic response in the sense of having fixed reactions to events?

A. You would indeed, very strongly, and I'm glad that came over loud and clear. And the reason for that came through in what Dr Bell said ten minutes ago when she said there's no difference between having a permanent furlough scheme and an off-the-shelf scheme that we can reach for. And we, you know, we've done the furlough scheme once in Britain, we managed to do it in 55 hours and including inventing it, so if we had to do it again, we could definitely do it in 55 hours. It didn't need statute. It is available to any government in future who wants to reactivate it. So it is there. You can't undo something you've done. So in that sense, whatever we may think of planning, that idea is there for any future government.

Q. I just want to drill down a little bit into how anti planning you are. You presumably wouldn't argue against, for example, thinking now about what data would it have been nice to have in the last pandemic --
A. No, absolutely.
Q. -- "If we'd have had better real-time monitoring, then we might have been able to tailor as we went", those sorts of things?
A. So --
Q. You can plan for your infrastructure, can't you?
A. Correct.
Q. Right.
A. Correct. So you can plan to have the right sort of people in post and the right sort of evidence, but I think it is better left to those people with good evidence to make up the plans at the time in the light of the actual facts that are known, not some sort of loose -- because the danger of having plans I think was seen on the medical side.
We knew we were second best in the world at pandemic preparedness. Because the Johns Hopkins international study had told us that. Not only were we second best, we were miles better than the French and the Germans, and many miles better than the Italians.
So we were -- not complacent, I don't think we were, but we were confident we knew what to do when a pandemic hit. We were wrong.
And that's the danger of having a playbook, that even when it's quite closely aligned to what you think you're doing, it is often better to sit down and think, as John Maynard Keynes said, with a fresh, unprejudiced mind.

Q. Let's just break this down. So you can plan for the evidence you think you're going to need?
A. Yes.
Q. And you support that?
A. Yes.
Q. So that is data gathering, collection?
A. -- and sharing.
Q. And sharing. Would you also agree you can plan for analysis. In other words, you can put in place good analytical capability?
A. Yes, although you can also hire that in pretty quickly, whereas you can't create data collection pretty quickly. You pay the right money, people will work for you.
Q. And do you support the idea that there should be centralised cross-Government analysis that provides a synthesis of all the underlying data, so it gives people more confidence in their decision making?
A. I'm not sure whether it has to be centralised as opposed to decentralised. I certainly wouldn't want to see, say, the Cabinet Office given responsibility for the things that PHE or the Department of Health can do better than the Cabinet Office, or the Cabinet Office to try to do economic analysis better done by HMT or the OBR. So I think we need to be a little bit careful about centralised.

Q. Okay. But you can plan for evidence, analysis you say you can stand up.
What about planning for delivery architecture? So the infrastructure through which you deliver the scheme. We've talked about Universal Credit, and we've heard evidence about legacy benefits: the IT was so poor that it would simply not have been able to process an uplift.
So can you just do that sort of planning in terms of getting your infrastructure right so you can deliver, if you choose to do so?
A. Yes, although the reason why we still have the legacy schemes in DWP is apparently it's very expensive to get things off of mainframe computers.
And that's true in the private sector as well. I have a friend who administers pensions for the private sector on a mainframe. He assures me he has a job for life because it's very hard to get the stuff out.
So you can plan, but sometimes you also -- you just have to accept there are some things that would be very expensive to prepare in advance. You multiply that by the chance of disaster and it's still not worth sorting out. It's better to say, well, we'll have to come up with a workaround where necessary.

Q. But if you can make these corrections now, in a cost-effective way, then you should do them? You should get the architecture --
A. Absolutely.
Q. -- the nuts and bolts in place --
A. That is the definition of common sense.
Q. -- and then you can do the free thinking --
A. Yes.
Q. -- in the context of the future emergency, however it looks.
A. Yes.
Q. Can I just push you about the off-the-shelf scheme idea. For it or against it? Should there be not a pre-determined plan that "You will deploy a labour support scheme in a future pandemic", but should there at least be a basic playbook of "This is how you do it"?
A. Well, I think there is already that playbook, in that we have -- partly it's created by you, but the Treasury has its lessons learned, it has its history, et cetera. So I think there is already that playbook. And

Dan York-Smith said last week that the Treasury has a list of people all by their previous jobs, so that, if Tom Hemingway is still somewhere in government, as the senior civil servant who held the pen throughout Covid, he will get a phone call from someone saying, "Hey Tom, we need to talk to you."

And even if he isn't still working in government, so long as he's alive, they will track him down. I'm not saying that's because they can snoop on him, but you can find most people these days pretty easily.

So I'm not sure you need a playbook that is, you know, nicely printed and stamped on the front "Playbook". What you need is that collective residual memory.

And that was something that Treasury, as a rather -- I was going to say inbred, that's a little harsh -- but as an organisation that tends to promote from within, is actually very strong at. And again Dan York-Smith talked about that last week, as to how he was able to do his job while finishing off on the budget. And why he was the right person to do it: because he was the most cross-Treasury person. And that was my experience of working with Dan when he was -- when he and I were colleagues. He was exceptionally good at finding people who knew their arse from their elbow.

Sorry, knew all sides of the issue.

Q. That's probably a more politic way of putting it, but anyway, thank you.

So, have I understood really that what you're saying is: corporate memory, important.

A. Yes.

Q. Remembering what you did, why you did it, and how it went and where the pitfalls were and you think that's more important than it is to have an off-the-shelf scheme?

A. Oh, absolutely.

Q. -- (overspeaking) -- in any --

A. Absolutely.

Q. -- (overspeaking) --

A. I have no hesitation in agreeing with you entirely, and utterly on that one.

MR WRIGHT: Thank you very much.

My Lady, is than an appropriate moment for a break?

LADY HALLETT: Yes, of course. We take breaks every so often.

THE WITNESS: Yes.

LADY HALLETT: And I suspect everyone will be grateful for one. 3.05.

(2.48 pm)

(A short break)

(3.05 pm)

LADY HALLETT: Mr Wright.

MR WRIGHT: Thank you very much, my Lady.

Dr Leunig, we discussed before the break about this idea that the furlough scheme was to some extent self-policing, business would want to get people back to work.

I just want to ask you for your observations about one element of the data, which I think is slightly odd, relating to furlough in September 2021. So this is a time when we are thinking about the economy recovering, I'm going to ask that it's put up. I think it's INQ000657558. It is at page -- yeah, there we are, thank you very much.

It's this table which shows us a number of employments on furlough. We see there September 2021, 108,000, which is (a) a significant number but (b) much, much higher than in other months. I mean, do you have any view about that, given what you've said about the firm will naturally want its employees to come back and will want to start making money again and be productive?

A. So I'm going to put forward two possibilities, and HMRC could probably tell us whether either are possible. The first is that actually this is employments that have been declared, and some of them are actually earlier.

So I mention in my evidence that IKEA furloughed staff but they never claimed the money. So a company might have put people on furlough and just not got round to claiming the money and suddenly think, "Oh no, it's about to end, we better claim the money."

So it might be that.

Q. Right.

A. So that we would want to check.

Otherwise it's pretty self-evident, I would say, that there's 70,000 people whose furloughs look pretty ropey to me. However, given they're only being furloughed for a month, part of me thinks would a firm really risk getting sanctions for fraud for stealing what it is a very small sum of money, given that it only lasts one month. I mean, if you did it the month before, you'd get double the benefit financially for your fraud, for probably a similar amount of risk.

So that's why I think you'd really need someone from HMRC to tell you exactly how these figures are constructed.

Q. You describe it in your statement as an oddity, this figure --

A. Yes.

Q. -- and that's still how it appears to you?

A. Yes.

Q. It's odd?
A. It's odd.
Q. All right, okay.
Let's move on, and to the autumn of 2020, moving on in time. There's a section in your witness statement that you've called "Could we have done better in the autumn of 2020?" And I think you'll anticipate that part of my interest in autumn of 2020 might be described as the U-turn --
A. Yes.
Q. -- on the extension of the Job Retention Scheme.
Let's start with an open question. Could you have done better in autumn of 2020, did you think?
A. So had we known what was going to happen then clearly we could have done better. But if we go back to what I said before about giving people seven weeks' notice, that would mean the Treasury would have needed to make the decision eight weeks before, even assuming we could make the decision in a week, and it took about ten days for the data to come through. And therefore, the question is, what were the data like ten weeks beforehand? And at that point death rates are still falling and Covid infection rates are incredibly low.
And here you have the tension between giving firms notice, which tells you that you should try to do things

in advance, which is what we tried to do by announcing the Job Retention Bonus. And as Kate said again, an hour or so ago -- sorry, Dr Bell from the TUC -- said, they called for the end to furlough that summer. It wasn't quite universal that everyone said, "You've got to end furlough", but it was absolutely the standard received wisdom.
Had we stood up in the summer and said, "Oh, we're just going to extend the furlough if necessary for another year", we would have been laughed out of court. We had the Governor of the Bank of England through to the TUC saying, "You need to end furlough."
And that's the context.
Q. Right. So --
A. Could we have done it a week before? Yes. Probably. I think we did get into a mindset of thinking: we've made a decision, we need to keep going with this.
Could we have done it three weeks before? Maybe, but that -- I think renouncing furlough three weeks before we did, given where the deaths rates were at the time -- which, of course, are the five weeks before the death rate because of the lag in the way the data come through -- I think that would have been a pretty punchy statement by the Treasury that we could see a lockdown coming. And I'm not sure that that's the Treasury's job

to anticipate a lockdown without a pretty firm steer from Patrick Vallance, Chris Whitty, the Prime Minister, that lockdown is the most likely outcome.
Q. So, based on the data that was available to you, at the time when you would have needed to announce the decision to extend the data would not have supported a decision to extend; is that right?
A. That's absolutely correct. And therefore, the -- what is it? -- 30,000 rise in redundancy notices, I don't think those could have been prevented without the ability to foretell the future.
And we should note that although maybe 30,000 more people got a redundancy notice, that doesn't mean they were made redundant. When we look at the data on employment and unemployment throughout that quarter, we don't see a big rise, either shortly before furlough ended or -- sorry, after furlough was expected to end, or shortly afterwards. So we see a big rise in redundancy notices but that doesn't mean the person was made redundant.
Q. So I just want to pick up on that. So it's perfectly possible that people were given a notice of redundancy?
A. Yes.
Q. And then the extension of furlough --
A. Yes.

Q. -- when the decision was reversed and it would be extended, meant that those redundancies did not in fact take place and they remained on payroll and in receipt of furlough payments?
A. That is correct. And HMRC may have the data at firm level that would allow us to find that out for sure. To the best of my knowledge, that is a known unknown that could be a known known.
Q. But to your knowledge of the data, you do not see, at the time of the decision to extend, the U-turn, we'll call it that for a -- (overspeaking) --
A. Yes, it is a U-turn.
Q. -- for convenience sake, you do not see a significant increase in unemployment figures that corresponds with the redundancy notice figures?
A. That's correct. There is no such evidence in the data.
Q. But from your perspective, the key point is, based on the available data at the time the decision was made, and at the time it would have had to have been announced to have removed any of the downsides, the data would not have supported an extension?
A. Correct.
Q. And just taking that one step further, if it wouldn't have supported an extension, so it was positive-looking data, relatively, but the messaging of Treasury was

perceived to be "We think we need to extend furlough", would that have an effect? Does the messaging of the Treasury have an effect on confidence, consumer confidence, so on and so forth? Is that important?
A. Oh absolutely. Everything the Treasury does is scrutinised. If the Treasury had stood up weeks before, when the numbers were just going up a little bit and said, "Oh, we think we're going to need furlough this winter" definitely people would have said, "Whoa, what do they know?" And then they would have said, "What is the government not telling us?", whereas actually we would have just said, "Oh, it's a hunch." We would have looked, I think, very silly then and I think the government as a whole would have looked very silly because the government's mantra was that, "We're following the science" and, as I've said, in reality that means we were following the scientists but it really wasn't for Treasury to basically undercut the scientists by announcing a package that implied we would need a lockdown or that Covid was about to spiral out of control.
Q. Right. I'm just going to ask for another document to be put on the screen. This is an email from you on the 10 September. INQ000656583. And it's at the bottom there, 10 September, from yourself to

Olaf Henricson-Bell. Who was who?
A. Err ... head of press or similar. He might have been the Chancellor's official spokesman, but he was somebody who was very well in touch with public opinion, which is why I was corresponding with him.
Q. So that's the purpose of the email -- or the reason you're sending it to him is because of his knowledge of public opinion?
A. Well, he was also -- he's intelligent, he's -- he went on to head the Number 10 policy unit. He's a serious thinker. I wouldn't want to speculate five years on exactly my reason for sending a particular email.
Q. No, but I'm just interested in how high up --
A. He's a fellow senior colleague. I think we were both directors at the time.
Q. I'm just interested in how far up the chain you expected this communication to be passed. Is this just office chat or is it --
A. Yes, it's office chat.
Q. Right.
A. I mean, it's chat for a purpose, because I'm thinking about a serious issue here and as you can see, on that day, I thought that we shouldn't be as keen to get rid of furlough as the Chancellor was. And they were other times around that period where I was ... I was not

consistent in this period. You can find other emails that I sent that said, "Yes, I think we need to get rid of this, it risks ossifying the economy, it risks preserving further furloughs", et cetera, but on that day I was thinking aloud about whether at 1.7 billion by November, a figure, of course, which would not have happened because the lockdown happened, so it wouldn't have been 1.7 billion, I was wondering then about whether we should just stick with that and let it run out in a normal manner.
Q. Was this because the data was, what, starting to show that things were going the other way, or --
A. No, it was quite the reverse, actually. It was because the data -- we were still confident that --
Q. I see.
A. -- things were putting better and the furlough cost was coming down. So I was thinking: why are we creating a new scheme? The system is sorting it out. The economy is rebounding.
If I'd have sent this email six or seven months later, it would have been the perfect email to demonstrate my prescience that when the economy reopens, there is no need for a new scheme. Just let the thing run out.
And in the context of believing that there was no

second wave coming, I sent that email.
Q. So this is generally demonstrating you putting into action the thought you've expressed that the scheme is naturally --
A. Yes.
Q. -- self-policing, it will naturally run itself down as the economy recovers. Therefore, if it's going to do that naturally, and the costs will keep on going down and down and down, what's the point in saying we're going to end it on a hard date?
A. Yes. However, the returner's bonus was predicated on what a lot of economists told us. This is a period in which people are predicting that unemployment will rise by about a million. And a million people -- although that's a lot lower than the 4 million who would have lost their jobs, a million people is a lot of people. And what the economists told us is the best way to reduce the number of people who are unemployed is to reduce the inflows into unemployment. That is, to reduce the number of people who lose their jobs. And the returner's bonus was a good idea in that context.
So -- what I'm saying in this email, however, is that the returners bonus won't work if it isn't cutting through with firms, and that we invented it with the best of intentions, in line with good economic thinking,

but it just wasn't getting the cut-through that furlough had, or that was necessary to make it work. So, in the context of it not getting the cut-through that we anticipated, I'm saying, "Let's take stock and ask ourselves is it really worth doing or should we just run out furlough into the winter as Covid dies out?"

But my belief that Covid was dying out was entirely predicated on the under -- on my understanding of where the scientists and the medics were in the summer and early autumn.

Q. All right. Looking back and accepting, you know, hindsight is a wonderful thing, and you didn't have a crystal ball --

A. Yeah.

Q. -- you've said you don't support planning, corporate memory is what is important, what does your experience tell you: if we were back in this situation, what would you do differently with furlough, if anything?

A. So the thing I would do differently is that I would remember that almost all viruses are much worse in winter. And you'll know, because I submitted it, a rather longish paper that I sub -- I wrote in, I think, August or September, looking at the performance of about 15 different countries, at some point early that autumn, showing that some had shot up and some had

gone down. And there were any number of emails I had sent saying "Winter is coming, it will surely be worse". And actually, if there was one thing I wish I'd had tattooed on my increasingly bald forehead at the time, it was "Winter is coming and it will be worse."

And that is the thing I think that we didn't really get in government in the summer or the autumn.

And as I say, my reading of that is that the then question is: did that mean we should have loosened up the economy more in summer, to increase the number of people who got it then, to reduce the chance of the NHS being overloaded in winter? Or should we have gone hell for leather to make the vaccine available as quickly as possible in November/December? But I think it has to be one or the other.

So, looking back, that is the thing I wish I had better understood, is the sheer seasonality of this. And in that, that we could have learnt from flu, because flu is tremendously seasonal.

Now, I'm not a medic, I'm not an epidemiologist, if Chris Whitty wants to stand next to me and say to me, "Tim, you're flat wrong on this for the following reasons", I will absolutely accept that I am wrong, because Chris is an epidemiologist and I am not, but that is the thing that I, looking back, take out of

this: winter hits you very hard.

Q. Yes. Now, that is a very high-level reflection about --

A. Yeah.

Q. -- about what you did and didn't do in Treasury.

But can I move on to more granular issues, design issues, about the scheme, just to see whether there's any learning you would take from certain design issues in the scheme. And the first thing I'd like to pick up is whether payments, that is payments to employers, should be in advance or in arrears, and where you stand with that.

Tell us first of all what the scheme did, and whether you agreed with it.

A. So, the -- so I definitely agreed with it. I was instrumental in it.

The scheme offered payment in advance, but a large number of companies, indeed the vast majority, didn't take it. And that surprised me because I had expected companies with no revenues not to be able to pay payroll and then claim the money back five weeks or seven -- sorry, five days or 17 days later.

And it wasn't clear to me the banks would want to lend a company with absolutely no revenue money for those five days, even on the certainty it was coming back.

And that's why I pushed very hard for it to be in advance, and I was very impressed that HMRC said they could do enough for checks to make that worthwhile.

What we then found out though is a lot of companies didn't claim it for weeks and weeks and weeks, so we didn't actually know how many people were being furloughed. And as I say, I gave the case of IKEA, which never entered the statistics, because they never claimed the money. So I would, in retrospect, say that there should be some rule that says that companies must claim within a month or whatever the standard payroll dates are that the HMRC could advise, so that the government knows the fiscal position accurately and knows how many people have been furloughed accurately.

Q. Would there be an advantage then, on that basis, in saying you must claim in advance?

A. No.

Q. And just explain why.

A. Well, there's no -- well. If --

Q. Because it would at least tell you the numbers, wouldn't it?

A. It would, but whether they claimed in advance or five days later, those are both good enough.

Q. Okay.

A. We don't actually need -- people always talk about

real-time information, and as the Head of Tesco once pointed out to me, they have no real-time information on what's on the shelf because there's a delay between your taking it off the shelf and it going through the till and that is just not a problem. You rarely need things that are up to date. Five days, a week, two weeks, that would have been fine.
Q. So no absolute requirement to claim in advance, either or remains fine --
A. Yes.
Q. -- but you would advocate having a requirement that if a company is going to claim it has to claim within a certain period of time?
A. Yes, and that certain period of time should fit with the standard payroll software to make it easy to do. I think they have 19 days, from memory, but most companies do it after about five days.
Q. Would imposing that requirement also ensure that the scheme was slightly more targeted in the sense that, take IKEA, if they didn't claim, you might conclude that's because they didn't need to?
A. Oh, I think IKEA would have claimed in those circumstances. They always -- so somebody senior in IKEA gave an interview with one of the newspapers in which they said, "We furloughed people and we expected

to claim because we had no revenue. But at the end of the year we had sold as much furniture despite only being open half the year and therefore it felt immoral to claim even though we had the legal right."
So I assume, had they been required to claim, they would have claimed and then they would have repaid it, which a number of other firms did and, as I say, I think a statue should be erected in their honour, because it is quite something to return substantial sums of money to the government when you have no legal obligation to do, and so I think the fundamental morality of those companies should be recognised.
Q. In your view is there any way of targeting payments so that those companies who don't actually need the money can't claim it at all?
A. No. And that's not a feature of furlough schemes in the Covid period in general. And that is -- the principal reason for that is supply chains. So the example I gave in here was my then vicar's mother who was a farmer. Now, of course, there was no ban on drinking milk, but restaurants consumed -- we drink far more milk when we go to restaurants and cafés than we do at home because people drink all sorts of fancy milk-intensive coffees and therefore milk consumption goes down when we can't eat out. Her farm happened to have a contract with a

supplier that supplied entirely the restaurant chain and she was told to throw her milk away.
She was clearly affected but there's no way that HMRC or HMT could know that this farm is affected and this farm is not. And if you say, well, you can only get the money if you prove your revenue is down, well, that gives firms an incentive to reduce production and that's a terrible incentive to create in an economy.
So we go back to the fundamentals, that if John's mum could sell her milk, she would, and she would employ her staff. She has an absolute incentive to employ her staff.
But if she can't, then she will claim furlough as a fallback but her incentives are all under furlough, absolutely correct. If you can make money from your milk, make it. And if you can't, we stand ready to help. But I mean, the idea of a whole bunch of bureaucrats working out which farmer should be in or out, I mean, that is not a world I would want to be in.
Q. What about targeting of furlough only on those sectors that have been closed only by the NPIs?
A. But the farm wasn't closed. It's the supply chains that's the issue.
Q. That's why I'm asking you the question.
A. Yes.

Q. So you would say that is an answer as to why that sort of targeting is difficult or impossible?
A. Yes, it's impossible. It's impossible to do it well. You can do it badly and if the only alternative is to do it for that or nothing at all, then I would leap at the chance. But whenever generally sensible people said in the press during Covid, "You should target the scheme", I would simply email them and say, "How?" And they would say, "Ah, you should do clothes sectors only", and I would say, "What about the supply chain?" And they would usually write back and say, "Ah", and I would go, "Well, let me know when you've come up with a way, but if you wouldn't mind, until you have come up with a way, I would be grateful if you didn't say 'this should happen' in the press again."
Q. So is part of the power of the scheme and the success of it driven by its universal application, everybody can claim?
A. Yes, it is. It's everybody can claim, but nobody has an incentive to claim unless their business is actually affected.
Q. Because otherwise why wouldn't they want to make money?
A. Correct.
Q. Right. You do, I think, advocate that one adaptation in any future emergency would be to publish upfront, so at

the time of claim, a list of all companies who are making a claim; is that right?
A. Yes, absolutely. I think that would deter fraud.
Q. And just explain why you think that.
A. So every single disbursement of government money and every single tax has an element of fraud. It's what's called the "tax gap" in the literature. And therefore, there were bound to be fraudulent claims, and some of them were exposed in the media. I remember a hairdresser being interviewed, who had discovered, I don't know how, that she'd been furloughed, which came as something of a surprise to her as she had continued to work throughout the crisis.
Now, if her -- most hairdressers are small companies, we can imagine that if her hairdresser was listed as having furloughed six people, she could deduce there were only eight of them and ask her boss quite what was going on. But better still, her boss would have been deterred from fraudulently claiming furlough for workers.
And we have an estimate of about 5%, that's about typical for tax schemes, but if we can get that 5% down we can and we should. We owe it to hardworking, law-abiding taxpayers not to give their money to crooks, spivs and others. And that's true in any other form of

government spending, whether it's buying PPE, the furlough scheme or how we enforce income tax.
Q. Just so we're clear, there was publication; is that right?
A. Yes.
Q. But it came later on?
A. Yes, it was much later and I think as a standard thing, any private body getting anything other than individual welfare benefit where there is an expectation of privacy should be recorded. So that goes for CJRS, the self-employed scheme, the grants to shops, and so on and so forth. These should all be recorded where there is any optionality. So if everyone gets rates relief then there's no need to write down the list of everyone. But when there's any element of "I have chosen to claim" that should be public.
Q. I think you also suggest that it may be much smaller effect, but that may also discourage those from furloughing staff who don't really need to --
A. Yes.
Q. -- or claiming -- not in any fraudulent sense, but just because they don't need to?
A. Yes.
Q. Okay. I think we've dealt with targeting, Dr Leunig, because I could run through lots of different ways of

targeting -- sector, geography, financial impact, so on and so forth -- but should we understand you don't favour any, or is financial impact the potential -- (overspeaking) --
A. Definitely not financial impact. The only one that is possible for future pandemics is a regional one.
So the most obvious case here is if there was some disaster in Ireland, could I imagine a furlough scheme entirely for Northern Ireland, where we might look at the supply chain effects and think those are very small on the mainland, then I could just about imagine it.
So regional is the one that I think is -- could not be ruled out categorically in future. But I wouldn't rush to do it even then, because, who knows, do we understand the integration of the Northern Ireland economy with the rest of the country sufficiently well to be sure that it shouldn't be done? I doubt it.
Q. Yes. And that's largely the downside, is the supply chain?
A. Absolutely.
Q. Right. Can I pick up another potential modification of scheme design, partial furlough.
A. Mm.
Q. So partially furlough an employee, effectively a wage subsidy. Where do you sit on that?

A. So, just to clarify, a wage subsidy is a much more all-embracing term, so I'm going to delete the words "wage subsidy" from your question and answer the substance.
The standard European one does allow a partial furlough. And as you'll know from my original emails, that was my working assumption to begin with. And two things changed my mind. Firstly, this is a medical emergency, and therefore having people come in half -- having everybody coming in half the week is really quite a bad outcome in terms of stay at home, save lives, protect the NHS.
And secondly, the complexity of it. And thirdly -- sorry, it's one of those two-part answers that has three -- the ability to be fraudulent is much greater with a partial furlough, since if an inspector turned up you could say, "Oh, yes, well, this person is here but it's their day in the office", whereas if you only have a full furlough and you see someone is working, especially as they're not allowed to volunteer, then you have a slam dunk element of fraud.
So, for those reasons, I favoured a full furlough initially and, as Dr Bell said earlier this afternoon, both they and the CBI pushed for a partial furlough. We created it after a while. It was not used as heavily as

I think some of its advocates expected.
But yes, it was a worthwhile introduction.
Q. Right. Do you think that there is sense, looking ahead again, in asking employers to register workers before they start work?
A. Categorically. It would be very useful for two reasons for firms to have to register when they employ someone. The first is simply for government statistical knowledge. It would be useful for the government to know how many people are employed and unemployed at a time and how many people soon will go into those categories. So if the Chancellor at the moment knew how many people had received a redundancy notice and how many people had got a job offer, she would be in a much better position to understand how the economy is doing.
And secondly, it would allow us to combat tax fraud, because you could turn up at a -- at the moment, somebody can be employed, and they'll be paid at the end of the month, and there's no obligation to inform anyone that they're employed. So if you turn up as an inspector to a factory, and absolutely nobody working there is listed with HMRC, the company can say: Oh, we just hired them last week. And there's nothing you can do then, even though you're pretty sure that's a cash-in-hand employer.

If we said they had to be registered before they started work, then we could clamp down on some really bad firms that are undercutting reasonable firms, distorting competition, and behaving in ways that are just unacceptable in a modern society.
So, for a variety of reasons, I'm absolutely in favour of that.
Q. Two other scheme design issues. One that we heard from Kate Bell earlier today: minimum wage.
A. Yes.
Q. So that furlough should not reduce wages below the minimum wage. In other words, if you assume the minimum wage is the minimum that anybody should be paid, then that should be the amount of furlough. Would that, first of all, have had any effect on the success of the scheme, in terms of its objectives? Its economic objectives?
A. No, not much. It would have been quite hard to do, because the government only knows how much money you're paid per week or per month. It doesn't know your hourly wage. So it would be relatively hard to enforce. So -- because obviously not everyone works full time, so you can't deduce what their hourly wage is from their weekly or monthly wage.
Secondly, you would then need a taper, because you

can't have somebody paid 5 pence above the minimum wage taking a 20% cut and then ending up below the minimum wage, so you would need some sort of complicated taper on furlough that I think would have reduced the clarity of the message.
The second reason I don't support it is that almost everybody has some costs associated with going to work that disappear when you're on furlough. So you don't have to pay travel, you don't have to buy a sandwich, there's a bunch of costs that usually come with working.
We do, of course, also have Universal Credit, so if the household, as defined by Universal Credit, is now in trouble, then Universal Credit is there to help them and we shouldn't think that everyone on minimum wage is in a household that is poor, sometimes they are second earners, sometimes they're third earners. So no, I think the complexity outweighs the benefit of that suggestion. It's one of the few areas in which Dr Bell and I disagree.
Q. Right. And then one final scheme design element that wasn't a feature of this scheme, and I'd just like your view about it because we've heard this in evidence last week from Dr Mike Brewer and supported by others, the idea that an employee should have a right to request being furloughed, and a corresponding right to request

not to be made to work?
A. So, of course, everybody in law has the right to ask for anything. You have the right. Everybody had the right to go to their boss and say, "I would like to be furloughed" and to set out their reasons. What I think they mean is a stronger right, such as the right to go part-time, where your boss can only say "no" if they can provide a valid reason.
Q. Yes, that's precisely what Dr Brewer articulated.
A. And I am -- it is one that should be considered in the different circumstances but on balance, I don't think that should be the case, because I worry -- perhaps rightly, perhaps wrongly -- that a lot of people who were worried for all sorts of reasons would come forward and say, "I am anxious, I am worried, I have childcare", there are 101 reasons that would have risked quite substantial parts of the economy collapsing.
I'd be particularly worried about this in healthcare settings. We know that anybody aged 50 and over was at a heightened risk of death from Covid, and I think it would have been hard to establish when an organisation could say, "yes" or "no". Would the NHS, for example, have had to grant furlough to every single member of staff over 50? I think that would have been catastrophic. Absolutely catastrophic. And the same

issue for other parts of public services.
So on balance, I'm not persuaded of that, but I see where they're coming from. It is not a ridiculous suggestion.
Q. Right. Thank you very much.
Can we move on, then, to another major scheme: the Self-Employment Income Support Scheme, which you address in your witness statement from paragraph 599 onwards.
Now, this scheme, would you characterise it as purely an income replacement scheme?
A. Yes, absolutely. And the answer is in the name, right? It's an income support scheme.
Q. Right. And so does it share any common objectives with the furlough scheme beyond the support?
A. Not really. So the point of the furlough scheme was that it allowed firms to reopen very quickly, but self-evidently if I'm self-employed and I have to stop work because of the NPIs, I can return to work in my business at any time I choose, I own that right, in a way that an employee has no right to reclaim their job if they've been made redundant. So in that sense it doesn't really help with a V-shaped recovery. So no it really doesn't. It doesn't keep you in touch with the skills you have already because you have those skills. And you can always choose to reemploy yourself. You

have that, by the definition, that complete agency.
So it's very much an income support scheme, and I was very pleased that the titles reflect that. One is a job retention scheme, one is an income support scheme.
Q. You say in your witness statement, I'll just put it to you, rather than having it put up on the screen, that since the number of self-employed people is relatively low and unlikely to cause a collapse of that scheme, the rationale for the Self-Employment Income Support Scheme was moral and political rather than economic --
A. Yes.
Q. -- and it came with a considerable fiscal cost. Is that your considered opinion about the scheme?
A. It is.
Q. I'm going to ask that we put up a document, please, INQ000656603, page 1. And you say there:
"I have struggled with this one intellectually from the beginning. The aims of furlough were ..."
And then you set them out.
"Not one of these was achieved by SEISS ... is not needed ..."
I think that's the point you've just made.
They can go back to their old job; nothing to preserve a connection with the labour market; doesn't compel you to return to work. It's not fair because you

say some people got far more than their losses.
Then you say, next paragraph:
"So SEISS was really ... a generous income support scheme for a politically vocal group."
And then underneath that:
"[For what it's worth], I think we should say to the Chancellor -- sure, some self-employed people will be doing less than they would like."
And you go on.
So in terms of that being a good use of public money, that scheme, where do you stand with the scheme?
A. Well, that's a political question. There was definitely pressure out there. There was an expectation, not just among the self-employed but in the population as a whole that if you were self-employed and you couldn't do your job, the state should stand behind you in the way it stood behind employed people. I think, bluntly, had the Chancellor followed my advice, he would have been described in Yes Minister terms as exceptionally brave because the self-employed are widely liked, they're respected, most people will tell you they want more support for the self-employed versus big business. I'm in somewhat of a minority in not sharing that opinion but it was good that the Chancellor got to see both sides of that and I provided one side and there's no

doubt that public opinion polling, a sense of what was right and fair, was absolutely not with me.
I mean, as I say, I'm in a small minority on this one.
Q. I'm just interested in a value for money sense.
A. Yeah.
Q. I'm just going to ask that another email is put up, INQ000656405, page 1 of that, please. And you say there:
"Self-employed has proven too hard. Our scheme is terrible VFM."
Is that value for money?
A. Value for money, yes.
Q. "We are defeated, and that annoys me."
A. Yeah.
Q. Why was it terrible value for money?
A. Well, because of the reasons in the previous email. I can't remember in which order I wrote those two emails, but the previous email set out the reasons why I did not think SEISS was achieving anything, except to give money to a group of people that I couldn't see any moral reason for giving money to but that's a personal view. We were defeated in that we couldn't come up with a better scheme and it annoyed me that we couldn't. And it still annoys me. I still haven't come up with

a better answer. I still can't improve on those emails I sent, and I still understand why the Chancellor chose to ignore me. I was not with public opinion. And public opinion should be respected in a democracy. Nobody has ever elected me. They did elect him and they supported him in those decisions that he made.

It certainly wasn't a terrible VFM in the sense of a complete waste of money; I never once wrote to the permanent secretary and said, "I think this is so bad you should require a letter of direction because this is a misuse of public funds."

It was perfectly reasonable for the Chancellor to say, "The employed and the self-employed should in some loose sense have the same level of support and this is the closest we can do."

Q. Was part of your -- perhaps "hostility" is too strong, but your argument against the scheme, that the self-employed had a different tax treatment to the employed in terms of National Insurance contributions and so on?

A. Yes, completely. People who are self-employed -- I myself am both employed and self-employed, and I pay a much higher rate of tax on my income from PAYE employment than I do on my self-employed income. That is the way the system is structured. It's not that I've

engaged in any tax planning, that's just the way it is.

And I think, by and large, if a group pays less in tax, there should be an expectation that they get less back in benefits. And that was traditionally the reason why the self-employed paid less tax, because they got a lot less support in terms of crisis. They were not able to get sick pay, they were not able to get unemployment benefit, et cetera. And I felt that should apply here.

Q. And did you raise the argument for tax harmonisation -- (overspeaking) --

A. Yes.

Q. -- it might have justified the scheme?

A. Sorry. I'm not supposed to speak over you. Yes.

Q. And with who and to what effect?

A. Oh, to all sorts of people and to no effect. Both to fellow civil servants and I'm pretty sure to the Chancellor. He certainly knew my view on small firms. Indeed, there were points when I would type into Teams calls "My usual comment applies", and he knew exactly what that meant.

Q. Yes. And your view was, effectively, that very often these were people who paid themselves by a mechanism that meant they paid less tax; is that right --

A. Yes, absolutely.

Q. -- (overspeaking) -- sorry. I'm doing it now and it's countering --

A. Well, hang on, I want to distinguish between two groups. If you are self-employed, you could set up a company and then employ yourself and pay the maximum amount of tax. That's relatively hard. The group company owner managers who pay themselves as a dividend rather than as a salary, we didn't bail them out, partly because we couldn't, but there was a feeling that they had positively structured their tax affairs to minimise the amount of tax they paid. And from memory, I think the TUC supported us in that right back in March.

And there was some criticism of that but, as I said in that longer email, we rode that one out. And the people who had done that felt they were in a weak position to get public sympathy because they'd clearly structured their accounts to reduce the amount of tax they paid compared to the norm for self-employed people.

Q. If the Self-Employment Income Support Scheme was designed to provide income support, what was the rationale for not saying to that group of people, "Claim Universal Credit"?

A. Well, exactly. Well, I mean, the rationale is that the public expected the self-employed to get similar levels of support to the employed, and that to have said to

them, "Well, claim income support" -- which many of them would not have been eligible for a penny because they had more than, what is it, £16,000 of savings -- and they would then be told "You are on your own". That's how the Universal Credit system works.

And as Dr Bell said an hour or so ago, we need to understand that these decisions were made in the context of a much lower level of welfare support in Britain than in other European countries. I'm not saying that means we should copy Europe but it does need to be understood in that context.

Q. So does this scheme, in your view, really sit at the boundary between economic policy and social policy brought about by political pressure?

A. Yes, it's social policy, and there's nothing wrong with that, but it is, in my view, social policy rather than something to help the economy rebound.

Q. Yes. So, as an economist, you would say job retention scheme did do that, lots of good economic reasons for doing that, but you personally didn't share the view that the self-employed scheme would -- there was an economic case for it?

A. You put it very well.

Q. Thank you.

Can I pick up, please -- moving on, because those

are my questions about the self-employed scheme -- data.
A. Mm.
Q. You've already touched on some elements of data, where you think that the Treasury would be in a much better position to see the real-time effect of -- on the economy and to respond. Do you have any other thoughts about data collection, either by HMRC or the Treasury, that would enable the Treasury to respond better in a future pandemic, or other emergency?
A. So, overall, and both Dan York-Smith and James Benford said this last week, there was a very low level of trust in government on data and data sharing at the beginning of the pandemic, and that was regrettable.
And that happened in very surprising ways. One of my emails that I spotted noted my recording that Highways England had refused to share data with Treasury on how well the roads were used. They claim they had no legal basis to do so. So that's why we had to ring up Google, who told us how many -- how the roads were being used. But from the Treasury's point of view, knowing how many people are on the roads is kind of useful if you want to understand whether the lockdown is working.
And for Highways England to turn round and say "Well, we're not telling you" is just bizarre. I mean, it should be unacceptable. But they said, and they

might be right, that they had no legal gateway to share that information.
And there's one of my emails in here in which I reply "Arggghhh", with a lot of Gs and Hs, when HMRC declined to share some information with Treasury.
And I think that approach is just hopeless. Unless it's disclosive of an individual or could be disclosive of an individual, ie it covers a small enough group that one can deduce something about an individual, government should be willing to share -- government departments should absolutely be mandated to share data with each other.
If the Treasury or DHSC wants to know how many people are travelling on different roads in the country from all those cameras that Highways England have, then Highways England should categorically be required to share that information.
Now, I think that's got better since then. I think SALT, the Senior Analytical Leadership Team, which has the Government Chief Scientific Adviser, the Government Chief Economist, the National Statistician and a couple of others, I think that was created after furlough -- sorry, after Covid, and I would hope that would be able to bang heads together.
But even then, there is no general legal right to

share data across government. And I would love a one-line bill that says: If the Senior Analytical Leadership Team says that data should be shared, then that data -- it is legal for that data to be shared within government.
I think that would be a helpful recommendation on your part and it would be helpful if the government did it.
More generally as to what data should be collected, I think it would be useful if the British Government, along with other governments, worked with the OECD or others to covers what information other countries collect and how they use it. Because I can sit down and try to think about ideas from scratch, but we tend to make best progress when we copy other people who are more successful than us.
So, as I recount in furlough, people said to me, "Oh, you invented furlough", nope, nope, no, no, no, no, no, no, I took the furlough scheme from Germany. We should try to find out what data other countries collect.
That doesn't mean we should collect it. In the 19th century the French agricultural census recorded how many dogs every farm had and they were divided into four categories of dog. It is really not necessary for the

British government to collect data on four categories of dogs on farms but it is worthwhile seeing what other countries collect, seeing how it's used, and then thinking: what would be the cost of collecting that here and would it be useful?
So I would prefer an international commission, the ONS has its counterparts in other countries, working with the OECD to give a really definitive answer to that question rather than my speculations.
Q. Thank you. And then data science capability. We heard evidence from Mr York-Smith and Mr Benford about that, and they both expressed the view that that was really an essential component of an agile and efficient response to an emergency. Do you agree with their view?
A. Oh, completely. When, I was Chief Analyst in the DfE, I created the data science unit in the DfE and that would have been about 2014, 2015. So for Treasury not to have one by 2020 is pretty poor. So yes, if you want a gotcha moment, Treasury got something wrong, then that is your gotcha moment. But as James said, in the time that he was in the Treasury, we did create a data science unit. He has now left Treasury, I've left Treasury. I can't tell you if their current data science capability is sort of top of the Civil Service class, middle of the pack, or bottom, but we know it has

improved since then.

And of course in another 10, 20, 30 years, who knows what the new skill will be that will be needed in that pandemic. But clearly it's helpful for the analytical team in the Treasury to be up-to-date with modern analytical techniques.

Q. Right. Did you find, working in the Treasury at the time, that they weren't up to scratch, the analytical team? That they weren't up with the latest techniques -- that was lacking, obviously?

A. So on data science, absolutely. More generally not, no. Although as I note in my evidence, there are, compared to, say, the Bank of England, the Treasury has far fewer people in economics who are trained to Master's level or PhD level and I think they should, again, benchmark themselves to other organisations and the Treasury in the past to think about whether that's appropriate.

Master's courses in economics these days are hardcore number-crunching courses where you learn proper up-to-date econometrics of the sort that somebody of my age is out of date and that you simply -- you will very rarely get at undergraduate level.

MR WRIGHT: Right. Thank you.

Dr Leunig, those are my questions of you.

I think there are some Rule 10 questions -- my Lady.

LADY HALLETT: There are. Ms Beattie, who sits there.

Questions from MS BEATTIE

MS BEATTIE: Dr Leunig, I ask questions on behalf of national Disabled People's Organisations. In your statement you say that it wouldn't have been sensible to suggest that disabled people should have been able to claim furlough as of right, because at the start of the Covid, we had little evidence as to who was vulnerable, you say, and therefore we wouldn't have had the knowledge base to say who should have had the right to furlough.

Now, there were known increased costs faced and borne by disabled people and foreseeable and recognised disproportionate adverse impacts of NPIs on disabled people, as well as a known pre-existing disability employment gap and disability pay gap.

So given that existing knowledge base about disabled people and disabled workers, one didn't need more specific knowledge about specific clinical vulnerability to Covid itself to assess the importance of a right to furlough for disabled people; would that be fair?

A. No, I don't think it would be. As you say quite rightly, there are additional costs that people who are disabled face, but it would be very odd to say that those who get furloughed should get that additional

money but those who are not in work more generally should not. So those extra costs should be met in general through the standard welfare system that is universal and available to all people with disabilities at appropriate volumes for the disabilities that they have. So no, I think furlough would be a very odd way to do that.

Q. And in terms then, though, of maintaining that link between workers and employers, which I think you've said in answer to --

A. Mm, absolutely.

Q. -- Counsel to the Inquiry, was in your view really the primary purpose of furlough, given what we know about disability employment gap, difficulty of disabled workers having reasonable adjustments met and resulting disability pay gap, would you accept, though, that furlough is particularly important potentially for disabled workers if the aim is to maintain that link, and as you say, make sure that workers don't drop out of the labour market altogether?

A. Yes.

MS BEATTIE: Thank you, my Lady.

LADY HALLETT: Thank you very much, Ms Beattie.

Mr Jacobs, who is over there.

A. Ah, yes.

Questions from MR JACOBS

MR JACOBS: Dr Leunig, on behalf of the TUC, I have the arguably unhappy task of asking you about advanced planning for the next pandemic or civil emergency.

You've described in evidence and in your statement, Kate Bell having raised with you that many large employers have the six-week notice period and that that was in fact the first time that the government had thought about the relationship between extension of furlough and notice periods.

Do you not think that's an example, but just one of many, of knowledge gained that needs to be built on and be available in the next pandemic?

A. So to be clear, the TUC were the first people to tell me about it, but I think that I shared the email from either Kate or Rain with 93 members of staff congratulating us on the furlough scheme. So I can't speak for those 93. They may have known that as well. But I absolutely agree with you that the TUC was an excellent partner during the crisis in the creation of the furlough scheme and otherwise, but to be honest, it worked. I mean, as Kate said, it was one of the best things we did, and there wasn't the need -- I'm not saying we shouldn't have a tripartite system, whatever, I think that's a democratic issue for the democratically elected government of the day, but I think actually the furlough scheme proved that there is no pressing need to have those sort of formal tripartite systems, that when push comes to shove, the Treasury will ring the TUC, the TUC will ring the Treasury, both sides are on the same thing, and knowledge and information gets through very, very quickly.

Once you create a formal structure you really can risk delaying things quite quickly. We managed it in 55 hours and whilst I'm sure if I summoned Kate to a meeting at 10.30 pm, she would accept, I think you would feel constrained about calling a tripartite meeting at some of the times we called meetings internally and I think that would have risked it coming along so quickly.

Q. There is certainly no resistance from the TUC on there having been a large measure of success, but in terms of how it was achieved, you've given a sense of it just then in your evidence but also in your statement, achieved by some very competent people working extremely fast, and extremely hard. You describe emails at 8 am and after midnight, day after day. It doesn't sound an infallible approach to resistance, does it, the good fortune of good people working 18 hours a day -- (overspeaking) --

A. Well, it's --

Q. -- rather than doing what you can in advance to equip those responsible with the best knowledge that you can on how to respond with a furlough scheme and the like?

A. Well, I don't wish to sound adversarial here but I think that really is a case of the pot calling the kettle black, because a couple of hours ago, Kate Bell told us she was working all hours of the day and night but I don't see the TUC turning round and saying, "Well, the way the TUC worked was terrible, Kate had to work at all hours of day and night and it was just a lucky coincidence we had someone of her calibre." Both your organisation and the HM Treasury are fine organisations that can and do consistently recruit good people and I mean good in two senses. I mean both that they're capable, as Kate is, as I am, as Dan York-Smith, and so on and so forth, and good people in that they're not people who say, "I'm sorry, it's two minutes past five, I've got to go home." These are people who are committed to public service in your organisation and mine and I'm absolutely confident that if we had another crisis next year or in 10 years, the Treasury and the TUC and the CBI and 101 organisations, including many of the interested parties here will step up again and they will work as hard as they are required in order to

achieve the things we all went into public service for.

They will not get overtime, they will not get recognition, but deep in their hearts they will know that is what they signed up to, and they will be proud of having delivered what they can for the people of our country.

Q. Absolutely, and it's certainly not the premise of my question that planning and being good and working hard are somehow mutually exclusive, but you've spoken about the potential use of data, and how improved data use can feed into job retention schemes. It can't be right, can it, just to wait for the next pandemic and then try and resolve the problem about how best to use data in the midst of the crisis? Isn't that an example of precisely the sort of thing that actually -- from which there can be real benefit in planning?

A. Well, I've already said that I'm in favour of collecting more data in advance, subject to some cost-benefit analysis, and I've set out some of the limits to that. So I'm in favour of learning when people are made redundant and when they start work, but I'm not in favour of the government discovering who in you household buys the toothpaste, and I know nothing about your household arrangements, whether there's one or more people who buy toothpaste and what we can deduce about

your living arrangements. That would be data too far.

So yes, on data, especially as data gets easier and cheaper to collect, we could collect more data. That's standard cost-benefit analysis. And you'll find no disagreement between you and I there, I suspect.

MR JACOBS: Doctor, thank you very much.

Thank you, my Lady.

LADY HALLETT: Thank you very much, Mr Jacobs.

That completes the questions that we have for you, Dr Leunig. There are many unsung heroes of the pandemic, and I'm sure you and your colleagues were amongst them, so thank you for mentioning it. You all deserve our gratitude, I know.

And thank you personally for your commitment to the Inquiry. Your written statement is extraordinarily helpful and please rest assured, I hope you have been, that we'll very much take that into account when reaching our findings.

And I found your evidence this afternoon not only interesting but on occasions entertaining, which I confess I had not expected.

THE WITNESS: Excellent.

Am I allowed to make a final statement?

LADY HALLETT: Yes, you may.

THE WITNESS: Which is that I think it's important in all of this to remember that what we did cost a great deal of money. And I say that not just because I'm here as a Treasury witness, but to think about next time. We borrowed a lot of money and I think it's really important that we, as a nation, discover why we needed to borrow so much more money than most European countries, because our level of debt is now sufficiently high that it will get harder to borrow that sort of increment again.

So of all the things I think the Treasury and the government need to do, that would be my number 1 recommendation.

Beyond that, as I've said, we can hire good people in government, but there is a limit to how many good people you can hire, particularly at the top, at the rates of pay that -- and I can say this now that I've left, without trying to feather my own nest -- at the very top of the Civil Service.

And finally, as anybody who has ever worked with politicians will know, there are good politicians and less effective ones. And if we're serious about getting the best people to go into politics, it would be helpful, I think, if this Inquiry were to call for a greater degree of respect for politicians who have to make some terrible choices sometimes while they're in

government, because if we continually pillory them, no good people will go into politics and we as a society, as a whole, will suffer for that.

Thank you.

LADY HALLETT: Thank you very much, Doctor.

That completes, I think, the evidence for today.

MR WRIGHT: It does, my Lady.

LADY HALLETT: Very well, I shall return for 10.00 tomorrow.

(4.03 pm)

(The hearing adjourned until 10.00 on Tuesday, 2 December 2025)

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