

Witness Name: Rebecca Evans

Statement No: M9/R9R/RE01

Exhibits: 121

Dated: 2<sup>nd</sup> September 2025

## UK COVID-19 INQUIRY

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### WITNESS STATEMENT OF REBECCA EVANS

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I, Rebecca Evans, provide this statement in response to a request under Rule 9 of the Inquiry Rules 2006 dated 29 May 2025 issued under reference M9/R9R/RE01.

#### **Preface**

1. The purpose of this statement is to assist the work of the Covid-19 inquiry. My statement will address my role in relation to the Welsh Government's economic response to the Covid-19 pandemic from 1 January 2020 to 28 June 2022 (the relevant period), so that lessons can be learned, and recommendations made for the future.

#### **Part A: Overview of Roles and Relationships**

2. When Mark Drakeford MS became First Minister in December 2018, I was appointed Minister for Finance and Trefnydd. This was my first Cabinet level position. I held the role until May 2021, and my responsibilities were:
  - i. The Welsh Treasury
  - ii. The Welsh Revenue Authority
  - iii. Provision of strategic direction and management of the resources of the Welsh Government
  - iv. Taxation policy
  - v. Local taxation policy, including council tax, non-domestic rates, council tax reduction, and the sponsorship of the Valuation Office Agency and the Valuation Tribunal Service
  - vi. Budget monitoring and management

- vii. Strategic investment
- viii. Invest to Save
- ix. Financial accounting and audit
- x. In year budget monitoring and management
- xi. Value for money and effectiveness
- xii. Operation and development of the devolved funding settlement and the Statement of Funding policy
- xiii. National Procurement Service and Value Wales
- xiv. Acquisition, maintenance and disposal of property and other assets
- xv. Co-ordination of National Statistics and the Census
- xvi. Management of Government Business in the Senedd in line with Standing Orders
- xvii. Delivery of the weekly Business Statement
- xviii. Representing the Government in Business Committee
- xix. Liaison with other parties on the Government's Legislative Programme

Following the Senedd elections in May 2021, I was appointed Minister for Finance and Local Government. My responsibilities were:

- i. The Welsh Treasury
- ii. The Welsh Revenue Authority
- iii. Strategic direction and management of the resources of the Welsh Government
- iv. Taxation policy
- v. Local taxation policy, including Council Tax, non-domestic rates; sponsorship of the Valuation Office Agency and the Valuation Tribunal for Wales
- vi. Budget monitoring and management
- vii. Strategic investment
- viii. Invest to Save
- ix. Financial Accounting and audit 5
- x. Value for money and effectiveness

- xi. Operation and development of the devolved funding settlement and the Statement of Funding policy
- xii. Relationship with HM Treasury and HM Revenue and Customs on all spending and tax matters
- xiii. Public Sector pay policy
- xiv. Acquisition, maintenance and disposal of property and other assets
- xv. Procurement reform
- xvi. Grants policy
- xvii. Official Statistics, including the Census
- xviii. Structural, democratic, financial and constitutional reform of local authorities including co-ordination of regional collaboration models
- xix. The Local Government Partnership Council
- xx. Local Government performance, governance and constitutional matters, scrutiny arrangements, cabinets, elected mayors, the role of councillors, their diversity, conduct and remuneration
- xxi. Local Government electoral arrangements, sponsorship of the Local Democracy and Boundary Commission for Wales and the timing of local authority elections
- xxii. Local Government finance policy including financial reform
- xxiii. The un-hypothecated funding of local authorities and Policy and Crime Commissioners through the Local Government revenue and capital settlements
- xxiv. Financial governance, financing and accounting relating to Local Government
- xxv. Public Service Boards
- xxvi. Public libraries
- xxvii. Local archive services
- xxviii. Local Government workforce matters
- xxix. Academi Wales
- xxx. Oversight of audit, inspection and regulation as they relate to public services, including the organisation arrangements for Healthcare Inspectorate Wales and the Care Inspectorate Wales

3. Following the Senedd elections in May 2021, I was appointed Minister for Finance and Local Government. My responsibilities were:
- i. The Welsh Treasury
  - ii. The Welsh Revenue Authority
  - iii. Strategic direction and management of the resources of the Welsh Government
  - iv. Taxation policy
  - v. Local taxation policy, including Council Tax, non-domestic rates; sponsorship of the Valuation Office Agency and the Valuation Tribunal for Wales
  - vi. Budget monitoring and management
  - vii. Strategic investment
  - viii. Invest to Save
  - ix. Financial Accounting and audit
  - x. Value for money and effectiveness
  - xi. Operation and development of the devolved funding settlement and the Statement of Funding policy
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4. As Minister for Finance and Trefnydd I was responsible for setting the Welsh Government budget and the strategic management of the Welsh Government's resources. As Trefnydd, I was responsible for managing government business in the Senedd. As Minister for Finance and Local Government, I was also responsible for Local Government policy, performance, finance and governance.
5. During the pandemic the Finance Minister side of my portfolio was focused on managing the financial response to the pandemic and ensuring we used every available lever to identify the funding needed to respond appropriately to the pandemic. This included agreeing funding for the economic response - but it did not involve taking policy decisions in relation to the economic response. This would have been the responsibility of the Minister for the Economy.
6. At the start of the pandemic, I worked with the First Minister to put in place appropriate structures to consider and scrutinise pandemic-related requests for funding from across Cabinet. This mainly took the form of the Star Chamber which was established in March 2020.
7. The Star Chamber reviewed all Ministerial Advice which proposed new Covid-19 spending commitments and those which proposed changes to spending plans within the revised Main Expenditure Group budgets above a threshold of £5m or 1% of the revenue budget. Information about the structure of the Star Chamber is set out in the terms of reference which I exhibit as **RE/001-INQ000066177**.
8. The Star Chamber met very frequently, sometimes daily, during the period in which it operated. I exhibit at **RE/002- INQ000626303** an 'agenda log' which lists all the meetings which took place between March and October 2020, when the Star Chamber met for the last time, and lists the proposals which were considered at each meeting. The key

purpose of the Star Chamber was to assist me in making decisions about the reprioritisation of existing Welsh Government budgets, and the allocation of funding from the Covid-19 Reserve, which included the consequential funding received from the UK Government, in a way which ensured affordability and delivered value for money.

9. Proposals for funding would be developed by portfolio Ministers' officials under the Ministerial Advice process. Once Ministers were content, the funding request would be submitted to the Star Chamber for consideration. Ultimately, after considering and testing the advice, I took the spending decisions as the Star Chamber did not itself take such decisions. I exhibit the note which was produced in advance of an oral item on Star Chamber which emphasised the group did not take spending decisions, **RE/003-INQ000320738**.
10. In addition to myself as chair, the group members were the Counsel General and Minister for European Transition, Jeremy Miles MS until 6 April 2020 and then Minister for International Relations and the Welsh Language, Eluned Morgan MS; Damien O'Brien, Non-executive Director (former Chief Executive of Wales European Funding Office); two Special Advisers (Gareth Williams and Alex Bevan) and officials including the Director of the Welsh Treasury, Andrew Jeffreys, and members of the Strategic Budgeting and Central Finance teams.
11. The Star Chamber was a highly effective process which was introduced at a time of financial pressure, and it ensured public funds were being spent in the most efficient and effective way to respond to the pandemic. It was critically important in providing an overview of all proposed interventions across Government, thus helping to avoid duplication. It had the further benefit of offering an additional level of assurance and scrutiny in a context where decisions were being taken very rapidly.
12. When the Star Chamber was established at the end of March 2020, the Welsh Government was facing unprecedented challenges which needed to be addressed at pace. The key purpose of the Star Chamber was to assist me in making decisions about the reprioritisation of existing Welsh Government budgets, and the allocation of funding from the Covid-19 Reserve (including consequential funding received from the UK Government), in a way which ensured affordability and delivered value for money whilst meeting needs. Point 4.1 of the Terms of Reference made clear that it would meet on an 'as needed' basis, and the chronology of meetings illustrates how the frequency of meetings reduced during summer 2020, with an increase in late September to early October specifically to consider the Covid-19 recovery package.

13. By then, the interventions in place to support the response to the pandemic – such as the Economic Resilience Fund – were well established so we no longer needed the additional consideration provided by the Star Chamber. A note recording the decision taken by the First Minister and I on 8 October to bring the Star Chamber to a close is exhibited at **RE/004-INQ000338592**. After the winding down of the Star Chamber, I returned to managing the Welsh Government's finances and allocating money in the normal way, which I was confident would provide effective overview, scrutiny and assurance over and about the spending of public funds, as it did prior to the pandemic and has continued to do so since. Our 'business as usual' processes require all Ministerial Advice to be copied to the Strategic Budgeting Team (part of the Welsh Treasury) and to the Minister with responsibility for Finance, and for any Ministerial Advice which makes recommendations with financial implications to be cleared by the Strategic Budgeting Team before submission. I also understand that a description of the frameworks setting out the key principles for the effective management of public money is provided in the corporate statement of Andrew Jeffreys (M9/WGWT/01).
14. As part of my responsibilities as Minister for Finance and in relation to the economic response, I also wrote on several occasions to the Chief Secretary to the Treasury to ask for clarity on the UK-wide fiscal response to the pandemic. This correspondence is exhibited at the relevant points throughout the statement.
15. My relationship with the First Minister and my Cabinet colleagues, including Ken Skates as Minister for Economy, Transport and North Wales, Julie James as Minister for Housing and Local Government and later as Minister for Transport in Wales and Vaughan Gething as Minister for Economy, was strong and I feel we worked well together in very difficult circumstances. Cabinet meetings were the place where core decisions were taken in respect of the response to the pandemic, including the economic response, and all Ministers and Deputy Ministers attended. The positive nature of the relationships we had across Cabinet allowed us to have open and frank discussions where everyone's views and opinions were considered and valued. I do not have any recommendations for improving those relationships in the future.
16. I would have bilateral meetings with individual Ministers if further discussions were needed around a particular funding request. Relevant Ministers also attended Star Chamber meetings to discuss funding requirements, such as the Minister for Economy

attending Star Chamber on 4 June 2020 to discuss the Economic Resilience Fund as seen in the note of the meeting exhibited at **RE/005-INQ000338572**.

17. I had positive relationships with senior civil servants within the Welsh Government such as the Director of the Welsh Treasury and the Director General for Local Government. I spoke frequently with the Director of the Welsh Treasury and he also sat on the Star Chamber which I describe in more detail below. He played an important role in providing advice and support to me as Minister for Finance and I trusted and valued his advice and experience.
18. Throughout the pandemic, my main relationship with the UK Government was with the Chief Secretary to the Treasury. This was via the Finance Minister quadrilateral meetings where I would meet him with the Finance Ministers of Scotland and Northern Ireland. The Finance Minister quadrilateral meetings were a pre-existing forum for intergovernmental discussions on finance matters but were held more frequently at the start of the pandemic, with six meetings held during the first half of the year in 2020. These meetings focused on a range of issues, from certainty on the funding and flexibilities available to the devolved governments to respond to - and mitigate the impact of - the pandemic, to specific UK-wide interventions such as the Coronavirus Job Retention Scheme, as well as consideration of economic recovery. In the later part of the year, three Quadrilateral meetings were held which focussed on issues such as the UK Spending Review and in-year Covid costs, and non-Covid-related matters of shared interest such as net zero. I exhibit at **RE/006-INQ000566348** a chronology of the quadrilateral meetings during the specified period, which sets out the dates of meetings and the issues discussed.
19. Between meetings, correspondence on fiscal matters passed between myself and the Chief Secretary to the Treasury. I wrote jointly to the Chief Secretary to the Treasury with my Scottish and Northern Ireland counterparts. I also wrote directly to the Chancellor of the Exchequer, both individually and jointly with my counterparts in the devolved governments. These letters are exhibited throughout the statement where relevant.
20. On 21 March 2022, the Finance Ministers met for the first time as the Finance Interministerial Standing Committee (the Standing Committee). The Standing Committee formalised the former Finance Ministers' Quadrilateral under the Intergovernmental Relations Review. It represented a step forward in the structures/mechanisms for engagement. The establishment of the Standing Committee was the culmination of

considerable efforts to strengthen and formalise fiscal intergovernmental relations. At the meeting, along with my fellow Ministers, I approved the Standing Committee's Terms of Reference (which I exhibit at **RE/007-INQ000321262**) and agreed to an operating protocol which placed meetings on a more equal footing with a rotating Chair and shared secretariat.

21. The formal mechanisms for communication outlined above were generally effective and I welcomed the opportunity to raise issues with the Chief Secretary to the Treasury. However, there are areas where I would have welcomed increased engagement. I reflected during a Cabinet discussion on Intergovernmental Relations on 21 September 2020 concerns about a lack of progress in regularising and improving the operation of the Finance Ministers' quadrilateral, although these arrangements were subsequently put on a more satisfactory footing through the Finance Interministerial Standing Committee, as I describe above. I also noted during a Cabinet discussion about the Budget on 28 September 2020 that at a recent quadrilateral meeting, the Chief Secretary to the Treasury had accepted the need for more meaningful engagement between the UK Treasury and the devolved governments ahead of the spending review. I exhibit the minutes at - **RE/008-INQ000129855**, and **RE/009-INQ000048928**.
22. I did not meet any Ministers or Senior Civil Servants from the then Department for Business Energy and Industrial Strategy.
23. I also met regularly on a trilateral basis with my devolved governments counterparts from Scotland and Northern Ireland to explore shared experiences and concerns, and to work together where we saw benefit in jointly pressing a particular issue with HM Treasury Ministers; I exhibit a chronology of the Trilateral Meetings held during the specified period at **RE/010- INQ000626248**.
24. I am not aware of any confusion about the role of Welsh Government and that of the Secretary of State for Wales. I was not involved in any discussions about neighbouring local authorities along the land border between England and Wales, so I am unable to comment on these issues.
25. From May 2021, after taking on the Local Government portfolio, I chaired the regular meetings with Local Authority Leaders, and sometimes Chief Executives, of the 22 local authorities in Wales, which had been established by my predecessor, Julie James.

Before this, I had attended the meetings when there was a finance-related discussion on the agenda.

26. The meetings provided the opportunity to identify and address rapidly emerging issues or to disseminate information at short notice on Covid-19 related issues. These included epidemiological matters; the development of Welsh Government policy; consultation on options under consideration by the 21-day review process; advising of decisions following the 21-day review process; and consultation with individual authorities relating to any potential local measures. These meetings provided a regular opportunity to discuss issues at both local and national levels. The intelligence gained helped inform Cabinet decisions.
27. Overall, there was exceptionally good co-ordination and communication between the Welsh Government and local authorities in Wales about the Welsh Government's core decision-making and response to the pandemic. The regular meetings were invaluable in terms of helping us understand the situation 'on the ground' and in shaping our response to the pandemic.
28. Local authorities were central to the response, and they did excellent work in administering our business support grants.
29. The Welsh Government treated local authorities as trusted partners and established a relationship based on respect and openness. There was constant communication, and relationships between Leaders and local government Cabinet Members and Welsh Ministers were very strong.
30. Local authorities in Wales were the main external parties I met during the pandemic in relation to the economic response. I remain unconvinced that different or greater engagement with economic experts outside the Welsh Government would have brought additional benefits. The Chief Economist assessed the economic impact of the pandemic and provided an interpretation of the data to help inform direct financial support. Further information about the role of the Chief Economist and the Socio-Economic Harms subgroup of the Technical Advisory Group can be found in paragraphs 81-82 below.
31. The change in my Ministerial portfolio as a result of the Cabinet reshuffle in May 2021 had no impact on my ability to make decisions at the necessary pace in an emergency.

## Part B: Funding and Fiscal Framework

32. As has been set out in other statements, HM Treasury controls the overall level of public expenditure in the UK each year. A portion of the total funds raised throughout the UK and earmarked for public expenditure is, after adjustment, allocated to the Welsh Government. This allocation is known as the 'Block Grant' and it is by far the largest part of the Welsh Government's annual budget, comprising more than 80% of its annual financial resource. Adjustments to the block grant are determined using the Barnett Formula. The formula is used to calculate by how much the block grant will change following certain increases or decreases in funding for functions in England. The formula factors in the population of Wales compared to (usually) England, and the extent to which changes to funding relate to comparable areas within the devolved responsibility of the Welsh Government.
33. As I have remarked previously, information-sharing by the UK Government on the Barnett consequential funding has been mixed. Funding uncertainty under the Barnett arrangement was a difficulty that existed before the pandemic. The Devolved Governments only get formal notification of positive and negative consequential funding at Supplementary Estimates, in January or (usually) February, which comes very late in the financial year. This can be particularly challenging in two situations; where consequentials are negative, i.e. there are underspends in UK Government departments resulting in money being clawed back from Wales late in the year; or where the consequentials are positive and larger than can be accommodated in the Wales Reserve which only allows £350m to be carried across financial years (which is a tiny amount against a budget of more than £20bn).
34. This uncertainty concerning the funding levels under Barnett, in the context of the massive increase in public spending, and the huge range of new policy interventions that were having to be developed and costed at pace to respond to the pandemic and mitigate its impacts, represented a significant challenge. Throughout March, April, May, June and July we would receive small amounts of information from HM Treasury. Information would be via the Finance Ministerial Quadrilateral meetings referred to above and via officials in the Welsh Treasury who would meet with HM Treasury officials on a regular basis as detailed in the statement by Andrew Jeffreys on behalf of the Welsh Treasury (INQ000590714). While meetings would happen quite regularly, these were not significant in detail. For example, at the meeting on the 9 April 2020 I asked about whether there would be further consequential following changes to Non Domestic

Rates schemes in England already made and the Chief Secretary to the Treasury did not provide any response. This uncertainty over funding levels impacted the design and deployment of economic interventions, such as the Non-Domestic Rate relief scheme, in Wales. As point 2 of the note, exhibited at **RE/011-INQ000338525**, of the Star Chamber meeting on 15 April 2020 states: *It was still unclear as to whether WG would receive any additional consequentials from changes to the NDR grants/reliefs in England.* This uncertainty made it difficult to plan the details of any support.

35. The system does not lend itself to optimum budget management because it can drive decisions which unnecessarily miss opportunities in-year, or which cause difficult decisions to be taken early in the financial year which may not need to have been taken after all once the final picture is known. This uncertainty had a significant impact on the economic response as I have elaborated on further below but in summary it hindered the ability to plan economic interventions as there was no guaranteed budget forcing ministers to rely on the assumption that financial support would eventually be made available. Given the lack of fiscal flexibility, this meant that I was forced to take decisions which carried a high degree of risk.
36. As well as the uncertainty around in-year adjustments to the budget we also faced constraints with a lack of flexibility in the Fiscal Framework. whilst we had negotiated the Barnett Guarantee, it was subsequently uplifted on a number of occasions as the situation developed and as further spending was required in England. It was a helpful innovation, but it did not solve all of our challenges. Our flexibilities were, and still are, so small that even in a 'normal' year they are not sufficient to manage the budget, so in a period of crisis they were woefully inadequate. I requested flexibility within the Fiscal Framework in numerous Ministerial Finance Quadrilateral meetings, for example on the 10 and 30 April 2020 as exhibited in **RE/012-INQ000353021** and **RE/013-INQ000352993** respectively. These issues and a request for mitigations were summarised in a letter to the Chancellor of the Exchequer on 3 July 2020, as exhibited in **RE/014-INQ000066172** and included:
- a) Having full access to the Wales Reserve in the current year, if required;
  - b) The ability to carry forward, at the end of the year, more than the overall £350m limit on the Reserve. This particular request was prompted by uncertainty about the impact of the crisis on existing programmes, the costs of new programmes, and the amount of new funding from the UK Government;

- c) The ability to switch funding from capital to revenue budgets, and the option to deploy revenue borrowing. This was needed to provide further flexibility and to assist efficient budget management;
- d) An increase in the annual capital borrowing limit (which stood at – and remains – £150m) and the aggregate ceiling (which stood at – and remains – £1bn) to enable the Welsh Government to further support its capital programmes, if necessary, and to aid the economic recovery over the longer term.
- e) More flexible repayment terms for Financial Transactions capital, which is a ringfenced element of capital funding provided by the UK Government as part of the Welsh Government’s block grant. It is sometimes called “net lending” or “policy lending” and includes loans or equity investments by devolved administrations into the private sector. The majority of the Financial Transactions Capital portfolio is managed by the Development Bank for Wales on behalf of the Welsh Government.

37. Updates on consequential funding were provided at the Finance Ministerial Quadrilateral meetings as well as in calls between Welsh Treasury and HM Treasury officials. Consequential funding and funding uncertainty was raised at the Quadrilateral meetings held in March, April, May and June 2020. Exhibits **RE/015-INQ000353437**, **RE/013-INQ000352993**, **RE/016-INQ000336620** and **RE/017-INQ000338580** refer. The meetings were not effective in terms of providing certainty over what consequentials we might receive. As the minutes of the meeting on 9 April 2020 highlight, the Chief Secretary to the Treasury said there was a predicament between providing early certainty to devolved governments on funding available and the risk of later, downward adjustments if it turned out measures in England cost less than early estimates. However, my Scottish and Northern Irish counterparts and I agreed that we would prefer to have provisional initial allocations that would be adjusted later. Clarity eventually came in the autumn statement of that year when we received the transparency tables.

38. The lack of certainty surrounding funding arrangements and the constraints of the fiscal framework posed significant challenges for the Welsh Government during the early months of the pandemic and limited our ability to prepare an economic response to the pandemic in February and March 2020. The uncertainty also made it difficult to formulate the economic response to the pandemic.

39. The timing and funding implications of UK Ministers’ decisions could not be safely predicted which meant it was unclear when decisions were going to be made and how much funding would be available to the Welsh Government as a result of those

decisions. This made decision-making around all interventions – including economic interventions – more difficult as policies were developed without a guaranteed budget, relying on the assumption that financial support would eventually be made available. It also meant that Ministers made decisions to reduce spending in some areas to ensure they could be confident that there was money available for other Covid-related interventions.

40. However in my update to Cabinet on 16 March 2020, at **RE/018-INQ000048797**, I made it clear that Ministers should not let uncertainty about exactly how much additional funding was available slow down the response to coronavirus, and there may be a need to re-prioritise funding within existing plans to afford to do all of the things necessary to mitigate and respond to the impact.
41. As part of my update to Cabinet, I also informed colleagues that I had written to the Chief Secretary to the Treasury to outline my concerns. In my letter, which I exhibit at **RE/019-INQ000320760**, I stressed the importance of a UK-wide fiscal response to the pandemic, and I was clear that although I recognised the circumstances in which the temporary Covid-19 measures were developed, it was essential that the Welsh Government was able to provide the same degree of certainty, stability and security for businesses and individuals in Wales. In that letter, because of the lack of concrete information we had received from the Treasury, I also set out my working assumptions about the Barnett consequential which the Welsh Government would receive. This totalled an additional £225 million.
42. On 18 March 2020, I and the other devolved Finance Ministers had a call with the Chief Secretary to the Treasury in which he gave more detail about the financial package announced by the Chancellor the day before to protect against the economic emergency caused by Covid-19. I said that more action was required to tackle the crisis, and that engagement from the UK Government was chaotic and needed to be stepped up. The Chief Secretary to the Treasury acknowledged that co-ordination in the current context was very challenging, but he wanted to do better. I exhibit the note of the meeting at **RE/020-INQ000336307**.
43. As outlined above, in Finance Minister Quadrilaterals, I frequently requested flexibilities around borrowing limits, Wales reserve access, and the ability to switch capital and revenue funding as outlined in the paragraphs above. Being granted those flexibilities

would have allowed the Welsh Government to manage its fiscal response to the pandemic in a more efficient way.

44. The Fiscal Framework within which the Welsh Government operates is extremely restrictive. It only allows the Welsh Government to borrow up to £1billion overall (with a £150million annual limit) for capital investment, and up to £500million for managing the volatility of tax receipts. This presents challenges for the Welsh Government in managing our finances as the funding is largely dictated by decisions made by HM Treasury, rather than being fully reflective of Wales's specific needs and priorities. The limited ability to adjust spending within a financial year can create uncertainty and makes long-term planning more difficult. We cannot borrow for general revenue purposes, even in response to a whole-system emergency.

45. Alongside my Scottish and Northern Ireland counterparts, I therefore pressed the UK Government for urgent funding certainty and clarity or, at the very least, for more borrowing powers to help manage the response.

46. As noted above, I wrote to the Chancellor of the Exchequer on 3 July 2020, as exhibited in **RE/014-INQ000066172**, making the case for the flexibilities previously discussed at the Finance Quadrilateral meetings to be granted. In the letter I explained that the need to use these flexibilities would depend on how the recovery progressed, but that their availability would enable the Welsh Government to allocate resources proactively to address immediate needs. The proposals are set out in full in my letter, but included:

- i) Full access to the resources in the reserve that year if required, and the ability to carry forward more resource and capital in the Reserve at the end of the financial year;
- ii) The ability to carry forward, at the end of the year, more than the overall £350m limit on the Reserve;
- iii) The ability to switch funding from capital to revenue budgets, and the option to deploy revenue borrowing;
- iv) An increase in the annual capital borrowing limit and the aggregate ceiling to enable us to further support our capital programmes, if necessary.

47. I also asked for these additional flexibilities to be available to the Welsh Government as a matter of course without requiring permission from the UK Government on a case-by-case basis.

48. As a result of the discussions between my devolved government counterparts and the Chief Secretary to the Treasury in the Finance Ministers quadrilateral meetings, the UK Government agreed to a 'Barnett guarantee' (also referred to as the 'coronavirus guarantee') which was announced by the UK Government on 23 July 2020. During a call that day between Welsh Treasury officials and HM Treasury, it was confirmed that the Chief Secretary to the Treasury would be announcing a guaranteed level of Barnett funding for the year to the devolved governments. A note of that call is exhibited at **RE/022-INQ000066173**.

49. In terms of maintaining the economic response to the pandemic, the introduction of the 'Coronavirus Guarantee' had a significant positive impact on the Welsh Government's ability to plan and deliver Covid-19 response interventions.

50. The Guarantee provided advance confirmation of the level of additional funding that devolved governments would receive as a result of funding for Covid-19 response interventions in England. It enabled us to have clarity about the level of funding available to the Welsh Government and allowed for more strategic planning and continued support for businesses and individuals.

51. I published a statement on 24 July 2020 welcoming the certainty that the announcement gave to us: it is exhibited at **RE/023-INQ000066175**. However, I also described it as a "missed opportunity" for the UK Government to provide Wales with greater flexibilities to meet the financial pressures associated with the coronavirus pandemic, as I had set out in my letter of 3 July 2020, and which I summarise in paragraph 46 above. The restrictive nature of the Fiscal Framework which I have described above was not addressed.

52. The Welsh Government did not request access to the UK Reserve during the pandemic. It became clear very quickly that HM Treasury would be making substantial additional funding available, from which we would receive consequential funding. In light of this – plus actions taken by the Welsh Government to free up funding from its existing budget – there was no need to request access to the UK Reserve. Our focus was, instead, on securing a 'Guarantee' of funding so that we had early certainty of the overall level of funding available to us.

53. I am asked to provide an overview of the underspend by the Welsh Government in 2021/2021 and the circumstances which led to the Welsh Government returning £155

million to HM Treasury. The pandemic and the funding made available for our response made 2020-21 an extraordinary year and the consolidated accounts for that year (exhibited at **RE/024-INQ000066166**) bear out my belief that the Fiscal Framework was not flexible enough and allowed the then Chief Secretary to the Treasury to exercise too much discretion over matters that had direct negative impact on the Welsh Government's ability to exercise devolved functions in respect of which Welsh Ministers (not HM Treasury Ministers) would be ultimately accountable. For example being able to switch revenue to capital, as outlined in paragraph 55 below. Significant funding was provided to the Welsh Government by the UK Government very late in the 2020-21 financial year. The Welsh Government's fiscal departmental expenditure limit increased by £4.6bn (almost 27%) in the supplementary estimates for 2020-21 of which £4.0bn related to Barnett consequentials. This information was confirmed on 2 February 2021 in a letter from the Chief Secretary to the Treasury, **RE/025-INQ000353514** refers. The UK Government published the supplementary estimates on 22 February 2021. To make the most effective use of this funding and secure best value for the taxpayer, we made decisions to maximise expenditure wherever possible, including bringing forward progress on our capital plans.

54. As a devolved government, we operated within the overall Welsh Government budgetary control set by HM Treasury and should have been allowed a reasonable level of flexibility in respect of the individual revenue and capital controls. Our decisions to maximise capital expenditure were made having regard for the rules within HM Treasury's Consolidated Budgeting Guidance (exhibited at **RE/026-INQ000187590**) which states that revenue budgets can be switched to capital – a practice we have utilised in the past to manage the financial position.
55. I wrote to the Chief Secretary on 24 March 2021, exhibited at **RE/027- INQ000626250**, to inform him that our plans for 2020/21, as laid out in our third supplementary budget, included a switch from revenue DEL to capital DEL of £501 million. I did not receive a response to this letter. As things turned out, we were actually able to increase capital investment by more than expected at the time of the 24 March letter, which required a bigger revenue to capital switch. However, following lengthy discussions between Welsh Treasury officials and HM Treasury officials, we were denied the flexibility to switch additional revenue to capital. This is despite being given to understand that the revenue and capital imbalance could be managed after the year-end via an outturn adjustment - a correction to the final figures to reflect the actual, rather than the expected amounts. These discussions formed part of regular discussions between officials with no formal

notes taken. As a result, funding was reclaimed by HM Treasury due to a completely arbitrary application of the Consolidated Budgeting Guidance which did not fully recognise the arrangements agreed with devolved governments in their respective financial frameworks.

56. The situation should be seen in the wider UK context – a context which in my view goes some way to explaining the Treasury’s approach. The total underspend in 2020-21 by all UK government departments was £25billion: the UK Department for Health and Social Care underspent by over 9% and returned £18.6billion to the Treasury. Overall, UK departments returned almost 6% of their funding to the Treasury that year. In Wales, the figure returned represented only 1% of our available resources. A Barnett share of the funding returned to Treasury by UK departments would have been well in excess of £1billion, rather than the much lower £155million (which would have been nothing had the revenue to capital switch been agreed).
57. The Welsh Government has a long record of being amongst the best UK departments and devolved governments in terms of utilising our budget. This remained the case in 2020-21. Our better management of public money (in terms of our delivery of our public-sector delivered Test, Trace, Protect scheme, for example) meant that we were able to do more in Wales to support people and businesses through the pandemic – such as providing businesses here with a more generous package of support than was available in England, and providing free school meals to families throughout the school breaks, to name just two examples.
58. However, on the matter of the £155million reclaimed by HM Treasury, I believe that Wales was treated unfairly. There is a general approach from HM Treasury which treats devolved governments as ‘just another spending department.’ However, we are not like Whitehall departments. We have responsibilities to our own Parliaments (such as through our Budget Protocol with the Senedd’s Finance Committee, exhibited at **RE/028-INQ000187591**), and are quite rightly subject to scrutiny by Senedd Members, the media, and the public in a way that individual Whitehall departments are not. This was a highly avoidable situation and reflects poorly on the financial arrangements underpinning devolution.
59. In terms of ascertaining the state of Wales’s preparedness to deal with a pandemic from a financial point of view, the Welsh Government’s ability to be financially agile and respond to unforeseen whole-system emergencies such as a pandemic is limited by the

Fiscal Framework (exhibited at **RE/029-INQ000116461**), which was agreed with the UK Government in 2016. Although the Framework was an important step forward at the time, it has not changed or kept pace with the wider fiscal and economic context.

60. Under the Framework, Wales's borrowing powers are capped at £150m per year, and £1 billion aggregate. Borrowing can only be used for capital spend or to manage tax volatility. The Framework also put in place provision for a Wales Reserve, which the Welsh Government can deposit money into and carry across financial years. The Wales Reserve is capped at £350m, and there are annual drawdown limits of £125m revenue and £50m capital. In the context of the overall size of the Welsh Budget, these sums are miniscule and not appropriate for our needs. At the very least, these figures should be increased in line with inflation.

61. In addition, there should be greater flexibility when our budget is increased or decreased by the UK Government late in the financial year. When the UK Government makes adjustments to our budget late in the financial year (at UK Supplementary Estimates), the Welsh Government should have the automatic ability to carry additional funding – or manage reduced funding – in the next financial year without having to negotiate the matter each time with the Chief Secretary to the Treasury.

### **Part C: Assessing the crisis and the Initial Response**

62. In January 2020, the Covid-19 picture was very much still evolving and at that stage was being described as a public health incident. I recall a written statement being issued by the Minister for Health and Social Services exhibited at **RE/030-INQ000227810** which outlined the Welsh Government was closely monitoring the emergency of a novel coronavirus in Wuhan in China. A further update provided at the end of January (exhibit **RE/031-INQ000298961** refers) outlining the UK response and co-ordination with other UK Nations said the virus was being treated as an enhanced public health incident and that Chief Medical Officers and public health agencies across the four Nations were co-ordinating actions so that Wales and the UK are ready to respond to further developments in this public health incident. At that stage the focus was on the health implications of the virus. In an update to Cabinet on 25 February (exhibit **RE/032-INQ000129852** refers) the Health Minister reported that the worldwide response was still in the containment stage and there had been no imported cases into the UK. The risk assessment for the UK was currently moderate, but this would change should there be a sustained transmission in Europe or in any country that had close connections with the UK and or the failure of certain countries to reduce the spread of the virus.

63. By the time Cabinet met on 4 March 2020, 51 cases had been identified in the UK, with more having been reported overnight. While much of the discussion was around how the spread of the virus would put added pressure on the NHS, the economic impact of the virus on sporting and cultural events such as the Urdd Eisteddfod and the Hay Festival, was raised and it was noted that the science behind the spread of the virus would have to drive decisions on whether they went ahead.
64. The Director for Local Government provided Cabinet with an update on UK Government mobilisation and the internal governance structure for dealing with health and emergencies. In his presentation he said that Governments would need to be able to respond to a number of issues, such as economic interventions, business support and cash flow. The minutes of this cabinet meeting are exhibited at **RE/033-INQ000216456**. By mid-March it had become clear that the pandemic would likely have a significant impact on the Welsh economy.
65. I am asked what preparations I made in February and March 2020 to formulate a response to an impending economic crisis. As I outlined above, it was not my responsibility to decide what the Welsh Government's economic response to the pandemic should be, that would have been the responsibility of the Minister for Economy. My role was to ensure affordability and value for money of the proposals being put forward by Ministers from across the Welsh Government, which I did through the Star Chamber process outlined earlier in the statement.
66. I recall that I was first advised on the economic impact of a lockdown lasting longer than 14 days on 15 April 2020 at a Covid-19 Core Group meeting, where the Chief Economist provided an economic update.
67. He advised that the Office for Budget Responsibility had produced a scenario that suggested a three-month lockdown would result in a 35% reduction in UK GDP in Q2 of 2020, and a 10% rise in unemployment. He said that this was optimistic as an assessment, as the actual effect would depend upon the protected nature of the lockdown, and the longer the lockdown, the greater the cumulative economic impact. The minutes of this meeting are exhibited at **RE/034-INQ000311859**.
68. Information about Covid-19 was still emerging in February and March 2020 and there was uncertainty about the impact the pandemic would have on businesses. Given the

rapid spread of Covid-19 and the uncertainty surrounding the virus and the impact it would have on businesses, I do not think I would have done anything differently to prepare the initial economic response to the pandemic from a finance portfolio perspective. Alongside the UK Government developing its support measures and in acknowledging the threat the virus posed to business and the economy, the Economy Minister Ken Skates and his officials considered what economic support might be required and worked to put in place a fund to respond to the specific needs of businesses which addressed the gaps in the UK Government's interventions. This was announced in a joint written statement from myself and Ken Skates on 24 March 2020, which is exhibited at **RE/035-INQ000544804**.

69. By March 2020, it was clear that the pandemic was likely to be prolonged. At the Cabinet meeting on 4 March (exhibited earlier at **RE/033- INQ000216456**), the Chief Medical Officer outlined that an increase in cases was expected over the coming weeks, with significant escalation in April and possibly intensification into May and June. He also noted that given the summer travel season and the spread of the virus across the world, multiple peaks could not be ruled out. At that meeting it was also noted that the spread of the virus would have implications for every portfolio.
70. By mid-March 2020, it was evident that a significant fiscal response to the pandemic was required. The impact of the virus on businesses and the economy was also apparent. A paper presented to cabinet on 23 March 2020 (**RE/036-INQ000048815**) highlighted "the pace at which the economic crisis is unfolding is extraordinary, with the rate of potential redundancies or business closures rising exponentially on an hourly basis." The paper requested agreement to create a Covid-19 Business Resilience Fund which would provide direct support to businesses, social enterprises and third sector organisations affected by the restrictions in place.
71. At that same meeting, Cabinet had been presented with a series of papers on the budget implications of coronavirus. During the meeting the First Minister advised that given the size and complexity of these papers, Ministers would not have the opportunity to discuss the proposals that day but that a small group would be established to assess the papers which Cabinet had not been able to consider. This would help maximise the available resources within each Department so that funding could be redirected to support the public sector and respond to the needs of the economy.
72. This was the group which came to be known as the Star Chamber, as detailed above in paragraph 7.

73. I was advised as to the public health impact of the pandemic from March 2020 as part of Cabinet meetings and Covid-core group, which was a subgroup of Cabinet, bringing together key Ministers and officials to discuss the latest Covid position and response. The Technical Advisory Cell and Technical Advisory Group, the membership of which included officials from Public Health Wales, the Welsh Government and scientific and technical experts was responsible for collating, creating and mobilising knowledge related to the pandemic, including Welsh specific information, to support our decision making as Welsh Ministers. Often, they would produce briefings for the Chief Medical Officer for Wales who would in turn provide updates or advise Cabinet and Covid-core group.

74. The Chief Economist played an important role in enhancing our understanding of the economic challenges. He produced monthly economic reports which provided a high-level assessment of the overall economic impact of the pandemic. These reports informed our understanding of the ongoing impact of Covid-19. Examples through the relevant period are exhibited as **RE/037-INQ000565826, RE/038-INQ000565827, RE/039-INQ000565828, RE/040-INQ000566016, RE/041-INQ000566013, RE/042-INQ000565829, RE/043-INQ000565830, RE/044-INQ000565831, RE/045-INQ000565832, RE/046-INQ000350583, RE/047-INQ000566015, RE/048-INQ000566014, RE/049-INQ000565834, RE/050-INQ000565835, RE/051-INQ000565836, RE/052-INQ000565837, RE/053-INQ000565838, RE/054-INQ000350582, RE/055-INQ000565986, RE/056-INQ000565989, RE/057-INQ000565992, RE/058-INQ000565995, RE/059-INQ000565998, RE/060-INQ000566001, RE/061-INQ000566004, RE/062-INQ000566006, RE/063-INQ000566009, RE/064-INQ000566012, RE/065-INQ000565843 and RE/066-INQ000565844.**

75. The Technical Advisory Group's Socio-Economic Harms sub-group was also important in informing the Welsh Government's assessment of the nature of the economic shock. It met for the first time on 23 July 2020 and provided assessments of the full range of socio-economic effects of the pandemic. It was concerned primarily with medium and longer-term effects, rather than the immediate impacts of non-pharmaceutical interventions to mitigate Covid-19. Its terms of reference are exhibited as **RE/067-INQ000239532.**

76. I am asked if I would have benefited from different or greater engagement with economic experts from outside the Welsh Government. I remain unconvinced that different or

greater engagement with economic experts outside the Welsh Government would have brought additional benefits. The Chief Economist assessed the economic impact of the pandemic and provided an interpretation of the data to help inform direct financial support. The work of the Socio-Economic Harms subgroup was also important and informed the Technical Advisory Group's advice and assessments during the specified period. In addition, the Economy, Skills and Natural Resources group had a strong team of experienced officials with expertise in economic advice who worked closely with businesses in Wales and understood the demands on them and the challenges they faced.

77. I am also asked to what extent the absence of a macro-economic model of the Welsh economy specific to the Welsh population impacted economic policy and the design of key economic interventions in Wales. This does not fall within my areas of responsibility as Minister for Finance, so I am unable to comment on this although I understand this is covered in the statements of Andrew Jeffreys (M9/WG/WT/01) and Jonathan Price (M9/R9R/JP01) in this module.

#### **Part D: Economic decision-making structures**

78. I am asked through what structures high level economic decisions were made. As Minister for Finance I would not have been responsible for policy specific economic decisions and therefore would not have been involved in specific decisions on economic interventions beyond approving the funding arrangements. The funding decisions to support economic interventions would have been considered by the Star Chamber, which I chaired. There would also have been discussions at Cabinet regarding the economic response which I would have been present at.

79. In relation to important forums or structures which advised or supported my decisions as Minister for Finance in response to the pandemic, this would have been through the Star Chamber, details of which are outlined in paragraph 7 above.

80. The group supported me in undertaking an initial reprioritisation exercise to identify areas of Welsh Government spending (both revenue and capital) which could be repurposed in order to contribute to a centrally held and newly created Covid-19 Response Reserve, after which I would set revised Main Expenditure Group (MEG) budgets for 2020-21 based on the reprioritisation exercise. Main Expenditure Groups are essentially the budgets which sit under Ministerial portfolios. The Star Chamber would then support me in taking my decisions on the deployment of the Covid-19 Response

Reserve, by scrutinising all Ministerial Advice which sought to draw upon it and receiving reports on the progress of implementation.

81. The Socio-Economic Harms subgroup of the Technical Advisory Group did not directly support my work in relation to how I managed the Welsh Government budget or made funding decisions. However, it did play an important role in informing the Welsh Government's assessment of the nature of the economic shock and helped inform the wider discussions we had at Cabinet meetings regarding the Welsh Government's response to the pandemic.

82. It is my view that the structures, bodies, and processes that were in place, including the established Ministerial Advice process, Cabinet meetings, the Star Chamber, Covid Core Group, and meetings with local authority Leaders, enabled core decisions in relation to Wales's response to the pandemic to be taken effectively and efficiently, and in the spirit of partnership. I also feel that groups such as the Socio-Economic Harms subgroup played a vital role in supporting Cabinet's decision-making and feel it would be helpful to have these structures and groups in place in any future pandemic.

#### **Part D: Support for Jobs and Business**

83. I am asked about the nature and extent of my contribution, if any, to the design, delivery and monitoring of several economic interventions, to support both jobs and businesses, introduced by both the UK Government and the Welsh Government. This includes:

- The Coronavirus Job Retention Scheme ('CJRS')
- The Self-Employed Income Support Scheme (SEISS)
- Welsh Schemes to support the labour market
- The Bounce Back Loan Scheme ('BBLs')
- The Coronavirus Business Interruption Loan Scheme ('CBILs')
- The Coronavirus Large Business Interruption Loan Scheme ('CLBILs')
- The Covid Corporate Financing Facility ('CCFF').
- The Economic Resilience Fund
- The Covid-19 Wales Business Loan Scheme

84. As I have outlined throughout this statement, my role in responding to the pandemic was the same across all portfolios of the Welsh Government, whether that was health, education or the economy. I was responsible for making sure all proposals being put forward were affordable and provided value for money. My role was not about deciding

what the economic response or health response to the pandemic would be, it was about making sure the right funding was in place across the government to support the response.

85. I am, therefore, unable to answer detailed questions regarding the design, delivery, monitoring, gaps within schemes or how effective the schemes were. I did however, on behalf of the Welsh Government, raise concerns regarding some of the schemes with the UK Government and will outline details of those. I will also make clear my role in agreeing the funding for the Economic Resilience Fund and the Covid-19 Wales Business Loan Scheme.

#### UK Government schemes

86. I wrote to the Chief Secretary to the Treasury and the Chancellor on a number of occasions to seek clarification on financial matters linked to the economic support schemes they had put in place. I also received letters from them regarding the schemes and raised concerns regarding the financing of the schemes during the Finance Quadrilateral meetings.

87. This included:

- The Chief Secretary to the Treasury writing to me on 27 March 2020, exhibited at **RE/068-INQ000320847**, to set out further details relating to the Coronavirus Self-Employment Income Support Scheme and the Coronavirus Job Retention Scheme.
- My response to this letter on 5 April 2020 seeking further clarification on the way in which the Coronavirus Job Retention Scheme would apply to bodies that receive public funding. I exhibit the letter at **RE/069-INQ000320848**.
- On 19 January 2021, a letter from me and the Minister for the Economy to the Chancellor of the Exchequer to stress the importance of providing certainty to businesses and individuals about the support they would be provided with (exhibited at **RE/070-INQ000321044**). This letter referred to the extension of the Coronavirus Job Retention Scheme as a welcome development. It also called for a delay or payment holiday to be made available as payments were due to start for businesses

who had received Coronavirus Business Interruption Loan Scheme (CBILs) loans. We did not receive a response to this letter.

88. I am specifically asked about the requests made in late 2021 by the Welsh Government for the Coronavirus Job Retention Scheme to be extended in Wales. It is my view that the Welsh Government's decision making around the Omicron variant was constrained by funding decisions of the UK Government. I explain, in the following paragraphs, the discussions that took place around this issue.

89. Cabinet first received an update on the emerging threat associated with the Omicron variant at its meeting on 29 November 2021 (minutes exhibited at **RE/071-INQ000130006**). The Chief Medical Officer for Wales reported that the evidence suggested that Omicron had increased transmissibility as compared to Delta, but it was not known at that stage whether it was more harmful. The Chief Scientific Adviser for Health noted that the evidence suggested that Omicron had the potential to escape the vaccines. Cabinet also noted that community transmission in the UK appeared to have already commenced.

90. The First Minister advised Ministers that he, along with the First Minister of Scotland, had written to the Prime Minister seeking an urgent COBR meeting, and calling for tighter travel restrictions. In addition, the letter (which I exhibit at **RE/072-INQ000256922**) sought confirmation from the Prime Minister that:

*“...devolved financial business support schemes will be funded by the Treasury in the event more interventionist measures are required to respond to the public health situation... In particular, it is important for us to agree that if the conditions in a devolved nation were to require more significant interventions than in England, the agreed package of financial support would be available to that nation. We do not want to be in a position again where our public health interventions are negatively impacted by a lack of financial support, but can be switched on as required for England.”*

91. Cabinet agreed to reconvene on Thursday 2 December 2021 to consider developments in advance of the next formal review; this was the first of a series of meetings which took place in the week that followed, with further meetings on 6, 8 and 9 December 2021; the minutes of these meetings are exhibited at **RE/073-INQ000271796**. Cabinet considered a briefing paper setting out options for strengthening the current response, whilst recognising the stable public health situation and the easing of Covid-related NHS

pressures. I exhibit the paper at **RE/074-INQ000057943**. The paper also set out the factors that might trigger a 'Covid Urgent' scenario/situation, as well as what 'Covid Urgent' would look like, what its impacts would be, and how long it would need to be in place. In terms of what 'Covid Urgent' might look like, the briefing paper suggested that under a worst-case scenario, *"the only interventions likely to be effective in this scenario of high exponential growth [were] from the alert level four toolbox."*

92. Of particular significance to my portfolio was the introduction of alert level four restrictions under a 'Covid Urgent' scenario which would mean the closure of businesses - the economic impact of which could only be mitigated by UK and Welsh Government support, which would in turn have significant financial implications. In that context, the paper noted the Coronavirus Job Retention Scheme and the Self-Employment Income Support Scheme had ended in September 2021, with no indication at that point that the UK Government intended to reintroduce the schemes in the event of a sharp deterioration in the public health context in England.

93. Moreover, the First Minister had the previous day received a response from the Prime Minister to the joint letter of 29 November 2021, which did not address the points which the First Ministers had raised (including financial support) but instead promised a fuller response from the Secretary of State for Health. I exhibit the Prime Minister's response at **RE/075-INQ000228015**.

94. At its 2 December 2021 meeting, Cabinet agreed that in planning for 'Covid Urgent', Alert Level 4 restrictions would be the most appropriate response, subject to further advice on the potential triggers.

95. On 6 December 2021, Cabinet considered a paper (CAB(21-22)61, exhibited at **RE/076-INQ000057950**) relating to the 21-day review of the coronavirus regulations which was due on 9 December. CAB(21-22)61 set out a series of recommendations for Ministers to consider, covering firstly the existing Delta epidemic and secondly the risks from the Omicron variant as then understood. In respect of Delta, the paper suggested that at that point, it was not considered proportionate to introduce more stringent restrictions, given the harms which would be caused to business and the risk of losing public support which may be needed if more stringent protections were subsequently required. Cabinet agreed this recommendation, subject to any strengthening Ministers considered necessary to slow the spread of Omicron.

96. In respect of Omicron, the paper went on to describe a forward look Worst Case Scenario under 'Covid Urgent', noting the continued uncertainties about the new variant, which made it necessary to plan for a worst-case scenario where Omicron evaded vaccines and outcompeted Delta, leading to rises in case-to-hospitalisation and case-to-fatality rates, ultimately resulting in much higher pressures on the NHS. The paper noted that further work would be needed to set out indicators and timing which would signal a need to act in response to the worst-case scenario, and reiterated that under that worst case scenario, level four measures would be necessary to bring the epidemic back under control. The paper recognised the financial implications of a move to level four restrictions, noting that:

*“Unless financial support is made available by the UK Government the harms from moving to alert level four measures will be much greater than in previous waves. This could lead to many more permanent business closures and job losses. Financial support can be made available by the Welsh Government, but it cannot plug the gap from UK-wide schemes like furlough. It is anticipated that should the worst-case scenario unfold that this will happen across the UK and require a similar response. Our expectation is this should lead to UK financial support being reinstated.”*

97. The financial implications were included in part two of a summary of Alert Level 4 paper which I exhibit at **RE/077-INQ000057958**. The paper summarised the financial support provided to businesses to date and indicated that if the support previously provided to closed businesses was replicated for a period of 2-3 weeks, a budget of circa £150 million would be required. It also noted the absence of the UK Government Coronavirus Job Retention Scheme and the Self-Employed Income Support Scheme, which the Welsh Government had neither the data, capacity, finance, or systems to replicate at scale because employment support is not devolved to Wales.

98. In relation to Omicron, Cabinet noted that unless financial support was made available by the UK Government, the economic harms caused by a move to Alert Level 4 would be much greater than in previous waves. Nonetheless, Cabinet agreed in principle that if there was a risk the NHS could become overwhelmed by Covid cases, Alert Level 4 should be the basis for the Welsh Government's response. Cabinet also agreed, given the uncertainties about Omicron, to move to a weekly decision-making cycle.

99. The First Ministers of Wales and Scotland received, on 7 December 2021, a response from the Secretary of State for Health to their joint letter of 29 November 2021. The letter

set out the UK Government financial support still available to businesses in Wales, Scotland and Northern Ireland but did not make the further financial commitments which the First Ministers had requested. I exhibit the letter at **RE/078-INQ000256925**.

100. At its meeting on 8 December 2021, the First Minister informed Cabinet that in response to the spread of the Omicron variant, the UK Government was expected to announce later that day the introduction of the remaining elements of its Covid Plan B. This would require people to work from home, where possible, and the introduction of a Covid passport for entry into certain venues in England. Ministers agreed that they would need further discussion about the implications of the UK Government plans when the information was available.

101. At Cabinet on 9 December 2021, the First Minister informed colleagues that he, along with the First Ministers of Scotland and Northern Ireland, had attended a meeting with the Secretary of State for Levelling Up, Housing and Communities and Minister for Intergovernmental Relations the previous afternoon. At that meeting the UK Government had confirmed that it would be introducing the remaining measures of its Covid control Plan B for England. The First Minister said that he was continuing to press the UK Government for a meeting of COBR to agree a four-nation approach to tackling Omicron, and that HM Treasury would need to be involved, to ensure additional financial support was made available in the event of further restrictions.

102. I wrote to the Chief Secretary to the Treasury on 15 December 2021. I noted the joint letter to the Prime Minister from the First Ministers of Wales and Scotland and said that recent developments made it even more important to have clarity about what further support from the UK Government would be available to the devolved governments should the need for further restrictions arise. I again emphasised the importance of the Coronavirus Job Retention Scheme being available where the devolved governments needed to implement measures impacting the ability of businesses to trade. I exhibit my letter at **RE/079-INQ000321139**.

103. A COBR meeting took place on 15 December 2021, at which the question of further financial support was raised. At that meeting, the First Minister made clear that his concerns were not about the levels of funding provided, but about the fact that funding could only flow to the devolved governments as a consequence of decisions taken by the UK Government about spending in England. I exhibit the Welsh Government note of the meeting at **RE/080-INQ000216608**. The following day, the First Minister wrote again

to the Prime Minister. He re-emphasised his view that Wales had benefitted directly from the major funding measures deployed by HM Treasury to support businesses and the wider economy, but that the Welsh Government was inhibited from considering a full range of mitigation measures because it could only access Treasury funds when the UK Government introduced such measures in England. I exhibit his letter at **RE/081-INQ000228013**.

104. At meetings on 16 December 2021, Cabinet considered a series of further papers in relation to the coronavirus restrictions. The First Minister reported the difficult discussion with the Chief Secretary to the Treasury at COBR which had taken place the previous day, and Cabinet considered the recommendations in the paper, which provided recommendations and options for immediate action, and for actions post-Christmas, in that context. I exhibit the minutes of Cabinet's meeting on 16 December at **RE/082-INQ000057970**.

105. The papers included an assessment of the financial implications of implementing Alert Levels 2, 3 and 4, which I exhibit at **RE/083-INQ000057974**. The paper noted that the Welsh Government's business support schemes had to date been based upon supporting businesses to enable them to cover certain operating costs (excluding staffing), but not lost turnover, given they had to close, or had been severely impacted by the restrictions. By covering certain operating costs, the expectation had been that businesses would remain solvent, safeguarding jobs, alongside using the UK Government's Job Retention Schemes.

106. The paper concluded that the Welsh Government had sufficient funding capacity to cover operating costs emergency funding only under all Alert Levels, for the remainder of the financial year, provided the average grant amounts were around the £10,000 a month maximum range and covered a period no longer than two months. However, it reiterated that the Welsh Government did not have the data, capacity, finance, or systems to support individual support schemes like the Coronavirus Job Retention Scheme and Self-Employed Income Support Scheme at scale. Moreover, operation of such schemes would require access to tax records which HMRC was not legally able to share.

107. Cabinet expressed concern that the UK Government appeared to be ignoring the scientific advice on the spread of Omicron; and that without specific additional support from HM Treasury, the Welsh Government was in a very difficult situation when trying to

strike a balance between threats to public health and the socio-economic harms associated with greater restrictions.

108. Cabinet reconvened at 16.15 on 16 December 2021, when the First Minister informed colleagues that (as noted above) he had written to the Prime Minister to urge him again to reintroduce the Coronavirus Job Retention Scheme, along with allied measures, for the whole of the UK; or to provide the devolved governments with access to Treasury funds to enable them to introduce their own measures. Cabinet returned to the outstanding issues from its discussion earlier that day, and:

- confirmed there should be strong guidance about keeping safe over Christmas,
- agreed that there should be regulations requiring people to work from home or remotely, wherever possible,
- agreed that after Christmas, there should be further legal restrictions to include the reintroduction of two metre social distancing, along with one-way systems in offices, retail, and other businesses,
- agreed that given the additional risk of infection in confined spaces, nightclubs should close from Boxing Day,
- agreed that given the economic impact on businesses, a financial support package of between £50 million and £60 million would be available.

109. Cabinet also agreed that it would meet again on 20 December 2021 to consider any outstanding issues and the remaining elements of Alert Level 2; the First Minister issued a written statement on 17 December 2021 announcing the new restrictions which had been agreed. The statement confirmed that financial support would be made available but also noted that the Welsh Government's ability to provide and sustain longer-term economic support was severely constrained by the position of the UK Treasury and its failure to open vital support schemes, such as the Coronavirus Job Retention Scheme. I exhibit the statement at **RE/084-INQ000023305**.

110. At its meeting on 20 December 2021, Cabinet considered a series of papers relating to the review of the coronavirus restrictions due on 21 December. The First Minister noted there had been an inconclusive COBR meeting the previous day: there had been an offer of further resources for the devolved governments, but it was not clear whether this was additional funding or the bringing forward of funding already announced.

111. The papers to Cabinet included a 'Cabinet Discussion Paper – Events' which I exhibit at **RE/085-INQ000057983**. Cabinet considered the two options for restrictions in relation

to major events presented in the paper (having ruled out a third option, which was to do nothing on the basis that sufficient mitigations were already in place). The two options were:

- to apply Alert Level 2 in full and require all sporting events, whether indoor, outdoor, professional or community events, to take place behind closed doors. To be supported by a £3 million fund to recompense for the loss of spectators.
- to make an exception to Alert Level 2 in terms of event numbers and social distancing and allow the events to proceed based on their full Covid-19 risk assessments, but with additional measures in place.

112. Following a wide-ranging discussion, Cabinet concluded that measures to slow down transmission rates were required, and on that basis, it was agreed that all indoor and outdoor events should be closed to spectators from Boxing Day. An announcement confirming this decision was issued that day, which I exhibit at **RE/086-INQ000321123**. Cabinet also had an initial discussion on potential changes to hospitality post-Christmas; Cabinet asked officials to provide further advice on the introduction of restrictions and agreed they would meet again to consider that advice, and the affordability of the options. I exhibit the minutes at **RE/087-INQ000057982**, which also includes the minute of the 21 December 2021 meeting described below.

113. Also on 20 December 2021, I received a response from the Chief Secretary to the Treasury to my 15 December letter. The response outlined the support to businesses which was still available, and informed me that, having listened to the concerns that I had raised, the Treasury would immediately double the additional funding available to the Welsh Government from £135 million to £270 million. I exhibit the letter at **RE/088-INQ000321085**. I was very disappointed that the Chief Secretary to the Treasury did not respond to – or even engage with - my request (which echoed the clear requests which had been made by the First Minister alongside the First Minister of Scotland) that the Coronavirus Job Retention Scheme should be made available in cases where the devolved governments needed to implement measures to protect public health which impacted the ability of businesses to trade.

114. Cabinet reconvened on 21 December 2021 to consider a paper setting out several issues under Alert Level 2 that needed to be resolved, which I exhibit at **RE/089-INQ000057994**. The paper noted that although uncertainties about Omicron remained, the advice from Technical Advisory Cell and the Chief Medical Officer for

Wales for the 16 December review was to introduce as stringent measures as early as possible; however, it also noted that:

*“...without wage support schemes in place from the UK Government like the Job Retention Scheme (JRS) and the Self-Employment Income Support Scheme (SEISS) the harms from restrictions cannot be mitigated in the same way as previous waves, ruling out the most stringent measures at this stage (particularly given uncertainties and unknowns highlighted by TAG).*

115. The paper went on to say:

*“Discussions at Cabinet on 16 and 20 December identified alert level two as the most realistic basis for a suite of protections that could be introduced, whilst being able to bring in a financial package of support that could mitigate some of the economic harms relative to the public health risk...Options for adopting higher alert levels would be more viable if the UK Government were to reinstate wage support schemes, like the JRS and SEISS.”*

116. In introducing the paper, the First Minister noted that since the previous meeting, the UK Government had announced a £1 billion support package for businesses in England, and that Wales had already been offered additional support from HM Treasury, which would allow Welsh Ministers to introduce a more generous support package. Cabinet noted that £120million would now be available for nightclubs, events, retail, hospitality, leisure, and tourism businesses affected by the move to Alert Level 2, and that there would be additional funds to support sports venues, arts and cultural organisations. Cabinet agreed:

- to reinstate the requirement for 2 metre physical distancing as a specific step in the regulations that must be taken before other measures,
- that licensed premises would need to take additional measures to protect customers and staff, including table service and collecting contact details,
- that the rule of six would apply in regulated premises such as hospitality, cinemas and theatre,
- that face coverings would be required in hospitality settings,
- that the maximum number of people who could gather at an indoor event would be 30, and 50 outdoors.

117. These changes were announced in a Written Statement issued on 22 December 2021, which I exhibit at **RE/090-INQ000023306**.

118. During a Finance Quadrilateral on 12 January 2022 myself and the Finance Ministers from Scotland and Northern Ireland requested that HM Treasury keep under consideration the targeted use of the Coronavirus Job Retention Scheme, and the Self-Employed Income Support Scheme. I again made the point that it should not be the case that UK-wide mechanisms only become available when the UK Government determined that England required them. I exhibit the note of the quadrilateral meeting at **RE/091-INQ000321261**.

119. It is my view that the Coronavirus Job Retention Scheme and the Self-Employed Income Support Scheme played an important role in the economic response to the pandemic. However, as the previous paragraphs have made clear, the inability of the devolved governments to access these schemes when they felt it was needed impacted our response and I would like to see this issue addressed for future emergency situations.

#### The Economic Resilience Fund

120. As with all decisions I made regarding the Welsh Government's response to the pandemic, my decisions in relation to the Economic Resilience Fund related to the funding being made available for the scheme. I was not involved in the design, delivery or monitoring of the scheme.

121. The Ministerial Advice that I approved and the discussions held in Star Chamber on the Economic Resilience Fund were:

- The Economic Resilience Fund was considered by the Star Chamber on 27 March 2020, 31 March 2020, and 2 April 2020 when it provided views on the emerging proposals. I exhibit the minutes of the meetings at **RE/092-INQ000321163**, **RE/093-INQ000320779**, and **RE/094-INQ000320780**. The Star Chamber then considered the draft Ministerial Advice itself on 6 April 2020 and raised several comments and issues, which are set out in the minutes exhibited at **RE/095-INQ000369250**.
- The Ministerial Advice, exhibited at **RE/096-INQ000145366** was submitted later that day to the Minister for Economy, Transport and North Wales and to me, to make two key decisions:

- i. The Minister for Economy, Transport and North Wales was asked to agree to the detailed arrangements for the administration of the Economic Resilience Fund;
  - ii. I was asked to agree to make available up to £400m revenue from the centrally held Covid-19 response reserve in 2020-21 for the Economic Resilience Fund, with £200 million released immediately as a first tranche.
- The Economic Resilience Fund was further discussed at Star Chamber on 7 April 2020, as exhibited in the minutes at **RE/097-INQ000320794**. The Minister for Economy, Transport and North Wales and I made a further joint decision regarding the Economic Resilience Fund on the same day. I approved the release of a further £100 million for the Economic Resilience Fund in Ministerial Advice, exhibited at **RE/098-INQ000145346**.
  - An update on the Economic resilience Fund was discussed at the Star Chamber meeting on 20 April 2020, as exhibited at **RE/099-INQ000299240**.
  - On 23 April 2020, a discussion was held in Star Chamber on whether to pause the Economic Resilience Fund to review the processes, eligibility criteria and consider the spread of applications received to date. The minutes of the meeting are exhibited at **RE/100-INQ000299243**.
  - A short discussion on phase 2 of the Economic Resilience Fund was held on 20 May 2020 and the policy team were asked to produce a paper for Star Chamber on the proposal to extend support available under the scheme to sole traders. The minutes of the meeting are exhibited above at **RE/016-INQ000336620**.
  - The Minister for the Economy attended Star Chamber on 4 June 2020 to discuss the proposals for phase 2 of the Economic Resilience Fund, as exhibited earlier at **RE/005-INQ000338572**.
  - The Minister for the Economy further attended Star Chamber on 21 September to update members on phase 3 of the Economic Resilience Fund. The minutes, exhibited at **RE/101-INQ000337171**, explain that the Minister for the Economy talked through the options for the next phase of the fund and took questions from the group.
  - Following the Minister for the Economy's attendance at Star Chamber, on 25 September 2020 the draft Ministerial Advice for Phase 3 of the Economic Resilience fund was

discussed at Star Chamber and the feedback was provided to the policy team as exhibited in **RE/102-INQ000337168**.

- On 25 September 2020, I, along with the Minister for the Economy was asked to agree a ministerial advice for phase 3 of the Economic Resilience Fund, as exhibited at **RE/103-INQ000513840**. The Ministerial Advice stated that the proposals within the advice complemented the wage subsidy and wider schemes that had been announced by the Chancellor of the Exchequer on 24 September 2020.
- In October 2020, and in light of the significant increase in the transmission of the virus, Cabinet considered at its meeting on 15 October 2020 the question of whether to introduce a firebreak (also referred to as a 'circuit breaker'). The following day the Star Chamber considered proposals for a funding package for businesses. I exhibit the proposals at **RE/104-INQ000349951** which were for a £300 million package, of which £133 million was a request for new money from the Covid Response Reserve for which I would need to give approval. The note of the meeting is exhibited at **RE/105-INQ000321155**.
- The following day (17 October 2020), I, along with the Minister for Economy, Transport and North Wales and the Deputy Minister for Economy and Transport, were asked to approve the finalised proposals in a Ministerial Advice, which I exhibit at **RE/106-INQ000145350**. The Minister for Economy and Deputy Minister for Economy and Transport approved the proposals for the operation of the fund, following which I agreed the financial package of support, consisting of an additional £134.5million from the centrally held Covid-19 response reserve, the deployment of a balance of £20 million from the original £500m Economic Resilience Fund package, as well as the purposing of the £160 million already allocated for phase 3 of the Economic Resilience Fund.
- On 4 December 2020, the Minister for the Economy and I were sent Ministerial Advice, exhibited at **RE/107-INQ000145352**, asking us to approve proposals for supporting businesses and their employees during a six-week period of restrictions commencing on 4 December 2020. While the Minister for the Economy was asked to approve the policy proposals being put forward under the Economic Resilience Fund for a Business Restrictions Fund, I was asked to agree a financial package of support which included a £340m package of support directed primarily at the hospitality, tourism and leisure and related supply chain sectors.

- On 17 December 2020, further Ministerial Advice, exhibited at **RE/108-INQ000145367**, was sent to the Minister for the Economy and me asking us to agree enhanced support for non-essential retail businesses. This extended the Business Restrictions Fund to include non-essential retail. I agreed an £110million funding package to support this.
- On 22 January 2021, the Minister for the Economy and I were asked in Ministerial Advice, exhibited at **RE/109-INQ000145369** to agree an extension to the support provided under the Business Restrictions Fund. The proposal which was agreed was to enhance the non-domestic rates based grant for non-essential retail, hospitality, leisure and tourism sectors to provide a single top up payment between 25 January 2021 and 31 March 2021. Taken alongside the package of support we had already agreed for December and January, this provided businesses with four months of support.
- On 18 February 2021, I was asked in Ministerial advice, exhibited at **RE/110-INQ000145337**, to agree further funding under the Economic Resilience Fund for £30million to launch a further phase of emergency financial support in 2020-21 targeted specifically at small, medium and larger hospitality, leisure and tourism and related supply chain businesses which would cover costs falling into February and March 2021.
- In March 2021 consideration was being made to extend level 3 or 4 restrictions further. In light of this the Minister for the Economy and I were asked to agree an extension to the non-domestic rates linked grants for non-essential retail, hospitality, leisure and tourism sectors to provide a single top up payment for costs falling in March, as exhibited at **RE/111-INQ000145374**. As with previous Ministerial Advice I was asked to agree the financial package of support.

122. I am asked to what extent I was able to clarify or challenge the proposals around the design, implementation and delivery of the scheme and whether it is fair to say there was limited challenge from me on the design and operation after its inception. Discussions were held in Star Chamber as I outline above but these were focussed on financing the scheme. I would not have expected to have been involved in the design, implementation and delivery of the scheme as this was the responsibility of the Minister for the Economy. Likewise, it was not my responsibility to challenge the design and operation of the scheme. It was my role to test the affordability and value for money of the scheme, and these aspects were tested via the Star Chamber process.

123. The Star Chamber was an efficient process that allowed me to consider the funding proposals being put forward in a timely manner. It allowed sufficient time to scrutinise the proposals and seek any clarification that was needed while providing support quickly.

124. The Economic Resilience Fund played a crucial role in supporting businesses which were unable to access support through other schemes that were available. The Welsh Government acted swiftly to provide support where it was needed. As a report published in December 2020 by Economic Intelligence Wales stated: *'the wider impacts of the support could be significant, with many thousands of jobs supported indirectly in related firms through supply-chain effects and wage spending effects'*. The report, exhibited at **RE/112-INQ000321158**, also states: *'the fiscal tools available to Welsh Ministers are more limited than those available at UK Government level and the sums spent or invested are considerable in light of the size of the regional economy. Timely intervention was critical, particularly given the problems facing businesses in Wales in the second and third quarters of 2020. The evidence from beneficiaries reveals that significant levels of Welsh employment were protected, with the Welsh-led interventions providing additional and more varied support than that offered under the UK-led Job Retention Scheme or SEISS.'*

125. I have no specific recommendations for the Chair about the Economic Resilience Fund.

#### The Covid-19 Wales Business Loan Scheme

126. As with the Economic Resilience Fund, I had no role in the design, implementation or delivery of the Covid-19 Wales Business Loan Scheme. My role in regard to the Scheme was to approve the finance for the Fund. This was done by the Ministerial Advice process and it was also discussed in Star Chamber.

127. The Covid-19 Wales Business Loan Scheme was first discussed by Star Chamber on 27 March 2020 as part of the wider discussions on the Economic Resilience Fund as can be seen in the minutes of the meeting exhibited earlier at **RE/092-INQ000321163**.

128. The day after the Star Chamber discussion, on 28 March 2020, I was asked to approve the financial package to support the establishment of the Covid-19 Wales Business Loan Scheme, as exhibited at **RE/113-INQ000361444**. The Minister for the Economy was asked to approve the establishment of the scheme.

129. The Scheme was funded by the re-allocation of Financial Transactions capital for other schemes which I had previously approved. It included:

- The re-allocation of £30million of Financial Transactions capital, which had previously been approved in 2019/20 for the Wales Flexible Investment Fund.
- The re-allocation of £30million of Financial Transactions capital in 2019-20 which was held by the Development Bank of Wales in the existing Wales Flexible Investment Fund.
- The re-allocation of £40million Financial Transactions capital in 2019-20 from the existing Wales Tourism Investment Fund.

130. I had no involvement in the oversight of the delivery of the scheme, assessing the risk of fraud and error, setting the aims and objectives of the scheme so am unable to comment on these matters.

131. As outlined in the Economic Intelligence Wales analysis on Welsh Government financial interventions, previously exhibited at **RE/112-INQ000321158**, the scheme ultimately supported 1,332 businesses. It committed £92 million connected to an estimated 16,058 jobs safeguarded. This equated to an average of £69,069 per firm assisted.

132. I have no recommendations for the Chair in relation to this Scheme.

## **Part E: Local Government**

80. Before May 2021, when I became the Minister for Finance and Local Government, my role regarding funding to local government was in relation to my finance responsibilities. For example, in Ministerial Advice, dated 20 March 2020 and exhibited at **RE/114-INQ000227906**, the Minister for Local Government and Housing and I were asked to agree the proposal to provide an overall single grant to support local authorities dealing with the impacts of Covid-19, this became known as the Local Government Hardship Fund. I was asked to release up to £30million of funding and the Minister for Local Government and Housing was asked to agree to the funding being made available to local authorities through a single over-arching Local Government support fund for Covid-19.

81. On 20 March 2020, I was also sent Ministerial Advice asking me to approve Non-Domestic Rates Support for Businesses dealing with Covid-19, as exhibited at

**RE/115-INQ000116595.** I approved this advice and agreed to provide support to ratepayers in Wales on an equivalent basis to those in England. This meant all properties in the retail, leisure and hospitality sectors would receive 100% rates relief in 2020-21.

133. I did not introduce any changes to the funding for Local Government in response to the pandemic during the period May 2021 to June 2022. The systems that were already in place when I took on the responsibility for Local Government were working well and it was not my view that they needed to change.

134. As outlined in paragraphs 25-29 above, it is my view that the Welsh Government and local authorities in Wales worked very well together in response to the pandemic in Wales. The Welsh Government was actively involved in frequent and comprehensive engagement with Welsh local authorities, including around the design implementation and delivery of economic support to local government. In setting up the Local Government Hardship Fund, which was the provision of additional funding to support local authorities, Welsh government officials worked closely with local government to assess the implications and mitigation actions required to support them.

135. I believe that the funding provided for local government in response to the pandemic in Wales was targeted in the right way. Thanks to the close partnership working that existed before the pandemic in Wales between the Welsh Government and local authorities we were able to address their needs quickly and effectively. The regular meetings which were established at the start of the pandemic between the Minister for Local Government and Housing and local authority leaders made sure she knew the best way to target funding to help them.

136. I am asked for my thoughts on what worked well in the design, implementation and delivery of the Local Government Hardship Fund, whether the reimbursement method was the right approach and whether we should have considered adopting a formula for assessing the need for funding based on local characteristics. From my involvement in the fund, I feel that the Local Government Hardship Fund was set up in the right way and delivered the support local authorities needed in the most effective way. By providing additional funding for local authorities through the fund, it also avoided the administrative cost and burden which would have been associated with multiple funding streams being set up across the different areas local government was required to support. Where local authorities required financial assistance in relation to a particular service area (such as housing the homeless), this was achieved through the Hardship Fund, but the decisions

were made by the portfolio Ministers with responsibility for the service in question rather than myself.

137. In relation to creating a new formula for distributing the fund, this is not something which could happen overnight. Creating a new formula would need to be done based on evidence and in partnership with local government. Any changes – even to the existing formula – can be very controversial, and a comprehensive and fundamental review of the existing funding formula could be expected to take years. This would have been totally impractical in the timescales we were working to and would have taken people – including analysts – away from the pandemic response. The existing system we had in place which was used to distribute the fund was by far the most fair, efficient and effective way we could have dealt with it and, if the need arose again, I would recommend the same system is used.

138. As with the Local Government Hardship Fund, it is my view that the Non-Domestic Business Rate Relief Scheme, which was available for retail, leisure and hospitality businesses, worked well and targeted the right businesses. It ensured ratepayers in Wales were being supported on an equivalent basis to those in England and it allowed us to provide immediate support and clarity for ratepayers in Wales. I believe that rate allocations were based on the most up to date information available at that time.

139. Using local authorities to administer the scheme meant we could use powers that were already in place rather than making specific legislation. The scheme was operated under section 47 of the Local Government Finance Act 1988 (the 1988 Act) which allows local authorities to provide discretionary relief. Using powers to administer the scheme reflected the temporary nature of the scheme and provided flexibility for local needs and circumstances. It also allowed us to act quickly to provide this support.

140. I consider the funding arrangements that were established for local authorities in Wales to address the financial pressures they faced due to the pandemic were sufficient in amount, flexible and responsive. By using tried and tested systems that were well established we were able to deploy funding quickly to where it was most needed in a way that benefited from high acceptance by local authorities.

141. Different local authorities across Wales would have been affected differently due to the pandemic and at different times but, overall, I do not think that some local authorities in Wales were under-compensated and others over-compensated in the application of

additional funding. The formulas that were used to allocate funding were well established and would have been developed in collaboration with local authorities.

142. I have no specific recommendations for the Chair of the Inquiry to consider making in relation to funding for local government in Wales in an emergency and would encourage any future government in Wales to use the same systems and models that we used. I would however encourage other governments to consider a similar model to that used in Wales to ensure a fast and effective response to the needs of local government in an emergency.

## **Part F: Alleviating Hardship**

### Support Administered by the UK Government

143. I had no role in the decision to apply uplifts to Universal Credit and Working Tax Credit or the level of the uplift. These were decisions for the UK Government, and I would not have expected to have been consulted about them. I do not know who, if anyone, would have been consulted on this decision in the Welsh Government.
144. I was also not involved in the monitoring of the operation or the effect of the uplift. This would not have fallen within my responsibilities. As such, I am not aware what data was used to monitor their operation.
145. The engagement between myself and the UK Government in relation to review, amendment and cessation of the uplifts was primarily linked to the decision to end the uplift in October 2021. On 19 January 2021, the Minister for the Economy and I sent a letter to the Chancellor of the Exchequer which urged him to consider making the temporary £20 per week uplift to universal credit a permanent addition, as exhibited earlier at **RE/070-INQ000321044**. The uplift had made a difference to some of the most vulnerable households in Wales and we were aware that withdrawing it would have resulted in 300,000 families in Wales losing up to £1,000 a year. It was disappointing that the UK Government made the decision to end the uplift in October 2021. I know my ministerial colleagues continued to argue for the £20 uplift to be reinstated due to the cost of living crisis we were facing as the pandemic started to stabilise.
146. It is my view that the uplifts did make a difference in Wales and many households would have benefited from this at a time of financial difficulty. I was not involved in

enough detail to know whether there were any gaps in coverage of the uplifts or if they were unequal in their impact.

147. As outlined above, I did not feel that the uplifts were ended at the right time and I would have liked to have seen them extended or in fact made permanent.

## **Part G: Inequalities and Vulnerable Groups**

148. Cabinet had discussed from the outset the need to ensure that vulnerable people were properly considered in our decision-making. For example, on 16 March 2020 (minutes exhibited earlier at **RE/018-INQ000048797**), Cabinet discussed the dangers posed to older people by Covid-19 and how the process of ‘cocooning’ them might lead to further isolation and loneliness.

149. The Technical Advice Group and its Socio-Economic Harms subgroup also provided scientific and technical advice for our consideration which would refer to matters such as the impact on vulnerable groups.

150. More generally, the Cabinet was acutely aware of the impacts on vulnerable groups, both from Covid-19 itself, and from the coronavirus restrictions. The framework published in April 2020 ‘Leading Wales out of the pandemic: A framework for recovery’, exhibited at **RE/116-INQ000349353**, set out the principles against which we would assess whether the conditions were right to enable restrictions to be eased safely; one of these principles was whether the measure had a high positive equality impact. Assessments of the impact of changes to the restrictions featured prominently in our 21-day review discussions, although I acknowledge the need to make decisions at pace for the protection of public health meant that it was not always possible to undertake full impact assessments as we would have done under normal circumstances. Nonetheless, from June 2020 we did publish impact assessments for substantive changes to the coronavirus restrictions.

151. Cabinet also discussed, for example, the disproportionate impact early withdrawal of the UK Coronavirus Job Retention Scheme may have on Black and Minority Ethnic workers at its meeting on 18 May 2020 (minutes exhibited at **RE/117-INQ000048800**). At that meeting it was agreed that it would be important to highlight this at the UK Finance Ministers’ quadrilateral on the following day. It was further agreed at that meeting that the

Government would need to support the most vulnerable in society and the list of general principles for new allocations should be expanded to include tackling inequalities.

152. I am confident the Welsh Government adequately considered inequalities and economically vulnerable groups in its economic response for the reason outlined above.

153. I do not recall any specific challenges I faced regarding inequalities and vulnerable groups. Due to the consideration of these groups being so embedded in the decision-making of the Welsh Government I would expect any response to a future pandemic or other national economic emergency to continue this approach.

154. I am not able to provide a view on how the UK Government considered inequalities and economically vulnerable groups in its economic response to the pandemic as I am unaware of how it took account of these groups when considering its economic response.

155. My only recommendation about future governments making decisions about inequalities and economically vulnerable groups at a time of national economic emergency would be for those groups to be considered at every level of decision-making. We know that they are often adversely affected at a time of economic emergency, so it is vital that politicians and policy makers consider the impact of their decisions on these groups.

#### **Part H: Data and Modelling**

156. Data, economic modelling and other scenario analysis were used to inform the collective decisions made by Cabinet. It was helpful in informing our policies and response to Covid-19 in Wales.

157. As I have noted in paragraph 15, Cabinet was the key decision-making forum during the pandemic - for example in taking decisions about the imposition and relaxation of the coronavirus regulations, as part of the 21-day review process. However, Ministers also have responsibilities for matters within their portfolio, under the Ministerial Advice process. In my case, I was also involved in joint decision-making with other Ministers, where the portfolio minister would be asked to agree to the policy or intervention, and I would be asked to agree to release the funding where this had not previously been agreed or provided for.

158. Data and economic analysis were often part of this process, contributing to Ministerial advice. The Covid-19 Project Team provided economic advice in relation to the imposition and relaxation of specific non-pharmaceutical interventions and the Economic Advice Division (part of the Welsh Treasury) provided analysis and advice on the economic effects of the pandemic in the form of the Monthly Economic Report and the annual Chief Economist's Report.

159. A cabinet paper, discussed on 23 March 2020, requesting urgent financial support to business in the form of a Covid-19 Business Resilience Fund (exhibited earlier at **RE/036-INQ000048815**) is an example of how economic analysis was used. The paper noted that "we are facing the steepest recession in recorded history – probably a double-digit decline in GDP within a single quarter." It outlined that unless a business provided an essential good to the "health crisis economy", it would be difficult for any business to escape the collapse in aggregate demand. It further added that the scale of the macroeconomic shock is such that reserved tax, welfare and monetary policy levers must comprise the vast majority of the response.

160. A further example of how we used such data is in the Economic Crisis Fund Policy Proposal paper exhibited at **RE/118-INQ000320771**) which was submitted to and discussed by the Star Chamber on 27 March 2020. Annex 1 of the paper was an Economic analysis which outlined the headline macro-economic implications. It noted that the economic crisis was unfolding at an extraordinary pace, with the number of potential redundancies or business closures rising exponentially on an hourly basis. It said that although the impact is coming in waves, starting with the social economy and the self-employed, practically no part of the economy was being spared, with the crisis spreading to sectors including manufacturing. The note of the meeting records that the Star Chamber was content with the proposal and that Ministerial Advice seeking formal approval to the detail of the Economic Crisis Fund and to allocating funding from the Covid-19 response reserve would need to be provided as soon as possible. I exhibit this note as **RE/119-INQ000320772**.

161. In relation to the policy levers and powers available to the Welsh Ministers to provide an economic response, I do not believe that there were challenges with regard to the availability of data and I do not feel that my decision making would have been improved by a greater quality or quantity of data. Much of the data provided supported the decision-making around the policy decision, rather than the funding decision, which was

a matter for the portfolio minister rather than myself. The data I received in regard to the Welsh Budget allowed me to make the financial decisions needed.

162. I am not aware what data, economic modelling or other scenario analysis the UK Government used in its economic response to the pandemic, so I am unable to comment on whether it made adequate use of this information.

163. I believe that the Welsh Government made adequate use of the data, economic modelling and other scenario analysis that was available to it in its economic response to the pandemic. I was satisfied with the evidence, modelling, and advice that we were being presented with in Cabinet and upon which we needed to make decisions.

164. Within the Welsh Treasury there is a team of analysts as well as the Chief Economist and his team, all of whom were available to provide analysis for the whole Government. It is my understanding that they were involved early in the policy making process, collaborating with policy leads from the outset. An example of where we made use of such data is in agreeing to the detailed implementation arrangements for the Covid-19 Economic Resilience Fund. I was asked to agree the funding for the Economic Resilience Fund while the Minister for Economy was asked to agree the arrangements for the Fund. The revised Ministerial Advice dated 6 April 2020, which is exhibited earlier as **RE/096-INQ000145366**, noted that an underpinning economic analysis produced by officials on 26 March 2020 was provided at Annex 2, as exhibited at **RE/120-INQ000624032**.

165. I do not have any specific recommendations for the Chair of the Inquiry in relation to the use by the UK Government and the Welsh Government of data, economic modelling and other scenario analysis in the response to national economic emergencies.

## **Part I: Analysis and Reflections**

166. As I highlighted earlier, my belief is that the Fiscal Framework was not flexible enough and allowed the then Chief Secretary to the Treasury to exercise too much discretion that directly impacted the ability to exercise powers that had been conferred on the Welsh Ministers which is where democratic accountability rested. The lack of certainty under the Barnett arrangements along with the inflexibility of the Fiscal

Framework made it more difficult for the Welsh Government to plan its response to the pandemic.

167. I feel we had the right structures in place, through the Star Chamber, to make sure we directed the financial resources we had to the right place. It allowed us to carry out appropriate scrutiny of the proposals being put forward and to make quick decisions on where the funding should go.

168. I believe that the Welsh Government's economic response to the pandemic had a significant and positive impact on businesses in Wales. This is not down to me but to the Minister for Economy, Ken Skates, and his team. They sought to fill the gaps left by the UK Government schemes and targeted additional support where it was really needed.

169. As the final report from Economic Intelligence Wales on the impact of Covid-19 financial interventions in Wales, published in May 2024 and exhibited at **RE/121-INQ000591733**, states: *"There is strong and consistent evidence derived from the data informing this research programme that Welsh-led business support interventions were an important component of the overall support available to business in Wales during the pandemic. Also the businesses assisted by the Welsh Government interventions appear to have performed better than might be expected when compared to what occurred among SMEs and the wider labour market in Wales and the UK. Moreover, some businesses reported that Welsh-led support provided a greater diversity of support and was, in some instances, more important to their particular business needs than wider UK schemes."*

170. This is clear evidence that the economic interventions the Welsh Government introduced were targeted where they were needed and helped businesses in Wales to come out of this difficult period in the strongest possible position.

## **Part J: Documents**

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

## **Statement of Truth**

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

Signed:

**Personal Data**

Dated: 2<sup>nd</sup> September 2025