

Witness Name: Kenneth Skates

Statement No: M9/R9R/KS01

Exhibits: 125

Dated: 11 September 2025

UK COVID-19 INQUIRY

WITNESS STATEMENT OF KENNETH SKATES M.S.

I, Kenneth Skates M.S., make this statement in response to a request under Rule 9 of the Inquiry Rules 2006 dated 3 June 2025 issued under reference M9/R9R/KS01.

Preface

1. The purpose of this statement is to help the work of the Covid-19 Inquiry. My statement will address my role in relation to the Welsh Government's economic response to the Covid-19 pandemic between 1 January 2020 and 28 June 2022 ("the relevant period"), so that lessons can be learned, and recommendations made for the future. I have drawn on support from the Welsh Government in preparing this statement.
2. This statement will be structured as follows:
 - a) **Part A:** Overview of Roles and Relationships (paragraphs 3 to 36)
 - b) **Part B:** Funding and Fiscal Framework (paragraphs 37 to 49);
 - c) **Part C:** Assessing the Crisis and the Initial Response (paragraphs 50 to 67);
 - d) **Part D:** Economic Decision-Making Structures (paragraphs 68 to 87);
 - e) **Part E:** Support for Jobs (paragraphs 88 to 141);
 - f) **Part F:** Support for Business (paragraphs 142 to 334);
 - g) **Part G:** Inequalities and Vulnerable Groups (paragraphs 335 to 342);
 - h) **Part H:** Data and Modelling (paragraphs 343 to 351);
 - i) **Part I:** Analysis and Reflections (paragraphs 352 to 356).

Part A: Overview of Roles and Relationships

3. In May 2016, I was appointed the Cabinet Secretary for Economy and Infrastructure. My title changed to Cabinet Secretary for Economy and Transport in 2017, and again in 2018 to Minister for Economy, Transport and North Wales. I held this office until May 2021 at which time I stepped down as a Minister. I was re-appointed as Cabinet Secretary for Transport and North Wales in March 2024.
4. As Minister for Economy, Transport and North Wales, my ministerial responsibilities included transport policy, economic development and the Development Bank for Wales. A full list of the responsibilities is exhibited as **KS/001 - INQ000066140**. As Minister for Economy, Transport and North Wales, I was supported by the Deputy Minister for Economy and Transport. Although the Deputy Minister took a particular interest in issues such as PPE and face coverings on public transport, there was nothing I delegated in terms of the economic response to Covid-19.
5. Before the pandemic my role was dominated by responding to the Brexit referendum, forming a new economic strategy, creating Transport for Wales, awarding the Wales and Borders Rail Franchise and creating the Development Bank of Wales. We went into 2020 with a new UK Government elected on the promise to 'get Brexit done'. Throughout 2019 we had focused very much on Brexit 'No Deal' preparations and this intensified into the New Year, given the clear direction of travel following the December 2019 general election. Delivering the Welsh Government's Programme for Government, reducing waiting lists in the health service and improving the performance of certain health boards, particularly Betsi Cadwaladr University Health Board, were other priorities. UK intergovernmental relations was another area of concern, which required attention, given the comparative instability of UK Government in recent times and the lack of robust mechanisms for intergovernmental engagement. Public transport improvements were also a priority, with the recent award of the Wales and Borders franchise, creation of Transport for Wales and development of radical plans for improving bus services.
6. I was chiefly responsible for leading the economic response to the pandemic, including business support and support for individuals in employment and the self-employed. I was also responsible for transport matters which included supporting the financial resilience of major providers of public transport to continue vital public service provision. As with all members of the Cabinet, I was also responsible, through collective responsibility, for all major decisions across the Welsh Government in responding to the pandemic. My overall

responsibilities remained the same throughout the Covid-19 pandemic until 13 May 2021 when Vaughan Gething was appointed to this role.

7. At the outset of the pandemic, my role was to protect individuals and businesses from the immediate economic consequences of the response to the Covid-19 pandemic. This was initially focused on the short-term response in the context of a national emergency, but quickly then evolved to focus on long-term resilience.
8. In attempting to balance the impacts of Covid-19, it was important to remember at all times that, no matter how difficult the decisions, we needed to protect lives first, without which livelihoods and well-being would be irrelevant. Consequently, the protection of life was of paramount importance, both across government and within my responsibilities. How we then protected livelihoods to the best of our ability and maintained well-being for citizens stemmed from the actions we took to protect lives. We considered the weight of the situation regarding the threat to lives and then balanced our actions with protection for businesses and jobs.

Relationships in Welsh Government

9. My relationships with Rebecca Evans (as Minister for Finance and Trefnydd and later Minister for Finance and Local Government), Julie James (as Minister for Housing and Local Government and later Minister for Transport in Wales) and Vaughan Gething (as Minister for Health and Social Services and later Minister for the Economy) were strong. I believe we worked well and made effective decisions during a time of uncertainty and unprecedented events. Cabinet meetings were the place where core decisions were taken in respect of the response to the pandemic, including the economic response, and all Ministers and Deputy Ministers attended. The positive nature of the relationships we had across Cabinet allowed us to have honest and open discussions where everyone's views and opinions were considered and valued. I do not have any recommendations for improving those relationships in the future.
10. I had positive relationships with other ministers. I also had positive relationships with senior civil servants in the Welsh Government such as Duncan Harmer, Chief Operating Officer of Business and Regions with whom I worked on the Covid-19 Wales Business Resilience Loan Scheme; Helen Ryder, Deputy Director of Public and Integrated Transport, with whom I worked on transport interventions; and Sioned Evans, Director of Business and Regions with whom I worked on the Economic Resilience Fund. Senior civil

servants provided advice and support to me as minister, and I trusted their advice and experience. My positive relationships with colleagues enabled open communication to take place with appropriate support and challenge where required.

Engagement with UK Government and the devolved governments

11. In the seven years that I had been a minister in the Welsh Government, I had built up good relationships with Secretaries of State and ministers within UK Government, particularly the departments of the most direct concern to me, namely the Wales Office, the Department for Transport and the Department for Business, Energy and Industrial Strategy. I had a particularly good working relationship with the Parliamentary Under-Secretary for the Department for Business Energy and Industrial Strategy, Nadhim Zahawi and the Secretary of State for Wales, Simon Hart.
12. I attended weekly meetings with my ministerial counterparts in the UK Government and the other devolved governments: these were sometimes referred to as quadrilateral meetings or 'BEIS Quad' meetings. I had called for more regular engagement with the Department for Business, Energy and Industrial Strategy and the Parliamentary Under-Secretary of State responded positively. Thereafter, the Welsh Government was more able to influence the UK Government's policy in the weekly meetings. An example of this ability was the change to the upper limits for the Coronavirus Business Interruption Loan Scheme. I exhibit the notes of the Department for Business, Energy and Industrial Strategy Economy Directors Forum held on 17 April 2020 as **KS/002 - INQ000626299**. During that meeting, the Welsh Government expressed concern that the £25 million loan cap was too low for companies within the £45 million to £500 million revenue bracket. At the subsequent meeting on 27 April 2020, the minutes—exhibited as **KS/003 - INQ000626300**—record that this feedback had been taken on board, and the upper loan limit for larger companies was increased accordingly.
13. The ability to raise matters directly with the Minister for Business, Energy and Industrial Strategy, along with ongoing engagement at official level, led to changes to the scheme which resulted in more businesses in Wales being able to get government support.
14. The Secretary of State for Business, Energy and Industrial Strategy decided not to engage with ministerial equivalents in the devolved governments. That was unfortunate, but I was content that his Parliamentary Under-Secretary was overall equally equipped to appreciate

the various matters we discussed in quadrilateral meetings. There were occasions however when the Parliamentary Under-Secretary could not provide me with the information I requested. For example, I regularly asked about the UK Government's plans in relation to furlough and I was informed that various options were under consideration, but I was given no detail about them. I learned about the government's furlough plan from the Chancellor's announcement which demonstrated the concentration of power and decision-making in Downing Street.

15. I had a limited number of calls with the Secretary of State for Business, Energy and Industrial Strategy. Engagement was usually led by the Business and Industry Minister for the Department for Business, Energy and Industry Strategy. Formal minutes of these calls were not taken although, where notes were circulated, these are exhibited as **KS/004 - INQ000610569**, and **KS/005 - INQ000610568**.

16. There was limited engagement with HM Treasury which I have previously described as "especially remote." I used those words because the Welsh Government was not a part of HM Treasury's core decision-making team and often it did not have sufficient advanced notice of decisions to enable parallel announcements. That made decision-making challenging because the analysis of gaps such as support for the self-employed that had recently began trading, could only be identified and offered after the UK Government's announcement rather than before. Therefore, there was always a lag between the UK Government's analysis and our ability to fill gaps in their scope. Issues about the limited engagement with the UK Government were raised by the Minister for Finance with the Chief Secretary to the Treasury who accepted the need for more meaningful engagement between the UK Treasury and the devolved governments ahead of the Spending Review, as set out in the note to the Cabinet meeting I attended on 28 September 2020. I exhibit the minutes as **KS/006 - INQ000129855**, and **KS/007 - INQ000048928**.

17. HM Treasury was not involved in discussions that the Welsh Government was having with colleagues in the Business, Energy and Industrial Strategy Department or the Department for Transport. Engagement with the HM Treasury was also remote to my role. The relationship with HM Treasury on all spending matters was within the portfolio of the Minister for Finance. HM Treasury's communications went directly to the Welsh Treasury. This continues to be the case post-pandemic.

18. To overcome the difficulties with HM Treasury, communications to the media, to social partners and to local government regularly stressed the need for the Welsh Government

to assess the financial implications of a UK Government decision, so as to be able to shape support that was affordable, based on additional funding allocated to Welsh Government by the UK Government following changes to comparable services in England. As explained in detail elsewhere, those changes are referred to as “consequential”.

19. In terms of engagement with the Wales Office, I had weekly bilateral calls with the Secretary of State for Wales from 30 March 2020. I also regularly spoke to the Parliamentary Under-Secretary at the Wales Office. These regular discussions enabled us to share intelligence, actions and concerns as they arose.

20. These formal mechanisms for communication were generally effective, and I welcomed the opportunity to raise issues. However, there were areas where I would have welcomed increased engagement. Shared advisory boards and combined meetings with stakeholders and social partners could also have ensured that all governments had access to the same information.

21. For example, the Council for Economic Development and the Ministerial Advisory Board might have benefited from involvement by the UK Government’s Ministers and officials. If they had attended, we would have been able to discuss action and interventions with all decision-makers. However, in the absence of any meaningful engagement from HM Treasury, these opportunities were not fully exploited.

22. Although I was fortunate to have very regular discussions with counterparts in the UK Government throughout the pandemic, I do not believe that the devolved governments were always sufficiently involved in core decision-making by the UK Government. For example, on the Eat Out to Help Out scheme, I do not believe the Minister for Finance, Minister for International Affairs and Welsh Language or Deputy Minister for Culture, Sport and Tourism were part of the deliberations over the scheme, nor asked whether we would support it before it was announced. Although I had regular meetings with the Wales Office, the Department for Transport and the Department for Business, Energy and Industrial Strategy as set out above, the Eat Out to Help Out Scheme was not raised with us in those meetings before it was announced. It felt as though decisions were taken by the UK Government which affected the economy in Wales but without any consultation or engagement with the relevant departments in the Welsh Government.

23. This affected my decision-making ability in relation to the economic response when it occurred, since I was having to be reactive to the decisions made by the UK Government

rather than being proactive. The information-sharing arrangement would have been improved by having transparency, advance notice and consultation by the UK Government with Welsh Government.

24. There was also some confusion in Whitehall about the Welsh Government's role and that of the Secretary of State for Wales. I recall one occasion where I was informed that the Secretary of State for Business, Energy and Industrial Strategy received written feedback and specific wording from myself on guidance about the re-opening of workplaces. However, this wording had actually been provided by the Secretary of State for Wales, not me or anyone else in the Welsh Government. There appeared to be a misunderstanding in some parts of the UK Government about the different roles of the Secretary of State for Wales and the Welsh Government. This episode left me with a belief that the Secretary of State for Business, Energy and Industrial Strategy did not fully understand the devolution settlement and did not know who the relevant Ministers were in Wales. This in turn impacted on my confidence in the Secretary of State.
25. My relationships with the ministers and civil servants in the Scottish Government and Northern Ireland Administration were good. The four nations ministerial calls were helpful in sharing experiences of how the pandemic was affecting economies in the UK. There were general similarities in the effects of the pandemic and the calls were a valuable opportunity to share experience, ideas and learning. As we were developing each phase of the Economic Resilience Fund, it was helpful to hear other nations' assessments of the gaps in support such as difficulties relating to those paid by dividends or in the creative industries. The initial round of meetings in the first few months were productive because the Welsh Government received real time information on the UK Government's policy, and the UK Government's Business and Industry Minister sought regular feedback on matters such as the impact of the Job Retention Scheme on the Welsh economy. In my view, this engagement assured the public and the business community that the senior political leaders in the UK were working together despite being on different sides of the political spectrum. The opportunities for engagement allowed for disagreements to be aired and they prevented issues from boiling over. Sadly, this degree of engagement was not seen at all levels: for example, the relationship between the First Minister and the Prime Minister was strained. That said, my relationships with other UK Government ministers were good.
26. Divergence between decisions made in Wales and England did cause problems, particularly in North East Wales which is deeply integrated with North West England. People on both sides of the border routinely cross into England and Wales for work, to

receive healthcare, to socialise and to shop. For example, the geographical location of Chester Football Club meant that, although the club's offices are based in England and the Club is registered with the English Football Association—the pitch itself is located in Flintshire, Wales. As a result, during the pandemic, the Welsh Covid-19 regulations were applied to matches held at the ground. This led to differences in the restrictions governing gatherings and sporting events between England and Wales. Furthermore, the club was not eligible to the Welsh Government financial support that would have been available to Welsh clubs. I do not recall discussing these issues particularly with my counterparts in Northern Ireland and Scotland as the cross-border issues they were facing were different to those affecting Wales.

27. In my view, it is important that a collaborative approach between senior leaders is followed should there be another pandemic. The presence of ministers from the four nations in their respective Cabinet meetings might help if they were able to openly share concerns, problems, information and ideas. That would open the door to more collaborative working and possibly improve trust and confidence.

Engagement with local government, external parties and experts

28. The involvement of the Welsh Local Government Association in regular Cabinet discussions helped ensure a partnership approach in Wales. Formal engagement with the Welsh local authorities and the Welsh Local Government Association was the responsibility of the Minister for Housing and Local Government. She would have engaged frequently with those bodies during the pandemic on a wide range of matters.

29. In my view, the Welsh structures were effective, and they were regularly used. Weaknesses did arise in the cross-border relationships with English local authorities on the other side of the border. I was able to engage with some English and Welsh local authority leaders, such as those in the Mersey-Dee area, based on existing relationships and familiarity with each other. However, the position was not uniform in other border areas, as there were no formal fora to engage with border local authorities, and relationships had to be built with each local authority individually. It is vital to have relationships across the border, as this would have wide-ranging benefits. It is often the case that the needs of service users do not confine themselves to borders, for example, patients in North Wales use the Countess of Chester Hospital in England. A strengthening and formalisation of cross-border relationships would improve the ability to meet those

needs and permit effective engagement between local authorities on either side of the border.

30. It is also my view that interventions should have been made on a regional functional basis.

As I have previously stated, the North East of Wales is a common functional economic and social area with the North West of England, and has far more in common economically than with areas such as Pembrokeshire. I would recommend that cross-border engagement with political leaders is chaired by someone who is politically neutral, and for scientific and economic evidence to be presented to all parties in a neutral way so that cross-border interventions could be introduced in a way that aligns with functional economic areas rather than on the basis of geography alone. The risk of interpreting evidence and science with conscious, or unconscious bias based on values and principles was ever present. We had governments of different political persuasions often interpreting evidence or calculating the balance of harms in different ways. Having a neutral, evidence led board to present to different political leaders could have addressed this. It might have reduced the risk of decisions being overly influenced or shaped by values, political beliefs and persuasion by people and organisations driven by vested interests, rather than the public good. I believe that having a neutral chair from the military or legal background for collective sharing, interrogation and discussion of evidence would be most desirable in ensuring decisions are made as much as possible based on objective truth.

31. A significant number of forums were used to brief, advise and consult businesses. Social partnership arrangements, and joint working with trade unions and business representatives were used to develop policy. I would also hold meetings with council leaders in North Wales and the North West of England, the Wales Office and business groups representing employers on both sides of the border to discuss cross-border issues. Engagement with trade unions and businesses contributed to policy in areas such as health and safety in the workplace but particularly the use of PPE, application of social distancing and a sector-by-sector assessment of the risk to the workforce. The challenge was that Welsh Government preferred a national, not a regional, approach. The latter would have raised the prospect that parts of Wales may have aligned with parts of England in their response to the virus. I think we could have been more pragmatic in our approach.

32. There were occasions when certain decisions were made by the Welsh Government which, in my view, were unduly informed by political considerations. For example, from 18 May 2020 certain activities, such as visiting garden centres, were allowed. I was concerned about this decision because garden centres were often enclosed buildings

where social distancing is difficult to achieve, and they are popular with the more vulnerable older demographic. In my view, this decision was not sufficiently supported by the science and instead shaped by personal sentiment or constituency pressures. This decision frustrated those businesses which remained closed.

33. Economic advice and interpretation of the data was provided by the Chief Economist for Wales and by the Technical Advisory Group and its Socio-Economic Harms sub-group. The Technical Advisory Group was part of the Welsh Government's emergency response to the Covid-19 pandemic and its membership comprised experts and officials from a range of areas. Its aim was "to provide the best possible scientific and technical advice to support the response to the Covid-19 pandemic in Wales until there is an exit from the state of emergency and the group is stood down by the First Minister." I exhibit a copy of the group's Terms of Reference as **KS/008 - INQ000312569**. The purpose of the Economic Harms Sub-Group was to provide assessments of the full range of socio-economic (but not the health) effects of the pandemic including the effects of the measures put in place to control the disease. The Chief Economist was a member of the Technical Advisory Group and the Socio-Economic Harms sub-group. The analysis that was provided was produced by the Economic Advice Division within Welsh Government.

34. The Covid-19 Project Team gave economic advice that informed Covid-19-related decisions such as the relaxation of non-pharmaceutical interventions. I also received advice, observations and ideas from advisory groups, discussions with local authorities, transport bodies, metro mayors in England and UK Ministers. Their contributions helped to inform the economic policies that were developed by the Welsh Government. For example, the Ministerial Advisory Board was integral to the development of "the Economic Mission" (published in February 2021) which helped Ministers to think ahead to the recovery stage and to manage the longer-term impact of the economic shock: see exhibit **KS/009 - INQ000321229**.

35. It would have been helpful to receive more of the advice upon which decisions were made from outside the Welsh Government. In my view, at a time of national emergency, it would have been prudent to commission expert, neutral, non-partisan advice jointly on a four nations basis. I felt that the existing structures that were in place, such as COBR were not sufficiently robust in their impartiality, due to being chaired by politicians and officials that had vested interests.

36. Commissioning advice in this way would have had several benefits to decision-making. First, it would have allowed for greater information-sharing and helped the devolved governments understand the reasons for and the substance of decisions made by the UK Government. That, in turn, would have enabled proactive, rather than reactive, policy-making. Secondly, it would also have allowed the devolved governments to ensure that instructions to experts used by the UK Government considered the factors affecting their populations. Thirdly, it would have allowed a more efficient use of resources and a more co-ordinated approach to policy development.

Part B: Funding and Fiscal Framework

37. The Welsh Government had four principal sources of funding during the pandemic:

- i. Funds granted by the UK Government under what is termed as the annual “Block Grant”;
- ii. Funds raised in Wales by means of taxation and other charges;
- iii. Borrowing; and
- iv. EU structural funds.

38. The “Barnett formula” calculates the annual change in the Block Grant, and aims to give each of the devolved governments the same “per person” change in funding.

39. Funding was generally effective to provide businesses with the support necessary to accommodate the financial impact of the Covid-19 pandemic. We were able to maintain the most generous package of support for businesses in the UK through the pandemic. The funding came from the UK Government without conditions on how it should be invested. We worked with local authorities in using their databases for businesses liable for and exempt from non-domestic rates. This facility helped avoid creating new administrative tools and minimised fraud, as the systems used by local authorities were thoroughly and regularly tested. Further, the scale of losses incurred by most businesses could be minimised, complementing the UK-wide support found in the Job Retention Scheme.

40. However, the funding would often follow the UK Government’s financial commitments. Therefore, the speed at which we were able to respond was regularly related to the speed at which the UK Treasury made decisions and relayed the precise level of consequential funding to Welsh Government officials. For example:

- a) The operation of the Economic Resilience Fund, discussed more fully later in this statement, in part utilised funding from the UK Government based on its own commitments in England. This meant that, based on announcements by the UK Government regarding grants and rates relief, we received consequentialia that were used for similar business support schemes. The Welsh Ministers agreed to add more funding to ensure sufficient support was available to businesses so that they could hibernate through the worst of the pandemic.
- b) The firebreak in Wales in October 2020 and the response to the Omicron variant in December 2021: in both instances, the Welsh Ministers were considering imposing more stringent measures, including business closures, but they felt constrained by uncertainties about the nature and scale of the UK Government's economic interventions. In the case of the firebreak, this was because the UK Government had been planning to replace the existing Job Retention Scheme. I was no longer in government at the time of the Omicron variant in December 2021 and understand this will be dealt with in the statement of my successor.

41. Although funding was generally effective, the available funding during the pandemic was insufficient to meet the demands of post-pandemic recovery. For example, such was the demand for investment to help businesses recover as fast as possible, the Business Development Fund was over-subscribed within days of its launch. Greater levels of funding from the UK Government to help businesses to recover speedily would, for obvious reasons, have been helpful. Extensive work was undertaken by local authorities in Wales and across the border in planning for a greener, more equal recovery. For example, the Mersey Dee Alliance produced a detailed plan to aid the recovery of the economy, but there was a general lack of willingness in the Welsh Government to support the funding requirements of such plans. This was because the scale of the proposed plans at the time were expansive, and the Welsh Government was continuously balancing short-term pressures such as healthcare with long-term investment. Sometimes addressing short-term issues prevented more serious problems down the line, such as investing in young people's education. Nevertheless, the Mersey Dee alliance was extremely valuable: collaborative working, including on high net worth projects, continues to this day.

42. Communications on the wider issues arising as part of the response were primarily undertaken by the First Minister and the Minister for Finance. As to my portfolio responsibilities, I attended regular four nation meetings with the UK Government's Business and Industry Minister and Economy Ministers from Scotland and Northern

Ireland between 18 March 2020 and June 2021 which enabled me to raise specific concerns about support for businesses and transport. For example, during the regular four nation meetings, I was able to raise the need for the UK Government to commit to the continuation of funding for the Job Retention Scheme and to revise the size criteria for Covid-19 business loans so that more firms could benefit from them.

43. My weekly bilateral meetings with the Secretary of State for Wales gave me the opportunity to raise any concerns and relay the need to maintain financial support from the UK Government to a level that would enable businesses to remain closed or partially closed. The meetings were not usually minuted, however, on three occasions a note was circulated. The note of the meeting on 22 June 2020, exhibited as **KS/010 - INQ000610566**, highlights my concern about the culture and tourism sector and the need for the Department for Digital, Culture, Media and Sport to play a role in supporting affected businesses. The Secretary of State for Wales informed me that he intended to discuss the issue with the Secretary of State for Digital, Culture, Media and Sport.
44. At a bilateral meeting with the Business, Energy and Industrial Strategy Minister, Paul Scully, on 14 January 2021, we discussed the sectoral impacts of Covid-19 and I raised the importance of the UK Government financial support mechanisms and asked about a possible Directors Income Support Scheme. Although the Minister was aware of the issue, he was unable to provide an update on the situation, explaining the decision to provide a Directors Income Support Scheme would depend on the Chancellor. I exhibit a note of the meeting as **KS/005 - INQ000610568**.
45. Generally, the regular scheduled meetings I had with the UK Government's ministers and my counterparts from the devolved governments were effective in terms of sharing concerns, intelligence, ideas and seeking clarity on various matters. In addition, matters were also raised in writing with the UK Government's ministers who generally replied in a timely fashion. I am aware, as I have already detailed above, that this was not always the case.
46. I am asked to identify any disagreements between the UK and the Welsh Government about the funding of the latter's response to the pandemic. I recall an example of one such disagreement in October 2020 when a circuit breaker was being considered. The First Minister pressed the Chancellor to bring forward the new Job Support Scheme to ensure that all those working for businesses being forced to close would receive financial support

for all employees and would not find themselves unable to access support during the first week of the lockdown or, alternatively, have to access two schemes during the firebreak.

47. In seeking this further support, I was aware that the First Minister offered to make up the difference between the funding for each employee under the existing Job Retention Scheme and the new Job Support Scheme, with the Welsh Government willing to reimburse HM Revenue and Customs for the additional costs of paying 67% of the wage costs of eligible employees instead of 60%. The UK Government refused this offer.

48. Any concerns about our funding from the UK Government were usually raised by the Minister for Finance in her Ministerial Finance Quadrilateral meetings or by letter to the Chief Secretary to the Treasury. I understand she has provided all the correspondence that she sent to HM Treasury in her statement M9/R9R/RE01. Similarly, I understand that Mark Drakeford, the former First Minister, also raised similar matters on occasion and I understand that he has also dealt with this question in his statement M9/R9R/MD01. There were occasions where I also sent correspondence regarding the continuation of specific schemes provided by the UK Government and I have exhibited those elsewhere in this statement, where relevant.

49. Overall, a lot of interventions relied upon consequentials which are based on the UK Government's decisions. The Welsh Government could only act once the UK Government had decided that they wanted to act, and only to the extent that Welsh Government had the resources to do so. In some areas, there was agreement on what needed to be done: for example, keeping the hospitality sector closed. In other areas, there was a divergence of views: for example, the timing of the end of the furlough scheme. It would have been more helpful, in my view, if a more co-ordinated approach had been taken which would, in turn, have permitted fairer and faster decision-making by the senior leaders of the four nations.

Part C: Assessing the Crisis and the Initial Response

50. During January 2020, Covid-19 began to emerge as a new challenge. It became more significant and intense toward March 2020, but in the first two months of the year, Brexit was the dominant feature of planning within the Economy, Skills and Natural Resources Group and across the Welsh Government, until the virus was seen to be spreading faster than had been estimated. As a policymaker, I do not just base my decisions on Ministerial Advice but also what I observed. In January 2020, it was impossible to know that in 12

weeks' time we would have to hibernate the economy. Covid-19 did not dominate the news and national dialogue. SAGE's estimates of worst-case scenario for deaths were significantly less than would become apparent. During the early months of 2020, the evidence indicated that the threat to the UK and Wales was low to moderate, but the situation was very fluid. Consequently, the impact on the pandemic was underestimated. As new information, evidence and evaluations were presented, the prioritisation of work changed in response.

51. By March 2020, the situation in London illustrated the much more serious and advanced nature of the virus and its impact on communities. As new information and evidence became available from SAGE, priorities shifted from Brexit to the pandemic. By that time, we had developed plans for supporting businesses should more severe restrictions be implemented. These plans used much of the work and funds associated with supporting businesses through a "No Deal Brexit". The strategy was to help businesses hibernate for as long as possible to reduce the spread of Covid-19, utilising both Welsh and UK Government funding. However, no one knew how long the pandemic might last, and discussions were dominated by considerations of how various conditions and behaviours that might affect the length of the pandemic. I recall one occasion when the Health Minister told me that there may not be a summer that year, and that it may be not until next year when international travel might be possible again. I was concerned about how this may be communicated to the public and how best to ensure that any communications were backed by science.
52. Although Brexit had consumed an enormous amount of time and energy in the Welsh Government, primarily in terms of planning for a 'No Deal' scenario, in my department the scenario planning helped the development and deployment of support for businesses. Existing channels of communication, important contacts in business, contact with partners such as local authorities, as well as the plans we had developed to support businesses through a 'No Deal' outcome to Brexit negotiations, assisted in supporting employers and workers who would be impacted by non-pharmaceutical interventions. Brexit planning, along with the relatively small size of Wales, helped the Welsh Government to provide targeted and rapid support for businesses during the pandemic.
53. A rapid recovery was assumed with the UK economy returning to pre-coronavirus performance over the following 18 months. This was optimistic. The nature of the recovery would depend on the evolution of the disease along with other factors which were difficult to predict.

54. With the benefit of hindsight, it is my belief that the World Health Organization, SAGE and every Western government underestimated the threat posed by Covid-19 in its earliest stages. The advice I received at that time was based on the UK being classed as low or medium risk and that it was a risk competing with the seemingly more real and imminent threat of a 'No Deal' Brexit crisis. With hindsight, had a truer picture of the threat been known to my officials and I, then briefings, advice and prioritisation of Covid-19 over Brexit would have occurred sooner.
55. I began to appreciate the likely impact of the Covid-19 virus on the economy as more information about the Covid-19 virus was emerging in January and February 2020. There were numerous discussions with officials about various scenarios and the scale of impact of Covid-19.
56. My concerns crystallised when on 13 March 2020, I received a paper drafted by the Chief Economist which set out headlines on the overall anticipated economic effects of the pandemic. I exhibit this paper as **KS/011 - INQ000320754**. The analysis acknowledged that a large-scale fiscal and monetary response was required, with the UK Government holding the major policy levers including those linked to taxation. The paper set out that the Welsh Government would do all it could to support businesses in Wales.
57. I also received a written update on the economy for at the Cabinet Meeting of 16 March 2020. I exhibit a copy of the Minutes from that Cabinet Meeting as **KS/012 - INQ000048797**. The update focussed on the Office for Budget Responsibility's economic assessment and forecasts of the economy. As a potential lockdown became imminent, I considered the impact on parts of the Welsh economy that were vulnerable to a lockdown such as hospitality and tourism.
58. I also received regular updates on the impact of the pandemic on the economy from Emma Watkins and the Chief Economist, who suggested there would be a significant downturn in the economy. These updates took place primarily through the Covid-19 Core Group, which met weekly from 2 March 2020 until 14 September 2020. By way of an example, I exhibit the Minutes/Agenda of the meeting which I attended on 15 April 2020 as **KS/013 - INQ000336472** when Chief Economist Jonathan Price updated the group on the recently published scenario by the Office of Budget Responsibility which had assumed a three-

month lockdown, and predicted, on that basis, a 35% fall in UK GDP in the second quarter of 2020 with unemployment rising to 10%, exhibited as **KS/013 - INQ000336472**. A briefing note was also provided to Cabinet in early June 2020 outlining the assessment of the economic implications of Covid-19 for Wales, which I exhibit as **KS/014 - INQ000129875**.

59. In terms of the likely duration of the pandemic, I received an update on the virus during the Covid-19 Core Group meeting on 11 March 2020. Ministers were updated by the Chief Medical Officer on the spread of Covid-19. At that stage, there were 15 cases in Wales and we were told that the policy across the UK was to contain the virus and the need to prepare for the reasonable worst-case scenario remained. The note of the Covid-19 Core Group Meeting is exhibited as **KS/015 - INQ000215171**. Ministers were kept updated on the public health impact of the pandemic throughout, including at Cabinet meetings and as part of the 21-day review process implemented to consider the ongoing imposition or relaxation of non-pharmaceutical interventions. I did not know how long the pandemic would last, and I was aware of many variables that would influence the duration of the pandemic such as the availability of vaccines, their efficacy, how individuals would behave in response to non-pharmaceutical interventions and the emergence of variants.

Overview of the Welsh Economy

60. I am asked to provide a brief overview of the features of the Welsh economy which were relevant to its ability to weather the economic storm of the pandemic. First, I would like to note that the Welsh economy is not homogenous. Wales has at least two economies, along the A55 and M4 corridors in North and South Wales respectively. Both economies are cross-border in nature and equally integrated in the UK economy.

61. Secondly, what impacts the UK economy will impact Wales, because of the Welsh economies' integration into the UK economy. As with all economies, Wales has specific strengths and weaknesses. A vulnerability of the Welsh economy in relation to the pandemic was that its key sectors such as hospitality or advanced manufacturing required people to be physically present at work rather than working remotely. Those vulnerabilities would have long term consequences if there was no safe return to work.

62. Thirdly, Wales is demographically an older country, with a higher proportion of older people in work. It also has a higher proportion of unemployed individuals and those on long term sick leave, who require more assistance to get into work. Covid-19 would have very long-lasting impact on the Welsh workforce that require the most assistance to get into the

workforce. People who are off for a long period of time need a lot more help to get back into work. Covid-19 presented a 'double whammy' of getting back into work and restrictions of Covid-19 made this doubly difficult.

63. Additionally, there are high numbers of self-employed individuals with lower incomes, which made interventions for this group particularly important.

The role of the Chief Economist

64. I have been asked about the role of the Chief Economist in the period of January to March 2020. The Chief Economist leads the provision of economic analysis, evidence and advice to Welsh Ministers and senior officials and provides professional leadership to economists across the Welsh Government. The post has responsibility for the Division whose principal responsibilities include providing analysis and briefing on Welsh economic prospects and factors influencing the Welsh economic performance over the short, medium and long term; providing, reviewing and assuring economic evidence relevant to the development and evaluation of Welsh Government policies; engaging with other analytic professions to ensure that analysis and evidence is provided in a holistic way that supports policies aimed at promoting the wellbeing of the people of Wales over the long-term. The Chief Economist is also responsible for overseeing the production of the Annual Report of the Chief Economist and the Monthly Economic Reports.

65. The Chief Economist played an important role in enhancing the Welsh Government's understanding of economic challenges. The monthly Economic Reports provided a high-level assessment of the overall economic impact of the pandemic and informed our understanding of the ongoing impacts. I exhibit the monthly reports between January and March 2020 as **KS/016 - INQ000565826**, **KS/017 - INQ000565827** and **KS/018 - INQ000565828**.

66. It would have been incredibly helpful for the Chief Economists from across government to jointly present their findings and data on a four nations basis at the same time to senior leaders of the nations. Wales does not have an isolated economy; it is part of several functional economic areas that span national borders. A coordinated presentation of the data would have supported a more assured economic response, particularly in recognising the integration and interdependence of regional economies. A shared understanding of the economic landscape may also have helped reduce divergence in policy approaches across the UK. For example, had I known the economic basis of the UK Government's

decisions regarding the reopening of the economy following the first wave of the pandemic, I may have been better assured that that was the correct decision at the time.

67. As four nations network meetings of Chief Economists is not something I was involved in, the Chief Economist would be best placed to answer what four nations engagement took place between Chief Economists. During the pandemic, there were no occasions where I directly engaged with Chief Economists from other nations. In my view, it would have been helpful for ministers from the four nations to be able to obtain information and advice from Chief Economists on an ad-hoc basis.

Part D: Economic decision-making structures

68. The main economic decision-making structures are set out below.

Cabinet

69. Cabinet was the central decision-making body of the Welsh Government. That remained the case after the outbreak of Covid-19 and I attended Cabinet meetings regularly during the pandemic.

The Star Chamber

70. On 23 March 2020, the First Minister announced to Cabinet that the Star Chamber would be established to assess proposals for the allocation of resources to tackle the impact of the pandemic. The minutes of the Cabinet meeting on 23 March 2020 are exhibited as **KS/019 - INQ000048923**. The Star Chamber was not intended as a decision-making body; it acted in an advisory and scrutiny capacity to the Minister for Finance and Trefnydd in relation to the deployment of available resources held centrally to address the challenges of the Covid-19 crisis. It reviewed Ministerial Advice proposing new Covid-19 spending commitments with a focus on value for money and affordability.

71. The establishment of the Star Chamber added a new level of scrutiny to the proposals under consideration. At times, I and other Ministers were concerned that the Star Chamber participants were at risk of straying into challenging policy. On the few occasions that policy was debated the Star Chamber members would be reminded of their remit that decision-making on policy was for Ministers and Cabinet see exhibit **KS/020 - INQ000338572**, in the context of discussions around Phase 2 of the Economic Resilience Fund.

72. I was concerned that some members of Star Chamber were not experts in areas of decision-making that they were invited to comment on. I was also at times concerned at

the anti-big business and anti-UK Government sentiment. For example, there was sometimes sentiment that if we offered support that the UK Government did not, this would place Welsh Government in a more positive light. I got the impression that outside interests influenced decision-making in the Star Chamber. For example, sentiment against a particular large employer in South Wales influenced a decision against supporting businesses over a certain size. Additionally, certain groups were able to make their voices heard more than others, for example, the Independent Restaurant Collective.

The Socio-Economic Harms subgroup of the Technical Advisory Group

73. The Technical Advisory Group's Socio-Economic Harms sub-group was a joint initiative led by the Welsh Government with Public Health Wales, health and social and economic research partners. It was Chaired by Jonathan Price, the Welsh Government's Chief Economist. It first convened on 23 July 2020 and provided assessments of the full range of socio-economic effects of the pandemic, other than the health effects, including the effects of the measures put in place to control Covid-19.

74. It was primarily concerned with medium and longer-term effects, rather than the immediate impacts of non-pharmaceutical interventions. The group was important in informing the Welsh Government's assessment of the nature of the economic shock brought on by the pandemic. I exhibit the Terms of Reference as **KS/021 - INQ000239532**. In my view, it was a very valuable and effective structure. The group was under pressures of time which proved challenging in terms of consultation with sub-groups. An example of the group's influence was in the enforcement of face coverings on public transport, and when exceptions should apply. The group reported to the Deputy Minister and Chief Whip and the Minister for Health and Social Services. I received updates on this group through them, both in oral and written format in the Cabinet. I cannot recall if it was possible to commission advice from the Technical Advice Group.

Ministerial Advisory Board

75. The Ministerial Advisory Board was established in 2018, chaired by Sir Adrian Webb and was accountable to me. The Board was initially set up as an advisory body to provide good quality, timely and relevant external advice to inform our policymaking, horizon-scanning and evaluation. I exhibit the Board's Terms of Reference as **KS/022 - INQ000187567**. I also exhibit as **KS/023 - INQ000626302** a chronological schedule of meetings of the Ministerial Advisory Board during the pandemic.

76. The Board met regularly throughout the pandemic to provide valuable intelligence, evidence, challenge and support to me in important economic areas. The Board was kept updated about the impacts of Covid-19 and it was central to the development of the Economic Mission, to help me think proactively about economic recovery and the longer-term economic impacts of the pandemic.
77. An example of challenge and support provided was in a meeting that took place on 26 March 2020, exhibited as **KS/024 - INQ000626245**. The Board raised a number of concerns, including difficulties in understanding UK Government guidance and encouraging UK Government to move to a “test and trace” model. I raised concerns that were brought up with relevant Ministers and officials. On “test and trace” specifically, I recall discussing this with the Cabinet Secretary for Health and Social Care, who recognised that we had testing capabilities in Wales e.g. there was a large testing area in Deeside which, when regulations permitted, enabled Welsh and English residents to be tested at that site.
78. An example of support by the Ministerial Advisory Board was in relation to their feedback on the Ffenics report, on 9 July 2020, exhibited as **KS/025 - INQ000321113**. Support was given to this work, and members noted that an economy based on Wellbeing was a great opportunity and aligned to the Well-being and Future Generations Act. This was encouraging, and it was unfortunate that this work could not be resourced due to the high demands of short-term challenges at that stage of the pandemic, and subsequently lost support after I left my ministerial role.

Ffenics

79. I asked for the Ffenics group to be established to provide advice on how the Welsh Government could effectively promote economic recovery. The group was set up to better inform the advice that the Ministerial Advisory Board provided on the issue. The group compiled its first interim report in July 2020: it is exhibited as **KS/026 - INQ000320908** and it provides further information on its membership. The group’s second interim report is exhibited as **KS/027 - INQ000321114**. In my view, Ffenics provided great advice and ideas which should have been presented more formally to the whole government. At its core, Ffenics considered “build back better” opportunities with a fundamental culture shift towards a longer-term objective of a more responsible and sustainable public, private and third sector across Wales. For example, we discussed the introduction of an ‘economic contract’ to ensure no business in Wales uses palm oil. Unfortunately, the two reports that

this group produced were not progressed: as this group was spearheaded by me, after I left government, it lost momentum.

80. The composition of the group included external experts, as set out in Appendix 1 of its first interim report. The first report set out a “Vision for Wales” that would make the most of the circumstances of the Covid-19 pandemic, focusing on matters such as a greater regionalised approach and encouraging greater migration of workers into Wales within the context of greater digitisation and remote working. The report recommended focus on matters including social investing, transport, adaptability, developing modern-day industries and skills. The report also addressed short-term issues such as cash-flow, tourism and vaccinations.

81. The second report focused on more specific short and medium-term policies and economic interventions. The report further addressed the Vision for Wales, and steps that could be taken to develop infrastructure, provide and signpost financial support and develop skills.

Covid-19 Core Group

82. The Covid-19 Core Group was established by the First Minister in March 2020, to bring together a core group of Ministers and senior officials who were leading on the response to the pandemic. The group evolved into the main information-sharing meeting. A letter from the First Minister to Welsh Ministers and Deputy Ministers dated 3 April 2020 setting out regular Ministerial engagement is exhibited as **KS/028 - INQ000349253**. It first met on 11 March 2020, and I attended this meeting: I exhibited the minutes earlier as **KS/015 - INQ000215171**.

Economy and Business Response Ministerial Implementation Group

83. The Economy and Business Response Ministerial Group was led by the UK Government to co-ordinate and advise on business-related regional, sectoral and corporate-level issues relating to the Covid-19 pandemic. It met as required to ensure a coherent approach to communications, business intelligence and policy. An example of the agenda and briefing for a meeting held on 7 April 2020 is exhibited as **KS/029 - INQ000350545**. It was chaired by the Chancellor of the Exchequer.

84. This was one of several Ministerial committees led by the UK Government in relation to Covid-19 and Welsh Ministers were invited when the UK Government thought it necessary: it was not a standing invitation. I felt that the group's purpose was to allow the

UK Government's ministers to report upon what they had already decided, rather than collectively planning interventions. I dialled into this meeting for the first time on 31 March 2020, along with the First Minister. Its agenda is exhibited as **KS/030 - INQ000251264** with a summary of the actions exhibited as **KS/031 - INQ000350829**.

85. I understand there was also an 'official level' equivalent of this meeting, referred to as EBRIG (0). I believe that the purpose of this group was to review and discuss papers that would be subsequently tabled for discussion at the EBRIG (M) meetings. I had no involvement with this group although my Private Secretary would be copied into e-mails regarding the same (see, for example, an email setting out the group's purpose exhibited as **KS/032 - INQ000349308**).

Sources of Advice

86. My main sources of advice on public health and the economy came from the structures outlined above. These include advice from the Chief Economist, the Technical Advisory Group, the Economy and Business Response Ministerial Implementation Group, and the Economic Ministerial Advisory Board, together with the Council for Economic Renewal, the Social Partnership Council, briefings from officials, Ministerial Advice submissions, Cabinet papers, intergovernmental meetings, discussions with social partners, business representatives and submissions from sector experts.

87. The advice I indirectly received from SAGE, communicated by the Welsh Government's science and medical advisers, was generally comprehensive. However, it would have been helpful had there been a single appointed adviser who could advise ministers from all four nations on a non-partisan basis. There is otherwise a risk when receiving advice from external bodies that it is partly shaped by the audience. I recall speaking to the Secretary of State for Wales and the Parliamentary Under-Secretary (Wales Office) about this point and they agreed that it would be helpful to sit on one another's advisory boards so that we could get an unfiltered view from the experts. It would be helpful if we had had a collective board, such as an economic advisory board, so that all four nations had the same information.

Part E: Support for Jobs

88. In this section, I will address the following interventions:

- a) Coronavirus Job Retention Scheme;
- b) Self-Employment Income Support Scheme;
- c) Welsh schemes to support the labour market.

Coronavirus Job Retention Scheme

Design and Implementation

89. I was not involved in the design or implementation of the Coronavirus Job Retention Scheme. It was implemented and developed by the UK Government and administered by HM Revenue and Customs. Although the scheme was welcomed in Wales and it played a vital part in enabling businesses to survive, it was an example of where a lack of engagement by the UK Government with the Welsh Government presented a challenge. The lack of involvement in the design and development of the Scheme meant that we were not able to share complementary support for businesses until the principal decisions had been made by the UK Treasury. It is correct that I called for a four nations approach in the development of this scheme. I believe that this would have given more assurance to the public that senior leaders were focused on the “common enemy” of the pandemic and putting aside party politics.

90. HM Revenue and Customs monitored the operation of the Job Retention Scheme and would regularly publish statistics, including for the take up in Wales. I was provided with the Welsh data which was also published on the Welsh Government website. I exhibit an example of the statistics provided to me as **KS/033 - INQ000624045** and **KS/034 - INQ000624048**.

91. In addition to not being consulted about the design of the scheme, we were also not consulted adequately on decisions about ending or extending the scheme. The Welsh Government made repeated representations to the UK Government about the issues that would arise at the end of October 2020 when the furloughing of many employees came to an end. I wrote to the Chancellor of the Exchequer on 4 June 2020 to raise concerns about the intention to bring the Job Retention Scheme and the Self-Employment Income Support Scheme to a close at that time. I explained that this would represent a ‘cliff-edge’ for many businesses. I asked whether there had been any modelling of the likely level of redundancies that would result and any plans for mitigations for this impact. I also asked whether the decision to end the schemes would be implemented even if there were further peaks of the virus requiring another lockdown. I exhibit a copy of this letter as **KS/035 - INQ000336761**. No response was received.

92. In November 2020, the Chancellor announced the continuation of the scheme until Spring 2021. Although this was welcomed and gave businesses and workers much needed certainty, it was unacceptable that the UK Government waited until a nationwide lockdown was implemented in England before confirming this extension. This was too late for many businesses and workers in Wales and the Chancellor could have provided greater support for Wales's essential 17-day firebreak. The delay demonstrated to the public the falling out of lockstep in terms of the support schemes which created insecurities within business community. I considered that the decision was made only in light of tightened restrictions in England; set against a backdrop of repeated and consistent requests for action in this area from the Welsh Government. Our dissatisfaction at the timing of this decision-making was communicated to the Chancellor in a letter jointly sent by the Minister for Finance and Trefydd and I on 19 January 2021. This letter also extended a further invitation to engage constructively with the Welsh Government in future decision-making and provide certainty to businesses and individuals that support would not be prematurely withdrawn. A copy of this letter is exhibited as **KS/036 - INQ000321044**.
93. Regular four nation meetings with my counterparts also enabled me to raise specific concerns about support for businesses and transport. For example, during the regular four nation meetings, I was able to raise the need for the UK Government to commit to the continuation of funding for the Job Retention Scheme. I exhibit notes of the meetings on 29 July 2020 as **KS/037 - INQ000624051** and 15 December 2020 as **KS/038 - INQ000624047** by way of example.
94. In my view the Coronavirus Job Retention Scheme worked well. The scheme prevented employers from closing, preserved jobs and supported household spending. It benefitted those from across the demographic, assisting individuals across a range of incomes. In Wales, this was particularly relevant to the hospitality sector. A weakness of the scheme was that it allowed for payments to be made to employers who may not necessarily have needed it. However, value for money needed to be balanced with the need to roll the scheme out as quickly as possible.
95. I do not think that there were any gaps in this scheme, however more assurance should have been given about when the scheme would be introduced and the time it would be in place for. I do not think that the scheme was unequal. Although it may have been possible to put in place a more targeted scheme by sector, the administrative complications of this would have likely outweighed its benefits. I think the scheme worked well alongside other

UK and Wales-based schemes, as the other schemes were implemented against the backdrop of furlough.

96. Although I am not familiar with the latest evaluations of the scheme's effectiveness, if it is deemed effective, then it should be the "go-to" tool should a similar event arise. However, greater engagement is needed in terms of the design, implementation and end of any similar scheme, to ensure that it meets the needs of the people across all four nations. Additionally, early engagement would allow us to consider and design complementary support at an earlier stage. Some acknowledgements that a scheme was in development would have been helpful. Anxiety about whether there would be income for individuals in the future meant that there was pressure for workers to work while they could.

Efficacy

97. The Job Retention Scheme played a vital role in enabling businesses across Wales to survive the initial shock of the Covid 19 crisis and the Welsh Government was supportive of its implementation. I argued for furlough plans to be developed on a four nations approach given the UK wide nature of the scheme as it had implications for Welsh businesses and the Welsh economy. I felt that discussions between all four governments would make sure that the scheme was fit for purpose, could maximise opportunities to retain staff and enable businesses to plan for future growth and meet the needs of businesses and individuals in all four nations of the UK.

98. Where possible, the Welsh Government designed schemes such as the Economic Resilience Fund which supplemented the UK Government's measures and 'filled in the gaps' left by different schemes being operated at a UK level. The Job Retention Scheme was initially announced on 20 March 2020, and the scheme for the self-employed was not announced until 26 March 2020. Although those in employment continued to receive 80% of their salaries funded by the government with an optional 20% top-up payment by their employer through PAYE as usual, those who were self-employed did not begin to receive grants until 13 May 2020. Therefore, initially there was a gap in support for the self-employed. Another gap affected those individuals that were paid by dividends rather than salary.

99. I am asked about requests in 2021 that the Welsh Government made in late 2021 to extend the Coronavirus Job Retention Scheme. I was no longer in post at this stage and so am unable to comment upon this any further. I understand this may be addressed in the statements of those who were in post at the relevant date.

Self-Employed Income Support Scheme

Design and Implementation

100. As with the Coronavirus Job Retention Scheme, I was not involved in the design or implementation of the Self-Employment Income Support Scheme. It was implemented and developed by the UK Government and administered by HM Revenue and Customs. Consultation on the design of the scheme would have enabled us to influence policymaking centrally to ensure that support is available to all who need it, for example those who recently commenced trading. This would have also enabled us to be proactive rather than reactive with our own support.
101. The design of the scheme was more complex due to the nature of the vast potential of the types of businesses that could require access to the scheme, and it played a vital part in enabling those businesses to survive. However, it was not able to address all individuals who required business support, and some fell outside of the rules of the scheme, specifically those who only started trading after 31 March 2019. We were able to address this gap through additional funding provided from the Welsh Government, by way of the Covid-19 Start-Up Grant & Discretionary Fund. In June 2020, I approved a Ministerial Advice to provide £5m in funding to those that fell outside of the Self-Employment Income Support Scheme, which is exhibited as **KS/039 - INQ000103931**. Another example of additional funding by the Welsh Government to address a 'gap' was that provided by a freelancer fund within creative industries by way of the Cultural Recovery Fund introduced in October 2020.
102. We were not consulted adequately on decisions around ending or extending the scheme. As already set out above in relation to the Coronavirus Job Retention Scheme, the Welsh Government made repeated representations to the UK Government about the 'cliff edge' at the end of October 2020 when the furloughing of many employees came to an end. The letter I sent to the Chancellor in June 2020, exhibited in paragraph 91 above also sought to address him on the issues surrounding the intended closure of the Self-Employment Income Support Scheme. My observations outlined above upon the lack of engagement and the later decision to extend in accordance with the imposition of a lockdown in England also apply to this scheme.

103. HM Revenue and Customs monitored the operation of the Self-Employment Income Support Scheme and would regularly publish statistics, including for the take up in Wales. As with the Job Retention Scheme, I was provided with the Welsh data which was also published on the Welsh Government website. I understand that officials would have drawn on this data when considering the design of the Economic Resilience Fund.
104. Regular four nation meetings with my counterparts were effective in that they enabled me to raise specific concerns about support for businesses and transport directly with the UK Government. This assisted with engagement on decisions being made by the UK Government relating to the Self-Employed Income Support Scheme, particularly where correspondence, such as the letter sent in June 2020, had not elicited a response or any engagement on such matters. For example, during the regular four nation meetings, I was able to raise the need for the UK Government to commit to the continuation of funding for both the Job Retention Scheme and the Self-Employment Income Support Scheme. I exhibit a note of the meeting on 16 November 2020 where the UK Government confirmed the intention to extend both schemes, with a further uplift to the devolved governments funding guarantee as **KS/040 - INQ000624485**. However, despite this welcome confirmation, in my view, there should have been a greater degree of engagement in relation to the design and implementation of this scheme for the same reasons as set out above in relation to the Coronavirus Job Retention Scheme.

Efficacy

105. The Self-Employment Income Support Scheme played a vital role in enabling self-employed individuals across Wales to survive the initial shock of the Covid-19 crisis. The Welsh Government was supportive of the Scheme from the outset of its implementation. Where gaps were identified, we put in place measures to provide funding to those that fell outside of the Self-Employment Income Support Scheme, such as the Covid-19 Start-Up Grant & Discretionary Fund exhibited as **KS/039 - INQ000103931**.
106. In respect of the identified gaps, every iteration of the scheme identified cohorts of people who did not get the support we wanted them to receive. This reflected the complicated nature of the tax schemes in the UK. If systems were more transparent, the interventions would have been simpler and broader. The Welsh schemes attempted to plug the gaps, but our ability to do so was limited by the funding from Whitehall. That, in turn, meant that grant funding was time-limited and fixed.

107. I cannot comment on whether the scheme ended at the right time because I was no longer in post at that time. However, I was in post in June 2020 when the Chancellor of the Exchequer announced his intention to end both the Job Retention Scheme and the Self-Employment Income Support Scheme in October 2020. I have already explained the steps that I took to persuade him otherwise. Although those steps were ultimately successful and the schemes were extended, the timing was disappointing insofar as the needs of Welsh individuals and businesses were concerned during the firebreak.
108. Although the scheme was unequal in its impact due to the number of groups that could not benefit from it, it was a very difficult task for the UK Government to devise a scheme that was fair, delivered at pace and offered value for money. The UK Government could not have foreseen how targeted the scheme would have needed to be. I am not in a position to answer whether the economically vulnerable could access the scheme – this can be answered by the UK Government who collected data on such issues. Where there were gaps for the economically vulnerable, the Welsh Government plugged those gaps, as set out below, and provided support by way of digital assistance. The scheme operated well around the Welsh interventions as we ensured that they were complimentary. In terms of lessons learnt, it would be helpful to have a more homogenous approach across the four nations, for example a framework for the implementation by local authorities of the discretionary fund. I cannot comment on whether the scheme was ended at the right time as I was no longer in post.

Welsh Schemes to support the labour market

109. I have been provided with a quotation from a Cabinet paper dated 23 March 2020 which said that:
- “The scale of the macroeconomic shock is such that reserved tax, welfare and monetary policy levers must comprise the vast majority of the response. We should not seek to compete with the UK response; instead we should look for individuals and businesses who may fall through the gaps of the interventions. This may particularly apply to the self-employed, the casually employed or people operating in the informal economy” [KS/041 - INQ000048815].
110. In my view, Welsh Government support for the self-employed, casually employed and those operating in the so-called “informal economy” complemented the support provided by the UK Government and plugged the gaps well given the resource constraints that we

were facing. The impact of any interventions was monitored by economy officials in the Welsh Government with the support of Business Wales, Development Bank Wales and employer organisations.

111. I have been asked to identify the steps taken by the Welsh government to consider gaps in interventions and support for the self-employed, casually employed and people in the informal economy. Support is primarily a matter for the non-devolved welfare system. However, support for the self-employed was identified as a potential gap at an early stage of the pandemic at the end of March 2020, when the Covid-19 Business Resilience Fund was initially proposed, exhibited above as **KS/041 - INQ000048815**.

112. In the development of the Economic Resilience Fund, the policy paper on its creation dated 27 March 2020 considered necessary interventions for the self-employed: see exhibit **KS/042 - INQ000320771**. The paper said that there were 210,000 self-employed people in Wales which represented 14.3% of all people in employment.

113. The gaps in support mainly concerned the following groups:

- a. Those who had recently set up their business without a tax record for 2019;
- b. Those who did not qualify for rates relief;
- c. Those facing cash-flow problems before the introduction of the Self-Employed Income Support Scheme;
- d. Those working on a self-employed basis and freelancers with a trading profit of over £50,0000;
- e. Micro businesses that were non-VAT/PAYE registered so they were unable to access the Economic Resilience Fund; and
- f. Taxi drivers.

Cash-flow issues

114. In considering the UK Government's Self-Employment Income Support Scheme, the paper of 27 March 2020 identified a gap in support because 'claimants will have to manage a reduction in cashflow until June when the backdated payment is made'. Phase 1 of the Economic Resilience Fund and the existing Discretionary Assistance Fund addressed that gap for some applicants.

115. When the Economic Resilience Fund was announced on 20 March 2020, it included two main elements. First, the £100 million Development Bank of Wales fund which would be available for companies experiencing cash flow problems, providing loans of between £5,000 and £250,000 at favourable interest rates. Secondly, the £400 million 'emergency pot' which would provide grants of £10,000 for micro-businesses employing up to nine people; grants of up to £100,000 for small and medium-sized firms with between 10 and 249 employees; and support for larger Welsh companies which were of critical social or economic importance. The aim was to provide vital assistance to business and third sector organisations which normally rely on trading income.

116. Ultimately, following the Star Chamber's scrutiny, the fund's detailed implementation arrangements were approved on 6 April 2020: see exhibit **KS/043 - INQ000145366**. This included £200m to be allocated as follows:

- a. £80m (40%) for micro businesses employing between 1 and 9 people;
- b. £80m (40%) for small and medium enterprises employing between 10 and 249 people;
and
- c. £40m (20%) for large businesses employing 250 people or more.

117. In phase 1, which was open in April 2020, there had been 9,532 applications for total funding of £239,669,244. Micro businesses had made 6,893 applications worth £66,909,879; small and medium enterprises had made 2,578 applications worth £142,759,365 and large businesses had made 61 applications which were worth approximately £30 million. These figures are outlined in an assessment of phase 1 which I exhibit as **KS/044 - INQ000321121**. This demonstrates the impact of the scheme on a breadth of businesses facing cash flow issues.

118. The Discretionary Assistance Fund, which was already in operation prior to the Covid-19 pandemic, continued to operate in this time to support those struggling with cash-flow problems. This was a fund of last resort intended to support people experiencing extreme hardship, providing Emergency Assistance Payments, a grant to help with essential costs after an emergency or disaster. The payment was intended to cover the cost of food, gas and electricity, clothing and emergency travel. To provide more help for those households facing significant additional hardship due to the Coronavirus crisis, Welsh Government had asked the Discretionary Assistance Fund Service Centre personnel to apply greater flexibility and discretion about the number and frequency of Emergency Assistance Payments that clients may have required during this period.

119. On 28 April 2020, the Ministerial Advisory Board considered a paper which explained the levels of Covid-19 related support, the existing gaps in support, and where future support should be focused. The paper is exhibited as **KS/045 - INQ000321193**. It stated that business intelligence was identifying gaps in support including businesses which started trading in 2019-20 and which would not have made a tax return in 2018-19 and so they could not meet the requirement for applications to verify turnover; businesses that did not qualify for rates relief; micro businesses that were non-VAT/PAYE registered so they were unable to access the Economic Resilience Fund; and self-employed and freelancers with a trading profit of more than £50,000.
120. These gaps began to be addressed by phase 2 of the Economic Resilience Fund. A paper was produced by the Economy, Skills and Natural Resources Group to consider the next steps for the fund, circulated on 7 May 2020 and exhibited as **KS/046 - INQ000321194**. The paper recommended the redeployment of grant funding on an all-Wales cross-sector basis and sought ministerial views on the potential for a 'hardship bursary' to reach applicants who needed urgent assistance but were otherwise ineligible for Economic Resilience Fund support and wider UK Government and Welsh Government measures.
121. Support for the self-employed was the focus of an annex to the paper dated 7 May 2020, exhibited as **KS/047 - INQ000321143**. This paper identified five gaps in support which affected the self-employed, namely:
- a. Those with income over £50,000. The paper did not recommend support to this category as they were not classed as most in need;
 - b. Those with alternative income sources. As it was unclear what other sources of income those individuals had and whether their needs were a priority, it was not recommended that this group would be supported;
 - c. Those that receive income through dividends. Again this was not recommended to be pursued as the treatment of income for this group was motivated by tax advantages;
 - d. Those who would be delayed in receiving income for a period up to June 2020 and facing cash flow problems, support for whom was considered;
 - e. New start-ups, support for whom was also considered.

122. Ultimately, it was decided that the Economic Resilience Fund would continue into phase 2 with minor changes to small, medium enterprises and large businesses, and that support for the self-employed would be provided in the next iteration of the fund following further work, as set out in the email following discussions I had with officials and the Minister for Finance, exhibited as **KS/048 - INQ000320858**.
123. Phase 2 opened on 29 June 2020. By 4pm on 2 July 2020, 5,133 applications had been received worth £75,029,935. 4,277 micro businesses had applied for a total of £42,018,558; 329 micro sole traders had applied for a total of £3,211,999; and 527 small and medium enterprises had applied for a total of £29,799,378. The breakdown is exhibited as **KS/049 - INQ000320898**. Phase 2 closed to new applications on 13 July 2020 when sectors including hospitality and non-essential retail were re-opening.
124. At the same time, Start-up Grants of £2,500 were introduced in Wales. The aim was to help businesses set up between 1 April 2019 and 1 March 2020. To be eligible for a start-up grant, a business must:
- a. Not have received funding from the Welsh Government's Economic Resilience Fund or the non-domestic rates grant;
 - b. Have been set up between 1 April 2019 and 1 March 2020;
 - c. Not have qualified for the UK Government's Self Employment Income Support Scheme;
 - d. Must have less than £50,000 turnover annually; and
 - e. Must have experienced a decrease in turnover of more than 50% between April and June 2020.
125. The scheme ran from June until September 2020. A total of 1,641 grants were made, worth a total of £4.1m.
126. I have been asked to provide my view as to why the Start-Up Scheme did not reach capacity. While I cannot state with certainty the reasons for this, it is important to note that, as a minister, I would always prefer to deliver a scheme that is adequately resourced to meet demand, rather than one that is oversubscribed and unable to fulfil its commitments. The scheme was designed to ensure that the support available could meet anticipated demand, and any spare capacity was then reallocated to support other schemes where appropriate - in line with the principle of responsible use of public funds, and a commitment to ensuring that support is both appropriately targeted and practically deliverable.

127. Phase 3 of the Economic Resilience Fund included a discretionary enhanced £2,000 top-up grant made available on application for those businesses with a rateable value of £12,000 or less which were forced to close by the firebreak lockdown. The discretionary element of the fund made grants worth more than £3.8 million.
128. The discretionary grants continued in Phase 4 of the Economic Resilience Fund. The grants continued to be targeted at businesses that were not on the non-domestic rate system and were not therefore eligible for grants linked to non-domestic rates. The amount of each grant was set at £2,000 per business to reflect the potential six-week life of the restrictions. This element of the scheme supported sub-VAT registration threshold sole traders without a property who were materially impacted as a result of the restrictions (e.g. cleaners providing services to the hospitality industry). The relevant Ministerial Advice dated 4 December 2020 is exhibited as **KS/050 - INQ000145352**.
129. In phase 5 of the Economic Resilience Fund, an additional £20 million was allocated to the Local Discretionary Fund for grants of £2,000 to the 10,000-15,000 firms which did not pay non-domestic rates. The relevant Ministerial Advice is exhibited as **KS/051 - INQ000337464**. I announced the changes on 29 January 2021.
130. Before leaving government in May 2021, I approved a further package of support in phase 6 of the Economic Resilience Fund. That support provided £20m-£25m to the Local Discretionary Fund to give businesses affected by residual COVID-19 restrictions support to help cover their operating costs for the period between 1 May 2021 and 30 June 2021.
131. Although it was not within my portfolio, the Welsh Government together with the Arts Council of Wales and local authorities ran a fund to support creative freelancers. There was a £53m Cultural Recovery Fund funding package which included a Freelancer Fund of £18m to support 3,500 individual freelancers. The fund launched in summer 2020 and opened for applications on 5 October 2020 and individuals could apply for a £2,500 grant. The fund's extension was announced on 22 March 2021, and it reopened for applications on 6 April 2021, the announcement is exhibited as **KS/052 - INQ000624663**. Local authorities ran the freelancer element of the fund and determined the duration and terms of the fund.

Gap in funding for business loans

132. Another identified gap was short-term financial assistance to businesses facing cash flow problems before the introduction of the UK Government's Coronavirus Business Interruption Loans Scheme and Bounce Back Loans. Loans of between £5,000 and £250,000 were provided to eligible businesses falling outside of those schemes.

Taxi drivers

133. Mainstream funds did not initially reach taxi drivers. As sole traders, there were issues of eligibility and they did not operate from a property, so they were ineligible for local government business support. Also, there were often language and access issues such as digital access. A bespoke support element to the local discretionary fund was introduced to ensure equal access to support, using taxi driver registration documents instead of typical checks like VAT registration. Feedback from the trade unions had been important in identifying problems and ensuring that appropriate information was provided. The note of the Ministerial Call on 28 January 2021 – exhibited as **KS/053 - INQ000361712** - confirmed the second round of sector-specific funding would target sectors including taxi drivers. A note addressing inconsistencies in how taxi companies were assessed is exhibited as **KS/054 - INQ000591699**.

Start-up grants

134. Start-up grants were introduced to fill the gap for those who did not have sufficient trading income to satisfy the criteria applied under existing schemes. The grants were introduced between June and September 2020. There were 1,641 grants issued totaling £4.1m of support, with an estimated 770 jobs safeguarded.

Data on self-employed workers

135. Data on self-employed people in Wales was fed back to me through various channels such as Ministerial Advices. A limitation of the data was that it was out of date by the time it was being published, as things changed very rapidly. We received official data from UK wide surveys, population surveys, surveys from trade unions and employment organisations. Trade unions and employment organisations had near-live information and we trusted this intelligence.

136. Interventions were developed to meet identified 'gaps' and needs rather than to provide "blanket" support for the self-employed which would have involved duplication of the UK Government's Self-Employed Income Support Scheme. The arrangement in Wales was chosen to complement, rather than duplicate, the national scheme. In my view, the interventions implemented the Welsh Government effectively supported Welsh businesses. That view is demonstrated by the fact that they have bounced back. In my view, support was comprehensive and, if there were gaps, they would have been difficult to plug entirely given their size.

137. I am asked:

"The Inquiry understands that in Phase 1 and 2 of the Economic Resilience Fund sole traders had to be VAT registered and employ via PAYE (exhibited earlier as **KS/048 - INQ000320858**) however in respect of phase 2 it was recognised that further work was required at pace to support new start-ups and the self-employed not otherwise eligible for the existing support. Did the Welsh Government provide additional support for the self-employed who were not otherwise eligible for support?"

138. As stated above, these gaps were addressed by the introduction of Start-up Grants and support for sub-VAT sole traders in Phase 4 of the Economic Resilience Fund.

139. The Welsh Government did not have access to HM Revenue and Customs data on individual pay which only the UK Government could use to provide support to employees. HM Revenue and Customs data is protected by the confidentiality provision in Section 18 of the Commissioners for Revenue and Customs Act 2005 and so it has never been shared with the Welsh Government. I have been informed by my officials that during engagement on HM Revenue and Customs-delivered schemes, access was requested to the data in question. HM Revenue and Customs responded that legislation restricted their ability to share this type of data.

140. Access to HM Revenue and Customs data would have aided the identification and verification of eligible businesses for direct support. Such access would have aided the design of schemes: for example, where individuals were supported such as self-employed business owners, access to HM Revenue and Customs data would have enabled verification of a trading business and income, allowing for a more targeted approach based on actual income. Although it is not possible to say exactly how the schemes would have differed without seeing the data, it would have likely resulted in adjustments in eligibility

criteria, more precise targeting of support to specific sectors and adjustments to how much funding would have been allocated to each sector. A lack of such data meant the Welsh Government was unable to support at scale those employees within businesses who had no means of proving their identity and employment by the business.

141. I cannot comment on whether the support for the self-employed ended at the right time as I was no longer in post.

Part F: Support for Business

142. In this section, I will address the following interventions:

- a) Support administered by the UK Government;
- b) Economic Resilience Fund;
- c) Covid-19 Wales Business Loan Scheme; and
- d) Transport Schemes.

Support administered by the UK Government

143. This section addresses loans to businesses administered by the UK Government, including the Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme, the Coronavirus Large Business Interruption Loan Scheme and the Covid Corporate Financing Facility.

Design / Implementation

144. I had no role in the policy design or implementation of the UK loan schemes, nor did I have sight of policy proposals before they were announced publicly. At the very outset of the Covid-19 pandemic, COBR was used effectively for collective decision-making ensuring a four nations approach. If this had continued as a forum for collective decision-making through the duration of the pandemic, consideration could have been given by the devolved governments into the design and implementation of the loan schemes and other economic interventions. As set out above, intergovernmental engagement took place frequently insofar as my portfolio was concerned, with regular scheduled meetings with the other devolved governments and the UK Government, particularly with regard to business and the economy. I found engagement and communication with the Department for Business, Economy and Industrial Strategy and the Wales Office to be effective, achieved by holding regular meetings. These meetings were helpful in sharing intelligence,

experience, ideas and concerns. However, there was little co-ordinated decision-making, which in turn allowed for divergence to occur. I believe this is due primarily to the absence of effective formal structures for joint decision-making beyond COBR.

145. I am not aware of anyone else in the Welsh Government who was consulted adequately or at all about design of the interventions referred to in paragraph 142 above. Consultation would have improved decision-making in two ways. First, Welsh Government officials had knowledge of stakeholders in Wales and they would have been able to say how any proposals would have affected those stakeholders. That would have given the Welsh Government the opportunity to shape the UK Government's policy and to have influence over, for example, the introduction of the Business Loan scheme at an earlier date. It would have avoided the need to fill any gap where there was no short-term assistance to businesses facing cashflow problems before the introduction of the UK Government's Coronavirus Interruption Loans Scheme. The second benefit would have been to enable the Welsh Government to announce business-related support at the same time as UK Government. This would have mitigated stress and confusion for Welsh businesses who consume UK media and may not be fully cognisant of the devolved nature of certain functions. The third benefit would have been to ensure thought was given to interventions that affected those who worked in porous border areas to ensure consistency.

146. The operation and implementation of UK schemes were not monitored in Wales, and I do not recall receiving any data on these schemes by the UK Government. I am also not aware of any issues relating to access of the schemes by vulnerable individuals, since such concerns would have been raised with the UK Government who operated the schemes.

Efficacy

147. Before the launch of the Bounce Back Loan scheme, the Welsh Government identified an eligibility gap in the Coronavirus Business Interruption Scheme in relation to small and medium size enterprises. As part of the Economic Resilience Fund (which is addressed in detail further below), the Development Bank of Wales deployed a Welsh-specific loan scheme, the Covid-19 Wales Business Loan Scheme, in response to this gap.

148. The First Minister announced the £100m Scheme on 31 March 2020 as a rapid response to support those businesses affected during the first lockdown. The Scheme was specifically targeted at small and medium size enterprises and was available for a limited period, with the intention of providing support to businesses experiencing cashflow

difficulties because of the pandemic and to work alongside the loan schemes offered by the UK Government and other Welsh Government interventions.

149. The Covid-19 Wales Business Loan Scheme ended with the launch of Bounce Back Loans in April 2020 because the latter filled the gap that the former addressed. Although I welcomed the introduction of the Bounce Back Loan Scheme, I was concerned that its development was rushed and open to fraud and error. I believe I raised concerns over the speed of delivery and the need for clear communications, ease of access to information and due diligence of applications through the Department for Business, Energy and Industrial Strategy quadrilateral meetings. These were regular weekly calls between the four devolved governments. It was generally an informal discussion about issues affecting businesses across the UK and was an opportunity to highlight matters which the Welsh Government needs UK Government action on. Officials have been unable to locate minutes, however, the briefing note which I exhibit as **KS/055 - INQ000222848** records the concern on speed of payments.

150. Apart from those concerns, I am not aware of any problems affecting the operation of the Coronavirus Business Interruption Loan Scheme, the Coronavirus Large Business Interruption Loan Scheme and the Covid Corporate Financing Facility. I am not aware of any gaps in these schemes, or of any inequalities of impact. The only issue was the complexity and number of different schemes run by the UK Government and Welsh Government, and I was concerned that people were signposted to the most appropriate schemes. As with the design of the schemes, decisions on amending the schemes were taken centrally and without my involvement.

151. I reiterate that, as with the other schemes, co-production on a national basis would have aided public confidence and allowed the Welsh Government to be proactive in its approach. I cannot comment on whether the loan schemes ended at the right time. The Coronavirus Business Interruption Loan Scheme, the Coronavirus Larger Business Interruption Loan Scheme and the Bounce Back Loan Scheme were all replaced by the Recovery Loan Scheme in April 2021, and the Recovery Loan Scheme ended on 30 June 2024. The Corporate Financing Facility ended on 18 March 2022. Therefore, the schemes ended after my time in post.

Strategy

152. The overarching policy rationale for the Economic Resilience Fund was 'supporting businesses with cash flow and general hardship'. Recovery was also a priority which required flexibility to manage short and longer-term interventions. The need for support was outlined in the relevant Cabinet paper which was discussed on 23 March 2020: see **KS/041 - INQ000048815** exhibited earlier. The Cabinet paper stated as follows:

"The pace at which the economic crisis is unfolding is extraordinary, with the rate of potential redundancies or business closures rising exponentially on an hourly basis. Although the impact is coming in waves, starting with the social economy and the self-employed, practically no part of the economy is being spared, with the crisis spreading to sectors including manufacturing. The situation remains fluid, with ongoing uncertainty and businesses and jobs at risk'.

153. Although the UK Government's schemes to support businesses addressed some of these concerns, the Welsh Government identified gaps specific to the Welsh economy, or where UK-wide schemes were due to start later and so there was a need to make good a delay in provision in the meantime.

154. As indicated in a note circulated on 17 March 2020 following discussions, the broad strategy of the Welsh Government was to use UK and Welsh Government funds to help businesses to hibernate for as long as possible to achieve the goal of limiting the spread of Covid-19, until public health conditions improved sufficiently that business activity could resume to support economic recovery. The aim of the strategy evolved to ensure that 'a good business in 2019 will be a good business in 2021.' Whilst the core aim of supporting businesses and working through the uncertainty of the pandemic remained throughout, the evolution simply reflected the time and duration of the pandemic. In March 2020 it was expected that impact would be short-term, perhaps lasting into summer of 2020. By the end of 2020 it was clear it would be longer term, taking support through to the spring of 2022. Factors such as erosion of businesses' cash position as well as the cumulative provision of grants over a longer term had to be considered in the packages provided. Principles of investment decisions were outlined in the Cabinet paper on financial support for businesses which was discussed on 23 March 2020, previously exhibited above as **KS/041 - INQ000048815**.

155. The Welsh Government's strategy was not to compete with the UK Government's support but to complement it, particularly where there were gaps in support, or the support was not sufficient to keep businesses viable. The Cabinet paper identified that this type of support was particularly relevant to small and medium-sized enterprises, the self-employed, those who were casually employed or people working in the informal economy.
156. In the first wave of crisis, the Welsh Government chose to prioritise businesses which met at least two of four eligibility criteria, namely that they (i) were critical to keeping essential infrastructure operational; (ii) were critical to the operation of fragile supply chains; (iii) had growth potential in sustainable and future-focused industries and (iv) were located in areas of economic fragility.
157. The Cabinet paper of 23 March 2020 set out the strategy and principles of investment decisions. It was drafted by Emma Watkins, Deputy Director of Economic Policy, and Duncan Harmer, Deputy Director for Business. It was cleared by Andrew Slade, Director General of the ESNR Group, and then approved by me. It is exhibited as **KS/041 - INQ000048815**.
158. The Welsh Government's overarching strategy was drawn up by a cross-Welsh Government group of officials in the Economic Resilience Fund project team, supported by contributions from the Economy, Skills and Natural Resources Group. Real time challenge was provided by the 'Red Team', a group which was established to shadow the development work and provide constructive challenge to the structure and content of the proposed fund. The Star Chamber provided an additional check by reviewing the eligibility criteria in each phase of the Economic Resilience Fund. I approved the criteria, for example in phase 3, Ministerial Advice is exhibited as **KS/056 - INQ000145349**.
159. Strategy evolved over time. Initially, short-term survival took precedence as businesses were facing immediate pressures, particularly in relation to cash flow. After the initial economic and operational shock, longer-term survival became increasingly important. Short-term considerations were in focus once more at the point of re-introduction of restrictions in Autumn 2020 and in response to the Omicron wave in December 2021. For example, phase 3 of the Economic Resilience Fund was developed in summer of 2020 within the context of the easing restrictions, but it had to be adapted quickly to the changing circumstances brought by another lockdown in Autumn 2020. Ministerial Advice dated 17 October 2020 is exhibited as **KS/057 - INQ000145350**.

Sector-based interventions

160. Sector-based interventions were considered and, in some instances, interventions were targeted by sector. Funding was provided to businesses, social enterprises and third sector organisations affected by the restrictions in place to mitigate and slow the spread of Covid-19. Sector support was inevitably determined by the public health restrictions put in place in response to the pandemic. Behavioural modelling and data on transmission was produced by SAGE and the Technical Advisory Group throughout the pandemic which considered Covid-19 transmission risks in hospitality, retail, and leisure sectors. The combination of transmission modelling and behavioural data directly informed government decisions on sector-specific restrictions. For example, evidence showing higher transmission risks in indoor hospitality settings led to stricter controls compared to outdoor or retail or manufacturing environments for which there were partial restrictions and social distancing measures. This meant that different sectors received different types or amounts of support. Consideration was given to whether those businesses were able to trade, for example, those in the tourism sector were able to take customers later in the process as guidance on numbers of people changed and access was improved.
161. An example of a sector that I considered providing support to but did not was large retail such as supermarkets, which remained open and continued to make as much, if not more, profit during the pandemic as before.
162. Due to the range and sizes of businesses being considered it was difficult to obtain comprehensive and up-to-date data when decisions were being taken. However, direct engagement with industry through officials was good, and it was possible to obtain information from stakeholders such as the Welsh Retail Consortium and Aerospace Wales. I was satisfied from the information provided to me by officials that we were making evidence-based decisions.
163. Many of the concerns that emerged from our engagement with businesses were consistent. All businesses faced uncertainty in relation to the unknown period of disruption and although many felt that they could maintain operations in the short term, they also felt that longer term survival would not be possible. Cash flow was cited as being an acute issue, particularly for smaller businesses. Many businesses voiced concerns about knock-on effects from other businesses, for example, logistics and export/import delays. A chronology of the Shadow Social Partnership Council meetings is exhibited as **KS/058 - INQ000101236**.

164. Certain areas of business activity were identified in the early stages of the pandemic as particularly vulnerable. These areas were identified as a result of our engagement with business. For instance, there was a risk that bus companies may cease operations, introduce redundancies or at least be unable to re-start at required operating levels when schools re-opened. Taxi and travel firms had concerns, particularly about their long-term viability. Those travel companies that held contracts for school transport were affected by school closures and they sought confirmation that local authorities would honour ongoing payments. The travel and leisure industry was concerned about a reduction in bookings and future income. Some smaller local businesses, particularly in the hospitality sector, had been forced to close because of a lack of trade. Automotive component suppliers had been forced to suspend operations due to automotive manufacturer closures. Supply chain issues were seen across all regions and sectors, particularly in manufacturing, life sciences and construction. Many businesses were being severely impacted by staff shortages caused by sickness and/or self-isolation. Regional effects were also considered, as was the impact on the self-employed.

165. Further to the above, Annex 2 of a policy paper dated 27 March 2020 and exhibited as **KS/042 - INQ000320771** considered the self-employed as a sector for targeted support. Data showed that there were 210,000 self-employed people in Wales which represented 14.3% of all people in employment. The Cabinet Paper considered the UK Government's self-employed scheme and identified a gap in support because 'claimants will have to manage a reduction in cashflow until June when the backdated payment is made'. It added that 'the main gap of concern appears to be for those who set up a business in the last year and do not have tax returns.' The high proportion of self-employed people in Wales was a factor in the development of hardship bursaries under the Economic Resilience Fund, for those needing urgent assistance but who were not covered other sources of support, such as the Cultural Recovery Fund.

166. Bespoke support for areas not covered by the Non-Domestic rates relief support and Economic Resilience Fund included support for start-up businesses, residential outdoor centres, sole traders and the hospitality sector. Funding was discretionary, grant-based and conditional.

167. Sector-specific support was fundamental to phases 4 and 5 of the Economic Resilience Fund. Following the November 2020 firebreak, Cabinet recognised there would be 'a need to consider the impact on the economy, particularly retail and hospitality within town

centres, for which the pre-Christmas period was the busiest time of the year'. These minutes are exhibited as **KS/059 - INQ000048798**. Discussions with ministers and industry representatives resulted in a paper with updated proposals for phase 4 of the Economic Resilience Fund, exhibited as **KS/060 - INQ000321004**. This paper refers to a discussion taking place at a quadrilateral meeting on 27 November 2020. I cannot recall the detail of that meeting however the paper confirms that any points raised by ministers were addressed by officials. It outlined a package of support worth up to £340 million, comprising of £130-160 million to support businesses closed or materially impacted by national restrictions, and up to £180 million specifically targeted at hospitality and leisure businesses. The First Minister and I cleared the paper exhibited as **KS/061 - INQ000321003**. Cabinet agreed the paper on 29 November 2020, with the minutes of this meeting being exhibited as **KS/062 - INQ000048930**. Further detail about the support package was provided in Ministerial Advice dated 4 December 2020 which sought agreement for detailed implementation arrangements: exhibit earlier as **KS/050 - INQ000145352**.

168. Further targeted funding was provided on 19 February 2021 when officials asked ministers to approve £30 million of additional funding targeted specifically at hospitality, leisure and tourism businesses, as well as related supply chain businesses. Ministerial Advice, exhibited as **KS/063 - INQ000145337**, noted that there was a continuing need for emergency support in February and March 2021 given the extension of Alert Level 4 restrictions. This was extended on 1 March 2021, ahead of a review of regulations on 11 March 2021 as part of the 21-day review process. Ministerial Advice recommended that funding should be extended again if Alert Level 3 or 4 restrictions remained in place, exhibited as **KS/064 - INQ000145374**.

169. Several options were presented in that Advice, but officials recommended Option 2 under which there would be a package of support including grants of between £500 to £3,500 for the smallest cohort of business properties with rateable values of less than £12,000 per annum (estimated as comprising 27,992 of the 35,112 qualifying properties). Both I and the Minister for Finance preferred Option 3 which increased the grant award up to £4,000 for those properties. This option was the most generous option that also brought the non-domestic rates linked offer directly in-line with England: see **KS/065 - INQ000321052**.

170. To avoid duplication, the schemes did not cover businesses that had access to other sources of funding. For example, farmers were not covered by the Economic Resilience Fund because they had access to separate support arrangements. The Welsh Government

initially operated the arrangements on a cross-sector basis, but as outlined above, later phases introduced a more targeted approach given the uneven impact on certain sectors, such as hospitality.

Use of data

171. Data was an integral part of the decision-making in relation to the Economic Resilience Fund. The Cabinet Paper dated 23 March 2020, previously exhibited as **KS/041 - INQ000048815**, considered the modelling of typical business costs and other factors determining businesses' ability to respond to crisis. Annex A of the Cabinet Paper set out a summary of indicative business intelligence at that stage of the pandemic. This included qualitative data on concerns raised by businesses across the breadth of sectors of the Welsh economy, for example concerns from the travel and leisure industry over reduction of bookings. This also included quantitative data on regional impacts, for example that 98 businesses in North Wales had registered concerns, which had an impact on 8,000 members of staff. Annex B of the same paper had set out the composition of businesses in Wales as at 2019, broken down by size, enterprise count, employment and turnover based on data from the Inter-Departmental Business Register of the Office for National Statistics.

172. Data was used in the Economic Crisis Fund Policy Proposal Paper (exhibited earlier as **KS/042 - INQ000320771**) which was submitted to, and discussed by, the Star Chamber on 27 March 2020. This paper relied on ONS statistics on the number of enterprises in Wales by industry and economic region, and their composition. However, this data was incomplete as its source had underestimated the total number of businesses impacted. The very smallest businesses that operated below the VAT threshold, which constituted most of the total number of businesses in Wales, only accounted for a modest proportion of the total turnover and employment by businesses in Wales, but they were not included in the ONS statistics. This absence was recognised by the Policy Proposal Paper but it also noted that:

“This may be offset by the fact some of these businesses may not be forced to close (e.g. takeaways) or may adapt their business model to avoid full closure (e.g. sit-in restaurants switching to takeaway only). It should also be recognised that due to the interconnected nature of the Welsh economy a key gap is the supply chain impacts both between larger and smaller businesses, where smaller businesses will be heavily dependent on the survival of a larger entity and cross border/global supply chain impacts.”

173. Two approaches were taken to obtaining data on the smallest businesses operating under the VAT threshold. Either data was provided through the application process and built into the assessment and offer, or the Non-Domestic Rates database was used as a record of established tax paying businesses to ensure support to those eligible businesses. Other data was also used, for example Companies House data, and where concern was raised, a web search and call contact would be undertaken to ascertain the business was operating and eligible. Although data was limited, this combined approach of using various digital systems meant that the policy intent was not limited. The data limitations could be rectified, for example, if all businesses were required to record full accounts. However, this may be a disproportionate response to the risk outside of an event such as the pandemic.
174. The support offered to local authorities addressed this point for those which paid business rates below the threshold of the Economic Resilience Fund, but access to information about this cohort was limited as access to HM Revenue and Customs data was restricted. This could be rectified in the future by having an agreement with HM Revenue and Customs to access records relating to these types of businesses.
175. Annex 1 of the Economic Crisis Fund Proposal paper outlined the principal micro and macro-economic implications of the Covid-19 pandemic. It referenced KPMG forecasts about the impact of GDP reduction, consumer spending, investment, unemployment, inflation and base interest rate, as well as a summary of economic implications from the Bank of England's Monetary Policy Committee.
176. In my view, there was sufficient quality and quantity data to develop the Economic Resilience Fund in all its phases. The question is whether there was sufficient data to develop the Economic Resilience Fund phases with the right degree of intervention. In my view, more data about profit and business reserves would have clarified whether we were neither over-funding nor under-funding. Usually, HM Revenue and Customs, Companies House and other national bodies are responsible for collating information on businesses in the UK.
177. I have already addressed the restrictions that we had with HM Revenue and Customs data above at paragraph 139. I am not aware of further requests for data being made to HM Revenue and Customs.

Design

178. Overall, the scheme's objectives were developed rapidly to provide financial support to those businesses that needed it. The fund's specific policy aims included: maintaining employment levels and adding to efforts to stabilise the economy; offering flexible, cross-government and cross-sector support; and tying in with the wider policy context including the Economic Action Plan, with 'proportionate consideration' given to the need to deploy public investment with a social purpose as set out in the economic contract.
179. The Economic Action Plan has been the guiding economic blueprint for Welsh Government since December 2017. It remained in place during the pandemic. The 'Economic contract' which is a conditional agreement between the Welsh Government and the businesses it supports, was fundamental to the Economic Action Plan. It meant that businesses would sign up to core principles (such as fair work and decarbonisation) in return for support from the Welsh Government. The Economic Action Plan (exhibited as **KS/066 - INQ000187570**) led to the establishment of the overarching Ministerial Advisory Board.
180. As referred to above, the Star Chamber, was set up to ensure that the most effective and efficient use was made of the available financial resources available. It was chaired by the Minister for Finance and Trefnydd; it was a scrutiny and advisory body and Ministers retained decision-making responsibility. The Star Chamber provided cross-government strategic oversight of major funding decisions and so provided robust internal checks and challenge. Following scrutiny by the Star Chamber, the Minister for Finance and other relevant portfolio Ministers made spending decisions: see exhibit **KS/067 - INQ000320738**.
181. The Economic Resilience Fund oversight team was involved in the scheme's design. The initial proposals for the Fund were contained in a draft project overview and responsibilities document dated 27 March 2020, exhibited as **KS/068 - INQ000350590**. This document had set out the proposed membership of the team. The paper was discussed at a meeting on 25 March 2020, after which I received a detailed policy proposal. Gareth Williams, a special adviser on business and the economy, edited the paper before it was finally submitted to the Star Chamber which considered the proposal on 27 March 2020. Gareth Williams's covering email is exhibited as **KS/069 - INQ000320769** and the relevant papers are exhibited as **KS/042 - INQ000320771** and **KS/070 - INQ000320770**. The policy exempted businesses that did not have any employees, because the Economic Resilience Fund was designed to support businesses and employees. It was deemed that the Non-Domestic

Rates element would sufficiently support those businesses that did not have any employees. The policy proposal stated that the scheme was open to companies with a VAT registration number and sole traders above the VAT threshold.

182. On 31 March 2020, it was agreed by the Star Chamber that accountability for the Fund should sit with the Director General as the additional accounting officer and ministerial approval for grants above a certain threshold would be agreed (or not) by me. A note of this is exhibited as **KS/071 - INQ000320779**. It was discussed again on 2 April 2020 and that note is exhibited as **KS/072 - INQ000320780**. I believe that the decision-making structures of the Economic Resilience Fund were adequate, and they allowed decisions to be made at pace while providing critical scrutiny and rigor.

Engagement / Consultation

183. I understood that there was a good level of engagement in the design of the Economic Resilience Fund. Engagement with the private sector was led by economy officials. My understanding is that they engaged with a smaller group of business representative bodies who provided feedback on pandemic impacts and the interventions such as lockdowns and social distancing on businesses as they happened. Trade Unions were engaged through the Trade Union Congress. Trade Unions were also members of both the Council for Economic Development and the Shadow Social Partnership Council.

184. The Council for Economic Development provides advice to the Economy, Skills and Natural Resources Group to inform economic and business policies. The Council consider papers and provide advice on economic development. I attend this group; an example of the group's minutes are exhibited as **KS/073 - INQ000611538**.

185. The Shadow Social Partnership Council brought together social partners (25 in total) from trade unions, devolved employers, the private sector as well as the Welsh Commissioners to better understand the challenges posed by Covid-19. A number of senior Welsh Government officials also attended either to act in support of a Minister or to update the Council on their respective areas of policy or operational responsibility. Throughout the pandemic the Shadow Social Partnership Council met on a fortnightly basis, then in alignment with the 21-day review cycle. Sometimes it met at very short notice in reaction to emerging issues.

186. The Welsh Government also had a high level of engagement with local government. This comprised daily exchanges of information and rapid iteration of guidance and scheme development. That was achieved in various ways, one of which was a forum chaired by Welsh Government officials and attended by six leading officers and nominated Chief Financial Officers who represented all twenty-two local authorities in Wales.
187. Both the Deputy Minister and I met with Welsh Local Government Association leaders during the pandemic. These engagements were vital in ensuring that local perspectives informed the Welsh Government's economic response.
188. My officials worked closely with the Welsh Local Government Association and individual Welsh local authorities to understand and identify the wider support required by the business community, as well as any potential gaps at the local level. This intelligence directly informed the Ministerial Advice I received and shaped the development of responsive and targeted support measures.
189. The Welsh Local Government Association was also represented at meetings of the Covid-19 Core Group and the Shadow Social Partnership Council. I would regularly attend the Shadow Social Partnership Council meetings and alternated my attendance with Deputy Minister Lee Waters. These meetings were highly effective in co-producing responses to address stakeholder concerns and mitigate unforeseen consequences of the Government's economic interventions.
190. Forums such as the Mersey Dee Alliance also played an important role in enabling cross-border collaboration and information-sharing. However, challenges did arise, particularly in managing the consequences of policy divergence. While counties such as Wrexham and Flintshire form part of a functional economic area with Chester, Cheshire West, Ellesmere Port, and the Wirral, they fall under the responsibility of the Welsh Government. As a result, the coordination of economic responses across the wider region was shaped by differing policy frameworks, which required careful navigation to maintain alignment and effective delivery.

The 'red team'

191. The 'red team' was a team set up to constructively challenge the team of the Economic Resilience Fund to provide assurance to Ministers. The 'red team' was set up after a

'lessons learnt' exercise following earlier UK public inquiries' recommendations about testing policy propositions in complex and pressured situations.

192. The red team worked in parallel to the main team and fed in pre-advice as a check and balance measure and to avoid "group think" risks. My advice would update and take account of red team advice where an agreed position was reached. This often simply included a clarification of position rather than major change. Feedback by the red team was usually provided via email and live via Teams calls to ensure a rapid and continuous improvement to approach. In my view, the red team approach was effective providing constructive support and oversight during a period of high pressure.

193. The red team provided challenge to my officials rather than to myself directly. For example, in April 2020 the red team voiced some concerns about turnover drop thresholds in the eligibility criteria relating to the Economic Resilience Fund, which was ultimately discussed and resolved with officials by email, exhibited as **KS/074 - INQ000626286**.

194. The most common implication of red team challenge was to provide assurance or advice around identified risks and to provide confidence to the Accounting Officer pre-submission of advice. Most changes were small in nature around risk mitigation and or presenting points of consideration for the Economic Resilience Fund team. In my view this process was effective and should be repeated in future.

195. An example of feedback or challenge provided by the 'red team' on the Economic Resilience Fund policy development was its request for greater clarity as to the rationale underpinning the investment and objectives for Phase 2 of the Fund. The team's feedback noted that greater clarity was required as to whether the aim of the scheme was to keep businesses afloat or to maintain employment levels. This feedback is exhibited as **KS/075 - INQ000611533**. Several changes were made to address the concerns in the subsequent Ministerial Advice exhibited as **KS/076 - INQ000349522**. The purpose of the fund was clarified. The £50k profit cut off threshold was revised. It was clarified that the fund was not a continuation of what was provided already, but a new fund. A suggestion for businesses to make undertakings was made and two options for timing were presented. When I announced Phase 2, I said that Fund's primary purpose was to support businesses for them to weather the effects of the pandemic measures. The announcement is exhibited as **KS/077 - INQ000376601**.

Prioritisation

196. I am asked how I decided which businesses to prioritise to support within the scheme. As stated above, priority was given to support those businesses that were not covered by the UK Government support, or where support would come in too late, based on particular categories rather than individual businesses. In each round of the Economic Resilience Fund, eligibility criteria and strict application windows were applied. There was a degree of discretion when allocating funding to large businesses, which was done by a panel, and this is explored in this statement at paragraph 219.

197. I am proud of how the Welsh Government approached supporting businesses. With each phase, the Fund evolved. My only suggestion for improvement would be, as stated above, to have a co-ordinated approach to cross-border interventions. It would have been much more effective to have interventions that would have been consistent in all parts of England and Wales.

Constraints

198. The Economic Resilience Fund was not constrained by the decisions of the UK Government directly, but it was informed by them, since the scheme was designed to fill the gaps in support provided by the UK Government to firms, charities and social enterprises.

199. An indirect constraint of the scheme was the amount of funding available to the Welsh Government. A portion of funding in Wales comes from UK funds earmarked for expenditure by Welsh Government, and this allocation is known as the "Block grant." Adjustments to its amounts are determined using the Barnett formula. Although it was positive that the UK Government agreed to a 'Barnett guarantee' which was announced by the UK Government on 23 July 2020, there was uncertainty about the amount of funding available because the funding for Wales always "followed" the approach taken by the UK Government. These constraints were not necessarily unique to the Economic Resilience Fund but applied generally to the Welsh Government's pandemic response. They have been explored in detail in previous modules.

200. One of the limitations of the scenario analysis in the early period of the pandemic was identifying how long the economic shock would last. The initial scientific uncertainty about the trajectory of the pandemic was at the root of this. It became clear by mid-March that the effects of the virus and the response to it would be long-lasting and that therefore businesses would need both immediate and medium to longer-term support.
201. Despite the uncertainties, modelling was deployed to assist with effective decision-making. The Cabinet Paper dated 23 March 2020 referenced in paragraph 109 above modelled the main fixed costs and other factors determining exposure to risk of businesses, and the amount of funding needed to secure jobs. For example, in considering support for small and medium enterprises, at a pro rata cost of £75,000, one thousand businesses could be supported at a cost of £75m, securing more than 10,000 roles. The paper also proposed that the Cabinet consider the appetite to increase the allowed default rate of the Financial Transaction Reserve, to build in some flexibility in the repayment of loans in the event of the need to address urgent cashflow issues. In doing so, the pressure on the department's finances and the duration of this pressure was modelled.
202. In a Ministerial Advice which I received on 3 April 2020, previously exhibited as **KS/078 - INQ000321124**, consideration was given to the total number of businesses in Wales in each size category of micro, small, medium and large businesses, including the total number of enterprises, VAT/PAYE registered enterprises and employees. Modelling had been undertaken as to how much support would be provided for each category. For example, for small and medium enterprises, if the maximum funding of £100k was provided to every applicant, support would be provided to 800 (£80m / £100k) businesses. However, because of the combined effect of the eligibility criteria and assessment process, it was estimated that, in reality, the average grant payments would be half of that, of around £50k each. This would therefore result in support being offered to 1,600 (14%) of the 11,700 potentially eligible businesses.
203. Ultimately, the take-up of the scheme at this stage was an unknown, and that factor was acknowledged in the Ministerial Advice that I approved. Its consequences were managed by close monitoring of the applications and limitations created by the eligibility criteria, funding amount and application window.

204. In Phase 2 of the scheme, more data was available. A combination of data from Phase 1 of the Economic Resilience Fund scheme was available together with data from central government. Internal data on the first phase of the Economic Resilience Fund showed that there was significant demand for this funding, and that this was distributed well across sectors, showing that the crisis was pan-economy. Regional distribution was reflective of the economy in Wales with applications in line with the distribution of enterprises at the regional level. This was broadly in line with the data presented at the time from the Bank of England showing pan-economy downturn. It was anticipated that GDP was due to fall by 35% in the second quarter of 2020 but would bounce back quickly assuming the easing of restrictions and no scarring effects on the economy. There were limitations to the data from the Bank of England as it was not broken down by region or nation and only gave an overall picture of the likely impact on the UK as a whole. It was also made on the assumption of a linear recovery without further restrictions being imposed, however such restrictions were ultimately imposed.

205. Analysis presented when considering the next phase of the Economic Resilience Fund in September 2020 broadly confirmed that the trend of a significant economic downturn continued: "The economic picture is therefore stark and unstable, and its future path is intrinsically linked to that of the pandemic. As we move from rescue to recovery, it is clear that there is a strong rationale for continued support for businesses, people and communities in Wales to help improve their short-medium term prospects."

Value for money

206. Managing risks to maintain value for money was a core principle of the Economic Resilience Fund. Outside of the pandemic, all public grant support to business is considered against the "minimum necessary" to support. Where possible, common processes were followed for familiarity and pace. The one major difference was that the Economic Resilience Fund supported operating cost, which was ineligible in most business-as-usual support schemes.

207. Value for money was considered in each stage of the Economic Resilience Fund, each case for support, in particular the level of cumulative funding received and reasonableness of that support. Pace and scale were unique to delivery of Economic Resilience Fund and the value for money assessment had to be carried out with accelerated approaches. Value for money, as one of the four accounting officer tests, was taken into consideration into any

policy proposal. Value for money also had to be confirmed as part of policy officials' Ministerial Advices to me.

208. Assessments covering the value for money of any proposal were undertaken in accordance with the principles set out in the Treasury guidance: The Green Book - Appraisal and Evaluation in Central Government.

209. The Economic Resilience Fund oversight group included colleagues from the Corporate Governance team and the Welsh Treasury who provided extra challenge and advice on value for money. The Star Chamber also provided additional challenge and assurance. The 'red team' referred to above also scrutinised value for money considerations. Such matters were referenced in various Ministerial Advice documents, which all included a statement of assurance to confirm that regularity, propriety and value for money had been taken into account. For example, the risk of a minority of underserved cases receiving support and steps to mitigate this risk are discussed in the Ministerial Advice in relation to Phase 3 of the Economic Resilience Fund in October 2020, exhibited earlier as **KS/057 - INQ000145350**. In this Ministerial Advice, there is a statement of assurance on Value for Money and a discussion on risks.

210. Another example is in relation to Ministerial Advice I received on 3 April 2020 when the Star Chamber made several comments and requests for information. For instance, it highlighted that the avoidance of compulsory redundancies may not be possible for all small and medium enterprises as well as outlining its expectation that large businesses would be expected to pursue a loan-based support route rather than a grant-based support route. However, to prevent delay, it was agreed that the operationalisation of the fund should 'go ahead at full pace' and officials should reflect on and report back against the issues raised as the fund was implemented. This is captured in the email chain exhibited as **KS/079 - INQ000320783**. I approved a revised advice on 6 April 2020 which is exhibited earlier as **KS/043 - INQ000145366**.

211. As the fund developed, there were times when the Welsh Government concluded that further support to certain sectors would not represent value for money. For example, a sector-specific fund in Phase 5 of the Economic Resilience Fund was not made available to micro businesses because grants risked exceeding their likely income, the relevant Ministerial Advice is exhibited as **KS/063 - INQ000145337**.

212. Overall, I believe that the value for money of the Economic Resilience Fund was good, and that the Welsh Government utilised the resources available to it well.

Risk and fraud

213. At the outset of the design process of the Economic Resilience Fund, an overall risk appetite level was agreed and accepted by the Permanent Secretary, the risk statement is exhibited as **KS/080 - INQ000626288**. A higher risk level was accepted due to the nature of the pandemic, although steps were taken at each phase of the Economic Resilience fund to improve this. I understand from my policy colleagues that fraud and error assessments were produced for each scheme, and if there were any significant issues these would have been raised in Ministerial Advices. I am advised by my officials that every Ministerial Advice considered risk and contained a risk statement. I am also informed that due to the unprecedented nature of the pandemic, it was difficult to provide an estimated fraud and error rate at the design stage, however continuous improvements were made to improve digital usage to flag error issues.

214. The risk of fraud and error was considered in the Economic Crisis fund Proposal Paper dated 27 March 2020, exhibited earlier as **KS/042 - INQ000320771**. It was proposed that this fund adopted an approach similar to that followed by HM Revenue and Customs, on a self-assessment principle of “process now check later” to ensure that affected people would benefit as quickly and efficiently as possible. There would then be a degree of retrospective compliance checks. Alongside appropriate checks built into the assessment process, this approach would make clear that the responsibility for providing accurate information rested with the applicant, making clear that retrospective due diligence would be undertaken with enforcement action taken if required. It was also advised that the scheme operated as a 12-month time-limited fund with review points at 3, 6 and 12 months to monitor uptake against need and assess any compliance and due diligence issues. A phased approach to funding was also proposed, enabling a response to emerging impacts as the situation evolved including the emergence of any gaps in the UK Government support measures.

215. Ministerial Advice dated 3 April 2020, previously exhibited as **KS/078 - INQ000321124**, set out that due diligence would be undertaken with enforcement action to follow, if required, subject to the availability of the substantial resource requirement which would be needed. This included monitoring performance indicators which were linked to the central aims and purpose of the fund: the number of safeguarded businesses, the number of safeguarded jobs and business survival after 12 months.

216. That advice also indicated that officials were engaging with local government to consider options for checking whether or not applicants were in receipt of business rate relief before confirming grant payments. It was envisaged that the fund would operate for 12 months with an initial review undertaken after one week and one month, followed by further reviews after 3, 6 and 12 months to monitor uptake against need and assess any compliance and due diligence issues. It was noted that the phased approach to funding proposed, i.e. £200m grant funding immediately and £200m to follow later, would afford the Welsh Government flexibility to respond to emerging impacts.
217. All applications were made online, and all required a signed declaration from the company. The level of due diligence checks completed on each application and the supporting information requested was then directly aligned to the level of grant. Applications were assessed by officials and a recommendation made which was subsequently approved by a senior member of staff to ensure that all checks were completed correctly.
218. The applicant businesses were required to have been in business before the pandemic and to supply details of their accounts to verify their existence. Welsh Government staff assessed the claims against the grant criteria; bank account details were checked against the Welsh Government banking service of the Development Bank of Wales. Checks were undertaken about VAT status, information held at Company House, Creditsafe checks on business viability, alongside checks on the Welsh Government's due diligence hub. The hub was a digital tool developed for colleagues to share information to assist in the decision-making process, and contained the following information: address, company/charity registration details, audit details, due diligence record, assessment, persons of concern, SAP Vendors and the most recent grant history. Cases were audited by a group not involved in the delivery of the funds and feedback was provided to the senior team responsible for the scheme.
219. For larger businesses, a "panel" also assessed the applications which significantly reduced the level of risk, as the applications were assessed on a "case-by-case" basis, having regard to where funding could be deployed most effectively to complement other sources of support. The panel was comprised of the economy department team members to approve eligibility and offer, which provided an additional layer of scrutiny. Additionally, for large applications, further checks were carried out on individual directors, and assessors considered profit and loss accounts, forecasts, and accounts.

220. A summary of findings from phases one and two of the Economic Resilience Fund is exhibited as **KS/081 - INQ000321154**. A traffic light system identified 68.6% of cases as green ('clear decision with no action or few minor tweaks on a small number of files'), 17.6% as amber ('requiring some adjustment to records to make decision/evidence clear'), and 5.1% as red ('clear issues identified – priority for action'). I understand from my officials there had been 647 awards and 88 rejections or nil awards at this time. The pre-checks and processes set out above provided a good indication that fraud was being prevented. Although a number of cases have been flagged, no fraud has been identified to date.

221. I am informed by officials that the average application rejection rate across the schemes was 25%. The reasons for rejection varied from not meeting the criteria, speculative applications, error/mistake, or those arousing suspicion of fraud or malpractice.

222. The Welsh Government has supported the National Fraud Initiative and has supplied details of grant recipients to HM Revenue and Customs for this purpose. There have been no referrals, to date, of any cases related to the Economic Resilience Fund by the National Fraud Initiative.

223. The following figures have been provided to me by my officials in relation to insolvency write-offs:

Phases 1- 8 – Insolvency written off

	Number of cases	Value of Write Off
Phase 1&2	7	£282,050
Phase 3	3	£134,120
Phase 4 to 7	0	£0
Phase 8	0	£0
Total	10	£416,170

224. Automation was used with a continuous development approach given the quantity of claims and the urgency of payment. However, as these payments were made based on payment upfront and subsequent checks, in line with HM Revenue and Customs' approach at the time, the Welsh Government set up and implemented a Post-Completion Monitoring team.

Vulnerable groups

225. Vulnerable groups were a fundamentally important consideration in the design of this scheme. In part, consideration of vulnerable individuals was given when determining which sectors to target. For example, in hospitality and tourism, pay is typically lower than other sectors and there was a higher number of women employed in these sectors. Another example of targeted support involved taxi drivers, who were often ineligible for local government business support due to not operating from a property, and who sometimes had additional barriers to access such as English being an additional language. Bespoke support was offered to this group using taxi driver registration documents instead of typical checks such as VAT registration. The note of the Ministerial Call on 28 January 2021 (exhibited earlier as **KS/053 - INQ000361712**) confirmed the second round of sector specific funding would target sectors, including taxi drivers. A note which addressed inconsistencies in how taxi companies were assessed was exhibited earlier, as **KS/054 - INQ000591699**.

226. The scheme was very much designed with vulnerable groups in mind, and it attempted to address the issues that vulnerable groups faced. However, one limitation was that our data was not broken down to the granular level of protected characteristics or vulnerable groups. Such a breakdown would have enabled the design of the schemes to be even more precise.

Delivery

227. I had responsibility for Ministerial approval for bids against grants above a threshold. This was agreed in the Star Chamber on 31 March 2020, exhibited previously in **KS/071 - INQ000320779**.

228. I was closely involved in continuous review of the scheme. Early on, in Phase 1 of the Economic Resilience Fund it became clear that demand for the scheme was going to outstrip available funding. I considered and approved Ministerial Advice provided to me on 17 April 2020 (exhibited as **KS/082 - INQ000145346**), in respect to the release of a further £100m within the previously approved total of £400m (exhibited earlier as **KS/078 - INQ000321124**) of non-repayable grant money for the Economic Resilience Fund.

Communication / Engagement

229. The Welsh Government regularly engaged with businesses that were likely to be beneficiaries of the Economic Resilience Fund. On 9 April 2020, a virtual engagement session with businesses was held which provided an overview of the support package and enabled business representatives to have their questions answered. The invitation confirming details is exhibited as **KS/083 - INQ000321167**; a list of attendees and transcript of questions and comments is exhibited as **KS/084 - INQ000321192**.

230. I made regular announcements about financial support, ensuring a wide reach. On 10 April 2020, I announced that the application process for £200 million grant support funding from the Economic Resilience Fund would open on 17 April 2020. A pre-eligibility checker went live on the Business Wales website on the same day. In making the announcement, which is exhibited as **KS/085 - INQ000321161**, I also outlined more information about eligibility criteria to help potential recipients prepare to apply.

231. On 24 April 2020, I announced that successful applicants would start receiving grant payments during the following week and confirmed that phase 1 of the fund would be paused at midday on 27 April 2020. This announcement is exhibited as **KS/086 - INQ000591735**.

232. In my view, communication was another success of the scheme. A coordinated approach was taken whereby Business Wales, local authorities and trade unions all pointed to the Welsh Government website for business support. There was a single portal to apply and get signposted to. This proved effective, based on the numbers of applicants for each stage of the scheme.

Monitoring

233. The scheme was monitored hourly in real-time with a continuous assessment of the take-up of the scheme by category. This continuous assessment and monitoring were reflected in Ministerial Advice dated 17 April 2020 relating to Phase 1 of the Economic Resilience Fund, exhibited earlier as **KS/082 - INQ000145346**. This set out a summary of the number of applications made by each category of business, and the total amount of funding sought.

234. I considered the evaluation of Phase 1 of the Economic Resilience Fund, exhibited earlier as **KS/044 - INQ000321121**, when considering the Ministerial Advice in relation to Phase

2 on 3 June 2020, exhibited as **KS/087 - INQ000349522**. The analysis included the total number of applications and amounts requested broken down by category of business. I considered a detailed analysis of businesses which had applied to Phase 1 by sector in Ministerial Advice dated 3 June 2020. A number of changes were made to the eligibility criteria for the scheme. For example, a revised threshold of £50,000 was proposed for micro businesses, to capture the likely minimum turnover needed to sustain incomes of one business owner and one employee. Thresholds for application acceptance were adjusted based on actual rejection rates in Phase 1. This demonstrated the effectiveness of our approach to monitoring.

235. Long Covid was not considered in the design of the Economic Resilience Fund during my time in the role. This is because in the stages of the Economic Resilience Fund that I was involved in, Covid-19 was a relatively new phenomenon, and little was known about the effects of Long Covid.

236. In my view, inequalities and economically vulnerable groups were adequately considered in this scheme. We were acutely aware of the disproportionate impact of the pandemic on the workers who were female, young, elderly, from minority ethnic groups and low paid. A formal Integrated Impact Assessment for the Economic Resilience Fund was first produced in June 2021, due to the emergency nature of the pandemic. I was informed by officials that this Integrated Impact Assessment evolved with delivery. It is exhibited as **KS/088 - INQ000591712** and concludes that the Economic Resilience Fund delivered 'mainly positive benefits for the majority of people with protected characteristics who are employed in the sectors affected'.

Timing and Closure of Phases

237. I am asked for my reflections on the timing of each phase of the Economic Resilience Fund. At every stage, I would wish to do things quicker. However, I faced two major challenges. The first was making sure scheme was right, which took time, and engagement to ensure the scheme was robust. Second was that so much of support relied on consequentials. Even if we wanted to implement scheme earlier, we could not do it, because there was no confirmation from the UK Government of what funding we would have, and what further support was in the pipeline. For example, we would have preferred to have provided discretionary support earlier, but it was not clear whether the UK Government would create a scheme instead.

238. The Economic Resilience Fund by its nature was a set of short-term interventions designed to respond to changing circumstances. Funding was released on a limited basis, with some degree of over-commitment based on previous funds from Phase 2 onwards. In all rounds of the Economic Resilience Fund significant proportions of applications were ineligible and rejected. In order to meet the full budget and service demand an overcommitment of up to 20% was typical to bring the level of actual commitment within the budget allocation. Applications always exceeded the offers made in cash terms.
239. The Economic Resilience Fund 3 was planned and launched but was overtaken by further restrictions on the workplace, particularly tourism, which happened very quickly in Wales. Demand for the Economic Resilience Fund 3 was very high due to the introduction of further restrictions with many applications for support being outside the scope of the grant. Phase 3 was unique as a business development fund – it became clear during its delivery that further restrictions would be implemented, thus resource needed to be focussed on further rounds of support for specific impact from restrictions. It was also clear that some businesses treated the development fund more as an emergency fund.
240. The decision to close was taken as the level of applications against the resources available were excessive. The Economic Resilience Fund 4 was created in response to further restrictions, which launched in December of that year.
241. Resources were extremely stretched given the wide-ranging effects of Covid-19 and were limited to ensure that they were proportionate to the scheme's objectives and provided good value for money. Cut-offs were introduced to avoid large over-spends in the event that more businesses than budgeted for met the grant criteria. Applicants were advised of this approach when it was announced.
242. From Phase 2 onwards, criteria included a provision that businesses that had previously benefitted from Economic Resilience Fund funding could not apply twice. This ultimately meant that businesses that missed out on funding early on in the pandemic had many opportunities to secure funding as further rounds were announced and had fewer other applicants to compete with. I was made aware that in the initial phases of the Economic Resilience Fund, many applicants attempted to apply despite having received funds previously. This resulted in the schemes being over-subscribed and having to be closed early. Such "duplicate" applications were identified swiftly, and adjustments were made to the degree of tolerance to over-subscription in further rounds, as we learnt how many applicants would be rejected due to being ineligible.

243. Although an inevitable result of the arrangement with narrow application windows and a limited budget meant that some businesses may have missed out on funding in the early stages, most eligible businesses did ultimately receive funding, as evidenced by the unclaimed funding in Phase 8 of the Economic Resilience Fund.

244. In my view the forecasting for the demand was appropriate, given the unprecedented nature of the events. I was advised however that the potential for ineligible applications for emergency support was underestimated. Ultimately this resulted in supply for funding not outstripping demand. Additionally, with the benefit of hindsight the delivery of a “development” fund was too early in the pandemic, as companies were unable to return to normal trading. These learnings will be helpful in future emergency scenarios.

245. I am aware that the final phase of the Economic Resilience Fund was introduced as a response to the public health measures taken to tackle the Omicron variant of Covid-19 which emerged in November and December 2021. As indicated at the outset, I was no longer Minister for the Economy at this time, but my successor would have dealt with the timings of the phases post-May 2021 and the bringing to an end of the Fund.

Efficacy

246. The Economic Resilience Fund met its overall objective of providing support to businesses that required such support, targeting those businesses who were either ineligible for the UK Government’s support, or for whom such support would arrive too late.

247. The scheme was co-produced with businesses, trade unions and the wider public sector. This collaborative approach allowed for the schemes to target the specific areas where support was most needed.

248. Utilising existing digital infrastructure allowed for rapid implementation of the schemes and the provision of safeguards against fraud and error. This aspect would have further been improved had it have been possible for HM Revenue and Customs to share data with the Welsh Government.

249. In the initial phases of the scheme, uncertainties in relation to demand proved challenging. However, given time pressures, the approach of opening the schemes up until the

designated number of applications were made was the only feasible way of implementation.

250. Value for money was achieved, as 94% of recipients were still trading in May 2024, a figure higher than that of the wider Welsh economy, as set out in an Economic Intelligence Wales report exhibited as **KS/089 - INQ000591733**.

251. To my understanding, and considering the position with the benefit of hindsight, the scheme did adequately safeguard against fraud and error. The function of post-completion monitoring was with the Economic Resilience Fund Oversight Group as outlined above, who I understand received regular post-completion updates and a final report. The average application rejection rate across the schemes was 25%, 'demonstrating the effectiveness of the application controls and checks that were undertaken prior to any award being made'. This is referred to in a report entitled 'Economic Resilience Fund Post-Completion Monitoring Exit Strategy' (dated January 2025) exhibited as **KS/090 - INQ000591696**. It sets out the Welsh Government's approach to fraud and error.

252. This report also noted confirmation by the Head of the Welsh Government Counter Fraud that there had been no identified instances of fraud in Welsh Government-delivered schemes and that the controls and identification of fraud risks was impressive. It was also stated in this strategy document that:

'Controls operated by the Economic Resilience Fund implementation team prevented a significant high number of erroneous applications being awarded on each phase. The reasons for rejection varied from not meeting the criteria, speculative applications, error/mistake, or those arousing suspicion of fraud or malpractice.'

'The Welsh Government supported the National Fraud Initiative and has supplied details of grant recipients to HM Revenue and Customs for this purpose. There have been no referrals, to date, of any cases related to the Economic Resilience Fund from the National Fraud Initiative.'

253. The strategy also reported that ten insolvency write-offs had been necessary, with seven in the first two phases worth a total of £282,050 and three in the third phase worth a total of £134,210.

254. I am informed that the Economic Resilience Fund Post Completion Monitoring Team recovered a total of £2,407,056, in relation to 76 cases where grants recipients were unable to show that the grant was used in accordance with its terms and conditions. Payment plans were offered where businesses were unable to repay the money in a lump sum. In my view, recovering funds post-completion was the only effective way of providing this support at pace.

255. The system of “process now, check later” continued throughout all the phases of the Economic Resilience Fund as far as I am aware. It is acknowledged that a system where elements of checks were self-declared at the point of payment required significant and large-scale post completion checks. The checks were completed in April 2025, five years after the initial lockdown, which demonstrates the scale of resource that the exercise required. However, in my view, this investment of resources was justified by the benefits of this scheme to the Welsh economy.

256. In terms of equalities of impact, for most recipients, the funding provided was appropriate to their need. I recognise that the pace of implementation meant there was a risk of overfunding or underfunding. Although mitigating measures were built into the system, I accept that small numbers may have been overfunded or underfunded. This was particularly relevant for the Non-Domestic rates elements of the Economic Resilience Fund. At the time of introducing this scheme, it was known to me that these elements relied on somewhat limited data sets. For example, reliance on a business’ property status rather than an analysis of its turnover meant that a small business paying relatively high rates may have received a significant proportion of its likely turnover through blanket grants provided under these schemes.

257. In my view, the Welsh Government has been proactive in ensuring equalities of access to the scheme. Business Wales was a great resource to simplify the application process. The digital access team provided valuable support to those less confident with online applications.

Covid-19 Wales Business Loan Scheme

258. In response to eligibility issues for smaller businesses in Wales relating to access to the UK Government’s Coronavirus Business Interruption Loans, and in advance of the UK Government’s Bounce Back Loan scheme launch in April 2020, the Development Bank for Wales was deployed in the first weeks of the pandemic to develop a Welsh loan scheme.

259. My role as Minister for Economy, Transport & North Wales was to consider the risks and benefits of the scheme proposal which comprised:

- The establishment of the new £100m Covid-19 Wales Business Loan Scheme, capitalised by financial re-allocations approved by the Minister for Finance & Trefnydd, and to be operated by the Development Bank of Wales.
- The payment of £30m capital to the Development Bank of Wales by 31 March 2020 as one of the financial re-allocations.
- The Development Bank of Wales being authorised to amend the investment terms of the Wales Micro Loan Fund (such that they become comparable with the Covid-19 Wales Business Loan Scheme), to be able to invest up to £25,000 in sole traders and partnerships, which would not be covered by the scheme.

260. The scheme was specifically targeted at small and medium size enterprises and was available for a limited period from its launch on 30 March 2020 until 8 April 2020. The scheme was intended to provide support to businesses experiencing cash flow difficulties because of the pandemic. It was also designed to work alongside the UK-wide Coronavirus Business Interruption Loan Scheme and other Welsh Government and the UK Government support. The Welsh scheme was intended to complement the UK Government provision, and to give support while the UK Government scheme was prepared and implemented.

261. Specific terms of the scheme had been developed during the second half of March 2020 in discussions between Welsh Government officials and the Development Bank of Wales. On 24 March 2020, the Chief Executive of the Bank wrote to me setting out the work to-date and his views on the proposed scheme. This included a recommendation that the terms of the scheme should not be more favourable than those proposed in the UK Government's Coronavirus Business Interruption Loans Scheme. This letter is exhibited as **KS/091 - INQ000589814**.

262. The circumstances at the time and the need to implement the scheme quickly meant that there was limited opportunity for a full consultation on the scheme design. No explicit consideration was given to the Social Partnership Model and no Equality Impact Assessment was completed as a result.

263. The scheme design was developed using an established funding implementation model operated by the Development Bank of Wales who had extensive knowledge of state aid and governance rules. This enabled the scheme model to be designed and established at pace which worked well. Since the intervention used an established organisational structure, determining a new proposal and establishing options for re-prioritising cash from other existing funds to the new scheme was achieved quickly. There was also no need to procure from, or work with, other organisations which enabled a rapid response.

264. Operational considerations, including the capacity to process large quantities of applications within a narrow time frame, were considered during the design stage due to the partnership approach taken. Processes and resources were appropriately repurposed by the Development Bank of Wales on a short-term basis to administer the scheme. I am not aware of any issues with the administrative capacity of the Development Bank of Wales to deliver the scheme.

265. Ministerial decisions were made by Ministerial Advice submitted by officials, the established and effective process for doing so within the Welsh Government. On 28 March 2020, Ministerial Advice on the Covid-19 Wales Businesses Resilience Loan Scheme was submitted to me to approve the establishment of the scheme and is exhibited as **KS/092 - INQ000361444**.

266. The Ministerial Advice noted the purpose of the scheme was to 'provide a short-term finance solution to businesses in Wales as they seek to manage the impact of Covid-19'. It was recognised that the scheme represented a higher-than-normal risk profile and it was forecast to support a minimum of 400 businesses 'though this figure may be significantly higher'.

267. The modelling for the take-up and allocation of the scheme was conducted by the Development Bank of Wales, and it was for them to consider the availability of data. This was confirmed in a response to the Minister for International Relations and the Welsh Language when queries were raised on the modelling forecasts contained in the briefing. A copy of the email response is exhibited as **KS/093 - INQ000624022** where I noted the following assumptions:

- 30% of the loans would be made for £5000 - £25,000
- 40% of the loans would be made for £25,000 - £100,000
- 30% of the loans would be made for £100,000 – £250,000

268. Based on that profile, 1,720 businesses could have received support if they all took the maximum value. If the average loan issued fell mid-way in the ranges, for example an average loan value of £15,000 in the £5,000 to £25,000 bracket, this would have equated to 2,811 businesses receiving support over the three profiled bands and the £100 million that was made available. The scheme was only ever intended to operate for a short term. As the actual level of take-up and the length of time that the scheme would need to operate were unknown, the intention was to closely monitor the take up of the scheme during the early stages so that it could be managed effectively. In total more than 1,330 businesses were ultimately supported through the scheme. I approved the scheme by email on 29 March 2020 which is exhibited as **KS/094 - INQ000366661**.

269. Funding for the scheme under the same Ministerial Advice was approved separately by the Minister for Finance & Trefnydd which is exhibited as **KS/095 - INQ000336341**. The funding was made up of:

- The re-allocation of £30m capital, previously approved in 2019/20 for the Wales Flexible Investment Fund, to the new Covid-19 Wales Business Loan Scheme.
- The re-allocation of £30m capital in 2019-20 which is held by the Development Bank of Wales in the existing Wales Flexible Investment Fund, to the new Covid-19 Wales Business Loan Scheme.
- The re-allocation of £40m capital in 2019-20 from the existing Wales Tourism Investment Fund, to the new Covid-19 Wales Business Loan Scheme.

270. The Ministerial Advice noted that due to the need to go to market speedily and the high levels of uncertainty, the Development Bank of Wales and Welsh Government officials were not able to undertake the normal value for money economic assessments but that these would be carried out later.

271. The assessment was conducted following the initial advice and forecast a net-present value of £486 million and gross value added of £696 million. Based on the safeguarding of 16,058 jobs, the benefits-cost value ratio was forecast to have a net-present value of £1.42 billion and gross value added of £1.41 billion. The assessment is exhibited as **KS/096 - INQ000591705**.

272. The Covid-19 Wales Business Loan Scheme was launched by the First Minister on 30 March 2020 as part of a £500 million package of support. The announcement is exhibited as **KS/097 - INQ000321159**.
273. Loan terms were for six years with an interest and capital repayment holiday for the first 12 months. State aid cover under the Temporary Framework allowed for discounted interest rates and a fixed interest rate of 2% was applied. Although a higher rate was originally considered, the UK Government officials submitted a notification to the European Commission at midday on 26 March 2020 which provided the necessary cover for Welsh Government officials to engage with the Development Bank of Wales who re-proposed the lower rate.
274. This lower interest rate was more favourable to businesses, offered a greater level of support and more affordable repayment terms especially during the recovery stage. The Covid-19 Wales Business Loan Scheme was unique to Wales, for example in having funding guarantees, but was not designed to compete with or replace the need for the UK Government's Coronavirus Business Interruption Loans or Bounce Back Loan Scheme products which provided over £2.3bn of finance to businesses in Wales.
275. The Ministerial Advice also noted that there was a higher level of risk of non-recovery associated with the scheme than would normally be tolerated but this was justified and manageable.
276. The scheme provided subsidised loans to businesses that were commercially viable before the pandemic. This was defined as a business which was not in difficulty before December 2019. To satisfy European Commission guidelines that any firm applying for a loan was not a firm in difficulty, the Development Bank of Wales carried out diligence on the financial position of each company as at December 2019. This reflected their position in more usual trading conditions before the pandemic.
277. Applicants were also required to demonstrate that they were able to service the level of debt before the outbreak by supplying bank statements for the past three months for loans between £5,000 to £100,000 and accounts for the past two years for loans between £100,000 and £250,000. This was set on the basis that a viable business in 2019 would be viable in 2021. The Inquiry has asked me to comment on how these requirements impacted the speed of payments of the loans, the criteria used to determine the amount of loan offered and the administration of the scheme. As a Minister I am not usually involved in that

level of operational detail. I am aware that the speed of loan payment was monitored by officials. I am advised that, for applications which resulted in a loan, the average time between submission and the loan payment was 27 working days. No concerns regarding the speed of loan payment were raised with the department. For example, the Development Bank of Wales received its first application within an hour, and the first funds were sent four days later. The speed of loan payment was not flagged as an issue by participating businesses, as such, as a minister I was not briefed on this aspect.

278. This eligibility criteria and the additional requirement for personal guarantees, differentiated the Covid-19 Wales Business Loan Scheme from the UK Government's Bounce Back Loan Scheme. This significantly reduced the risk of fraud, and I am not aware of any instances of fraud being reported during the relevant period.

279. The scheme was not targeted to specific sectors due to the wide-reaching impact of the pandemic across Wales. It was made available to limited companies, partnerships and sole traders trading for longer than two years. The only exceptions were businesses operating in tobacco, munitions, gambling and pornography being explicitly prohibited from receiving loans through the scheme as it was not ethically appropriate to do so. I consider this to have been the correct approach which allowed the scheme to be available to as many businesses as possible who were under unavoidable pressures that threatened business closure.

280. On 8 April 2020, the Welsh Government confirmed that the scheme was fully subscribed, having received over 1,500 applications. I exhibit this announcement as **KS/098 - INQ000321166**. The Covid-19 Wales Business Loan Scheme was ceased after meeting its objective to quickly support businesses in the short term and filled the eligibility gap in the Coronavirus Business Interruption Loans experienced in the earlier weeks of the pandemic. I am not aware of any gaps in coverage. The scheme was soon followed with the launch of the UK Government's Bounce Back Loans in April 2020.

281. Designing, implementing and running the scheme at pace was a notable challenge. The close working approach adopted with the Welsh Government and the Development Bank of Wales allowed existing implementation skills and processes to be adapted and built into the scheme design. The scheme was set up quickly which was a significant achievement.

282. I recall the feedback received from banks and businesses was that the Covid-19 Wales Business Loan Scheme in Wales played an important role in the early weeks of the crisis,

providing finance solutions to businesses ahead of the UK Government-backed Coronavirus Business Interruption Loan Scheme gaining traction and launch of the Bounce Back Loan Scheme.

283. What worked well was that familiarity with organisations such as Business Wales and the Development Bank for Wales enabled businesses to use trusted bodies to access support and financial assistance. We used existing websites and hotlines for helping businesses. We shifted gears considerably to meet demand, but in using existing support infrastructure I believe we minimised confusion and generated confidence amongst businesses. Should a similar situation arise in the future, existing support channels should be used.

Transport Schemes

284. In terms of transport, my ambition as a Minister was, and remained during the pandemic, for Wales to have a sustainable integrated public transport network which included community transport. Steps were also taken during the pandemic to maintain the services required at that time to enable key workers to be able to continue to travel to work.

285. From the start of the pandemic until May 2021, I was the Minister for Economy, Transport and North Wales and Lee Waters was the Deputy Minister for Economy and Transport. In May 2021, Julie James assumed overarching ministerial responsibility for transport within the Climate Change and Rural Affairs portfolio. Lee Waters remained the Deputy Minister with a specific focus on transport.

286. My role was to set out overarching strategy and agree detailed implementation through the Ministerial Advice process. The role of the Star Chamber in the early months of the pandemic was also relevant for decisions on support for transport in the same way as support for businesses. Work on the details of the design and the implementation of the transport schemes to support rail and bus services was done by the Economy, Skills and Natural Resources Group. It was responsible for the measures implemented to support bus and rail services until April 2022, when responsibility passed to the Climate Change and Rural Affairs Group. Within both group structures, the Economic Infrastructure Directorate had specific policy responsibility for all devolved transport matters. Responsibilities were passed to Directors under delegation agreements. The Economy, Skills and Natural Resources Group Covid-19 co-ordination function was set up formally in the week of 16 March 2020. A "dashboard" was developed to keep track of Covid-19 related issues and risks emerging from across the ESNR Group, an example of which is exhibited as **KS/099**

- **INQ000592579**, whereby bus and rail soon emerged as one of the priorities. I address below how these interventions were designed, implemented and evaluated.

Rail support

Design

287. Before the pandemic, the Welsh Ministers' role in respect of rail transport was limited. It essentially focused upon being the franchising authority for the Wales and Borders franchise. In that role, the Welsh Government was required to procure a commercial rail passenger service operator to operate the route. Most of that work sat with Transport for Wales with the Welsh Government oversight. Control over rail infrastructure was very limited, confined to the agreement made with the UK Government to bring control of the Core Valleys line into the Welsh Government's ownership. My role in respect of rail transport expanded significantly in the pandemic, due to the interventions that were introduced.

288. Although legal responsibilities were held jointly between the Welsh Government and the UK Government, the operational and administrative reality was that the franchise was managed, administered and funded as a single franchise agreement by Transport for Wales as implementation agent for the Welsh Government. Transport for Wales is a company limited by guarantee, wholly owned by the Welsh Government as the sole guarantor member. There is no delegation of ministerial functions to Transport for Wales, rather Transport for Wales acts as a 'delivery agent' supporting the Welsh Government to discharge its principal transport functions. The work of Transport for Wales is overseen by a Welsh Government sponsorship team that sits with the Economic Infrastructure Directorate.

289. Despite the Department for Transport's limited involvement on an operational level, engagement with it clarified the emerging situation in England and its response. The Department for Transport also organised calls with the devolved nations which enabled Ministers and officials to share information and policy thinking.

290. This also allowed for discussion and consideration of funding arrangements. For example, the introduction of the Emergency Measures Agreement under the Wales and Borders Franchise was discussed at a meeting involving my officials and the Department for Transport on 30 April 2020. The meeting note is exhibited as **KS/100 - INQ000592578**. The

relationship with the Department for Transport was constructive and positive, and this had a positive effect on decision-making in the Welsh Government.

291. The immediate impact of, and response to, Covid-19 led to a significant reduction in passenger numbers. This significant and sudden decrease in passenger volumes and corresponding revenues meant that Covid-19 had an immediate and profound impact on the fare-box and would continue to do so as citizens responded to the need for further self-isolation and social distancing. Combined with the need to keep train services running to support key workers in Wales, it was considered that providing immediate financial support was required.
292. The support scheme for rail services was designed at pace, in the context of an economic shock of a significant fall in passenger numbers, down by 77% on Friday 20 March 2020. The Wales and Borders franchise had been awarded to Keolis Amey in 2018, and it comprised Wales-only services, cross-border services operating between Wales and England and services that operated wholly within England.
293. Keolis Amey relied on a certain level of patronage and revenue from passengers to fund its operating costs. Under the provisions of the agreement, there was a profit share mechanism where, if profit exceeded a certain threshold, a percentage above that threshold would be returned to the Welsh Government to offset the subsidy element of the franchise. Conversely, should revenues fall below a certain threshold, Keolis Amey was able to make a claim to the Welsh Government for Revenue Support Payments
294. Welsh Ministers and the Secretary of State for Transport, as the appropriate franchising authorities, were required, under section 30 of the Railways Act 1993, to provide or secure the provision of services for the carriage of passengers by rail where a franchise agreement in respect of the services is terminated or otherwise comes to an end. This was the so called "Operator of Last Resort" obligation.
295. Given the legal requirement to secure the provision of rail services, and the need to ensure transport services for key workers, it was considered that immediate revenue support to Keolis Amey was both a necessary and reasonable approach. As such I agreed that revenue funding of £40.2m for March to June 2020 should be allocated to offset the fare box reductions, Ministerial Advice exhibited as **KS/101 - INQ000337058**. At the same time, I agreed that Transport for Wales should look at ways to reduce the risk of continuing revenue support.

296. Keolis Amey rejected the offer beyond the short term because it was carrying additional financial, operational and commercial risks. It had already drawn down £15m of the Performance Bond required under the Grant Agreement and would remain in breach of the financial ratio clauses in the agreement due to the significant reduction in farebox revenue. Accordingly, there was a risk the Operator and Development Partner could fail at short notice and in an unmanaged way. Alternative arrangements were required to protect passenger services and the implementation of the wider transformation programme.
297. Keolis Amey requested arrangements like the Emergency Measures Agreement introduced in England by the Department for Transport. This coming into effect would put in place a variation to the franchise agreement with the train operating company, temporarily suspending the requirement to meet certain obligations set out in the agreement and replacing the schedule on payments to define that costs and revenue risk would be met by government.
298. On 14 May 2020, I was copied into a Ministerial Advice which the Deputy Minister for Transport and Minister for Finance were asked to approve regarding an Emergency Measures Agreement, exhibited as **KS/102 - INQ000336568**. The document recommended 'all risks related to revenue, operating cost and non-deferrable capital expenditure transfer from Keolis Amey to the Welsh Ministers for a period of up to six months with an option to extend subject to further agreement', which would require additional revenue funding of £65 million as well as capital funding of £31 million. This proposal was considered by the Star Chamber on 20 May 2020, minutes of this meeting are exhibited as **KS/103 - INQ000336620**. Ministerial approvals, along with the Star Chamber's view, is exhibited as **KS/104 - INQ000591566**. I consider that this was a necessary and proportionate step since the Operator and Development Partner would have breached its financial covenants without this support, putting its ability to operate at risk. Although the implementation of this element of the scheme was adequate, it did not provide a long-term solution.
299. Following the commencement of the emergency measures for Wales and Borders rail operation in July 2020, Transport for Wales began to investigate potential contracting options for the future of rail services on the Wales and Borders route. In September 2020, the Minister for Finance and I agreed the preferred approach. I exhibit the Ministerial Advice dated 4 September 2020 **KS/105 - INQ000103956**, which included:

- a. Welsh Ministers/Transport for Wales "stepping in" to contract directly with Amey Keolis Infrastructure Limited for Infrastructure Management and Core Valley Lines Transformation Services (using substantially the same contract terms as currently existed);
 - b. Wales Operator of Last Resort arrangements for the provision of rail passenger services; and
 - c. Contracting with Amey Keolis Infrastructure Limited to provide integration and innovation services under an agreed structure.
300. To allow for negotiations and due diligence, the Minister for Finance and I also agreed to extend the Emergency Measures Agreement until 6 February 2021, together with additional funding of up to £5m to cover operating costs plus a fee that would be payable to the operator. This was also included in a Ministerial Advice which is exhibited as **KS/105 - INQ000103956**.
301. On 13 October 2020, I received Ministerial Advice, exhibited as **KS/106 - INQ000103965**, which included:
- a. Agreement to the principles/draft Heads of Terms regarding the Preferred Option relating to Wales Operator of Last Resort arrangements, contract novation for Infrastructure Management and Core Valley Line Transformation Services, and Joint Venture for integration services;
 - b. Agreement that Transport for Wales could engage with Department for Transport on the terms of the Wales Operator of Last Resort services contract in respect of the operation of the agency arrangements; and
 - c. Agreement to additional funding of up to £40.4m to cover additional costs over and above those approved previously.
302. On 14 October 2020, I met officials, the First Minister, the Deputy Minister for Economy and Transport, and the Minister for Finance and Trefnydd to discuss the advice. On 19 October 2020, I approved the recommendations set out in the advice, exhibited as **KS/107 - INQ000368495**.
303. Following my approval, the operations of rail services transferred from the private sector into public control on 7 February 2021. For the 2021-22 financial year, the rail subsidy budget was baselined on the pre-Covid-19 level as it was not clear how passenger demand would respond as restrictions were lifted. I exhibit the Ministerial Advice which was sent to

my Deputy Minister as **KS/108 - INQ000198606**. My involvement with this portfolio ceased in May 2021.

Implementation

304. Most of my involvement was in the initial stages of the scheme and less so its implementation. In relation to rail, the Rail Services and Infrastructure Programme Board was established by my officials in June 2020 and this provided oversight of the strategic decisions and the implementation of rail services. A document setting out its purpose, role and membership is exhibited as **KS/109 - INQ000198617**. I was not part of this Board. However, ultimately the work of the Board provided me with assurance and fed into the options that I received for approval through the Ministerial Advice process. The Rail Services and Infrastructure Programme Board initiated three specific workstreams to provide it with advice and assurance. These related to service design and obligations, Core Valley Lines transformation, rail infrastructure, governance and finance.

305. The Rail Services and Infrastructure Programme Board reached decisions based on documents and advice provided by each workstream. In turn, each workstream received advice and assurance from Transport for Wales who were responsible for the day-to-day implementation of the programme. The Programme Board also monitored the overall risk register and designated actions as required. As well as my own departmental civil servants, Welsh Government representation on the Programme Board also included senior civil servants from the Welsh Treasury to ensure that any financial aspects could be scrutinised as part of any Board decisions. Non-executive directors also provided independent support and challenge.

Efficacy

306. Ultimately, it was inevitable that the rail network would need to be brought under public ownership during the pandemic, due to the amount of money that was being lost by Amey Keolis as a result of the drop in passenger demand. The events of the pandemic demonstrated the benefits of public ownership and control of public rail transport services, in particular the removal of commercial sensitivities that were inherent under the private sector delivered franchising system. Public ownership has also brought with it the benefits of greater control and transparency. Additionally, the Welsh Government has demonstrated the ability to be agile, adaptable and responsive to changing circumstances. The pandemic has also demonstrated the value of Transport for Wales as an organisation capable of

supporting Ministers by not only operating a railway, but also in time to play a greater role in bus services and other modes of transport.

Bus support

Design

307. Before the pandemic, significant work had been done on the existing Welsh Government commitment to undertake major reform of bus networks in Wales. This culminated in the publishing of the Bus Services Wales Bill on 16 March 2020. The legislation was not able to be pursued owing to the pandemic. However, as the relevant portfolio Minister, I remained very supportive of moves to increase the quality of bus services and support their more effective planning and implementation across Wales.
308. Decision-making in relation to the bus services sector was supported by the Bus Reform Programme Board. In relation to support to the sector, the Bus Reform Programme Board was formed in June 2020 to inform and oversee the significant support measures that the Welsh Government and Transport for Wales gave to local authorities and bus operators during the crisis. It met for its first governance meeting on 1 June 2020. It considered various aspects of bus reform, such as meeting on 30 June 2020 following a request from me to prepare guidance on the impact on public transport for the reduction in social distancing restrictions from two metres to one metre.
309. Initial Covid-19 public health restrictions led to a drop in bus passenger numbers of around 90%. This was caused by social distancing measures limiting capacity, as well as the public's diminished appetite and demand for travel on public transport. Bus companies and community transport operators, many being small and medium enterprises or charities, therefore faced significant challenges.
310. During March 2020 and following the submission of a Ministerial Advice, which is exhibited as **KS/110 - INQ000198433**, I agreed that a short-term Bus Hardship Fund should be introduced to provide financial support to the bus industry and community transport sector through grants administered by local authorities. Grants were paid in advance based upon the value of historical payments made under previous grants: Bus Services Support Grant, Mandatory Concessionary Fare reimbursement and payments under the MyTravelPass scheme.

311. The total funding package was in excess of £29 million which was based on the approximate level of funding that operators would have received had there been no change in passenger numbers. The funding represented around 45% of the revenue that operators normally received over the same period pre-Covid-19. The aim of the Bus Hardship Fund was for key workers and those without access to a car to travel for work and to enable access to essential food and medical supplies. I agreed that the initial tranche of support would be for the period April to June 2020.
312. On 7 May 2020, a ministerial discussion took place to discuss the future of bus provision implementation and the future funding of bus services under a new Bus Emergency Scheme 1. I exhibit the minutes as **KS/111 - INQ000349591**, on page 20 of the Cabinet paper. I attended that meeting with the First Minister, the Deputy Minister for Economy and Transport, the Minister for Finance, the Minister for Housing and Local Government and the Council General and Minister for European Transition, together with officials.
313. At that meeting, I introduced a paper on what I considered to be the future of bus services in Wales. That paper signalled the fragmentation and lack of control over services, and the impacts of Covid-19 on the existing system. The paper identified an opportunity to help reshape the industry and its operation to deliver more positive outcomes. At that meeting I expressed a desire to increase the role of Transport for Wales in delivering bus services given their developing remit for integrated transport and to encourage multi-modal thinking.
314. Following that meeting, a Cabinet Paper was drafted setting out the outcomes of the meeting, which is exhibited as **KS/111 - INQ000349591**. On 15 June 2020, the Cabinet considered this Cabinet Paper and agreed to a phased approach to the Bus Emergency Scheme 1 intervention, which I formally approved in a Ministerial Advice document, which I exhibit as **KS/112 - INQ000103939**. The intervention comprised three measures:
- a. creating a "single controlling mind" to better coordinate public transport;
 - b. re-setting the public sector taxpayers' relationship with bus operators to allow the Welsh Government to exert the appropriate level of control that public funding merits, and
 - c. developing a long-term investment plan that could support the restart of the economy and wider Welsh Government ambitions.
315. Cabinet subsequently agreed to provide £16.8 million emergency Covid-19 funding from existing budgets for the quarter starting from 1 July 2020. I have attached the minutes of that Cabinet meeting as **KS/113 - INQ000129883**.

316. The short-term funding arrangements which underpinned the Bus Emergency Scheme were reviewed by myself and the Deputy Minister for Transport on an ad hoc basis through the Ministerial Advice process with the intention being to develop a lasting partnership that would continue post-pandemic.
317. Ministerial Advice dated 30 July 2020, exhibited as **KS/114 - INQ000198439**, recommended an additional £20 million of funding under the Bus Emergency Scheme 1. This was intended to support a return to pre-pandemic service levels until 30 September 2020, increasing capacity and 'facilitating social distancing as Wales comes out of lockdown and schools return in September'. Ultimately, following consideration by the Star Chamber and feedback about a more gradual phased approach to ramping up services, the Minister for Finance and Trefnydd was content to make an additional £10 million available. I agreed this together with the Deputy Minister for Economy and Transport, exhibited as **KS/115 - INQ000591575**.
318. Ministerial Advice dated 8 September 2020, exhibited as **KS/116 - INQ000103957**, represented the next phase of the scheme, the Bus Emergency Scheme 1.5. I, along with the Deputy Minister for Transport and the Minister for Finance, were asked to agree to allocate the remaining bus budget provision of £31 million and to allocate an additional £48 million from the Covid-19 reserve, to ensure that the sector continued with increased service levels to meet evolving demand for the period commencing October 2020 to 31 March 2021. Payments to bus operators were subject to open book arrangements and the regions were required to demonstrate, with the support of local authorities, that they were getting best value from spending on bus services.
319. The Bus Hardship Fund, and the subsequent Bus Emergency Scheme, Bus Emergency Scheme 1 and Bus Emergency Scheme 1.5 arrangements, had been short-term measures lasting only a few months. The Bus Emergency Scheme 2 agreement was intended as a structured, long-term arrangement that would secure not only ongoing support during the pandemic and the post-pandemic recovery period but also transform the Welsh Government's approach to sector funding where it would be provided under a 'Public Service Obligations' model.
320. The Bus Emergency Scheme 2 proposed a formal Public Service Obligation contract with operators, which would allow a level of co-ordination and direction to deliver passenger benefits which would not be possible in the normal competitive, de-regulated environment of the bus industry. Given the terms of the Bus Emergency Scheme 1 that meant that the

Bus Emergency Scheme 2 funding would terminate at the latest in July 2022. The Deputy Minister and I made that decision following consideration of Ministerial Advice dated 22 December 2020, which I exhibit as **KS/117 - INQ000198609**.

321. In developing the Bus Emergency Scheme 2 agreement, the Welsh Government consulted the Competition and Markets Authority to attain confidence that the arrangement would be compliant with relevant competition law. The agreement was intended to ensure that support provided to bus operators was more closely aligned with the objectives for public transport recently set out in the Wales Transport Strategy. It aimed to support the management and integration across transport modes, including smart ticketing, unified routing and integrated timetabling.

322. The Bus Emergency Scheme 2 also provided a framework for development of future partnership working between the public sector and bus operators, to be built upon in upcoming years. There was a collaborative approach to future working. For example, a post-Bus Emergency Scheme working group was established with operators, the Welsh Local Government Association and local authorities to work together positively as a group to consider the mechanisms available to provide the appropriate level of bus services across Wales beyond 31 July 2022, the end date of Bus Emergency Scheme 2 funding within the parameters of legal and funding boundaries.

323. In March 2021, my approval was sought for £37.2 million for continued support of the industry, including the ramping up of funding for increased services from April 2021 to September 2021. The relevant Ministerial Advice is exhibited as **KS/118 - INQ000198608**. An additional £22 million was provided to cover the cost of maintaining and improving service levels to meet evolving demand from October 2021 to the end of the 2021/22 financial year. This is captured in Ministerial Advice exhibited as **KS/119 - INQ000145557**. The Ministerial Advice also sought my approval for local authorities to also utilise any monies recoverable from operators because of the Bus Emergency Scheme 1.5 reconciliation process. This was estimated to be around £11 million. The recovery of funds was due to several factors, such as a reduced need for duplicate buses for both school and regular services because of less social distancing and driver shortages. Recovery funds would be utilised for service maintenance and improvement purposes to the end of March 2022.

Implementation

324. In terms of implementation, before the pandemic, commercial operators already depended on significant levels of public funding to supplement passenger revenue. Public funding was necessary to meet policy objectives including the maintenance of socially necessary services and the provision of concessionary travel for older and disabled people. When revenue from fare paying passengers collapsed at the start of the pandemic, the bus support interventions from the Welsh Government were initially based on maintaining levels of public funding to operators that reflected historic support. This support was routed to operators through the pre-existing payment mechanisms administered by local authorities.

325. Transport for Wales worked closely with local authorities to manage the financial arrangements with bus operators under the support measures and supported local authorities to reconcile funding with actual costs incurred by operators. It also worked closely with local authorities and Welsh Government officials to develop Bus Emergency Scheme grant agreements that set out obligations to be fulfilled by operators in return for financial support.

326. Local authorities played an important role in administering support schemes and channeling funds to bus operators. The Welsh Government set the policy and funding framework and local authorities – supported by Transport for Wales – worked with operators at a local level to agree service levels, seeking to align supply with local demand.

327. Local authorities also administered the grant payment system including the application of financial control and reconciliation processes, based on cost and revenue data supplied to them by operators.

328. Funds were directed to local authorities by the Welsh Government using pre-existing payment mechanisms for pre-pandemic bus grant schemes, by continuing to issue grant offer letters to local authorities.

Efficacy

329. In my view, the objective of maintaining services and capacity to match shifting demand was largely met, although in the circumstances it was inevitable that there were occasions when this was not achieved and there was a short time lag between capacity catching up

with demand. Bus services continued to run, enabling transport for key workers, demonstrating the effectiveness of this intervention.

330. The Bus Emergency Scheme agreement was agreed rapidly and enabled local authorities and Transport for Wales to have greater control, for example, access to data. The variations of the Bus Emergency Scheme, namely the Bus Emergency Scheme 1, 1.5 and 2, were successful and matched the times in terms of facilitating a move back to commerciality post-pandemic. The fact that Transport for Wales were able to handle all concessionary card requests due to individuals not being able to attend their local authority offices meant that local authorities became comfortable with Transport for Wales doing this on an ongoing basis and continuing to provide the service across Wales.

331. The collective partnership between local authorities, Transport for Wales, Operators and the Welsh Government provided a good foundation for future bus work. One of the significant achievements of the schemes was that the actions and funding ultimately saved the bus industry in Wales. Although the four major operators may have remained in business post-pandemic, the multitude of smaller operators (80+) would not have and would have likely gone out of business.

332. In terms of areas for improvement, although the Welsh Government had to act quickly, this resulted in limited time for scrutiny of services procured and delivered because of payments. Tighter evaluation of admissible and inadmissible costs by region and closer scrutiny of payments is an area for improvement. Another area for improvement would be greater standardisation between the approaches and documentation across local authorities acting as leads for the purposes of administering support payments in particular regions.

333. A feature of the Welsh economy is that the bus landscape relies on small and micro businesses, which is a marked difference to the system in England. It was key to support bus businesses to remain operational through the pandemic. It should also be noted that not one operator was lost directly because of the pandemic, and the public network and services that emerged at the end of the pandemic were largely in line with what had been available at the start.

334. The transition to a Public Service Obligations contract funding model was prompted by the impact of the pandemic. It has given the Welsh Government far greater control over the implementation of services in return for broadly the same level of funding. The model also

provides far greater financial transparency. This model will also serve as a far more effective foundation for the Welsh Government to implement its aspiration to move towards franchised bus services in the future, with the data gathered under the Bus Emergency Scheme being of crucial importance.

Part G: Inequalities and Vulnerable Groups

335. As Minister for the Economy and Transport, I was aware that there were certain vulnerable groups dependent on a number of services that were impacted by Covid-19, such as bus, rail and taxi services. These services, absent considerations of the vulnerable, represented poor value for money during the Covid-19 pandemic as so few were using them. However, it was crucial to maintain their operation through Covid-19 and come out of the other side of the pandemic with the networks still in place for the most vulnerable. For that reason, we developed the plans already outlined above to support the bus industry during the pandemic under the Bus Emergency Support Scheme and the Emergency Measures Agreement for rail and support, as well as the financial support for taxi services referred to earlier in this statement.

336. As discussed above, taxi drivers as sole traders had difficulties proving their eligibility for support. They did not operate from a property so were not eligible for local government business support, and there were often language and access issues, such as digital access. A bespoke support element to the local government delivered discretionary fund was rolled out to ensure equal access to support, using taxi driver registration documents instead of typical checks like VAT registration.

337. Feedback from unions had been important in identifying issues and ensuring appropriate information was provided. I took part in a Ministerial Call on 28 January 2021 – exhibited earlier as **KS/053 - INQ000361712** where I provided an update on business support provided by the Welsh Government. I confirmed the second round of sector specific funding would target sectors including taxi drivers.

338. Examples of relevant economic interventions relating to socially and economically vulnerable groups included the Discretionary Assistance Fund (operated by the Communities and Tackling Poverty Directorate) and the Self-Isolation Support Payment Scheme. The Self-Isolation Support Payment scheme provided a £500 payment, to align with plans in England, for people who were employed or self-employed, who had been told to self-isolate by Test, Trace, Protect, and who were in receipt of Universal Credit or another specified benefit. This was agreed via Ministerial Advice exhibited as **KS/120 -**

INQ000282122. The amount of £500 was decided by the UK Government following research into average loss of earnings and the amount that would encourage compliance with self-isolation. The Self-Isolation Support Payment Scheme became operational throughout Wales on 16 November 2020 and the first payments were made later that week, with payments backdated to 23 October 2020 where appropriate.

339. We gave significant consideration to the potential impact on vulnerable people. We worked in partnership with businesses and trade unions which were identifying at-risk and vulnerable groups as the virus spread. For example, in our discussions with social partners, the increased vulnerability of Black, Asian and Minority Ethnic workers was regularly considered, as well as those with pre-existing medical conditions. I recall that the First Minister also established the Black, Asian and Minority Ethnic Advisory Group, which provided ministers with advice and information that helped to shape policy across departments.

340. I was committed to tackling inequality through economic growth and recovery, in accordance with the Welsh Government's overarching strategy documents. The Economic Action Plan, exhibited earlier as **KS/066 - INQ000187570**, began by stating:

'In pursuing prosperity for all, we intend building an economy on strong foundations, to supercharge our industries of the future and empower all our regions to become more productive. And we wish to see growth with a purpose - inclusive growth - so that as our wealth and well-being improve, inequalities across our country narrow'.

341. I was the responsible Minister for the Integrated Impact Assessment for the Economic Action Plan, updated in November 2020 (exhibited as **KS/121 - INQ000591603**). The Economic Mission (exhibited earlier as **KS/009 - INQ000321229**), built on this and outlined a focus on 'tackling economic inequality and supporting those who have been most adversely affected by the COVID crisis - especially young people, those in low paid and insecure employment, ethnic minority communities and disabled people'.

342. Reflecting on decision-making, I believe we took the correct approach in safeguarding the vulnerable with the interventions that we put in place. One reflection that I do have is that face coverings should have been introduced on public transport much earlier than they were, since the demographic of those who use public transport includes a higher proportion of vulnerable individuals. The use of face coverings would have limited the transmission of Covid-19 at an earlier stage.

Part H: Data and Modelling

343. I used data and modelling throughout the pandemic to inform decision-making. I have already addressed how this was done in relation to the Economic Resilience Fund at paragraphs 171-177 and 200-205 above.

Firebreak

344. Another example was during early and mid-October 2020, the Economy, Skills and Natural Resources Group undertook economic analysis and modelling in preparation for the possibility of some form of firebreak lockdown. The results of the analysis were set out in a paper dated 14 October 2020 produced by Emma Watkins (Deputy Director, Economic Policy) which identified considerations in relation to a firebreak. It was provided to the Covid coordination team, and it helped to inform Cabinet discussions, exhibited as **KS/122 - INQ000321165**.

345. The paper noted there was a need to state clearly which business were legally required to close to provide those businesses with clarity and enable them to access the UK Government's support. It added there was a need for clarity from HM Treasury on funding arrangements as well as a need for clarity on the duration of a firebreak. It also highlighted that businesses would need lead in time to prepare and feedback from local restrictions had been that 24-hour warning was not adequate, adding 'we have received very robust views from business leaders across Wales (but -particularly in the north) that they need to have sight of rationale for this decision being taken and have early warning to prepare'. Three risks were identified:

- a) First, requiring businesses to close could provoke legal challenges, but not requiring them to do so would mean they would be ineligible for the UK Government's support.
- b) Secondly, the UK Government not providing further consequential funding in addition to that already announced.
- c) Thirdly, the refusal of the UK Government to implement the Job Support Scheme for business closure in Wales, given the difference in approaches to managing cases within the population.

346. On 15 October 2020, Cabinet agreed in principle to the introduction of a firebreak from Friday 23 October 2020. The minutes exhibited as **KS/123 - INQ000048796** noted the scientific advice was that a minimum of a two-week lockdown was required and three weeks was preferred, but there was a need to consider that the longer restrictions were in place, the greater the economic, financial and social impact. Ministers recognised the UK Government's new job support scheme would not start until 1 November so there was a need to ensure a financial package was in place. The minutes state that funding would be released from the Covid-19 Reserve following consideration by the Star Chamber, and 'the necessary cover had been agreed with the UK Treasury'. It was noted businesses would need sufficient time to prepare and there was recognition of the significant impact measures would have on the hospitality sector.

347. In anticipation of this decision, officials developed a proposal for an Economic Resilience Fund firebreak response. This was presented to the Star Chamber and is exhibited as **KS/124 - INQ000320991**.

Covid-19 Wales Business Loan Scheme

348. In the context of the Covid-19 Wales Business Loan Scheme:

- a) Loans, by their nature being repayable, offered a potentially higher value for money proposition when compared with grant-based interventions. However, the scope for defaults was recognised. Estimates were made in the context of little comparable data, and defaults were expected – at worse – to be in the range of 50%-80%. The fees agreed for the scheme were modelled on existing funds which had been benchmarked.
- b) The scheme operated without any notable deficiencies. At the end of December 2024 it reported a 6.3% default rate, significantly lower than the 48% that had been originally modelled. The Welsh Government does not believe businesses were 'overcompensated', since the finance they received was repayable finance. Each application was considered individually with the level of award varying by business. An end of term investment review, covering these themes in more detail, is exhibited as **KS/125 - INQ000591700**.

Bus Emergency Scheme

349. In the context of the Bus Emergency Scheme, Ministerial Advice dated 30 July 2020, exhibited as **KS/114 - INQ000198439**, recommended an additional £20 million of funding under the Bus Emergency Scheme 1. This was intended to support a return to pre-pandemic service levels until 30 September 2020, increasing capacity and 'facilitating social distancing as Wales comes out of lockdown and schools return in September'.

350. The additional funding was necessary as a response to data from the sector and information from passengers indicating additional capacity was required. Data from local authorities on Mandatory Concessionary Fare passengers indicated a pattern of increasing demand of 11% (of pre-Covid-19 levels) in April 2020, 14% in May 2020 and 19% in June 2020. Data from the Confederation of Passenger Transport in Wales, the representative trade body for bus and coach operators, had also indicated 2,297 passenger complaints in June 2020, of which 1,538 related to insufficient capacity. Data from the largest five operators in south-east Wales also recorded passenger increases in excess of 50%. The Urban Transport Group, the UK's network of transport authorities, had modelled passenger growth for urban areas for the four-month period between June and September 2020. It showed a return to pre-Covid-19 passenger levels of 38% overall including 50% for business, commuting and education-related passenger journeys.

Data

351. I do not recall any specific challenges when it came to data and modelling. However, I would reiterate what I stated earlier in the statement regarding the need for the sharing of data across the four nations. Data-sharing was extremely limited, and I therefore cannot comment on the UK Government's use of data since their decisions were often retrospectively communicated to Welsh Government. In my view, Welsh Government made good use of data and modelling, as set out in the examples above.

Part I: Analysis and Reflections

352. As I have previously stated, I believe the lack of established structures for joint decision-making in a post-devolution UK did lead to divergence that could have been avoided. This was probably exacerbated by the different political complexions of the four governments which made establishing and maintaining trust across governments challenging as the pandemic went on. In my view, had there been a more co-ordinated approach to economic interventions during the pandemic, including in the design, implementation and evaluation stages, not only would decision-making have been more responsive and effective, this

would have also given reassurance to the public that the tackling the pandemic jointly was the priority of both the central and devolved governments.

353. I believe a framework for making joint decisions, based on an agreed criteria for initiating the various non-pharmaceutical interventions and business support packages, would help avoid divergence in a future pandemic. It should be based on a set of principles underpinned by the need to protect life first, but also to protect against the other harms of a pandemic such as Covid-19. My view is that decision-making should have been pooled in a structured way in order to avoid having to rely on individual ministers' relationships with their UK Government counterparts. I believe that independent experts' evidence should have been shared and discussed on a four nations basis. This would have helped to develop more consistency in interventions across the four nations, and also helped the devolved governments to have more confidence in the initiatives of central government, if the basis of their decisions was made clear to them. Joint decision-making would have been especially helpful in complex areas such as support for the self-employed.

354. As I have previously stated, I was fortunate to have begun discussions with the UK Government counterparts on the exchange of civil servants before Covid-19, as this provided strong links that were helpful in sharing information. Indeed, we benefited from having a Civil Servant with direct and recent experience of Wales working in the Wales Office. I also believe there was a good degree of mutual respect between myself and my UK Government counterparts which helped in sharing concerns in a mature and respectful way and in helping to shape some of the business-related support measures. However, the lack of involvement in HM Treasury decision-making meant that we could never announce business-related support measures alongside the UK Government. This caused avoidable stress and confusion for Welsh businesses and workers, who would often consume news information first and foremost from UK media which did not always accurately report or reflect the devolved nature of important functions such as healthcare.

355. As a Member of the Senedd representing a border constituency, I was also acutely aware of the consequences of divergence. It would be beneficial to consider how border areas should be treated in another pandemic, especially in terms of how the introduction of non-pharmaceutical interventions should be co-ordinated along the border, should a framework for joint decision-making not be possible. As stated above, this would have been helpful to do based on economic regions. It would also be beneficial for the four administrations to agree on the most effective means of supporting businesses during a future pandemic should similar restrictions be needed again. Providing consistency of support and

announcing measures together and at the same time would help minimise confusion and anxiety.

356. As standard practice, Ministers who leave office should be offered exit interviews to gather ideas, observations and concerns. I had discussions with my successor as Economy Minister about my experience of the role during Covid-19 and lessons that had been learned. This was my own initiative, and he was keen to understand my experience in the role during the pandemic. However, a formal exit interview would capture a record of lessons learned that could be helpful to civil servants and other Ministers. The small size of Wales facilitated an incredible degree of collaboration across councils and the Welsh Government. However, capacity constraints in many councils and also in the Welsh Government, meant that some individuals were stretched to the limits of their abilities. Increasing personnel in the Welsh Civil Service, local government and also at a Ministerial level would help ensure those who step up the most in a future pandemic have more support.

357. I have previously disclosed all relevant informal communications, emails and diary and notebook entries in my possession to the Inquiry. I have no further such materials to disclose.

Statement of Truth

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

Signed:

Personal Data

Dated: 11 September 2025