

Witness Name: Alyson Stafford
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Exhibits: AS7
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UK COVID-19 INQUIRY
MODULE 9

WITNESS STATEMENT OF ALYSON STAFFORD

In relation to the issues raised by the Rule 9 request dated 24 April 2025 in connection with Module 9, I, Alyson Stafford, will say as follows: -

Introduction

1. I am Alyson Stafford, Director General (DG) Scottish Exchequer in the Scottish Government. I was appointed as DG Scottish Exchequer in the summer of 2017 and was therefore in post throughout the period from 1 January 2020 to 28 June 2022. I have been employed by the Scottish Government since 2005, initially as Director of Finance (from 2005 to 2010) and then as Director General Finance (2010 to 2017).
2. I have prepared this statement myself with reference to records and material provided to me by the Scottish Government. I have also received assistance from the Scottish Government Covid Inquiry Information Governance Division, the Scottish Government Legal Directorate and my Chief of Staff in collating relevant factual material to address the questions put to me. Unless stated otherwise, the facts in this witness statement are within my own knowledge and are true. Where they are not within my own knowledge, they are derived from sources referred to by me and are true to the best of my knowledge. An example of this is where exhibits are Corporate Statements, as some of the content of these materials will be drawn from the contributions of others.
3. I have considered the Provisional Outline Scope for Module 9 when producing this statement

and I have answered the questions to the best of my ability. I understand the scope of Module 9 relates to the economic interventions taken by the UK Government and Devolved Administrations in response to the Covid-19 pandemic, and an examination of additional funding for relevant public services and the voluntary and community sectors.

4. With reference to this scope, where I am unable to answer the questions posed, for example where the question falls outside my responsibilities as DG Scottish Exchequer, I have given the reasons why and sign posted where the Inquiry can follow up with the relevant area. Much of the interest of the inquiry in this module is seeking evidence on the *policies, decision-making and delivery of economic support for specific areas, including support for business, jobs, the self-employed, vulnerable people and those on benefits and the impact of these key economic interventions*. These activities sit **outside** the range of my accountabilities and responsibilities. In the Scottish Government, economic activities are separate from fiscal strategy and management, with the former led by DG Economy and the latter led by me as DG Scottish Exchequer. The delivery and administration of support schemes and other economic interventions were led by other colleagues in the Scottish Government, primarily DG Economy for business support measures and supporting self-isolation to reduce the risk of transmission and DG Communities for those vulnerable and on Scottish benefits and for the mechanisms for distributing some funds via local authorities in Scotland.
5. I have provided responses to the questions put to me in the context of what was within my remit as Director General Scottish Exchequer, as set out in detail below. In summary, **my** responsibility was for the financial advice as to the extent and means the Scottish Government might have to *fund* economic measures alongside other interventions, but I was **neither** responsible for advice about *which* measures would be most appropriate to mitigate the economic challenges brought about by the Covid-19 pandemic, nor about how those measures might be delivered. All decisions for the interventions and the application of funds at the hand of the Scottish Government are taken by the Scottish Cabinet. Variations to the Budget Act for a financial year are secured by budget revisions approved using regulations that amend the annual Budget (Scotland) Act, usually twice a year in the autumn and spring or more frequently if exceptional circumstances demand this. During the period of 1 January 2020 to 28 June 2022, there were 3 budget revisions in the financial year 2020-21 (in June 2020, November 2020 and March 2021), and 2 revisions in financial year 2021-22 (in November 2021 and March 2022). All received Scottish parliamentary approval.
6. The Budget Bill process sets budgets for each portfolio, and these portfolios are then managed by Cabinet Secretaries with the support and advice of civil servant Accountable

Officers. The exceptional situation during the pandemic of a) extraordinary cost increases that started with the health response, b) the speed of reaction needed by the Scottish Government Cabinet to decide what and when to fund to mitigate the Health, Economic and Social harms identified from the spread of the pandemic, and c) the considerable increase in funding from the UK government meant that more frequent and sizeable budget revisions were required at the peak of the pandemic. Budget revisions also authorised where existing funds could be re-directed to meet the priorities of the pandemic from budgets and programmes that in the light of the emergency had to be afforded a lower priority or reflected lower demands.

7. These budget revision mechanisms as well as statements made by the appropriate Cabinet Secretaries reporting to the Scottish Parliament gave visibility of the funds allocated for the various financial support to the Covid response including any schemes to partly relieve the economic harms of the non-pharmaceutical interventions, especially the phases of 'lockdown' that had the greatest impact on economic activity.
8. To assist the Inquiry in understanding the overall structure of policy advice to the Cabinet, I have provided a brief explanation in the table below of the roles of other key senior officials which I consider were important in relation to the economic interventions implemented by the Scottish Government during the relevant period. Again all *decisions* in this regard were taken by the Cabinet.

Table 1

Role	Remit
Permanent Secretary	The most senior civil servant in Scotland and head of the civil service supporting the Scottish Government. The Permanent Secretary is the principal policy adviser to the First Minister and Secretary to the Scottish Cabinet. They lead the Scottish civil service to deliver the full range of devolved powers and duties. As the Principal Accountable Officer for the Scottish Government, the Permanent Secretary is personally responsible to the Scottish Parliament for the exercise of their responsibilities, including management of the Scottish Government's budget.
Director General Economy	Responsible for the areas of devolved economic policy, overseeing directorates spanning economic development, economic strategy,

	fair work, international trade and investment, the Office of the Chief Economic Adviser and the Accountant in Bankruptcy. The Accountable Officer in relation to the portion of the Scottish budget allocated to economy moving measures and economic interventions and support within Scotland.
Director General Strategy and External Affairs	Focused on leading and supporting work on intergovernmental relations, oversight of strategic cross-cutting issues, external affairs (including Scotland's relationship with the EU) and constitutional issues.
Director General Communities	Responsible for social security, housing, social justice, equalities, human rights and local government. The Accountable Officer for local government funding in Scotland.
Director for Budget and Public Spending	Responsible for oversight of the Budget delivery process and supporting delivery of Scottish Ministers' ambitions in shaping a balanced annual Budget. The Director for Budget and Public Spending reported to DG Scottish Exchequer.
Chief Financial Officer	Director who leads the Financial Management Directorate, with responsibility for supporting decision-making about resources across the Scottish Government and public bodies, the processes of portfolio detailed budgeting, accounting, treasury management and corporate governance, alongside delivery of associated financial systems and services. The Chief Finance Officer reports to DG Corporate.

9. There follows a more detailed explanation of my own role. I have then structured my statement in the following sections:

- an overview of decision-making structures for economic interventions
- a summary of the economic support provided and funding made available for economic interventions
- an explanation of how decisions were made in relation to economic support and the evidence base / use of data and analysis of equalities impacts
- a description of my relationships with relevant individuals, including Scottish

Ministers and senior officials, UK Government Ministers and senior officials, and external stakeholders

- final analysis and reflections, with some suggested recommendations for the Chair of the Inquiry.

Overview of the role of Director General Scottish Exchequer

10. In my role as Director General Scottish Exchequer (DGSE), I have overall responsibility within the Scottish Government for the Scottish budget, including devolved tax policy, spending and fiscal sustainability. In so far as the scope of Module 9 relates to economic interventions within the powers of the Scottish Government, such interventions required funding to be allocated in the Scottish budget either as part of the Budget set for the year as an Act of the Scottish Parliament or through subsequent revisions to that Budget. The nature of my role at this time was to advise where there were funding sources for the interventions that Ministers wished to make. Ministers were required to not only choose the interventions, based on advice from officials, but also the means to fund those spending choices based on advice from the Chief Financial Officer, the Director for Budget and Public Spending and myself.
11. By way of background, the Scottish Government is responsible for deciding, subject to approval of budget legislation by the Scottish Parliament, how public money will be spent each year, and Scottish Ministers propose spending plans for scrutiny by the Parliament in the annual budget. The annual budget sets out the allocation for each portfolio, and Cabinet Secretaries take lead responsibility for applying their portfolio budget in line with the purposes in the annual Budget Act to deliver the Scottish Government's objectives. Once the Budget Act has been approved by the Scottish Parliament, there are usually two opportunities to amend the budget as the year progresses. The Scottish Government is required to operate a balanced budget, matching its spending to available funding each year. The Scottish Government was able to achieve these requirements during the pandemic as well as during periods outside this crisis phase.
12. The process of developing, setting, and managing the annual budget and strategic financial management is undertaken corporately through a close collaboration between the directorates that comprise Director General Scottish Exchequer and the Financial Management Directorate within Director General Corporate. In broad terms, Director General Scottish Exchequer and Financial Management Directorate oversee the processes of:

- delivering the annual budget and associated fiscal events
 - medium term financial planning and related decisions on fully devolved and partially devolved tax policy and borrowing
 - management of the Scottish Government's overall budget position.
13. Once the budget has been set, Accountable Officers have responsibility for ensuring that the money allocated by Parliament is spent within budget envelopes. The Public Finance and Accountability (Scotland) Act 2000 (the 2000 Act) sets out the accountability of officials, the rules for spending money, accounting and auditing arrangements. Portfolio Accountable Officers are answerable to the Scottish Parliament for the resources for which they have a designated personal responsibility, and for providing assurances on the systems of internal control within their areas of responsibility that support the achievement of relevant policies, aims and objectives as set by Scottish Ministers. Portfolio Accountable Officers are designated by the Principal Accountable Officer, who is the Permanent Secretary of the Scottish Government in terms of section 14 of the 2000 Act. My designated accountability is for the budget for the day to day spend on the staff within the Scottish Exchequer, the funding for the three non-Ministerial public bodies under my oversight (Revenue Scotland, the Scottish Funding Council and the Scottish Futures Trust) and certain contracts for services, the main one being the provision for income tax administration by HMRC. As an indication of size and scale, the DG Scottish Exchequer Budget in 2025-26 is approximately £20 million (or £35m including the budgets of the non-Ministerial public bodies above). This is a small fraction of the total Scottish Budget which for 2025-26 is just over £63 billion.
14. During the pandemic, my primary role as DGSE was the annual delivery of the Scottish budget process and associated strategic fiscal activity, as well as providing financial advice across the Scottish Government, working alongside Accountable Officers to support proper principles of financial governance.
15. The Director General Economy had the responsibility to support economic interventions in Scotland. DG Economy was the Portfolio Accountable Officer for economic measures and would therefore have been responsible for supporting Ministers to make decisions about the delivery of economic support for businesses, jobs and the self-employed. DG Communities was responsible for support given to those receiving benefits in vulnerable circumstances, including funds distributed via Social Security Scotland. DG Economy would also have been primarily responsible for the assessment of the impact of economic interventions which were necessary to mitigate some of the consequences of the non-pharmaceutical interventions deployed and deemed necessary to reduce the transmission of Covid-19.

16. DG Communities was the Portfolio Accountable Officer for spending relating to vulnerable people and those on benefits, so would have been responsible for supporting Ministers to make decisions about the delivery of economic support to economically vulnerable groups, and also the distribution of some funds via local authorities in Scotland.
17. From my own perspective, what changed most about my role during the pandemic was the urgency and frequency of advice to the Cabinet Secretary for Finance to support the weekly and extra Cabinet meetings to enable a speedy response to the growing demands on the Scottish Government to respond to the Health, Economic and Social harms that were impacting on citizens from the spread of Covid-19. The response started very soon after the Stage 3 of the Budget Bill for the financial year 2020-21 and so what is always an intense phase of activity in supporting the development and passing of the Budget continued throughout the subsequent months of the pandemic. Advice during this period relied on utilising existing funding mechanisms in place with the UK Government, but the pace and scale of spending demands and the exceptional increase in the quantum of funding from the UK Government, each of which were not necessarily in step created the biggest impacts on my role. Aside from the significantly increased pace, unpredictability and urgency along with a volatile risk environment, the purpose and content of my role did not fundamentally change.
18. Finance Quadrilaterals, attended by the Finance Ministers from the Devolved Administrations with the Chief Secretary of the Treasury were the means for ministers to make representations and to seek further information on financial matters, with the primary purpose being to seek clarification on the anticipated scale and timing of UK Government spending decisions that would subsequently generate Barnett consequentials for the Scottish Government. Briefings and advice for these sessions would be collated and provided by colleagues within the Scottish Exchequer. Regularly assessing the level of potential funding was a core activity of these sessions as well as seeking clarity on what might be funded by the UK Government direct for UK-wide expenditure, as the latter would not generate consequential funds for any devolved administration. Outside these sessions, inter-government official check-ins sought to add clarity during a time which was uncertain for us all.
19. For context and to explain more about the pace and pressures around this time, it's worth noting that a significant proportion of the Scottish Budget continues to be funded through the Block Grant from the UK Government on the application of the Barnett formula. The Scottish Government's central Exchequer and Finance functions liaise with HM Treasury within the UK Government in connection with any changes to the Block Grant and to provide regular spending data to meet UK Government financial reporting requirements.

20. My witness statement for Module 2A [AS7/001 - INQ000216653] sets out more detail on the overall structure and delivery of spending and financial management activities within the Scottish Government, and describes the different roles and responsibilities. I do not wish to augment or amend that evidence, or any other evidence I have provided to other Modules of the Inquiry related to the financial response to the pandemic. My personal views do not diverge from those expressed in the corporate statement which I gave to Module 9.
21. For the purposes of this statement, given the scope of Module 9, it is not necessary to repeat a detailed explanation of the funding structures between the Scottish and UK Governments. It is sufficient to reiterate that the normal funding mechanisms, and the fiscal relationship between the Scottish and UK Governments, continue to apply in the event of a civil emergency and govern the ways in which the financial response can be delivered by the Scottish Government. Existing arrangements in relation to borrowing also continue to apply, meaning the Scottish Government *cannot* borrow to support additional discretionary resource spending to respond to an emergency situation. The Scottish Government only receives financial resources to respond to an emergency event when the UK Government increases spending on comparable devolved areas in response to that same event or funds the Scottish Government specifically for that purpose. Any additional in-year expenditure in Scotland within areas of devolved competency, where the UK Government has not agreed to provide additional funding, has to be paid for by reductions elsewhere in the Scottish Budget.
22. During the pandemic, the overall parameters set out in the Statement of Funding Policy and Fiscal Framework continued to determine the ways in which the financial response to the pandemic could be delivered and paid for by the Scottish Government. Block Grant funding transferred to respond to the crisis was allocated to the Scottish Government in accordance with the principles set out in the Statement of Funding Policy, with additional funding calculated as a proportion of allocations to equivalent UK Departments (using the Barnett formula), and existing arrangements in relation to borrowing as part of the fiscal framework between the UK Government and the Scottish Government continued to apply [AS7/002 - INQ000102912, AS7/003 - INQ000102914 and AS7/004 - INQ000399519].
23. This work, which was supported by both the Exchequer and the Financial Management Directorate, included the provision of regular management information to budget holders, to the Executive Team, and to Ministers, detailing current budget allocations, spending against individual programmes, and any identified funding available. Formal Budget Act revisions for the 2020-21 and 2021-22 financial years were presented to the Scottish Parliament

(including an additional Summer Budget Revision) transparently setting out all additional funding allocations, with scrutiny at relevant Scottish Parliament Committee sessions.

24. During the pandemic, the Finance and Exchequer activities in the Scottish Government aligned closely with the Coronavirus (Covid-19): framework for decision-making, which was published by the Scottish Government in April 2020. The framework set out the basis for Scottish Government decision making during Covid-19 based on an assessment of the "four harms" that had been identified as having been caused or likely to be caused as a result of the pandemic. Those harms were: (i) the direct effect on society's health by the virus (ii) the indirect effect on health as a result of the virus (iii) societal (including issues such as loneliness and access to education) and (iv) economic.
25. I first saw a prototype of this methodology at a meeting of the Executive Team on 14 April 2020. When the Scottish Government began to analyse the impact of the pandemic with reference to this framework and the varying types of harm caused, the scale of the emergency facing Scotland (economic and otherwise) became very clear.
26. The Scottish Government's central Exchequer and Finance functions did not set policy for the various responses to the four harms by the Scottish Government, and therefore did not themselves formulate a response to the impending economic crisis. Rather, they supported consideration of the financial implications of activities deemed necessary as part of the four harms methodology against the overall financial resources that were available to the Scottish Government, for delivery through Director General directorates and relevant bodies working in line with their accountable officer and delegation arrangements.
27. At the commencement of the Covid-19 outbreak, it was envisaged that decisions would be taken at pace, with obvious budget implications. To manage potential budget volatility and ensure funding was available to meet commitments made throughout the pandemic, a new Covid-19 Accountability Framework (also known as an AO template) was introduced for Accountable Officers (AOs) in March 2020 to support effective and robust evidence-based decision making and to capture related spend as part of the overall Scottish Government financial management process. The process applied to the Scottish Government and its public bodies.
28. The Covid-19 Accountability Framework provided a mechanism through which Accountable Officers and policy areas were able to evaluate and formulate proposals and advice, including in relation to spending across the four harms in a holistic way. This approach enabled holistic decision-making by the Scottish Government so as to recognise that, for example, supporting a business would also enable that business's staff to self-isolate where

necessary, and supporting families isolating would also assist physical and mental health and seek to reduce the risk of community transmission.

Overview of decision-making structures for economic interventions

29. The Exchequer teams, under my leadership, supported the Scottish Government's Covid-19 overall response, primarily by providing financial information to Cabinet, (the policy decision-making authority within Scottish Government) via the Cabinet Secretary for Finance and the Economy, and to the Scottish Government Resilience Room (SGoRR) function to inform other policy formulation.
30. Key decisions relating to the Scottish Government's economic response to and financial management of the Covid-19 pandemic were taken by the Scottish Cabinet. Advice and options for a range of responses to the four harms would be presented to Cabinet by the relevant Cabinet Secretaries, depending on the topic. The decisions were taken on a collective basis, with the First Minister chairing proceedings. The Cabinet Secretary with the Economy portfolio would be the lead Cabinet Secretary for proposing and presenting Economic measures, based on advice from DG Economy officials with input from Local Government Finance officials and with any affordability and budget implications provided by the Scottish Exchequer and Financial Management Directorate colleagues. At the start of the pandemic, the Cabinet Secretary with responsibility for Economy was the Cabinet Secretary for the Economy, which was Ms. Fiona Hyslop until May 2021. The Economy portfolio was at that point joined with the Finance portfolio, and Ms. Kate Forbes became Cabinet Secretary for Finance and Economy from that point. I have explained more about Ms. Forbes' role and my relationship with her below.
31. From the Cabinet discussions that I listened into (remotely because of the lockdown) around this time, my recollection is that the Cabinet would reach decisions following an assessment of the four harms set out above. When there was a question of how to allocate our resources, the question was how to apply those to best effect to achieve the public health response that was needed, while considering the impact on the rest of the health service, as well as the social and economic impacts. All Cabinet members were engaged in deciding collectively how to obtain the best outcome with the resources at their disposal having regard to those four harms. Clinical and non-pharmaceutical interventions were considered and much of the funding towards economic interventions was to help relieve some of the impacts of the non-pharmaceutical measures, especially during periods of lockdown. Spending demands were lumpy. There were significant peaks, and the unpredictable nature of spending required very careful budget and financial risk management. Funding from the UK Government would not

necessarily be co-terminous with the response deemed necessary in Scotland and in some cases the consequential funding would be received near to the end of the financial year. If that had been known and confirmed earlier, the Scottish Government would have had greater flexibility in its spending choices. Barnett consequentials still remain the primary funding source for devolved administrations and there is no deviation from this mechanism during an emergency.

32. In the Scottish Government, when Scotland is faced with an emergency or major incident, such as the Covid pandemic, the resilience response team in the Resilience Division coordinates and supports the response. The Scottish Government Resilience Room (SGoRR) is a capacity used to support these responses. It exists only when activated in response to an event. SGoRR can activate at any time of the day, all year round. It was first activated in relation to Covid-19 on 29 January 2020.
33. SGoRR primarily facilitates two forms of meetings – SGoRR (Officials) and SGoRR (Ministerial). A SGoRR (Officials), or SGoRR (O), is attended by officials who can contribute to the matter presenting. The officials meeting is chaired by a senior official - either the Head of SGoRR, the Deputy Director for Resilience or their Director. A SGoRR (Ministerial), or SGoRR (M), is supported and facilitated by one of the officials referred to above and chaired by the Deputy First Minister or the First Minister. If the First Minister is in attendance, the First Minister chairs the meeting.
34. The activation of SGoRR on 29 January 2020 in response to Covid-19 was proposed by the Cabinet Secretary for Health and Sport and agreed by the First Minister and the Deputy First Minister. SGoRR was activated, or “stood up”, after this. Following this activation, the hours of operation and staffing resource grew as the situation deteriorated.
35. I have been asked to explain what the gold command was, who participated in those meetings, whether it made any decisions about the economic response to the pandemic, and how it interacted with other decision-making forums.
36. A timeline of meetings referred to as “gold” type / command meetings was produced as an exhibit with Joe Griffin’s statement for Module 2A [AS7/005 - INQ000257370]. This includes reference to four “Gold Command” meetings between September 2020 and January 2021. I have cross-checked those meetings with my own calendar and would note the following:

- a. I attended a meeting entitled 'Post Gold Command Meeting' on Tuesday 20 October 2020 from 10:30-11:30. Kate Forbes, as Cabinet Secretary for Finance, was also on the list of attendees, along with myself, the Director of Budget and Public Spending, Joe Brown, Mairi McAllan, Elise Black, and Callum McCaig (Special Adviser to the First Minister). This was not a Gold Command meeting in itself, but a meeting with Ms. Forbes after such a meeting for relevant officials to agree and be tasked with actions and to review progress.
- b. I was on annual leave on Wednesday 28 October 2020 when another Gold Command meeting is said to have taken place. I have no details of it in my diary.
- c. I did not attend the Gold Command meetings said to have taken place on Monday 16 November 2020 and Thursday 3 December 2020, and have no details of those meetings in my diary.

Given I was not part of these sessions I am not in a position to add further commentary, or offer any further view on Ms. Forbes' attendance. Not all members of the Executive Team went to all meetings when it was not necessary to do so. We had other mechanisms to keep in touch to make sure we used our collective time and energy to the best of our ability.

Economic support provided and funding made available for economic interventions

37. Before describing some of the economic support provided and how the funding was made available for that, it is worth noting that there are areas relating to the economy which are wholly *reserved* to the UK Government, some are wholly *devolved* and others that are on the basis of shared competence. By way of illustration, I've set out common types of economy moving measures with an indication of the legal competence to act. This is subject to the caveat that this is only intended to be a very broad illustration, as questions of competence under the Scotland Act are much more nuanced in practice, but the table below sets out the position 'at a glance'.

Table 2

Policy Measure	Reserved to the UK Government	Devolved to the Scottish Government	Shared
Capital investment			
Housing investment		X	

Investment in roads, transport and offshore facilities			X
Energy / grid connections	X		
Planning reform / restrictions		X	
Education / skills / employment support			
Education (FE/HE)		X	
Skills development			X
Job search and support			X
Social security			X
Childcare provision		X	
Tax			
Income Tax policies, allowances and reliefs	X		
Pay As You Earn (PAYE) system and other income tax administration and collection	X		
Scottish Income tax (non-savings, non-dividend) rates and bands		X	
Land and Buildings Transaction Tax and Scottish Aggregates Tax		X	
Other taxes (including Value Added Tax, National Insurance and Corporation Tax)	X		
Non-Domestic Rates Income (including reliefs)		X	
Trade and business			
Rural subsidies			X
Grants – business support			X
Immigration policy	X		
Employment law and industrial relations (except for agricultural wages)	X		
International trade			X
Financial services and markets	X		
Business associations	X		

Competition	X		
Intellectual property	X		
Import and export control			X
Regulation of professions			X

38. There were some areas in the economic intervention space where funding for UK-wide Covid-related measures was provided directly by the UK Government, which therefore would not have generated consequential funding to Devolved Administrations. This includes the furlough scheme. It made operational sense for this to be implemented through reliance on the UK wide income tax system. But the timings of when it was available and when it ceased to be available were entirely within the control of the UK Government. There were times where the coverage and transmission of the pandemic was presenting differently from a clinical perspective in Scotland, which meant there was a difference between the UK and the Scottish Governments in the assessment of need of *where* and *when* to deploy compensation to support non-pharmaceutical interventions. The self-isolation policy to prevent transmission could not be sustained without the financial support of the furlough scheme and the decision about the duration of, and the means to implement this economic intervention rested entirely with the UK Government.

39. As stated previously, I was not responsible for the policy advice on specific interventions, but the following list shows some of the other key Covid-19 support schemes that were available in Scotland. I have indicated where the ownership for these initiatives lay. These schemes included:

- Coronavirus Job Retention Scheme (UK Government scheme, Scottish Government policy lead: DG Economy)
- Self-Employment Income Support Scheme (UK Government scheme, Scottish Government policy lead: DG Economy)
- Non-Domestic Rates Relief (Scottish Government policy lead: DG Communities)
- Business Support Fund Grant (Small Business Grant Scheme and Retail, Hospitality and Leisure Business Grant Scheme) (Scottish Government policy lead: DG Communities)
- Self-Isolation Support Grant (Scottish Government policy lead: DG Economy)
- Pivotal Enterprise Resilience Fund - enterprise agencies delivered this fund to businesses vital to local economies. The enterprise agencies developed the fund to fill gaps in pre-existing UK Government business support funds (Scottish Government Policy lead: DG Economy)

- Moray and Glasgow Localised Restrictions Funds - the Scottish Government provided additional support to businesses in Moray and Glasgow while they remained under more stringent restrictions, and for a longer period than other parts of Scotland. (Scottish Government Policy lead: DG Economy)
40. On additional funding to relevant public services and voluntary and community sectors, the nature of the funding will have been informed by the overall assessment of harm and how it was presenting. The Scottish Government's Four Harms methodology was with reference to (i) the Covid health response, (ii) the overall impact on the health service, (iii) the social harms and (iv) the economic harms.
41. How the funding of any of these elements was determined was a combination of redirecting the existing allocation for devolved activities agreed in budgets, and any adjustments made as a result of additional funding from Barnett consequentials received in each financial year. Often the redirection was possible because lockdowns had negated the means to spend monies (for instance, due to restrictions on activities like construction during periods of lockdown). For the first financial year that overlapped with the start of the pandemic, the focus was on pivoting that money towards the initial impact as much as possible at the end of the 2019-20 financial year. No Covid consequentials were received during the last quarter of 2019-2020 of the financial year ending 31 March 2020. There was no Covid-specific funding received at all in 2019-20. The final opportunity to receive additional funding from the UK Government for that year would have been at the point of Supplementary Estimates, which concluded on 12 February 2020.
42. The budget for 2020-21 (published on 6 February 2020 and agreed by the Scottish Parliament on 5 March 2020), straddled the first full year of the pandemic from April 2020, meaning it is the year which will have seen the most impact and faced the most demands on the management of public finances in response to the pandemic. There were substantial, sizeable injections determined by the Barnett formula. Anything at all that came through to support activity in Scotland for the pandemic as part of the devolution settlement was wholly determined by the Barnett formula; there were no exceptions to that. The table below summarises the key fiscal funding announcements made by UK Government during the pandemic period as they related to the Scottish Government. The volume and size of these changes were exceptional compared with any other period since devolution.

Table 3

Date	Change in 2020-21 funding
March 2020 – May 2020	UK Government provides numerous (indicative) estimates of Covid-19 funding available in 2020-21. £3.1 billion was formally added at Main Estimate in May 2020. The informal estimate had reached £3.6 billion which was allocated by the Scottish Government in the Summer Budget Revision on 27 th May 2020.
27 th May – 24 th July 2020	HM Treasury continue to provide informal estimates of Covid-19 funding available. The figure reached £5.7 billion (£2.6 billion more than the confirmed amount from Main estimate)
24 July 2020	HM Treasury confirmed a minimum level of guaranteed Resource funding for Devolved Governments to support the Covid-19 response – an uplift of £800 million to £6.5 billion for the Scottish Government.
9 October 2020	HM Treasury confirmed a further £700 million Resource uplift to a guaranteed total (floor) of £7.2 billion.
5 November 2020	HM Treasury announced a further £1 billion Resource uplift to the guaranteed total (now £8.2 billion in total).
24 December 2020	HM Treasury confirmed a further £400 million Resource uplift to the guaranteed total (now £8.6 billion in total)
15 February 2021	UKG announce a further £1.152 billion of Barnett consequentials to help tackle Covid-19 (£874 million Resource, £237 million Capital and £41 million of Financial Transactions). This funding was to be carried over into the 2021-22 financial year. This increased the overall guarantee to £9.7 billion
25 February 2021	The final tranche of the £8.6 billion of 2020-21 consequentials were allocated in the Spring Budget Revision (earlier allocations were included in the Summer and Autumn Budget Revisions)
25 November 2020	UK Spending Review confirms allocation of £1.328 billion of Covid-19 consequentials for the Scottish Government in 2021-22
15 February 2021	UKG announced a further £1.152 billion of Barnett consequentials in financial year 2020-21 to help tackle Covid-19 (approx £874 million Resource, £237 million Capital and £41 million of Financial Transactions). This funding was to be carried over into the 2021-22 financial year.
3 March 2021	UK Budget allocated £1.206 billion of Covid-19 consequentials to the Scottish Government for 2021-22.

14 April 2021	A further £1 billion of Covid-19 consequentials were allocated to Scottish Government at the UK Main Estimates bringing the total for 2021-22 to £3.534 billion (including the consequentials carried forward the total consequentials for 2021-22 is £4.686 billion)
27 October 2021	UK Government included £516 million of additional Covid-19 consequentials for 2021-22 as part of the UK Spending Review 2021.
14 December 2021	UK Government announced £220 million of additional Covid-19 funding for the Scottish Government to address the Omicron wave, doubled to £440 million on 19 December.
January 2022	During January 2022 HM Treasury officials provided Scottish Government officials with indicative figures for Covid-19 funding. These estimates changed considerably but one formal confirmation at this time was that £143 million of Covid-19 related test and trace funding (but not consequentials) was to be in addition to (rather than within) the Omicron funding announced in December 2021.
21 February 2022	<p>The final Supplementary Estimate numbers provided a further £125 million of Resource Covid-19 consequentials, and £55 million of additional Covid-19 Capital consequentials, confirming a total increase of £762 million since the previous estimate in October 2021.</p> <p>This brought total Covid-19 funding received in 2021-22 to £5,964 million (£5,631 million Resource; £333 million Capital) including the Test and Trace budget cover transfer and the funds deferred from 2020-21. The total Covid-19 funding received across both years (on the same basis) was just over £14.5 billion.</p>

43. In total, the Scottish Government received £14.564 billion in Barnett consequentials from the UK Government in respect of the Covid response; £9.752 billion in 2020-21 and a further £4.812 billion in 2021/22. However, as can be seen from the information in the table above, there was little predictability to the additional funding that the Scottish Government received from the UK Government to support the Covid response (economic and otherwise). There was a lack of flexibility in the timing of funding being injected, because it relied on the operation of the Barnett formula and that could only be applied once funding had been agreed between the UK Treasury and the comparable UK Government Department. There was a complete lack of control for the Scottish Government over when funding would come or what the order of magnitude would be.

44. Some of the consequential funding from Barnett in 2020-21 came at a point late in the financial year, such that HM Treasury allowed the Scottish Government to carry forward over £1bn to the next financial year, as it was simply not practical to deploy in the few weeks remaining in that financial year. The funding was announced in February 2021, only a month before the end of the 2020-21 financial year. That flexibility to carry forward to the next financial year was appreciated.
45. An important consideration of the effectiveness of the funding arrangements for the economic response to the pandemic related to the timing of the increases to the Block Grant to the devolved administrations. Sequencing and announcement of UK Government departmental funding decisions dictated the value and the timing of the increases to the Block Grant to the devolved administrations and impacted on the nature and timing of financial commitments that could then be made by the Scottish Government. The announcement of funding additions was not always aligned with either the rate and spread of the pandemic across the four nations within the UK, or the preferred public health responses across different parts of the UK. The lack of alignment in funding was at times both in terms of timing and scale.
46. This process did mean that there were points where the Scottish Government was in a position where it was having to fit in with or react to UK Government policy decisions rather than have freedom to exercise what might be the most effective mitigations for Scotland. Combined with limited advance notice of funding decisions, this presented some operational challenges for the Scottish Government at points over the pandemic period.
47. There were a number of instances, from a funding perspective, whereby the Scottish Government had sought to make different decisions with regard to Covid-19 mitigation. For example, in late 2021, public health restrictions were announced only in Scotland for areas such as hospitality and sporting events. Whilst HM Treasury did provide some upfront funding following a request, the UK Government did not provide the furlough system for this wave of the virus in Scotland, despite calls from Scottish Ministers to do so.
48. Scottish Ministers did publicly state that adequate funding was not available to support their desired response to the Omicron variant, with the Cabinet Secretary for Finance writing to the Chancellor on 15 December 2021. The letter is provided: [AS7/006 - INQ000182947].
49. In January 2022 Finance Ministers in Scotland, Wales and Northern Ireland also issued a

joint request for flexibilities in relation to funding to tackle Covid-19, and for funding to align with the public health situations in each nation. The statement is provided: [AS7/007-INQ000182948].

50. While the overall arrangements remained determined by the Statement of Funding Policy (SoFP), some developments were undertaken during the course of the pandemic to aid planning and management. In accordance with the SoFP, up until July 2020 the level of funding provided to the Scottish Government by the UK Government was determined by UK Government departmental spending plans via the Barnett Formula. This process did not provide devolved administrations with certainty about the resources available to support their planning, as the funding was generally only notified by the UK Government *after* the UK Government had developed and announced their policies.
51. However, from July 2020, following recognition of the need to support planning in devolved administrations, the process was adapted. The UK Government introduced a new approach for the remainder of 2020-21 that guaranteed the devolved administrations certain additional amounts, up front, relating broadly to anticipated UK Government policies that were still to be announced (and therefore in line with the operation of Barnett in due course). In practice, this meant that the UK Government notified the Scottish Government in advance of increased levels of minimum total Covid-19 consequential at various points later during 2020-21, prior to determining and declaring the final change to the Scottish Block Grant in accordance with the Statement of Funding Policy (at HM Treasury's UK Supplementary Estimate). These advance notifications were made at three points in 2020-21; in July 2020, October 2020 and December 2020 (with the guaranteed minimum funding level being increased on each occasion).
52. This new arrangement of advance notifications did not continue beyond 2020-21, despite that being requested by the devolved administrations, and from 2021-22 the pre-existing arrangement applied (i.e. Covid-19 consequential were notified by the UK Government only following development and announcement of the UK Government's own spending plans). Helpfully, the Scottish Government was also allowed to carry forward a larger proportion of Covid-19 consequential, out with the usual Scotland reserve arrangements (i.e., the limits in the Fiscal Framework) in the years 2020-21 and 2021-22.
53. In addition, there was dialogue with HM Treasury over the tax treatment of Scottish Government bonus payments for social care workers and National Health Service workers, where the Scottish Government argued that these payments should be tax exempt given the

exceptional circumstances faced by these front-line workers. Negotiations did not progress to the point of discussing mechanisms, and HM Treasury chose not to make an exemption in this instance, but to maintain the prevailing devolved settlement and interpretation of tax rules, which meant that NHS and social care workers paid tax on their bonuses.

54. There was also engagement on how Covid-19 related funding changes were presented, largely related to timing differences between UK announcements and formal allocation of funding to Scottish Government aggregates. This led to differences of opinion on what constituted new funding. Final allocations of funding were ultimately calculated by reference to standard Barnett arrangements and there is no suggestion that the final allocation was not calculated transparently and accurately.
55. The introduction of the funding guarantee described above was an attempt to support more effective planning by devolved administrations, but minimum funding levels were revised significantly over the course of the period, which meant that Scottish Ministers were continually reacting to stakeholder expectations from UK decisions in tandem with proactively seeking to respond in accordance with their assessment of priorities. The sequencing and announcement of UK Government departmental funding decisions dictated the value and the timing of the increases to the Block Grant to the devolved administrations and impacted on the nature and timing of financial commitments that could be made by the Scottish Government.
56. The pandemic highlighted limitations of the Fiscal Framework especially in enabling the Scottish Government the flexibility to respond to the degree of volatility that the pandemic presented. In addition to the funding guarantee that was provided, Scottish Ministers sought additional budget flexibilities (such as the ability to borrow for day-to-day expenditure to react to the pandemic) under the Fiscal Framework to support their response, but these were not granted.

Evidence base and analysis of equalities impacts on economic interventions and funding allocations

57. One the biggest challenges for the Scottish Government in the early days is that not all areas could be funded straight away, given the limited resources and uncertainties that all parties were working with at the time. It was for the Scottish Cabinet to decide how they wished to allocate the available funds and where to place priorities. Overall advice for this prioritisation exercise was coordinated by the Director General Strategy and External

Affairs, who took on a central coordination role during the pandemic. The Exchequer contributed to that advice around the costs associated with various options and the level of demand that could be afforded. The Cabinet made decisions based on the four harms analysis, as and when there was data available. In the early stages, the key priorities were protection of health workers and procuring PPE equipment, where it was less clear at first where the money would come from. Financial data, economic modelling and equalities analysis were critical to the decisions which the Cabinet had to make about allocation of resources.

Financial data and economic modelling

58. The Scottish Government monitored funding and spending closely throughout the pandemic response, in line with its budget management and reporting arrangements, and within overall budget limits.
59. Expert advice on the economy and impact of potential government policy was provided by the Chief Economist at the weekly economy meetings to relevant Ministers who attended. There were other occasions outwith the weekly economy meetings when the Chief Economist and economy officials advised Ministers. However, the main structure and process was the weekly economy meeting. The Chief Social Researcher Division provided central monitoring of high-level impacts of the pandemic, and the Directorate for the Chief Economist provided material on the economic response in line with being part of the Government Economic Service (GES) in Scotland.
60. The Directorate for the Chief Economist also monitored what stakeholders such as the Fraser of Allander Institute and other economic think tanks and business organisations like CBI were publishing. Ministers engaged extensively with external organisations such as the Industry Leadership Groups and tourism bodies. They also held weekly engagements with business organisations. For further insights into this activity, the Inquiry will be best to consult the Office of the Chief Economic Adviser who reports to DG Economy. This would also be the source for further information on the content of paragraphs 61 to 64 below.
61. Internally, the Scottish Government also used organisation-wide mechanisms to help policy makers across the Scottish Government provide policy advice to Ministers that took account of the latest science and evidence, and to update, learn and re-evaluate as information and knowledge developed. For example, the Chief Social Researcher held weekly analytical briefings to convey new and updated information and support interpretation, with significant attendance from across the organisation.

62. There were a number of sources used to monitor and analyse the effects of shock to the economy. The main focus was on output and employment as these reflected the extent to which the economy was open and functioning. This also impacted income (wages) and the labour market (hours worked and employment). Key sources of information tracked included:

- Monthly GDP
- Business Impact of Coronavirus (Covid-19) Survey (BICS)
- Annual Population Survey (APS) and Labour Force Survey (LFS)
- Consumer sentiment.

63. Sources from the April 2020 State of the Economy produced by the Office of the Chief Economic Adviser included:

- International equity indices
- Global purchasing managers index
- Brent crude oil price
- IMF world economic outlook
- UK purchasing managers' index
- UK purchasing managers index - employment
- UK manufacturing supply chains
- UK and Scotland new universal credit claims
- RBS Purchasing managers index – business activity
- RBS Purchasing managers index – employment
- Staff placements in Scotland
- OECD annual national accounts
- Opinions and Lifestyle Survey (OPN)
- High demand products web scraping exercise
- Spending on credit cards – weekly spending indices – 1 week lag.

64. An economic impact index was also created by the Office of the Chief Economic Advisor in order to get more real-time data relating to the economy. The Economic impact index included:

- Demand Indicators - measuring the changing demand across different sizeable sectors of the economy due to changing behaviours and restrictions:

- Electricity demand
- Non-residential real estate sales
- Consumer transactions
- Supply Indicators - measuring the disruption to supply chains and workforce participation:
 - New Universal Credit claims
 - Heavy Goods Vehicle (HGV) traffic counts
- Forward looking Indicators - measuring levels of uncertainty and future expectations:
 - FTSE250
 - Brent Crude Oil Price
 - UK Economic Policy Uncertainty Index.

65. There were certainly challenges around data, particularly relating to the nature and make-up of the business landscape in Scotland. The Office of the Chief Economic Advisor within DG Economy would be best placed to answer questions on this area, and to make recommendations about any improvements to the way in which the UK Government and Scottish Government made use of data, economic modelling and other scenario analysis in the response to national economic emergencies.

66. Similarly, in relation to the Inquiry's interest in the UK Government's use of data, economic modelling and other scenario analysis in its economic response to the pandemic, questions of that nature would also be best addressed to the Scottish Government's Chief Economic Advisor.

Equalities analysis of funding allocations

67. When it came to allocating money in the budget for different priorities, those decisions were supported by assessment of inequalities and the impact on vulnerable groups. As part of its annual budget cycle, the Scottish Government produces an Equality and Fairer Scotland Budget Statement alongside its main budget documents. Statements were published during the review period for the Scottish Budgets for 2020-21, 2021-22 and 2022-23 and present an analysis of the expected impact on equality characteristic groups [AS7/008 - INQ000651496, AS7/009 - INQ000182934 and AS7/010 - INQ000182935]. These show how the allocation of available funding across Scottish Government portfolios is anticipated to impact on individuals, groups and communities. The work undertaken as part of the Equality and Fairer Scotland Budget Statement is used to inform budgetary decisions and

how they might impact different groups of people.

68. The 2021-22 and 2022-23 Equality and Fairer Scotland Budget Statements included information on a set of ten key risks that emerged as a result of the Covid-19 pandemic and considered how policy and activity funded by the corresponding budgets responded to those challenges. The risks included analysis and references related to specific groups of people in Scotland, including women, young people and low-income households.
69. Equalities analysis featured strongly in the four harms assessments, particularly under social harm. There was recognition and consideration of the particular disadvantage experienced by specific vulnerable groups of people with protected characteristics (i.e. age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation). The damaging effect on those living on low incomes and in poverty was a particular concern. In June 2020, a slide pack for policymakers was created that set out inequalities in the context of Covid-19 by age, disability, ethnicity, gender and sexual orientation. There was also a Coronavirus (Covid 19): health and social impact assessment paper, published in June 2020 by the Scottish Government's Communities Analysis Division (under DG Communities), which explored the ways in which particular groups (based on Equality Act protected characteristics and socioeconomic disadvantage) were disproportionately affected by the coronavirus pandemic [AS7/011 - INQ000131034].
70. In December 2020, the Scottish Government published a report titled Scotland's Wellbeing: the impact of Covid-19 [AS7/012 - INQ000369725]. The purpose was to report openly and transparently on how Covid had affected progress towards Scotland's National Performance Framework Outcomes, including the unequal impacts on different groups in society. A specific section of the report looked at the multiple unequal impacts for particular groups of people in Scotland, including low-income households, low-paid workers, children and young people, older people, disabled people, minority ethnic groups and women. The production of this report was led and co-ordinated by the Director for Performance and Strategic Outcomes within the Scottish Exchequer.
71. In addition, the tracking of progress towards the National Performance Framework Outcomes was adapted to take account of pandemic-impacted data availability, and to capture the Covid-19 impact on specific groups and individuals. The 2020 report therefore brought together a range of timely evidence sources, as well as analysis and insight, to show the impact of Covid-19 across the National Outcomes during 2020 and its potential future impacts to inform further policy responses.

72. There are no specific recommendations in my capacity as DG Scottish Exchequer that I would ask the Chair to consider in relation to the way in which the Scottish Government makes decisions having regard to inequalities and economically vulnerable groups during the time of a national emergency as The Scottish Government has established statutory requirements for a range of impact assessment to be conducted to inform policy making and decisions. I believe that these considerations were suitably built into the decision-making process, as described above. I cannot comment on the decision-making process of the UK Government.

My relationships with relevant individuals

73. I have set out below some detail on individual relationships that I held with both Ministers and officials in the Scottish and UK civil service, and with key stakeholders.

74. I have benefited from having, with both Ministers and senior civil service colleagues, what has felt like a very respected position. In this role, it helped to be financially qualified and to have gained a breadth of experience both outwith and within government prior to being faced with a challenge like the pandemic.

Ministerial roles / relationships

Cabinet Secretary for Finance and the Economy

75. As DG Scottish Exchequer, I was the most senior civil servant providing advice on Exchequer related matters to the Cabinet Secretary for Finance. Ms. Kate Forbes was the Cabinet Secretary for Finance from 17 February 2020, as the successor to Mr. Derek Mackay, who resigned on 6 February 2020. The Scottish Parliament was then in recess from 8 to 16 February, so Ms. Forbes' appointment as Cabinet Secretary was confirmed when Parliament returned from recess. She remained in post until 28 March 2023. She assumed additional responsibility for the Economy in her new remit as Cabinet Secretary for Finance and the Economy in May 2021, and remained in that role throughout the remaining months of the pandemic.

76. I was the principal adviser to Ms. Forbes on the financial and fiscal interests of the Scottish Government, initially in her role as Cabinet Secretary for Finance, and then latterly from May 2021 to June 2022 in her dual role as Cabinet Secretary for Finance and the Economy. Even in that dual role, I only supported her in her Ministerial role on the financial elements of the response to the pandemic. The nature of that advice was about the

affordability of the measures, either from new funding or from redirection of existing funding, as well as the annual budget setting process.

77. In terms of the actual economic responses and measures seen as most appropriate, the proposals for those measures to the appointed Cabinet Secretary with the Economy remit would have come from DG Economy. The Office of the Chief Economic Adviser to the Scottish Government (OCEA) would provide advice on the likely effectiveness of economic measures, and their impact after implementation. From May 2021 onwards, as Cabinet Secretary for Finance and the Economy, Ms. Kate Forbes would have received her economic advice from these officials.
78. My role was to advise on a range of financial measures that could be supported in the budget, initially for 2020 and then in the subsequent year.
79. During this time, Ms. Kate Forbes would have looked to me for advice on whether any proposed economic interventions could be *afforded* and the nature of funding flows that were coming from HM Treasury and the timing of those flows to inform decisions and actions for economic intervention.
80. In terms of specific roles and relationships between me and Ms. Forbes, what worked well during the pandemic was that there was very regular contact (working remotely at all times). I found that the Cabinet Secretary was someone who, on receiving advice, considered it extremely thoroughly and asked probing questions to ensure a comprehensive understanding and testing of the advice and options. She responded to submissions very quickly as she knew the urgent pace with which things had to be progressed. When papers were prepared for Cabinet, she was very well prepared and confident to present the content and set out the issues clearly for Cabinet to facilitate collective decision-making.
81. There's nothing I recall from that time as anything other than a professional civil service / Ministerial relationship between us with open, constructive dialogue. My advice was received and processed in a way that was thorough and based on a highly engaged discussion that would arrive at an approach that the Cabinet Secretary felt appropriate to set out to Cabinet.
82. When the Cabinet Secretary presented in Parliament, she had a thorough command of the brief and not only articulated the position very clearly but was responsive to lines of enquiry from fellow parliamentarians.

83. Business between the Cabinet Secretary and myself was conducted with vigilant and mutual trust and professionalism. There's nothing that didn't work well in this period between myself and Ms. Forbes as there was the means to support and challenge facts, risks assessments and perspectives in a healthy and generative way. There were certainly challenging times to navigate; the pace was intense and all parties were dealing with such a high level of uncertainty and novel issues. The extent to which people knew about the spread and severity of Covid, especially in the early days, was testing and at times scary. But despite also being thrown into working in isolation in our own homes without the technology that supports remote working today, the relationship stood up well. Other than dialling in for Cabinet meetings or the occasional subgroup calls I had far less contact with other Cabinet Secretaries, and this did not hinder my ability to do my work.
84. For a future pandemic, I wouldn't say there's anything in the way that the DG Scottish Exchequer and Cabinet Secretary for Finance relationship works needs to be changed. The essential ingredients for any relationship, whatever the context, are that there's been sufficient contact and engagement to build trust to facilitate open dialogue, and that clear advice is given and it is probed and tested to support effective ministerial decision-making.

First Minister and Deputy First Minister

85. Mr. John Swinney at this time was the Deputy First Minister (DFM) and Cabinet Secretary for Education & Skills, becoming DFM and Cabinet Secretary for Covid Recovery from May 2021 until 28 March 2023.
86. Prior to his appointment to the Education portfolio in May 2016, Mr. Swinney was Cabinet Secretary for Finance and Sustainable Growth for 9 years, including latterly as DFM from November 2014. I had worked with Mr. Swinney for all of those 9 years from May 2007 until the Scottish Election in 2016. This too was a highly mutually respected Ministerial to Official working relationship. I felt my professional advice was valued.
87. As far as the First Minister (FM), Nicola Sturgeon, was concerned, I had previous contact with Ms. Sturgeon before she became FM when she was DFM and Cabinet Secretary for Health & Social Care. Any conversations were always conducted with a high level of mutual respect.
88. During the Covid pandemic, my contact with both FM and DFM was much less frequent than with the Cabinet Secretary for Finance and the Economy. My contact with both the FM and DFM would largely have been through me joining calls for Cabinet meetings

where I might be asked to dial in, both to listen and, on occasion, be invited to contribute. There was little need for me to have lots of conversations with FM and DFM during the pandemic. Everyone was very much aware of the need for efficient interactions at this time and the Cabinet Secretary for Finance was in regular contact.

89. From the interactions that I did have with FM and DFM at this time, there are no issues that come to mind where arrangements for engagement could have been significantly improved.
90. From a relationship perspective, I observed no difficulties between the FM and the Cabinet Secretary for Finance and Economy. The nature of the emergency meant that advice had to be developed within tight time frames, often overnight as new data became available to maximise the effort to keep people as safe as possible. There was a clear passion from the FM to do that while balancing the aggregate risk to all four harms. Ministers were experienced after many years in Government and the FM maintained a clear vision of priorities.
91. The main situations I observed were when I was asked to dial in and listen to those discussions on financial proposals at Cabinet. My aural observation was that Ms. Forbes presented extremely clearly. It was often acknowledged that she got her points across thoroughly and succinctly, with brevity and impact: a style of delivery that appeared to be appreciated by the FM. This allowed Cabinet to work through the issues and ultimately reach a decision. Some papers would have had recommendations set out as a basis for discussion, as that was the Cabinet Secretary's preference. I noted that FM always ensured Ms. Forbes had the time required to give a good airing of the issues she was taking to Cabinet, and my recollection is that in the vast majority of cases decisions were able to be made efficiently based on the data presented.
92. I certainly don't consider that any Ministerial relationships, including that between the FM and the Cabinet Secretary for Finance, impacted on my work, other than in a positive way. I don't recall anything that feels like it got in the way. Ms. Forbes is also professionally qualified and was rigorous in communicating data that could be relied upon.
93. If in future there is a need to isolate and respond to a pandemic, the massive strides made subsequently with remote-working technology would make this far more manageable than was the case when there was the sudden shift to isolated home working in the spring

of 2020.

Civil Service roles / relationships

Permanent Secretary

94. Ms. Leslie Evans was the Permanent Secretary from July 2015 until January 2022. I reported to the Permanent Secretary as Director General, and was a member of the Executive Team of the Scottish Government. The Permanent Secretary is the Principal Accountable Officer (explained above in paragraph 13), so I would advise the Permanent Secretary on risks relating to the setting of a budget in each year.
95. Ms. Leslie Evans and I had worked together for many years. She was already a Senior Civil Servant in the Scottish Government when I joined, so I knew Leslie Evans for all of my civil service career until she stood down in January 2022.
96. The key areas where there was regular interaction with Ms. Leslie Evans related to her role as the Principal Accountable Officer and Permanent Secretary. I would keep the Permanent Secretary sighted on funding issues. Our funding position from the UK Government changed materially and frequently during this period. I had a good working relationship with the Permanent Secretary. I particularly made sure she was sighted on things of a fiscal nature and fiscal risk. She relied on me to advise the Cabinet Secretary for Finance throughout this time.
97. In the early stages of the emergency, suddenly being thrust into working from home was a massive adaptation for everyone. For a good period of that time, we could only communicate via telephone to speak to each other. When we were able to move into communication over screen, the technology wasn't always robust enough to support video capability for everyone. This is no longer the case.
98. In spite of the distance that had to be imposed by working from home, we kept the remote contact going. There were regular dial-ins to keep in touch on key issues and to maintain momentum and mutually support resilience.
99. Mr. John-Paul Marks succeeded Ms. Leslie Evans as Permanent Secretary in January 2022. At this point, we were still recovering from the pandemic, but under his leadership we started to switch to a post-pandemic and recovery mode.

Other senior civil servants in Scottish Government

100. My core relationships during this time were with other members of the Executive Team of the Scottish Government, namely the Permanent Secretary, other Directors General, the Chief Financial Officer, the Legal Director and the People Director. Those relationships were key, both in terms of the nature of the response across Scotland and where the financial challenges were presenting. They were also critical to identifying where there may have been areas to make savings to cover areas with higher priority which required to be addressed as part of the emergency response. Initially, we had calls every morning, including at weekends. As was the case for colleagues and so many front-line public sector workers and volunteers, the days just blurred into one; we were working all days of the week, given the severity of the crisis.
101. We learned early on that not everyone could be in every meeting, and that there had to be a well-managed response and careful allocation of expertise and resources. This worked well with regular feedback loops. We all worked hard to keep connected. Materials for regular reports and updates were streamlined and often helpfully condensed into slide decks rather than long papers.

External relationships

UK Government

102. It will be clear from evidence above about the Scottish Government's funding position that the relationship with the UK Government, in particular HM Treasury, played an important role in the availability of information at the right time to inform financial decision-making by Cabinet.
103. Scottish Ministers and officials engaged with HM Treasury (HMT) via a number of existing and some Covid-19-specific channels. When required, individual Scottish Government portfolio areas would engage directly with the respective HM Treasury spending team (such as health finance) or with the UK Government department with spending authority over Covid-19 funds that applied UK-wide (e.g. the furlough scheme).
104. The main relationship at Ministerial level for government finances is between

the Cabinet Secretary for Finance in the Scottish Government and the Chief Secretary to the Treasury (CST) in the UK Government. Mr. Rishi Sunak was the CST from 24 July 2019 until 13 February 2020. Mr. Steve Barclay was then appointed as CST on 13 February 2020 and remained in post until 15 September 2021, when he was succeeded by Mr. Simon Clarke, who was in post until 6 September 2022.

105. When Mr. Rishi Sunak became Chancellor in February 2020, any contact that he had with the Scottish Government involved interaction with the DFM or FM. I don't recall such interactions taking place frequently.
106. I did not have a direct working relationship with any Ministers in the UK Government and would not expect to as a senior civil servant assigned to work for the Scottish Government. I would have been present on some calls to listen and as necessary to support Scottish Ministers if they invited an official to contribute.
107. At an official level, I had working relationships and continue to maintain working relationships with key officials in HM Treasury as part of my role. I have always promoted and prioritised a highly engaged relationship between officials in HM Treasury and the Scottish Exchequer. My contacts were with the Director General Public Spending and the Director General of Tax and Welfare. My most frequent contact was with the Director General Public Spending, who leads a team responsible for the devolved administrations. Our respective teams were in contact most days and we were there for when issues were escalated when our teams couldn't necessarily resolve them on their own.
108. Often Scottish Government officials were seeking insights and intel from HM Treasury to inform judgments about possible future funding and how that might relate to spending and financial risk management. HM Treasury officials would share as much information as they could with Exchequer colleagues, but either it was unclear due to the volatility of the situation, or at times things were still being worked through by UK Government Ministers. Where there may have been scope for improvement, however, is building into the standard processes for decisions at UK level more albeit swift consultation with the Scottish Government and other devolved administrations on UK-wide measures being funded by the UK Government before they were implemented.
109. It was not always clear what was to be covered by allocations to Whitehall departments, and the extent to which those allocations would result in Barnett

consequentials. Scottish businesses would often seek what had been announced south of the border in addition to what the Scottish Government had provided. Timing and transparency between governments on preferred and necessary interventions was a continuing challenge. All parties were working with imperfect information and having to respond to a virus with different timings and rates of transmission in different parts of the country. The estimates of anticipated funding from the UK Government were often understated and often subject to actual take up south of the Border.

110. This made financial planning hugely challenging. Budget changes fluctuated from hundreds of millions into multiple billions. HM Treasury colleagues were equally dealing with uncertainty and naturally quite cautious and conservative in estimating the financial impact of decisions made south of the border. We ultimately carried £1bn forward from the 2020-21 financial year into 2021-22, due to late in the financial year notification of the precise level of consequentials flowing to the Scottish Government. I am aware that Ms. Kate Forbes has already given evidence to the effect that, had we known earlier the amount we would get, the Scottish Cabinet may have taken different decisions. That would certainly have been a feature of the advice I would have given to Cabinet on affordability of different options.

Devolved Administrations

111. Engagement between Scottish Government Ministers and officials and the other devolved administrations took place throughout this period in a number of fora. During this period, my reflection is that there were good, open channels of communication and access. I had much less engagement with Northern Ireland colleagues, personally. My counterpart in Wales, Andrew Jeffries, was the main point of contact with the Welsh Government. My team were in regular contact with his team as well. I created the conditions for my team to be able to engage, share and enquire with counterparts in the Devolved Administrations. The engagements were very constructive. The relationships had been nurtured prior to Covid-19. It is our practice to keep open channels with the other Devolved Administrations. Willingness to engage at an official level is always there. I have no suggestions on how these relationships could operate more effectively in response to any future pandemic or whole system civil emergency.
112. Ministerial Four Nations Quadrilaterals took place between finance ministers and the Chief Secretary to the Treasury regularly throughout the period specified for this statement (beginning of January 2020 to 30 April 2022) although more frequently

during 2020.

113. Trilateral Ministerial engagement also regularly took place between Ministers for the devolved administrations. Outwith this setting, the Cabinet Secretary for Finance also engaged with devolved administration counterparts on a range of finance considerations across the pandemic period under review. Engagement would take place by calls and by correspondence and where relevant where there was common cause it often resulted in a joint statement or letter to the Chancellor of the Exchequer or Chief Secretary to the Treasury.
114. The Scottish Government's Finance and Exchequer functions officials also participated in what were usually daily four nations officials calls in the early stages of the pandemic, organised by HM Treasury. These were for information-sharing purposes rather than decision-making and generally did not have formal agendas or minutes. These calls were more frequent at the start of the pandemic, with frequency dropping as time went on.
115. Many of the daily regular calls were taken by my Director of Budget & Public Spending. These check-ins would generally have been about funding issues, rather than anything about the nature of the economic response. Each devolved administration had different challenges in terms of how the pandemic was evolving in each geographical area.
116. In relation to the separate arrangements for Local Government Finance (within DG Community's responsibility), the Non-Domestic Rates teams of the devolved nations met on a regular basis, with continuing engagement during the Covid-19 pandemic, to informally discuss matters of non-domestic rates policy.

Other Stakeholders

117. My main relationships with stakeholders were with the public bodies within the purview of the Scottish Exchequer.
118. From an Exchequer perspective, the key relationships were with the following bodies:
 - **Scottish Fiscal Commission**, an independent statutory body which produces official fiscal and economic forecasts twice every financial year. It is Scotland's equivalent of the Office for Budget Responsibility and provides independent

forecasts of taxes, social security expenditure and GDP forecasts in Scotland. The Scottish Exchequer uses the Fiscal Commission's forecasts to develop the Scottish Budget when setting tax rates and spending envelopes for the Scottish Government and the Medium- Term Financial Strategy.

- **Revenue Scotland**, a Non-Ministerial Office which is responsible for the administration and collection of the fully devolved taxes in Scotland. HMRC is responsible for the administration and collection of Scottish Income Tax.
- **Scottish Futures Trust**, a Non-Departmental Public Body responsible for improving the efficiency and effectiveness of infrastructure investment and use in Scotland.

119. These bodies would have had no direct impact on economic responses and there was no expectation or requirement for them to have provided any expert economic advice. That was appropriate given their remits.

120. In addition to these, I was one of the Scottish Government's senior officials who liaised with Audit Scotland to support its external audit responsibilities and in relation to specific work that it undertook in relation to the financial management of the Covid-19 pandemic. I also maintained periodic check-ins with the Bank of England Agent in Scotland. Periodically I participated in some cross-ET engagement with a small group of representatives from local authorities, police and other key public bodies, joining a weekly session on an ad hoc basis depending on when colleagues flagged when it would be timely for me to share a financial update.

121. Again, I would reiterate that all of these relationships were conducted and maintained during Covid-19 as part of my role and remit for fiscal and financial management.

122. Similarly, although local authorities were vital partners of the Scottish Government in managing the overall response, local government funding sits outside my responsibility. The Accountable Officer for local government is DG Communities. Ultimately, it is for Ministers to decide the amount of funding to be given to local government, but the way in which that funding is distributed is the responsibility of DG Communities. Distributing funds through local government often provided a more assured route for financial dispersal and reduced some of the risk of fraud and error. I am unable to comment on any constraints these arrangements may have had on the Scottish Government's ability to prepare an

economic response to the pandemic in January, February and March 2020.

123. An overview of how local government was funded during the pandemic is provided in corporate statement material I have previously submitted to the Inquiry: [AS7/013 - INQ000182929, AS7/014 - INQ000182930, and AS7/015 - INQ000182931].
124. There is a very set pattern for how local government finance arrangements operate as part of the annual Scottish Budget. Engagement with COSLA has always been a key part of budget preparations with evidence jointly developed between Scottish Government, COSLA and Local Government officials.
125. During Covid, the annual budget for local government followed the usual pattern. The general revenue grant and distributable non-domestic rates income continued to be approved by parliament through the Local Government Finance Order. What differed was that, during Covid, the number of additional funding streams made available in-year increased significantly. During Covid, variations to local government funding were made in-year, with the amounts determined based on policy recommendations, which ultimately informed advice to the Cabinet Secretary for Finance and the Economy and decisions made by Cabinet. Any additional funding provided in year was also discussed and agreed through COSLA's formal financial governance process that includes the jointly attended Settlement and Distribution officials group (Scottish Government, COSLA and a selection of Directors of Finance) and COSLA Leaders.

Reflections and Suggested Recommendations

126. I have collated some reflections and recommendations below. These are based on my own thoughts and also from engaging with others across Government. I have identified three themes; (i) how to approach the initial response to an emergency and general guidance for future civil servants; (ii) the need for ongoing flexibilities in the course of a pandemic; and (iii) better engagement and locality sensitive deployment of UK wide fiscal and financial support measures. I have also noted some external reflections on these matters, before concluding with some suggested recommendations.

(i) Initial response and general guidance for future civil servants

127. There were significant challenges navigating the deployment of financial support to manage the impacts of the pandemic, especially at the outset when PPE was required in volume and urgently, but additional consequential allocations to Devolved Administrations to pay for this had not been made. The lack of funds did not delay in the

procurement of PPE in Scotland and the Scottish Government was committed to managing the risk but has limited powers to do so. Eventually, the lack of funding was resolved once the consequential funding became available. Going forward, greater fiscal flexibility for emergency measures from HM Treasury needs to be confirmed at the **start** of such a pandemic-scale crisis. The fiscal framework between the HM Treasury and the devolved administration does not provide for this.

128. HM Treasury Ministers faced with a similar crisis in the future may wish to consider **allocating a substantial, upfront set amount to give authority to the Scottish Government to act straight away to ensure protection measures are available at the outset – a notional figure of circa £1 billion** (real terms equivalent from now) would be a pragmatic sum. This could be an advance on subsequent consequentials, so that Devolved Administrations do not have to wait for the negotiations between HM Treasury and Whitehall Departments for any funding is available.
129. Regarding data, if not already collected, measures such as economic harm indicators or equalities impact data most pertinent to a pandemic scenario should be established as soon as possible to ensure public money can be optimally targeted.

(ii) Ongoing flexibilities during the course of the pandemic

130. It is a mixed picture about where there was discretion available to the Scottish Ministers during the course of the pandemic. The Scottish Government made many spending announcements during the pandemic period, including in relation to the economic response to Covid, with increased sums often being spent ahead of other parts of the UK because different geographical areas entered periods of restrictions at different times depending on transmission rates of the virus.
131. The temporary introduction by the UK Government of guaranteed funding from July 2020 (described more fully above) provided the Scottish Government with more certainty about available funding to respond to the pandemic and associated decision making during circa three quarters of the 2020-21 financial year. **Work between the devolved administrations and the UK Government to rapidly re-establish these minimum funding guarantee arrangements in the event of a future emergency is likely to be critical in providing the funding certainty required to support Ministerial decision making and rapid responses.**

132. Scottish Ministers maintained discretion to spend money allocated to them by the UK Government, although during the pandemic their spending of additional funding generally aligned with the approaches used by the UK Government. However, the Scottish Government delivered some funding streams slightly differently to UK Government, as well as developing some bespoke arrangements to meet local needs. Examples are provided in paragraph 39.

(iii) Better engagement and locality sensitive deployment of UK wide fiscal support measures

133. Ministers had no discretion in spending those funds which were administered by the UK Government for the whole of the UK and there was little or no prior consultation. Overall, the continued operation of the Statement of Funding Policy 2021 [AS7/002 - INQ000102912] and the Fiscal Framework Agreement (2016) [AS7/003 - INQ000102914] meant that funding for devolved administrations continued to be set by reference to equivalent UK funding allocations. The size of the Scottish Budget was therefore impacted by UK fiscal policy and changes to funding for UK Departments for comparable spending, with Barnett consequentials generating the Block Grant for the Scottish budget.

134. There were points where the Scottish Government would potentially have taken additional steps in response to the pandemic but was constrained either by lack of funding, a lack of knowledge of if and when funding might be forthcoming, or by lack of engagement by the UK Government on funding in devolved areas of policy or for UK-wide unilateral measures. The main example of this is when the Omicron variant affected Scotland before becoming widespread elsewhere, especially in relation to the operation of the UK Furlough Scheme to support compliance with non-pharmaceutical interventions.

135. Scottish Ministers did repeatedly request additional budget flexibilities (such as the ability to borrow for the pandemic) under the Fiscal Framework to support their response to the pandemic, but these were not granted. This exposed the limitations and inflexibility of the Fiscal Framework at a time of intense volatility and uncertainty. The current Cabinet Secretary for Finance and Local Government has asked for a further review of the Fiscal Framework and this could create the opportunity for new flexibilities to be authorised during emergency situations such as a pandemic to be codified. **It would be helpful for the Chair of the Inquiry to recommend the review of Fiscal Frameworks to include adjustments to cater for pandemic crises to facilitate mutual rapid responses and financial risk management.**

136. On 29 June 2020, the Scottish Government's Office of the Chief Economic Adviser published 'Coronavirus (COVID-19): UK fiscal path - a new approach', which outlined ten principles it believed the UK Government should follow to manage the UK's public finances and ensure strong economic recovery whilst reducing inequalities, including provision of consequential for investment into the Scottish economy and extension of Scotland's fiscal flexibilities. The report is provided: [AS7/016 - INQ000369698].
137. Financial monitoring and reporting mechanisms remained in place to monitor and update the associated overall budget position within the Scottish Government. This monitoring and reporting in turn enabled policy makers across the organisation to manage and develop their policy responses or developments, and any associated deployment or impacts of measures such as Non-Pharmaceutical Interventions.
138. The experience of responding to the pandemic has illustrated the importance of building on existing methods of joint working, processes, and structures, and being ready to scale these up quickly. This experience has reinforced **the importance of maintaining and the continued strengthening of relationships between the four nations of the UK and highlighted the need for more 'four nations' political engagement, consultation and collaboration on finances in the event of future national emergencies**. It varies, but at times these engagements can feel perfunctory. Such steps could provide greater clarity and assurance to devolved administrations that necessary funding would be forthcoming in times of need. Ideally, this would cater for regional differences by reference to severity, timing and spread of a disease. The same is true for Scottish Government's relationships with local government, and other key delivery partners and stakeholders.
139. A very specific issue with regards to the UK wide furlough scheme is the extent to which it can be better targeted to regions and not just be deployed only on a UK-wide basis. A more geographically sensitive use of furlough at a sub-national level could facilitate and incentivise the compliance with non-pharmaceutical interventions at times when a pandemic virus is presenting differently at different times and demanding more restrictions on human contact. HMRC administered the furlough scheme and also administer the system of Scottish Income Tax. Scottish tax payers are identified by the use of an S-code, that is a personal tax code that has an S prefix to show that they are income tax payers who are deemed resident in Scotland for the purposes of paying Scottish Income Tax. The means of identifying a Scottish Income Tax payer and residency definitions are exhibited [AS7/018 - INQ000652095 and AS7/019 - INQ000652096].

140. **A specific solution that I would advocate is that a future pandemic virus 'Job Retention Scheme' furlough initiative should seek to be as responsive to the needs of the nations and sectors across the UK, allowing flexibility to deliver Scottish-specific aspects where this may be deemed necessary. This may be possible by triangulating employer data with residency status for Scottish, Welsh and rUK individuals in their PAYE systems. This would require investment in advance by UK Government in HMRC's legacy schemes as well as the necessary preparedness and adaptations by HMRC to be able to successfully operate potentially divergent schemes concurrently, particularly with respect to compliance and where cross-border mobility issues are most prevalent.**

141. Ultimately, because the income tax administration system is run by HMRC, it will be for UK Ministers to decide. I am aware that HMRC recently undertook a consultation on improving data collection within their systems, which included consideration of improvements to location data. This acknowledged that improvements to location data could have a number of benefits, including recognition that economic support can be required in response to localised crises. It also noted the need to balance the potential benefits against administrative burdens to business, particularly given challenges of ensuring data accuracy.

(iv) External reflections on these matters

142. An example of external reflection that provided Scottish Government with useful insight was the University of Stirling, Fraser of Allander Institute and Institute for Fiscal Studies' joint report on Options for reforming the devolved fiscal frameworks post-pandemic, published in December 2021, and provided: [AS7/017 - INQ000182950]. The report recognised the need for closer collaboration between the UK and devolved governments on the design of an appropriate fiscal response in the event of a similar future shock. Specifically, it called for a genuinely collaborative approach, aimed at forging consensus, to provide greater legitimacy to decisions taken. In addition, the report pointed to the case for an expansion of borrowing and reserve flexibilities available to devolved governments in 'normal' times, to better position them to respond to emerging crises. Although, the report also noted that these additional powers would "not be sufficient during an extreme and rapidly moving adverse shock like the Covid-19 pandemic" and that "in such circumstances, **some combination of a reintroduction of funding guarantees and extensions to the devolved governments' borrowing**

powers is likely to be warranted".

143. More recently the Institute for Fiscal Studies have argued that instead of guarantees, that more reliance should be available from flexibilities from limited resource borrowing, on drawing from reserves and on carry forwards into future years

(v) Suggested recommendations

144. The reflections and lessons learned above have been captured and retained within Scottish Government records to assist future civil servants who may be tasked with standing up an emergency response if another crisis hits. There are some factors which are not entirely within the Scottish Government's control or gift, therefore it may be appropriate for the Chair to make recommendations that could improve the economic response to a future pandemic. **Some of these are in the bold text in paragraphs 128, 131, 135, 138, 140 and 142.**

145. The ability to respond at pace to a crisis situation would be best served by having prior agreement with the UK Government about how the Fiscal Framework provisions can be best adapted to respond in an emergency as well as having an upfront agreed approach and consultation on how UK-wide measures could be best suited to all Devolved Administrations and not just England. A mutually developed Four Nations future pandemic strategy which reflects the nature and interests of all nations within the UK and allows for regional policies to be developed and supported financially would be beneficial. The Four Nations are already working together on commonalities of approach as part of preparation for future pandemics.

146. Having a system in which the UK Government accepted the financial risk of differentiated decision-making to support the timeliness of subnational levels of response to a pandemic under the existing frameworks, in pre-defined emergency situations, would greatly support decision-making in Scotland. Differentiated or asymmetric decision-making of this nature between the UK Government and devolved administrations carries with it an inherent risk that expenditure may not fully align with the Barnett formula at a point in time, although may when considered over a longer period. However, having an arrangement whereby that is accepted would be beneficial to support timely locally-relevant responses at critical times.

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.

Personal Data

Signed: _____

Dated: __22 August 2025_____