

Witness Name: Sir Charles Roxburgh
Statement: M9/HMT/
Exhibits: CR/01 – CR/096
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THE UK COVID-19 INQUIRY

MODULE 9, INDIVIDUAL WITNESS STATEMENT OF SIR CHARLES ROXBURGH

1. I, Sir Charles Roxburgh, am providing this statement in response to the Inquiry's Rule 9 request dated 4 July 2025 ("Rule 9 request"). I have dedicated significant time and effort to comply with this Rule 9 request. The request encompasses wide-ranging matters, and considerable time has passed since the pandemic period. I have sought to identify relevant documents within the time available. Whilst I have some independent knowledge and recollection of matters referred to, I have also read information provided by HM Treasury to assist my recollection and ensure the contents of this statement are accurate. Any views expressed in this statement are my own.

PART A: ROLE AND RESPONSIBILITY

2. I began my career in 1981 at Arthur Andersen's Management Information Consulting Division (now Accenture). In 1984, I went to Harvard Business School, graduating in 1986 with an MBA with High Distinction. I then joined McKinsey & Company where I spent 26 years, working primarily in London, but with two tours in the United States. At McKinsey, I specialised in Financial Services and Strategy. I became a Senior Partner and was elected to the Global Board in 2011.
3. I left McKinsey in January 2013 and joined HM Treasury as the Director General, Financial Services. In July 2016, I became the Second Permanent Secretary. I was initially appointed to a five year term, as is standard practice

for Permanent Secretary appointments. In early 2021, I requested and was given a one-year extension to my term. I left the Civil Service at the end of June 2022. I then served my ACOBA waiting period during which I was not allowed to take up any business appointments.

4. I started my portfolio career in March 2023, joining the board of Shell PLC as a non-executive director and the board of Legal and General America (LGA) as the non-executive Chair. I joined the Global Council of Herbert Smith Freehills (HSF) as a non-executive member in November 2023. I stepped down from LGA at the end of February 2025. On May 1st I became the Chair of Lloyd's of London. I remain on the boards of Shell PLC and HSF (now Herbert Smith Freehills Kramer).
5. Throughout the period under review by the Inquiry (1 January 2020 and 28 June 2022), I was the Second Permanent Secretary (2PS) and had oversight of the department's economics ministry functions including financial services, growth, and infrastructure.
 - 5.1. Reporting to me were Katharine Braddick, the Director General (DG) Financial Services and Phil Duffy, the Director, Enterprise and Growth Unit (EGU); Phil was later promoted to Director General, EGU.
 - 5.2. In addition to providing oversight and leadership of the policy development within FS and EGU, I had management responsibilities in support of the Permanent Secretary. I was a member of the Executive Management Board (EMB) and HMT Board. I chaired the Operating Committee (OpCo), which oversaw routine administrative and operational issues relating to the Department. OpCo had no involvement in any policy issues.
 - 5.3. I represented HMT on the Bank of England's Financial Policy Committee (FPC) as a non-voting member. I was on the board of UK Government Investments, the Government's centre of excellence for corporate finance and corporate governance. I was also the senior official leading HMT's relationships with the business community. Together with the Permanent Secretary, Home Office, I co-chaired the

Economic Crime Strategy Board, later the Economic Crime Delivery Board.

6. Between 1 January 2020 and 28 June 2022, I was primarily involved in leading those elements of the Government's economic response that related to the provision of credit support to businesses. Specifically:
 - 6.1. I played a leading role in the design and operation of the Covid Corporate Financing Facility (CCFF) from its inception in March 2020 through its closure to new issuance on 23 March 2021 and the final repayment of balances on 18th March 2022.
 - 6.2. I played a leading role in Project Birch, which was a confidential process to evaluate the case for firm-specific support to strategically important UK businesses facing financial distress due to the pandemic. This ran from March 2020 until late 2020. The one, and only, loan made under Birch was agreed in June 2020. We also used the term 'Special Situations' to describe this process. Meetings on 'Special Situations' continue in my Calendar into March 2021, though by then these discussions were not directly related to Covid, but to issues around potential corporate distress unrelated to the Covid pandemic. The last Covid-related firm-specific intervention was the UK Export Finance (UKEF) loan guarantee for Easyjet announced in January 2021. UKEF was at the time an arms-length body of the Department of International Trade (DIT).
 - 6.3. I was heavily involved in the initial design of the Coronavirus Business Interruption Loan Scheme (CBILS), but my role in the loan guarantee programmes reduced once we clarified, after the Budget on March 11th 2020, that leadership within HMT on these schemes should be taken forward by the DG, Financial Services and the Director, Financial Services. I had some involvement in the design of CLBILS, was involved on one specific issue (pricing) on BBLS, and was not involved in the Recovery Loan Scheme (RLS).

- 6.4. Through my membership of the Bank of England's Financial Policy Committee (FPC) I was involved in the discussions at that forum on Covid related matters throughout the pandemic. As a non-voting member, I had no role in any of the decisions of the FPC.
- 6.5. I had a minor involvement in March 2020 in the advice on Changes to the Insolvency Rules, though the policy responsibility lay with the Department for Business, Energy and Industrial Strategy (BEIS) who took forward this work.
- 6.6. I had a minor involvement in some of the policies developed by the Department for Digital, Culture, Media and Sport (DCMS) – the Cultural Recovery Fund, Live Events Reinsurance, Film and TV Production Restart Scheme, where the HMT DCMS Spending Team and HMT Insurance team worked collaboratively with DCMS officials and external stakeholders.
- 6.7. I was involved in discussions with the Airline industry both early in the crisis when the industry sought financial assistance and later in the crisis in late 2021 and early 2022 over border restrictions. Teams in my area of responsibility were engaged in discussions with DfT and DHSC.
- 6.8. I was not involved in any macro-economic analysis or advice.
- 6.9. I was not directly involved with Support for Transport or Future Fund 1 & 2, though these were developed by teams in my area of responsibility. The Director Enterprise & Growth (later Director General, EGU) was responsible for these policies, though in some cases (e.g. Future Fund) the Chancellor of the Exchequer (CX) worked directly with the relevant policy official.
- 6.10. I was not involved in the following policies which were developed by officials in teams that were not in my area of responsibility: CJRS, SEISS, Business Rate Relief, Covid-19 Business Grants; Changes to Statutory Sick Pay; Uplift to Universal Credit and Working Tax Credit; Eat out to Help Out; Kickstart; Restart; Job Entry Target Scheme.

PART B: ROLE OF THE SECOND PERMANENT SECRETARY TO HM TREASURY DURING THE PANDEMIC

7. In formal terms, the role of Second Permanent Secretary did not change as a result of the pandemic. There was no change in my role description. There were no changes to my direct reports. I exhibit copies of the HMT Organisation Charts for February 2020, November 2020 and June 2021. **[CR/001 - INQ000655498], [CR/002 - INQ000655543], [CR/003 - INQ000609815]**

7.1. The move to remote working did change the nature of day-to-day working for me and all my colleagues. HMT moved to remote working in the week of 16th March. We continued to work remotely throughout most of 2020 and 2021. Once we upgraded from Skype to Teams, remote working proved highly effective. For extended periods during 2021, I worked remotely from the US on UK time. (My wife had been on diplomatic positions in the US since 2018, while I continued to work full-time at HM Treasury). I am confident that this had no impact on my effectiveness in the role. All HMT colleagues were working remotely at the time, and I worked UK hours, starting at 4am or 5am many mornings.

7.2. Naturally, the work of HMT changed significantly during this period, as it was dominated by the response to the pandemic, particularly during 2020 and, to a lesser extent, in 2021 and even less in 2022. That said, work continued on non-Covid related policy making throughout these years, with the CX delivering two Budgets (March 2020 and March 2021) and a combined Autumn Statement and Spending Review in October 2021, as well as addressing a wide range of other major policy issues.

7.3. My involvement in Covid-related policy was intense in the months March to May 2020, and then reduced, as the policies I had been involved in developing moved into delivery and operations, where responsibility lay mainly with other departments or Arms Length Bodies

(ALBs). My Covid-related work in June 2020 and onwards was mainly focused on firm-specific issues (i.e. Birch/Special Situations) and some oversight of the CCFF. In the second half of 2020, 2021 and 2022, work related to these Covid interventions comprised a relatively small part of my work-load.

7.4. Throughout this period, I continued to lead work on a number of policy areas unrelated to Covid including: the development and launch of the UK Infrastructure Bank; co-leading on economic crime with the Perm Sec of the Home Office; representing HMT on the Financial Policy Committee and (from mid-2021) on the G20 Financial Stability Board; overseeing our support to Professor Dasgupta's review on bio-diversity; leading our patient capital strategy with the British Business Bank; contingency preparation for a 'non-negotiated outcome' following our formal exit from the EU; working on HMT's response to Russia's illegal invasion of Ukraine and the response to the energy crisis that had begun in late 2021 and accelerated in early 2022. I was involved in a number of recruitment processes for senior officials in HMG and other public bodies.

8. As requested, I have set out below the working relationships I had with the following Ministers, advisers and senior colleagues.

8.1. **With the Chancellor of the Exchequer (CX).** I worked very closely with the CX on Covid-related issues in my areas of responsibility, especially in the first few months of the crisis. Throughout the crisis, I was hugely impressed with the leadership shown by Rishi Sunak. He was decisive, hard-working, bold, and appreciative of the advice he was getting from officials. He encouraged officials to be ambitious and innovative in our recommendations. I am proud that my colleagues across HMT responded to this challenge. He was of course under huge stress and working extremely long-hours. In my experience, he remained courteous and gracious throughout. Was his performance perfect? Of course not. I'd flag three areas:

- 8.1.1. He had a tendency to set unrealistic deadlines. Sometimes, as with CJRS, these proved to be a vital spur to action in the face of a national crisis; in that instance HMT and HMRC officials brilliantly delivered against a deadline that they initially thought was almost impossible. The loan guarantee programmes were also launched on very tight timetables. Other times, the short deadlines were not necessary and put teams under avoidable stress.
- 8.1.2. He could also focus too much on detail, particularly in areas of his expertise. For instance, he took a very close interest – including taking several long meetings – on the term sheet for a Project Birch £30m loan to a steel company. This was not a good use of his time.
- 8.1.3. Although he was bold and decisive early in the crisis, I felt privately that, later in the crisis, he was slow to accept the inevitability of having to extend support, e.g. the CJRS. I was not involved in the policy formulation here and so my perspective is not well informed.
- 8.2. But those are minor quibbles. Overall, I believe that Rishi Sunak provided inspirational leadership to the Treasury throughout this crisis. He took bold, decisive, innovative decisions that protected the economy and the nation from the long-term lasting damage that could have arisen from this economic shock.
- 8.3. **With the CX's advisors.** I had very little contact with the CX's team of Special Political Advisors (SpAds). With previous CX's I had had very good relations with the SpAds, but I did not get to know this CX's SpAd team, except for one that I knew from a previous Conservative administration, Douglas MacNeil. For me, this is in retrospect a source of regret. Good relations with a Chancellor's political team are important and I did not have the opportunity to develop them with most of Rishi Sunak's team. The relationships were not bad; they were just not as close as they had been with previous Chancellors' teams. I

think this was a consequence of remote working. Typically, officials do not meet formally with SpAds. They do however spend a lot of time chatting in the corridor before and after meetings or at the coffee machine, and that is where the informal official/SpAd relationships are built. As this CX's team joined just weeks before lock-down, I and many other senior officials did not get to build personal relationships with them. This was regrettable, for me at least. With other CX's, I found it extremely helpful to be able to test ideas with the SpAd team before presenting advice to the CX of the day. However, I do not believe this had any material impact on the effectiveness of our response. I had very good access when needed to the CX through his Private Office.

- 8.4. There was one important exception. Richard Sharp joined as a Direct Ministerial Appointment, not a SpAd, just as the pandemic was getting underway. He continued in this role until early 2021 on his appointment as Chair of the BBC. Richard knew the CX from their time together at Goldman Sachs. I also knew Richard who had been a fellow member of the Financial Policy Committee for 6 years. Richard brought deep corporate finance and investment experience. It took a little while for Richard to learn how to work effectively with Treasury officials – and vice versa. Privately, I was sometimes frustrated at Richard's interventions which slowed down progress and distracted the team. However, overall we established a good mode of working together and I found Richard a valued source of advice. He and I worked closely together on many of the Project Birch/Special Situation interventions. We often disagreed on how to structure deals. Richard tended to favour more complex, more sophisticated structures that delivered a higher return to the taxpayer. I tended to favour simpler, easier-to-implement structures. I was also concerned by the risk of HMT being seen to profit from the distress of UK companies. The CX told me that he valued the differing points of view and challenge between Richard and me on these difficult issues where there was merit in both positions. Richard also played a critical role in the Cultural Recovery Fund. Richard's involvement was a useful example

of HMT officials working with outside experts on complex issues, and giving the CX the benefit of different perspectives on difficult issues.

- 8.5. **Senior Civil Servants in HM Treasury.** This was an extremely stressful time for the senior leaders of the Treasury, as it was for everyone across the nation. Nevertheless, we remained a cohesive, unified leadership team throughout the crisis.

8.5.1. Tom Scholar provided calm, reassuring and supportive leadership to the senior team, collectively and individually, and to the entire workforce of the Treasury.

8.5.2. Once the crisis broke, we began daily meetings on the Executive Management Board (EMB). These were partly to discuss the latest information on the crisis and to share progress on our respective workstreams with one another. They were also important team building sessions to keep us all united and supporting one another. On the whole, each member of EMB was leading on distinct initiatives and we did not double up on each others' areas of responsibility.

8.5.3. Beyond EMB, I worked very closely with the two DGs reporting to me: Phil Duffy, Enterprise and Growth; and Katharine Braddich (Financial Services), until she stepped down from that role in the summer of 2021. I also worked closely, often directly with Directors, Deputy Directors, and Range E (i.e. below Senior Management grade) officials.

8.5.4. On the whole, relationships between senior HMT officials were strong, constructive and supportive throughout the crisis. Were there occasional tensions? Yes, people (including me at times) sometimes got frustrated that they were left off copy lists on important advice to the CX or were not included in meetings with the CX on issues where they thought they should be included. But these were minor 'niggles'.

8.5.5. I would particularly highlight my strong working relationship with the Permanent Secretary, Sir Tom Scholar, throughout my time as Second Permanent Secretary. I believe that he and I worked effectively as a close team with no tensions or disagreements, and we provided a lot of mutual support to one another through these challenging times.

8.6. Senior Civil Servants in other Government Departments,

8.6.1. I worked very closely and collaboratively on Covid policy issues with senior officials in BEIS and the Department for Transport (DFT); in UK Government Investments (UKGI), UK Export Finance (UKEF) and the British Business Bank (BBB). Likewise on some of the cultural interventions, my teams and I worked well with DCMS officials.

8.6.2. I also worked extremely closely with senior officials at the Bank of England on the design and delivery of the Covid Corporate Financing Facility (CCFF). Andrew Bailey was involved in the initial design. Alex Brazier, an Executive Director at the Bank, led on the implementation of the CCFF.

8.6.3. I also had occasional meetings of the Economic Crime Board, which I jointly chaired with the Permanent Secretary of the Home Office.

8.6.4. With colleagues from all these different departments / public bodies, we had regular Teams meetings structured around the common problem that we were trying to solve. I found all these meetings very constructive and positive.

8.6.5. I had little direct contact on Covid-related policy with senior officials in other Government departments as my areas of focus were quite narrowly focused on specific sector-level or firm-level interventions. The move to remote working did, unfortunately, make it impossible to hold in-person meetings of 'Wednesday Morning Colleagues' (WMCs). This is an important part of life in

Whitehall as it allows for weekly, informal interaction between Perm Secs from different departments. It continued occasionally on Teams but was less effective than in person. Likewise, the National Security Council (Officials) (NSC(O)) committee was not able to continue even remotely as most members did not have access to secure PCs.

8.6.6. In April 2020, Cabinet Office set up a cross Whitehall group of Perm Secs to share information and views on conditions in the economy, the Economic and Business Strategy Review Group; I was asked to be the chair. My responses in Part F address this more fully. In short though, this was never intended to be a policy formulation group. It was simply an opportunity to share views informally among a group of interested Perm Secs. It did not prove very useful, and attendance declined in seniority. Its last meeting was on July 22nd, 2020. The meetings then stopped for the summer break and did not resume. For those senior members of this group where we had common problems to solve, we continued to work in issue-specific groups throughout the crisis. This proved far more productive and a better use of everyone's time.

8.7. **Senior Civil Servants in the Devolved Administrations (DA's).** I had very few interactions with senior Civil Servants in the DAs. This was true throughout my time in HMT. Most of the issues on which I led were 'reserved matters' and so the CX's decisions applied nationwide. When a Covid intervention specifically touched on one of the DAs (e.g. the Project Birch loan for a Welsh steelmaker) the sponsoring department (in that case BEIS) would deal directly with the DA. Those departmental officials had the pre-existing relationships with the relevant officials in the Welsh, Scottish or Northern Irish Administrations. One exception was my relationship with Sue (now Baroness) Gray who was at the time the Permanent Secretary of the Department of Finance for the Northern Ireland Executive. I had a good pre-existing relationship with Sue from her time in the Cabinet

Office. She contacted me directly if there were issues, such as concerns over connectivity between NI and GB by sea and air in April 2020. In that case, I connected her and her team with the right colleagues in HMT.

- 8.8. **Groups representing stakeholders.** I dealt directly with leaders of several business representative groups (esp. the CBI and the British Chambers of Commerce). When we were considering sectoral interventions, e.g. in the airline industry, I dealt with the relevant trade associations. On some interventions, I dealt directly with the bankers advising the relevant company. Some bankers contacted me to share ideas on potential ideas for interventions – e.g. on equity support.
- 8.9. **Groups representing end-users of economic interventions.** I dealt directly with Chairs or CEOs both 1-2-1 (e.g. on confidential Project Birch/Special Situation interventions) and sometimes with groups of CEOs (e.g. all the Airline CEOs on border controls). I also held regular calls with CEOs of major UK companies to get their input on the situation facing their businesses. All these interactions were recorded in my Transparency Returns which are included as Exhibits [CR/004 - INQ000655581], [CR/005 - INQ000655577], [CR/006 - INQ000655578], [CR/007 - INQ000655576], [CR/008 - INQ000655579], [CR/009 - INQ000655580], [CR/010 - INQ000655584]. I did not have interactions with the users (mainly SMEs) of the large scale, programmatic credit interventions (CBILS, CLBILS, BBLS, Future Fund). Once these moved into delivery, responsibility lay with BEIS and the British Business Bank. I received feedback, especially on CBILS early on, from the Business Representative Organizations.
- 8.10. **With Number 10.** For completeness (although not explicitly included in Q5), I should flag my interactions with Number 10.
- 8.10.1. I did not routinely join policy meetings on Covid with the Prime Minister; the CX would typically be accompanied by other HMT officials, or just by his Private Secretary. I had very few

interactions with the Prime Minister's political advisors, with one exception, throughout the Covid crisis.

8.10.2. I did have regular, at times weekly, calls with Ed Lister, now Lord Udny-Lister. This was our main channel to keep the Prime Minister, through one of his closest and most trusted advisers, up to date on highly confidential discussions we were having with and about potential interventions in UK companies through Project Birch/Special Situations. Lord Lister was a valuable source of advice on the political considerations we should be taking into account in preparing our advice to the CX and he was a completely confidential channel for highly price sensitive information.

8.11. **Summary.** Overall, I believe that my teams and I were very well connected across Whitehall, with other public sector bodies, and with the business community during the crisis. The constructive, cross-departmental, working relationships enabled us to develop highly effective, firm-specific interventions at speed.

9. Other than the minor 'niggles' mentioned in my response to Q5/para 8.5.4, I do not believe that there were any material challenges in my working relationships with colleagues in Whitehall or other public sector bodies during the course of this crisis. On the contrary, I am proud of the strong sense of teamwork and collaboration that we were able to maintain through very difficult, stressful times, both within HMT and across Whitehall and the wider public sector.
10. There were occasional tensions between HMT Officials and the CX's political team over leaks. Leaks are, unfortunately, an endemic problem in government and undermine trust between officials and Ministers. For the most part, HMT was relatively free of leaks compared to many other departments. However, there were some leaks over the course of the pandemic. It is almost always impossible to pin down the source of a leak. On a few occasions the CX's Political Team blamed HMT officials for a leak. On other occasions, HMT Officials thought the leaks came from other

Departments, Number 10 or the political team. Concerns over leaks, when they happened, would be discussed between the Permanent Secretary and the CX's Chief of Staff.

11. In my direct experience, HMT officials worked effectively and collaboratively across Whitehall.
 - 11.1. I and the teams in my area had extremely regular, often daily, working sessions with officials from UKGI, UKEF, BEIS, and DfT in particular. Tom Scholar and I participated in the regular Wednesday Morning Colleague (WMCs) and Heads of Department (HODs) meetings. Tom and I also had regular interactions with the Cabinet Secretary; Mark (now Lord) Sedwill and then Simon (now Lord) Case. I joined the Cabinet Secretary (O) update calls regularly.
 - 11.2. I had relatively limited involvement directly with senior officials in the Department of Health. There were a few informal calls that I joined with Tom Scholar, Chris Wormold and Chris Whitty. On the whole, I relied on information being fed back to the Executive Management Board (EMB) by other HMT colleagues who had attended meetings with health officials on the progression of the disease and the evolution of the Non-Pharmaceutical interventions (NPIs).
 - 11.3. In the early stages of the crisis, there was a desire for more information sharing about the economic impact which led to the formation of the Economic Business Response Strategy Group. This was intended to be an informal, information sharing forum for Permanent Secretaries. However, as discussed in section F, attendance rapidly dropped off and the group was disbanded as it was not proving a good use of senior officials' time.
 - 11.4. From my perspective on EMB, I saw how effectively my HMT colleagues were working with other Government departments. For instance, the teams developing labour market interventions (such as CJRS, SEISS) worked extremely effectively with HMRC and DWP.

- 11.5. In terms of areas for improvement, I think I and my senior colleagues in HMT could have done a better job of communicating with senior colleagues in other Departments what we were doing, and why there were limits in our ability to share information more widely (e.g. the risk of market abuse from sharing material price sensitive information, or breaking confidences ahead of a major CX announcement, or creating leak risk on highly sensitive decisions about economic interventions). I also think the multiplicity of fora for sharing information (WMCs, HODs, Cab Sec O, EBRSG, etc) meant that colleagues heard the same information multiple times and so attendance dropped off. Perhaps fewer fora, with less duplication and overlap in attendance, would have been a better approach.
12. My role in sharing economic understanding across departments varied according to the topic
- 12.1. In relation to developing and sharing HMT's understanding of the macro-economic understanding of the impact of the pandemic, I had no role. This responsibility lay with my colleagues who had the economic credentials and expertise, such as Clare Lombardelli, the Chief Economic Advisor to the Chancellor.
- 12.2. Likewise in developing and sharing an understanding of its impact on the labour market, I had no role. This work was taken forward by colleagues such as Beth Russell (DG, Tax and Welfare) and Lindsey White (Director, Personal Tax and Welfare Policy (PTWP)). They and colleagues in PTWP had the expertise on labour market issues and the relationships with DWP and HMRC.
- 12.3. In relation to developing and sharing HMT's understanding of the impact on specific firms and sectors, I was heavily involved, working with the senior officials in the relevant departments.
- 12.3.1. The departments of most relevance were BEIS (e.g. for steel, automotive, aerospace), DfT (e.g. for airlines, airports, shipping), and DCMS (e.g. for TV/Film Production, Events, Cultural

Institutions), MHCLG (for construction), and the Ministry of Defence (when issues touched on important defence contractors).

12.3.2. Given the commercial sensitivity of these discussions, we worked through tightly defined working groups with membership determined on a 'need to know' basis. We established specific working groups for affected sectors (e.g. Steel, Aviation, Automotive) and for individual companies within those sectors facing financial distress.

PART C: INITIAL RESPONSE TO THE PANDEMIC

13. In summary, my contemporaneous understanding of the path of the virus during January and most of February was quite limited. I relied on what I was reading in the papers and hearing on the radio. I received updates at NSC(O) meetings, as set out below, but these did not provide much, if any, more information than was already in the public domain. The situation changed dramatically in the final days of February when it became clear that the UK was at serious risk of a major outbreak of Coronavirus. From that point on, the severity of the crisis quickly became apparent. I, along with other Perm Secs, received detailed briefings at NSC(O) and Wednesday Morning Colleagues and Heads of Department meetings which set out in detail the realistic disaster scenarios that we could be facing. HMT's Executive Management Board started to meet daily from the week of March 17th and we received updates from colleagues who had attended meetings with the Cabinet Office and with health officials. Below I provide a more detailed timeline:

13.1. During January and February, I became aware of the growing coronavirus crisis in China initially from media reports. From my Outlook Calendar and my personal diary, I believe that I attended official meetings in which coronavirus was discussed as below. I have

omitted any reference to NSC(O) meetings where the discussions are classified:

- 13.1.1. On January 31st, I noted in my personal diary that “Coronavirus is now getting very serious, and concern was rising about risk of a pandemic. Work now underway on the economic risks if this thing continues to spiral out of control.” I believe this refers to work getting underway in HMT on analysing the economic impact of coronavirus on the global economy and risks to the UK economy **[CR/011 - INQ000656317]**.
- 13.1.2. Between February 1st and February 12th, I was copied in on an extensive email chain discussing China travel advice and the work getting underway in HMT on the potential economic impact of coronavirus/Covid 19. **[CR/012 - INQ000655426]**
- 13.1.3. On February 12th, I attended a meeting with business leaders hosted by the then CX (Sajid Javid). In my personal diary, I recorded that the CX asked “about Coronavirus in China and whether they [the business leaders] are having any problems yet with their supply chains. They say – not yet, but in about 2-3 weeks’ time it might start getting really difficult.”
- 13.1.4. On February 26th, I was copied into an email from the CX’s Office which said that the CX was concerned by the spread of the virus and asking for advice to understand the trigger points for action, when he might need to take action, and how this all fed into Budget preparation **[CR/013 - INQ000658368]**.
- 13.1.5. On February 27th, I hosted an in-person business breakfast with business leaders at HMT’s offices. One of the CEOs, normally very friendly, declined to shake my hand - my first experience of ‘social distancing’. The CEOs talked about the emerging Coronavirus crisis and a CEO from the hospitality industry raised her concerns about the potential impact of the crisis on the hotel industry. However, it is noteworthy that much of the

discussion was on other issues - net zero, migration, tax, and levelling-up **[CR/014 - INQ000655430]**.

13.1.6. Later that day, I met with Professor Chris Day (a health academic). The purpose of the meeting was to discuss health research funding. In passing, Professor Day expressed confidence that the scientific establishment would quickly find a treatment for coronavirus.

13.1.7. On the afternoon of Friday 28th, I convened a meeting of HMT senior officials, at the request of Dan York Smith (the head of Strategy, Planning and Budget (SPB)) to respond to the CX's request that HMT step up its planning and preparation for the economic response to coronavirus **[CR/015 - INQ000658367]**. In that meeting, a colleague provided an update on the messages shared at a Cabinet Office meeting which included very serious projections for the realistic disaster scenarios, suggesting that 80% of the UK population could be infected and that there could be 500,000 deaths. Financial markets fell sharply on this day.

13.1.8. During January, I attended Wednesday Morning Colleagues on 22 January, having missed the prior two meetings due to diary conflicts. In February, I attended WMCs on the 5th, but missed the other meeting on the 19th due to a diary conflict. I do not recall discussions of Coronavirus. WMCs did not circulate minutes of meetings.

13.2. From March 1st, responding to the economic consequences of the Coronavirus/Covid-19 crisis became the dominant focus of my, and most of my senior colleagues', time. I attended the following meetings where Covid (I will use that term from March onwards) was the major focus of discussion:

13.2.1. On Monday March 2nd, I attended a meeting in the morning with the CX as he prepared for a COBR meeting on Covid. The CX

set high aspirations for a comprehensive response package on Covid to be developed for the upcoming Budget (scheduled for March 11th) **[CR/016 - INQ000658369]**.

13.2.2. That day's Executive Management Board (EMB) was dominated by Covid.

13.2.3. I attended a meeting at the Bank of England where the main topic of discussion was Covid **[CR/017 - INQ000658370]**. The agenda had been circulated the night before in the body of an email **[CR/018 - INQ000658371]**. During the meeting, we discussed a statement that the Governor was intending to make the following morning as he began his testimony to the Treasury Select Committee **[CR/019 - INQ000658374]**.

13.3. On March 4th, I attended a meeting with the CX in Number 11, where the CX relayed the very concerning outlook as communicated to the CX by the PM earlier that day. (This CX meeting clashed with WMCs that day) By this point we were holding daily Covid meetings of HMT officials **[CR/020 - INQ000609203]**. Later that same day, it appears I attended, or dialled in to, another meeting with the CX in relation to the Coronavirus Budget Package **[CR/021 - INQ000658372]**.

13.4. On March 6th, I attended an early meeting with the CX to brief him ahead of a trilateral meeting with the Prime Minister and the Governor of the Bank of England. There was a meeting of the Treasury Ministerial Board that day, but I do not recall what was discussed. I assume we did discuss Covid.

13.5. On Sunday March 8th, I joined a teleconference on the Covid package being finalised for the Budget.

13.6. On Monday March 9th,

13.6.1. EMB met, first thing, and discussed our response to Covid. Then there was a meeting in Number 11 with the CX to discuss the

Budget package. This included discussions of the loan guarantee product that would become CBILS.

- 13.6.2. I joined a meeting of the Financial Policy Committee at the Bank of England. This meeting discussed how to respond to the growing crisis. At this meeting, the FPC decided to cut the Counter Cyclical Capital Buffer to zero, as recorded in the minutes of the March 2020 FPC discussions. **[CR/022 -**

INQ000616248]

- 13.7. On March 11th at WMCs, Tom Scholar gave the traditional pre-Budget summary to senior colleagues, including an update on the Covid package included with the Budget. The tone of the discussion among Perm Secs was very sombre given the scale of the developing crisis.
- 13.8. On Thursday March 12th, I met with HMT colleagues, thanked them for their work on the Covid package, and explained the health strategy (as it had been explained to me and other Perm Secs) which was to 'land the peak' of the infections in the summer, build up herd immunity and hope that the population was sufficiently immune by the late Autumn to avoid a major NHS crisis in winter 2020/21.
- 13.9. On Friday March 13th, I joined a meeting with the CX and the financial services team. There were problems developing in the travel insurance market.
- 13.10. Over the weekend of March 14th/15th, I had a series of calls and exchanges of messages with Andrew Bailey and senior officials at the Bank as we began work on what became the Covid Corporate Financing Facility (CCFF).
- 13.11. On Monday March 16th, EMB was dominated by a discussion of HMT's response to Covid. During the day, I took a call from a bank chairman who wanted to alert me to the risk of major corporate clients drawing down billions of dollars or pounds on their revolving credit facilities, which would put a strain on the liquidity of the banking system. He encouraged us to think about an asset purchase scheme (exactly what

we were working on at the time with the Bank of England). I met with the CX in Number 11 ahead of his chairing a new Cabinet sub-committee on Covid response. I had a call with Sir Jon Cunliffe, Deputy Governor of the Bank of England on Covid response. I accompanied the CX to a meeting of the Economic and Business Response Committee in the Cabinet Office Briefing Rooms (COBR), and then following that joined a meeting with the CX on loan guarantees.

- 13.12. On Tuesday March 17th, I met with the CX along with other officials for further discussions on the economic response to Covid, and preparation for the CX's announcement of a new Covid package which he would announce on Friday March 20th. On this day, the Cabinet Secretary began daily calls at the end of the afternoon for Permanent Secretaries - C-19 Cab Sec Daily (O). I also took a call from the Airline Trade Association on the impact of Covid on the airline industry. I received an email from Adam Marshall, Director General of the British Chambers of Commerce, with recommendations for further action. **[CR/023 - INQ000655432]**, and a follow-up on the next day **[CR/024 - INQ000655434]**
- 13.13. On Wednesday March 18th, I worked from home as I was running a temperature (I almost certainly had Covid at this point, and remained symptomatic for the rest of the month). I dialled into a number of update calls on Covid. I spoke with Carolyn Fairbairn of the CBI who conveyed forcefully the gravity of the situation facing UK business; a point she reiterated in an email later that day. **[CR/025 - INQ000655433]**
- 13.14. On Wednesday 19th, there was a joint meeting of the Bank of England's Monetary Policy Committee (MPC) and Financial Policy Committee (FPC) to discuss the economic impact of the Covid crisis. There were also calls with the CX (at the same time as the MPC/FPC meeting) on CBILS, but I cannot recall if I joined these.

- 13.15. During the weeks of March 23rd and 30th, I worked remotely, as did most of EMB. Most colleagues at HMT had moved to remote working on 17th March 2020 [CR/026 - INQ000655431]. My Outlook Calendar shows multiple virtual meetings during these days with the CX (on CBILS, CCFF), with the FPC which was finalising its March round, with business representative groups such as the CBI and British Chambers of Commerce, with airlines concerned about the impact of travel restrictions. I received input about the risks facing business from Carolyn Fairbairn on 24th March [CR/027 - INQ000655437] and with feedback on the CBILS scheme [CR/028 - INQ000655436]
- 13.16. My Outlook Calendar is exhibited [CR/029 - INQ000655571]. My transparency returns for 2020, 2021 and 2022 showing all my external meetings are referred to above in para 8.9. I have referenced above emails from Carolyn Fairbairn (the Director General of the CBI) and from Adam Marshall (Director of the British Chambers of Commerce) who shared information from their members and provided feedback on the support that HMT should be considering. I do not have any other relevant documents in this period recording interactions with the UK Government or other external advisers.
14. For most of January, and during the first 3 weeks of February, there was little attention being given to preparing an economic response to a potential break-out of coronavirus in the UK. Certainly, this was not a focus for my time during these weeks. There was focus on the emerging crisis in China, but the probability of a serious outbreak in the UK did not become apparent to us until late February. Earlier in the month, there was some discussion of a possibility of a pandemic, but the health advice at that time focused on containment should the virus reach the UK. I do not recall any advice from health officials highlighting a high probability of an outbreak in the UK until late February.
15. At the end of January, advice for the CX was prepared on whether or not to change advice on travel to China. By February 2nd, work was underway in the Economics team on the channels through which the economic impacts could play out, under different scenarios, which culminated in a letter to the

PM from the CX on the economic impacts of coronavirus on 12th February. The relevant email chain is attached as **[CR/011 - INQ000656317]**. In the first four weeks of February, HMT's focus was on analysing the potential economic impact, not preparing a response.

16. The situation changed dramatically in the last few days of February, when HMT quickly devoted significant resources to preparing a comprehensive 'Covid' package for Rishi Sunak's first Budget, due to be delivered on March 11th. Advice was submitted to the CX on February 26th **[CR/030 - INQ000625746]** setting out the potential economic impact of Covid. From my review of the records, I believe that the date at which HMT moved decisively into action was Friday February 28th, in response to commissions from the CX on February 26th and 27th. **[CR/031 - INQ000655429]**.
17. As explained above, significant resources in HMT were not devoted to crisis preparation until February 28th. At this point, the senior leadership team of HMT quickly responded and devoted significant new resources to preparation of a set of measures, to be included in the CX's Budget, to address the economic impact of the emerging health crisis.
18. With the benefit of hindsight, perhaps it could be argued that we should have started a few days earlier. It is hard to pin down the exact day when the scale of the crisis became apparent, but until mid-February there were only a handful of reported cases in the UK. On the 19th February, DHSC reported 9 cases in the UK **[CR/032 - INQ000655428]**. At that point I believed, based on what I was hearing from health officials, that the containment strategy would work. But, even if we had responded at scale on say Monday 24th, February rather than Friday 28th, the difference would have been immaterial. I am fairly certain that we would still, on this hypothetical timeline, have been targeting the announcement of measures in the March 11th Budget.
19. A separate question is whether there is any case that HMT could and should have devoted significant resources to crisis preparation at the beginning of February or in late January. For HMT to have done so, we would have had to have known: 1) that there was a high likelihood of a pandemic breaking out in

the UK; 2) that there would be a very severe economic impact and 3) that there was a high likelihood of an economy-wide lock-down.

- 19.1. On the first point, people were aware of the possibility of a pandemic, but this was not the central case. Indeed the consensus advice in early to mid-February was that containment would work. This was not unreasonable as containment had prevented SARS from becoming a global pandemic.
- 19.2. Second, the internal HMT analysis on the 12th February concluded that on the reasonable worst case assumptions (RWCS) “GDP could be between 1% and 2.5% lower by 2021 compared to current expectations.” This analysis is referenced in an email of 14th February **[CR/033 - INQ000655427]**. So, on the RWCS, HMTs economists were expecting a severe impact on the economy. but not as severe as turned out to be the case once a lock-down was imposed.
- 19.3. Third, there was no indication in early- to mid-February that HMG would be imposing an economy-wide lockdown. Without that knowledge, it would not have been possible either to justify diverting scarce resources from Budget preparation to full-scale crisis preparation, nor would it have been possible to plan for the scale of economic intervention that was eventually needed once a lock-down became likely. The need for major interventions such as CJRS, SEISS, BBLS, CCFF was only conceivable because of the economy-wide lock-down. Without foresight that a lock-down was going to happen, any early preparations would have been largely irrelevant, and focused on smaller-scale interventions such as those announced in the Budget of March 11th. It is important to note that lock-downs had not been implemented as part of the SARS response in 2009, nor in any democratic country before March 2020, and only in Wuhan on January 23rd. Therefore, I believe it is unreasonable to believe that HMT could and should have devoted significant resources to preparing for a major economic crisis, triggered by a nationwide lockdown, any time before the end of February.

20. Even if we in HMT had had perfect foresight and begun preparations on the full suite of Covid interventions in early- to mid-February, would it have made any difference? I do not believe so. One test of the effectiveness of these economic interventions is whether they prevented avoidable business failures and the associated unemployment. The evidence is clear that they did, even with the end February start date for preparation. Given the speed with which the major economic interventions were rolled out, there is no evidence that viable businesses failed and jobs were lost because the Covid interventions were “too late”. In fact, the business failure rate in 2020 (at 10.4% - source ONS) was very slightly lower than in 2019 (at 10.5%).
21. My one regret in the areas for which I was responsible is that we in HMT, BEIS and the BBB did not collectively do more to test the operational readiness and scalability of the Enterprise Finance Guarantee (EFG) product. As noted below in para 320.3, the EFG was the basis for CBILS and had originally been launched in 2009, with the expectation of it being a relatively low volume product. Our prior experience with loan guarantees had been that take-up fell short of expectations so it was not unreasonable to assume low volumes of take-up. However, with the benefit of hindsight, it would have been worthwhile to have tested the operational readiness of an EFG-based product at high volumes. As noted later in my response to question 81 (para 320.3), these processes now exist and it will be important to keep them fit-for-purpose in order to facilitate future crisis response.
22. I do not believe the change in Chancellor following the reshuffle of 13th February 2020 made any material difference to the timing or effectiveness of HMT’s crisis response.
- 22.1. The resignation of Sajid Javid on the morning of 13 February came as a complete surprise to all of us in HMT. However the transition to Chancellor Sunak happened with speed and efficiency. Rishi Sunak, having been Chief Secretary to the Treasury (CST), was well known to many HMT Officials and had worked through a major fiscal event - the Spending Review - the previous summer. Through his work as CST,

he had already established close working relationships with many of the officials who would play a central role in the Covid response.

22.2. As it happened, I did not know Rishi Sunak particularly well as CST. Given the focus of my role, I had not interacted with him much, as had been the case with several of his predecessors as CST. However, once he became CX, I quickly established a good professional relationship with Chancellor Sunak. That said, I had had a closer personal relationship with Chancellor Javid having worked with him as a Treasury Minister in 2013 and in his Cabinet positions since 2014.

22.3. Chancellor Sunak was in the Chancellor's office and taking control by the afternoon of the 13th. He addressed the full Treasury on the morning of 14th February. He quickly focused on the upcoming Budget. After the weekend, he made clear that he wanted to 'clear the decks' on the Budget preparation and start again, even though the Budget was only four weeks away. On February 27th, he commissioned advice on a major economic response to Covid.

[CR/031 - INQ000655429]

23. As noted above, there was a dramatic shift in focus, attention and resources from February 28th, when HMT responded to the CX's commission to prepare a major Covid package for the Budget of March 11th. There was another step-up in resources following the Budget as work began on the next wave of interventions such as CJRS, the expansion of CBILS and CCFF, where work began over the weekend of March 14th/15th. EMB moved to daily meetings as from the week of March 17th and Covid was the primary focus of those daily discussions.

24. For many HMT officials, there was complete change in the focus of their work before and after February 28th. Some teams dropped all their existing policy work to focus entirely on Covid response (two examples from EGU are work on the National Infrastructure Bank and on 'patient capital' investment in scale-ups which were stopped and the teams moved onto Covid response). However, it is worth noting that the basic business of HMT needed to continue so many teams were doubling up on Covid-related work and 'normal' HMT

policy work, and some teams were not involved in Covid response at all, or at least only marginally.

25. Many teams worked long hours, 7 days a week during the early stages of the crisis as they responded to the CX's demanding, but necessary, deadlines to develop and implement the Covid economic interventions.

26. In my view, the nature and pace of work in March 2020 was a comprehensive and impressive response to the challenges presented by the pandemic, and I am very proud of the work that my colleagues across HMT delivered in response to the direction set by the CX. I believe that the record of policy development and delivery in this month was remarkable, with:

26.1. The Covid Budget Package of March 11th, including announcements on:

26.1.1. A £5bn Covid response fund;

26.1.2. Welfare changes, including changes to Statutory Sick Pay eligibility;

26.1.3. Changes to business rates reliefs;

26.1.4. The introduction of CBILS, which opened for applications on 23rd March 2020.

26.2. The CX's announcement of March 17th, which included:

26.2.1. Launching the CCFF,

26.2.2. An extension to CBILS, increasing the maximum loan size from £1.2m to £5m;

26.2.3. Support for the hospitality industry, including cash grants of up to £25,000 for businesses with a rateable value of less than £51,000;

26.2.4. Extending the business rates holiday for Retail, Hospitality and Leisure businesses in the sector regardless of rateable value, and

- 26.2.5. Increasing cash grants provided to microbusinesses from £3,000 to £10,000.
- 26.3. The announcements of March 20th, including:
- 26.3.1. The Coronavirus Job Retention Scheme (CJRS)
- 26.3.2. Welfare support, including a £20 uplift to Universal Credit and Working Tax Credit
- 26.3.3. An increase to Local Housing Allowance rates
27. Recognising that I am not objective, and without wanting to sound complacent, I do believe that HMT's initial response, led by the CX and supported by teams across HMT, the rest of Whitehall and the wider public sector, was very effective. Inevitably there were some imperfections in the initial launches (e.g. CBILS operational efficiency and speed of approvals), with hindsight some of the detailed initial policy design could have been improved (e.g. personal guarantees on CBILS) and there were some gaps (e.g. between CBILS and CCFF). However, overall the early interventions were launched quickly and achieved their objectives of preventing 'scarring' to the economy. Any deficiencies at launch were fixed quickly.
28. That said, I agree with the conclusion in HMT's corporate statement that "*HM Treasury accepts the Inquiry's recommendation in Module 1 around the government needing to assess a wider range of scenarios around national risks and the need to consider the economic impacts of emergencies and responses on the population.*" Had we prepared for a wider range of scenarios during the period 2017-2019, then we might have had a more well developed set of responses 'on the shelf'. I hope in a future crisis, future HMT officials will be able to draw on the full suite of interventions that now exist and which need to be kept up to date and fit for purpose.
29. My understanding of the likely duration, severity and impact of the pandemic was shaped by the updates I received, along with colleagues, from health officials (e.g. at NSC(O), WMCs, the Cabinet Secretary's Daily update calls,

and from HMT colleagues who attended meetings such as SAGE and other meetings with senior health officials.

30. I was aware by February 28th, that, without serious interventions, the virus could infect up to 80% of the population and that in a realistic worst case scenario there could be up to 500,000 deaths.
31. As explained at various Whitehall meetings in early March, my understanding was that the plan was to 'land the peak' of the infection in the summer, and then hope that it began to fade in Autumn. There was a high level of concern among health officials about the risk of Covid continuing into the winter months and compounding the usual strains on the NHS in the winter.
32. I do not recall discussions of a second peak in infections until later in the Spring/early summer. In retrospect, we should all probably have realised that there could have been multiple peaks as there had been in the Spanish Flu and with SARS.
33. In March 2020, therefore, in designing the interventions for credit support to businesses, I thought we were dealing with a single peak of infections, resulting in a lock-down of a few months, creating a liquidity crisis that might affect businesses over the summer. Therefore if we provided liquidity support (through loan guarantees and the CCFF), businesses would be able to trade through until restrictions were lifted in the late summer/early Autumn.
34. I find it impossible to answer the hypothetical question of what would we have done differently in March 2020 had we known that there would be three peaks of the pandemic and that restrictions would continue until February 2022. I imagine we would have been very concerned by the fiscal impact of such an extended period of economic restrictions. That said, most of the interventions were designed to be scalable and extendable (see later, para 93) and were resilient when the risk of multiple peaks crystallised.

PART D: MANAGING THE DEPARTMENT

35. The formal structure of HMT did not change materially in response to the pandemic. The top team of two Permanent Secretaries and 5 Director Generals remained largely unchanged, other than the addition of Phil Duffy as a DG on his promotion in May 2020. Likewise most of the individual Directorships did not change. We established a new Covid Response Board, chaired by Dan York-Smith until November 2020, after which Kate Joseph was appointed Director, Covid Response and head of the Covid Response Board.
36. However, the day-to-day work did change dramatically for almost all the DGs, and many of the Directors. For most of HMT's senior leaders, Covid response became our primary focus at least for the initial few months of the crisis.
37. The Executive Management Board (EMB) (i.e. the senior officials leading HMT) moved to daily meetings from the week of March 17th. These meetings proved highly effective at sharing information among the top team and in providing mutual support and reassurance to one another during some very challenging times.
38. A very important Directorship in HMT is 'Strategy, Planning and Budget' which was run at the time by Dan York Smith. SPB contained a 'Strategic Projects' unit - i.e. a pool of resources that could be flexibly deployed across HMT depending on where the demand was. The officials in this pool were rapidly deployed to support teams working on Covid response. At the start of the crisis, there were c.30 FTE in Strategic Projects as at end January 2020 , immediately prior to the pandemic. The size of the pool reached c.55 FTE in summer 2021. SPB also had well defined processes for running major fiscal events and so were able to support the CX in the preparation for the major announcements that he made during the early months of the crisis.
39. EMB collectively made a number of decisions in late February and early March to re-prioritise resources from less urgent policy work to Covid related work. It helped that the CX had reset the design of the Budget. So, for

example, the team that had been working on the design of a new National Infrastructure Bank (planned for announcement in the Sajid Javid Budget, but cancelled by Chancellor Sunak) was freed up and redeployed onto Covid related work by late February.

40. The move to remote working was made on March 17th and proved effective, especially once we upgraded from Skype to Teams. It helped that we had done a trial run of remote working during President Trump's visit to London in June 2019. This had identified some minor gaps in our preparedness (e.g. insufficient numbers of ports for remote access) that we fixed in 2019. Moving to full scale remote working went smoothly.
41. I made a number of decisions within my areas of responsibility.
 - 41.1. Initially I had allocated responsibility for developing the loan guarantee product that became CBILS to a team in EGU. This team had been involved in No Deal Brexit planning in 2018 and 2019, and had good relationships with BEIS and the BBB. However, they did not have relationships with the commercial banking sector which were held by the Financial Services team. This division proved unhelpful and following the Budget of March 11th, I clarified that FS should lead on the loan guarantee products.
 - 41.2. In designing CCFF, we agreed with the Bank of England that they would handle the operational delivery of the facility, but that HMT would assume all the credit risk and take any firm-specific credit decisions. We did not have the capability to do so in early March. So working with the CEO of UKGI, I recommended to the CX that we set up an Advisory Credit Committee composed of experienced commercial and investment bankers who happened to be working in the Civil Service at the time **[CR/034 - INQ000609729]**.
 - 41.3. In May 2020 with the agreement of the Permanent Secretary, Cabinet Secretary and Civil Service Commission, Phil Duffy was promoted to Director General, EGU and the EGU Directorate was restructured into three Directorates, reflecting the expansion of the workload, partly

Covid related, but also due to more work on Climate, Productivity, Industrial Strategy and Infrastructure.

42. For the most part, the policy work in designing the major interventions were driven forward by existing teams. To illustrate with interventions developed in my areas of responsibility:
- 42.1. The loan guarantee programmes (CBILS, CLBILS, BBLS, RLS) were driven forward by the Banking and Credit team within Financial Services, once the responsibility had been transferred from EGU (see para 41.3 above)
 - 42.2. In March 2020, within EGU, I and the Director, EGU created the capability to handle Project Birch/Special Situations, by expanding an existing EGU team 'Companies and Economic Security', and then splitting this into two teams - 'Companies and Economic Security', led by Deputy Director Joe Pitt-Rashid and 'Special Situations', which was led by a second Deputy Director, Claire Wren, supported by two Range E officials as co-heads. Later leadership of Special Situations was taken on by Emily Braid when Claire Wren moved over to UKGI. A description of this team in March 2020 and how it worked is included as **[CR/035 - INQ000655570]**
 - 42.3. The BEIS spending team in EGU handled the initial design of the loan guarantee product but then, once the responsibility had been transferred to Financial Services, refocussed on the significant Covid-related and non-Covid spending issues in its areas of responsibility.
 - 42.4. The expanded Companies and Economic Security team was refocused entirely onto Covid work. In addition to handling Project Birch/Special Situations, it explored a number of options which in the end did not proceed - e.g. "CCFF minus", a preference share product, a Collateralised Loan Obligation (CLO) product, and options to provide equity injections to SMEs. None of these options proved viable nor was there a proven level of need.

- 42.5. The policy work on whether or not to intervene in providing support to the Aviation sector was driven forward by the Transport Spending team within EGU.
43. I believe that a number of factors contributed to the agility and speed of HMT's response in March 2020.
- 43.1. ***Decisive, demanding leadership from the CX*** who made clear that we needed to work at speed and with a high level of ambition. He set clear objectives for the interventions which were well communicated and well understood at all levels of HMT.
- 43.2. ***A unified and supportive top team.*** EMB remained very cohesive and supportive throughout the crisis. When things didn't go right in one area, colleagues would offer support and reassurance to one another, and additional resources if needed.
- 43.3. ***A flexible, non-territorial culture within HMT.*** DGs and Directors within HMT were willing to transfer resources to where they were needed most. Teams not directly involved in Covid response loaned staff to those teams that were over-stretched.
- 43.4. ***A non-hierarchical structure,*** in which relatively junior officials could, if they had the expertise and judgment, take the lead on many issues. The CX was willing to work directly with junior officials. Senior officials were happy to trust junior colleagues to speak up, challenge and present their views directly to the CX.
- 43.5. ***An entrepreneurial approach.*** The CX and senior officials were willing to launch new interventions at speed and fix them after launch, rather than delay and perfect the design before launch. This is more akin to a tech-start up approach. It led to some uncomfortable press (e.g. on CBILS) but undoubtedly sped up time to market.
- 43.6. ***A 'no-blame' culture.*** Things did go wrong. But, in my experience, the CX was never unfair in criticising teams. Nor did senior officials create a 'culture of fear' among junior colleagues. Our response to

things going wrong was to fix the problems, not look for culprits to blame.

43.7. ***Learning the lessons from the Financial Crisis.***

43.7.1. In 2012, the then Permanent Secretary Sir Nicholas (now Lord) Macpherson commissioned a report from Sharon (now Baroness) White on lessons to be learned from the HMT's response to the financial crisis. This led to the formation of a more flexible, project based organisation structure, the strengthening of HMT's financial sector and specialist financial expertise, and several other valuable recommendations. Her report is attached as [CR/036 - INQ000142243].

43.7.2. The Financial Stability Directorate ran dress rehearsals for potential financial crises and maintained a pool of 'reservists' i.e. HMT officials willing to move off their existing work to help with the response to a financial stability crisis. A number of those reservists were drawn into the Covid response in late February/early March 2020.

43.7.3. Several senior officials had played central roles in HMT's response to the Global Financial Crisis (e.g. Tom Scholar) or to later, smaller-scale financial crises (e.g. in my case, the Cypriot Banking Crisis of 2013). Working through those crises helped build personal relationships and trust between senior HMT and Bank of England officials.

43.8. ***Strong pre-existing relationships across Whitehall, the wider public sector and industry.*** Most of the major Covid interventions required strong collaboration across Whitehall for their design and delivery. In the areas where I was involved, it was important that the senior teams in EGU and FS had strong relationships with UKGI, UKEF, BEIS, DfT, DCMS, MHCLG, the BBB, the Bank of England, the PRA, the FCA, and the banking industry. I also highlight the importance of continuing positive relationships with the European Commission

where Katharine Braddick's strong relationships with senior Commission officials were critical in helping navigate State Aid restrictions on some of the early interventions (e.g. CBILS). Likewise the Bank of England's strong relationships with the Commission were also very important (e.g. in securing Commission approval for CCFF).

43.9. ***No distraction from other crises.*** It is notable that during this extreme economic shock, the UK financial system remained resilient. That was no accident. In the decade following the financial crisis, there had been a sustained drive at the international and domestic level to improve the resilience of the core financial system. Other than a brief period in March 2020 when we were concerned by some potential stresses in Sterling Money Market Funds (mainly domiciled in the EU, not in the UK), HMT and Bank officials did not need to manage any UK domestic financial stability crises. Likewise, we did not have to cope with the consequences of leaving the EU without a negotiated agreement, which could hypothetically have occurred in early 2020 or in late 2021.

44. Clearly there were trade-offs in moving at speed during March 2020. The strong direction from the CX was that these risks were worth taking given the need to deliver large-scale support to the economy as the full-scale of the health crisis became apparent. The main risks were:

a. ***Interventions needed to be fixed after launch.*** A business would typically launch a new product after extensive market testing, beta testing, parallel running and/or soft launches. We didn't have time for any of those. So inevitably some of our interventions launched with imperfections, glitches and design 'gaps' that needed to be fixed after launch. Three examples in areas for which I was responsible were 1) the need for the BBB to upgrade the operational processes for CBILS; 2) the need to fill the gap between CBILS and the CCFF; and 3) the need to introduce (after the launch of CCFF) rules on transparency, executive compensation and dividend restrictions.

- b. ***Some fraud vulnerabilities needed to be fixed after launch.*** With BBLS, we knew at launch that there was a risk of duplicate loan applications; this was one of several vulnerabilities identified pre-launch (see paragraph 183 for a more discussion of fraud risk in BBLS). This particular vulnerability was addressed by the BBB who installed a new system 8 weeks after launch. The trade-off here was whether to delay launch for up to two months at a time of urgent business need and extreme public pressure for a 24-hour, 100% loan guarantee product, or to launch quickly, accept the risk and fix it as quickly as possible.
- c. ***Public, Press and Parliamentary criticism was harsh.*** When interventions did not launch smoothly, the media, members of the public and members of Parliament were quick to point out the problems. This was an acute challenge at the time of the launch of CBILS, where we had operational challenges and 'gaps' in coverage. I and members of the team felt these criticisms acutely.

45. HMT is quite used to dealing with economic shocks - e.g. a prolonged recession, inflation, energy crisis, a major change in our trading relationship with Europe, bank failures, major flooding. During my time in HMT, we experienced all of those types of shock and were able to respond within our normal processes and management structures. What was different about the pandemic was both the nature and scale of the shock.

- 45.1. The nature of this economic shock was unique because, for good public health reasons, the Government chose to shut down large parts of the economy - advising people to 'stay home', closing schools, closing the borders, shutting down hospitality and non-essential retail. This meant that some sectors of the economy faced a precipitous drop in demand - far in excess of the average drop in demand across the full economy.
- 45.2. The severity of the collapse in demand was more extreme and more sudden than any other shock experienced in modern times. Demand

in Q2 2020 fell by 19.4% compared to a drop of 6.3% over five quarters in the financial crisis. The rebound was much more sudden too, with GDP recovering 17.6% in Q3, whereas the recovery after the financial crises was slow and prolonged. But while the recovery was rapid across the economy, some sectors (e.g. transportation) still experienced depressed demand for much of 2021.

46. The unique nature of this shock HMT required us to respond in unprecedented ways and presented the CX and HMT officials with some difficult challenges.

46.1. ***The need for unprecedented speed and scale in the interventions,*** especially the economy-wide interventions such as CJRS, BBLS, CCFF, and CBILS. Faced with the collapse in demand in Q2, it was vital that we moved fast, despite the risks set out in para 44 above.

46.2. ***The need to balance horizontal (i.e. economy wide) and vertical (i.e. sector specific) interventions.*** Early on the CX prioritized horizontal interventions, but as the crisis persisted and different sectors experienced differential impacts on demand, there was a tension between continuing with horizontal interventions (e.g. whether to extend the CJRS) or focusing on sector interventions (e.g. introducing a sector specific version of the CJRS). In the end, the CX prioritized very few sector specific interventions. Only a few went ahead - e.g. the scheme for smaller airports (AGOSS), the Cultural Recovery Fund, the TV/Film Production and Events interventions. HMT officials challenged each other on the case for sectoral support; for instance, colleagues in PTWP asked me to sit on a challenge panel exploring whether we should have a sector-specific CJRS (October 19th 2020). This was an informal working meeting so no minutes were kept. The CX decided against it, but we did test the idea in depth. In retrospect, given that no sector experienced lasting scarring, in my view the CX got this call right. We had to develop sector expertise which we did by working closely with the relevant teams in other departments and drawing on external support (e.g. consultancies, financial advisors) to supplement

the sector knowledge in HMT and in the relevant Whitehall Department.

46.3. ***The challenge of knowing when to withdraw support.*** As the economy rebounded, there were difficult choices about when to withdraw support. These were made more complex by the risks of further waves of the epidemic and the changing nature of the virus, especially the uncertainty over the level of protection offered by vaccination against new variants. These were difficult calls for the CX, with public, media and political pressure to keep interventions in place, but with rising fiscal pressures to start withdrawing the support.

47. There were five key economic objectives, as set out in question 18. In the areas where I was leading, we particularly focused on:

- Point b. Prevent viable businesses from failing
- Point a. Prevent unemployment and support living standards
- Point e. Maintain value for money and fiscal discipline

The other objectives were important to other HMT schemes but less relevant to the business support schemes where I was most engaged.

- Point c. ('protecting the most vulnerable and avoiding unfair impacts') was highly relevant to HMT colleagues working on labour market and welfare interventions, but less directly relevant to my work which was focused on firm-level interventions.
- On point d. (ensuring economic activity was consistent with NPIs), we took the NPIs as a given. The best way to ensure rapid recovery was to ensure that viable firms were still trading and able to rebuild activity quickly as the NPIs were lifted.

48. My understanding of the rationale for these objectives is that the CX and Prime Minister wanted to ensure that the interventions necessary to protect public health did not lead to lasting damage to the economy ('scarring') through the permanent loss of jobs, the failure of viable businesses or the collapse of the domestic supply of goods essential to national and economic security. The CX was also determined to avoid the social costs of long-term

employment which would have arisen had viable businesses failed or firms had been forced to lay off staff through permanent job reductions.

49. I believe that these objectives were clearly communicated and well understood at all levels of HM Treasury. We discussed them as EMB, with our direct reports and with our teams. I typically used language with my teams around 'avoiding scarring', 'protecting against the scourge of long-term unemployment', 'preventing failure of good businesses'. Colleagues in HMT fully understood the seriousness of the economic crisis and were strongly motivated to deliver policies that would prevent long-term damage to the economy. That common understanding of the mission we were all engaged in was, in my view, critical to the success of the economic interventions which required extraordinarily hard work, over an extended period, by colleagues across HMT.
50. The design of the business support lending schemes also included the priority of maintaining competition in the banking sector which is why CBILS and BBLS were open to challenger banks and non-bank lenders. CBILS had 118 accredited lenders. BBLS had 25 lenders. CLBILS had 18 lenders. By contrast, the CLBILS extension (up to £200 million) had only four banks who met the additional criteria required for these large guarantees. Had CBILS and BBLS been limited to the major, established banks we might have had lower loan & fraud losses but that decision would have compromised banking competition, restricted access for SMEs, and consolidated the market position of the major banks. However, we were also concerned not to put public funds at risk by allowing small banks and non-bank lenders, without experience of major corporate lending, to extend 80% guarantees on loans of up to £200 million which is why the CX approved the requirement that lenders offering these largest guarantees had to have had their internal risk models approved by the PRA.
51. I made recommendations to Ministers on multiple policy areas relevant to the business support programmes. As an official, I did not take decisions. The main areas where my teams and I made recommendations to Ministers were on programme design (CCFF, CBILS, CLBS, BBLS, the Project Birch

process) and firm-specific decisions on whether to extend CCFF facilities, Project Birch loans or UKEF loan guarantees.

52. Some of the most important recommendations I and my teams made were recommendations not to take action.

52.1. Towards the end of the crisis, the CX told me that he had particularly valued my advice not to extend loans to businesses that did not need HMG support and had viable options for commercial financing. Some examples of this were the recommendation not to provide support to airlines early in the crisis, and the recommendations to decline all bar one of the requests for support under Project Birch. My teams and I recommended declining billions of pounds worth of requests for HMG support; none of the businesses concerned failed.

52.2. Another example is the recommendation not to proceed with a proposal from Pool Re, the UK's terrorist risk insurance pool. In March 2020, Pool Re proposed paying a special dividend to its members who in turn would pass some of the monies onto small businesses. We concluded this would set a bad precedent and recommended that Ministers not proceed. **[CR/037 - INQ000655440]**

53. In the areas where I was leading, the prioritisation among the objectives remained constant. We were seeking to prevent permanent scarring to the economy from the failure of viable businesses and the scourge of long term unemployment that would have resulted from large scale business failures. We remained focused on limiting the cost to the taxpayer of any firm specific intervention. That is why we resisted calls for company-specific or sector-specific grants. For larger company interventions, e.g. through the Birch loan or the three UKEF guarantees, we ensured that the taxpayer received appropriate remuneration for the support being provided.

54. The one material change in the areas for which I was responsible was that the impact of the crisis became much more concentrated in specific sectors as the crisis wore on. The aviation, airports and transportation sectors were heavily affected by the continuing border restrictions which continued until

March 2022. Our interventions here were limited to grant-support targeted at small, regional airports (the AGOSS scheme) and UKEF loan guarantees for two major airlines, British Airways and Easyjet.

55. As the work on designing and overseeing the business support interventions declined in late 2020 and through 2021, the teams in EGU and FS refocused back on their normal HMT policy duties. There was a heavy load of non-Covid related policy work in Q4 2020, 2021 and 2022 as set out in paras 7.3 and 7.4. I focused my time on these other issues, and my involvement in Covid-related work declined in the second half of 2020 and was much lower during 2021 and was almost zero in 2022.
56. Most of the work of the EGU and FS teams was on firm-level or firm-specific interventions. Here our main concern regarding perverse or negative behavioural incentives was to avoid the risk of providing HMG funding to businesses that did not need support. This concern was addressed in different ways in the various loan support schemes:
 - 56.1. Project Birch's work in declining £billions of requests for loan support was important. Only one loan was extended and I am confident it went to a company in serious need.
 - 56.2. The controls built into CBILS and CLBILS ensured that borrowers had to demonstrate need to their lenders. While some companies may have borrowed without a real need, the performance of these programmes suggests that these loan guarantees have on the whole been well targeted, with 88.39% of CBILS and 97.78% of CLBILS still on schedule or already repaid.
 - 56.3. There was some risk of negative incentives in the early phase of CCFF. This was open to all investment grade companies making a material contribution to the UK economy and they did not have to demonstrate need. This was justifiable as we were seeking to avoid a drain of liquidity out of the banking system. But it did mean that some large, financially strong companies issued Commercial Paper into the CCFF and benefitted from this low cost source of funding. Once the CX

introduced the transparency requirements and restrictions on dividends and executive compensation, the incentive for drawing on CCFF was reduced and the companies that continued to use it had a genuine need for the funding support.

- 56.4. On BBLS, by design, borrowers did not have to demonstrate a need. They simply had to self-certify that they met the scheme's criteria. This was an essential feature of a system designed to disburse 100% guaranteed loans at speed, but did create the incentive for companies to borrow money, regardless of need and, as discussed in Part I, created some potential for fraud.
57. As these programmes were mainly firm-level interventions, the disciplines of behavioural economics are less relevant. However, had we had more time, then behavioural economics might have provided some insights into risk mitigation with the Bounce-back Loan programme. Were a future Chancellor to consider a 100% guarantee, self-certified, 24-hour disbursement programme again, it would be worth investing time up front in testing the application and approval processes with insights and challenge from behavioural economists.
58. As a leader of HMT, I was acutely aware of the growing pressures on the public finances during this crisis and the need to maintain fiscal discipline. For the business support programs I was involved in, our aim was to minimise losses and get as much money back for the tax payers as possible.
- 58.1. In some interventions, we either got all the money back (with a small profit) or are on track to be fully repaid. This is true for CCFF, the £6.2 billion of UKEF Loan Guarantees, the £30 million Project Birch loan.
- 58.2. In other cases, we managed to mitigate the losses to an acceptable level (CBILS, CLBILS) relative to the cost of economic scarring from the failure of otherwise viable businesses.
- 58.3. On BBLS, the losses were higher, but this reflected a calculated decision by the CX to provide this level of rapid credit support. In DBT's

latest monthly data, £1.88 billion (i.e. c 4%) of the £46.48 billion drawn from BBLS has been flagged as suspected fraud. DBT also note that they expect the proportion of guarantee claims linked to loans with a suspected fraud flag is expected to decline over time. The BBB has commissioned independent analysis of the value for money of these loan guarantee programmes. [CR/038 - INQ000096931]

59. Our approach to supporting (or not) the airline industry provides a useful case example of HMT's strategy to maintain fiscal discipline. In his letter of 24th March 2020, the CX made clear that he would only consider support to airlines as a last resort, once they had exhausted all other means of securing finance. (See CX letter to Airlines) [CR/039 - INQ000593312]. To their credit, the UK airlines took the CX at his word and did raise private finance to secure their survival. Later in 2020, Easyjet and British Airways qualified for and received loan guarantees from UK Export Finance under the Temporary Covid Risk Framework. These guarantees were extended on commercial terms and are still performing or have been fully repaid. (The details are commercially confidential).
60. For wider HMT programs, my perspective reflects the discussions we had in EMB. We took the need to balance fiscal responsibility with economic support very seriously. In some areas (e.g. vaccines) there was an overwhelming Value for Money (VFM) case to spend the money to get people back to work and out of lock-down. Likewise furlough, though expensive, prevented the economic and social scourge of mass unemployment. During 2020 and 2021, there were frequent discussions at EMB about the trade-offs around extending support to protect those segments of the economy still under stress, or withdrawing support to protect public funds. I was not present in discussions on this issue with the CX, nor was I present in any of the meetings between the CX, PM and other senior Cabinet colleagues when these trade-offs were discussed.
61. Based on international comparisons, I believe that the UK economic response stands up well. Indeed, the IMF "commended" the UK Government's response, noting "strong policy measures and rapid vaccination campaign",

and helping to support a “faster than expected” recovery. Clearly though there was a significant increase in our national debt which has compounded other fiscal pressures facing the UK economy.

62. Looking back, I believe that the five objectives set out in question 18 were broadly the correct objectives at the time. Perhaps with hindsight, the first objective (‘Prevent unemployment and support living standards’) could be expanded to include a reference to ensuring high levels of labour force participation. Although the evidence is mixed as to the causes of reduced labour force participation since the pandemic, it is clearly an important issue and a continuing drag on UK economic performance. It is also a serious social problem if large numbers of people withdraw from the workforce permanently. However, I am not sure it is reasonable to apply this view informed by hindsight on objectives that were set in early March 2020.
63. Overall, I think the decision making and advisory processes worked well. In the areas where I had direct day-to-day engagement, I found that the CX and other Ministers were extremely responsive in reviewing advice, discussing it with officials, listening to contrary points of views, and making decisions under pressure and at speed.
64. On the business support programmes, we made good use of experts (e.g. in the Bank of England, in UKEF, in UKGI) and had good lines of communication to the relevant business organisations and individual businesses. The Advisory Credit Committee was composed of deeply experienced banking and investment professionals who happened now to be working in the Civil Service. It provided very valuable advice, at pace to the CX. The CX’s advisor, Richard Sharp, played a valuable role (esp. on some Birch cases, and on the Cultural Recovery Fund) in bringing his deep corporate finance expertise to bear.
65. Later in the crisis, when we had the benefit of more time to develop policies, we did make use of ‘challenge teams’. I participated in one on whether and how to extend the CJRS; this took place on 19 October 2020. If we had had more time in the Spring of 2020, more such challenge teams might have been useful to test the initial design of the major early interventions. (My Outlook

Calendar has some 'Constructive Challenge' sessions in March 2020, on the 20th and 24th. See later, para 274).

66. There were some minor misunderstandings and miscommunications. For instance, the CX asked officials to exclude personal guarantees from the CBILS loan agreements. The team and I thought he meant personal guarantees against the borrowers' principal private residence. These are the personal guarantees that cause most concern for business borrowers as they could lose their home if their business failed. These guarantees were excluded. But the CX actually meant all personal guarantees, including those on financial assets and second homes. This change had to be introduced after launch. In my view, these minor misunderstandings and miscommunications were inevitable given the speed at which we were operating. However, as communications were not 100% accurate on all points of detail, that has to be one area in hindsight where improvements could have been made.
67. Overall in the areas where I had direct involvement I believe that the decision making structures worked reasonably well, and any shortcomings did not materially affect the effectiveness of our response. That said, there are always lessons to be learned, and my understanding is that HMT has implemented changes to its decision making and organizational structure in response to findings of Module 1 of the inquiry and other considerations. These changes include:
 - 67.1. Design of a new, expanded surge resourcing capacity
 - 67.2. Better identification of principal acute risks, such as a future pandemic
 - 67.3. Greater use of red teaming and challenge teams
 - 67.4. A more formalized Crisis Command Structure
68. These all strike me as sensible reforms.

PART E - ENSURING ECONOMIC ACTIVITY WAS CONSISTENT WITH NPIS

69. If by 'intergovernmental fora', question 24 is asking about my role in fora that existed between the UK government and the Scottish or Welsh Governments, or with the Northern Ireland Executive, or with foreign governments, then the answer is that I had no role in any such forum.
70. Nor did I participate regularly in any inter-departmental Ministerial decision making fora. Early in the crisis, I did attend some meetings of the Economic and Business Strategy Response Committee. This was a Ministerial meeting chaired by the CX. I accompanied the CX in person on March 16th. According to my Outlook Calendar, I dialled in to further meetings on March 23rd, 27th, 31st, April 7th, and 16th, but after that date, I did not join further meetings of this Ministerial group. I believe that another HMT official joined the CX, but I cannot recall who that was.
71. My answers in this section therefore address the main forums I participated in that were intended to enable inter-departmental co-ordination and communications on key policies. The cross-Whitehall fora were: NSC(O); WMCs/HODs; the Cabinet Secretary Covid Update calls; and the Economic and Business Response Strategy Group. More impactful, and more relevant to inter-departmental co-ordination on key policies were the more focused, more informal working groups addressing specific sectors, individual firms, or specific policies. I will address the cross-Whitehall fora first, and then explain the more targeted sector, firm or policy specific groups.
72. National Security Council (Officials) - NSC(O)
- 72.1. I was a member of NSC(O), representing HMT.
- 72.2. NSC (O) is a committee that meets ahead of the PM-Chaired National Security Council to review the advice to NSC and ensure inter-departmental alignment on the recommendations being put to the NSC.
- 72.3. Most topics discussed at NSC(O) concern National Security and are classified. To the extent that NSC(O) discussed Covid, I am unable to

talk about what was discussed in an open statement and only in a closed statement.

- 72.4. Once we started to work remotely, in line with HMG policy, NSC(O) meetings became very infrequent. Many members, including me, did not have access to secure IT equipment at home. (An omission to address in future crises, perhaps)
 - 72.5. NSC(O) had no role in influencing economic decision making during the pandemic
 - 72.6. NSC(O) is in normal times a very effective committee and an essential part of the national security decision making structure. But in this crisis, at least for my role in HMT in developing elements of the economic response to Covid, it had no relevance, particularly as I stopped attending from mid-March onwards.
73. Wednesday Morning Colleagues/Heads of Department (WMCs / HODs)
- 73.1. WMCs is the regular Wednesday morning meeting of all Permanent Secretaries. It would normally meet every two weeks. The group includes Heads of Department, Second Permanent Secretaries and other senior Civil Servants of equivalent rank (e.g. the Chief Medical Officer, the Government Scientific Adviser). As HMT's Second Permanent Secretary, I attended WMCs. Heads of Departments (HODs) would normally meet every 4 weeks. Sometimes I stood in for the Permanent Secretary at Heads of Department.
 - 73.2. In normal times, WMCs and HODs serve as important fora to share information and build relationships among the senior leaders of the Civil Service. They are not decision making fora.
 - 73.3. I have very limited recollection of what was discussed at WMCs and HODs during the crisis. I expect that we received updates from the CMO and/or GSA or Permanent Secretary DHSC on the progress of the pandemic and the Government's response. In the early months of the crisis, I missed several WMC's because of diary conflicts, e.g. with

CX meetings, or meetings of the Bank of England's Financial Policy Committee.

- 73.4. Moving to remote working reduced the effectiveness of these meetings. Most of the information sharing about Covid was done through the Cabinet Secretary's daily phone call updates, which early in the crisis proved effective.
 - 73.5. WMCs and HODs are not designed as fora to share detailed information relevant to specific policy formulation. Most of the information shared on Covid, from memory, was also being shared through other fora and reaching HMT directly from colleagues attending meetings such as SAGE or the Ministerial meetings.
 - 73.6. WMCs and HODs normally play a very valuable role in building a sense of teamwork and cohesion among the senior leaders of the Civil Service. But in this crisis, given the move to remote working, I think they were less effective than in more normal times.
74. Cabinet Secretary Covid-19 updates - also known as Cab Sec (O)
- 74.1. Cab Sec (O) was established on March 17th, as the main forum for the Cabinet Secretary to update Permanent Secretaries on developments in the crisis.
 - 74.2. It met most days between March 17th and late April and then moved to a twice weekly routine.
 - 74.3. While Cab Sec (O) proved effective at information sharing early on in the crisis, as time passed, it became less effective. Much of the information about the progression of the disease or the government's responses was already widely known across Whitehall or in the public domain before the calls of Cab Sec (O). Therefore there was little valuable new information shared at Cab Sec (O) after the initial weeks of the crisis.
75. Economic Business Strategy Response Group. This is addressed fully in Part F.

76. Much more relevant to inter-departmental co-ordination on key policies, at least in my areas of responsibility, were the working groups that we established to address specific issues on which cross-departmental working was critical.
- 76.1. Some of these groups were defined around specific sectors (e.g. steel, automotive, airlines) or individual companies facing potential financial distress. Given commercial confidentiality, I have used the codenames that we used for these groups. The most active were: Rudbekia (an aerospace & defence company); K2, Everest and Olympus (airlines); Juniper, (an automotive company); Cedar (a steel company). There were short-lived working groups for other companies seeking support under Project Birch.
- 76.2. My role was typically to chair these groups or to co-chair them with the relevant Permanent Secretary (e.g. the Perm Sec, BEIS and I co-chaired the Steel Sector group)
- 76.3. The objectives of these groups was to develop detailed and specific recommendations to Ministers on how to respond to the challenges facing the sector and/or the specific company.
- 76.4. The composition of these groups included myself and HMT officials from the relevant team within EGU; a senior official (often the Perm Sec) from the sponsor department for that sector/company (typically BEIS or DfT), officials from the relevant policy team in that department (e.g. the steel team in BEIS), officials from UKGI and (in some cases) from UK Export Finance.
- 76.5. The topics that were discussed ranged from broad, strategic overviews of the sector, to the financial situation facing individual companies, to detailed discussions of the terms, conditions and structures for any financial assistance that might be offered, or the rationale for recommending not to offer financial assistance.
- 76.6. These groups worked very effectively and I do not recall any material challenges.

- 76.7. These groups were extremely valuable in developing a shared position across HMT and the relevant departments and in producing consistent advice to the CX and the relevant Departmental Ministers. These groups were an essential part of our work on Project Birch/Special Situations including the UK Export Finance Guarantee provision. Specific examples are listed below, and these are all now in the public domain:
- 76.7.1. The decision to offer a £30m loan to Celsa, the Welsh steelmill.
- 76.7.2. The decision to offer an 80% UKEF loan guarantee to Rolls Royce's five year, £2bn loan facility, which was later expanded by an additional £1bn
- 76.7.3. The decision to offer UKEF loan guarantee to British Airways of a £2bn five year term loan facility and a guarantee to Easyjet in respect of a £1.4bn loan facility.
77. We had a similar, though less formal, working group with the Bank of England on CCFF. Often I would simply talk directly to Alex Brazier, the relevant Executive Director in the Bank to discuss any emerging issues. My Outlook Calendar shows regular CCFF meetings through the second half of 2020, though with declining frequency as the programme was working smoothly with few issues needing senior attention.
78. I was not a member of any cross-Departmental group working on the delivery of the loan guarantee programmes (CBILS, CLBILS, BBLS)
79. I believe that the senior officials in HMT received timely advice on the current state of the Government's policy on NPIs. Inevitably, given the speed and unpredictability of the disease's progression, there were rapid changes in the public health position, especially at inflection points in the crisis. However, colleagues such as Dan York Smith, Clare Lombardelli, Kate Joseph and Vanessa MacDougall who were closely involved in the meetings where NPIs were discussed, did a good job at communicating this information back to the senior HMT team, typically through our daily EMB calls.

80. Later in the crisis, I received representations from the airline industry expressing frustrations over the border restrictions. These restrictions and the testing requirements were subject to frequent change. The industry felt - and made representations to me and colleagues in DfT - that the changes in the public health restrictions were not evidence-based nor well explained. These tensions were at their most acute in late 2021. Airlines UK sent the Prime Minister a letter on 8 December 2021 complaining about the 'haphazard and disproportionate approach by Government to travel restrictions' **[CR/040 - INQ000655561]**. This was the only time when I felt that uncertainty over the NPIs affected our ability to develop economic policy in the areas for which I was responsible.
81. Our overall approach in HMT was to take the NPIs as a given, and then develop policies consistent with the NPIs. Clearly - and appropriately - the Government's aim was to protect the lives of UK citizens. Ministers, on the advice of health officials, had the very challenging job of deciding which NPIs to impose when, and when to lift those NPIs. Once those decisions were taken, our job in HMT was to develop policies that protected the economy from lasting damage as much as possible, consistent with those NPIs. I believe this was our approach across all of the policy development in HMT. I know first hand that it was the case in the business support policies being developed in EGU and FS.
82. The most valuable channels for communicating medical, scientific and epidemiological information, in my experience, were through the reports back to EMB by HMT colleagues who had attended meetings discussing the progression of the virus and the associated public health advice. I did not attend any of these meetings, but senior HMT officials received regular updates (often that day or at the latest the following morning) at our EMB meetings. Colleagues were very diligent in passing along the information they gleaned from these discussions. After the early breakthroughs on vaccines, HMT teams were deeply engaged in providing the spending support for the necessary investment. Those HMT officials engaged with the Vaccines Taskforce were also prompt in informing HMT colleagues what they were learning about progress with the vaccines.

83. The formal and informal channels for communicating medical, scientific and epistemological information included:
- 83.1. *Information provided [by] Cabinet Office structures.* I attended Cabinet Secretary (O) regularly which provided updates on the latest medical and scientific information. Initially this was held on a daily basis before moving to twice a week. And, as noted above, some information was shared at WMC and HODs.
 - 83.2. *Meetings with epidemiological, medical or scientific experts.* I had a meeting, on another topic, with Prof Chris Bell at the end of February (as noted above in para 13.1.7). I took a call from Prof John Bell on March 11th who informed me that he had a copy of DNA sequencing for anti-bodies to the virus, and might require funding to secure the 'vats' necessary for further medical research into the virus. Nothing further came of that call. Other than that, I had no meetings with external medical or scientific experts. There were a small number of calls that Tom Scholar and Chris Wormold organised with a few senior HMT officials, including me, and the Chief Medical Officer (CMO) Chris Witty and the Government Scientific Adviser (GSA) Patrick Vallance. These were very informal and do not show up in my Outlook Calendar, and only one is noted in my personal diary on April 3rd 2020. From memory, there were only two or three such calls that I participated in. They were helpful but given the enormous pressures on the CMO and GSA I can fully appreciate why they were not a more regular occurrence.
 - 83.3. *Special Advisors within HM Treasury.* I do not recall receiving any scientific, medical or epistemological information from the CX's team of Special Advisors.
 - 83.4. *Briefings from HMT Officials who attended SAGE in an observer capacity.* As noted above, Vanessa MacDougall provided regular, detailed and valuable updates to EMB regularly following meetings of SAGE.

84. Question 28 asks why I facilitated the attendance of an HMT Director at SAGE meetings. Vanessa MacDougall, a Director in HMT did attend SAGE as an observer. However, I have no recollection of being involved in facilitating her attendance at SAGE. Nor am I aware of any instructions that were given to her.
85. It was extremely helpful for HMT's senior officials to have regular updates on the discussions taking place at SAGE, to ensure that we were well informed of the likely direction of public health policy. Also, for the teams briefing the CX ahead of Ministerial meetings, it was valuable to be able to provide him with informed, detailed and up-to-date information on the latest scientific advice. I was not involved in preparing those briefings nor in attending meetings with the CX on the scientific advice being presented to Cabinet or other Ministerial meetings.
86. For the policy areas where I was responsible, I and my HMT colleagues did receive adequate and timely advice about the public health impact of the pandemic. In designing the business support packages, the relevant information was the length and severity of lock-down and travel restrictions. For programmes such as CCFF and the loan guarantee programmes, once they were established, the only question was whether to extend support and when to withdraw it.
- 86.1. At the Winter Economy Plan on 24 September 2020, the CX announced that CBILS, BBLS, CLBILS and the Future Fund would be extended, initially to 30 November 2020 for new applications. He also announced our intention to introduce a successor scheme - the RLS. In November 2020, the CBILS, CLBILS and BBLS were extended again until the end of January 2021, with a further extension until the end of March 2021 agreed by the Chancellor in December 2020. CBILS, CLBILS and BBLS ultimately closed to new applications on 31 March 2021.
- 86.2. Regarding the CCFF, on 17th September, the CX was advised on whether to extend the scheme. He chose to do so in two stages: closing to new applicants on December 31st 2020, and to new

issuance on 23 March 2021. **[CR/041 - INQ000655468]**. It was clear that the need for this level of support for large companies was no longer there as most sectors of the economy were recovering with the lifting of restrictions, and the financial markets were fully open to investment grade borrowers.

87. The one area of difficulty that affected interventions in which I was involved, as noted in para 6.7, concerned the information that we were receiving in HMT and in DfT from DHSC about likely changes, and the supporting rationale, for continuing border restrictions in late 2021 and early 2022. I recognise that this was an extremely difficult judgement for the health officials needing to weigh up the risks of a 'variant of concern' entering the UK and proving vaccine resistant. That was understandably their major concern. There was also uncertainty and some debate over the relative efficacy of the simple, cheap lateral flow tests (preferred by the industry) vs the expensive, slower 'gold standard' PCR tests (preferred by health officials). By late 2021, the aviation industry was in considerable difficulties and the trade association argued that the UK's restrictions and testing requirements were less well evidenced, and less well communicated than in other countries [see letter referenced above in paragraph 80 **[CR/040 - INQ000655561]**]. In retrospect, I believe that we in HMT and DfT could have done a better job in explaining to DHSC officials the need for better communication and explanation of the border restrictions, and likewise DSHC could have done a better job of explaining and justifying the public health necessity for these continuing restrictions.
88. I do not believe that the advice, analysis and information that I received as a senior HMT official did provide a detailed analysis of the likely trajectory of the pandemic and how this would affect behaviour. However, I am not sure it is reasonable to expect the health officials to have been able to predict the future path of the virus with such foresight. One of the most challenging aspects of the virus was its ability to mutate. I do remember being told early in the crisis by either the CMO or Deputy CMO that viruses tend to mutate and over time become more contagious but less virulent, but they warned we could not rely on that outcome in this case. Indeed, we could not. By the end

of the pandemic, the virus had mutated to a more contagious, less virulent form but only after passing through multiple variants, some of which proved more dangerous than the first 'wild' variant.

89. Therefore I have huge sympathy for the health officials and scientific experts and do not believe that HMT could reasonably have expected them to provide detailed, accurate and reliable forecasts of the likely mutations of the virus, the resulting trajectories and the impact on behaviours.
90. Another area of uncertainty was over the likelihood of finding a vaccine. Early in the crisis, there was scientific disagreement over whether it would be possible to develop, test and launch a vaccine within 2-3 years. After all, as it was reported to me by an HMT colleague, one member of SAGE pointed out that after nearly 40 years, we still had no vaccine for AIDS. I do not believe it is reasonable or realistic to expect, or plan for, reliable, accurate forecasts for the path of a pandemic, nor to predict the speed of scientific and medical advances.
91. Our job in HMT was to develop policies that dealt with the economic consequences of the public health decisions on NPIs. Of most importance to economic activity were the decisions to require people to stay at home, to close schools, to close non-essential retail and hospitality, and to apply border restrictions. Once we knew that those health interventions were being imposed, we could and did design the economic measures needed to minimise lasting damage to the economy.
92. The one area where I think it might have been reasonable to expect more advance notice was around the likelihood of multiple waves. This is not applying hindsight. Multiple waves are quite typical in a pandemic, and occurred in the Spanish flu and in the SARS crisis. I do not know what we would have done differently if we had been warned that we needed to prepare for a crisis involving multiple waves. For the areas I was involved in, I think we would have taken the same approach but warned Ministers of the likely longer duration and higher cost of some of the necessary interventions.

93. I do not believe that there was a failure to integrate economic and public health evidence and analysis. I can only comment with any informed perspective on the interventions where I had direct involvement. On these interventions, I do not believe that more or better public health evidence would have made a material difference. We were responding to a liquidity crisis in businesses caused by the necessary health restrictions placed by the Government on economic activity. The reasons why those restrictions were in force were not relevant to the design of the interventions. Our interventions were designed to be scalable and extendable.
- 93.1. One of the advantages of guarantees (our main instrument for liquidity support) is that they do not require up-front funding by HMT. They are highly scalable and can be extended for as long as needed.
- 93.2. The other main credit intervention - the CCFF - was funded with 'central bank' money and that too is scalable and extendable, and does not impose a burden on the Treasury's immediate borrowing needs.
94. I do not believe that the design of these interventions would have changed with more or more detailed public health evidence about the likely path of the disease. Even if we had known that there would have been multiple waves, that would probably have reinforced our choice to use guarantees for the small business and mid-corporate loan programmes, to fund CCFF with central bank money, to avoid grant funding or direct lending as much as possible, and to press corporations to seek private sector financing solutions as a first resort.
95. In the early stages of the pandemic, I believe that economic policy was completely aligned with the Government's overall health policy. Under the CX's leadership, HMT officials moved quickly and decisively to implement the policies necessary to protect the economy from lasting damage.
96. I am aware that, as the crisis progressed, there were debates at the highest levels of Government about how to strike the right balance between imposing further restrictions to protect public health vs the social and economic consequences that would result from further tiering restrictions or lockdowns.

It is entirely right that those difficult trade-offs were debated by our elected leaders. I was not present in those discussions, nor involved in advising the CX ahead of those Ministerial meetings. I do not have any basis to question the decisions that were taken following those debates.

PART F - THE ECONOMIC AND BUSINESS RESPONSE STRATEGY GROUP

97. In late March 2020, the Cabinet Office decided to set up two groups to support the Economic and Business Response Ministerial Implementation Group (EBRIGM). In a letter dated 1 April [CR/042 – INQ000655208], Jonathan Black, a Director General in the Cabinet Office, wrote that one group would be comprised of more junior officials and would be a traditional “O” (i.e. Officials) group to prepare papers for the Ministerial meeting (EBRIGM) and that a second group would be comprised of Permanent Secretaries and would be a forum for intelligence sharing about developments across the economy. This second group, to give it its full title, was called the Economic and Business Response Strategy Group (Permanent Secretaries) which makes clear the intended seniority of participation. In the letter, Jonathan Black says that I will chair this group. I assume that he and I had spoken before the letter was issued, but I have no record or memory of that discussion.
- 97.1. My role and responsibilities as chair were to facilitate the discussion on the calls, and to work with the Secretariat to agree on the agenda for the meetings.
- 97.2. The functions, aims and objectives of this Group were set out in the Terms of Reference [CR/043 – INQ000625750]. EBRSG was intended to be a forum for “sharing intelligence on the business environment and impact of Covid-19, in particular emerging challenges and considering the strategic and policy approach to the post-pandemic economic and business recovery”. The group had no role in policy formation nor any decision making powers. It had no deliverables. It did not produce any work product. It had no role in approving advice to Ministers.

- 97.3. The membership is listed on the Terms of Reference **[CR/043 – INQ000625750]**. It comprised Permanent Secretaries of ‘economy-facing departments’ - BEIS, DCMS, DIT, DfT, DEFRA, MHCLG, DfE, DWP, HMRC, plus the CEO of UKGI, the Director of Government Communications, and Philip Barton, then a DG playing a cross Whitehall role on Covid recovery.
- 97.4. Between April 2020 and July 2020, it met thirteen times. The frequency, purpose and attendance of the Group was always to be kept under review.
98. At the inaugural meeting on 8 April 2020, attendees agreed that the most productive role for meetings of this type covered four themes, including consideration of how to deliver the best evidence base to ensure this could inform overall decisions, including getting closer to real time data and the realities of impacts on different cohorts and places. Over subsequent meetings taking place through the summer, discussions considered issues including long-term economic objectives as the UK recovered from the pandemic and impacts on different sectors as they reopened, and HM Treasury provided updates on the economic outlook **[CR/044 - INQ000236541]**. Over time, the agendas for these discussions more closely aligned with weekly meetings that the Prime Minister was taking on the state of the UK economy. Supporting papers included analysis conducted across government where HM Treasury often produced joint papers with BEIS and Cabinet Office **[CR/045 - INQ000236534]**, **[CR/046 - INQ000236577]**, with an aim of the meetings being to support a common view at senior official level of challenges facing the UK economy.
99. Technically, as the Cabinet Office had set this group up, I assume it reported to the Cabinet Office, ultimately to the Cabinet Secretary.
100. Typically, the meetings began with an overview of the latest information about the state of the economy, and then we would have one or two ‘deep dives’ on specific topics. Examples of those topics include: updates on safer places/safer workplaces guidance; updates on a workstream considering the future economy; the global economic impact of Covid-19; impact of Covid-19

on the hospitality and close proximity workstreams; aviation and tourism update. The agendas and papers for the 13 meetings of EBRSG are included as Annex F.

101. Although the Group was set up with high ambitions and good intentions, it quickly became apparent that it was of limited value.
 - 101.1. After the second meeting on April 17th, I noted in my personal diary - "Good discussion. No impact."
 - 101.2. Attendance remained good for the first two months . After the May 15th meeting, I noted: "Call with the Perm Sec group talking about economic recovery... actually a good discussion. People still join and contribute. No paper, just a good open discussion about the mess we are facing".
 - 101.3. By early June, attendance by my fellow Permanent Secretaries dropped off, and alternates (mainly Director Generals (DGs)) were sent instead. After the June 4th meeting, I noted: "Session with the Perm Sec group (now mainly DG's but they enjoy it) on economic strategy." Immediately, following that meeting, I joined a different discussion on a similar topic to which several Perm Secs did show up.
 - 101.4. By July 10th, it was clear that my Permanent Secretary colleagues no longer valued this group. In my personal diary, I noted, with clear frustration: "Meaningless call with the Perm Sec group on the economy (now just DGs which tells me it is time to call it a day)".
 - 101.5. I did not make any entry in my diary for the last meeting on July 22nd, but I believe that not a single Permanent Secretary joined the meeting; all sent alternates. This is supported by the read-out of the meeting, in which the only named participants are DGs **[CR/044 - INQ000236541]**.
 - 101.6. Permanent Secretaries are always busy and were extraordinarily so at this time. They clearly de-prioritized this meeting versus their other pressing commitments.

102. The EBRSG did not contribute to economic policy making. By contrast the more focused, more outcome-driven inter-departmental groups (see para 76 above) made a major contribution to policy making.
103. Membership of the Group was set by the Cabinet Office. The intent was that the members were Permanent Secretaries from the 'economy-facing' departments, i.e. those Whitehall departments who had responsibility for major sectors in the economy or for the labour market. It did not include Perm Secs from departments from social-policy, justice, or security-focused departments. It also included Alex Aiken, the Director of Government Communications. We also added the DWP given its insights into the labour market.
104. The Permanent Secretaries of the Scottish, Welsh and Northern Irish Civil Services were not invited to be a part of the group. Perhaps in retrospect, the Cabinet Office should have extended an invitation to them; and perhaps I, as Chair, should have suggested that. However, I would note the following:
- 104.1. Relations between the UK Government and the Devolved Administration Governments, especially the Scottish Government, were quite strained during the Covid pandemic, with a high degree of Ministerial concern about leaks and, as apparent from public sources, a level of mistrust. These tensions unfortunately made collaboration and open communications between the respective civil services more difficult.
- 104.2. The Permanent Secretaries of the Scottish, Welsh and Northern Irish Civil Services were not directly equivalent to Departmental Permanent Secretaries. As noted earlier, I had no direct equivalent in the DA Civil Services. And while I had strong personal relationships with all the Permanent Secretaries of the 'economy facing departments' in Whitehall, I had no relationships in the Scottish or Welsh Civil services.
- 104.3. Nevertheless, in retrospect, the Cabinet Office and I should probably have raised this question with the Cabinet Secretary to get his view on

whether to invite the relevant heads of the DA Civil Services to nominate a member of the group.

105. The agendas of EBRSG followed a consistent format. We had a standing item at each meeting on the state of the economy. One of the Deputy Directors from the Economics team in HMT would present an overview of the latest information HMT had on the economy. Other discussion topics may have been suggested at a meeting and were included on the agenda for the following meeting.
106. The Chancellor had no substantive role in setting the agenda. The papers for the meeting on April 24th [CR/047 - INQ000610142] said the agenda was 'subject to agreement with the Chancellor'. I believe we might have run the agenda past his office as a courtesy. I do not recall - nor do we have any record - of the CX commenting on or approving the proposed agendas. Nor did any other Minister. This was purely a discussion forum among senior Civil Servants.
107. This group did not feed into other cross-Whitehall decision making groups such as EBRIG(O), or any other formal committee structures in Cabinet Office or HM Treasury. It was purely a discussion group for interested Permanent Secretaries whose value proved short-lived.
108. As requested, we have annexed all the papers we could assemble in relation to the 13 meetings of the EBRSG as Annex E.
109. In question 38, the Inquiry asks about the discussion on 8 April 2020 where the read-out references: "the need for freer intelligence sharing, in which HMT plays a critical role and the risks that intelligence is considered rigidly in sectors in contrast with the reality of an interdependent economy, noting particularly the construction and transport sectors".
- 109.1. At a distance of over 5 years, I do not recall this discussion. The entry in my personal diary provides no further illumination. "Call with a new Perm Sec group which I chair to share views and compare notes on what's happening out there in the real economy. All pretty terrible."

- 109.2. Having reviewed the papers for this meeting of April 8th, I assume that this discussion reflected a desire from my fellow Permanent Secretaries to share information about the economy. They correctly felt that it was important that HMT's policy formation took into account both sector-specific views and an economy-wide perspective. This record of the discussion correctly flags the importance of the construction and transportation sectors.
- 109.3. As it happened, confidential work, involving the relevant officials from the sponsor departments, was underway in April as part of Project Birch on the challenges faced by firms in these sectors, and we were holding separate meetings on the relevant sectors and firms. Given the high degree of price sensitivity around those discussions (some of the affected firms were listed), it was not appropriate to discuss them in an open forum such as EBRSG.
110. I do not recall any concerns being expressed regarding intelligence sharing. My recollection is that my senior colleagues were keen, as was I, to share information and intelligence that we were all gathering from our external contacts. Most major companies in the UK have good relationships with the senior officials in their sponsoring department (e.g. DfT for transport, DCMS for the creative industries, DEFRA for food and agribusiness) and these Perm Secs were receiving valuable input from leading companies in those sectors. I was also keen to share HMT's perspective on the wider economy which is why I invited a Deputy Director from the Economics team in HMT to present an economy-wide view at each meeting.
111. No specific concerns were raised to me about 'HMT's role in intelligence sharing'. There was a desire among my senior colleagues for a high-level, Perm Sec discussion forum to share and discuss what we were learning about the impact of the pandemic on the economy, the labour market and specific sectors. I shared that desire and was keen to make EBRSG work. I wanted to be as open as possible in sharing HMT's perspective on the economy. That said, as noted earlier, I was not prepared to share market sensitive material non-public information with colleagues, either across

Whitehall or in HMT, unless they had a clear need to know and were on the approved insider list.

112. A team in the Cabinet Office prepared a Performance and Implementation Tracker. An example is included **[CR/048 – INQ000083342]**. I was not involved in the preparation of this document so I do not have a detailed understanding of how it was put together. It appears that teams in the relevant departments filled in templates for sectors in their areas of responsibility. My understanding is that this was prepared for the Ministerial EBRIG meeting.
113. This report is a helpful and well presented overview of developments in the wider economy, and with detailed information on individual sectors. However it is not - and nor could it be - granular enough to track the impact of all the individual economic interventions such as CBILS, BBLS or CJRS. Economy wide data typically is collected at a highly aggregated level and with a significant time lag.
114. By meeting 8 on June 12th, the Performance and Implementation Tracker had been replaced by the PM's Economy Morning Meeting Dashboard **[CR/049 - INQ000655494]**. This too is a good overview of developments in the economy but not sufficiently granular to provide the basis for monitoring the implementation of different economic schemes.
115. In my view, this group was not an effective forum. Had this group been effective, attendance by senior colleagues would have remained consistently high and Permanent Secretaries would not have delegated attendance to Director Generals. The group was set up with high ambitions and good intentions. I tried my best to make it effective. However, it did not deliver sufficient value to ensure that my senior colleagues remained committed to attending its meetings.
116. One lesson for me, and perhaps this will be helpful to officials in future crises, is that purely information sharing meetings quickly lose their value. All senior officials have multiple demands on their time. They will devote time, effort and engagement to meetings that have a clear purpose and a defined output.

Attendance at the sector- or firm-specific cross Department meetings remained high as there was a clear purpose, a defined output and a pressing urgency for action. Meetings simply to share information out of general interest quickly lose their utility. By contrast when information sharing and collaboration was really important - e.g. to deal with a liquidity crisis at a strategically important company - it was easy to get the right senior people from the right departments on a Teams meeting regularly until the crisis was over.

117. The meeting on July 22nd was the last meeting before the summer break. By then, attendance had fallen off and commitment to this meeting from my senior colleagues had clearly waned. In the read-out of that meeting, I made clear that we would pause the meetings for the summer break, given that the PM morning economy meetings were likely not continuing over the Recess. I explained that I would only re-start the EBRSG meetings after the break if that would be useful. **[CR/044 - INQ000236541]**
118. I decided not to restart meetings after the break. No-one in the Group questioned this decision or asked me to restart these meetings. Having searched my emails for August 2020 onwards, I have found no further references to EBRSG and no requests to restart these meetings.
119. I believe that the winding up of EBRSG in July 2020 had no impact on the co-ordination of economic and public health policy in Autumn 2020. EBRSG was not intended to and did not discuss public health policy. Its members did not include the relevant public health officials. Other fora (particularly the PM's twice weekly Economy Morning meetings) were the relevant CabOffice/Ministerial meetings, and were better placed to consider the co-ordination of economic and public health policy. I was not involved in those PM meetings.

PART H (1/2) - THE OPERATING COMMITTEE

120. The HMT Operating Committee was established in the summer of 2016, shortly after Tom Scholar became Permanent Secretary and I became Second Permanent Secretary. Tom was keen to refocus the Executive Management Board (EMB) meetings, which took place weekly, each Monday morning. He wanted EMB to focus on fewer, bigger issues with more time for reflection on major policy items and on the most important operational decisions facing HMT. I offered to chair a new Committee, the Operating Committee (OpCo) to take off EMB's agenda the more routine, administrative and purely managerial items that were a distraction from more important policy and departmental issues that EMB needed to address. It was also an opportunity to broaden leadership opportunities for more junior colleagues and give them experience of handling administrative and managerial issues.
- 120.1. As Chair, I set the agenda in close collaboration with the Chief Operating Officer for HMT (Catherine Webb). I facilitated the discussions, reported back the discussions to EMB and managed the process for selecting new members.
- 120.2. The purpose of HMT's Operating Committee was described in the HMT 2020/2021 Annual Report as follows: "to ensure that the department has in place, and operates effectively, appropriate and robust procedures and business processes in support of the department's overall strategy and business needs. It also acts in an advisory capacity in relation to finance and staffing and provides approval for business cases." In simple terms, it was to provide governance and oversight for the majority of administrative, operational and managerial issues facing the Department. Major operational issues (e.g. the opening of a second HMT location in the North of England) remained the preserve of EMB. OpCo handled the more routine matters, as is evidenced from the minutes and papers of the meetings.
- 120.3. OpCo had a very limited role in relation to the pandemic. By design since its inception, it had no role in policy formation. Major operational

decisions affecting HMT (e.g. the decision to move to remote working, or the decisions on when and how to return to working in the office) were discussed and taken by EMB. The minutes and papers of OpCo make clear that it discussed and provided oversight to routine operational issues affecting HMT as a department of c 1,600 people, but these were not related to the policy work underway on the pandemic. OpCo did discuss several papers on 'Flexible, Safer Working' which were concerned with the practical application of HMG's guidance on social distancing in the HMT workplace.

- 120.4. The membership of OpCo was intended to broaden the involvement of members of Senior Management Grades in HMT (ie DDs and Directors) in the management of the Department. We tried to ensure a mix of representation from different parts of the Treasury, an appropriate balance of diversity and a range of seniority from Deputy Director to Director General, with me as Second Perm Sec in the chair. Sometimes I delegated the Chair to the COO (Catherine Webb) or CFO (Anna Caffyn). The membership as at 31 March 2021 (as per the Annual Report) was: the Second Permanent Secretary; Finance Director; Operations Director; Director Strategy, Planning and Budget; 2-3 Directors from the policy areas of the Treasury on a 1-2 year rotation; 3-5 Deputy Directors on a 1-2 year rotation.
- 120.5. OpCo met 12 times in 2020, 11 times in 2021 and 6 times in the first half of 2022. The dates of the meetings were:
- 120.5.1. In 2020, 30th January; 27th February; 24th March; 28th April; 28th May; 25th June; 23rd July; 3rd August; 24th September; 27th October; 24th November; 17th December.
- 120.5.2. In 2021, 26th January; 17th February; 17th March; 20th April; 19th May; 29th June; 19th July; 21st September; 20th October; 25th November, 16th December 2021
- 120.5.3. In H1, 2022; 25th January; 23rd February; 22nd March; 21st April; 25th May; 21st June.

121. OpCo was a sub-committee of the Executive Management Board. I reported on its discussions, and decisions (if any) to the following EMB. I would also typically give an oral update to the Audit and Risk Committee of the HM Treasury Board. Any material decisions relating to the management of the Department that required Ministerial approval would have gone up to the Exchequer Secretary to the Treasury who was, at the time, the Departmental Minister responsible for decisions relating to the operation and management of the department.
122. In Annex F, I have included copies of all of the agendas and minutes for the 29 meetings of OpCo during this period. Each meeting would typically begin with a discussion of HMT's financial performance vs its departmental budget for operating costs (RDEL), capital expenditure (CDEL) and headcount. The other topics discussed include a range of operational and managerial issues including: progress on departmental IT projects; HMT's Spending Review Settlement; cyber security; health and safety policy; Well-being; shared services strategy; changes in the Correspondence Unit within HMT; mobile telephone contracts; ICT procurement issues; knowledge management policies; HR Case Management; practical issues associated with setting up the Darlington Economic Campus; security vetting procedures for on-boarding new staff, and similar routine management issues.
123. OpCo continued to function effectively during this period, and there were no particular challenges. In the spirit of openness and candour, I found OpCo to be relatively unexciting compared to the high stakes, high profile policy development work that I was engaged in at the time. I struggled to raise enthusiasm for the important but more mundane and routine matters on the OpCo agenda. I am grateful to my colleagues on OpCo who continued to show up, engage and provide valuable insight and oversight on the issues we were discussing.
124. As requested by the Inquiry, and with the assistance of my former colleagues in HMT, I have attached i) a chronological list of all Operating Committee meetings that took place during the specified period; ii) minutes from each meeting. As the vast majority of topics discussed fall outside the scope of the

Inquiry's review, much of the detailed contents of the minutes (but not the topic headings) have been redacted by HMT. I have not provided copies of all the supporting papers as, again, the vast majority fall outside the Inquiry's scope. If there are specific papers that the Inquiry wishes to see that fall within its scope, I will ask HMT to provide them.

125. The Operating Committee did have a role in overseeing the Department's operational risk management, along with the Department Board's Audit and Risk Committee. One of the priorities that we established for OpCo on its formation in 2016 was to develop an operational risk register for HMT. Two examples of the risk register in this period are included one for April 2020 and one for July 2020 [CR/050 - INQ000655612], [CR/051 - INQ000655592]. As these registers make clear, OpCo's focus was on the Department's operational risks, not the operational risks of economic policies that HMT had developed. The categories of risk include: financial control; resourcing; information management; health & safety; safe building re-occupation; business continuity; etc. If the Inquiry wishes to see all the risk registers in this period, I will provide them.
126. It is important to stress two points. First, OpCo had no role in policy development or in policy evaluation. Therefore OpCo did not - and did not have the locus to - consider the operational risk of individual HMT-designed policy interventions. Second, most of the economic interventions were delivered by other departments or Arms length bodies (e.g. HMRC for CJRS, DWP for UC uplift, Bank of England for CCFF, the British Business Bank for CBILS, CLBILS, BBLS, RLS and Future Fund, UK Export Finance for UKEF Guarantees). Therefore the operational risk of these interventions appropriately was managed by the relevant delivery partner. That said, the policy teams in HMT clearly had an interest in the successful delivery of these policies. But that was a matter for the policy teams, not OpCo.
127. Based on a review of the agendas and minutes of OpCo over this period, the issues that were discussed that had some relation to HMT's economic response to the pandemic were those concerned with Flexible, Safer Working within HMT and Staff well-being. There were no discussions at OpCo of any

of the major economic interventions developed by HMT and in scope of this Module of the Inquiry.

128. The primary responsibility for implementing operational controls to mitigate fraud and error in the economic support schemes lay with the Departments or Arms Length Bodies responsible for delivery. These bodies had the skills, experience and resources to monitor, mitigate and prosecute fraud. Examples would be: DWP on Universal Credit fraud; HMRC on fraud relating to the CJRS; or the British Business Bank on fraud relating to BBLS, CBILS, CLBILS, RLS or Future Fund. The governance committees in those departments and ALBs were primarily responsible for managing fraud and error risk in these schemes.
129. HMT policy teams had a responsibility to identify and advise the CX on the fraud and error risk in the schemes as they were being designed. Some schemes (e.g. CCFF, CLBILS, UKEF loan guarantees) had a very low risk of fraud and error. Others (e.g. BBLS) were, by the nature of their design, more susceptible to fraud and error risk. The HMT Policy teams had a responsibility to advise the CX on these risks to allow him to make an informed decision on whether to proceed given the need to protect the economy while accepting some level of fraud and error risk.
130. The Operating Committee had no role in evaluating policy in general nor specifically in assessing the fraud and error risk of specific HMT-developed policies. Where OpCo did have a role in evaluating and mitigating fraud and error risk was in relation to HMT's management processes as a department. For instance, OpCo was responsible for ensuring that adequate controls were in place to ensure that HMT's accounts payable only paid valid invoices and did not pay money to fraudulent or non-existent suppliers. Likewise we needed to assure ourselves that there were controls to ensure that paychecks were only paid to valid employees. But those are the normal controls on fraud and error that any department or business needs to have in place. The focus of OpCo on purely departmental fraud and error risk is made clear by the relevant entries under Financial Control on the Risk Registers.

PART G - DATA, ADVICE, ANALYSIS AND MODELING

131. As I understand the focus of this section, the Inquiry is particularly interested in HM Treasury's use of data, external advice and modelling in respect of macro-economic analysis and econometric modelling. I do not have any academic qualifications as an economist, had no responsibility for these functions within HMT, and was not involved in the provision of advice to the CX on macro-economic forecasts and econometric modelling.
132. I do not feel professionally competent to answer many of the questions in this section as they relate to macro-economics or econometric forecasting. Therefore, as set out on Annex D, I have not answered the following questions as I have no informed perspective on them, have no professional expertise, and was not involved in any of the relevant decisions. Questions 46 (New sources of data), 47 (Challenges in sourcing new data), 53 (Scenario analysis), 54 (Use of toy models), 55 (Epi-macro modelling), 57 (Modelling trajectory of the virus).
133. For those areas where I was closely involved in policy development and advising the CX (i.e. mainly credit support to firms), we did use data, modelling and analysis extensively to analyse the liquidity and solvency position of individual companies and conduct rigorous credit risk assessment. My answers to the remaining questions in this section are limited to this specific category of 'data, modelling and analysis'.
134. In the areas where I was playing a lead role, the one significant data gap that we did experience in developing the loan guarantee and credit support interventions was in 'firm demographics' - i.e. the number of firms at different levels of revenue and balance sheet size. This gap made it difficult at first to estimate the scale of potential support needed to fill the gap between the CBILS product (where the maximum loan size was 5 million) and the CCFF programme, which was only open to issues of investment grade or equivalent status, creating a gap for non-investment grade companies needing to borrow more than £5 million. We did not have good information on the number of companies in this gap. However, analysts at the Bank of England did manage

to produce some valuable estimates of the number of firms in this gap [CR/052 - INQ000616159].

135. Other than that we did not experience, on the credit support interventions, material data gaps.
136. I would draw the Chair's attention and highlight the importance of continuing to invest in the upgrade of our economic statistical capability in general, and in particular to strengthen our ability to track real-time economic activity through advanced data analytics and artificial intelligence.
137. Given rapid advances in the power of data analytics and artificial intelligence, it is already possible to create a more real-time picture of economic activity across the economy. As part of the UK's general upgrading of its national statistics, continuing to harness real-time data sources to create insights into economic activity should be a priority. This is important both in normal times and in emergencies. Given the scarcity and cost of the skills and IT capabilities required for such analysis, it would make sense for these to be concentrated in one or two centres of excellence, such as ONS or the Bank of England. I do not think HMT should build its own real-time data analytical capability.
138. To the extent that question 49 relates to macro- or micro-economic analysts, I will leave my colleagues responsible for these functions to respond to this question. In the areas reporting to me, EGU and Financial Services, we did not - by design - have a pool of dedicated financial analysts. Instead we drew on resources in centres of excellence such as UKGI or the Bank of England.
139. My answers in response to question 50 below are focused on HMT's ability to conduct financial analysis, credit risk assessment and financial due diligence in support of decisions to extend credit or loan guarantees to individual companies.
- 139.1. *Capacity of HM Treasury to conduct analysis.* HMT would not normally get involved in making firm specific credit decisions. Therefore it had no pre-existing capacity for the analysis required to support these decisions. This is why we worked closely with the centres of

excellence within HMG (UKGI and UKEF) that did have deep credit risk analysis skills. We also retained external professional advisers to conduct detailed financial due diligence before extending firm specific loans or guarantees. Likewise we did not have credit experts in HMT, which is why we quickly formed the Advisory Credit Committee, composed of experienced commercial and investment bankers working in HMG [CR/034 - INQ000609729] This structure worked very effectively. So, although HMT began the crisis with no capability to conduct firm-specific credit analysis, we quickly formed the structures and processes to give the CX detailed and professional advice to support major credit decisions.

- 139.2. *Capability and expertise of the analytical services within HM Treasury.*
In the areas for which I was responsible, the policy teams typically either conducted the analysis themselves or reached out to secure support from external experts elsewhere in Whitehall or in the private sector. I believed this approach worked well for FS and EGU which are the areas I am best placed to comment on.
- 139.3. HMT accessed support from other Government Departments as follows:
- 139.3.1. UK Government Investments (UKGI) an Arms Length Body (ALB) of HMT, provided detailed analytical support for all our firm-specific interventions (or decisions not to intervene)
 - 139.3.2. UK Export Finance (UKEF), an ALB of the Department for International Trade (DIT) (now part of the Department for Business and Trade, DBT) provided detailed credit analysis to support decisions on UKEF loan guarantees and provided its CEO, Louis Taylor, as a member of the Advisory Credit Committee
 - 139.3.3. The Department of Business, Energy and Industrial Strategy (BEIS) provided detailed analytical support on industry sectors

in their areas of responsibility (e.g. Steel, Automotive, Aerospace)

139.3.4. The Department for Transport provided detailed analytical support on industry sectors in their areas of responsibility (e.g. Airlines, Shipping, Airports, Road Haulage)

139.3.5. The Bank of England, a public body but not a Government Department, was an important source of support. Bank staff provided analytical support to facilitate the design of the CCFF and to identify the scale of the 'gap' between CCFF and CBILS. For the Monetary Policy Committee and the Financial Policy Committee, the Bank's economists prepared detailed analysis of the economic situation. HMT officials had access to this analysis through the HMT observer on the MPC and the HMT non-voting member on the FPC. MPC and FPC minutes are published on the Bank website, and the Bank produced regular reports including the Inflation Report (from the MPC) and the Financial Stability Report (from the FPC)

139.4. In my areas of responsibility, HMT did access support from external experts as follows:

139.4.1. From Blackrock to assist in setting the price level for the BBLS guarantee.

139.4.2. From several consulting firms (such as McKinsey and Bain) to provide detailed industry analyses of sectors likely to be most affected by the pandemic, e.g. Aviation, Steel, Automotive.

139.4.3. From professional services firms to conduct financial due diligence on specific companies to inform the CX's decision on whether to extend a Birch or UKEF loan guarantee. Firms used included: EY, Deloitte, KPMG and PWC.

139.5. In terms of who made the decisions as to whether or not support external to HM Treasury should be engaged:

139.5.1. For support from other Government Departments and ALBs:

139.5.1.1. No Ministerial decision was needed. I simply reached out to the relevant colleagues and asked for their help.

139.5.1.2. Their role was formalised in advice to the CX (e.g. on establishing the Advisory Credit Committee) **[CR/034 - INQ000609729]**. The CX quickly came to value the involvement of senior officials from UKGI and UKEF in meetings on specific company decisions. As we operated as a seamless team, the CX may well not have known which official came from which department.

139.5.2. For external support:

139.5.2.1. When retaining Blackrock to advise on BBLS pricing, I made the suggestion to Katharine Braddick. I believe the CX was consulted informally and agreed, but I have not been able to find written confirmation.

139.5.2.2. The decision to retain strategic consultancies to conduct industry analyses was taken by the CX who specifically requested this support.

139.5.2.3. The decisions to hire external advisors to conduct financial due diligence were taken by the CX. This external advice was a necessary condition of a company moving into the 'due diligence' phase of Project Birch, and those decisions rested with the CX.

139.6. Concern over confidentiality and leaks as to potential economic policy impact did affect our decisions on whether and how to draw on additional support. In evaluating whether or not to extend credit support to individual companies, we were extremely concerned by the risk of a leak. The teams were dealing with highly confidential, price sensitive 'material non-public information' (MNPI) . Had there been a leak of this MNPI, it could have had a very damaging impact on the

company, and on HMT's reputation, and potentially could have constituted a violation of the Market Abuse Regulation. This did not stop us from working across departmental boundaries nor from hiring external advisors. We did however impose extremely strict information management disciplines to ensure that confidential information was handled securely. We used codenames for all these potential interventions. We had very tightly defined 'insider lists'. We made clear to 'insiders' the consequences of a leak. We shared information on a 'need to know basis' only. As a result, most colleagues, including senior colleagues in HMT, junior Ministers and many special advisors, were unaware of the specific companies under review.

140. In the areas in which I was involved, we got very positive feedback from the companies we dealt directly with for professionalism and capability of the teams in HMT, UKGI and UKEF, and no concerns were expressed to me about the ability of HMT/UKGI/UKEF teams in carrying out financial analysis. The Chairman of a major retailer wrote to express his gratitude to HMG and to call out the excellent work of an official in UKGI **[CR/053 - INQ000655532]**.
141. The financial analysis that we commissioned from external advisors was of a very high quality, as you would expect from leading professional service firms. Even though companies may not have received the support they initially requested, none complained to me about the quality of the analysis or the rigour of the process.
142. I have been asked about my role in approving a speech by Clare Lombardelli in June 2022 to the Strand Group at Kings College London on HMT's response to and management of the pandemic. I was not involved in approving this speech, and do not feel qualified to comment on the views expressed by Ms Lombardelli in this speech.
143. In respect of the financial modelling and credit risk analysis conducted to support firm specific interventions, I believe the arrangements worked well. HMT benefited from access to an impressive concentration of expert resources in UKGI and UKEF, the relevant centres of excellence within Government. We also drew in external professional advisers if we needed

additional 'surge capacity' or more detailed professional advice. Firms were willing to pay for these external advisers thus reducing the cost to the taxpayer. What could be improved? In this crisis, UKGI moved quickly to agree terms for external advisers. However, perhaps in a future crisis it would be better to have had all these arrangements agreed as a matter of course as part of general contingency planning.

144. I have nothing to say on the use of external academic experts in economics and epistemology as this falls outside my area of responsibility and professional expertise. In the areas for which I was responsible, we did not see the need for such academic expertise. We did draw on outside professional expertise, primarily from consulting firms, to provide detailed insights into specific industry sectors. This proved to be a useful exercise in the early stages of Project Birch.
145. Based on my direct experiences, HMT was open and transparent, where we were able to share information, but clearly not with commercially confidential or market sensitive information.
- 145.1. During the life of EBSRG, at my invitation, an official from the Economics team shared an update on what we knew about the state of the economy in light of the progression of the disease (see Section F). Sometimes the presentation was made by Dan Gallagher, the Deputy Director for Macroeconomic Co-ordination and Strategy. At other meetings, Ian Ginsberg (a Deputy Director in HMT) or Jo Key (a Director in Cabinet Office) made these presentations.
- 145.2. On May 19th 2020, I shared with all relevant Departmental Permanent Secretaries an explanation of how the Project Birch process worked **[CR/054 - INQ000655454]** as the CX was keen that we were transparent about the process and the criteria we would be applying to requests for support. I had regular calls with my fellow Permanent Secretaries and senior Departmental officials working on sector- or firm-specific issues; in these meetings we had full transparency of information.

- 145.3. However, In respect of firms facing financial distress, we were not - nor could we be - open and transparent with that price sensitive information to a wide group of colleagues. Instead, we kept the information highly restricted on a 'need to know' basis within tightly defined groups of officials.

PART H (2/2) - MICROECONOMIC POLICY

146. I was closely involved in the design and implementation of:
- 146.1. Loans to Business Guarantee schemes, though at different levels of involvement
 - 146.2. The Covid Corporate Financing Facility.
 - 146.3. I had a minor involvement in Changes to the insolvency rules
147. Other than these areas, I had no direct role in any of the other policies listed in question 61.
148. Below I have provided responses to questions 62.a to 62.I separately for CBILS, CLBILS, BBLS and CCFF which were the policies I was most closely involved with. I was not closely involved in the other loans to business policies listed in this question. However, I have provided a high-level response on the Recovery Loan Scheme ("RLS") and Future Fund ("FF"), in which I was not significantly involved but which nonetheless fell under my remit. It would be for the British Business Bank, which was responsible for their delivery, to provide more detailed information on these schemes. I also briefly explain my very limited role in the changes to the insolvency rules.

CBILS (Coronavirus Business Interruption Loan Scheme)

149. I was involved at the start of the work on the loan guarantee product that became known as CBILS. In response to the CX's commission of February 27th, I asked one of the teams in EGU to update work we had done for

previous Chancellors on the use of an existing British Business Bank Guarantee (the Enterprise Finance Guarantee) as a way to support credit provision to otherwise viable businesses in the event of an economic downturn following a hypothetical exit from the EU without a trade agreement. In the event, this scenario did not come to pass, but we had done some of the contingency planning.

150. The team worked with colleagues in the British Business Bank and BEIS to put advice to the CX for the creation of a loan guarantee product to be announced in the Budget of March 11th. This work progressed rapidly from the CX commission on February 27th to advice on a loan guarantee product on March 8th and 9th **[CR/055 - INQ000609071]**, **[CR/056 - INQ000609218]** and final advice on 19th March ahead of launch on the 23rd. **[CR/057 - INQ000655435]** as the team refined the design in light of CX feedback. I joined meetings with the CX on the product during this period (on March 4th, 8th, 9th and 10th). CBILS was announced at the Budget on March 11th with a launch date of March 23rd.
151. I was involved in overseeing the challenging process before and after launch, dealing with feedback from Business Representative Groups. Shortly after the Budget, it was clear that responsibility for CBILS within HMT should transfer from EGU to Financial Services (FS). After that date, I remained responsible for CBILS (as FS also reported to me) but the day to day work with BEIS and the BBB was taken forward by officials in the FS team within HMT.
152. There were several challenges with CBILS.
- 152.1. First, the launch of CBILS was very difficult. The underlying guarantee product, the Enterprise Finance Guarantee, had been designed as a much lower volume product. Indeed, our previous experience with loan guarantees (e.g. following the financial crisis) had been that take-up fell far short of initial expectations. With CBILS the reverse was true. Given the acceleration in the economic crisis, the CX had set a very tight deadline for launch (just 3 weeks). In that time, the BBB and participating lenders had to prepare for the nationwide launch of a new

product without market research, user testing, beta-testing, parallel running or other 'soft launch' techniques which any business would normally do with a new product launch. In retrospect, it became clear that the operational infrastructure at the BBB and lenders was not resilient or scalable enough at the time of launch. Under the circumstances, the BBB and the participating lenders did a remarkable job in improving and strengthening the operational processes as the roll-out continued. By the summer, the system was operating more efficiently.

152.2. Second, business expectations were very high, and this led to frustration over the time it took to get early CBILS applications approved, or to get banks and other lenders accredited. These frustrations led to criticisms in the press and in Parliament.

152.3. Third, there was a tension between the accounting officer responsibility which lay with the Permanent Secretary of BEIS and Ministerial responsibility which lay with SoS BEIS, versus the policy development responsibility where the key decisions were taken by the CX on the advice of HMT officials, at least in the initial design of these interventions.

152.3.1. As set out in HMT's *Managing Public Money* handbook, a departmental accounting officer is the person whom Parliament holds to account for the stewardship of that department's resources. Accounting officers must assess proposals against four standards: regularity, propriety, value for money, and feasibility. They are personally responsible for safeguarding public funds and departmental assets.

152.3.2. With the major loan guarantee programmes (CBILS, CLBILS, BBLS), the policy work was led by HMT officials who provided advice and options to the CX who then made the critical decisions on the design of these loans – e.g. the loan size limits, pricing, terms and conditions. However, it was the Permanent Secretary of BEIS – who had not been involved in the policy

development or in the discussions with the CX – who then had to take personal responsibility and accountability to Parliament for the use of public funds on these programmes.

152.3.3. In the development of CBILS, all the work was driven forward by HMT officials in early March 2020, with input from officials at the British Business Bank and limited involvement from BEIS officials. Before the announcement of the policy, the Secretary of State in BEIS was presented with advice setting out the proposed design of CBILS, and the Permanent Secretary of BEIS – who had had very limited engagement in the development of the CBILS policy – had to sign-off on its regularity, propriety, value for money, and feasibility.

152.3.4. In the development of Bounce Back Loans, officials from the BBB and BEIS were more closely involved, but again the bulk of the policy work was conducted by HMT officials who prepared advice for the CX setting out the options on, for instance, loan size, terms and conditions, eligibility and pricing, working closely with technical expertise from the private sector and the Bank of England. This HMT advice did flag the material risks from credit losses and fraud. The CX weighed up these risks versus the urgent need to provide support to SMEs. He made the final design choices and the decision to go ahead. Formally, the final decision rested with SoS BEIS, but the decisions effectively had been made by the CX. Again, it was the BEIS Permanent Secretary – and not one of the HMT Permanent Secretaries – who had to take personal accountability to Parliament for the use of these funds. In that instance, as had been the case for CBILS and CLBILS **[CR/058 - INQ000658360]**, **[CR/059 - INQ000658363]**, **[CR/060 - INQ000658361]**, the Permanent Secretary of BEIS did, on May 1st 2020, seek a Ministerial direction to proceed **[CR/061 - INQ000658362]**. That direction came from her Secretary of State, not from the CX who had made all the material decisions on the design of Bounce-Back

Loans. However, that Direction also indicates that DBT and HMT ministers were working closely, with the SoS confirming that the Chancellor had given approval to proceed.

152.3.5. At the time I had considerable sympathy for my colleagues, Alex Chisholm, the Permanent Secretary at BEIS until 14 April 2020 and then Sam Beckett as acting Perm Sec until 20 July 2020, in having to assume personal responsibility – and seek a Ministerial direction – for decisions effectively taken by Ministers in another department. I felt that there was a mismatch between where the decisions on policy design were being made and where accountability to Parliament lay. I should stress that there were no confrontations or disagreements between me and Alex Chisholm or Sam Beckett or between other HMT and BEIS officials. Alex, Sam and I worked very collaboratively in the early months of the crisis. That spirit of co-operation and teamwork continued once Sarah Munby took over as Perm Sec in BEIS in July 2020.

152.4. Finally, I initially allocated responsibility for CBILS to a team in EGU which had the pre-existing relationship with BEIS and the BBB and had been involved in No Deal planning. However, the FS team was more experienced in developing guarantee products and had all the relationships with the banking industry and banking trade associations. In retrospect, I should have involved the FS from the start. Although the initial allocation of responsibilities caused some minor difficulties internally, I do not believe it had any material impact on the CBILS intervention overall. After the Budget of March 11th, I reallocated responsibility to the FS team.

153. Initially, the consultation process was inevitably highly compressed given the tight timetable for launch. Before announcement there were informal consultations with the major SME lenders and after announcement, the BBB and HMT teams did further consultation with lenders and business groups. After launch there were continuing consultations as the BBB sought to

improve processes, and as the CX introduced some design changes (e.g. removing personal guarantees). In a future pandemic, as I suggest in para 28, it would be better to have a full suite of loan guarantee products ready to launch if needed. The BBB now has that product suite. It will be important to keep that product suite up to date and operationally 'fit for purpose' so that future launches could be smoother.

154. The rationale for CBILS was to ensure that otherwise viable businesses could secure funding support to enable them to trade through a period of temporarily depressed demand. Given the high uncertainty, there was a risk that banks would not lend to these businesses, and the aim of the 80% guarantee was to increase the banks' willingness to lend. The CX also felt it was important to encourage competition in the provision of these guarantees which is why broad eligibility criteria were set for participating lenders. At the peak of the programme, 117 lenders were accredited. These objectives were clear to the officials in HMT, BEIS and the BBB. The lending institutions, banks and non-banks, stepped up very well to the operational challenges of delivering these guarantees, despite the initial difficulties.
155. At the time of launch, we did not have detailed modelling of the potential demand. In a future crisis, it would be possible to develop more accurate estimates of likely demand based on our experiences with CBILS in this pandemic.
156. As explained above, the operational challenges at launch were significant. The BBB, working with BEIS and the lending banks, was able over time to improve the efficiency of the processes to speed up both accreditation of lenders and approval times on loans. By September 2020 the system was operating efficiently with over 100 accredited lenders, and average approval times of between 2-4 weeks (as of March 2021). There were also some design issues that needed to be corrected. For instance, the CX did not want borrowers to have to issue personal guarantees on their other assets when taking out a CBILS loan. These are a standard feature of business lending. In the initial design, personal guarantees on a principal private residence were not allowed, but banks were able to take personal guarantees secured on

other assets. On 3 April 2020, the then government adjusted the CBILS scheme so that personal guarantees could only be taken for loans in excess of £250,000, and these were also limited to only 20% of any amount outstanding on the CBILS lending (i.e. the personal guarantee only applied to the commercial risk on the loan and not to the government guarantee).

157. The two main gaps that were identified were:
- 157.1. The gap between CBILS and CCFF, which was filled by the design and launch of CLBILS, and then the extension of CLBILS to allow for loans of up to £200million.
 - 157.2. The gap between an 80% loan guarantee product which took several weeks to approve and a 100% guarantee product that could be issued in 24 hours. This gap was highlighted partly by the operational challenges experienced by CBILS at launch, and partly by the perceived success of 100% loan guarantee products in other countries, such as Switzerland and Germany. This gap was addressed by the design and launch of BBLS.
158. HMT and BEIS received regular management information from the BBB on the take-up on CBILS loans. Since then the BBB has published regular information on the performance of the CBILS book [CR/038 - INQ000096931], [CR/062 - INQ000564278]. In addition, the BBB has commissioned external research into the overall impact of this and other loan programmes. [CR/063 - INQ000609061]
159. Both through the formal feedback from the BBB and through informal feedback (from business representative groups, MPs, the media) we had good, if at times uncomfortable, information on which to evaluate the impact of the scheme. An example of the input I received was an email from Adam Marshall of the BCC [CR/064 - INQ000655438] on April 2nd.
160. Over time the communications about the scheme were, in my view, adequate. For larger loans (above £50,000 but below £5million) CBILS reached a wide population of businesses (over 97,000 facilities were provided). With over 100 accredited lenders, who were well informed on the scheme, the vast

majority of SMEs were able to get advice and access to CBILS. Early on though, communications were not as clear as they could have been and, in retrospect, we could have done a better job to manage expectations on eligibility and the time it would take to get approval.

161. CBILS proved an effective intervention, with over £25.38bn extended in 80% guaranteed loans across 97,000 facilities. As of 31st March 2025, 8.96% of facilities by volume have claimed in respect of credit losses and settled on the government guarantee. Suspected fraud is currently estimated at £0.06bn of a total £25.83bn drawn value, representing 0.2% by value.
162. CBILS provided vital finance to nearly 100,000 SMEs at a time when they needed liquidity support. Without CBILS, I have no doubt that tens of thousands of otherwise viable SMEs would have failed, causing permanent loss of jobs and productive capacity in the economy. This conclusion is supported by the BBB's research. On the core scenario, CBILS had a benefit/cost ratio of 11.53 times. London Economics concluded 'with a high degree of confidence, that CBILS provided value for money'. (page 22), [CR/063 - INQ000609061].
163. In retrospect I would have wanted to have the entire suite of loan guarantee products and associated operational processes in place and 'fit for purpose' before launch. But given our starting point, that was not possible. In a future crisis, it should be possible. Second, I should probably have assigned responsibility to FS from the outset. Third, and this is a difficult policy choice, I do wonder if the accounting officer responsibility for the original policy design decisions should have been transferred to an HMT Perm Sec (probably to me) rather than left with the Permanent Secretary BEIS. As the BBB was an Arms Length Body of BEIS, the AO responsibilities would, in normal times, always fall to the departmental Perm Sec. But in this situation, with all the policy design decisions being taken by the CX, I wonder if the AO responsibilities, and Ministerial responsibility, should have been transferred to HMT at least in respect of the key design choices. AO responsibility for policy delivery did - appropriately - rest with the Perm Sec of BEIS, and I would not question that.

CLBILS

164. After the launch of CBILS and CCFF, it quickly became apparent that we had a gap in coverage. Initially I had thought that commercial banks would be able to support their mid-corporate customers through normal lending processes, but this proved not to be the case given the extreme uncertainty facing the economy. Business Representative Groups, such as the CBI and BCC, lobbied hard for a product to fill the gap between CBILS and the CCFF. The Bank of England conducted analysis to identify how many businesses might fall below the level of CCFF (i.e. would not qualify as investment grade) but would need more than the £5m loan size on offer under CBILS **[CR/052 - INQ000616159]**. Their analysis showed that approx 4,200 creditworthy businesses might fail to secure necessary finance from CCFF or CBILS. I was involved closely in these discussions with the Bank of England and I worked with the policy teams seeking to create a product to fill the gap. I discussed the need for this product with the Director General of the CBI in late March. One team in EGU worked on an option called CCFF minus. A team in Financial Services worked on CBILS + later rebranded CLBILS.
165. The detailed work and advice was prepared by the relevant policy teams under the respective Directors. I was involved in approx 8 meetings with the CX over this period on CCFF minus and CBILS+/CLBILS. Advice was submitted to the CX on CLBILS on 2nd April **[CR/065 - INQ000655439]** and on CCFF minus on 9th April **[CR/066 - INQ000611607]**. This is a good example of officials presenting the CX with alternative options. The CX decided to proceed with CLBILS and drop CCFF minus. CLBILS was announced on 16th April and went live on 20th April.
166. The work to develop CLBILS progressed more smoothly than the work on CBILS had been. Responsibility for CLBILS sat clearly with the Financial Services group, which had the strongest relationships with banks and other lenders. Processes for co-operation with BEIS and the BBB were well established by now, and progressed efficiently. Design and development of the CCFF minus product (ultimately not taken forward) was done in EGU by the team working on CCFF.

167. There was extensive consultation with the business representative groups and with the lenders in the design of CLBILS. We had to move at speed, but even so were able to incorporate input from the relevant stakeholders.
168. The rationale was simply to provide credit support, through the provision of an 80% government guarantee, to credit-worthy businesses facing distress due to the pandemic, whose financing needs exceeded the CBILS loan limit of £5million and who did not qualify for the CCFF due to their lack of an investment grade rating, inability to issue commercial paper or other failure to meet the CCFF criteria.
169. The Bank of England's modelling was critical in providing evidence justifying the need for the scheme. As explained in para 17, Annex C of HMT's Corporate Statement, the Bank estimated that just under 5,000 businesses would have credit needs in excess of the CBILS limit but were ineligible for the CCFF; of those, HMT's judgement was that 3,100 would be likely to be credit-worthy. This modelling required creativity and diligence by the Bank analysts. In an ideal world, we would have better information on 'firm demographics' to help inform these decisions. However, I do not believe that our ability to develop and launch CLBILS was compromised by the lack of such data.
170. CLBILS was a relatively smooth launch and, as it was a lower volume scheme than CBILS, it had fewer operational challenges. We did not get the same level of negative feedback on CLBILS as we received on CBILS.
171. After the initial launch of CLBILS, we received further feedback from industry groups and bankers that there were some larger companies that needed credit support above the £50m limit on the original CLBILS. HMT and Bank Officials conducted further analysis and consulted major lenders which identified a small but material level of demand for loan sizes in excess of the original CLBILS limit of £50m; this analysis is summarised in a document dated 7th May 2020. **[CR/067 - INQ000655486]** With the extension of CLBILS to allow for £200m loan sizes, announced on May 19th, we completed the coverage for the standard loan guarantee programmes. Above that level, more bespoke support was appropriate, and was eventually

delivered in a few cases through UK Export Finance Covid Loan guarantees. The one other gap we did identify was for one steel company, Celsa, whose parent was a Spanish company and whose banks were Spanish. As they were not UK-regulated banks, they could not be accredited to issue CLBILS guarantees. Celsa was picked up by Project Birch (see later, para 226 and following). To my knowledge, this is the only such example of a company needing support but without a banking relationship with a CLBILS accredited lender.

172. The BBB provided regular reporting on the take-up of this, and the other loan guarantee schemes. We also received regular feedback from the business representative groups about what their members needed in terms of loan support.
173. The scheme was launched on April 20th 2020. We received positive feedback about the scheme, but quickly had suggestions from banks and business representative groups that we needed to increase the maximum loan size. HMT received regular reports from the BBB on take-up.
174. I believe that communications about CLBILS were effective. The business representative groups had been active in calling for this product and were engaged in its design. They were able to communicate its launch to their members. 18 banks and non-bank lenders were accredited and able to communicate its existence to their business customers. The extension to larger loans (up to £200 million) was limited to fewer banks, just four, who had the necessary skills to make large corporate loans. However this did not limit awareness of or use of the scheme by those mid-corporates needing this level of support.
175. In my view, CLBILS achieved its aims successfully. It filled an important gap in the coverage of our loan support programmes. It extended over £4.5bn of loan support to larger businesses in need. To date, 97.50% of facilities are either fully repaid (96.11%) or on schedule (1.39%), with no estimated losses due to fraud. Claims for credit losses have been paid out on only 1.94% of loans by volume.

176. The low level of losses, and zero incidence of suspected fraud, suggest that this was a good VFM scheme. The London Economics research supports this view although they note that given CLBILS' relatively small scale the 'estimated costs and benefits are much lower' than CBILS. On its core scenarios, London Economics estimated a benefits to cost ratio of 27.94 for CLBILS (page 23), [CR/038 - INQ000096931]
177. Ideally, we would have had a full suite of 80% loan guarantee products ready for launch at the start of the pandemic. France and Germany with their well established development banks were able to launch products covering a much wider range of the business population, from small to large businesses, more quickly than we were. The BBB would, in a future crisis, be able to do so as it now has the full suite from CBILS to the 'jumbo' CLBILs. Otherwise, I think the performance of these 80% loan guarantee products demonstrates that this was a successful program and could be rolled out, if required in a future crisis, much as it was in this pandemic.

BOUNCE BACK LOANS (BBLs)

178. I was less involved in the design and launch of BBLs than with CBILS, CLBILS, the CCFF or Project Birch. I was only involved in one specific design choice, the pricing of the loans.
- 178.1. After the Budget, the responsibility for loan guarantee programmes was with the Financial Services team (which reported to me, but under a very experienced leadership team led by the DG, Financial Services, (Katharine Braddick) with support from a Director (Gwyneth Nurse). In mid- to late-April and early May, when BBLs was designed, I was focused more on the larger company schemes like the CCFF and Project Birch.
- 178.2. The CX was personally very heavily involved in the decision to launch a 100% guarantee product and in the detailed design of the BBLs product. He had a very clear vision of the product he felt needed to be launched. I believe that the team provided the CX with advice on how

the German and Swiss models worked, and worked with BEIS, the BBB and lenders on the design of a 100% loan guarantee product, initially pitched at a maximum level of £25,000. The CX in the end decided to increase the size to £50,000. I was not involved in those CX meetings or in the preparation of the relevant advice.

- 178.3. On Monday April 27th, I was asked to provide some advice on pricing the loans quite late in the design process and helped introduce the team to advisers at Blackrock, who were then retained to advise on the pricing of the loans. The results of this analysis were presented to the CX on April 30th [CR/068 - INQ000652874]
179. The launch of the BBLS product, in contrast to CBILS, was extremely effective. Demand was very high and the operational processes proved resilient at high volume. The issue on BBLS has always been around the perceived vulnerability of the scheme to fraud. This risk was identified before launch. The BBB commissioned work by PWC who concluded the risk of fraud was 'very high' [CR/069 - INQ000610825] The CX was advised on May 1st that the losses on the scheme could be as high as 30%-50% due to credit losses and fraud [CR/070 - INQ000657633]. The advice did not break these out separately. I believe that HMT officials gave the CX objective and clear information about the benefits, costs and risks of proceeding with the scheme, as it was their duty to do. As noted below, I do not question the CX's judgment on this decision given the urgent need to provide financing support to SMEs.
180. The BBB, BEIS and HMT officials consulted intensely with the major lenders and trade associations on the design of the scheme.
181. BBLS was introduced in response to intense public and political pressure (from all sides of the House) that the CBILS loan guarantee product was not delivering sufficient support, fast enough, to SMEs facing acute financing difficulties as the crisis entered its third month. This lobbying highlighted the success of 100% loan guarantee schemes in other countries (notably Switzerland and Germany). Given the delays being experienced at the time with the CBILS product, there was intense pressure to launch a new 100% guaranteed product that could be disbursed at speed.

182. BEIS, HMT and BBB officials worked with UK Finance and major lenders to develop the scheme. We also retained Blackrock, who had direct experience of working with the Swiss authorities on their 100% loan guarantee product, who provided expert assistance with modelling to estimate an appropriate range for pricing the guarantee. The final advice to the CX on pricing was sent up to the CX on May 1st, and reflected input from Blackrock, based on their analysis, and consultation with the Prudential Regulatory Authority (PRA) and with potential lenders **[CR/071 - INQ000655447]**.
183. There were some fraud vulnerabilities that were identified before launch and fixed as quickly as possible after launch. One example is the system that the BBB built and launched in 8 weeks to check on duplicate loan applications across multiple lenders. Other examples are set out in paragraph 285 below. As the Financial Conduct Authority's (FCA) 2022 National Risk Assessment (NRA) has identified, criminals may have been attracted to the faster onboarding process offered by challenger banks when compared to traditional high street banks. Following launch there were significant efforts, led by the BBB and by Cabinet Office, to minimise fraud risk and to recover monies lost through fraud. These initiatives continue to this day. As responsibility for delivery of BBLS rested with the BBB, an arms length body of BEIS, and as fraud prevention and recovery was led by the Cabinet Office unit, I was not personally involved in these initiatives, though I retained a close interest (see paragraph 297 below)
184. Given the very broad participation by established and challenger banks and non-bank lenders, BBLS achieved wide market coverage quickly, with over 1.5 million facilities approved. **[CR/038 - INQ000096931]**. There were few gaps in coverage vs the intended target market of SMEs given the low entry size of loan and the broad acceptance criteria.
185. The CX and HMT officials received regular updates on the success of the roll-out of BBLS. An example of one of these updates is shown as **[CR/072 - INQ000655518]**. The intervention was originally intended to close on 4th November 2020 but the CX decided to extend this several times, with the

scheme closing for applications to 31st March 2021. I was not involved in those policy decisions.

186. BBLS received very wide press coverage, both before and after launch. Its high take-up (over 1.5m facilities) and wide availability (over 24 accredited lenders) show that it was a well understood and widely available product.
187. BBLS provided over £46 billion of financing across an excess of 1.5 million facilities, at a critical time for SMEs. As of 31st March 2025, 24.79% of facilities by volume have claimed on the government guarantee. Given the decision to exclude personal guarantees, recoveries on BBLS losses are higher than would be the case on normal small business lending. But this was an explicit policy decision by the CX, as he did not want small business owners to lose their homes or other personal assets if their business failed and they were unable to repay the BBLS loan. Fraud losses are never acceptable but at just under £1.9bn are lower than some of the initial estimates made in 2021 and 2022. Clearly, efforts to recover fraudulent loans should continue vigorously. The current CX has commissioned Mr Tom Hayhoe to make recommendations on what more can be done.
188. I do not have an independent view on the value for money of BBLS. I am aware of the BBB's research, commissioned from London Economics, which shows that in its core scenario, BBLS did deliver a positive benefit/cost ratio (BCR) of 2.09. This ratio is also marginally positive on pessimistic assumptions. However, in the most pessimistic scenario, the BCR is below one. Based on this research I believe it is reasonable to conclude that BBLS did deliver value for money, and delivered critically important financial support to SMEs at a critical time in the crisis, with over 1.5 million loan facilities provided. That said, this is a finely balanced judgement, and I do not have a high degree of confidence in it.
189. Given the situation facing the CX at the time, and the intense public and political pressure to launch a 100% guaranteed, self-certified, 24 hour approval loan product, I do not think there is anything else that could have been done at the time. The potential vulnerability to fraud and the likely high loan losses were known at the time of launch and were communicated to the

CX. He took the decision that these risks were worth taking given the essential need to provide financing support to businesses facing acute difficulties across the economy. I have no reason to question the CX's judgement at the time on this difficult decision.

190. That said, were a future CX faced with a similar crisis in the future, I think the situation could be different.

190.1. More efficient launch of an 80% guarantee loan product could reduce the pressure for a 100% guaranteed loan product, and would always be lower cost to the tax payer. This might also enable a smaller loan limit on BBLS, to provide bridging finance until a CBILS-style loan was approved.

190.2. More resilience and robust checks on verification at Companies House (now being put in place) would reduce one material vulnerability to fraud.

190.3. Stronger financial crime controls in banks are essential in any case, and while now strong at established banks have proven weaker in some start-up banks. This is a vulnerability to guard against in any future scheme.

190.4. Fraud reduction processes developed by the BBB rapidly after launch (e.g. checks on duplicate loans) could be in force at launch in the future.

191. Nevertheless, given the inherently high risk of SME failure and some irreducible fraud risk, any 100% guarantee, self-certified, 24 hour approval product will always be a high cost, high risk intervention and should only be undertaken as a last resort.

COVID CORPORATE FINANCING FACILITY (CCFF)

192. I was centrally involved in the design and operation of the CCFF. The facility was developed in the period from Saturday March 14th to its announcement on March 18th 2020, and ran until the last commercial paper was repaid in March 2022.
193. The idea came initially from Andrew Bailey at the Bank of England who suggested to me, on Saturday 14th March, that the Bank could establish a facility to buy corporate bonds from companies facing liquidity challenges. I explained the idea to the CX on Sunday morning in a phone call and got his permission to work the idea up with teams in HMT, UKGI and the Bank. Work then proceeded through the rest of the weekend. I shared an outline proposal **[CR/073 - INQ000610864]** with Andrew Bailey on or around March 16th and a final term sheet **[CR/074 - INQ000610865]**, agreed between the Bank and HMT officials, was presented to the CX on March 17th.
194. The CCFF operated successfully for 12 months, until it closed for new purchases of commercial paper (CP) on 23 March 2021. The final CP was repaid in March 2022. There were no losses on the programme. The Bank operated the facility, buying the CP from eligible companies and maintaining the scheme rules and associated legal documentation. The Bank performed this role very efficiently and successfully. HM Treasury took on all the credit risk associated with the programme and so we faced multiple operational decisions throughout the life of the CCFF concerning issues such as: requests for additional limits; changes to the eligibility criteria; changes to the scheme rules to address areas of public concern (e.g. executive compensation, dividends, transparency of users of the facility). I led on the policy advice to the CX on these operational issues that arose throughout the life of the CCFF.
195. In 2020, we began to plan for the contingency that not all the outstanding balances on CCFF would be repaid and that we would have to manage some non-performing loans on CCFF, Birch, large CLBILS guarantees or other firm-specific interventions. Advice on this proposal was sent to the CX on May 24th, 2020 **[CR/075 - INQ000655528]**. Together with UKGI, we designed a

structure, initially called Asset Co, then Coronavirus Interventions Restructuring Group (CIRG). In the end, a full 'asset management and restructuring' group was not needed. CIRG became a team in UKGI that provided reporting on HMG's credit exposures (see para 202 below).

196. I believe that the CCFF was a very successful scheme, which operated effectively and delivered fully against its objectives. Initially, it pre-empted the risk that large companies would draw down on their revolving lines of credit and suck liquidity out of the banking system, which would have constrained the ability of the banks to support smaller companies facing cash flow pressures. Over time, CCFF funding became a useful source of additional support to large companies facing liquidity pressures as the crisis continued into the second and third waves.
197. The scheme was launched at speed, to address an imminent problem - i.e. the risk of large companies pre-emptively drawing on their revolving credit facilities. Given the time pressures, we did not consult widely on the initial scheme details. The Bank did work effectively with the commercial banking sector to design the detailed operational processes supporting the scheme, which proved resilient. Later changes to the scheme (e.g. over executive compensation restrictions) were designed jointly with the Bank of England.
198. The initial rationale (as explained above) was to prevent a drain of liquidity out of the banking system as large companies drew down on their revolving credit facilities. Over time, the scheme became a valuable source of short-term financing for companies facing funding pressures due to the pandemic. There were initially some tensions between these objectives. Public understanding of the scheme focused on its role as a source of government funding for large business; consequently it was appropriate for the CX to introduce rules on transparency, and restrictions on executive compensation and dividend payment. Had these restrictions been in place at launch, some large companies may have chosen not to sell CP into the scheme and drawn on their revolving credit facilities instead, which could have put strain on the banking system. As it happened, the restrictions were introduced smoothly. Some firms repaid their balances early and left the scheme before the

transparency requirements and compensation and dividend restrictions were introduced. The policy objectives, both initially and as the scheme evolved, were clear to me and the other officials working on the CCFF. The scheme protected jobs and businesses by providing essential finance, in large quantities, at a time when their other financing options were constrained.

199. The Bank of England led on the data, modelling and analysis in support of the scheme, drawing on their extensive and highly capable analytical teams. One early challenge was that we discovered that many firms who we had hoped would be eligible for the scheme did not have public credit ratings. These were required as the scheme was only for 'investment grade' companies. The Bank staff, following up on a suggestion by Richard Sharp, found a source of private credit ratings which they were able to adapt to use and so expanded the universe of companies able to access the facility.
200. The scheme operated very smoothly over the course of its life. However, there were some challenges.
 - 200.1. It was not easy to define which firms should be eligible. In the end we followed the Bank of England's definition for another one of its asset purchase schemes - namely businesses who were making a 'material contribution to the UK economy', in terms of UK jobs, UK revenues, UK customer base and operating sites in the UK. This included not only UK-domiciled businesses, but also foreign multi-nationals with material UK operations. This made sense against the original objectives of the scheme (i.e. to prevent a drain of liquidity from the banking system) but was harder to justify to Parliament and the public who saw CCFF as providing government support, and questioned why foreign firms were eligible. In the end, this did not prove a major concern. Some of the largest foreign MNC's repaid their balances before the transparency rules came into force.
 - 200.2. We had several requests for additional lending over and above the official scheme limits. For these requests, we met and worked with the Advisory Credit Committee and UKGI, putting advice to the CX who made the decision on whether to proceed or not.

- 200.3. Some companies who were investment grade at the start of the crisis were progressively downgraded and became 'sub-investment grade'. Fortunately none failed and all paid back the CCFF facilities in full. But there were some tense moments, and there could have been a material loss on the CCFF had a firm defaulted on its commercial paper sold into the CCFF. In a future crisis, it would be worth thinking through in advance how to handle these so-called 'fallen angels'.
201. Some initial gaps were identified, as follows:
- 201.1. Some potentially eligible companies did not have established CP programmes, so they had to work with their banks to set them up
- 201.2. Some potentially eligible companies did not have public credit ratings. The solution to this gap is as noted above in para 199.
- 201.3. We also identified a gap between CCFF and CBILS, which is what CLBILS was designed to address.
- 201.4. I do not believe that there were any other material gaps in the coverage of this scheme.
202. The Bank of England published regular updates on CCFF usage on its website. Later in the crisis, the team in UKGI tracking our large, single name credit exposures (CIRG) - see para 195 - provided additional analysis of usage of the scheme and the development of HMT's credit exposure, the concentrations by sector, and the overall expected loss, which over time declined to zero.
203. We regularly assessed usage of the scheme based on the Bank's reports and CIRG analysis. We received informal feedback from individual companies and business representative groups on the scheme's effectiveness - almost all positive. I was in regular contact with Alex Brazier, the lead Bank official on the CCFF, and with colleagues in UKGI on specific cases.
204. This regular monitoring enabled us to inform the CX in advice on the amendments to the scheme rules in respect of transparency, dividend payments and executive compensation. On 17th September, the CX also was

advised on whether to extend the scheme. He chose to do so in two stages: closing to new applicants on December 31st 2020, and to new issuance on 23 March 2021. **[CR/041 - INQ000655468]**. In both cases the final decision rested with the Bank as this was a monetary policy intervention under the auspices of the Monetary Policy Committee. But as the Treasury bore the credit risk, the CX was a co-decision maker on these decisions.

205. On the whole, I believe the scheme was well communicated to major corporations and their bankers, as is evidenced by the wide take-up among the target users. However, wider public understanding was more mixed. I do not think that the initial objectives of the scheme were well understood - i.e. to prevent a drain of liquidity out of the banking system. Therefore there was not a clear public understanding of why it was in our interests that large financially strong companies participated in the scheme, drawing up to £1billion in some cases. As the scheme evolved and introduced more transparency and more conditionality, this became less of a concern. For the users of the scheme, communications were led by the Bank who did an excellent job working both directly with companies and with their advisers in the banks.
206. The CCFF fully achieved its aims. The intervention prevented a drain of liquidity out of the banking systems in the early stages of the crisis, and provided essential funding to businesses over the course of its life.
207. The scheme fully covered its costs, showing a surplus of just over £60 million at the end of its life. There were no credit losses and no losses due to fraud. By March 2022, all the CCFF balances had been repaid in full. The CCFF was financed with central bank money and so there was no draw on public funds. At its peak, the scheme provided over £37 billion of financing support to 107 businesses making a material contribution to the UK economy. **[CR/076 - INQ000655597]** This reduced the liquidity strain on the UK banking system, allowing banks to focus their lending on small and mid-sized companies during the crisis. For some borrowers, CCFF funds were a vital source of finance. Overall, the CCFF provided excellent value for money.
208. In my view, officials in HMT and the Bank got the design of CCFF right. The implementation was efficient with smooth operations by the Bank and effective

credit oversight by HMT with support from UKGI and the Advisory Credit Committee. **[CR/034 - INQ000609729]** In a future crisis, I think there could well be a role for a CCFF-like facility. I think it would be worth considering up front on what conditions should be imposed from the start - e.g. on eligibility, transparency and conditionality. There would be tensions between these conditions, necessary to ensure public support for the intervention, and the monetary policy objective of preventing a drain of liquidity out of the banking system. One could imagine two versions of a new CCFF being 'on the shelf' ready for deployment - one with few conditions and designed to address the liquidity risk, and an alternative, more conditional version designed to provide support to large companies facing short-term financing difficulties. The CX and Governor of the day would need to choose which version was most appropriate to the crisis at hand.

FUTURE FUND ("FF")

209. The Future Fund was established in May 2020 to support early-stage, equity-backed UK businesses who were struggling to raise finance. The policy development was led out of a policy team in the Enterprise and Growth Unit ("EGU") in HMT, working closely with BEIS (primarily their access to finance team) and the BBB. The lead policy official interacted directly with the CX. I was not involved in those meetings.
210. Whilst HMT maintained a significant level of oversight regarding the scheme design, the BBB contributed to the policy development by advising on different delivery mechanisms, assessing the need for intervention (in particular the equity funding gap with the US), risk mitigation, and providing data on take-up.
211. The scheme allowed companies to borrow between £125,000 and £5 million as convertible loans, matched by the same amount raised from private investors, over a maximum period of three years. The mechanism of a convertible loan note meant that the funding was issued as a loan that would later convert into equity in the recipient company. Investors could stake more than the loan matched by the Treasury, but the limit of government support

remained at £5 million. This support could not go towards paying down other borrowing, to reward staff, management, shareholders or consultants with dividends or bonuses or to pay external advisers for helping to arrange the loan. Loans were subject to an 8% interest rate, after their maturity at 36 months.

212. BEIS was responsible for funding the scheme, and therefore agreed budgetary cover with HMT for the initial funding (and subsequent expansions) of the scheme. BEIS was responsible for the overall accounting officer assessment of the scheme, producing a business case for the scheme at Spending Review 2021. Given the significant level of uncertainty around value for money and fraud and error, BEIS sought a Ministerial direction to launch the scheme. Regular engagement took place between HMT, BEIS and BBB at official level, as well as between the BBB CEO and CX.
213. DCMS officials were also involved in the design of the scheme to a lesser degree, including engaging with the tech sector ahead of the scheme's launch.
214. The details of the intervention including the portal for, and processing of, applications were designed by the British Business Bank with steers and oversight from BEIS and HMT. The BBB administered the scheme, and subsequently conducted monitoring and evaluation and provided updates to HMT including via data notes and quarterly reports.
215. Applications for the scheme ran from May to September 2020. Over the scheme's duration, £1.14 billion was deployed to 1,190 companies. As at 30 June 2025, the Future Fund held an equity interest in 667 companies and 92 outstanding loans.
216. I am aware that the BBB has an evaluation underway of the VFM of the Future Fund scheme and published reports in 2022 and 2023 [CR/038 - INQ000096931], [CR/062 - INQ000564278]. This evaluation is still underway and the interim reports did not include a full VFM assessment. The 2022 reports concluded that early evidence suggested that the programme may have met its short-term objectives. The 2023 report presented a more mixed

picture. I do not have the evidence or analysis to inform a view on whether Future Fund will turn out to have been value for money or not. It will be necessary to await the completion of the BBB's final assessment.

RECOVERY LOAN SCHEME ("RLS")

217. The RLS was announced as part of the Winter Economy Plan in September 2020 and officially launched on 6 April 2021, as a success to the CBILS scheme. Its introduction coincided with the extension of BBLS, CBILS, and CLBILS beyond their initial closure date in November 2020. The policy work on RLS was led by colleagues in the Financial Services team. I was not directly involved and attended no meetings with the CX on this intervention. As RLS was developed by teams who ultimately reported to me, I have included a brief summary below. For a more detailed account, I refer the Inquiry to HMT's Corporate Statement.
218. The structure of the RLS was largely based on the design of CBILS, maintaining the 80% government guarantee and a minimum loan amount of £25,000. The scheme adopted a streamlined viability assessment but returned to more typical commercial lending standards. The scheme provided lenders with an 80% guarantee for term loans, overdrafts, and invoice and asset finance, and was managed by the BBB through a network of approved commercial lenders.
219. At its launch, the maximum loan available under any product was £10 million, with a minimum of £25,000 for term loans and overdrafts, and £1,000 for invoice and asset finance. These limits were later reduced.
220. The design of the RLS drew on examples of similar programmes internationally - the Department considered input from officials and stakeholders, including lenders, as well as evidence regarding the uptake and effectiveness of previous loan guarantee schemes, including identified gaps in support.

221. The most recent BBB publication of performance data for the RLS, for the first two iterations of the scheme, shows that as at 31 March 2025, businesses had drawn 20,069 facilities, totalling £4.33 billion. Over 55% of RLS facilities are on schedule, with 18.87% of scheme facilities fully repaid. Fraud has been very low - the BBB have estimated fraud for the scheme at 0.46% of the total number of drawn facilities. This is lower, at 0.09%, for the third iteration of the scheme.

CHANGES TO THE INSOLVENCY RULES

222. On his arrival as an advisor to the CX in mid March 2020, Richard Sharp quickly raised a concern about the insolvency rules which he felt might operate to the disadvantage of the taxpayer and might need some changes in light of the unfolding economic crisis. As I had a pre-existing relationship with Richard and a relationship with the Perm Sec at BEIS (who had policy ownership of the insolvency rules), I was briefly engaged in the early exchanges and was copied on the advice to the CX on this issue. I do not know the extent to which BEIS officials were already working on this issue, independently of Richard Sharp raising his concerns.
223. Policy officials in HMT worked with BEIS on proposals which were discussed at a Ministerial meeting of the Economic and Business Response Group on March 27th. HMT was represented by the Economic Secretary, and I dialled in. My Outlook Calendar shows that I then joined a call with the CX on Saturday 28 March 2020. Other than that I do not appear to have participated in any further meetings on this issue.
224. The policy leadership on these issues appropriately fell to BEIS who took forward a set of changes which were intended to support businesses to continue to trade through the pandemic, without directors fearing incurring personal liability, and providing flexibility to firms.

225. As I was not involved after the initial discussions in March 2020, I have nothing further to add to the full account set out in HMT's Corporate Statement

PROJECT BIRCH

226. Project Birch was a programme designed to ensure that no strategically important viable business failed due to the impact of the pandemic. Birch was a direct copy of a similar programme ('Project Kingfisher') that had been developed in late 2018 as part of our preparations for No Deal Brexit, and approved by the then Chancellor, Philip Hammond. We had also briefed Chancellor Javid about Project Kingfisher in January 2020, when there was a possibility of leaving the EU without an agreed deal.
227. A 'scene setter' proposing the creation of Project Birch, setting out its principles and providing an overview of how it would work **[CR/077 - INQ000655442]** was sent up to the CX on April 10th 2020; this is the best single overview of the process. This one-page statement of principles provided a very clear guide to me and all the officials working on Birch as to what we were and were not trying to achieve.
228. I was the lead HMT official overseeing Project Birch. I worked closely with the HMT and UKGI policy teams who were responsible for the work. The CX's adviser, Richard Sharp, was also deeply involved in a number of the Birch cases. We worked very closely with UK Government Investments (UKGI) which was led by Charles Donald, supported by a number of the Directors and other officials in UKGI. Many of these were former investment or commercial bankers and so brought essential corporate finance and banking experience. We also worked with the relevant policy team in the sponsoring department (e.g. BEIS for steel, auto, aerospace; DfT aviation, transportation). Eddie Lister (now Lord Udney-Lister) was the point of contact in Number 10 on Project Birch.

229. On May 19th, at the request of the CX, I wrote to Permanent Secretaries of 'economy facing Departments' explaining the process and encouraging them to approach the Project Birch team if they were aware of a company in one of their sectors that might need and qualify for support. Attached to this email was a copy of the principles underpinning Project Birch. The CX was keen to make clear that he would be setting a very high bar for any interventions, and that state support had to be a last, not first, resort. This email is attached as **[CR/054 - INQ000655454]**.
230. Project Birch followed a clearly defined process. This is set out on Annex B of the 'scene setter' **[CR/077 - INQ000655442]**. The process went through the following stages:
- 230.1. *Receiving requests from individual companies.* From the first days of the crisis, we were approached by companies seeking government help. For instance, some airlines approached us and, as recorded in my Transparency Returns, I had a number of calls with airlines in the week of March 16th. We also made clear to Permanent Secretaries that we could consider requests for help from companies in their sectors, but only against a high bar. Requests came in from multiple sources: from other departments; from banks; directly from the companies. We provided a template for Departments to evaluate potential cases (Annex C of the scene-setter, the Departmental Triage Form)
- 230.2. *Evaluating the request against the principles established for intervention under Project Birch - the 'triage' stage.* On receipt of a request, the HMT/UKGI team would conduct an initial assessment of the company and put advice to the CX as to whether that company should be moved into the next stage of Birch, which was called 'triage'. Exhausting of all external private sector solutions was a condition of the company passing through the triage stage. At the end of triage, the team would submit advice to the CX as to whether the company should enter the 'due diligence' stage.

- 230.3. *Conducting case by case evaluation - the 'due diligence' phase.* If the request passed the 'triage' stage, we would enter into an agreement with the company that they would hire. HMT would retain a firm of accountants to conduct a detailed assessment of their financial position. This detailed financial review was to ensure that they really did need HMG support. The CX was determined that companies should first exhaust all possible means of private sector financing and 'self-help', with HMG support being the last resort. At the end of this stage, the CX on the advice of HMT and UKGI officials would decide whether to enter negotiations over the terms of support.
- 230.4. *Rejecting the request for support.* It turned out that the vast majority of requests did not merit HMG support. Either the company found private sources of finance and they withdrew, or they did not pass the 'triage stage' or the due diligence showed that they did not need additional funding at that time. Decisions to turn down requests for support were made by the CX on the advice of HMT/UKGI.
- 230.5. *Negotiate terms of support.* We only proceeded to this stage in one case, a steel company called Celsa. This company was a well-performing electric arc furnace steel mill. Its bankers were not UK-regulated banks and so did not qualify for CLBILS; otherwise it could have secured the £30m loan that it urgently needed through an accredited CLBILS lender without any intervention from HMT. It was facing a critical refinancing decision and did not have time to open new banking arrangements with a UK bank that was accredited for CLBILS. We retained a firm of external advisors (Deloitte) who worked with us and the company to finalise the terms and conditions of the loan. The CX was involved closely in the decision to go ahead with the loan; initially he had been unconvinced of the need to intervene, but then on reflection and in response to further advice on the consequences of Celsa's potential insolvency, changed his mind and agreed to proceed [CR/078 - INQ000655456] He was also closely involved in finalising the terms and conditions of the loan. The loan was repaid in full on

23rd June 2023, with additional payments to the Government, triggered by the company's strong performance. **[CR/079 - INQ000655582]**

247. In addition to this firm-specific process, the CX was keen to develop his own perspective on some of the sectors most at risk and to understand which companies within these sectors were strategically important to the UK economy. We ran this process over the months of April, May and June with the support of external consultancies to evaluate some of the most affected sectors, for example Automotive (Bain) and Steel (McKinsey).
248. There were different elements to the cost of Project Birch.
- 248.1. *External consultancy for the sector analyses.* I understand HMT paid for these analyses. Those assisting me with this statement have yet to ascertain the cost. However, I doubt that it will be material relative to the wider costs of these economic interventions.
- 248.2. *External financial advisory work on the due diligence stage.* In the one case that there was an intervention (i.e. Celsa), I believe the costs were borne by the company. In cases where due diligence did not lead to an intervention, I believe that HMT absorbed the cost. Again, I have not been able to ascertain these costs, but given the relatively small number of cases that proceeded to due diligence, I doubt that these costs cumulatively were material.
- 248.3. *The loans extended.* The only Birch loan was the loan extended to Celsa. The sum was £30 million. Celsa repaid this loan in full with additional payments made to the Government triggered by Celsa's strong economic performance. **[CR/079 - INQ000655582]** So there was no cost to the taxpayer, but rather a small profit. As to the quantum of that profit, UKGI has informed me that: "The warrant option was purchased by HMG for £2m. Income generated from the upside instrument (Contingent Value Right) was £3.3m. Cash paid interest on the loan was c.£3m"
- 248.4. *The direct cost of the teams in HMT and UKGI.* In March 2020, on its formation, the Project Birch/Special Situations team had 14 positions

[CR/035 - INQ000655570]. My best estimate is that staffing remained at approximately that level for the next few months and then began to decline in the Autumn as Birch wound down. I do not know the number of staff in UKGI that were engaged on Birch cases, though many of these were also engaged on other work (e.g. CCFF cases). These costs are included in the overall operational budgets for HMT and UKGI and are not material.

249. As set out on the one page statement of principles [CR/080 - INQ000563899], to qualify for support under Birch the following four conditions had to be met:

- 249.1. *They can reasonably be expected to have a viable long-term future.* The CX was not interested in providing bespoke HMG support to weak companies that did not have a viable future regardless of the pandemic. He wanted these bespoke interventions limited to competitive companies with high importance to the economy, as measured in employment, capabilities, relevance to national security, or critical interlinkages with other sectors.
- 249.2. *They are facing short-term and temporary difficulties directly due to Covid-19.* The CX was not interested in providing support to companies whose financing difficulties stemmed from other commercial challenges. There needed to be a clear, direct link to the economic difficulties caused by Covid-19, which included supply chain difficulties, labour force disruption, or temporary drops in demand caused by the pandemic.
- 249.3. *Their failure or financial distress could cause disproportionate harm to the economy or society.* Examples given included: permanent loss of productive capacity, creating tensions within the Union, damage to national security interests, and loss of competition leading to consumer detriment,
- 249.4. *They have exhausted all other financing options, including both loan and equity options.* The CX was determined that HMG support should be the last, not first, port of call for companies facing distress due to the

pandemic. There were also other major support programmes (e.g. CJRS, CLBILS, CCFF) which provided support to these large scale, strategically important companies. The CX wanted companies to make use of these economy wide measures before seeking bespoke support. Also, bank lending and the capital markets remained open for most large companies and that is why, in almost all cases, companies were able to refinance themselves without access to bespoke HMG financing support.

250. As set out in my answer in para 230 above, we followed a structured process with clear criteria and CX decision points at each stage of the process. The vast majority of requests fell away as we worked through the process.
251. We provided the CX and Eddie Lister in Number 10 with regular updates. These reports contain highly confidential commercial information about multiple companies. To give the Inquiry an understanding of what we were reporting regularly (typically each week), I will describe a report from early May 2020.
 - 251.1. The 25 page report contained sections for each sector where we were monitoring requests or potential requests for support. The sectors covered were: Aerospace, Education, Transport - Aviation, Transport - Haulage, Transport - Maritime and Rail, Retail, Automotive, Construction, Steel, Cabinet Office Suppliers, Refineries, Space - and an annex with 14 'de-escalated cases' that were no longer being monitored.
 - 251.2. Within each sector, we had detailed entries for each company where we had, or expected, a request for support. In mid-May there were over 20 companies at different stages of the process. For each company, there are detailed entries setting out the issues they faced, their financing needs (if known), which officials were responsible in the lead department and in HMT, the current status of the request and the proposed next steps and recommendation, e.g. Continue monitoring, move to due diligence, or de-escalate.

252. In my view, Project Birch certainly achieved its goals and was value for money. No strategically important companies, which were otherwise viable, failed during the pandemic. By emphasizing the importance of HMG as the last, not first, resort, we forced companies to pursue their own solutions before seeking HMG support. By turning down the vast majority of requests, we avoided putting billions of pounds of public money at risk. The one loan we did extend was critical to ensuring the survival of a steel company in Wales and was repaid in full, generating a small profit for the tax-payer. According to the DBT press statement of June 2023, the loan saved 1,500 jobs and generated 300 more **[CR/079 - INQ000655582]**
253. I think Project Birch worked very well overall. In a future economic crisis, I believe that HMT should launch a Birch-like process to evaluate requests for HMG support from strategically important companies facing potential financial distress. The Birch process is well documented and could be re-established quickly. I would not have done anything materially different. There are two minor 'lessons learned' that might be of value when considering a future version of Birch.
- 253.1. I believe it is very important that the CX of the day should be the decision maker for each key decision along the way. However, I think in retrospect the CX was too involved in the detailed design of the terms and conditions on the Celsa loan, and could have delegated those commercial details to officials operating within a high level framework set by the CX. This approach worked well with the much larger UKEF loan guarantees.
- 253.2. I also think it would be helpful in a future crisis, should a Birch-like scheme be required, to have a clearer policy on the target rate of return for the HMG interventions. Should these reflect the real risk to the taxpayer, and offer significant upside in the event of success (e.g. through equity warrants)? Or should they be priced to cover the direct costs to the taxpayer, but without a material profit upside? This is a genuinely difficult issue. It would be better to set the policy out before

the next crisis as it is difficult to resolve these debates under time pressure in a crisis.

UK Export Finance (UKEF) Temporary Covid Risk Framework (TCRF)

254. The Rule 9 letter did not ask about the UK Export Finance Guarantees that were extended to several companies under the UK Export Finance Temporary Covid Risk Framework (TCRF). Although not formally part of Project Birch, HMT officials worked on several of these. Under the UKEF TCRF, guarantees worth more than £6 billion were issued to three strategically important UK companies. These were important and successful interventions. I have provided details below.
255. In early April UK Export Finance put in place a new £10 billion supplementary risk management framework to ensure that UKEF could effectively support the UK economy through the impending downturn **[CR/081 - INQ000655598]**. The CEO of UKEF, Louis Taylor and I discussed this new facility and concluded that it could be a valuable tool in our response to support strategically important companies facing liquidity challenges due to Covid.
256. Louis, a former banker, had been working closely with HMT and UKGI on the Advisory Credit Committee and some of the early Birch cases. These new UKEF Covid loan guarantees had the potential to provide large scale (multi-billion pound) 80% loan guarantees to strategically important exporting businesses. The decision to extend these guarantees rested with the Board of UK Export Finance, an arms length body of the Department of International Trade (at the time, now part of the Department of Business and Trade). UKEF determined the eligibility for the scheme, the terms and conditions of the guarantees and made the decision whether to go ahead or not. Given the scale of exposure, CX approval was required though the ultimate decision was clearly with the UKEF Board. The commercial negotiations and the operational work were led by UKEF officials.
257. The first opportunity to use the UKEF loan product came in the summer of 2020 when we were in discussions with Rolls Royce (RR) about potential

support. RR faced an acute financial crisis as the revenues in its civil aviation business were linked to flying hours. With the shut down of air travel globally, RR was facing a serious liquidity crisis. Over the summer, a team from UKEF with support from HMT and UKGI worked on a loan guarantee, together with Rolls' external advisors. We followed a similar process to Project Birch, seeking the CX's consent to UKEF's decisions. Richard Sharp also provided his perspective to the CX. We had a cross-Whitehall team involving officials from HMT, UKGI, UKEF, BEIS and MOD. In July 2020, the Board of UKEF, with the agreement of the CX, approved an 80% loan guarantee on a £2 billion 5-year term loan facility led by major banks including JP Morgan, Citi, HSBC and Credit Agricole. In October 2020, in a further stage of the recapitalisation, Rolls Royce announced a £2 billion rights issue, a £1 billion bond issue, together with commitments to extend the term loan (and UKEF's 80% guaranteed) by another £1 billion. I believe that the UKEF loan guarantee was a critical factor in enabling the recapitalisation of Rolls Royce, and ensured that this strategically important company emerged from the pandemic successfully.

258. UKEF Loan Guarantees under the TCRF were extended to two airlines. British Airways (part guarantees of a £2bn loan in early January 2021) and Easyjet (a part guarantee of a US\$1.9bn loan in January 2021). Again, we followed the same process as for the Rolls Royce UKEF guarantee, with a cross-Whitehall working team (involving DfT as the sponsoring department for airlines). The CX's consent was required for UKEF's decisions on whether to extend these loans, though as noted above the decision formally rested with the UKEF Board.
259. UKEF extended other Export Development Guarantees at this time to Ford and Nissan, but I and the HMT team were not involved as the loans fell within UKEF's delegated authorities.
260. The value of UKEF support for the three loans that HMT was involved with - Rolls Royce, EasyJet, British Airways - totalled over £6 billion. All three have either been repaid or are still performing, and UKEF has earned its guarantee fee in line with its normal practice of charging a fee for its guarantees. I

consider this programme to have been a complete success. In a future crisis, I would recommend involving UKEF right from the outset as it has a strong mix of relevant skills and established guarantee products that can be efficiently deployed to support strategically important exporting companies.

261. Decision making between officials, the Chancellor and Ministers

262. As a Civil Servant, I and my fellow HMT officials were bound by the Civil Service Code which emphasises the core values of core values: integrity, honesty, objectivity and impartiality. A copy of the Civil Service Code is attached [CR/082 - INQ000066056]. I was very familiar with this Code and it guided my actions as a Civil Servant. I was not at the time familiar with another document - Working with Ministers - from Civil Service Learning. A copy of the 2015 edition is included [CR/083 - INQ000655608]. However, having read this document in preparing this statement, it aligns completely with the advice I was given when I joined HMT in 2013 and my understanding of how officials should advise and challenge Ministers, and how I behaved as a Civil Servant.

263. In my experience of working with four Chancellors and multiple junior HMT Ministers, the relationships between Ministers and Officials were well defined, and in almost all cases, productive and constructive. As an Official, I viewed my role as providing the CX and HMT Ministers with objective, impartial advice that set out the options open to them, identified the risks and had a clear recommendation. It was important to warn Ministers of the risks in any course of action, and to make them aware of the full set of considerations relevant to their decision. In my experience, Ministers - and certainly all four Chancellors that I worked with - valued officials putting different points of view and raising points of challenge in the meetings that led up to a decision. However, once a decision had been made, it was the duty of the Civil Service to implement that decision, provided that it did not compromise our obligations to act in accordance with the law. If a Civil Servant feels that they are being required to act in a way that conflicts with the Civil Service code, then there are processes for them to raise their concerns within the department.

264. The role of the Second Permanent Secretary in providing impartial advice to the CX and Ministers is, in substance, no different from any other official in line with the obligations set on Civil Servants under the Civil Service Code. It is the role of Civil Servants, including Permanent Secretaries to give Ministers objective, impartial advice, set out options, warn of risks and make a recommendation. In discussing that advice with Ministers, officials should set out their objective views clearly and succinctly. In my experience, all Chancellors, including Rishi Sunak, valued robust debate around the options under discussion. But once a decision has been made, it is the job of all Civil Servants to implement it loyally.
265. The Second Perm Sec will in normal times often attend in-person meetings with the CX. It is at these meetings that challenge and debate typically happens. There is often, therefore, no record of the debate as these policy discussion meetings are not minuted verbatim. It is clear from the Civil Service code that Civil Servants should give their impartial advice and be prepared to challenge Ministers during the process of policy formulation and as the Minister considers his or her decision. However once the Minister has made a decision, as long as it is legal, the Civil Servant's role is to implement that decision, not to challenge and question it.
266. A large proportion of the decisions in this crisis were made by the CX through his review and approval (or not) of the advice submitted to him. On more complex issues, the CX would hold Teams meetings with the relevant officials. Chancellor Sunak, like the other Chancellors I worked for, valued hearing different points of view in these meetings. The CX told me that he particularly valued the fact that I often disagreed with one of his external advisers, Richard Sharp, a direct Ministerial appointment. The CX would listen to both perspectives, and then make his decision – sometimes following Richard's advice, sometimes mine. These debates were always on issues where reasonable people could take a different point of view. I found the CX very open to challenge in these meetings. Once the CX had made a decision, I would not challenge the decision, even if I might personally have made a slightly different decision. The CX had to weigh up a whole range of

economic, social, and political considerations and was ultimately answerable to Parliament.

267. In the vast majority of cases where I was the lead official, the CX either followed my and my teams' advice, or changed it but in minor ways that were well within a range around which reasonable people could disagree. For instance, some of the terms and conditions on the BBLs were quite generous (e.g. the size of the loans, the interest rate). The initial advice from HMT officials had, I believe, recommended a smaller loan size - i.e. maximum of £25,000. But the advice gave the CX the option of a larger size. The CX weighed up the options and made his decision to go with a £50,000 limit. That was his considered judgment based on advice that set out options and risks, and there was no reason for a Civil Servant to challenge this decision.
268. Sometimes though a good official will realize that he or she needs to find a way to help the CX of the day change his or her mind, if they have made a poor decision. It is rarely appropriate or effective to tell a CX directly that they have made a mistake. It is more effective to find ways to present new evidence or new arguments that provide an 'off-ramp' that enables the CX to change his or her initial decision.
269. The Celsa loan decision presents a useful case study of how I and the officials on my team helped guide the then CX to change his original decision, present him with options and then implement his final decision.
- 269.1. On 20th May 2020, the Project Birch team submitted advice to the CX recommending that we move ahead with the process to provide financial support to Celsa. The CX considered this advice, but on 26th May the CX's Private Secretary told the team that the CX was unconvinced of the case for intervention, and we should pause negotiations while exploring alternatives and contingency options. **[CR/078 - INQ000655456]**. Given the imminent risk of insolvency at Celsa, this delay could have led to its failure.
- 269.2. I and my colleagues in HMT and BEIS felt that this was the wrong decision, but we did not simply go back and tell the CX we disagreed

with his decision. That is not an effective way to help a Chancellor (or any senior decision maker) change their mind. We had to present new evidence. Over the next 2 days, the team put together detailed advice on the consequences of this decision and, in stark terms, set out both the imminent risk of insolvency and its likely impact. I also spoke to Richard Sharp who, having initially opposed financial support to Celsa, had come around to agreeing with officials that we should proceed.

- 269.3. After considering this new advice, the CX decided to reverse his earlier decision and authorised the team to begin discussions with Celsa over a loan.
- 269.4. During the finalisation of the terms of the Celsa deal, we had some vigorous debates, in front of the CX on Teams, about the details of the loan structure and what was the appropriate target rate of return for HMT. Another issue was whether we should or should not take equity warrants. Richard Sharp and I and the team took opposing positions on these issues. We argued through our positions off-line and in front of the CX. The CX welcomed these debates, then made his decision and gave a clear steer on the acceptable range of outcomes for the terms and conditions on the loan. The team followed the CX's steer in negotiating the final terms of the loan.
270. Another example from this period concerns an important policy decision, but not one related to Covid - namely the establishment of the UK Infrastructure Bank. As part of his 'deck clearing' exercise ahead of his first Budget in March 2020, Chancellor Sunak cancelled the proposal that had been in Chancellor Javid's first but never-delivered Budget to create a UK Infrastructure Bank (UKIB). I strongly believed that we needed a state-sponsored Infrastructure Bank and re-raised the issue with the CX after the Budget. He expressed scepticism about the need for this level of state intervention and indicated that he was not minded to go ahead with the proposal. However, I decided not to let the matter rest. Richard Sharp and I agreed that there was a strong case for a national infrastructure bank. I instructed my teams to develop further advice setting out the case and

offering new, more detailed evidence to support the establishment of what became UKIB (and is now the National Wealth Fund). In the end, the CX agreed with this advice. The CX announced the formation of UKIB at Spending Review 2020. The Bank opened in June 2021.

271. I see no difference in a Civil Servant's duties to challenge a CX during a pandemic as opposed to in normal times. At all times, crisis or no crisis, Civil Servants should give impartial, objective advice, present options, warn of risks and make a recommendation. Then Civil Servants should execute the decisions of Ministers, if lawful, even if they were not in line with the official advice. In meetings, officials should provide alternative points of view and challenge Ministers in the discussion and debate. The CX and other HMT Ministers I worked with during Covid valued this challenge and debate. But once the decision is made, Civil Servants need to get on with implementing it.
272. In a crisis, given the intensity and pressure on the CX and Ministers, there is an obligation on Civil Servants to pick their points of challenge carefully, and not to re-open and relitigate decisions that have been made. Clearly if new evidence comes to light, the officials should present that to Ministers. But an official should never re-open decisions made by Ministers simply because the official personally disagrees with the Minister's considered judgment. The CX was operating under huge time pressure and it was important that officials not waste his time arguing on minor points of detail, or re-opening decisions without new evidence, where the CX had made a decision based on full and impartial advice from officials.
273. Looking back on this period, I am proud overall of the advice I and my teams gave the CX. I believe I provided an appropriate level of challenge when it really mattered. And where the CX made choices that were different to ones which I might have made, these were not on major points of principle. I am comfortable with my choice not to re-open or challenge these decisions after the fact.
274. I have the highest regard for the other senior HMT officials who were serving the CX during this period. They were all – and many still are – Civil Servants

of the highest integrity, deeply committed to the values and principles of the Civil Service Code. I was not “in the room” for the debates with the CX over schemes such as CJRS, EOTH0, SEISS, Business Rates Relief, UC uplift etc. But I have no doubt that the HMT officials gave the CX impartial and detailed advice and provided appropriate challenge during the discussions of their advice. And then, once the CX had made his decision, the HMT officials worked at great pace and intensity to implement the decision, as it was their duty to do.

275. We did occasionally use techniques such as challenge panels or ‘red teams’, later in the crisis (e.g. over whether to introduce sector specific furlough schemes) and my Outlook Calendar has schedulers for two ‘Constructive Challenge sessions’ in March 2020, on the 20th and the 24th. I chaired a session on March 20th to review the outlines of the CJRS announcement which the CX made that evening. I cannot recall what the second session addressed. Perhaps in retrospect we should have used these more. Realistically though in the early intense weeks of the crisis, there simply may not have been sufficient time. I understand that HM Treasury has now introduced processes to increase the use of such challenge panels/red teams. I think that makes sense.
276. I do not believe that there is any case for a change in the basic principles of the Civil Service code, or the obligations on Civil Servants to present objective, impartial advice, with a range of options, an assessment of the risks, and a clear recommendation. And good Ministers (the large majority in my experience) will invite and welcome challenge and debate as they weigh up the options and reach their decision. But then I believe that it is essential that unelected officials faithfully carry out the decisions of elected Ministers, provided they are legal, regardless of their own personal political views or their own judgements on the merits of the case.

PART I - FRAUD AND ERROR

277. As a member of HM Treasury's Executive Management Board, I shared collective responsibility with other EMB members for managing and mitigating the risks of fraud, error, and deadweight in the economic support schemes. Although I was not directly involved in the day-to-day management of these risks within all the schemes under my remit, I have set out below how these risks were mitigated and managed in the CBILS, CLBILS and BBLS schemes, as well as in Project Birch and the CCFF. Then in para 297 and following I answer the Inquiry's specific questions about my role.

CBILS and CLBILS:

278. As part of this application process for CBILS and CLBILS lenders undertook traditional affordability and counter fraud checks that ensured that the relevant fraud risks would remain low. However, these checks significantly slowed the process of distributing loans to businesses and, after the launch of CBILS in March 2020, HM Treasury began receiving feedback from stakeholders that finance was not being provided to businesses quickly enough. This came at a time where data showed that many businesses were a short time away from failing due to lack of funds. It was also noted that some businesses were finding CBILS applications very challenging because of unfamiliarity with traditional credit and affordability checks. This ultimately led to the establishment of the BBLS.

279. As part of the original advice, fraud risk on CBILS was not explicitly addressed. However, as these loans were subject to standard bank underwriting checks, the fraud risk was not considered to be particularly high and that has turned out to be the case. The latest BBB estimates of losses due to fraud on CBILS and CLBILS are, respectively £0.06bn and zero, i.e. less than ¼% and 0.0% of the loans extended.

280. Looking back, I believe that the fraud processes in respect of CBILS and CLBILS proved robust.

BBLs:

281. The 'streamlined' application process and the reliance on self-attestation of revenues for the BBLs meant that the risk of fraud under the scheme was significantly increased compared to CBILS and CLBILS. HM Treasury, BEIS and the BBB were aware of this before introduction, and it was considered by ministers as part of the wider decisions taken on the scheme. The PWC report cited above identified four areas of risk that were a consequence of the scheme's design: self-certification; multiple applications; lack of legitimate business; internal fraud.
- 281.1. The self-certification process as to an applicant's eligibility exposed the Scheme to fraudulent loan applications, with little time to check, for example, the company's stated turnover amounts and use of funds.
- 281.2. Additionally, at the start of the Scheme roll out, there was no means to undertake a duplicate loan check, which allowed multiple fraudulent loans to be taken out by one company, despite this being against the rules of the Scheme. The CIFAS database for BBLs was not introduced until 8 weeks after launch, in June 2020.
282. In addition to the fraud risk from these intrinsic features of the loan application process, the risk was compounded by two systemic weaknesses.
- 282.1. First, there was a known vulnerability in the lack of identity verification processes at Companies House. This had been identified in the Economic Crime Plan **[CR/084 - INQ000655586]** of 2019, but Ministers had not found Parliamentary time for the necessary legislation to close this vulnerability. Since the roll-out of these Schemes, there have been several reforms announced regarding Companies House, and market developments towards the creation of digital company IDs. While these developments are still nascent and the full impact is uncertain, they illustrate potential developments that could make things easier in the future, allowing a future government to move at speed without making the same degree of compromises on fraud mitigation.

- 282.2. Second, while the controls against financial crime were robust in many banks, this was not necessarily the case in all banks. For example, it has been publicly reported that Starling Bank forfeited £28 million worth of government guarantees, following a separate FCA issued fine for £29 million due to lax financial crime controls. This created another potential systemic weakness, if lenders did not have sufficient controls in place, thereby opening the scheme up to fraud. This risk was amplified given the speed and scale of roll-out, and the market entry of new lenders, despite banks carrying out their typical KYC/AML checks.
283. The advice sent to the CX on May 1st 2020 made clear that the write-offs on these loans could be as high as 30%-50% due to loan losses and fraud [CR/070 - INQ000657633]. At that stage, it was not considered possible to break that estimate down into the component parts. HMG has paid out on guarantees in respect of 25.77% of facilities. As noted, in DBT's latest monthly data, £1.88 billion of the £46.48 billion drawn from BBLS has been flagged as suspected fraud, although DBT expect the proportion of guarantee claims linked to loans with a suspected fraud flag is expected to decline over time. As at June 30th 2025, £11.15 in total billion has been settled on BBLS guarantees i.e. 24% by value of the £46.48 billion guarantees extended. Credit losses account for c. £9.3bn (c.20%) and fraud £1.88bn (c.4%). Assuming some further losses on the remaining outstanding balances, it would appear possible that the final total loss rate will come out in line with the lower end of the range in the original HMT advice, and the absolute fiscal cost may be in the approximate zone of the estimate in the May 1st advice of £14bn over 6 years.
284. Despite the need for an accelerated approval process, mitigations against fraud were kept in place, such as the requirement for banks to conduct Anti-Money Laundering ("AML") and Know your Customer ("KYC") checks, a minimum set of fraud checks, and restrictions on loan eligibility. Businesses registered after 1 March 2020 were not eligible for finance under the scheme. Those that also had an existing facility under the CBILS, CLBILS, or the Bank of England run CCFF, were also not allowed to apply for a loan.

285. In their first year report on the Covid Loan Guarantee Schemes, the British Business Bank explained how efforts were taken to ensure at the outset that essential counter-fraud initiatives were in place, notably that applications could be swiftly checked against fraud bureaus like CIFAS. They estimated that this prevented a high number of frauds, estimated at £2.2 billion. Efforts were also taken to improve data analytics which has underpinned the government's counter-fraud recovery efforts, and to delineate different typologies of fraud and understand how best to treat those different cohorts.
286. Due to the need to get money to businesses as quickly as possible, the window for scheme development was limited. However, additional design features of the BBLs were subsequently introduced with a view to limiting the risk of fraud. These included:
- 286.1. On 26 June 2020, a duplicate application database was implemented, enabling lenders to upload loan applications to check against other lenders' registered applications and duplicates were flagged.
 - 286.2. In July 2020, a change of director flag was introduced as a key flag used to identify potential fraudulent cases, which identified previously registered companies that were inactive and had been subject to a director change since the scheme was launched.
 - 286.3. In November 2020, a newly incorporated business flag was introduced so lenders would be able to verify if a business has been incorporated after 1 March 2020 and were therefore ineligible for the scheme.
 - 286.4. In December 2020, turnover figure checks with tax records from HMRC were introduced, which allowed lenders to verify turnover declarations with HMRC using the Mortgage Verification System and was specifically targeted to high-risk applications.
 - 286.5. In March 2021, a bulk dissolution objection process was introduced, preventing companies with a current outstanding government loan liability from being removed from the Companies House register until lenders were able to investigate for any fraud.

287. Concern around the risk of fraud was a key focus, both prior to launch and thereafter, with multiple sets of advice provided throughout 2020-2022 by officials to ministers concerning fraud within BBLs. Early advice on the risks of fraud in the scheme was provided to ministers in late April 2020. There was also a detailed residual risk summary included in Chancellor advice produced by HM Treasury in late April 2020, which included not only fraud risks and checks, but other residual risks such as legal, operational, eligibility and post-delivery. This outlined fraud and other and other risks associated with; the self-certification which lacked verification, KYC/AML checks required for those with Personal Current Accounts adding delay to release of funds, and ways in which BBLs could be open to fraudulent use, for example multiple applications and use by dormant entities.
288. Reports from PricewaterhouseCoopers (“PWC”), the first drafts of which were initially received in late April 2020, **[CR/069 - INQ000610825]** and **[CR/085 - INQ000655488]** detailing the results of a fraud risk review into the scheme were also provided to the BBB and shared with officials in HM Treasury and BEIS. These reports were used to inform the department Accounting Officer’s (AO) assessment of the scheme, and ultimately informed the decision for the Permanent Secretary of BEIS to seek a ministerial direction from the Secretary of State for BEIS to launch the BBLs.
289. At the beginning of May, prior to the BBLs launch, Ministers were advised on multiple occasions. This included advice on additional funding for BBB to operationalise the scheme, as well as cover for any losses, given that the PWC report highlighted these could be high due to fraud. The CX confirmed that he was comfortable providing budget cover. It highlights how the self-certification process was open to fraud, as well as the speed at which banks were being asked to deploy funds.
290. Following the launch of the scheme, work continued across government on fraud risks within the scheme. On 5 October 2020, Lord Agnew and the Minister of Security, James Brokenshire, wrote to the Economic Secretary expressing their concern about the fraud risk associated with the BBLs **[CR/086 - INQ000657335]**, which was later responded to by the Economic

Secretary **[CR/087 - INQ000609491]**. In particular, they referenced the National Crime Agency's BBLs Threat Assessment, which indicated that organised criminal gangs had targeted the scheme. In response, the Economic Secretary confirmed that a number of initiatives had been implemented, working alongside officials in the Home Office, Cabinet Office, BEIS and BBB. This included the duplicate application database referenced above, as well as the contractual engagement of the National Investigation Service to investigate high priority cases of suspected fraud; implementation of a Fraud Analytics Programme to identify suspicious applications, and focus on the highest risk cases and investigate them; a Covid-19 fraud hotline, enabling anybody in the UK to ring up and share information; a detailed Fraud Risk Assessment, drafted by the BBB, to shape wider counter-fraud work; and guidance on recoveries, including a dedicated section advising lenders on what action to take where they suspected that a customer had exploited the scheme. On BBLs, the credit and fraud losses were higher than on the other guarantee schemes but that reflected a calculated decision by the CX to provide this level of rapid credit support.

291. Counter-fraud boards at official level were also set up to co-ordinate and monitor fraud management efforts, with the BBB holding the first counter-fraud forum between accredited BBLs lenders, the BBB and Government on 6 May 2020. A ministerial level fraud board was also set up, which was aimed to discuss fraud across the different interventions launches across Government in response to Covid. Advice also continued to flow to the Economic Secretary (John Glen MP), updating him on new measures being launched in order to combat fraud after the launch of the scheme **[CR/088 - INQ000625758]**, **[CR/089 - INQ000625761]**. The Economic Secretary was also advised by officials on 9 June 2020 to agree to a number of proposals made by the BBB to further counter-fraud measures. This included recommendations to allow the mandatory use of the CIFAS counter fraud system as well as allowing further time to investigate suspicious applications **[CR/090 - INQ000652878]**.
292. The Chief Secretary was also involved in scheme counter-fraud work post launch, and on 3 August 2020, approved three business cases from BEIS

allowing for investigations on fraudulent loans from National Investigation Service (NATIS). The Chancellor also announced measures at Budget 2021 to tackle BBLS fraud, which included funding for law enforcement agencies to detect and investigate fraudulent BBLS facilities, new powers for the Insolvency Service to investigate and disqualify directors of dissolved companies with a BBLS facility, as well as a 'blanket objection' for any company with a BBLS facility due to be struck off the Companies House register.

293. Ministers and officials continued to work on counter-fraud activities after scheme closure and worked across Government and with external organisations on counter-fraud. This included an agreement from the Economic Secretary approving the public release of lender performance data under the BBLS, ministerially agreed positions on fraud recovery strategies, as well as further counter-fraud funding accounted for at Spring Statement 2022. Fraud recovery work remains ongoing across Government to ensure that funds obtained fraudulently through Covid Loan Guarantee Schemes are returned to the taxpayer where possible, and that appropriate enforcement action is taken where appropriate.
294. Outside HM Treasury, several external evaluations were undertaken. These covered, amongst other things, the fraud levels of the schemes and provided recommendations to the Government. These reports include the Public Accounts Committee, the National Audit Office and BBB submissions. These often criticised the speed of delivering finance via BBLS above protecting the taxpayer from fraud. The government responded by confirming that the risks relating to fraud were communicated to ministers prior to launch (for example, as per advice to the Chancellor on 1 May 2020), and that without that speed many businesses would have gone into insolvency.
295. Initial loss estimates were included in the Annual Reports and Accounts for BEIS (2019-2020), although noting that these were estimated prior to any repayment data being available. The government continued to focus on the level of fraud following the launch of the schemes, ensuring that continued developments in this space were implemented, such as the CIFAS solution for

duplicate loans and enlistment of enforcement agencies to pursue serious cases.

296. The latest assessment of fraud levels for CBILS, CLBILS and BBLS is provided in the table below, which I have drawn from information published by the Department for Business and Trade, which provides a detailed breakdown by volume but not by value, except for the fraud estimates which are given by value.

	Total Loans Extended	% Repaid	% on schedule	% in arrears % defaulted but not progressed to claim	% guarantees where claim has been settled (ie paid out)	Value of claims flagged as suspected fraud
CBILS	As of June 2025, businesses have drawn a total of £25.83 billion, on 109,877 facilities	52.20 % of facilities by volume	35.81% by volume	1.3% by volume 0.69% by volume	9.51% by volume	£0.06bn (i.e. c ¼ of 1%)
CLBILS	As of June 2025, businesses have drawn a total of £4.54 billion on 753 facilities	96.11% of facilities by volume	1.39% by volume	0.28% by volume 0.28% by volume	1.94% by volume	£0.00
BBLS	As of June 2025, businesses have drawn a total of £46.48 billion on 1.6 million facilities	16.08 % by volume	52.00% by volume	4.42 by volume 0.79% by volume	25.77% by volume 24% by value	£1.88bn (i.e. 4%) of which £1.57bn has been paid out.

Fraud In Relation To CCFF/Birch/UK Export Finance Guarantees

297. For completeness I would note that over £40 billion of support was provided to companies under these schemes for larger companies. All of this has now been repaid or is on track to be repaid in full. Given the design of these interventions, and the focus on large companies, the fraud risk was judged to be very low. Fraud risk was not explicitly addressed in the original advice. No public funds were lost to fraud on these schemes.

My specific role

298. I have provided this detailed account of HMT's actions in response to the fraud risks associated with the loan support interventions, especially BBLS, as this has been a clear area of public interest, and I want to highlight how seriously HMT officials and Ministers were engaged on this issue. I will now address the specific questions set out in the Rule 9 letter that address my role in the measurement and management of the fraud risk in these schemes.
299. Other than my responsibilities as a member of EMB, I did not have a direct role in the measurement and management of fraud risks in these loan support schemes. Primary responsibility lay with the delivery partner (the British Business Bank) and the sponsoring Department (BEIS and later the Department for Business and Trade, DBT). HMT clearly had a strong interest in ensuring that these risks were managed well. To that extent, HMT officials and Ministers were closely involved in monitoring the progress of the BBB in measuring and managing these risks, and in advising Ministers accordingly (as set out above). I took a close interest in these issues, but did not see the need to intervene directly. Specifically, I did not provide advice to Ministers or to the Government Counter Fraud Function, nor did I provide guidance to other departments.
300. I had confidence that BEIS and BBB, and the relevant officials in the Cabinet Office, were acting expeditiously to manage the fraud risks, and I had no concerns regarding their capabilities or capacity. Based on the advice I saw being sent up to HMT Ministers, I was also confident that the HMT officials in the Financial Services team were actively and effectively engaged on these

issues, and providing appropriate advice to Ministers. For the most part, I saw no need to intervene.

301. There was one area, however, in which I did take a closer interest, namely the reforms of Companies House needed to improve identity verification, one of the systemic weaknesses that contributed to fraud with the BBLs scheme. This vulnerability was one of the areas of concern flagged in the letter from the National Crime Agency, dated 28 September 2020 **[CR/091 - INQ000655563]**.
302. As co-chair of the Economic Crime Board, with the Permanent Secretary of the Home Office, I had jointly overseen the work that led to the publication of the 2019 Economic Crime Plan, a Home Office / HM Treasury initiative jointly with UK Finance to produce the first ever public/private plan to tackle economic crime. One of the important recommendations (p56-57, action 42 'Reform Companies House' **[CR/092 - INQ000655470]**) was to address the known weaknesses in identity verification at Companies House. In the Spending Review of 2020, the CX provided £63 million of funding for economic crime, including for the National Economic Crime Centre and £20m for Companies House Reform to address this vulnerability **[CR/092 – INQ000655470]**. However, progress was slow in finding Parliamentary time to pass the necessary legislation to give Companies House the powers it needed. In January 2022, I was alerted by HMT colleagues that there was a risk that BEIS and Home Office Ministers would not prioritise this legislation in the upcoming Parliamentary session. On January 14, 2022, I wrote to my Permanent Secretary colleagues in BEIS and Home Office highlighting the importance that HMT put on this legislation. **[CR/093 - INQ000655495]**. In his resignation speech, on January 24th, Lord Agnew criticised the Government for not prioritising this legislation. Eventually this legislation was passed in October 2023, and new procedures of identity verification are now, in the summer of 2025, being implemented by Companies House. I should note that, even if Ministers had moved expeditiously to legislate in response to the 2019 Economic Crime Plan, the necessary changes could not have been in force in time to have any impact on reducing fraud risk at the time of BBLs's launch in summer 2020.

303. The only loan scheme for which an initial estimate for losses (both due to credit risk and fraud) was provided was the estimate of 30-50% for BBLS - see para 179 above. This estimate did not break down what % was estimated to be due to credit write-offs and what % could be due to fraud. There were no initial estimates of the risk of fraud and error for CBILS, CLBILS or the CCFF.
304. Looking back, and after much reflection given the controversy over fraud losses in the BBLS scheme, I remain of the view that there were no additional controls that could have been implemented at the time of launch that would not have either 1) compromised the clear policy objective of providing rapid disbursement of funds to small business in urgent need of financial support, or 2) delayed launch by up to 2 months to implement some of the additional controls, or 3) restricted access by limiting the number of providers to the established 'high street' bank lenders. That said, any future scheme - as noted below - could be much more resilient at launch given the process improvements implemented after launch by the BBB, the system-wide improvements now being implemented by Companies House, and by continued upgrades in controls against financial crime being implemented by banks and non-bank lenders under the supervision of the FCA.
305. When making recommendations in relation to preparations for a future pandemic, or other severe economic shock, the Chair may wish to consider the following recommendations in relation to loan guarantee schemes:
- 305.1. The initial priority should be on the efficient and rapid provision of 80% loan guarantee programmes, similar to CBILS and CLBILS, with an appropriate level of underwriting and verification by the banks and non-bank lenders
- 305.2. The 'product suite' should cover the full range of loan sizes from the time of initial launch from (in 2020 money), £2,000 at the low-end, through to £200 million at the top-end.
- 305.3. The processes for disbursement should be as streamlined as possible, reflecting the progress made with CBILS and CLBILS and, in a future

crisis, benefitting from wider improvements in technology (e.g. AI), in identity verification and in the broader payments infrastructure.

- 305.4. The introduction of 100%, self certified loan guarantee products such as BBLS should be a last resort. And if introduced, the anti-fraud processes developed by the BBB for BBLS should be kept up-to-date and fit-for-purpose so that they can be implemented ahead of launch in the future. Given that these controls are now in place, and given improvements in Companies House verification processes and continued vigilance by the FCA on controls against financial crime, a future BBBL-like scheme should be more resilient against fraud risk.
- 305.5. Provided these controls are in place, I believe that loan guarantee programmes are an effective way to provide support to businesses in a crisis and represent good value for money. Therefore they should remain a core part of any future crisis response tool-kit.

PART J: INEQUALITIES AND VULNERABLE GROUPS

306. As a member of HM Treasury's Executive Management Board (EMB), I had – as part of the group's collective responsibility – an obligation to consider equalities and vulnerable people in my work, and I was acutely aware of the importance of this. I was particularly encouraged that, in our EMB discussions of the Covid-19 crisis, we did consider these issues. Beyond my obligations as a member of the EMB to consider equalities and vulnerable groups, I was also required to comply with the Public Sector Equality Duty ('PSED') as set out in the Equality Act 2010. I am aware that HM Treasury's Equalities Policy team provided throughout the pandemic – and continue to provide – advice and guidance to the department to support compliance with the PSED and ensure our policies consider these groups. From the outset of the pandemic, officials within HM Treasury working on policies – both those I was involved with and others – will have had access to in-house guidance to support them in fulfilling their responsibilities under the PSED.

307. Beyond in-house guidance, guidance provided by the Government Equalities Office – now renamed the Office for Equality and Opportunity – was available. This included Covid-specific Government Equalities Office guidance, which highlighted the importance of thinking about groups with protected characteristics and the positive outcomes of doing so.
308. HM Treasury's pandemic response was expansive, with several areas of the economy being supported by policies designed to mitigate the effects of the crisis. The department took significant care to ensure that socially and economically vulnerable groups – including those with protected characteristics – were accounted for and protected during the pandemic. This care is most notably seen in welfare and social policy interventions relating to the labour force and income protection, such as the Coronavirus Job Retention Scheme (CJRS) and uplift to Universal Credit. In comparison, my work – which focused on business support schemes – saw less targeted consideration of vulnerable and protected groups; however, this is not to say that these policies disregarded or failed to benefit such groups. Rather, the support provided to businesses provided significant benefit to vulnerable groups.
309. Our focus for these policies was on avoiding harm to the economy through scarring that would be caused if mass unemployment and failure of vulnerable firms went unavoids. For example, by supporting an otherwise viable firm through extending additional credit through the CCFF, we prevented significant job losses in the retail sector, which would have materially impacted those on low income and from vulnerable groups, owing to the composition of the workforce in this sector. An additional example of the protection of vulnerable groups provided by the firm-focused support is the emergency loan provided to Celsa Steel, which saved many jobs – and created more in the long run – at a time when the British steelmaking sector faced multiple challenges, with the risk of significant job losses. Such job losses would have caused harm and financial hardship to vulnerable groups in the locality dependent on the Celsa plant for their income. I am particularly encouraged that jobs – and the local area's workforce and dependent

individuals by consequence – were protected by the loan extended to Celsa, which has now been repaid in full.

310. I acknowledge, however, that the business support schemes were not adjusted in approach to individual firms or sectors dependent on inequalities or vulnerabilities considerations. The advice to the CX on the major loan support schemes did not explicitly address the impact on vulnerable groups, and we did not monitor the impact of these schemes on vulnerable groups specifically.
311. Overall, I continue to believe that this is the right approach when considering support to businesses. The main focus should be on preventing avoidable business failure. However, it is important when considering the consequences of a potential firm failure, to consider the impact on communities especially those where the local labour market is fragile and re-employment opportunities, especially for vulnerable groups, are limited. In future, I would consider making this an explicit criterion for intervention under a future 'Birch-like' scheme; it was implicit and did influence our decision over Celsa, but we could have made it more explicit in the one page Principles.
312. Despite the lack of explicit consideration of the impact on vulnerable groups, the business support schemes achieved an enormous benefit for vulnerable individuals and communities, who would otherwise have been significantly disadvantaged by broader harms to the economy and job losses. These harms – and the prospect of mass unemployment and permanent exclusion from the workforce that can arise from long-term unemployment – were the spectres that motivated the determination of myself and my colleagues.
313. Given the focus of my work on firm-specific interventions, I do not believe that I have a sufficient basis of evidence or experience to answer questions 73, 75 and 76.
314. Overall I believe that the response of HM Treasury did appropriately take into consideration the impact on vulnerable groups. The full set of economic interventions provided significant benefits to vulnerable groups and communities, who would otherwise have been exposed to severe harm from

unemployment and avoidable business failure. I do not have a view on the response of the UK Government more broadly as I do not have the evidence or knowledge to reach an informed perspective.

PART P - LONG COVID

315. During the early stages of the pandemic, there was not – nor could there have been – an established knowledge of the long-term effects of the virus. HM Treasury ministers and officials – including myself – were clear that the pandemic was a health crisis, wherein medical and scientific guidance would be essential in policymaking. As such, the department regularly received advice from health experts on the path of the virus and how it would affect the decisions the department would need to make.
316. Several of my colleagues attended SAGE and formal health meetings, enabling them to gain an understanding of the health picture, the non-pharmaceutical interventions (NPIs), and the need for economic policy to evolve alongside the public health strategy. While I did not attend these meetings, I received reports back from HM Treasury colleagues who did attend them, enabling me to have a greater knowledge of the scientific understanding of the time, to ensure that the public health was fully accounted for where necessary.
317. I do acknowledge, however, that the business support measures I assisted in developing – such as the Coronavirus Business Interruption Loan Scheme (CBILS) and others – did not involve consideration of Long Covid in their creation. This omission was due in part to their development being either early in the crisis – when the long-term effects of the virus were not apparent before the business support policies were created – or that such considerations were not required due to the nature of the policy. For example, business support schemes would not require consideration of Long Covid when the primary focus of these policies was avoiding significant harm to the economy and job losses through avoidable firm failure.

318. I was not involved in the development of policies such as the CJRS, SEISS, SSP, Universal Credit uplifts, nor the WTC schemes, so cannot inform the Inquiry on the extent to which advice regarding these policies involved a consideration of the effects of the long-term sequelae of the virus. Similarly, I was not involved in considering – and did not receive advice on – the extent to which Long Covid would have an effect on the risk of economic scarring when economic policies were being developed.
319. Moreover, the business support schemes I contributed to the development of had been created and implemented before I gained a full understanding of Long Covid. As such, outlining a chronology of my understanding of the condition in policymaking would not – in my view – be of value to the Inquiry, as my knowledge was predominantly informed by the reports received from colleagues and the press. Therefore, any chronology produced would be based on recollections of events that I was not personally involved with, and could be viewed as of lesser value than that which could be provided by other officials who worked more closely on understanding and mitigating the impacts of Long Covid.

PART K - ANALYSIS AND REFLECTIONS

320. Overall I am very proud of HM Treasury's economic response to the pandemic. While I am sure that the Inquiry will identify some areas where we could have done better, overall I believe that the economic response delivered against its objectives very well.
321. As advice to future generations of HMT officials facing a similar set of challenges, I would highlight the following lessons learned, which are focused on the areas for which I had overall responsibility.
- 321.1. ***Rehearse crisis response.*** We benefitted from the lessons we had learned from the global financial crisis, and from smaller less public financial crises in the period 2013 - 2019. We also rehearsed crisis response in desk-top exercises with the Bank of England, the

Prudential Regulatory Authority and the Financial Conduct Authority. Institutional memory fades fast so I would encourage future generations of HMT leadership to conduct regular crisis response 'dress rehearsals' for different types of threat.

- 321.2. ***Prepare for wide range of risks.*** It is important to rehearse for a wide range of potential crises and to develop 'all-weather' responses that can be deployed in a range of scenarios, rather than focusing solely on the "next pandemic". The Government's National Risk Register is an excellent document and provides a wide range of potential risks facing the UK from which to draw potential disaster scenarios.
- 321.3. ***Maintain operationally efficient intervention mechanisms.*** We benefitted from pre-existing schemes - the BBB's Enterprise Finance Guarantee Scheme which was re-purposed to create CBILS, and the Bank of England's Asset Purchase Facility and Secured Commercial Paper Facility which were re-purposed to create CCFF. The processes for CCFF worked well from the start, but the processes originally designed for EFG struggled to cope with the volumes of CBILS. But in these two interventions, at least we had something to start with. We had to create many of the other interventions from scratch. Future generations should be able to 'dust off' a full suite of crisis intervention mechanisms for business support that were generated for this Covid response. It is important that these are kept up-to-date and in good operational order. In 10 or 15 years' time, if not maintained, the underlying operational processes may not be fit-for-purpose given advances in the wider banking and payments systems infrastructure, and the diminishing resilience over time of any IT system. Maintaining the intervention mechanisms will require continued investment which, given that there is no immediate need, could be at risk from budget cuts given wider public sector spending pressures.
- 321.4. ***Maintain centres of excellence in banking and credit within HMG.*** UKGI, the British Business Bank and UK Export Finance played critical roles in supporting HMT's ability to respond to this crisis. We could not

have provided the credit support that we did without the involvement of these public bodies. UKGI has only existed in its current form since 2016 and the British Business Bank since 2014. Should a future Government decide that these entities were no longer needed, or choose to materially constrain their funding or restrict their ability to attract and retain specialist skills, the capacity of HMG to respond to a future crisis would be severely constrained. These entities play a valuable role in normal times. But in this crisis, we learned that they played an essential role in enabling HMT's economic response.

321.5. ***Build underlying resilience in the public finances, in financial stability and economic crime prevention.***

321.5.1. Public finances. The Treasury is sometimes criticised for seeking to restrain the growth in public debt. One of HMT's justifications for this - and one we debated as EMB - was the need to build 'fiscal headroom' to enable HMT to borrow in a crisis. At the start of this crisis, Public Sector Net Debt (excluding the Bank of England) stood at 77% of GDP, giving the CX some headroom, which proved essential. There would be materially less headroom today when the equivalent figure is 89%. I would encourage future generations of HMT officials to maintain HMT's long tradition of seeking to protect the public finances and advising future CX's to rebuild fiscal headroom when economic conditions allow.

321.5.2. Financial Stability. As noted earlier in para 43.9, we also benefited from the resilience of the banking system, built up over 10 years of determined policy interventions by HMT and the Bank, in co-ordination with the international regulatory community. While there is undoubted scope to simplify, streamline and speed-up the current financial regulatory processes, I would encourage my successors to ensure that the core of the UK financial system always remains resilient and able to withstand extreme adverse scenarios. The Bank of

England's Stress Testing Regime is a powerful tool in ensuring the necessary level of resilience in the face of a range of potential external crises.

321.5.3. Economic Crime. It is too late in a crisis to try to fix underlying systemic vulnerabilities in our defences against economic crime, as we found out with the failure, over many years, to fix the weaknesses in Companies House's identity verification processes. Building resilience against economic crime is an essential part of securing economic security and needs to be progressed in advance of any crisis. Likewise, the Financial Conduct Authority plays a critical role in supervising the systems and controls in banks to prevent financial crime. It is essential that the FCA continues to maintain high standards of conduct across the financial services industry to ensure that any vulnerabilities to financial crime are addressed quickly by individual firms.

321.6. ***Invest in inter-departmental and external relationships ahead of any crisis.*** The ability of my teams and I to work at speed, effectively and collaboratively, with BEIS, DFT, UKGI, UKEF, the BBB, the Bank of England, PRA and the FSA was only possible as we had already developed good working relationships between officials at multiple levels. This was not just an accident. We explicitly invested in strengthening these relationships where they had become frayed (e.g. between the Bank and HMT before 2013 or between BEIS and HMT under the Coalition Government of 2010-2015). In 2020, once Andrew Bailey became Governor, Bank and HMT officials jointly worked on strengthening still further the HMT/Bank relationship. I would encourage future generations of HMT Officials to ensure that they invest time in building constructive, professional relationships with all their stakeholders in 'peacetime'. Likewise, the ability of my colleagues in Financial Services to work with the banks on the loan guarantees was only possible because of Katharine Braddick's and Gwyneth Nurse's strong networks of personal relationships with leaders in the

banking industry, with financial regulators and with international contacts e.g. in the European Commission. Conversely, my lack of personal relationships with senior officials in the Scottish and Welsh Civil Services made it hard for me to establish trust-based lines of communications, especially given the tensions at this time between the UK Government and the DAs. Future HMT leadership teams should build these relationships as a matter of course.

322. The Inquiry has asked for my reflections and lessons learned regarding the following:

322.1. **The role of the Chancellor.** In this crisis, I believe that Rishi Sunak provided strong and highly effective leadership to HMT and drove successful policy interventions that delivered against the Government's economic agenda. In any future economic crisis, it will be essential that the Chancellor of the day can exhibit: resilience, good judgement, decisiveness and creativity. As in normal times, a government can only be fully effective if there is a strong relationship between the Prime Minister and the Chancellor, and their respective teams. This is particularly true in a crisis.

322.2. **The role of HM Treasury.** HMT officials should be proud of their impact in responding to this crisis. HMT's effectiveness stemmed from its institutional strengths: its non-hierarchical culture; its flat organisational structure; its flexibility in reallocating resources; the commitment and high quality of its staff; its strong adherence to the Civil Service Code and values. On major programmes like CJRS, or the business credit support programmes, HMT officials worked collaboratively with external stakeholders, with other government departments and with public sector bodies. It was appropriately resourced going into this crisis (FTEs were at 1,559 reflecting the ramp up in headcount after Brexit.) This gave the department additional flexibility to respond to this crisis. In my view, it is important that HMT remains adequately resourced with the level and quality of staff needed

to fulfil its critical function at the heart of Government. This means maintaining some 'surge capacity' to enable it to respond to crises.

- 322.3. **The role of the Second Permanent Secretary (2PS).** This role definition for the 2PS is not fixed and is often defined around the needs of the Department at the time and skills of the incumbent(s). There can be more than one 2PS, as is the case now. In my view, it was helpful that I had extensive business experience and a wide external network of relationships in business and in the financial services sector. Both in normal times and in any future crises, I think that at least one of the Permanent Secretaries in HMT should have a strong background in business and finance and maintain a strong external network of private sector relationships.
- 322.4. **The structures, processes and procedures involved in economic decision making at speed.** I believe that HMT's decision making processes proved resilient when operating under high stress and extremely challenging conditions. Everyone was working remotely and, as many HMT officials are relatively young, many were working out of cramped conditions in small flats or shared accommodation. Nevertheless the quality of advice remained very high - well written, well evidenced, clear and direct. I am sure that some minute taking and routine administration could have been better, but we prioritised focusing on the major issues. There was some use of 'red team/challenge structures', but as the Treasury has already concluded, there could perhaps have been more use made of this technique early in the crisis.
- 322.5. **The culture within HM Treasury.** Contrary to some external perceptions, the culture within HMT is collaborative, friendly, non-hierarchical, merit-based and mutually supportive. HMT officials pride themselves on challenging each other's work constructively - 'challenge' was one of the core values of the Treasury when I joined. We dropped this specific word as EMB that felt 'challenge' was being misinterpreted as meaning 'confrontational'. However senior HMT

officials and Ministers continued to value and prioritise intellectual challenge during the policy development process. It is important that HMT maintains this tradition of constructive intellectual challenge in policy formation and in presenting advice to Ministers. I believe that HMT's culture proved resilient through the crisis and was a major contributor to HMT's success.

322.6. Intergovernmental working to support economic decision making.

(I assume this question addresses 'inter-departmental' working). Much of HMT's policy development (e.g. around Budgets and Spending Reviews) needs to be conducted under an appropriately high level of confidentiality. This means the HMT cannot share information widely with all parties in Whitehall and the wider public sector. In my areas of responsibility this was certainly true as we were handling highly price-sensitive non-public information. This is not a barrier to effective inter-departmental working, but it does require a level of information management (insider lists, password protected documents, codewords) that many civil servants and Special Advisors are not used to. Moreover, the endemic problem of leaking in Government creates additional risks when dealing with material, price sensitive information. We overcame this by working in well-defined, cross departmental groups but only with those who needed to be in the know. More generally, Cabinet Office can and did play a useful role in co-ordinating information sharing (e.g. through Cabinet Secretary Daily Calls - Cab Sec (O)). However, meetings that just 'share information' quickly become of limited value, as we discovered with EBRSG. Inter-departmental working is most effective when there is a common objective and a defined output of the work.

322.7. The breadth and range of consultation and engagement. In the areas for which I was responsible, I think HMT did a very good job at reaching out to interested stakeholders and third parties. I believe the same is true for other parts of HMT as well (e.g. working with the CBI and TUC on CJRS). We conducted targeted consultations on potential interventions that helped shape their final form (e.g. BBLS, CLBILS) or

which demonstrated that they were not needed (e.g. CCFF minus). We were open to approaches from individual firms and trade associations. While not every group was happy with the outcome of HMT policy, they did have their views heard.

322.8. Consultation with the Devolved Administrations and the role of HM Treasury as the finance ministry for the whole United Kingdom on reserved matters.

In retrospect, I accept that in my areas of responsibility, I perhaps should have done more with the Devolved Administrations. That said, a) financial services (FS) is a reserved matter and the DAs do not have officials working on UK-wide FS policy; b) relations between the UK Government and the DAs were poor, especially with the Scottish Government which made communications between Civil Servants in the UK and Scottish Civil Service complicated. Moreover, other than with two senior officials in the Northern Irish Civil Service, I did not have any pre-existing relationships in the DAs. In future, I think it would be important for senior HMT officials to invest time in building relationships with their opposite numbers or nearest equivalents in the DAs.

322.9. Availability and quality of data.

I will leave my colleagues on the macro-economic side of HMT to comment on the availability and quality of data that they had access to in support of their work. In the policy areas I was working on, we did not have serious gaps in data. We could have benefitted from better 'firm demographic' data (e.g. number, size, financial position) of businesses across the economy. Excellent analytical work by the Bank of England provided a solution to this data gap. Through contacts in the private sector, we did have access to close-to-real-time information on demand in the most affected sectors (e.g. passenger numbers, flying hours, footfall at airports). By the time of the third wave, I think we would have benefitted from better and more timely data on the hospitalisation rates by age band, vaccination status and pre-existing conditions. I think that could have helped target some of the later NPIs (e.g. border restrictions) more effectively.

- 322.10. **Analysis and modelling.** For the areas I was involved in, we drew heavily on expertise in UKGI, UKEF and the Bank of England, supplemented by external advisers. I think this proved effective. It would be poor value for money to maintain a high level of corporate finance analytical modelling capability within HMT. Working with cross-government centres of excellence (such as UKGI) is a more efficient approach and worked well.
- 322.11. **The capacity and capability of HMT to respond to the pandemic.** Overall, I believe that HMT did indeed have the capacity and capability to respond to the pandemic as the results of its interventions show. We had to work collaboratively with other parts of Government and the public sector and be open to input from the private sector, which we were. As noted earlier, HMT was well resourced at the start of the crisis, with a headcount of 1,559 FTE. I do believe that HMT should maintain some 'contingency margin' in its headcount in order to preserve its ability to respond to crises. There will be a tension between the need to preserve some contingency and the pressure to reduce headcount given wider public spending pressures.
- 322.12. **The macro-economic strategy in response to the pandemic.** The basic strategy was to protect 'supply' (i.e. jobs, viable firms and institutions) while the economy experienced a sharp reduction in demand as the government introduced the NPI restrictions. The evidence shows that this strategy broadly worked. The one potentially permanent impact has been the reduction in workforce participation, which may in part be a lasting consequence of the pandemic. In a future crisis, it will be important to consider the risk of a fall in labour force participation and not just a rise in unemployment.
- 322.13. **Approach to fraud and error.** I will restrict my comments to the programmes I was involved in, as I do not have first hand perspective on fraud and error in other areas (e.g. procurement, benefits). Clearly any fraud is to be condemned and officials should seek to minimise the potential for fraud consistent with the intent of the policy. Overall, the

latest estimates for fraud on the loan guarantee programmes, while never acceptable, is within the typical range that you would expect on such interventions. That said, there are lessons to be learned.

- 322.13.1. First, it is essential to maintain robust underlying systems for identity verification in company registration (now underway with the reforms at Companies House) and financial crime controls across the entire financial system (which remains a high priority for the Financial Conduct Authority).
 - 322.13.2. Second, in future, I would prioritize the efficient delivery of 80% loan programmes and avoid, if at all possible, 100% self-certified, rapid disbursement loan programmes, which will always be more prone to fraud.
 - 322.13.3. Third, I am confident that the BBB will have documented details of all the improvements made during the roll-out of these programmes, and this will materially reduce fraud given that these features would be included in any future scheme ahead of launch.
 - 322.13.4. Finally, I expect there will be further design improvements that could be identified to reduce fraud risk should these programmes need to be rolled out again - e.g. taking advantage of the latest advances in ID verification, Artificial Intelligence and other technological advances to detect fraud. In maintaining its crisis response ability, the BBB will need funding over time to incorporate these anti-fraud advances as they become available.
- 322.14. **Approach to value for money.** Clearly the pandemic cost the nation dearly, both in human and in financial terms. The ratio of PSND (ex BoE) to GDP rose from 73% at the end of 2019 to 88% at the end of 2022. So the financial cost was very high. Were the interventions VFM?

- 322.14.1. Against the economic and human cost of permanent loss of productive capacity in the economy, then my belief is that this financial cost was worth paying.
- 322.14.2. For the interventions with which I was involved, I think the VFM outcomes were acceptable - with some programmes (CCFF, Birch, UKEF loan guarantees) breaking even or turning a small profit; and other programmes (CBILS, CLBILS, BBLS) coming in within the initial cost estimates and delivering against the policy objectives. Research commissioned by the BBB shows that all three of these programmes were value for money on the central and pessimistic cases, and that, only on very pessimistic - and 'perhaps not realistic' - negative assumptions, only BBLS has a benefits to cost ratio below 1.
- 322.14.3. My overall conclusion therefore is that these interventions (CCFF, BBLS, CBILS, CLBILS, Birch, UKEF Guarantees) provided essential protection to the economy, at a time of an unprecedented shock. They prevented avoidable business failures and widespread unemployment while delivering good value for money.

PART L - SUPPORTING DOCUMENTS AS REQUESTED BY THE INQUIRY

323. **Key documents.** Documentation supporting my witness statement in respect of the key decisions in which I was directly involved and responding to the specific requests of the Inquiry is attached as set out in Annex C.
324. **Messaging platforms.** I did not conduct policy discussions on messaging platforms. To the extent that I used SMS or WhatsApp during this period, it was solely for routine administrative matters or personal communications of no relevance to the major issues in scope for the Inquiry. In any case, on leaving HMT in June 2022, I returned my HMT phone. I am told by HMT that it is not possible to retrieve any SMS or WhatsApp messages from this phone.

I did not conduct HMT business on my personal phone.

325. **Emails.** During this period, I received over 300,000 emails and attachments with potential relevance to the scope of this Inquiry. With the support of officials in GLD, I have conducted rigorous searches to identify the key emails and documents required to provide evidence for this statement. These are included as Exhibits to this witness statement.

326. **Diary**

326.1. I kept a personal diary over several years during my time at HMT, including the period under review. This was meant to be an entirely private document, which I had not intended to share with anyone else. The vast majority of entries relate to my work on non-Covid related policy issues - the prime focus of my time from Summer 2020 onwards - or to issues concerning my personal and family life, my health or my social engagements outside of work.

326.2. However, I recognise the Inquiry's powers to request copies of entries in this personal diary relating to key decisions made between 1 January 2020 and 28 March 2022 that are relevant to the provisional outline of scope of Module 9.

326.3. Subject to the final checks now underway, I will disclose all entries that are materially relevant to the key policy decisions in which I was involved. That said, I do not consider the diary entries to be a reliable source of evidence. As with any diary, mine lacks distance, perspective, balance and validation; it still contains typographical and factual errors. The diary reflects how I felt at the end of a long and often stressful day. I trust that the Inquiry will read my personal diary entries in this light.

327. **Notebooks**

327.1. I have also retained three Moleskin notebooks, for the period September 2020 to May 2022. These set out my calls/virtual meetings for the day on the left hand page, and my To Do list on the right hand

side. I do not believe that these provide any useful information to the Inquiry. I have provided a full copy of my Outlook Calendar which is a more comprehensive and reliable record of meetings during this period.

- 327.2. On a few exceptional occasions, I took notes of calls, presumably when I had no other paper to hand. Three of those notes fall within the scope of the Inquiry. Scans are attached as **[CR/094 - INQ000655587]** an undated note of a call with Adam Marshall of the British Chambers of Commerce, probably in early September 2020; **[CR/095 - INQ000655585]**, undated notes of a Wednesday Morning Colleagues (WMCs) call in September, probably on the 21st; **[CR/096 - INQ000655583]**, notes of a WMCs call on December 19th. This entry includes personal information that I happened to write on the same page - the post code of a family member - which I hope the Inquiry will agree to redact. I do not think there is material of value to the Inquiry but these are included to ensure full transparency.

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: 29 October 2025

ANNEX E - THE ECONOMIC AND BUSINESS RESPONSE STRATEGY GROUP - PAPERS

INQ000655507	INQ000655450	INQ000655526	INQ000610164
INQ000655506	INQ000610131	INQ000655493	INQ000655535
INQ000655441	INQ000610132	INQ000655458	INQ000593317
INQ000251249	INQ000655451	INQ000655459	INQ000655464
INQ000593312	INQ000610159	INQ000655492	INQ000610166
INQ000655508	INQ000655519	INQ000064871	INQ000065370
INQ000655443	INQ000655452	INQ000655460	INQ000655465
INQ000655512	INQ000655453	INQ000610163	INQ000655475
INQ000655509	INQ000655520	INQ000064876	INQ000610155
INQ000655510	INQ000610160	INQ000655461	INQ000610167
INQ000655513	INQ000655455	INQ000655530	INQ000655467
INQ000610142	INQ000655457	INQ000655473	INQ000655588
INQ000655444	INQ000610161	INQ000655531	
INQ000610141	INQ000655523	INQ000655533	
INQ000655445	INQ000593299	INQ000655463	

ANNEX F - PART H (1/2) - THE OPERATING COMMITTEE

INQ000655499	INQ000655611	INQ000655553	INQ000655565
INQ000655499	INQ000655542	INQ000655476	INQ000655489
INQ000655502	INQ000655500	INQ000655554	INQ000655567
INQ000655504	INQ000655481	INQ000655555	INQ000655593
INQ000655503	INQ000655479	INQ000655606	INQ000655568
INQ000655609	INQ000655601	INQ000655501	INQ000655569
INQ000655482	INQ000655544	INQ000655556	INQ000655496
INQ000655477	INQ000655469	INQ000655462	INQ000655497
INQ000655602	INQ000655545	INQ000655557	INQ000655589
INQ000655521	INQ000655600	INQ000655558	
INQ000655522	INQ000655546	INQ000655559	
INQ000655594	INQ000655607	INQ000655560	
INQ000655610	INQ000655548	INQ000655483	
INQ000655539	INQ000655547	INQ000655605	
INQ000655480	INQ000655550	INQ000655484	
INQ000655478	INQ000655549	INQ000655485	
INQ000655540	INQ000655599	INQ000655562	
INQ000655595	INQ000655551	INQ000655564	
INQ000655590	INQ000655552	INQ000655591	
INQ000655541	INQ000655604	INQ000655566	

ANNEX G - EMB MEETING MINUTES

2020	2021	2022
INQ000658140	INQ000658181	INQ000658182
INQ000658135	INQ000658151	INQ000658192
INQ000658106	INQ000658152	INQ000658193
INQ000658129	INQ000658153	INQ000658194
INQ000658060	INQ000658154	INQ000658195
INQ000658095	INQ000658044	INQ000658191
INQ000658130	INQ000658183	INQ000658190
INQ000658108	INQ000658184	INQ000658043
INQ000658086	INQ000658150	INQ000658188
INQ000658131	INQ000658185	INQ000658189
INQ000658139	INQ000658186	
INQ000658059	INQ000658045	
INQ000658077	INQ000658155	
INQ000658107	INQ000658046	
INQ000658115	INQ000658159	
INQ000658050	INQ000658156	
INQ000658133	INQ000658158	
INQ000658083	INQ000658047	
INQ000658070	INQ000658157	
INQ000658062	INQ000658144	
INQ000658116	INQ000658160	
INQ000658117	INQ000658161	
INQ000658067	INQ000658162	
INQ000658127	INQ000658163	
INQ000658087	INQ000658164	

INQ000658103	INQ000658187	
INQ000658111	INQ000658165	
INQ000658055	INQ000658145	
INQ000658057	INQ000658166	
INQ000658112	INQ000658167	
INQ000658061	INQ000658168	
INQ000658115	INQ000658169	
INQ000658092	INQ000658170	
INQ000658091	INQ000658171	
INQ000658066	INQ000658042	
INQ000658124	INQ000658146	
INQ000658138	INQ000658172	
INQ000658102	INQ000658147	
INQ000658093	INQ000658173	
INQ000658052	INQ000658148	
INQ000658063	INQ000658174	
INQ000658098	INQ000658175	
INQ000658122	INQ000658176	
INQ000658097	INQ000658177	
INQ000658064	INQ000658178	
INQ000658075	INQ000658179	
INQ000658114	INQ000658180	
INQ000658119	INQ000658149	
INQ000658134		
INQ000658053		
INQ000658085		
INQ000658089		

INQ000658105		
INQ000658121		
INQ000658118		
INQ000658054		
INQ000658065		
INQ000658088		
INQ000658113		
INQ000658051		
INQ000658069		
INQ000658110		
INQ000658096		
INQ000658142		
INQ000658101		
INQ000658084		
INQ000658073		
INQ000658082		
INQ000658099		
INQ000658078		
INQ000658081		
INQ000658071		
INQ000658126		
INQ000658125		
INQ000658074		
INQ000658076		
INQ000658104		
INQ000658090		
INQ000658058		

INQ000658143		
INQ000658094		
INQ000658080		
INQ000658137		
INQ000658079		
INQ000658049		
INQ000658072		
INQ000658123		
INQ000658048		
INQ000658132		
INQ000658100		
INQ000658141		
INQ000658120		
INQ000658128		
INQ000658056		
INQ000658068		
INQ000658109		
INQ000658136		