

Witness Name: Liz Ditchburn

Statement No.: 1

Exhibits: LD

Dated: 19 September 2025

UK COVID-19 INQUIRY

WITNESS STATEMENT OF LIZ DITCHBURN

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

1. I am Liz Ditchburn, former Director General (DG) Economy of the Scottish Government. I held this position from April 2016 to 18 November 2021. I am currently the Chair of the North Sea Transition Authority and Commissioner at the Independent Commission for Aid Impact.
2. I have prepared this witness statement myself by reference to records and factual material provided to me by Scottish Government officials. I have also received assistance from the Scottish Government Covid Inquiries Response Directorate and the Scottish Government Legal Directorate to enable the statement to be completed.
3. Unless stated otherwise, the facts stated in this witness statement are within my own knowledge and are true. Where they are not within my own knowledge, they are derived from sources to which I refer and are true to the best of my knowledge and belief.

4. References to exhibits in this statement are in the form [LD/number - INQ000000].

Overview of Roles and Relationships

5. I held the role of DG Economy from 1 January 2020 until 18 November 2021 when I handed over responsibility to successors, Roy Brannen and Elinor Mitchell, my role having been split into two on my departure. I formally left the civil service on 31 January 2022. I had been in the DG Economy role since April 2016.
6. My role as DG Economy required me to be the principal policy adviser to the Cabinet Secretary for Economy, Fair Work and Culture, the Cabinet Secretary for Rural Economy and Tourism, the Cabinet Secretary for Transport, Infrastructure and Connectivity, and the Cabinet Secretary for Environment, Climate Change and Land Reform. In addition, I provided policy support for the skills aspects of the Deputy First Minister's portfolio and for some aspects of business support in the Cabinet Secretary for Finance's portfolio. Over the period of my employment, the exact nature of cabinet secretary titles and portfolios changed but the list above reflects the situation at the beginning of 2020-2021 reporting year. I was the accountable officer (AO) for the associated budgets, with personal responsibility for the propriety and regularity of all relevant expenditure, and for economic, efficient and effective use of all relevant resources.
7. Given the broad span of my role, the primary way I discharged my responsibilities to those cabinet secretaries was to ensure that they had excellent support from the appropriate directors, deputy directors and their teams of officials and that directorates were delivering the objectives of the government. I had to ensure that the directorates that were supporting them had the right resources in place, that the directors and deputy directors I line-

managed were performing well and had effective relationships with the relevant ministers and that directorates had appropriate systems in place to manage delivery of objectives. As the DG, if ministers were unhappy with any element of their support, they would escalate that concern to me.

8. There were some areas where I had a more direct role in advising ministers. These could be areas of particular strategic importance, high risk or novel, or where ministers had requested my personal involvement.

9. Within the civil service structure, I led and supported the work of the directorates of:

- Economic Development,
- International Trade and Investment,
- Energy and Climate Change,
- Employability, Fair Work and Skills,
- Environment and Forestry,
- Marine Scotland,
- Agriculture and Rural Delivery,
- Sustainable Land Use and Rural Policy,
- Culture, Tourism and Major Events,
- Office of the Chief Economist,
- Scottish National Investment Bank Programme,
- Transport Scotland (an executive agency), and
- two deputy director led divisions as follows:
 - Economic Policy and Capability Division
 - Ferguson Marine Response Division.

10. I line-managed the directors, together with any deputy directors who reported directly to me. In Scottish Government terminology, these directorates together comprised the DG Economy family. To give a sense of scale,

although it varied over time, there were typically in the region of 3000 people working within the DG Economy family. As AO I was responsible for providing assurance to the Permanent Secretary as principal accountable officer on the effective management of the DG family including aspects of performance, risk, people, and financial management.

11. Many of these directorates had sponsor responsibility for a number of non-departmental public bodies including those such as Scottish Enterprise who would go on to play a role in delivering business support during the pandemic. Sponsorship is the activity that promotes and maintains effective working relationships between non-departmental public bodies and the government. It is typically carried out by a sponsor team within the relevant directorate. As the DG, I was responsible for ensuring that effective sponsorship arrangements were in place. The number of non-departmental public bodies sponsored from within the DG Economy family varied over time but was generally between 20 and 25. I had direct engagement and relationships with some of the larger public bodies, in other cases the director or deputy director might be the person engaging directly.

12. Although their primary reporting is direct to ministers, I or my directors also had relationships akin to line management, for example, carrying out performance appraisal, with the Chief Executive Officers of four executive agencies. The DG Economy family also had responsibility for the relationships with four public corporations and one non-ministerial office. Although all public bodies have an AO, as the DG I was designated as the portfolio accountable officer for the public bodies that came within the DG Economy family as required by the Public Finance and Accountability Act (2000). Further information on the role of portfolio accountable officers and AO is set out in the Module 2A DG Corporate statement provided 23 June 2023 [INQ000215474].

13. One of the features of the Scottish Government is that directorates and DG families do not map directly onto cabinet secretary or ministerial portfolios, rather DGs and directors may be providing support to more than one cabinet secretary and cabinet secretaries may draw their support from officials from different DG families. This introduces some complexity, for example in budgeting, but I believe also promotes policy cohesion through reducing the risk of policy work being conducted in isolation from other areas of government. In addition, I had a specific personal objective to build policy and operational cohesion within the DG Economy family and to enhance understanding of the economy and economic opportunities and risks across all parts of government.

14. As DG I had corporate responsibilities as a member of the Executive Team and as part of the leadership for the organisation as a whole. In addition to my overall responsibility for the people, resources and work of the DG family I had specific personal priority objectives within any year. Immediately prior to the pandemic, these included preparations for EU exit including planning for a no deal scenario, Scottish Government economic capability and strategy, the development of the Scottish National Investment Bank, and leading the whole of government action on the 2045 net zero target.

15. I am asked how the requirements of the role changed over the course of the pandemic. The nature of my role in ensuring that cabinet secretaries were supported and government objectives delivered, that resources within the DG family were deployed appropriately and that I contributed fully as a member of the Executive Team did not change. What changed was the nature of the challenges we faced and therefore the objectives we had to deliver when much of the organisation pivoted to responding to the pandemic.

16. Some key aspects of this pivot for the DG Economy family meant:

- ensuring Covid-19 related work was adequately resourced including making some structural changes at the directorate and division level;
- establishing new mechanisms to advise ministers on Covid-19 economic impacts and response options including the weekly Covid-19 Economy Ministers Group (CEMG) chaired by the First Minister;
- establishing and delivering entirely new business support schemes;
- working with others across the Scottish Government to advise on Covid-19 Non-Pharmaceutical Interventions (NPIs) with respect to business operations;
- ensuring economic impact and risk information was available for the “four harms” analysis and for the Scottish Government Resilience Room (SGORR) meetings and was available to directors across the whole government; and
- establishing an economy Covid-19 hub, together with a range of smaller feeder hubs in different policy areas, that coordinated material feeding into the overall Covid-19 strategy and delivery. The role of the economy hub was part of the overall Covid-19 governance arrangements [LD/01 - INQ000590794].

17. In terms of my own time, Covid-19 related work took up a significant portion both through the deployment of pre-pandemic structures to address the pandemic (Executive Team, weekly directors meetings, SGORR meetings, corporate resourcing work, line management, DG family leadership) alongside entirely novel workstreams relating to NPIs, business support, outbreak control, four harms economic advice, Covid-19 strategy and economic recovery. The dynamic of some of the pre-existing mechanisms changed; for example, the Executive Team met daily instead of weekly. There was frequent evening and weekend working. In November 2020 I took direct responsibility for official level engagement with the main business organisations, meeting their Chairs and Chief Executives at least once every week (later every two weeks) until October 2021.

18. I would estimate that the majority of my personal time during the relevant period was taken up by Covid-19 related work. The proportion of my time on Covid-19 reduced somewhat over the course of the pandemic as Covid-19 related structures and governance matured and DG family resourcing had adapted to the needs of the pandemic. In addition to Covid-19, I had responsibility for some other significant objectives including the set up and launch of the Scottish National Investment Bank, the delivery of the climate change Conference of the Parties (COP) 26 in Glasgow with respect to the practical arrangements for which the Scottish Government had responsibility and the Scottish Government's policy objectives for the COP, and the management of EU exit arrangements with respect to businesses in areas for which the Scottish Government had responsibility. For my last two to three months in the role, the delivery of the Scottish Government's COP 26 responsibilities represented a significant proportion of my time.

19. An important part of the role of a DG in the Scottish Government is ensuring that resources are deployed appropriately across the DG family and that structures respond effectively to the government's objectives. Within the DG family it was common practice for individual directors or others to take on additional responsibilities for cross-family work or to provide temporary leadership for a specific policy area according to relative workload and priority objectives. It was also common for staff to be redeployed within the DG family to support particularly busy areas or to move temporarily between DG families to support other areas as appropriate. These mechanisms were used during EU exit planning for example. At times, I used longer term structural approaches to changing needs and resource pressures. For example, a new directorate to support the establishment of the Scottish National Investment Bank was created and ran until the Bank was launched. During the pandemic I used both temporary redeployment and longer term structural changes as the demands of the pandemic evolved.

20. In March 2020 in response to a request from the Deputy First Minister I tasked one of my Deputy Directors, Gavin Gray, with establishing and leading a new temporary team to ensure there was clear guidance on who was eligible to be classified as a key worker and to resolve any problems or inconsistencies that employers were experiencing with this. Once the initial volume of key worker enquiries had been addressed, the team took on many of the emerging tasks relating to safer working guidance.

21. In another example of temporary allocation, in March 2020, the Directorate for International Trade and Investment, working closely with others across the DG family, took on responsibility for the provision of strategic advice and the development and design of the Scottish Government's first Covid-19 business support schemes. This responsibility would most naturally have resided with the Directorate of Economic Development however that directorate was dealing with other high priority Covid-19 related work including supporting companies to repurpose manufacturing. During autumn 2020 responsibility for business support returned to the Directorate of Economic Development. However, given continuing resourcing pressures there and concerns from ministers that support scheme delivery was inconsistent or slow, it became clear that a longer term solution for business support related work was required. At the end of 2020 I took the decision to create a new directorate that brought together some existing functions such as business engagement with the newer functions of Covid-19 safer working and business support. This new directorate, Covid-19 Business Resilience and Support became fully functional over the course of early 2021 and was still in place when I left the civil service. The Director leading it was Reuben Aitken.

22. I am asked when I first appreciated the scale of the economic emergency facing Scotland. During January and February 2020 my recollection is that our assessment of potential Covid-19 economic impacts focused largely on three issues, international travel and international supply chain impacts, and

the possibility of high sickness absence levels affecting employers. This was based on a pandemic flu scenario. The Office of the Chief Economist was monitoring international developments and considering this alongside the projected EU exit impacts as a new and concurrent risk. The Chief Medical Officer (CMO) and other staff from the DG Health and Social Care presented to the Executive Team on 25 February 2020 [LD/02 – INQ000652291]. I recall this meeting focused on pandemic flu scenarios; the actions we agreed as an Executive Team at that stage were largely organisational rather than policy including the need to update business continuity plans, to mobilise additional resources from across the organisation to support an expanded health response and to check that the upcoming UK legislation adequately dealt with Scottish interests.

23. Throughout the first half of March 2020, it was becoming progressively more apparent that the impacts on Scotland could be significant. On 05 March 2020, I held a DG Economy Senior Management Team meeting and all directors described their understanding of the potential impacts within their respective areas and the sorts of actions they were planning or initiating. By this time, we were starting to understand that significant numbers of vulnerable businesses might fail and that impacts were already being felt in tourism, travel and events related sectors. Demand for advice from employers (and from our own staff) on self-isolation and travel was growing.

24. I attended a Cabinet Office Briefing Room(O) meeting on 10 March 2020 together with other DGs from the Scottish Government. My memory is that this is the point at which the potential enormity of the impacts hit home as unprecedented levels of self and household isolation were being considered in the very short term with further measures such as school closures and social distancing for all being mentioned for the future. However, on reviewing the papers for this meeting now, it is notable that the Business Impact Assessment from the Department for Business, Energy and Industrial

Strategy (BEIS) [LD/03 - INQ000101335], while containing detail on the different routes of impact contained the overall assessment “*The overall economic effect of COVID-19 is likely to be significant but potentially temporary, as set out by HMT*”. At this stage I recall that we had no real sense of the length of time that the pandemic impacts would be felt or the need for the economic response to be sustained for such a long time.

25. From this point onwards, the work in the Scottish Government to assess impacts and to formulate appropriate responses developed quickly with analytical work and intelligence gathering conducted at pace to inform the broad approach. There were detailed discussions with ministers separately and in groups. By 20 March 2020, the First Minister chaired the first of the weekly Covid-19 Economy Ministers Group (CEMG) meetings. This considered economic impacts and proposed an overall approach to the economic response. [LD/04 - INQ000652029], [LD/05 - INQ000652030], [LD/06 - INQ000652031], [LD/07 - INQ000652032], [LD/08 - INQ000652033], [LD/09 - INQ000652034], [LD/10 - INQ000652035], [LD/11 - INQ000652036], [LD/12 - INQ000652037], [LD/13 - INQ000652038], [LD/14 - INQ000652039], [LD/15 - INQ000652040], [LD/16 - INQ000652041], [LD/17 - INQ000652042], [LD/18 - INQ000652043], [LD/19 - INQ000652044], [LD/20 - INQ000652045], [LD/21 - INQ000652046], [LD/22 - INQ000652047], [LD/23 - INQ000652048], [LD/24 - INQ000652049], [LD/25 - INQ000652050], [LD/26 - INQ000652051], [LD/27 - INQ000652052] Some specific issues such as Grangemouth refinery and transport were also discussed. By this point, announcements on the first swathe of business support had already been made by the UK and Scottish Governments and work on some more detailed sectoral responses was underway. The papers make clear however that we were still considering something potentially temporary with hope for a V shaped recovery, that is, that while there might be a sharp drop in economic activity and therefore key measures like Gross Domestic Product (GDP), this period would be

reasonably short and the economy would bounce back quite quickly to the same level as before.

26. The Inquiry has asked me whether or not I consider that more could have been done to formulate a response to the impending crisis during the months of January to March 2020. Given the information available or provided to us on Covid-19 and the scenarios with which we were presented, I am not sure we could have done much differently. In January and February 2020, we clearly collectively failed to imagine the nature and extent of the measures that would be taken to control the pandemic and the consequential impacts on the economy. Once that started to become clearer in March 2020, the formulation of the initial response was rapid. I did not fully understand at this time however that some of these measures would be sustained over not weeks or months but years. Had this been appreciated, different choices about the nature of the economic response may have been made. In the future, there will clearly be a better appreciation of the potential range of pandemic policy responses and their impacts and this should inform work in advance of any future pandemic and as one arises.

Cabinet secretaries and ministers

27. As described above, given the breadth of my role and the number of cabinet secretaries I supported, my primary responsibility to cabinet secretaries and ministers was to ensure that they had appropriate support from relevant directors and others, to advise on some specific matters, and to be a point of escalation for any concerns. In pre-pandemic times I met with cabinet secretaries on a one-to-one basis on average once a month in addition to meetings concerning specific areas of policy or delivery. I met with other junior ministers also on a one-to-one basis but latterly less frequently. I also met with cabinet secretaries' special advisers and kept in touch with their private offices.

28. Derek Mackay held the Economy brief as part of his role of Cabinet Secretary for Finance, Economy and Fair Work from June 2018 to February 2020. Prior to June 2018, I had little contact with him. He was supported with respect to finance by DG Exchequer. For the economy, in addition to ensuring relevant directorates were resourced and led appropriately, I worked with him directly on overall economic strategy, and specifically on the Scottish National Investment Bank, the Enterprise and Skills Strategic Board, Ferguson Marine and the financial sector. On a regular basis, Derek Mackay convened the other cabinet secretaries and ministers with significant economic interests to ensure coordination and coherence across economic action. My recollection is that he worked particularly closely with Fiona Hyslop who at that time was Cabinet Secretary for Culture, Tourism and External Affairs, a portfolio with significant economic interests. Derek Mackay left office in February 2020 so I did not work intensively with him on the economic response to the pandemic.

29. In February 2020 on the departure of Derek Mackay, Fiona Hyslop became Cabinet Secretary for Economy, Fair Work and Culture and Kate Forbes became Cabinet Secretary for Finance. Fiona Hyslop and Kate Forbes worked closely together and met regularly. I had worked with Fiona Hyslop since 2016 on her previous portfolio of Culture, Tourism and External Affairs within which I supported her on culture and tourism. On external affairs, she was supported by DG Constitution and External Affairs. When she then took up the economy and fair work brief in 2020 alongside culture, I had already worked with her for nearly four years (tourism was added to the portfolio of Fergus Ewing who became Cabinet Secretary for Rural Economy and Tourism). I worked closely with her throughout much of the pandemic period. Although a number of ministers had important economic responsibilities in the pandemic, Fiona Hyslop played a primary and coordinating role in the overall economic response, supporting the First Minister in this. The team of directors and deputy directors she had supporting her from February 2020 was significantly larger than the team she had had in her previous brief and I

wanted to ensure that individuals within this larger team provided good support to her but also worked effectively as a team for her. Soon after her appointment, I and her key directors met with her weekly just before the cabinet meeting to answer any questions from her on the pandemic and from around June 2020 she had an additional weekly discussion with directors, largely on the pandemic response.

30. In the first months of the pandemic, Fiona Hyslop had frequent meetings with business organisations, subsequently passing that responsibility partly to officials. Once the weekly meeting with the First Minister on economic impacts and responses was established (the CEMG), Fiona Hyslop convened a pre-meeting call with ministerial colleagues with key economic interests. Fiona Hyslop left government in May 2021 at which point the economy brief passed to Kate Forbes who became Cabinet Secretary for Finance and Economy.

31. Prior to February 2020, I had had little contact with Kate Forbes. After her appointment as Cabinet Secretary for Finance and given the importance of the economy to the finance function, she requested that I meet her from time to time for a joint briefing with DG Exchequer, her primary policy adviser. She was also an attendee at the weekly CEMG chaired by the First Minister. As Cabinet Secretary for Finance, Kate Forbes had responsibility for identifying and allocating funds for support to those affected by the pandemic, including support to businesses. The directorates within my DG family were responsible for advice on the strategic choices and design and delivery of many, but not all, of the Scottish Government schemes to support businesses. In this context, I had increasing contact with her. In May 2021 following her appointment as Cabinet Secretary for Finance and Economy I was the DG with responsibility to support her on all aspects of the economy brief. In addition to my responsibility to ensure she was supported effectively by a team of directors, I worked with her specifically on engagement with business,

the delivery of business support, the Council for Economic Transformation, the performance of the now nationalised Ferguson Marine Port Glasgow and also on early operations of the Scottish National Investment Bank. As with Fiona Hyslop, I and key directors had weekly economy portfolio meetings with Kate Forbes.

32. From May 2016 I had formal responsibility for supporting the skills elements of John Swinney's portfolio as Deputy First Minister and Cabinet Secretary for Education and Skills. I worked with him particularly on the Enterprise and Skills Strategic Board. Like all DGs, I would also have contact with him as Deputy First Minister on specific issues that did not fall within the remit of other ministers or when he was leading the resilience response to various events including winter weather. He was an attendee at the CEMG chaired by the First Minister and had previously been part of, or chaired, various groupings of ministers with economic interests across the government. From May 2021 when he became Deputy First Minister and Cabinet Secretary for Covid-19 recovery, I attended the regular Public Services and Economy Ministers Group that he chaired and which he tasked with developing key actions within the recovery strategy and driving implementation.

33. In addition to the relationships described above, I was the senior civil servant supporting three other cabinet secretaries: Fergus Ewing as Cabinet Secretary for Rural Economy (later Rural Economy and Tourism), Michael Matheson as Cabinet Secretary for Transport, Infrastructure and Connectivity (later Net Zero, Energy and Transport) and Roseanna Cunningham, Cabinet Secretary for Environment, Climate Change and Land Reform. From May 2021, I supported Mairi Gougeon as Cabinet Secretary for Rural Affairs and Islands. From May 2021 to October 2021, I supported Angus Robertson on the culture aspects of his brief as Cabinet Secretary for Constitution, External Affairs and Culture.

34. I had worked with Fergus Ewing closely and directly since May 2016 when I took up the DG role. In 2016 and 2017 we worked together on the then high profile and deep-seated issues with EU support payments to farmers and crofters and also on the work of the Scottish Government to seek a sustainable future for the Lochaber aluminium smelter. I subsequently worked with him directly on a range of issues including the devolution of the Forestry Commission, aquaculture and the development of post EU exit rural support schemes. Across his portfolio, Fergus Ewing had significant economic interests and was one of the core group of cabinet secretaries who came together in various ways to work on the economy. When tourism was added to his portfolio he acquired responsibility for one of the sectors most affected by the pandemic. He also formally took on the responsibility for the hospitality sector during the pandemic. During the pandemic, I would say that as cabinet ministers, Fiona Hyslop, Kate Forbes and Fergus Ewing were the three with the most significant economic interests and who formed a key grouping to advocate for businesses and articulate economic impacts in cabinet discussions.

35. I worked with Michael Matheson from June 2018 when he was appointed as Cabinet Secretary for Transport, Infrastructure and Connectivity. Policy support for connectivity and some aspects of infrastructure came from other DG families. On transport, he worked very closely with Transport Scotland directly including on the very significant transport related aspects of the pandemic including rail, bus and aviation support. My involvement was largely at the more strategic and portfolio wide level and to ensure that he had adequate support from directors and teams on relevant issues where responsibility sat with the DG Economy family. From May 2021 when he acquired responsibility for net zero and energy it meant that most, possibly all, of his support came from the DG Economy family. My direct involvement with him at that time was mostly relating to the climate change COP in Glasgow.

36. I worked with Roseanna Cunningham from May 2016 until May 2021 when she left government. In addition to ensuring effective support from her director team, I worked with her directly on some climate change issues, including the net zero targets and plans and preparations for the climate change COP in Glasgow. During the pandemic her portfolio included some important aspects such as the support to Scottish Water and its impact on consumers but my primary interactions with her directly were around the COP. She was an attendee at the weekly CEMG.
37. I worked with Angus Robertson as Cabinet Secretary for a brief period between May and October 2021 on the culture aspects of his brief including on support to recovery for the culture sector.
38. I worked with Mairi Gougeon as Cabinet Secretary from May 2021 when she was appointed as Cabinet Secretary for Rural Affairs and Islands. I worked with her most directly on the design on post EU exit agricultural support schemes and her engagement with stakeholders.
39. The tourism element of Fergus Ewing's previous portfolio went to Kate Forbes economy portfolio and was handled by Ivan McKee who became Minister for Business, Trade, Tourism and Enterprise. I worked directly with Ivan McKee on some aspects of business support and critical companies, on the inward investment strategy and the Scottish Government's relations with the Gupta Family Group Alliance (GFG). I also met him in portfolio meetings convened by Fiona Hyslop and Kate Forbes.
40. I worked with Jaime Hepburn from May 2016 to November 2021 on skills, employment and related matters as part of the various portfolio responsibilities he held (Minister for Employability and Training, Minister for Business, Fair Work and Skills, and Minister for Higher Education and Further Education, Youth Employment and Skills). I worked with him most directly on

the Young Person's Guarantee, a part of the Scottish Government pandemic response on the economy.

41. At various times across the period, I also worked with a number of other ministers. Paul Wheelhouse, Minister for Business, Innovation and Energy and then Minister for Energy, Connectivity and the Islands and Richard Lochhead, Minister for Just Transition, Employment and Fair Work are those with the most directly relevant economic and pandemic related interests.

Deputy First Minister and First Minister

42. I have described my relationship with the Deputy First Minister above.

43. In pre-pandemic times, I met the First Minister from time to time to discuss overall economic strategy and at her request on some specific issues including some particular government economic interventions both reactive and proactive. During the first months of the pandemic, I met her at the weekly CEMG meetings. There were 24 of these meetings; the First Minister chaired the vast majority of them [LD/04 - INQ000652029], [LD/05 - INQ000652030], [LD/06 - INQ000652031], [LD/07 - INQ000652032], [LD/08 - INQ000652033], [LD/09 - INQ000652034], [LD/10 - INQ000652035], [LD/11 - INQ000652036], [LD/12 - INQ000652037], [LD/13 - INQ000652038], [LD/14 - INQ000652039], [LD/15 - INQ000652040], [LD/16 - INQ000652041], [LD/17 - INQ000652042], [LD/18 - INQ000652043], [LD/19 - INQ000652044], [LD/20 - INQ000652045], [LD/21 - INQ000652046], [LD/22 - INQ000652047], [LD/23 - INQ000652048], [LD/24 - INQ000652049], [LD/25 - INQ000652050], [LD/26 - INQ000652051], [LD/27 - INQ000652052]. These meetings were an important opportunity for the First Minister to hear directly from the Chief Economist and others on the economic impacts of the pandemic and to discuss options for response with a core group of ministers with important economic interests. I also attended

many but not all of the SGORR (M) meetings she chaired during the course of the pandemic.

44. The inquiry has asked me how, if at all, the nature of my relationships with ministers affected my work in the economic response to the pandemic, and how they might be improved for the future. My general observation is that relationships between civil servants and ministers in the Scottish Government are close and direct and that this promotes effective working. It is also the case that DG roles in the Scottish Government tend to have a broad remit covering a wide range of policy areas compared to, for example, DG roles in the UK Government. This enables the DG to see across a number of sectors and to lead their directorates and teams to work on an integrated and flexible basis. The size and structure of the Scottish Government and the smaller number of ministers compared to the UK Government also means it is relatively easy to bring a number of ministerial interests together to work on a whole-of-government or a cross-sectoral basis. I and my teams had frequent, regular, and I believe effective, engagement with ministers individually and in small groups throughout the pandemic. The CEMG was an important opportunity for civil servants to provide information and advice and to engage with a group of ministers on the economy under the leadership of the First Minister. I have no specific recommendations for improvement.

UK Government and Devolved Administrations

45. The interplay of reserved and devolved powers with respect to economic matters is complex. Matters for some economic sectors such as agriculture, fisheries, forestry, tourism, housing and transport are fully devolved, others such as energy have a mix of reserved and devolved powers. Important economic levers such as economic development support, environment and planning are devolved, while critical macro-economic and fiscal policy is reserved. For civil servants working in the Scottish Government on economic

matters this interplay means that remaining abreast of economic policy and action by the UK Government is often important for advising Scottish Ministers. Working in a devolved government also tends to mean that civil servants are very aware of the constitutional settlement. In contrast, it is possible to work for many years in the UK Government without having to engage directly in the different devolution arrangements within the UK and my experience is that knowledge of devolution within the UK Government is patchy.

46. While working for the Scottish Government I did not have any direct engagement with UK ministers either before or during the pandemic. I observed UK ministers in calls with Scottish ministers from time to time but, on the whole, did not participate actively in these conversations unless requested to by ministers.
47. Having worked for the UK Government previously, I had a good understanding of UK Government structure and processes. I or my teams engaged with officials in departments where matters were largely devolved or largely reserved in different ways.
48. With a department such as the Department for Environment, Food and Rural Affairs (DEFRA) where matters were devolved but where different administrations would sometimes face similar issues, that engagement would often be around the sharing of information or experiences. The exception to this was with respect to some processes with the European Commission, for example on EU support schemes where the relevant authority for some formal processes was the UK Government. I engaged most directly with senior officials in DEFRA between 2016 and 2018 when I had personal priority objectives in relevant sectors. I do not recall engaging personally with DEFRA during the pandemic. My teams however had relationships with DEFRA and continued engagement that I believe was effective.

49. The Chief Executive of Transport Scotland and his teams had extensive contacts with the Department for Transport both before and during the pandemic. I did not engage directly with officials in the Department for Transport.
50. The Chief Economist and his team had extensive contact with counterparts in the UK Government and I believe his engagement with this network of economic analysts and statisticians was important for information sharing, and knowledge of data sets and developing methodologies.
51. I had extensive and frequent contact on both a one-to-one basis and in group meetings with civil servants in the Cabinet Office leading the UK's plans for the climate change COP 26 in Glasgow. These engagements started in 2019 and continued, often on an intensive basis, until I left the civil service.
52. The overall relationship with the UK Treasury (HMT) was led for the civil service in the Scottish Government by DG Exchequer. I had some direct contact early in the pandemic with the Director in HMT, Dan York-Smith, who was leading Covid-19 strategy for the Treasury.
53. The relationship with the then BEIS was an important one for my role both before and during the pandemic. At the instigation in 2018 of the Scottish Government Permanent Secretary and the BEIS Permanent Secretary, I worked with DG counterparts in BEIS on some initiatives to build mutual understanding of our respective objectives and the interdependent nature of the administrations. There were already extensive and good relationships in place in specific areas – for example, energy teams worked closely together given the mix of reserved and devolved powers – but this initiative, culminating in two in-person workshops where our senior teams came together, strengthened these relationships further and enhanced our respective understanding. This platform of senior official engagement was

helpful during EU exit planning and subsequently pandemic economic responses. During the pandemic I continued to engage with BEIS at a senior level for example, on safer working guidance.

54. On 02 April 2020 I and other Scottish Government officials attended a meeting convened by the BEIS and HMT Permanent Secretaries entitled “UK Economic Workshop” to discuss the challenges posed by Covid-19. As part of the papers for this meeting, a paper from the Scottish Government Chief Economist “Analysis to Inform and Enable an Effective Recovery and Policy Response” prepared for the Scottish Government Economy Board was circulated alongside papers from the UK Government [LD/28 - INQ000652292]. My recollection of this workshop is that it was an open and productive exchange of views amongst officials with opportunities to learn from each other.

55. I had some contact, particularly in the early months of the pandemic with staff working within the Cabinet Office on Covid-19. I had a call for example on safer work places with Joanna Key, the director leading this work, and her team in April 2020. I also met with Sarah Munby, then DG Business Group in BEIS, together with other Scottish Government officials to discuss the BEIS safer working paper and draft guidance, papers which had recently been shared with the Economic and Business Response Implementation Group (EBRIG).

56. I have been asked whether I considered engagement with the UK Government through the EBRIG to be earnest and effective. From the documents that I have seen, there were six meetings of EBRIG that Scottish ministers were invited to, starting on 31 March 2020 and ending on 14 May 2020 [LD/29 - INQ000131024], [LD/30 – INQ000652293], [LD/31 – INQ000652294], [LD/32 – INQ000652295], [LD/33 – INQ000652296], [LD/34 – INQ000652297], [LD/35 – INQ000652298]. Fiona Hyslop attended all six. I

and other Scottish Government officials were also invited to attend. I attended on 31 March 2020 but cannot recall how many of the other meetings I attended personally.

57. I understand there had been two earlier meetings of the EBRIG, including the first on 18 March 2020, where Scottish Government participation had not been invited. The non-participation of devolved administration ministers in the first EBRIG calls was flagged by devolved administration ministers in the Quadrilateral Ministers calls between the Secretary of State BEIS and the economy ministers of Scotland, Wales and Northern Ireland. These quadrilateral calls started in March 2020 and continued on a weekly and subsequently fortnightly basis for over a year. When EBRIG meetings ended, the quadrilateral calls became the primary ministerial engagement between the UK Government and the devolved administrations on the economic response. I did not attend the quadrilateral calls. Officials from my team were always in attendance however and I sometimes took part in briefing calls with Fiona Hyslop prior to the ministerial call. Readouts would also have been shared with me.

58. From both my own direct experience and readouts from others, I believe the EBRIG meetings were conducted with a genuine emphasis on working together across the UK in a coordinated manner and were characterised by the sharing of documents, apparently simultaneously, with UK Government departments and with devolved administrations. Many engagements between the UK Government and the devolved administrations are characterised by a single UK minister or official engaging with their equivalents in the three devolved administrations. EBRIG was unusual in that it had many UK ministers debating matters amongst themselves as well as with devolved administration ministers. This created a different dynamic. The quadrilateral meetings that took place before, during and after the brief period of EBRIG remained an important channel between the UK Government and devolved

administrations but perhaps the opportunity to work differently was lost. I do not recall whether any rationale for the end of the EBRIG meetings was shared with the Scottish Government.

59. I did not have direct contact with any ministers in the Welsh and Northern Ireland administrations. I had some contact with civil servants in the Welsh or Northern Ireland administrations, most frequently as part of UK wide meetings, for example on EU exit planning and subsequently on economic aspects of the Covid-19 response. On a more occasional basis I would have individual contact with counterparts to discuss a specific issue or to share perspectives more broadly. Some teams within my DG family engaged more regularly with their counterparts in other devolved administrations and I am aware that useful sharing of information and intelligence took place. Ministers were also in direct contact with their counterparts in other administrations. I believe relationships overall were such that coordination and information sharing was possible where relevant. This enabled the Scottish Government to have access to information about the actions and plans of other devolved administrations and to share experiences from Scotland. Colleagues elsewhere in the Scottish Government led overall on the relationships with other devolved administrations.

Stakeholders external to government

60. Since I joined the Scottish Government in 2016, engagement with businesses and other economic stakeholders was a constant feature of my role, ranging from bilateral or sectoral engagements to set piece Scottish Government events such as the National Economic Forum. One of my objectives as DG was to ensure that there were effective engagements between the Scottish Government and economy stakeholders, particularly the business community. Given the broad nature of my role, much of this engagement was done by

others in the DG Economy family or through supporting ministers in their engagements.

61. During the pandemic, engagement between the Scottish Government and the business community became even more important given the nature of the measures that were taken by the Scottish Government, their impact on businesses, the value of feedback from businesses on specific measures or guidance, and the importance of business' behaviours in promoting compliance with the measures.

62. The Scottish Government engaged on a sectoral basis with sector based organisations and on a cross cutting basis with the main generic business organisations. Much of the sectoral engagement was done by the respective minister supported by officials, or at the working level by officials in the relevant directorate. For example, officials in the Directorate of Culture, Tourism and Major Events supported Fergus Ewing the Cabinet Secretary in his engagements and also met directly with sectoral business associations such as the Scottish Tourism Alliance or the Scottish Bed and Breakfast Association. The Directorate of Culture, Tourism and Major Events also led on engagement with the hospitality sector and with events operators.

63. The Directorate of Economic Development led on engagement with the construction and manufacturing sectors, and prior to the establishment of the Directorate of Covid-19 Business Resilience and Support, on the overall engagement with the business sector.

64. Marine Scotland led on engagement with the fisheries and aquaculture sectors and the Directorate of Agriculture and Rural Economy led on engagement with the farmers and crofters. The Directorate of Environment and Forestry led on engagement with the forestry sector.

65. Deputy Director, Food and Drink within the Directorate of International Trade and Investment led on engagement with the food processing sector, supporting the Cabinet Secretary for Rural Economy and Tourism in this. This was important given that food processors were the site of some important outbreaks. The deputy director also worked closely with Food Standards Scotland on broader food supply issues including engagement with supermarkets.
66. The non departmental public bodies the DG Economy family sponsored were also a hugely valuable source of intelligence and insight into the relevant sectors. For example, Creative Scotland and Visit Scotland are deeply connected to their sectors directly through their own engagements and through their boards. The enterprise agencies also met directly with officials and ministers to share their understanding of how businesses were dealing with the pandemic.
67. Fiona Hyslop as Cabinet Secretary engaged intensively with business organisations during the first months of the pandemic, with at least weekly calls with the main business organisations. The responsibility for this subsequently passed to officials and was led by Joe Brown, Deputy Director in the Directorate for Economic Development and then in the Directorate for Covid-19 Business Resilience and Support.
68. In November 2020 I took direct responsibility for official level engagement with a combined group made up of the main generic business organisations together with some sectoral organisations whose sectors were particularly affected, meeting their Chairs and Chief Executives at least once every week (later every two weeks) until October 2021. This was in response to feedback from business leaders that they would value deeper engagement with more senior officials in the Scottish Government.

69. The organisations involved in these calls were the Scottish Chambers of Commerce, the Confederation of British Industry (Scotland), the Federation of Small Businesses Scotland, the Institute of Directors (Scotland), the Scottish Council for Development and Industry (now called Prosper), Scottish Financial Enterprise, Scottish Tourism Alliance, Scottish Retail Consortium, Scottish Food and Drink and the Association of British Insurers. At times, representatives from Convention of Scottish Local Authorities (CoSLA) and from Scottish Enterprise or other public bodies also attended. Colleagues from other parts of the Scottish Government were also able to use this platform to engage with businesses, for example both the CMO and the National Clinical Director (NCD) both made presentations to and engaged with the group.

70. I valued these meetings greatly – they enabled me to hear directly from representatives of businesses of different types, to get their feedback on proposed actions, to help them understand how the Scottish Government was approaching key decisions, to provide feedback to ministers and other officials on business views and to contribute to the shaping of economic policy. From feedback, I believe the individuals who attended these meetings found these discussions valuable too. The meetings were conducted in an open and candid manner and in an atmosphere of mutual respect and trust. Individuals were able to share the deeply held concerns of their members and to express their views candidly with respect to the Scottish Government's decisions or proposed actions. While they will not have agreed with many of those decisions, I believe this sustained engagement at least enabled them to understand better what had influenced the difficult choices the Scottish Government was making and enabled them to better support their members. Business organisations played a pivotal role in helping their members navigate the complex landscape of restrictions, guidance and support.

71. Prior to the pandemic, I engaged from time to time with Scotland's Trade Union Congress (STUC) and attended formal meetings between the Scottish Government and unions. During the pandemic, Fiona Hyslop engaged frequently with unions and was supported by my teams in these discussions. My teams were also in direct contact with union representatives.
72. There were other pre-established groupings that provided opportunities for engagement with businesses during the pandemic. The Banking and Economy Forum, a group originally convened by Derek Mackay, subsequently Kate Forbes and Fiona Hyslop, was an important network during the pandemic. It comprised the major financial institutions in Scotland together with the main consulting firms and business organisations. It was an opportunity to, for example, understand the trends in company indebtedness and how the UK Government Covid-19 finance schemes were working and to discuss practical action that could be taken in Scotland. As many of these businesses represented were multinational, it was also an opportunity to hear experiences of the different approaches taken by some other countries.
73. In terms of economic experts, the Scottish Government had a Council of Economic Advisers from 2007 to July 2021 when it was replaced by the Advisory Council to the National Strategy for Economic Transformation. The Council of Economic Advisers met twice a year to provide strategic advice to the First Minister and other ministers on the economy and also served as a network and a resource that could be called on between meetings. I attended Council meetings from 2016 when I took up the role of DG Economy. I also attended the meetings of the Advisory Council to the National Strategy for Economic Transformation.
74. Around April 2020, the First Minister asked Benny Higgins, former Chief Executive Officer of Tesco Bank and previously Adviser to the First Minister on the establishment of the Scottish National Investment Bank, to convene a

group of experts to provide advice and a report with recommendations on economic recovery, the Advisory Group on Economic Recovery (AGER). This group met several times over the summer of 2020 with the report being published in June 2020 as “Towards a Robust Wellbeing Economy for Scotland” [LD/36 - INQ000131080]. A sub group of the Enterprise and Skills Strategic Board also examined the likely labour market impacts of the pandemic and made recommendations to mitigate them in a report published in July 2020 as “Coronavirus (COVID 19): measures to mitigate the labour market impacts.” [LD/37 - INQ000654131] The Scottish Government responded formally to both these reports [LD/38 - INQ000654132] and [LD/39 - INQ000131081].

75. In addition to the Council of Economic Advisers, the Chief Economist and other officials in his teams had strong networks within the economic community and with counterparts elsewhere in the UK and in other countries. He and others were thus able to bring insights from that network and to draw to mine and colleagues’ attention articles and papers of interest. I was able from time to time to engage directly with experts too on an individual basis. For example, I engaged directly with Anton Muscatelli, Mariana Mazzucato, Benny Higgins, Sandy Begbie and Graeme Roy, all advisers to the Scottish Government at various times. In addition, I had the benefit of insights from partners based in Scotland for PricewaterhouseCoopers (PwC), Ernst & Young (EY), Klynveld Peat Marwick Goerdeler (KPMG) and Deloitte and other individuals such as the Agent for Scotland of the Bank of England. Overall, I felt confident that, in terms of economic advice, I and ministers were well served and had access, directly or indirectly to sufficient sources of expertise. During the pandemic, Gary Gillespie, Chief Economist, and I had a close working relationship and I was able to probe, challenge and debate advice with him.

76. The Chief Economist provided frequent economic analyses into the CEMG, into the four harms processes and published a regular suite of reporting including a Monthly Economic Brief and State of the Economy [LD/40 – INQ000652299] and [LD/41 – INQ000652300].
77. I am asked if, on reflection, I would have benefitted from different or greater engagement with economic experts outside the Scottish Government. I did not feel a gap or a lack of external advice or challenge for example on economic impacts or on economic scenario development.
78. An area where I believe more external advice would have been helpful is on the assessment of workplace transmission risk in a range of settings, on the practical implications of this for workplace mitigations and regulation, and on any comparative experience from other countries of enabling businesses to remain open safely. Although the Scottish Government had access to some expertise and Scientific Advisory Group for Emergencies (SAGE) and its sub groups, I believe a Scottish group that could have been commissioned to look at specific questions of interest would have provided a valuable complement to these. It would have supported more informed risk assessments within the four harms process and enabled detailed design work on models of safer operation in certain sectors, potentially supporting the development of different interventions. In summer 2020, the idea of a series of sub-groups and the model by which sub-groups would be governed by the Covid-19 Advisory Group was approved by the Deputy First Minister [LD/42 - INQ000321345]. The immediate priority at that point had been the need for an education sub group which was subsequently created. Gary Gillespie and I were by then considering the potential role and value of an additional sub group on economy and transport. It would bring together public health experts, specialists in workplace transmission and safety and behavioural scientists alongside those with knowledge of key economic sectors and how they operate in a very practical sense. This proposal was not pursued and

lapsed. From memory, there were challenges in identifying experts and other more immediate priorities arose. As the broader Covid-19 advisory system evolved, we were also more hopeful that the existing system would be able to address the relevant questions. With hindsight, I believe such a group would have added significant value and it is a matter of personal regret that I did not pursue this further.

Funding and Fiscal Framework

79. The lead within the civil service for Scottish Government on fiscal matters including the fiscal framework between the Scottish Government and the UK Government was the DG Exchequer. Any work or discussions with HMT officials on funding and the Cabinet Secretary for Finance was led by her or her teams. The drafting of any correspondence with HMT officials or ministers would be led by DG Exchequer family. My teams might provide detail as required on particular parts of the economic response to feed into drafting. DG Exchequer kept Executive Team colleagues informed of any specific developments or issues with finance during the daily Executive Team meetings so I have a broad awareness of some of the challenges. DG Exchequer would be better placed to provide detail on these however.

80. During January and February 2020, the nature of the economic shock that would eventually occur was not fully apparent and I do not recall finance for an economic response being a feature of discussions in these two months. In March 2020 the situation was changing rapidly and work quickly started to analyse the UK Government announcements for UK wide schemes that would apply in Scotland and for schemes in England that would generate consequential funding for Scotland. Work was carried out to deliver the first wave of business related support, largely based on the non-domestic rates system, both rates relief and grants. I do not recall the fiscal framework creating problems in this early phase.

81. As the pandemic progressed, uncertainty relating to how much resource the Scottish Government would have for the economic response felt at times like a significant impediment to the optimum planning and delivery of support. There was uncertainty of two kinds.
82. Firstly, Scotland's economic response needed to take into account whether or not the significant UK wide schemes such as the Coronavirus Job Retention Scheme (CJRS) would be in effect at any point in time as this would determine the context for any additional Scottish Government action. The fiscal framework requires the Scottish Government to operate a fixed budget, therefore if the UK Government decided to close, for example, the CJRS, the Scottish Government would not be able financially to put in place something similar for Scotland. Whether or not these UK wide schemes were in operation and for how long would also significantly alter the economic impact forecasts including potential unemployment rates and therefore the scale of the challenge to be addressed. I recall the sense of concern and frustration as the various UK stated end or taper points came nearer. These issues were discussed in the various Scottish Government Covid-19 related analysis and decision processes. For example, the CEMG minutes of 08 May 2020 notes the risk of potential taper from July as suggested by the Chancellor and the broader question of whether UK wide schemes could flex to take account for example of different NPI decisions by different administrations [LD/11 - INQ000652036]. Kate Forbes and Fiona Hyslop wrote jointly to the Chancellor to express their concern [LD/43 - INQ000182968]. Similar concern was again expressed by ministers to the UK Government in advance of the new proposed end date of 31 October 2020 [LD/44 - INQ000614187].
83. Secondly, because finance for Scotland is allocated on the basis of the Barnett formula, consequential in-year changes are generally only known once the UK spending decision that generates those consequentials is confirmed. This made planning ahead extremely difficult. Even if it seemed

likely that the UK might provide more support in England, that would not give sufficient certainty on which to engage with Scottish stakeholders for example. Once UK announcements had been made, stakeholders often expected the Scottish Government to be able to announce equivalent support immediately. The fiscal system built in an almost inevitable time-lag for Scotland and again, constrained effective medium or long-term planning. These issues were well known to Scottish ministers and I also provided feedback to ministers from discussions with business organisations of their similar concerns. I understand these issues were raised by ministers with the UK Government, for example in quadrilateral meetings of both finance and economy ministers.

84. I had no direct involvement in the funding arrangements that exist between the Scottish Government and local government and I believe that these matters were handled for the civil service by DG Exchequer and DG Communities. I did not form a view as to the adequacy of these funding arrangements. I note from the minutes of the first CEMG that a question arose as to whether the first wave of business grant funding could be spent before the end of the financial year 2019/20 [LD/04 – INQ000652029]. The action tracker [LD/45 – INQ000592341] subsequently records that: *“Further discussions with Local Authorities led to agreement that all funding for business grants would be provided in 20-21 with a commitment to providing c90% of the total funding for the grant (£950m) on 1 April for distribution in line with agreed scheme rules.”*

85. Local authorities were absolutely key actors in the delivery of many of the business support schemes. My teams worked closely with local authority representatives with the aim of ensuring that local authorities were involved in discussions about design and delivery arrangements and could help shape these. The main financial question I recall was the need for local authorities to have sufficient funding for the costs of administration of grant schemes and

clarity about the timing of funding. I do not recollect any of these issues being unresolved or being a constraint.

86. With the caveat that I was not the person leading on the fiscal framework within the Scottish Government, I would make the general observation that planning and effective delivery of an economic response are best served by certainty and predictability of funding within medium to long term timeframes. As described in paragraphs 82-83, I observed a lack of certainty and predictability. Had the Scottish Government been able to work to longer term funding horizons with more certainty, it may have been possible to invest in better systems of business support including the data architecture that could facilitate them, or to support investments that enabled businesses to operate safely and remain open. More certainty and longer-term funding would have enabled business support schemes to be better designed and managed with longer lead-in times. That would have enabled greater engagement by business stakeholders on design and the detail of guidance and given them, and their business members, more information on which to plan. In my weekly meetings with business organisations, representatives described how uncertainty and the fear of support being stopped exacerbated an already very difficult situation for businesses.

Support for Jobs

Coronavirus Job Retention Scheme

87. In terms of my personal role, my primary interest in the CJRS and other UK wide schemes was to ensure that my teams provided ministers with regularly updated information about the schemes. This was with the objective of enabling them to influence the UK Government with respect to any issues pertaining to their operation in Scotland and to understand the context for any Scottish specific schemes as part of the overall combined UK and Scottish

Government economic response. I was therefore rarely engaged directly in the detail of the schemes themselves and am not well placed to offer detailed views.

88. Summary information on the UK economic policy response was regularly presented to the CEMG and other decision processes, for example, as appropriate in SGORR meetings. The teams responsible for the overview of economic support (Directorate of International Trade and Investment, the Economy Hub and subsequently the Directorate for Covid-19 Business Resilience and Support) and the Office of the Chief Economist were tasked with ensuring that an up to date log of the different schemes was available, and in due course, tracking their operation and impact in Scotland where disaggregated data allowed this. These updates included the CJRS.

89. I am asked if I consider that I or others in the Scottish Government were consulted adequately and effectively in design, delivery and the review, amendment and cessation of the CJRS. I have referred to some of the challenges with uncertainty and lack of information on the duration of the CJRS earlier in paragraph 82.

90. As a general principle, I believe the design of UK wide schemes benefits from collaboration between the UK Government and the devolved administrations, particularly on areas such as the economy where there is a complex interplay of reserved and devolved powers and in the case of an initiative as critical and far-reaching as the CJRS. This requires consultation or indeed, co-production. I did not see levels of consultation or engagement between the UK and Scottish Government on the CJRS that I would view as optimal. The impact of this was most detrimental to the Scottish Government's ability to mount an effective economic response with respect to the review, amendment and cessation of these schemes. A lack of knowledge about their duration together with little ability to apparently influence these decisions had

a number of consequences. These include significant time spent modelling and preparing to respond to predicted high unemployment levels based on the previously announced times of cessation; time spent designing schemes to ameliorate the impacts of announced changes to the scheme, subsequently reversed; and the general impediment to longer term planning caused by the uncertainty on duration of the scheme.

91. I had no input into the design of the CJRS nor was I directly involved in discussions with the UK Government about it. I believe that the general need for wage support for employees was discussed in ministerial quadrilateral and EBRIG meetings and once the CJRS was announced by the Chancellor on the 20 March 2020, more detailed questions relating to design and guidance were raised by Scottish ministers in these forums. My teams supported ministers with advice for these calls.

92. I had no input into the delivery of the CJRS. I am not aware of the extent of any input by others in the Scottish Government.

93. To the best of my knowledge, the Scottish Government did not have a direct role in the monitoring of the CJRS in Scotland. However, the Office of the Chief Economist would bring information to ministers and officials on the numbers of people in Scotland that were “furloughed” under the scheme. Although there were problems on some UK wide schemes with the availability of disaggregated data for the devolved nations, data for Scotland and for local authorities within Scotland was available to Scottish Government analysts on the CJRS and this was welcome. This data enabled us to have a good understanding of uptake in Scotland and how this mapped onto other economic indicators.

94. I am asked about requests by the Scottish Government in late 2021 about extension of the CJRS given the Omicron variant. I handed over responsibility

for the DG Economy role on 18 November 2021 and have no knowledge of this issue.

95. I am asked if I consider the CJRS to have been an effective economic intervention. Very significant numbers of employees in Scotland were benefitting from the CJRS and without it there clearly would have been additional economic harm to individuals. The Chief Economist gave regular updates about the uptake of the scheme in Scotland to ministers, officials and in published reports [LD/46 – INQ000652302], [LD/40 – INQ000652299], [LD/41 – INQ000652300]. The pattern of uptake varied over time according to the nature of the health related measures and their impact on sectors and regions. The CJRS was clearly a major economic intervention that had a reach and scale beyond many of the smaller more specific schemes of the Scottish Government. Given the existence of the CJRS, the Scottish Government was able to use its own resources to complement this support with more targeted intervention, for example, additional support to specific sectors of particular importance in Scotland and/or those most affected.

96. I do not have a view on the scheme's value for money, its fraud controls or the extent to which vulnerable groups or inequalities were taken into account. I note however that the Scottish Government included the CJRS and other UK wide schemes in its evaluation of business support in Scotland produced in September 2021 [LD/47 - INQ000182977].

97. I am not well placed to give an expert view on whether other policy measures could have achieved the same outcomes or whether the eventual length of the scheme (which went beyond my time in the DG Economy role) was optimal. The CJRS was designed at speed. In anticipation of future shocks including pandemics, further evaluation and policy development would be valuable in providing options for the future. Questions which I believe the inquiry could usefully address include whether wage support is best provided

through maintaining the individual in an employment relationship with their employer at the point of the shock or directly to the individual; what impact the CJRS design had on the behaviour of individuals and whether those impacts were positive or negative with regards to labour market functioning; and whether there are options to provide more precisely targeted support including support that would contribute to reducing inequalities.

Scotland Furlough Support Grant

98. I was not the AO for this scheme and had no involvement in its design or operation. Ministers were supported in its design by a member of one of my directorates, the Directorate for Fair Work, Employability and Skills, as the most appropriate person with the knowledge and relationships necessary. This kind of matrix arrangement whereby skills from one DG family to support an initiative where formal responsibility sat with another DG family was not uncommon. Although I was aware of the scheme through portfolio meetings with ministers, others will be better placed than me to comment on its purpose, decision-making processes, delivery and efficacy.

Self Employment Income Support Scheme (SEISS)

99. In terms of my personal role, my primary interest in the SEISS was to ensure that my teams supported ministers effectively with regularly updated information about the UK wide schemes and any significant gaps in them. This was to enable them to influence the UK Government with respect to any issues pertaining to their operation in Scotland and to understand the context for any Scottish specific schemes as part of the overall combined UK and Scottish Government response. I was therefore rarely engaged directly in the detail of the schemes themselves and am not well placed to offer detailed views.

100. Summary information on the UK economic policy response was regularly presented to the CEMG and other decision processes, for example, as appropriate in SGORR meetings. The teams responsible for the overview of economic support (Directorate of International Trade and Investment, the Economy Hub and subsequently the Directorate for Covid-19 Business Resilience and Support) and the Office of the Chief Economist were tasked with ensuring that an up to date log of the different schemes was available, and in due course, tracking their operation and impact in Scotland where disaggregated data allowed this. These updates included the SEISS.

101. I recall that following the announcement of the CJRS for employees, attention rapidly shifted to the needs of those who were self-employed but also affected by the Covid-19 measures. This gap in support was highlighted in analysis and advice to ministers, and ministers raised it with the UK Government including in a letter from Kate Forbes and Fiona Hyslop to the Chancellor on 22 March 2020 [LD/48 – INQ000652306]. Following the launch of the scheme and the detailed guidance on its operation, advice was given to ministers that there was a group of people who would be excluded from support, that is, those who had become self-employed after 06 April 2019. This gap in support was raised by Fiona Hyslop in quadrilateral meetings in April 2020 but the eligibility with respect to this point remained unchanged [LD/49 – INQ000652307], [LD/50 – INQ000652308], [LD/51 – INQ000652309], [LD/52 – INQ000652310].

102. I am asked if I consider that I or others in the Scottish Government were consulted adequately and effectively in design, delivery and the review, amendment and cessation of the SEISS. I have referred to some of the challenges with uncertainty and lack of knowledge on the duration of the CJRS earlier in paragraph 82. As, once established, the CJRS and SEISS ran in tandem, these challenges apply to the SEISS as well.

103. As a general principle, I believe the design of UK wide schemes benefit from collaboration between the UK Government and the devolved administrations, particularly on areas such as the economy where there is a complex interplay of reserved and devolved powers. Although the SEISS and its operation affected less people than the CJRS, I nevertheless believe that the scheme would have benefitted from deeper engagement in design between the UK and Scottish Governments, particularly since the Scottish Government subsequently concluded it had to take direct action to address a group of people excluded by design.

104. I had no input into the design of the SEISS nor was I directly involved in discussions with the UK Government about it. I believe that the general need for support for self-employed people was discussed in ministerial quadrilateral and EBRIG meetings. My teams supported ministers with advice for these calls.

105. I had no input into the delivery of the SEISS. I am not aware of the extent of any input by others in the Scottish Government.

106. To the best of my knowledge, the Scottish Government did not have a direct role in the monitoring of the SEISS in Scotland. However, the Office of the Chief Economist would bring information to ministers and officials on the numbers of people in Scotland that were supported under the scheme. Although there were problems on some UK wide schemes with the availability of disaggregated data for the devolved nations, data for Scotland and for local authorities in Scotland was available to Scottish Government analysts on the SEISS and this was welcome.

107. I am asked a number of questions with regard to the efficacy and operation of the SEISS. Beyond the identification of people excluded from the scheme as described above, I was not close enough to the Scottish

Government's work in detail on the scheme to offer informed views on these questions.

Newly Self-Employed Support Scheme

108. I am asked about the Newly Self-Employed Support Scheme. A scheme of that name operated in Northern Ireland. In Scotland, there was a Newly Self-Employed Hardship Fund (NSEHF) and I am providing information with respect to that fund.

109. The NSEHF is one of the business support schemes which fell within my DG responsibility. There were two phases of this fund. My main personal responsibility was to ensure that there were sufficient and appropriate people to work on this and other schemes at pace. The work on this fund, and other schemes that were launched as part of a package of £100m of business support on 30 April 2020 [LD/53 - INQ000282443], was led by the Directorate of International Trade and Investment with direct involvement of the Director, Kevin Quinlan and one of the Deputy Directors, Reuben Aitken. I was not involved directly in the design work. The work on the second phase, opening in February 2021, was led by the Directorate of Economic Development. I was not involved in the design work for the second phase.

110. The scheme was introduced to support those people who were self-employed and had lost revenue as a result of Covid-19 but were ineligible for other forms of support, in particular it was aimed at those who had started self-employment on or after 06 April 2019. It was thus a direct response to decisions on eligibility of SEISS made by the UK Government. The support offered by the Scottish Government, a flat rate £2,000 for each eligible person in Phase 1, was less generous than the support that would have been available had this group of newly self-employed had access to the SEISS. Funding was limited and as it drew largely from consequential funds arising

from UK Government decisions, was in effect constrained by other UK Government decisions. Phase 2 of the fund offered £4,000.

111. Decisions in the Scottish Government about the NSEHF were made through normal processes whereby advice, options and, if appropriate, recommendations were put to ministers for decision. The work on the first phase was done in a short period of time with an intense period of engagement with ministers and multiple submissions put forward in response to their questions before decisions were made [LD/54 - INQ000260896], [LD/55 – INQ000652311], [LD/56 – INQ000652312]. Advice was put jointly to Cabinet Secretary for Finance, Cabinet Secretary for Economy, Fair Work and Culture and Cabinet Secretary for Rural Economy and Tourism as all three cabinet secretaries had interests in the fund and the other elements of the package. On 21 April 2020, the Cabinet Secretary for Economy, Fair Work and Culture announced the fund [LD/57 - INQ000652338].

112. As part of the financial controls that the Scottish Government was operating at the time, requests for funds for Covid-19 related expenditure had to be signed off by the relevant DG as AO before onward submission to the Cabinet Secretary for Finance and the Deputy First Minister. I approved the relevant template requesting these funds.

113. Delivery of the fund was through local authorities and I am aware that the team working on design within the Scottish Government engaged with local authority representatives during design to ensure that proposals were workable. Advice to ministers flagged that there was some risk to the funds being used as intended as it relied on self-certification and it was not possible to put in place a system to verify hardship. These risks were accepted. Delivery of the second phase of the fund was by UMi, a contractor who had previously been engaged in the delivery of other schemes.

114. I am asked a number of detailed questions with respect to the design, delivery and efficacy of the fund. I was not involved closely enough with the work on the scheme to offer informed views on these questions. I note however, that in addition to the evaluation of business support produced in September 2021 and published in June 2022 [LD/47 - INQ000182977], the Scottish Government published a series of Equality Impact Assessments (EQIAs) in March 2022 [LD/58 - INQ000590788].

Support for Businesses

Support Administered by the UK Government

115. In terms of my personal role, my primary interest in the Bounce Back Loan Scheme (BBLS), Coronavirus Business Interruption Loan Scheme (CBILS), the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and the Covid Corporate Financing Facility (CCFF) was to ensure that my teams supported ministers effectively with regularly updated information about the schemes to enable them to influence the UK Government with respect to any issues pertaining to their operation in Scotland. I was therefore rarely engaged in understanding the detail of the schemes themselves and am not well placed to offer detailed views.

116. Summary information on the UK economic policy response including the loan schemes was regularly presented to the CEMG. The teams responsible for the overview of economic support (Directorate of International Trade and Investment, the Economy Hub and subsequently the Directorate for Covid-19 Business Resilience and Support) and the Office of the Chief Economist were tasked with ensuring that an up to date log of the different schemes was available, and in due course, tracking their operation and impact in Scotland where disaggregated data allowed this. These updates included the various loan schemes as they were launched and as data became available.

117. As these were UK Government schemes I cannot comment on why they were introduced. However, the need for finance for businesses was discussed by ministers in quadrilateral calls and there was broad agreement that government should play a role in this. I had no input into the design of the loan schemes. My teams provided advice to ministers concerning the schemes and detailing risks or concerns with respect to their relevance or operation in Scotland. Business leaders and representatives of the banking sector often provided the Scottish Government with their views about the schemes and these views informed ministers' representations to the UK Government alongside analysis by officials. Ministers raised concerns with the UK Government through EBRIG and quadrilateral meetings. My recollection is that there were two significant issues concerning design of the schemes that the Scottish Government raised.

118. Firstly, that following the launch of the CBILS and CCFF on 23 March 2020 it rapidly became apparent that there was a gap in provision – the “missing middle” - for companies with a turnover of £45m or more but not large enough to utilise the CCFF. This was addressed through the launch of the CLBILS on 20 April 2020. Secondly, that smaller businesses that did not feel able to take loans on the terms of the CBILS were not being supported adequately. This was a particular issue for Scotland given the greater proportion of small and medium-sized enterprises (SMEs) in the Scottish business base. This was addressed through the launch of the BBLS scheme on 04 May 2020.

119. I am asked if I or others in the Scottish Government were consulted adequately and effectively in the design of the loan schemes. As with other UK wide schemes, I would not characterise the engagement between the UK and Scottish Governments as collaboration or co-design. However, in the case of the loan schemes, I did not see this creating as significant a detriment to the Scottish Government's economic response as in some other areas

such as with the CJRS. Feedback that the Scottish Government gave to the UK Government seemed to be fairly consistent with concerns raised within the UK Government, and I assume the nationally operating banks were sharing similar intelligence with the UK Government as they were with devolved administrations. The identified gaps were quickly addressed by the UK Government and there was then a reasonable amount of stability in the schemes. Furthermore, the period in which the most significant issues were live coincided with the period of EBRIG operation where dialogue between UK Government and devolved administrations was most intense.

120. I am asked a number of questions including on aspects of delivery, efficacy, gaps in coverage and impact on different groups. I am not able to offer informed comment on these questions. I make one observation on data availability. Once the schemes were in operation, the Scottish Government, both officials and ministers, were keen to see geographically disaggregated data on uptake so that the extent to which these schemes were addressing financing issues in Scotland could be monitored. It took some time before regionally split data was available. For example, as of 13 August 2020, the Scotland figures were available for CBILS and BBLs but not for CLBILS and the update notes that discussions were ongoing with BEIS officials [LD/59 – INQ000652313].

Support Administered in Scotland

121. A range of business support schemes were administered in Scotland and financed by the Scottish Government. These include reliefs from Non-Domestic Rates (NDR), grants to those registered for NDR, grants to businesses on a sectoral or sub-sectoral basis, grants to self-employed people, and grants to businesses on a geographic basis relating to restrictions applied in a particular local authority. In addition to these schemes

that made payment directly to individual businesses, some sectoral organisations also received some support.

122. I am asked to explain the distinction between “Phase 1 Funds” and “Phase 2 Funds”. I do not recall these terms being used during the pandemic, but I have been shown Scottish Government documents that use the term Phase 1 for support provided between March 2020 and October 2020, that is the period from the beginning of the pandemic, through the first lockdown and gradual restart and up to the introduction of the Strategic Framework. Phase 2 is used for the period from November 2020 to October 2021, that is the period of implementation of the Strategic Framework, through the second lockdown and the gradual move through the Strategic Framework levels reaching “beyond level 0” in August 2021 and up until the new wave caused by the Omicron variant. Phase 3 refers to the period from November 2021 onwards.

123. In broad terms, I describe below the main chronology and elements of each of Phases 1 and 2 using Scottish Government documents provided to me or publicly available.

Phase 1

124. The initial package of support, announced on 18 March 2020 was a significant package of NDR reliefs and NDR based grants [LD/60 - INQ000652314]:

- *a full year’s 100% non-domestic rates relief for retail, hospitality and tourism,*
- *£10,000 grants for small businesses in receipt of the Small Business Bonus Scheme or Rural relief,*
- *£25,000 grants for hospitality, leisure and retail properties with a*

rateable value between £18,000 and £51,000, and

- *1.6% relief for all properties effectively freezing the poundage rate next year.*

125. A second package of £100 million was announced in April to go live on 30 April, [LD/53 - INQ000282443] described on announcement as follows:

- *£34 million Newly Self-Employed Hardship Fund, managed by Local Authorities, will be allocated to the newly self-employed who are ineligible for UK support (as they became self-employed since April 2019) but are facing hardship with £2,000 grants*
- *£20 million Creative, Tourism & Hospitality Enterprises Hardship Fund, managed by the Enterprise Agencies with support from Creative Scotland and VisitScotland for small and micro creative, tourism and hospitality companies not in receipt of business rates grants of up to £25K*
- *£45 million Pivotal Enterprise Resilience Fund, managed by the Enterprise Agencies providing bespoke grants and wrap around business support to viable but vulnerable SMEs who are vital to the local or national economic foundations of Scotland*
- *£1 million to top up Creative Scotland's Bridging Bursaries in the not-for-profit sector.*

126. A specific package of support for the seafood industry was announced over March and April 2020 made of up four schemes (Sea Fisheries Hardship Fund (separate schemes for vessels over and under 12m), Seafood Resilience Fund and Aquaculture Hardship Fund), totalling £22.5m at announcement [LD/61 - INQ000553474].

127. Over April, May and June 2020 there were various additions or modifications to these packages. The main changes were:

- Allowing businesses with multiple premises to claim grants at a reduced rate for subsequent properties (previously limited to one property)
- Establishing a £3m Bed and Breakfast Hardship scheme (flat rate £3,000 grant) for those B and B businesses without a business bank account who had been excluded from other schemes.
- An additional £45m for the Pivotal Enterprises Resilience Fund announced in May 2020, [LD/62 - INQ000652315] subsequently increased by a further £30m taking the total to £120m.

Phase 2

128. The introduction of the Strategic Framework [LD/63 - INQ000302532] at the end of October 2020 enabled a new approach to business support that would systematically link support to the application of the levels and the associated package of restrictions.

129. The principles of the Strategic Framework Business Fund (SFBF) were detailed in the Strategic Framework document which were described in that document as:

- *A grant of £2,000 or £3,000 (depending on rateable value) for business required to close by law, payable every four weeks for the duration protective measures are in place*
- *A hardship grant of £1,400 or £2100 (depending on rateable value) for businesses that remain open but are specifically required to modify their operations by protective measures, payable every four weeks for the duration measures are in place*
- *These grants will be provided regardless of level, to eligible businesses, and paid in fortnightly instalments (subject to discussions with local authorities).*

130. On 7 November 2020, the First Minister announced new funding of £30 million for local authorities to provide business support to address issues within their own areas – the Local Authority Discretionary Fund (LADF). The fund value was subsequently doubled to £60 million and then again to £120 million on 10 February 2021 [LD/64 - INQ000652316].
131. At the same time, the second round of the NSEHF was announced. More information on this initiative is given in paragraphs 108 to 114.
132. On 09 December 2020, a further package of support was announced totalling £185 million [LD/65 - INQ000652317]. The largest components of this package were the Taxi and Private Hire Vehicle Support Fund, Mobile Close Contact Service Fund, and the Scottish Wedding Sector Fund. The Scottish Wholesale Food and Drink Resilience Fund was announced at around the same time.
133. In January 2021, it was announced that hospitality, retail and leisure businesses would receive an automatic one off top up in addition to the grants they receive through the Strategic Business Framework Fund [LD/66 - INQ000652318]:
- £25,000 for larger hospitality businesses on top of the 4-weekly £3,000
 - £6,000 for smaller hospitality businesses on top of the 4-weekly £2,000
 - £9,000 for larger retail and leisure businesses on top of the 4-weekly £3,000
 - £6,000 for smaller retail and leisure businesses on top of the 4-weekly £2,000
134. On 20 January 2021, Kate Forbes wrote an open letter to business [LD/67 - INQ000652319]. In it she lists the various schemes, in addition to the

Strategic Framework Business Fund and top ups, that were going live that month or the next. There were listed as:

“The following targeted grant schemes are now live:

Taxi and Private Hire Fund

Creative Freelancer Hardship Fund

Museums Recovery and Resilience Fund Top up

Travelling Show People Support Fund

Culture Collective Fund

Youth Arts Access Fund

Creative Communities

Sector and Destination Operational and Market Readiness fund

Scotland Pivotal Event Business Fund

Funds going live this month are:

Mobile Close Contact Services Support Fund including driving instructors and hairdressers

Newly Self-Employed Hardship Fund

Outdoor Tourism Sector Recommissioning Fund

Travel Agents Fund

Wedding Sector Support Fund

Events Industry Support Fund

Grassroots Music Venue Stabilisation Fund

Brewer Support Fund

Indoor Football Centres Fund

Funds due to go live in February are:

Tour Operators Fund

Visitor Attractions Fund

Ski Centre Support Fund

Visitor Accommodation Hostels Fund

*Large (7 or more guests) Self-Catering Grant
Exclusive Use Grant Self-Catering “*

135. On 04 March 2021, Fergus Ewing announced support for small accommodation providers paying council tax rather than NDR who had been excluded from the SFBF [LD/68 - INQ000652320]. The Small Accommodation Providers Paying Council Tax Fund (SAP-CTF) paid a flat rate of £2000 every four weeks backdated to January where applicable.
136. In March 2021, the First Minister announced that the SFBF payments for retail, hospitality and leisure would be replaced with a one-off restart grant to be paid in April 2021 to help businesses re-open progressively [LD/69 - INQ000652321]. On 19 April 2021, all eligible SFBF recipients automatically received a combined final transitional payment and one off restart grant as follows:
- retailers received a final transitional payment of £1000 or £1500 (depending on rateable value for the premises from which businesses operate) plus a £6000 restart grant
 - hospitality and leisure businesses received a final transitional payment of £1000 or £1500 plus a £8000, £12,000 or £18,000 restart grant (depending on rateable value for the premises from which businesses operate).
137. NDR rates relief was again provided in 2021/22 with 100% relief for premises in the retail, hospitality, leisure and aviation sectors and news publishing.
138. In June 2021, a new round of funding for taxi drivers was launched with new provisions for taxi operators, the Taxi and Private Hire Vehicle Driver and Operator Support Fund [LD/70 - INQ000652322]. This provided £1,500 to

each driver and up to £15,000 depending on the number of licences to operators.

139. I am not aware of any other significant funds open during Phases 1 or 2. However I believe that there will have been further minor amendments or specific elements of support that I have not captured comprehensively.

140. In addition to these national schemes, there were some local packages of support provided in areas with specific outbreaks: Aberdeen in August 2020 and Moray and Glasgow in May 2021. These funds were known as Localised Restrictions Funds.

141. Responsibility for the various funds within the civil service was formalised through the designation of the appropriate DG as the relevant AO. DG Communities was the AO for the provision of NDR reliefs together with the Small Business Grants and the Retail, Hospitality and Leisure Grant (grants that essentially went through the NDR system). DG Economy was the AO for most of the other business support grant schemes including the Pivotal Enterprise Resilience Fund (PERF), the SFBF (and the related Retail and Leisure Top Up Grants), the LADF, the NSEHF, and a plethora of smaller funds available to specific sectors or sub-sectors. In terms of time periods, I was the AO as DG Economy for the relevant schemes in Phase 1 and Phase 2. My successors were the AO for Phase 3.

142. The inquiry has asked about Local Authority Distributed Funds. The term Local Authority Distributed Funds (as distinct from the Local Authority Discretionary Fund (LADF) referred to in paragraph 130) is used in published Scottish Government reports of expenditure on business support [LD/71 - INQ000590799], [LD/72 - INQ000268006]. My understanding of this term is that it refers to grant schemes that were delivered by local authorities and therefore for which funds were distributed by the Scottish Government to local

authorities for their onward distribution and management. This category includes some which were the responsibility of DG Communities and some which were the responsibility of DG Economy. It includes all relevant funds delivered by local authorities, some of which were sectorally focused. In these expenditure reports, the other category is “sector funding”. This includes grant schemes which were delivered by bodies such as non-departmental public bodies including Scottish Enterprise or other enterprise agencies, Creative Scotland, and VisitScotland or by contractors. Somewhat confusingly, some of the funds in this category, such as the second phase of the NSEHF, did not have a sectoral focus. However, the vast majority of schemes categorised as “sector funding” were specific to particular groups of business, sub-sectors or sectors.

143. Business support was only one part of my Covid-19 related objectives. My main personal responsibilities in this area were to ensure that ministers were supported with appropriate analysis and advice in framing the overall strategy for business support and its evolution over the course of the pandemic (as one part of the overall Covid-19 economic response); that there were sufficient and appropriate people to work on the design and delivery arrangements of the agreed schemes within my DG responsibility; and that there was effective collaboration across government between the teams in different directorates or different DG families. As AO I also had responsibility for ensuring that arrangements for due diligence, fraud risk assessment, value for money thinking, consideration of equalities, performance monitoring and evaluation, and governance were in place. Of necessity, since many of these schemes were put in place very rapidly and under emergency conditions, some of the documentation for these aspects was produced some time after the schemes were launched. The approach to assurance and governance also developed and became more systematic over time. For example, in February 2021 I established and then chaired a Business Support Governance Board to provide assurance and to oversee the portfolio of

business support funds. The board was an important means to enable me to discharge my responsibilities as AO. It was still in operation when I left the role in November 2021. The terms of reference and meeting papers are provided [LD/73 – INQ000652323], [LD/74 – INQ000652324], [LD/75 – INQ000652325], [LD/76 – INQ000652326], [LD/77 – INQ000652327], [LD/78 – INQ000652328], [LD/79 – INQ000652329], [LD/80 – INQ000652330], [LD/81 – INQ000652331], [LD/82 – INQ000652332], [LD/83 – INQ000652333], [LD/84 – INQ000652334].

144. The overarching policy rationale for measures taken by the Scottish Government to support businesses was to protect the productive capacity of otherwise viable businesses whose operation was affected by the public health measures to control the pandemic and to alleviate hardship within economic sectors or groups particularly affected by those same measures. Maintaining productive capacity was important to securing as rapid a recovery as possible once the public health measures were no longer necessary.

145. I was asked by the inquiry to address schemes to support business and schemes to alleviate hardship caused by a loss of business revenue separately. I found this a challenging distinction to make cleanly. Within the broad sphere of what the Scottish Government terms business support there were schemes very clearly designed to protect productive capacity, such as the PERF and schemes with a broader range of outcomes. For example, the Taxi and Private Hire Vehicle Driver and Operator Support Fund provided grants to both individual drivers, which perhaps should be thought of as alleviating hardship, and grants to operator firms to help them remain financially viable, part of maintaining productive capacity. I therefore propose to deal in this section with all the business support schemes, including those to alleviate hardship associated with loss of business revenue.

146. The overarching strategy for business support was to maximise the impact of the available resources to protect productive capacity and alleviate hardship. This involved: firstly, developing a good understanding of which areas of the economy (sectors, regions, groups) would be most adversely affected and how; secondly, identifying already existing or likely support, for example from banks or from the UK Government; and then thirdly, assessing where the Scottish Government's resources could make the most difference in addition. All three elements were not static and the picture was continually evolving leading to a very iterative, incremental and dynamic application of strategy. Across the course of the pandemic however, I believe the underpinning rationale, policy intent and broad strategy remained consistent.

147. It is important to note that strategy and policy design and appraisal were being developed and refined while some schemes were already being launched and implemented. This was unlike a normal period of policy development where analysis, consideration, and consultation might take place over a number of months or even years before final decision and implementation. Officials and ministers were working concurrently on delivering the first schemes and getting the next set ready to go, meanwhile the situation we were responding to was also changing rapidly.

148. Throughout Phase 1, the strategy for and progress with business support was a frequent agenda item at the CEMG chaired by the First Minister. Individual cabinet secretaries and ministers would then take forward specific actions according to their own portfolio interests. By Phase 2, the Covid-19 structures within government had developed further and business support was developed and presented as an integral part of the Strategic Framework. Further strategic decisions concerning business support were taken in the context of the overall Covid-19 strategy and significant decisions should be reflected in relevant cabinet papers or SGORR meetings for example. Cabinet secretaries Kate Forbes, Fiona Hyslop and Fergus Ewing had

responsibility for the majority of business support and worked collectively on many of the key decisions with respect to strategic choices and specific schemes. Their many decisions were made through the normal process of officials providing advice in the form of submissions for ministerial response.

149. Within the overarching strategy, there were many specific choices for ministers to make including the relative merits and potential impacts of different types of support. For example, the minutes of the fourth CEMG on 10 April 2020 noted [LD/07 – INQ000652032]:

(a) £175m of business support package remains available. Main area of concern is focus on businesses that have not received grant/loan support. It is desirable to support this group but there are significant challenges in distributing support. Proposed an umbrella scheme of £100m to be delivered by organisations closest to these businesses and overseen by Ministers closest to the sectors. In addition, two options were proposed. One to offer a 1-month blanket rates holiday at a cost of £105m/month. A second option is to increase the number of grants businesses are eligible for. Extending this to one grant per property would cost in the region of £149m.

(b) The umbrella scheme was agreed. It was also agreed that a one month rates holiday would have a limited impact. The option of further grants was preferred if details and cost can be refined.

(ACTION: Cabinet Secretary for Finance to refine paper and discuss with FM/colleagues over weekend to agree final position)

150. I am asked whether sector targeting was considered. Building from the base of economy wide support provided by some of the UK Government schemes, the Scottish Government approach to its own direct action was very significantly driven by sectoral analysis and sectoral targeting. For example, the second meeting of the CEMG instructed that “A sector-by-sector analysis

of the key issues and any gaps in support should be carried out." This kind of sectoral analysis was updated frequently and continued to shape the Scottish Government's choices on business support. This ministerial preference for sectoral support can be seen reflected in the large number of sectoral or sub-sectoral schemes implemented in both Phase 1 and Phase 2.

151. I am asked if there are limitations, including insufficient data, to a sectoral approach. I do not recall data availability being a significant issue. The Office of the Chief Economist worked closely with sectoral policy teams to provide regular information and analysis for officials and ministers. Sector policy teams were also able to draw on their deep engagement with sectoral business organisations and thus able to access additional data sources and sector intelligence and insight. Ministers were also in direct contact with sectoral organisations and individual businesses. There were large volumes of ministerial correspondence relating to business support which also drew attention to sector needs and any potential gaps in support.

152. Sector targeting was achieved in the Scottish Government largely through the development of bespoke sector, sub-sector, or group schemes. This enabled support to reach very specific, and sometimes quite small, groups of businesses but brought with it a proliferation of schemes. The resulting complexity of this landscape could be challenging for businesses to navigate. To address this, the Scottish Government made information about all schemes available on the FindBusinessSupport portal [LD/85 – INQ000553473]. Business organisations, particularly the sectoral business associations, played an absolutely critical role in providing practical information to their members about the support available and how to receive it. Local authorities and enterprise agencies also played important roles in helping advertise schemes and support businesses through application processes. Despite all these combined efforts to communicate and engage with potential recipients, the number and nature of schemes and changes

over time created an undeniably complex picture that some businesses found difficult.

153. The cost of administering so many different and often small schemes must also have been higher than had the same resources been delivered through fewer larger schemes. I do not have access to analysis of these costs. These higher costs were balanced against the benefits of being able to reach groups of affected or excluded businesses who might otherwise have received inadequate or no support.

154. Another challenge with sectoral targeting was whether support could be provided to related supply chain businesses. There is rarely an exclusive relationship between a sector and supply chain companies that provide goods or services into it. Supply chain companies could be very significantly affected by Covid-19 public health measures affecting one or more of their key markets however. Consideration was given to whether supply chain companies could be included in sectoral schemes. Ultimately, we were unable to find a way to systematically identify relevant supply chain businesses that might reasonably be considered eligible. One of the potential advantages of the LADF was that local authorities could use their detailed knowledge of their local economies to identify gaps in support including the needs of specific supply chain companies within their areas.

155. I am asked if the Scottish Government's business support approach was informed, limited or constrained by decisions of the UK Government. A major factor for the Scottish Government in how to take forward its business support strategy was the fiscal framework between the UK Government and the Scottish Government. The availability of consequential funding for the Scottish Government deriving from UK Government decisions largely determined the envelope of resources for business support and thus constrained the choices and decisions the Scottish Government made. There

was also little forward visibility as to what funding might flow from UK Government decisions across the year making any kind of long term or even medium term planning difficult. The starting point for design work on a package of schemes would often be the confirmation of a certain level of business support consequential. Ministers would then receive advice from officials about options for the deployment of that funding. Although officials were able to bring pre-existing work and analysis into that advice, with more fiscal flexibility, a more optimal design dynamic might have been possible.

156. I am asked about the data that was available to me in formulating strategy and developing policy. The Office of the Chief Economist working together with others across the Scottish Government and counterparts in the UK Government provided good and continuously developing and improving data throughout the course of the pandemic. I particularly appreciated the agility and responsiveness with which the team analysed data at pace and in accordance with specific policy questions. The level of innovation was also impressive with teams developing a number of experimental statistics and exploring new data sets such as those available from mobile phone location data. I am not well placed to comment on whether there were any specific issues with access to HMRC data.

157. The other notable and positive feature of data and information in the pandemic was the generous spirit with which a whole range of external stakeholders shared their insights and analysis.

Key Schemes Administered in Scotland

158. The broad scope of my role meant that I was not directly involved in the detail of many of the Scottish Government's business support schemes but empowered my directors, deputy directors and their teams to work directly and closely with ministers. From the information that is available to me, I have

described the main chronology and elements of Phase 1 support between March 2020 and October 2020 and Phase 2 support between November 2020 and October 2021 in paragraphs 124 to 140.

159. I am asked a number of questions about the design, fraud risk assessment, delivery, monitoring, efficacy and impacts of the key schemes administered in Scotland. Given the nature of my role, I am not well placed to answer in detail for individual schemes but have made a number of observations on the portfolio of schemes, illustrating these with examples where possible.

160. In terms of design, feasibility of delivery was often a major consideration. Given the speed at which these schemes needed to be delivered, whether there was any practical way in which eligible populations could be identified and reached through existing systems was often an early consideration. Sometimes feasibility of delivery in effect determined the design. For example, the existence of the NDR system and its reach into a large number of businesses meant it could be the platform for delivery of very rapid financial support. The data that local authorities already had within that system in terms of the classification of premises meant that broad sectoral support could also be given. Other local authority data assets came into play for other schemes. For example, because taxi and private hire vehicle operators must have a local authority issued licence, local authorities were able to identify and deliver support to this population.

161. Enterprise agencies and other non departmental public bodies were another group of key delivery agents: Scottish Enterprise, Highlands and Islands Enterprise, South of Scotland Enterprise, Creative Scotland, VisitScotland and EventScotland. Many of these were well accustomed to offering business support schemes in pre-pandemic times and so had capabilities and systems that could be utilised. When neither local authorities

nor public bodies were suitable channels for delivery, grant arrangements with charitable foundations or private contractors were a further option. For example, the Travelling Show People Support Fund was delivered by the Corra Foundation, a charity with appropriate grant-making experience.

162. I am asked about consultation. Engagement with business organisations with the Scottish Government was constant throughout the pandemic. This gave a good basis to have detailed discussions with these same organisations on the design and delivery of business support. Organisations were able to give valuable feedback and insights into the design of eligibility criteria and scheme guidance. There were also good collaborative arrangements in place to share experiences amongst those public bodies most involved in delivery. Despite all these arrangements, I am aware that at times business organisations felt frustrated at the limited time available for scheme design or that their inputs could have been better used. Sometimes, once launched, schemes needed further adjustment, changes that perhaps could have been avoided through better design.

163. I am asked about gaps in support. The concept of gap-filling was a significant driver of business support schemes. Either filling a gap in an UK funded scheme such as that which resulted in the NSEHF, or gaps in the Scottish Government scheme landscape. In terms of the Scottish schemes, these gaps were often sequentially exposed and then addressed. For example, the early focus on NDR systems exposed the lack of coverage for non-premises based businesses, resulting in the Creative, Tourism & Hospitality Enterprises Hardship Fund, aimed at small and micro businesses not in receipt of NDR based grants, and subsequently schemes, such as the Mobile Close Contact Services Fund, which supported groups including hairdressers and driving instructors. As the pandemic progressed, the cumulative effect of lockdowns and restrictions meant that vulnerability became more pronounced in some groups who might have survived a shorter

period or groups that did not fit neatly into categories already supported. An example here might be the Wedding Sector Support Fund.

164. I am asked about value for money assessments. Given the scale of the economic shock and hardship and the imperative for quick action, value for money assessments were necessarily broad brush. At a simple level, we asked ourselves if the beneficiary businesses were significantly affected, were they excluded from other existing support schemes, and would cash support of the level proposed improve their situation. As AO I was content that the categories of business identified had suffered detriment from the public health measures and that cash support would increase the probability of business survival by mitigating revenue losses to a certain extent.

165. Inherent in the need to design schemes at pace and make them administratively simple and low cost to deliver was a recognition that precision would not be possible. This clearly raises some value for money risk. The vast majority of the schemes worked on a flat rate cash grant with the level of the grant varying only in terms of broad categories such as two bands of rateable value. Because flat rates could not take into account the circumstances of any individual business, the cash grant might either be insignificant and therefore make almost no difference, be about right and improve the business position, or be more than was needed. Ministers understood that these schemes were blunt instruments and that a more precise assessment of hardship was just not possible in the circumstances. We were also clear that the grants were neither based on nor intended to cover operating costs or to replace lost revenue. Many of them were offered on the basis of alleviating hardship and improving, but not guaranteeing, the likelihood of survival.

166. One major exception to the flat rate approach was the PERF. This fund was intended to be a more targeted approach to SMEs that had a particular

importance to the local or Scottish economy. Successful applicants had to provide evidence of, or demonstrate impact in, one or more of the following areas:

- Supporting Scotland's productive capacity – through wage levels, employment, exports, Research & Development and innovation
- Local economic importance which would include areas such as, employee numbers relative to place, delivery of essential services, wider economic and community value, plus the socio-economic importance of the business in remote and rural areas
- Leverage on wider business community by demonstrating the impacts of the business on supply chain at a local, regional and national level
- Being a supplier or potential supplier to NHS or other Covid-19 vital services
- Being a supplier to other essential businesses
- Demonstrating a need to rapidly scale up or diversify due to Covid-19.

167. Enterprise agencies undertook the assessment of eligibility, considered whether funding should be offered and if so, what the level of that funding should be. The September 2021 evaluation of business support found that 1,763 applications had been approved out of a total of 5,069 valid applications, an award rate of 35%. If only valid, eligible applications were considered (3,995 of the total applications were deemed valid and also to have met eligibility criteria), the award rate rose to 44%. The total value of grants offered stood at £121.8 million [LD/86 - INQ000590781]. The average grant offer was £69,000. The scheme relied on the technical capabilities and experience of the enterprise agencies. In some other sectoral schemes, including those for large hotels or visitor attractions and the Wholesale Food and Drink Resilience Fund, support was also offered in accordance with specific circumstances rather than as a flat rate.

168. The other scheme which was distinct in its basic design was the LADF. Unlike previous funds which had been targeted towards specific groups or sectors impacted nationally by Covid-19, this fund sought to empower local authorities to direct additional financial support to specific groups or sectors within the business community according to the characteristics of their local economies. This recognised the insight that councils have on the business community in their area and where funding would be most effectively deployed in supporting local economies. Non statutory guidance was developed by Scottish Government together with CoSLA and Scottish Local Authorities Economic Development Group (SLAED) and distributed to local authorities [LD/87 - INQ000646080].

169. I am asked more generally about the arrangements for delivery of schemes by local authorities. Teams in DG Communities were responsible for the detail of this but I understand that in addition to the scheme funds, local authorities were provided with additional funding to cover administration costs, and that detailed guidance was issued to local authorities for each scheme. My teams contributed to that guidance as appropriate. Examples provided [LD/88 - INQ000587198], [LD/89 - INQ000587031], [LD/90 - INQ000587030], [LD/91 - INQ000587195].

170. I am asked how the approach to business support changed over time. The establishment of the Strategic Framework and the SFBF was an important moment in the evolution of business support schemes in Scotland. It allowed a system to be established that would then operate automatically in accordance with the levels applying in any particular local authority. That was a better system for recipients who did not have to repeatedly apply but received payments for every four week period that restrictions remained in place. It also allowed differentiated support to be provided to those required to close by law and those allowed to remain open but who were required to modify their business practices through protective measures. The new system

could also be adjusted in response to changed circumstances. For example, top up payments to particular sectors could be made if necessary and the same system was also used for the final payments and restart grants in April 2021. I believe this type of systemic approach offers much that could be built on for the future.

171. I am asked a number of questions about fraud risk, monitoring, equalities and impact assessment. I described earlier in paragraph 143 how, as AO, I sought greater assurance on the set up and management of business support schemes and established the Business Support Governance Board to help provide this. This board benefitted from experienced non-executive director input and from close working and challenge from Scottish Government internal audit colleagues. The board met regularly from March 2021 and was still in operation when I left the DG Economy role [LD/73 – INQ000652323], [LD/74 – INQ000652324], [LD/75 – INQ000652325], [LD/76 – INQ000652326], [LD/77 – INQ000652327], [LD/78 – INQ000652328], [LD/79 – INQ000652329], [LD/80 – INQ000652330], [LD/81 – INQ000652331], [LD/82 – INQ000652332], [LD/83 – INQ000652333], [LD/84 – INQ000652334]. An important exercise sponsored by the board was the development of an assurance check list and a retrospective testing of existing schemes against this list. The elements to be assessed were:

- Funding Terms – A formal Grant Offer Letter or alternative document setting out the terms of the fund has issued.
- Monthly Report and Management Information – Monthly data reporting requirements have been agreed.
- Monitoring Performed – Monthly data reporting requirements are being or have been met.
- Statement of Compliance – The delivery partner is required to agree to produce an annual statement of compliance

- Completion Report – There is requirement to produce a report on the fund at completion with clarity on what this report should contain.
- Impact Assessment – A post-delivery impact assessment is required
- Senior Management Oversight – Risk register in place with budget oversight and monitoring.

172. Regular updates from these assurance processes were reported to the board. The board identified some gaps or weaknesses and were able to instruct corrective action.

173. During the design of business support schemes in Phases 1 and 2, fraud risk was one of the factors considered in design and a major factor in identifying an appropriate delivery partner. In assessing this, Scottish Government officials benefitted from the knowledge of local authorities and enterprise agencies, all of whom had relevant experience. Consideration of the risk of fraud can be seen in submissions to ministers on business support design. However, at that stage, I do not believe systematic fraud risk assessments were carried out and documented comprehensively. The Business Support Governance Board asked the Head of the Counter Fraud Profession to carry out a retrospective fraud risk assessment on business support funds. His report gave a rating of “reasonable assurance” that is, controls were adequate but some improvements were required to enhance the adequacy and effectiveness of procedures. The report made a number of recommendations [LD/92 – INQ000652335]. I do not know if these have been actioned as the final report arrived as I was leaving the DG role.

174. I am asked about the efficacy of the schemes. I asked the Office of the Chief Economist to conduct an evaluation of the schemes. An interim report was produced in summer 2020 with a fuller evaluation in September 2021 [LD/47 - INQ000182977]. The report brought together updated evidence from scheme management information data, survey data, business intelligence

and modelling work to provide an early stage evaluation of the initial impact of the business support schemes available to businesses in Scotland. The report gave the following conclusions:

- *The support provided by the Scottish and UK Governments has provided lifeline support to businesses during ‘lockdown’, helping most businesses survive up to this point. However, the viability analysis shows levels of support have not been sufficient to offset losses across many sectors, resulting in some businesses closing and some letting go off staff to cope with financial pressures resulting from the pandemic.*
- *While the CJRS has had the greatest reach and impact, the support provided by the Scottish Government, which focussed on small businesses and sectors most impacted by lockdown, has provided complementary support, filling many gaps in UK Government Schemes and has had an ‘additional’ impact on business survival over and above the UK Government schemes.*
- *Grant support appears to have been a more popular means of support for businesses to cope with the impact of Covid-19 in the short- and longer term. Businesses were worried about the impacts of ‘debt overhang’ especially on investment.*
- *Some issues remained in the application for and processing of schemes.*

Transport Schemes

175. Transport schemes were the responsibility of Transport Scotland.

Although Transport Scotland was a part of the DG Economy family, as an executive agency the Chief Executive of Transport Scotland was the AO and provided advice and support directly to the Cabinet Secretary for Transport,

Infrastructure and Connectivity, Michael Matheson. I am not able to offer informed views on these schemes.

Alleviating Hardship

Support Administered by the UK Government

176. I am asked about uplifts to Universal Credit and Working Tax Credit. I had no involvement in these policy areas and they did not come within my areas of responsibility as DG Economy. Within the Scottish Government, I believe DG Communities would be the relevant policy owner.

Support Administered in Scotland

177. I am asked about key schemes administered in Scotland to alleviate economic hardship. As described in paragraph 145, I have covered the schemes that fell within my responsibility, including some Local Authority Distributed Funds that were intended to alleviate hardships caused by a loss of business revenue in the same section together with other schemes to support businesses (paragraphs 121 to 174).

178. £350m of welfare funding was announced by the Scottish Government in March 2020 [LD/93 - INQ000366052]. This funding came within the responsibilities of DG Communities.

179. I was no longer in the DG Economy role at the time of the Local Authority Covid-19 Economic Recovery Fund so am not in a position to answer questions with respect to that fund.

Inequalities and Vulnerable Groups

180. I am asked how inequalities and economically vulnerable groups were taken into account during the pandemic decision-making and actions. By way of context, it is important to understand how equalities sat within the Scottish Government approach overall.

181. Since 2015, economic strategy in the Scottish Government has been shaped by concepts of inclusive growth, described as growth which reduces inequalities of outcome and opportunity, and more recently concepts of a wellbeing economy, described as an economic system that places the wellbeing of current and future generations at its core [LD/94 - INQ000178207]. Following the 2015 strategy, the Scottish Government then embarked on a series of diagnostics to assess the barriers and opportunities to inclusive growth. As a result of these and other analyses, a number of policy initiatives had been put in place, including work to increase women's economic participation in enterprise, to tackle the gender pay gap, and to halve the disability employment gap. Regional economic inequalities were also prominent in policy making with the creation of the South of Scotland Enterprise Agency alongside the long established Highlands and Islands Enterprise and with policies such as the Road Equivalent Tariff for ferry fares that were designed to ensure island communities were not disadvantaged by transport costs.

182. Work elsewhere in the Scottish Government was concerned with a range of interventions on equality, many of which are important for the long term reduction of economic inequalities: early learning, the poverty related educational attainment gap, health inequalities, widening access to higher and further education amongst others. This context means that understanding inequalities ran as a theme through the Scottish Government's economic analysis, policy and delivery teams. Public bodies were also charged by

ministers with making a contribution to inclusive growth and tackling inequalities.

183. The backdrop described above created a level of baseline familiarity and policy thinking around inequalities and the identification of vulnerable groups in terms of how officials and ministers operated.

184. In terms of my personal role, my primary responsibility, as in other areas, was in making sure that ministers were well supported and that teams were resourced to take forward ministers' priorities. I had a particular personal interest in making sure that officials and ministers were provided with sufficient data to understand the impacts on particular groups and in helping shape the longer term strategy for recovery in a way that met the Scottish Government's ambition for growth that addressed inequalities.

185. Different elements of the Scottish Government's overall economic response played a role in action related to inequality and economically vulnerable groups.

186. With respect to Covid-19 related business support schemes specifically, the lens by which exclusion was considered was primarily sectoral and regional: which sectors needed support, were they already supported, if not, could the Scottish Government offer support. I have described this process of sectoral/sub-sectoral gap filling in earlier sections. Over time, it created a fairly high level of coverage of affected groups in sectoral terms. The risk of exclusion from support was also a feature of schemes like the NSEHF.

187. Consideration was also explicitly given to the disproportionate nature of some sectors to particular communities in Scotland, and particularly where there were fewer alternative economic or employment opportunities. This was

part of the underpinning rationale for the seafood industry support schemes and was reflected in one of the criteria in the PERF.

188. From early on in the pandemic there was a recognition that some of the most significantly affected sectors, tourism, hospitality and retail, were particularly important employers of young people, often representing young people's first experience of work. They were also important sectors for the employment of women and lower paid workers. Protecting these businesses and sectors through support schemes was therefore important in avoiding further detriment to these groups. The prospect of significant business failures and redundancies in these sectors was understood to create the conditions through unemployment for worsening inequality.

189. Overall, my reflection is that business support schemes had an important role in mitigating the risk of further widening of inequality but were not able to address the underlying structural inequality that predated the pandemic.

190. In process terms, design work for business support schemes was done at pace. There was a strong imperative for speedy implementation and rarely if ever were EQIAs done at the time of design. The Business Support Governance Board identified this issue and instructed policy owners to produce retrospective EQIAs for schemes. These were subsequently completed for all schemes [LD/58 - INQ000590788].

191. Analysis regarding economic inequality and how the Covid-19 economic shock might impact on this formed part of material presented to ministers and publicly. The Chief Economist's Monthly Economic Brief for October 2020 [LD/95 - INQ000273938] captured the understanding at that time of labour market impacts:

“How is COVID-19 affecting groups within our labour market?”

As COVID-19 and the government responses to deal with the pandemic have fed through our economy and labour market there has been widespread concern that **groups already at a disadvantage may be hit particularly hard**. Groups expected to be hardest hit financially have already been identified in Scottish government analysis and include; **low earners, young people, women, minority ethnic people, disabled people, those living in most deprived areas, and lone parents**. Although the Job Retention Scheme (JRS) has had a significant role in mitigating unemployment rises for these groups emerging evidence around labour market outcomes demonstrates they have had differing employment experiences since COVID-19.

Gender

Early gender differences in employment have been moderate, but women still face established labour market barriers that are likely to impact in the longer term, particularly around a disproportionate share of caring responsibilities. Although take-up rates of the furlough scheme in Scotland are equal for men and women (10%), the relative pace at which men and women return to the workplace over the coming months will be a key marker for how gender equality has been affected by the crisis, with initial HMRC analysis suggesting men are more likely to be retained by their employers than women.

Age

It is clear that young people have seen particularly large impacts on employment. Latest LFS data (Jun-Aug 2020) shows the unemployment rate of 16-24 year olds in Scotland rose by 2.8 percentage points over the year, more than any other age group. Take-up of the JRS has also been much higher for younger age groups. This disproportionate impact is consistent with prior economic shocks and also that they make up large shares of employment in sectors most affected by the crisis (e.g.

accommodation & food) and precarious forms of work (e.g. zero hours contracts).

Low earners and those in the most deprived areas

The impact of the crisis has varied significantly by sector with implications for different experiences by wage distribution. The Institute for Fiscal Studies²⁶ estimates that low earners across the UK were seven times more likely to work in a shut-down sector of the economy than high earners. ONS²⁷ analysis of home working by occupation finds there can be less potential for home working in lower paid jobs (e.g. sales and customer service occupations) since these jobs are typically customer facing or based on business premises. This suggests they are more at risk of job losses or being placed on furlough. By region, most recent claimant count data (Sept '20) shows a broad based rise in claimant count rates but that **the greatest rises have been concentrated in areas with already high claimant rates (e.g. Glasgow City, West Dunbartonshire).**

Lone parents, disabled people, and minority ethnic people

*There is less evidence of how the groups above have been affected by the pandemic, although we know that they are more at risk of impact in many cases. The labour market survey data which is traditionally used to understand the challenges these groups face can often be better suited to identify longer term trends than short term impacts. **However, disabled people do not appear to be experiencing a greater effect on employment status than non-disabled people, with the longer term trend in recent years of a narrowing of the disability employment gap unaffected to date.** However, aside from labour market data there is evidence that compared with their non-disabled peers, disabled people have faced a greater impact on their lives from COVID-19²⁸ and this has implications for employment prospects. Similarly, although there is less*

*available evidence of a disproportionate impact on employment status for minority ethnic groups, **there is evidence that they have been particularly affected by COVID-19, with UK wide ONS analysis²⁹ suggesting people from black and minority ethnic groups are over-represented in jobs with higher risk of exposure to COVID-19,** accounting for 1 in 5 workers in the most at risk occupations despite accounting for 11% of the working population. Data from the Resolution Foundation also suggests that 22% of UK minority ethnic workers that were furloughed were no longer working in September, more than double the overall rate. **Lone parents – predominantly women - have lower employment rates and are more exposed to reductions in earnings and job losses than those with partners** as they are less likely to have someone to share childcare with and may be unable to work as a result. Lone parents may have been particularly affected by “self-furlough” through asking their employer to use the retention scheme if school closures or reduced access to childcare has reduced their ability to work.”*

192. A fuller account of evidence of emerging inequalities impact was also given in the September 2020 report “The Impacts of COVID on equality in Scotland.” [LD/96 - INQ000182793] In general, I believe, drawing from the strong base of analytical work on inequality in the Scottish Government, that officials and ministers had access to sufficient data. There have been some long running challenges with the level of data disaggregation for some protected characteristics in some economically relevant data sets, but in general I do not believe this undermined our ability to understand the most important impacts.

193. In addition to the direct work of protecting the productive capacity in the economy through business support, ministers commissioned work on economic recovery and the post-pandemic economy. In the summer of 2020,

there were two reports produced by external experts. Both reports were considered at meetings of the CEMG.

194. Firstly, the Advisory Group on Economic Recovery produced its report “Towards a Robust, Resilient Wellbeing Economy for Scotland”. [LD/36 - INQ000131080] The foreword to the report described “*three themes as more dominant than before: inequality, education and unemployment*”. The report also gave significant consideration to regional disparities. The Scottish Government welcomed the report and committed to implementing its recommendations, providing regular updates on progress. I engaged regularly with Benny Higgins who led the Advisory Group and support to the work was provided by my teams. My teams also provided advice to ministers on the recommendations and were responsible for implementation.

195. Secondly, a sub group of the Enterprise and Skills Strategic Board led by Nora Senior and Frank Mitchell (chair of the Strategic Board and chair of Skills Development Scotland respectively). Their report, “Coronavirus (COVID 19): measures to mitigate the labour market impacts” was published shortly after [LD/37 - INQ000654131]. The foreword to the report says “*The economic fallout from COVID-19, as with past economic downturns, is expected to disproportionately affect young people, women and vulnerable groups including disabled people and those from ethnic minority groups. There are a range of measures currently in place right across the enterprise and skills system to help support young people entering the labour market, people looking to reskill or upskill, and those facing the threat of redundancy. There are a range of mechanisms and structures currently in place to support the labour market provided by a number of delivery partners. However, it is vital that we quickly build upon and scale up the measures currently in place, drawing on lessons from what has worked well and experiences from past downturns to meet this unprecedented challenge.*” Ministers welcomed the report and broadly endorsed its recommendations. I also engaged directly

with Nora Senior and had worked closely with the Enterprise and Skills Strategic Board since its establishment in November 2017. Skills Development Scotland were sponsored from within the DG Economy family and the secretariat to the Strategic Board was also resourced from my teams.

196. Both these reports placed a particular emphasis on the risks to young people as a result of the measures to control the pandemic. The First Minister commissioned Sandy Begbie, then Chief Transformation Officer of Tesco Bank, to lead a short life group to work on developing an implementation plan for a Scottish job guarantee for young people. Sandy Begbie produced his conclusions in September 2020, and the renamed Young Person's Guarantee was launched in November 2020 [LD/97 – LD/97 - INQ000652336]. Sandy Begbie then continued to lead a group to implement and develop the programme, supported by teams from the Directorate of Fair Work, Employability and Skills and public bodies. In November 2020, the Scottish Government made £60 million available to support new and enhanced opportunities with a further £70 million investment in 2021-22. A report on progress in the first year was published in July 2021 [LD/98- INQ000652337]. The central commitment was to guarantee every young person aged between 16 and 24 in Scotland the opportunity, based on their own personal circumstances and ambitions, of a job, apprenticeship, further or higher education, training programme or volunteering. A hallmark of the programme was leadership from employers and collaboration between public, private and third sector partners.

197. The challenges we faced in this work were some of the same challenges described elsewhere in this statement. A lack of understanding at the beginning as to the duration of the public health measures that would be required and specifically forecasts of unemployment predicated on dates for CJRS closure which subsequently changed.

198. I am asked if, on reflection, I would take a different approach and if, in my view, the Scottish Government adequately took into account inequalities and economically vulnerable groups.

199. The approach taken by the Scottish Government was to combine short term action through direct business support, building on the support provided by the UK Government, with longer term economic strategy designed to set a course for an inclusive, green, wellbeing economy. In terms of action to address inequality, I saw the design of business support schemes as a means to mitigate the risk that existing inequalities would widen as a result of the pandemic, and the longer term economic strategic as a means to tackle the pre-existing structural inequalities in the new context. This still feels to me a reasonable approach given the circumstances. It was enabled by the political commitment of ministers and the extent to which Scottish Government analysis, policy and delivery systems had an understanding of inequality already built into them.

200. I do not know if another approach would have been more effective. I have no particular design ideas to offer but it would be useful to consider whether business support schemes, through more targeted support to groups suffering from pre-existing disadvantage, could have done more to address inequality. Preventing things from getting worse, however, can be an important outcome in its own right.

201. As it turned out, the significant rise in unemployment predicted when the economic recovery reports were produced in 2020 did not manifest over the course of the pandemic. However, action to support young people and mitigate the risk of their becoming dislocated from the labour market still feels like an important thing to have done. Even if not expressed in unemployment, the detriment to young people as a result of the pandemic is real.

202. I am not well placed to give an informed view on the UK Government's approach to inequalities and economically vulnerable groups in its economic response to the pandemic and do not offer any recommendations to the Chair on this.

Data and Modelling

203. I am asked how data, economic modelling and other scenario analysis was used in the decisions and actions I took during the pandemic.

204. My responsibility as DG Economy was to ensure that officials and ministers were supported through sufficient data, modelling and analysis to inform their decisions. Within the DG Economy family, the Office of the Chief Economic Adviser (OCEA) led the work of producing, coordinating and presenting data and analysis. Much of that work was done directly by OCEA teams, and some in sectoral teams with embedded analysts who worked closely with them. Gary Gillespie, Chief Economist, played critical roles in both leading his team and as Head of the Economics Profession in the Scottish Government, and on a personal basis in being a trusted and authoritative voice. He personally presented an economic update at every CEMG and gave frequent updates to the Scottish Government weekly directors meeting which all directors were invited to attend.

205. I had a personal objective to enhance understanding of the economy and economic opportunities and risks across all parts of government. During the pandemic, this meant ensuring that the overall Covid-19 strategy took into account the economic harms and that there was an understanding across government of the impacts on different sectors and groups. The data that OCEA and other teams provided was an important tool for this.

206. Throughout other sections I have made some reference to the use of data and other information used in decision making. I am not well placed to offer any additional insights or recommendations including on the use of data by the UK Government. The Chief Economist and Chief Statistician would be better placed.

Analysis and Reflections

207. The deliberate shut down by the government of large parts of the economy was an extraordinary experience to be part of. Normally, economic policy makers are responding to external shocks rather than, in effect, being part of the creation of that shock. We were unprepared for that situation and the kind of action that it would require. I am very conscious of how challenging the pandemic was for many business owners and their employees. From having spent many hours listening to people's experiences, the fear, stress, uncertainty and the toll that it took on people's mental health will stay with me. I know that many other colleagues, particularly those dealing with some of the most badly affected sectors will feel the same. The Scottish Government received many thousands of letters and emails from people detailing their distress and fear that their business would collapse and describing the impacts for them, for workers, for customers and for communities and asking for help and support. I was acutely conscious that as the senior official with respect to the economy within the Scottish Government I had a responsibility to those who shared their experiences with me to ensure that my government colleagues fully understood the risks to the economy, the impact on people's lives and the short and long term harm that the actions we were taking might have.

208. From economic data, modelling and other information it was also very clear that the public health measures were having very different impacts on different sectors, groups and regions. Some businesses found new or

growing markets as a result of changed demand and prospered. Other businesses were only just able to survive or failed. Wealthier households accumulated savings, poorer households, with little savings to rely on before the pandemic had to use those savings or go into debt just to get by. Most high earners could work from home, most low earners had to go to work in essential services or were furloughed. Some areas in Scotland, particularly Glasgow, lived much longer with significant restrictions than other regions.

209. I detail some personal reflections, learning and possible areas for action below.

Avoiding the economic harms

210. Stating the obvious, in the future, it would clearly be better if a pandemic threat was addressed early enough and in different ways such that the kinds of extreme measures we had to take to control Covid-19, including those that affected the economy, were not necessary. The inquiry has already considered this in detail.

211. On the assumption however, that such actions might be necessary, I have reflected on how we might respond differently in the future and what kind of work might usefully be done in preparation. Public health restrictions on businesses opening and trading as normal created the need for those businesses and individuals to be supported to prevent the wave of business failures, redundancies and unemployment that would follow. The scale of support provided has also contributed to fiscal challenges that affect us today. I believe research to find ways to keep more businesses open and for more businesses to be able to trade profitably during a pandemic could be important. This might or might not result in identifying better options, but it feels important to at least explore lines of enquiry including the following:

- Risk assessing different business environments and considering whether modifications to business practices or infrastructure could significantly reduce infection risk (for a range of epidemiological situations). Risk assessment at the sectoral level was an extremely blunt instrument. Businesses often felt that the assessment of the workplace did not take into account their particular circumstances nor the measures they felt able to take or had taken to reduce risk.
- Better understanding of the risk of different parts of business operation, including indirectly related activities such as travel to work and social interaction. As a result of outbreak case management, social areas, smoking and vaping areas and interaction between people outside the main workspace were often identified as particular risk points. Understanding that dynamic more fully and finding ways to reduce risk would be useful. Understanding how to assess the cumulative risk of keeping certain sectors open (rather than the individual risk in any one environment) would also be useful.
- Working with business organisations to devise in advance, processes for more planned and less disruptive shutdowns and restarts, including understanding the lead-in times required to, for example, avoid perishable stock loss. Businesses often commented during the pandemic that more notice would have enabled better planning and less loss. Given the possibility of pandemics with successive waves of cases, planning now for this scenario would be valuable.
- Evaluating the comparative benefits of regulation compared to behavioural measures including communications and incentives for safe working and compliance. The extent of micro-regulation of the detail of business operations that was put in place in terms of restrictions and public health measures was unprecedented. Normal processes of consultation and

design work that form part of developing regulations were just not possible. Given that, it is almost inevitable that some of that regulation will have had unintended consequences or been difficult to apply and enforce. Businesses often also commented that being compliant and supporting the public health effort was not rewarded. Businesses who “did the right thing” did not feel that action was taken against others who did not. Research into the relative merits of different approaches would provide us with a better informed set of policy options: should we shut businesses, allow them to open but close them if they fail to comply, or incentivise safe operation in other ways. The comparative experience of different countries would be useful too.

Integrated decision making

212. The four harms process of the Scottish Government was an explicit attempt to have integrated decision making that balanced or otherwise took into account the different harms resulting from Covid-19 - the direct Covid-19 health harm, the indirect health harm, the social harm and the economic harm – by assessing the risk factors of the activity and the impact of different control measures for all four harms. I believe this was an important and appropriate approach. There were some challenges in its implementation, however, which are of relevance to the economic response. While it was possible to model or otherwise quantify the economic impacts of different measures and the Office of the Chief Economist produced material which I believe captured these impacts reasonably, the assessment of risk was more challenging and there were less established data sets or methodologies from which to draw. A specific example relates to the restart of the construction sector in 2020 where, at the time, colleagues had very little quality material from which to draw. Asymmetry of information in terms of quality and availability across the different harms undermined the value and conceptual strength of the approach.

213. I have made a number of points above about better and more precise risk assessment which might open up different policy options. This would also strengthen the basis for decision making. Research could also explore how to address some of the inherent challenges in balancing harms across very different outcomes including how to deal with the immediate avoidance of harm versus longer term damage.

Mitigating the harms better

214. Support to business and jobs may well be required in pandemic situations in the future. In earlier sections I have referred to some of the challenges we experienced and highlighted some opportunities for developing business support systems that could deliver better outcomes or be better value for money. I draw out two key themes here.

215. Firstly, many of the schemes were very blunt instruments; understanding the options for more targeting and precision will be important. Work in this area could explore:

- How to assess hardship
- What is the optimum balance of national and local schemes, grants, and loans
- What is the role of discretion within schemes
- How to manage sub sectoral differentiatonal impacts
- Which sectors/businesses are deemed “essential”

216. Secondly, delivery and scheme design choices were constrained by the infrastructure and systems we had at the time. Planning now and investing in the infrastructure including data systems would give governments more options to consider in a future pandemic. Work in this area could explore:

- Whether our data systems capture the diversity of different enterprises sufficiently, could new data systems open different opportunities for the delivery of support or better fraud control, for example a unique business identifier
- How can systems of business support be built that that can be flexed and used over the course of a pandemic to reach different groups, operated in specific geographic areas, offered at different levels, all with lower transaction costs for government and business.

Ways of working

217. The experience of working within government as part of the economic response to the pandemic reinforced for me the value of collaboration and the opportunity to use co-production to get the best outcomes. The Scottish Government benefitted hugely from the insights and experience of individual businesses, their representative organisations and from trade unions. Organisations like the Federation of Small Business worked with us in painstaking detail on the guidance for schemes and on safer working guidance. I am sure that there were also times when businesses and unions felt that if we had consulted and worked with them better, we could have avoided some problems. Ensuring strong engagements and collaborative working between business, unions, and government in non-pandemic times, including in doing some of the work suggested above, will be an important platform for future pandemic events.

Statement of Truth

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

Personal Data

Signed: _____

Dated: 19 September 2025