

**Witness Name:** Simon Clarke

**Statement:** M9/HM Treasury/

**Exhibits:** SC/01 – SC/45

**Dated:** 21 October 2025

**THE UK COVID-19 INQUIRY**

**MODULE 9**

**INDIVIDUAL WITNESS STATEMENT OF  
SIMON CLARKE**

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1. I, Simon Clarke, am providing this statement in response to the Inquiry's Rule 9 request dated 4 July 2025 ("Rule 9 request").
  2. This witness statement has been drafted with the assistance of the Government Legal Department and Counsel instructed by the HM Treasury legal team.
  3. In line with the Rule 9 request, this statement covers the period between 1 January 2020 and 28 June 2022, although my role in relation to the government's economic response as Chief Secretary to HM Treasury ('CST') commenced from 15 September 2021 and ended on 6 September 2022, therefore there are some matters on which I am unable to assist the inquiry, as I was not in post as CST for some of this timeframe.
  4. I have complied with the Rule 9 Request with best efforts in the time available. The matters referred to in the Rule 9 request are wide-ranging, and significant time has passed since September 2021 - September 2022. Those assisting me with the statement have sought to identify relevant documents within the time available. Whilst I have some independent

knowledge and recollection of matters referred to, due to the passage of time, it is not possible to independently recall every detail. Any views expressed in this statement are my own. I have done the best I can to recall events to assist the Inquiry and, where I can, have referred to contemporaneous documentation. However, it has not been possible to read all available records, due to the large volume of material, accessibility issues and time sensitivities for this module.

5. The statement is structured as follows:
  - (a) Role and Responsibilities
  - (b) Role of Chief Secretary to HM Treasury during the pandemic
  - (c) Spending control framework
  - (d) Funding for the Devolved Administrations
  - (e) Engagement with Devolved Administrations on UK Government schemes
  - (f) Local Government Funding (Reference to MHCLG in the questions below also refers to DLUHC)
  - (g) Ensuring economic activity was consistent with NPIs
  - (h) Microeconomic Policy
  - (i) Fraud and Error
  - (j) Inequalities and vulnerable groups
  - (k) Long Covid
  - (l) Analysis and Reflections

## **PART A: ROLE AND RESPONSIBILITIES**

6. I began my professional career by training and qualifying as a solicitor at the law firm Slaughter and May in 2010. I then worked as a researcher for Dominic Raab MP from 2010 to 2013 and as a policy advisor to Graham Stuart MP from 2013 to 2017. I was elected to Parliamentary Office as the

Conservative MP representing Middlesbrough South and East Cleveland at the 2017 general election on 8 June 2017 and served until 30 May 2024. Since January 2025 I have been the Director of Onward, a UK based think tank with a mission to develop bold and practical ideas to boost economic opportunity, build national resilience and strengthen communities across all parts of the UK.

7. Whilst in Parliamentary Office, I served as the Exchequer Secretary to the Treasury from 27 July 2019 to 13 February 2020, and the Minister of State for Regional Growth and Local Government from 13 February 2020 to 8 September 2020 when I resigned from my ministerial role for personal reasons and continued to serve my constituents as a backbencher.
8. Approximately one year later, on 15 September 2021, I was appointed as Chief Secretary to the Treasury ('CST') and continued in this role until 6 September 2022 before being appointed the Secretary of the State for Levelling Up, Housing and Communities for a brief period until 25 October 2022, after which I continued as a backbencher until losing my seat in Parliament at the 2024 general election.

## **PART B: ROLE OF CHIEF SECRETARY TO HM TREASURY DURING THE PANDEMIC**

9. I was appointed as CST on 15 September 2021, and as such came into post part way through the 1 January 2020 to 28 June 2022 time period being considered by the Inquiry. The pandemic clearly did create a significant extra stream of work, particularly in regard to exceptional funding requests from the Department of Health and Social Care ('DHSC') and other departments.

10. These requests arose on an ad hoc basis, as well as a structured basis throughout that period of time. But I wouldn't say that changed the role of the CST, because obviously I was also receiving requests from departments which were more or less wholly unaffected by the pandemic, for example, the Ministry of Defence ('MOD'). In addition to the additional workstream inherent with an increase in spending requests, there was also a significant element of business-as-usual work.
11. The pandemic necessitated the machinery of government to react more quickly, but I do not feel that this redefined the role of CST. There was more work, but it wasn't more difficult in its demands or scope.
12. After the pandemic began, the Spending Review ('SR') process in the autumn of 2021 was conducted in light of a very changed financial situation. It had a direct bearing on a number of departmental budgets. It also constrained the overall fiscal headroom, which was open to the chancellor. The SR was a three-year process. The 2021 SR was obviously, until very recently, the last SR to have been conducted. Whilst many things changed in that time, it stood up and did its job during extraordinary circumstances. I think the processes were fundamentally normative.
13. The role of the CST is a unique one, which has its own line of authority and degree of autonomy whilst maintaining a close relationship with the Chancellor. This consists of scrutinising HM Treasury spending and dealing with Departmental requests. The relationship with the Chancellor is not one which required formal or informal daily interaction with the Chancellor. I would meet with the Chancellor on a weekly basis, usually every Monday at the Treasury ministerial meeting where we would discuss all things affecting HM Treasury. It would also be the case that I would speak with the Chancellor as and when required.

14. Almost all HM Treasury issues flow through the Chancellor to the Prime Minister. It was important as the CST not to overstep and cut across the fundamental relationship between the Chancellor and the Prime Minister, through whom most of the Treasury's representations were made. I always had a very constructive relationship with the Prime Minister both formally in Cabinet, but also informally as and when required. It was understood that the Prime Minister was enormously busy and as such, we were not in contact on a regular basis. However, where I felt the need to speak to the Prime Minister, or raise an issue with him, there was always the ability to do so.
15. My principal civil service relationship was with the then Director General of Public Spending ('the DGPS'), Catherine Little, and the wider spending teams that sat beneath the DGPS. I would meet with the DGPS and the relevant Departmental shadow teams working with each of the different Departments on a weekly basis. A significant amount of our time was spent scrutinising the implications of COVID-19 on the various budgets. I felt very well supported by the senior civil servants across the various teams both in terms of the evidence being presented to me, and in ensuring that information and advice I was receiving was timely, accurate and adequate.
16. The business-as-usual part of my role involved maintaining close relationships with other Departments. For example, during the Spending Review and Comprehensive Spending Review process in September and October of 2021 it was very much within the structure of the normal role of the CST to try to make sure that all bids were received fairly, but also scrutinised robustly. This was because there just was not the financial headroom for all of them. Even in those challenging circumstances, my working relationships with Ministers and senior civil servants was very good.

17. It is the nature of the CST that you have to go out across Whitehall and meet with a wide range of Ministers and senior civil servants, and discuss and analyse spending processes. During the period in September and October 2021, it was very much the case of them issuing written plans first, then coming for in person talks, and finally to sign off their multi year financial frameworks.
18. Once those in person talks were concluded in time for the October budget and SR to be published, the focus became me hosting further meetings, and scrutinising the adequacy of the plans. This process does require the CST to work closely with those involved in this process and I considered we had a good working relationship in this regard.
19. The working relationship with the Devolved Administrations throughout the pandemic was slightly more fractious, particularly in the later stages, with the emergence of the Omicron variant and the differentiation in approach from the UK Government. In response to Omicron, the UK Government's position was that a full national lockdown was not warranted, whereas the Devolved Administrations took the opposite view. This was a source of tension in the relationship, particularly with the First Ministers, and in my case, the respective Economic Ministers.
20. I would still consider that I had a very good relationship with Kate Forbes, Finance Minister of Scotland, Rebecca Evans, Finance Minister of Wales and Conor Murphy, Finance Minister of Northern Ireland. I would meet with them all at the regular (established prior to Covid) quarterly Quad Meetings which were attended by the Finance Ministers of the Devolved Administrations and the CST. This forum was not Covid focused, though sometimes it was discussed as an agenda item, but not the main topic of discussion. Outside this forum, I would hold conference calls with the Finance Ministers to discuss issues as and when they would arise. These

Quad Meetings were straightforward and collaborative.

21. Throughout my relationship with the respective Finance Ministers, we had robust discussions concerning the implementation of measures warranted in response to the Omicron variant, and the financial support required. This made for a challenging dynamic, however, appropriate formalities were always observed. Where decisions were made by the UK Government concerning the macro policy for the issues under our remit, these were relayed punctiliously to the Devolved Administrations.
22. My relationships with the Devolved Administration Finance Ministers would become more complicated when, on occasion, the First Ministers would join the Covid-O calls. For example, when Nicola Sturgeon, First Minister of Scotland joined the meetings, an inevitable sense of the underlying politics at play in the situation being discussed became more evident. The mood of these meetings could become less collegiate and more about registering disagreement and disapproval. This could result in the meetings and calls being less solutions focused and more declaratory.
23. I did not have many direct or unfiltered relationships with groups representing stakeholders. I did have some meetings with stakeholder bodies such as the County Council Network and the District Council Network. For the most part though, stakeholder representations would flow through their respective Departments and be placed before ministers. The representations would then be made to HM Treasury through those Departments where appropriate.
24. My direct contact with groups representing end-users of economic interventions in response to the pandemic was limited. The representations of these groups would often be made in meetings between them and the relevant Departments and then where appropriate summarised into the

written submissions I received. At the most senior level, I believe I met directly with representatives from the Federation of Small Business [SC/01 - INQ000656810] and the Confederation of British Industry, who would have given direct reflections on the state of the economy. If I was unable to attend a meeting with these groups then officials from my office would attend on my behalf and report back to me afterwards. Overwhelmingly to preserve time, these submissions would have been rendered in written form.

25. There will invariably be issues when the stakes are high, like during a national emergency, when there are different governments covering different parts of the United Kingdom that take opposing views on how best to respond. These issues are best addressed with dialogue. I was always conscious that as a Minister, you only see a fraction of the iceberg of the wider or pre-existing discussion that has been had by others. The dialogue was always respectful and we always at least explained our position, even if others did not agree with it. Whether it was mutually satisfactory was always the question, but we did our best. In broad terms, my relationships with finance ministers were pretty warm. At a higher level, there was perhaps a slightly performative, political response from the Devolved Administrations to show they were standing up to Westminster. I am not sure what more could have been done substantively to address differences.
26. During my time in post as CST, HM Treasury's working relationship with other government departments was good. In particular, the structures in place in regard to spending control were very good. The structures that were in place in regard to spending control were similarly very good. I was confident that a lot of money was saved by pushing back on overly optimistic or flawed assumptions on the part of other departments.
27. The working relationship between HM Treasury and other departments was a sensible working relationship with a clear understanding of respective

roles, and I consider that we worked well with other departments during a period of very intense pressures. I think it is important to emphasise however, that I was only CST during the pandemic at a time when the pandemic was well advanced and not before it. As such I have only a limited reference point as to what the role and the working relationships were, outside the exceptional circumstances created by the pandemic (I served as Exchequer Secretary earlier in my career). However, I would assume that the relationships outside of a pandemic were easier.

28. With regards to the role I had in sharing or developing economic understanding across government in response to the pandemic, I think it is important to distinguish, in this regard, between the Chancellor's role and my own. The Chancellor is the government's chief financial and economic Minister and has overall responsibility for HM Treasury. Rishi Sunak at the relevant time was the Minister accountable to Parliament who provided economic and fiscal considerations to Cabinet-level discussions and decision-making. It was therefore the Chancellor that took the lead in sharing and developing economic understanding of the government response to the pandemic. As CST I held the second senior ministerial office in HM Treasury and reported to the Chancellor. My responsibility had a specific, distinct focus and that was for public expenditure including spending reviews and in-year spending control and the devolved governments. My role in sharing and developing broad economic understanding across government was therefore limited and the lens through which I viewed everything was how this related to spending.
  
29. A good example of where I shared economic understanding to the Devolved Administrations is through the creation of the Inter-Ministerial Standing Committee on 1 March 2022. This committee was convened to discuss the impact of economic finance matters affecting the UK. This change was made following the 'review of intergovernmental relations' which was

published in January 2022, and this format has continued since the review took place. My briefing note for the inaugural meeting is **[SC/02 - INQ000656821]**.

30. I was the senior outward-facing Minister for all calls and meetings that didn't strictly require the Chancellor's attendance. The Chancellor and I tended to avoid duplicating our attendance for efficiency's sake. I was almost always the responsible Minister for HM Treasury on the Covid-O calls. Communication to Parliament was conducted in the usual way, via mailbox, or in the Chamber of the House of Commons in response to oral questions. I did a lot of morning round broadcast interviews and some work putting information into print media. These were about general government communications. An example of this was a speech I gave to the Institute of Economic Affairs on 29 March 2022 on public spending recovery **[SC/03 - INQ000656825]**. The main high-stakes conversations I was a part of during my time in Cabinet were regarding what to do in response to Omicron in December 2021. In the main, the conversations I recall having at this time were with the Devolved Administrations because they wanted a further lockdown and additional support measures. I refer to this further below.
31. Through my interactions and correspondence with the Devolved Administration Finance Ministers I played an important role in sharing the economic understanding around additional financing that was being provided to the Devolved Administrations. As mentioned above, the forum for my interactions with Devolved Administrations was generally through Quad meetings, telephone calls and written correspondence.

### **PART C: SPENDING CONTROL FRAMEWORK**

32. Much of the spending control framework in place in response to the pandemic had been established prior to my taking up the role as CST. In

relation to an overview of the spending control framework in ordinary times, HM Treasury's responsibility for creating and maintaining public resource frameworks is codified in the publication of MPM [SC/04-INQ000068420], which sets out how departments and ALBs are to meet Parliamentary spending expectations. HM Treasury has dedicated teams tasked with overseeing the budgets of departments working with a central coordination team, General Expenditure Policy ("GEP"). Broadly these teams correspond to government departments such as health, education, local government, and transport with each department responsible for setting budgets through the SR process.

33. At SRs Departmental Expenditure Limits or "DELs" are set for each department and split into day to day expenditure limits (Resource Departmental Expenditure Limits) and investment e.g. infrastructure (Capital Departmental Expenditure Limits). DELs cover a significant proportion of departmental spending. HM Treasury also holds a Reserve for unforeseen and unavoidable pressures which were not in contemplation at the time of the SR.
34. There can be additional spending classified as Annually Managed Expenditure which is less predictable than DEL and includes areas of spend too large for departments to be expected to absorb. It is the CST's role to allocate spending as Annually Managed Expenditure. Payments made through e.g. CJRS and SEISS were made through Annually Managed Expenditure as exceptional spending.
35. For local government HM Treasury worked with MHCLG which became the Department for Levelling Up, Housing and Communities from September 2021 to agree this budget and DEL. Funding arrangements for the Devolved Administrations are set out in the Statement of Funding Policy which sets

out how HM Treasury funds the Devolved Administrations, and is subject to the Barnett Formula.

36. The pandemic was effectively a civil emergency and there is a separate framework for public expenditure in civil emergencies. Where expenditure cannot be reasonably predicted or planned for - which happened in the case of Covid - departments are expected in the first instance to respond by deploying contingency from within their own budgets and reprioritising where possible. HM Treasury has guidance (the Consolidated Budgeting Guidance) to help departments reprioritise from the DEL. HM Treasury also has a contingency Reserve for both Resource and Capital DEL. As CST I was required to agree access to the Reserve, which was increased by £25.3bn in 2020-21 and £21.3bn in 2021-22 to account for further Covid costs.
37. The Consolidated Budget Guidance provides departments with a process for making a call on the Reserve. Departments are to submit a formal request to HM Treasury and where the CST agrees a draw down from the Reserve it is possible that this money can be deducted through a department's budget in the following year. Due to the urgent nature of the pandemic and requests for funding through this process, approvals happened in a shorter timescale and without necessarily following standard procedures. I understand that this was heavily relied upon during the initial months of the pandemic. By the time I was in post, the need for this process had diminished and I do not recall providing ministerial approval in this way. All allocations through the Reserve still required ratification through Parliament. If there is an urgent demand which doesn't allow Parliament to vote, departments can apply for a Contingency Fund Advance.
38. The level of the Contingencies Fund was increased in both 2020-21 and 2021-22 using primary legislation amending the Contingencies Fund Act

1974 to ensure that departments could access cash advances for urgent services in a timely manner, ahead of formal voting in Parliament at Main or Supplementary Estimates.

39. Ordinarily, Devolved Administrations receive funding settlements at SR, with in-year changes in funding determined through UK Government fiscal events and the annual Parliamentary Estimates processes. In the main, this is given as a block grant from the UK Government with the UK Government having no role in deciding how the funding is allocated by any particular Devolved Administration. The amount funded by the UK Government is determined by the Barnett Formula. This provides a population based share of UK Government Departmental Funding for the devolved nations. There are some adjustments and the Devolved Administrations have their own agreed tax and borrowing powers. Additional funding over and above the SR settlement for the Devolved Administrations was decided by so-called Barnett Consequentials. This relates to the changes in funding that the Devolved Administrations receive for the public services linked to changes in planned UK government spending on comparable services, meaning an increase in a particular service's spending by the UK Government leads to a corresponding population based increase in funding for the Devolved Administration.
  
40. The funding arrangements are set out in the Statement of Funding Policy which sets out how HM Treasury will fund the Devolved Administrations as well as sources of self-funding. In the case of the Scottish and Welsh Governments the Statement of Funding Policy reflects respectively the Scottish and Welsh Governments Fiscal Framework. There was no Fiscal Framework with Northern Ireland equivalent to Scotland and Wales, but the Statement of Funding Policy reflected specific agreements between the UK and Northern Ireland Executive.

41. Funding during the pandemic was largely determined by the Barnett Formula. However, additional flexibility was requested by the Devolved Administrations to manage the uncertainty of Covid. The argument was that they could not wait for the UK Government to announce measures and they were therefore hampered in their response by not knowing how much they would be allocated. Prior to my tenure, the Devolved Administrations were provided with an in-year funding guarantee so that they weren't dependent on the UK Government changing department budgets. For 2021-22 onwards the Barnett formula was applied, but without the guarantee [SC/05 - INQ000610861] [SC/06 - INQ000609643] [SC/07 - INQ000609777].
42. As I understand it, there were other options considered other than the Barnett Guarantee to provide certainty and flexibility to the Devolved Administrations during the pandemic but I was not involved in those discussions, which happened before my tenure.
43. The Devolved Administrations were given considerable flexibility with regard to carrying forward their funding from 2020-21 into 2021-22 to help manage changes when the Barnett guarantee was no longer available. Covid funding had been factored into budgets for 2021-22. This meant that they had certainty.
44. There was some discussion I recall on the Barnett guarantee in October 2021. The reasons behind why it was not continued are set out in [SC/07 - INQ000609777]. I believe that the approach to Devolved Administration funding was effective, balancing flexibility and certainty at varying times of the pandemic.
45. I would not say that the frameworks themselves were changed during the pandemic, other than to be more responsive to the demands of that period. It was accepted that a higher degree of risk tolerance was needed to prevent

the collapse of the economy by getting money out into society. For this reason, spending requests were expedited and the level of scrutiny that would be applied in ordinary times was reduced as a result. I am confident however that the best balance was struck. Some of the bigger financing decisions e.g. on Covid Loans had already been taken in 2020 prior to my appointment as CST, and so my experience in relation to funding requests was more related to the gradual moving down the tiers of removing economic support commensurate with the stage of the pandemic. Devolved Administrations and the opposition were arguing for more gradual removal, but the implications of this were significant as we did not think it was appropriate in the circumstances to cause further economic and social scarring by continuing the support which went in the face of the available data.

46. Whilst I am aware of the Managing Public Money requirements, these were considered and addressed before I took up the role of CST and I am therefore unable to assist the inquiry on this issue.
47. Additionally, whilst I have been made aware of a record number of Ministerial decisions having been issued in 2020, I would set out that this time period predates my time as CST. As such I could not comment further on this. During my time as CST, I cannot recall issuing any Ministerial Directions myself.
48. I understand that the Ministerial Direction Process was used 15 times in response to the pandemic. There was only one Ministerial Direction which was made during my time as CST, in relation to independent sector contracting. I was not involved in that decision. Without having been in post in 2020 at the height of the pandemic, and without any involvement in the Ministerial Directions that were made, I can only comment with some generality. Firstly, it was an appropriate way to expedite urgent spending

requests. To set in motion an entirely different structure of government would have been unrealistic given the pace at which the Government had to act. Secondly it was a necessity at the start of the pandemic given that the pandemic hit at the end of the accounting year when budgets had largely been spent. The fact that Ministerial Decisions were required meant that the usual spending frameworks had not been met. In the main this was where the need to put in place urgent schemes of support meant some proposals did not have the usual level of supporting evidence to demonstrate value for money and where the speed of setting up the scheme meant usual considerations about acceptable levels of fraud risk needed to be adapted. I do not think that the Ministerial Direction process was overused - 15 Ministerial Directions at a time of crisis does not appear to me to be unreasonable, and considering the circumstances, accountability through the Department was pretty well maintained. Ministerial Directions still required HM Treasury approval for them to be made.

49. Without having been in post in 2020, I cannot say why Ministerial Directions, relating to the economic response, were not published at the time they were made as I would be speculating.
50. In terms of lessons learned about the role of the Accounting Office and the use of Ministerial Directions during the pandemic, I could not answer this, as it is best answered by HM Treasury. It is not something I had responsibility for during my tenure in office. I am aware of the Boardman Review which looked at spending in a crisis, but this also wasn't something that I was involved with.

#### **PART D: FUNDING FOR THE DEVOLVED ADMINISTRATIONS**

51. The longstanding Barnett Consequentials for the most part cover the Devolved Administrations. A lot of the time it was simply a case of

communicating those decisions. We did also have discussions about pandemic management, SR and wider economic strategy which involved spending implications for the Devolved Administrations. I also received written representations from them ahead of time. I heard issues preemptively and then relayed decisions on to them. It was rare that things transcended Barnett.

52. The funding arrangements for the Devolved Administrations are articulated in the Statement of Funding Policy, which is updated periodically and supplemented in the case of Scotland and Wales by Fiscal Framework Agreements. These set out how HM Treasury funds the Devolved Administrations as well as sources of self-funding. There is consultation with the Devolved Administrations and it reflects various agreements reached with Devolved Administrations about their funding arrangements. I would say they are largely similar and due to the fact that they are a framework and the result of significant consultation, I saw my role as working within those agreed frameworks. The differences between them tend in my understanding to relate to borrowing limits. I did not consider there to be any significant discretion in relation to them. That said, I don't recall a situation in which I thought discretion was necessary.
53. To the best of my knowledge the Fiscal Framework Agreements do not have provisions for economic crises in the Devolved Administration. It is very difficult to have a fiscal framework that is exhaustive of all scenarios that might arise, and ensure that there is sufficient scope for change in any given situation. The framework is kept narrow and functional, rather than too broad in order to prevent too much uncertainty and inspire disagreement as to interpretation.
54. As I mentioned above, I engaged personally with Kate Forbes, Finance Minister of Scotland and Rebecca Evans, Finance Minister of Wales and in

Northern Ireland I had engagements with Conor Murphy, Finance Minister. We would have quad meetings as well as Covid-O meetings and bilateral meetings. Not all of these meetings were connected to the pandemic, some entirely ad hoc distinct meetings took place too on non Covid matters, and Covid meetings formed a part of the workload and meetings schedule with the Devolved Administrations. I was not in the business of declining meetings with the Devolved Administrations. My discussions with them in relation to economic support focused mainly on existing support rather than new schemes because of the stage of the pandemic and the fact that we wanted to ensure that schemes did not continue longer than necessary given the economic cost.

55. Additionally, as I was not involved prior to the pandemic with working with the Devolved Administrations, I am not well placed to comment on how information sharing changed during the pandemic. For the period I was in the role, I cannot recall that information sharing changed. Information sharing about consequential funding for my part was communicated to the Devolved Administrations through the channels I have already referred to above. I would say that there were a great deal more updates compared to any normal year. It is hard to quantify the number of updates because so much money was moving due to the extraordinary circumstances.
56. In relation to the structure of funding provided, ordinarily I would relay large sums in person or in a call. Small sums were relayed in writing. For example, sums in the low millions were conducted in writing. Sums in the tens of millions would have meant I spoke to the Devolved Governments in person. We had a system for normal times, but these were not normal times. That being said, my personal view is that we kept them rigorously updated. We were giving Devolved Administrations more money, not taking it away and I would consider we operated effectively during this time and money was sent in a timely manner.

57. I think it is likely that the Devolved Administrations probably wanted more clarity earlier, and they also likely wanted greater quantum. I would consider that in practice it was very hard to do more than we did. There was probably a greater ongoing wish for co-decision making as opposed to a reading out from Westminster as to the big decisions, but that would represent a fundamental change to the devolution settlement.
58. Not only did the Devolved Administrations want a more risk averse approach with associated spending, they also wanted greater, almost equal sovereignty with Westminster on this issue. This would have fundamentally changed the nature of devolution and would have reduced the UK Government effectively to the Government of England. This is not the constitutional basis of the British Government.
59. I think the handling of Omicron would be a very good example where the Devolved Administrations felt they fundamentally disagreed with our assessment of the threat that it posed. They wanted the capacity to effectively introduce another lockdown and to put in place another scheme of business and personal support to sustain that. My recollection is that they would have preferred that and even if we had made the decision not to go ahead with such a scheme in England that they wanted the chance to implement it in their own territory. Due to the passage of time I cannot recall this precisely, but it is possible that the Devolved Administrations may have been arguing that we should all be doing this.
60. The concerns from the Devolved Administrations over Consequential Funding for Omicron, which I refer to in para 59, is the only such example that I can recall I encountered during my time in post.

61. I consider that in terms of communication, we did our best in the circumstances and gave appropriate levels of notification to Devolved Administrations. I suspect that the Devolved Administrations feel that they should have had a greater level of co-decision, although for the constitutional reasons set out above, this is not my assessment of the situation.
62. It was certainly not the case that, during my time as CST, I noticed any diminution in the quality of communication, whether that was more or less than had been the case since April 2020, I do not know. Therefore, insofar as there was any lessening of the frequency of communication, I think that would also arguably be borne out by the fact that the decisions were in large part less urgent than they had been 18 months previously.
63. The Omicron variant being obviously the one exception to that trend, but largely, and especially in 2022, it was the case that it was a less intense situation than it had been in 2020.
64. Reflecting on matters, I do not think I would accept criticism of our support for the Devolved Administrations, as funding was available and was flowing when required. We were generally dispersing more money rather than repurposing money which had already been awarded, and in the great majority of cases the money that flowed was therefore truly additional. There may have been on a few occasions some disagreement about technicalities, but they were not substantive differences about large sums.
65. The funding arrangements for Devolved Administrations is set out in the Statement of Funding Policy. This was not revised during my time as CST. I am not able to recollect any ad hoc changes to it and I have no reason to believe it changed.

66. The Devolved Administrations made requests for funding/additional flexibilities, including a request to extend the Coronavirus Job Retention Scheme '(CJRS)', to support their public health measures in response to the Omicron variant in December 2021.
67. The Devolved Administrations made representations in writing and in Covid-O meetings regarding this: COBR briefing Dec 21 [SC/08 - INQ000116432], letter from/to Kate Forbes [SC/09 - INQ000656811], [SC/10 - INQ000647994], letter to Rebecca Evans [SC/11 - INQ000321085], [SC/12 - INQ000656817], letter to Conor Murphy [SC/13 - INQ000656818].
68. There was a large debate about how to respond to the emerging evidence about Omicron. This debate incorporated presentations by Professor Sir Chris Whitty and Patrick Vallance about the associated risks to public health. There was a clear view of most Cabinet ministers that viruses as they become more spreadable, tend to become less lethal. This was supported by evidence from overseas and emerging evidence in the United Kingdom that Omicron was not causing the same major uptick in deaths and serious illnesses as had occurred with previous variants.
69. Cabinet then made a collective decision not to extend the CJRS (and go into a full lockdown) and this was an example where a genuinely consequential decision was made in that December period. Cabinet agreed that the emerging evidence did not warrant the harm that would be caused by a second intervention. . Once Cabinet had made the decision not to extend the CJRS, it was the role of HM Treasury to communicate that decision generally and I would give the immediate read out to the Devolved Administrations. Evidence eventually vindicated the cabinet collective decision not to extend CJRS but this was not an easy decision. HM Treasury

was the most forward leaning of anyone in Westminster and the Devolved Administrations in advocating for winding it down when we did. HM Treasury is the department responsible for the UK economy. In every sense, it was right to give a voice to the enormous economic and public finance implications of a further lockdown.

70. HM Treasury received requests from the Devolved Administrations to carry forward unspent funding during late 2021 [SC/14 - INQ000656815], [SC/15 - INQ000565034], [SC/16 - INQ000656823], [SC/17 - INQ000656816], [SC/18 - INQ000656824]. HM Treasury was resistant to this as it is not good financial practice to have money being carried over from one financial year to another, rather than being returned to HM Treasury *in the usual way*. It is a normal spending control to have unspent funds returned to HM Treasury at the end of the financial year. It was not an exceptional decision. Whilst the previous year necessitated some flexibility, we felt the Devolved Administrations had not evidenced the need for this to continue. However, the Devolved Administrations, and particularly the Welsh Government, were disappointed by this decision. I remain of the view that this was the right decision, and it is appropriate for the Chief Secretary to have discretion over these matters.
71. HM Treasury and I considered giving Devolved Administrations enhanced borrowing powers in response to the pandemic, but declined on the basis that it would have amounted to a major change in the nature of the fiscal framework to be awarded such a change.
72. It was HM Treasury's view (and my view) that the funding set aside, and the reflection of the Barnett consequential, was a fair settlement for each country according to the framework of Barnett. It was for Devolved Administrations to explain why the fiscal framework should always be slanted towards their favour and not Whitehall's favour. It was never set out

to me, in sufficient detail, why greater flexibility was required.

73. Prior to my time in post, I understand the Scottish Government requested, and was agreed by the then CST, Steve Barclay, that the Barnett guarantee would continue in May 2021. [SC/19 - INQ000182960], [SC/20 - INQ000609774] Mr. Barclay confirmed that the SR 2020 settlement for 21/22 was structured in such a way (combined with existing flexibilities) that the Devolved Administrations were provided with sufficient certainty that a Barnett Guarantee was not needed for 21/22. [SC/20 - INQ000609774] However, assurances were given to the Devolved Administrations that HM Treasury would keep this position under review as the pandemic developed [SC/21 - INQ000609774]. I later continued the discussions with the Devolved Administrations at the October 21 Finance Ministers Quadrilateral meeting and was able to set out the decisions behind not extending the Barnett Guarantee [SC/07 - INQ000609777].

74. If funding and/or greater flexibility was requested, we had to assess the request and respond to it. It was for Devolved Administrations to justify why HM Treasury should go against the principles of normal spending controls, like returning underspends. We had to decline requests sometimes when they were ill defined, and in those circumstances, it was not unreasonable or unfair to decline consent. HM Treasury were simply trying to mitigate further spending that Devolved Administrations wanted to spend. If Devolved Administrations had not spent the money, they did not need it. Underspends should not be left to accrue, leaving the government to borrow even more to make up the shortfall, and adding to the overall deficit. It is not a matter of discretion, this is how the government has been structured and has existed for the past 25 years since devolution. Part of the tension stems from the fact that there will inevitably be some element of friction between a centre right government in Whitehall and a centre left Devolved Administration. We had to be mindful that it would have been very

dangerous, and would set a precedent, to vary the financial agreements between Whitehall and Devolved Administrations, that would be contrary to the principles of devolution.

75. HM Treasury's view was that funding set aside for Devolved Administrations was a fair settlement for each country according to the long and widely understood formula. It is the nature of the situation for Devolved Administrations to seek more funding and flexibility. There will always be a difficult relationship between the government and the Devolved Administrations, you just don't often agree.
76. As my time as CST started after the pandemic had begun, and during my period as CST I didn't perceive substantial issues with the existing frameworks and ways of working, I would not consider that I could make recommendations that would assist the Chair of the Inquiry.

#### **PART E: ENGAGEMENT WITH DEVOLVED ADMINISTRATIONS ON UK GOVERNMENT SCHEMES**

77. I would consider that the intergovernmental relationships between Treasury and the Devolved Administrations worked well on the whole. Whilst there was inevitably some tension in the relationships, they were not fractious. During meetings with the Devolved Administrations each side had to argue its positions and case, and this invariably meant that differing views were put forward on occasions by Whitehall and the Devolved Administrations.
78. The relationship acted as it should against this backdrop, and it did not do so detrimentally either to the interests of Whitehall or the Devolved Administrations. I consider that we worked well together during the time I was in post as CST.

79. If decisions were made that affected the Devolved Administrations then they were informed promptly. In particular, immediately after the Budget was delivered, it was my responsibility as CST, and was of the highest priority, to return to the Treasury and have a call with the Finance Ministers and inform them of the decisions that the Budget affected.
80. In respect of the Covid Directors Forum, I was not involved in this forum, as I was away on annual leave and cannot comment on the purpose of it or what was discussed. I was generally aware of this forum, along with a variety of other working groups and forums that were going on at the same time, but this was not one which I was required to attend and certainly not part of my portfolio of work.
81. In terms of information sharing, it was always the case that we were very clear about the equities involved in terms of making sure that the respective quad finance ministers were all updated. We did have a keen awareness of the need to make sure that all partners were looped in a timely manner, either ahead of or immediately after the moment of decision, so that they were not blindsided by things.
82. To the extent that our actions were shaped by the Devolved Nations, the views of their ministers and officials were taken into account in the officials meetings which preceded advice going up to ministers in HM Treasury [SC/22 - INQ000655636], which allowed us to make a decision. This task was incorporated in the preparation of advice, and I cannot think of any occasion where it was not.
83. The meetings with Devolved Nations Ministers tended to be by way of update rather than by way of consultation. I would say that my calls with Devolved Nation Ministers generally took the form of a read-out, although their feedback was of course respected and noted. That was in turn

informed by what they were asking of us in the first instance.

84. I can accept fully that they did not necessarily get to draw up the scheme at inception, but that is very different from their not being able to interrogate what it was, and how it would operate. That characterisation feels unlikely to me because that was really the whole point of those conversations.
85. I am also aware of the criticism made by Mark Drakeford that, in his belief, “the single most damaging decision during the whole Covid-19 experience was the explicit refusal of the Treasury to make funds available to Wales when public health conditions in Wales required action” [**SC/23 - INQ000371209**]. I do not agree with Mr Drakeford’s comments and certainly it is not my recollection of how the Treasury approached funding for the Devolved Administrations during the pandemic. The UK Govt spent around £400 billion pounds on Covid-19 support and the idea that there was not sufficient money available for Wales is simply not credible to me.
86. There certainly was a top down instruction from both the PM and the Chancellor that we would spend whatever was required to address the public health and financial consequences and this included the funds for Wales. Fundamentally however, the macro point here is that there was just a different assessment of what funding was appropriate and proportionate between the Welsh Govt and the UK Govt. I would argue that events bear out that the even more risk-averse approach being advocated for by the Welsh Government was broadly not mandated by the data and would have resulted in even more serious economic and social scarring.
87. Mr Drakeford argues that the way in which Barnett operates is such that what is decided for England effectively makes a determination for the other Devolved Administrations. However, I deeply disagree with this interpretation of how Barnett functions. The British Govt makes decisions,

and there are consequential decisions for the Devolved Administrations - it does not act as the government of England. Mr Drakeford is fighting for at all points for Wales and the other Devolved Administrations to be regarded as equal partners, rather than devolved nations in a country where certain specified powers and responsibilities have been devolved. To change this would mean a fundamental change to the devolution settlement in the UK and the constitution itself. This is a political objective as opposed to one warranted by the pandemic response.

88. On the issue of improvement of engaging with the Devolved Administrations, I have reflected on this and we could potentially have better managed the relationship by having had more meetings where we worked at a ministerial level, perhaps a few days or hours earlier, to try and discuss the contours of the support packages which were available. Though this would not have changed HM Treasury's decisions, it is something that *could* have been done purely to manage the relationship. There was a relentless pressure on time, so managing relationships simply could not always be the first priority during a crisis like the Covid Pandemic. It does need to be borne in mind that our disagreements arose from fundamental differences of view as to what was the right, proportionate and affordable thing for the government to do by way of response.

89. So it was not, in my experience, a question of fine degrees or the graduation of a package which was really in dispute. It was a question of (for example) whether there should be a national lockdown in response to a particular situation or not, or whether Covid lockdown measures should have been removed at a particular moment in time. When that disagreement stems from differing philosophies concerning risk tolerance, then, I question how productive it would have been in practice.

90. There are some positive lessons to be drawn from the COVID experience in my view. I consider that a structure whereby the First Ministers are handled by a senior cabinet minister who is not the Prime Minister for the most part, feels proportionate, and feels likely to give them a better experience. This would give them regularity of access and substantive depth to a discussion with senior ministers.
91. In addition, I believe having a dedicated channel for discussion with HM Treasury over finance responsibilities was of assistance. Despite our differences, I think the level of collegiality between Westminster, Edinburgh, Cardiff, Holyrood and Belfast felt very good, and I think we should positively commend that working relationship.
92. The spirit of the working relationship which we achieved and the professionalism which HM Treasury offered was something I feel should not be lost. An enormous amount of additional funding was ultimately provided to support communities in Scotland, Wales and Northern Ireland, and we should not overlook this.
93. We could have had a more discursive ministerial forum before the level of ministerial readout. I think we might have made the Devolved Administrations feel more engaged by having earlier ministerial engagement on the merits of some of the packages which were being drawn up. I do not consider that this would have really changed the nature or the outcome of the decisions. Fundamentally this comes down to the fact that a lot of the Devolved Administrations want this to be an equal relationship between the governments of as they would see it, England, Wales, Scotland and Northern Ireland. This is not a relationship between sovereign partners, it's a relationship between the government of the United Kingdom and the devolved assemblies. Ultimately a decision has to be made at some stage on these issues. The decision making power sits with the UK government.

We acted in good faith and with the best of intentions when making our decisions, and tried to engage with the Devolved Administrations to ensure we had an open dialogue on the issues we needed to discuss.

## **PART F: LOCAL GOVERNMENT FUNDING**

94. By the time I began my role at HM Treasury in autumn 2021, the framework for decisions regarding Local Government funding had been put in place and more or less continued to operate [SC/24 - INQ000608929]. There were no recurring Local Government funding issues during my tenure at HM Treasury.
95. The bulk of decisions made apply to my role at the Ministry of Housing, Communities and Local Government (“MHCLG”, formerly the Department of Levelling Up, Housing and Communities) rather than as CST. These were made in the spring and summer of 2020. Examples of some of the submissions/announcements of Local Government funding are: tranche 1 of funding [SC/25 - INQ000582555] tranche 2 of funding [SC/26 - INQ000582585 and SC/27 - INQ000582586], tranche 3 of funding [SC/28 - INQ000582611], cashflow support [SC/29 - INQ000536041], collection fund deficits [SC/30 - INQ000104691], tax income guarantee scheme [SC/31 - INQ000608952, SC/32 - INQ000608964, SC/33 - INQ000608981] I had many hours of conversation with Alex Skinner and the Local Government Finance team in that department about what proportionate and fair interventions would look like and what loss/burden sharing could reasonably look like between local authorities. Noting that different local authorities of different classifications in different geographies had fundamentally different exposure to some of the losses/costs associated with covid. So for example, district councils were particularly badly hit by the loss of things like parking charges, even though their social care responsibilities are obviously very slender relative to our upper tier authorities. It was a nuanced decision involving a high level of specialism,

which the MHCLG team were able to bring to bear. By the time I was in HM Treasury as CST, that level of granularity had been resolved. The framework has been put in place already and more or less continued to operate. It was not something which was a recurring issue during my time as CST.

96. A burden sharing approach to income loss was taken to protect the taxpayer. Most local authorities have reserves to be used in emergencies, so the central government did not want to be bailing out local governments more than was necessary, in an already enormously expensive crisis.
97. HM Treasury were aware of the asymmetric impact of the pandemic across local authorities in England and MHCLG developed the Covid 19 RNF to respond to the asymmetric impact of the pandemic across Local Authorities in England [**SC/34 - INQ000104673**], [**SC/35 - INQ000582650**]. This formula was based on actual expenditure data submitted by councils, and was designed to reflect the most significant cost drivers reported in financial returns. It accounted for differences in population, deprivation, and area-specific costs, making it tailored to the varying pressures faced by different councils.
98. By October 2020, MHCLG had reassessed earlier funding allocations using the RNF, aiming to bring total funding across all four tranches in line with what councils would have received had the formula been applied from the start.
99. The degree of burden sharing was a reflection of two things, the nature of the different authorities and the very different responsibilities they have. Burden sharing decisions were assessed on almost every metric in terms of pandemic pressures, revenue loss and pre-existing financial circumstances,

among others. HM Treasury engaged on a local authority, by local authority, basis to discuss these factors.

100. There were questions for individual authorities depending on their particular financial situation or geography. For example, local authorities with a high level of dependency on tourism revenue in the Southwest were particularly exposed to the fact that no one could travel. Central city local authorities where no one was going also felt sharp declines in terms of businesses needing to negotiate changes to their business rates and a lack of parking charges coming in, among other things. More suburban residential local authorities did not have those kinds of fluctuations in their revenue.
101. There was always a debate about who was getting a better deal, but there was not an instance where local authorities were unable to function or provide services as a result of their overall financial position. Many local authorities were in very difficult financial situations, but those were the result of different factors beyond the pandemic. HM Treasury did many rounds of this local authority funding, so there was repeated opportunity to course correct if there had been any issues. It wasn't a one-off decision which was inflexible thereafter, the available support was iterated regularly.
102. The guiding rationale was to protect the taxpayer. Some council functions weren't having to be paid for during the emergency period. There was some genuine financial pain and it was felt that beyond the question of reserves, this had to be captured across all parts of the government. Every department faced challenges and the degree of burden sharing was a reflection of two things, the nature of the different authorities and the very different responsibilities they have. Advice was provided to me setting out relevant evidence on how funding decisions sought to reflect the uneven impact of the pandemic of Local Authorities and also setting out the rational for using the newly developed Covid-19 RNF and Area Cost Adjustment

(ACA) which used a statistical analysis of cost drivers such as population and deprivation [SC/36 - INQ000582606]. MHCLG had to weigh practical delivery considerations against the aim of directing support to where pressures were likely to be greatest.

103. To the best of my knowledge the funding for local government in England was conducted on an equitable basis. The local government finance team did an excellent job and deserve credit for the work they did and the fact that no local authorities 'went under' during the pandemic.
104. Given how quickly things moved, and what we were learning at all moments, I think HM Treasury's response was generally characterised by a very high level of specificity to what we were seeing at that moment. The finance team at MHCLG are very across the detail of local government finance and so they start from a high base level of understanding of the different elements that feed into the local government funding package. Therefore, they are capable at short notice of doing quite remarkable work to roll out the correct response for the moment. Crucially, there is a very high level of data capture within that department, so they are well positioned to move the pace [SC/24 - INQ000608929]. The Development of the Covid-19 Relative Needs Formula (RNF) [SC/34 - INQ000104673] shows that targeting moved from generalised funding to get money out quickly initially, to a more needs-based model. The Department developed a specific formula for Covid-related pressures which was based on actual expenditure data.
105. There is no guarantee that any future crisis would be remotely similar to Covid. It was unique and one of the problems with our pandemic planning was that it was based on suppositions about the most likely contingency, which was a flu. Any future plans need to be intrinsically flexible, responsive, bespoke, iterative and explanatory, rather than forward-looking, as this may build an inaccurate degree of certainty into a forecast response to any given

situation.

106. The funding arrangements for local government in England were sufficient in amount, flexible and responsive to enable local authorities to address the financial pressures faced by the pandemic. Consideration had to be given to a range of funding mechanisms to support the Local Authorities during the pandemic and included proposals such as co-payment schemes for lost income, bespoke grants, and exceptional support for councils. There were discussions with HM Treasury, including the need to set out longer-term expectations and secure agreement on funding, the types of financial pressures identified and the emphasis on balancing short term support with longer term reform. The development and application of the Covid 19 RNF demonstrated responsiveness as MHCLG adjusted its approach based on real time data and feedback from councils.
107. The process was not necessarily comfortable, as its purpose was restricted to providing what was necessary to enable authorities to respond to the pandemic, rather than address wider issues in local government finance. The purpose was not to make things comfortable, it was to provide the right level of support to local authorities. This right level was not the minimum level of support possible. It was the appropriate level of support **[SC/34 - INQ000104673]** so that local authorities also paid for what they could from their own reserves. On 20 April 2020 I wrote to local leaders setting out significant, un-ring fenced funding and responsive steps such deferring business rates payments and accelerating social care grants. These were all aimed at giving local authorities the flexibility to manage pandemic related financial pressures **[SC/27 - INQ000582586]**. For example, local authorities which had done a very prudent job in accruing reserves over a long period were not totally penalised relative to ones which have been running things very close to the wind. This avoided the total catastrophe of a local authority not being able to discharge any statutory responsibilities

because of its financial circumstances not being sufficient at that moment.

108. The Department developed a specific formula for Covid-related pressures, operational by July 2020, which was based on actual expenditure data. This formula reflected the most significant cost drivers reported by councils. By October 2020, all funding tranches had been reassessed and reallocated using the new formula.
109. While I was Chief Secretary to HM Treasury there was no theme that some local authorities in England had been under-compensated and others had been over-compensated. Although some authorities may believe they were treated unfairly, this is different from whether there was any actual unfairness. The constant iterative nature of the system meant that local authorities had multiple opportunities to raise any perceived unfairness if they wished. The October 2020 adjustment, using the new Covid-19 Relative Needs Formula, aimed to bring total funding across tranches 1–4 as close as possible to what councils would have received had the formula been applied from the outset. A technical note on the Relative Needs Formula which set out the allocation methodology was published alongside the fourth tranche **[SC/35 - INQ000582650]**.
110. As the pandemic went on, the local government finance team was constantly iterating the sufficiency of what it had done. There were different tranches of funding which were offered at different points, so the initial support of February 2020 was supplemented by further funding rounds which were devised partly by reference to the evidence accrued of what had worked and the run rate of expenditure to show what was proportionate. More funding was offered at intervals and the response was calibrated according to the responses we received from authorities about how much funding they had left from previous funding rounds. It was not the case that a final decision on all funding for local authorities was made in Spring 2020,

funding decisions were being evaluated at multiple stages, which was partly a product of HM Treasury's reluctance to give out all the funding at the outset of the pandemic.

111. I do not have any insight into local government funding for Wales as opposed to England, this is an issue which never arose for me during my time in post. This would be a question better addressed by the Devolved Administration ministers in Wales. Ultimately after monies were provided, it was a matter for the Devolved Administrations as to how they spent it.

### **PART G: ENSURING ECONOMIC ACTIVITY WAS CONSISTENT WITH NPIS**

112. COVID (O) which on one level was an intergovernmental forum, but this met on an ad hoc, rather than a permanent basis. There would be a number of meetings where at least the First Ministers would attend.
113. Ordinarily economic decision-making and operational strategy were an internal cross Whitehall decision. However, there were definitely instances where the Devolved Administrations attended, so I believe this can be classified as one such intergovernmental forum.
114. The roles and responsibilities of the CST at this meeting were simply to voice the Treasury interest and to explain matters insofar as they touched on Treasury policy.
115. The functions of COVID (O) have been covered in previous modules [SC/37 - INQ000177566].
116. It is difficult to provide an exhaustive list or even a particularly illustrative list of the topics that were discussed because the meetings covered everything, and most meetings covered multiple different agenda points across the

whole of Westminster.

117. The more structured meetings were the designated meetings I had with quad. This became almost exclusively a COVID meeting during that period, because so much of what we were discussing was inherently characterised as pandemic related issues [SC/37 - INQ000177566].
118. The meetings were broadly constructive and mostly positive. The greatest challenge was during the Omicron flare up in the winter of 2021, and the big decisions which had to be made, especially around further lockdowns.
119. There were some tense meetings around Omicron involving Mark Drakeford and Nicola Sturgeon in particular that winter. These decisions were high stakes and contested and therefore incurred a degree of friction, but that is a challenge arising from the circumstances, not from the structure.
120. I think the forums themselves functioned well. It's my view that in a fast moving situation, we did our absolute best to make sure people were consulted and kept informed about what was happening.
121. Some of these issues are outside of the remit of the CST. The work connected to those four economic interventions was subject to pre-meetings with officials and with attendant briefings orally and in my box. It was a relatively small part of the total.
122. These meetings were a regular routine part of the COVID response, but set against the massive pressures on the health service and how we responded to that or the wider bailout mechanism, it was a function of often bigger decisions that were being made UK wide. Whilst it was very important that we listened to the Devolved Administrations and relayed the consequences

of choices, it was the Government making the decisions.

123. I would estimate that the requirement on my time was no more than 5%. It is the case and I think it's a good thing that the Barnett formula gives a high degree of predictability. This then flows into working out what the consequences were when the fundamental decision, which often was very difficult in itself, had been made.
124. I think for the purposes of what was required, the forums were effective. They formed part of the fundamental nature of the relationship across the UK, especially when you factor in the extreme time poverty which everyone involved was working with.
125. The level of medical intelligence we received was first class at every level. Regular meetings were held between myself, HM Treasury officials and Health officials online and weekly updates on the latest pandemic intelligence was provided. This allowed for the intelligence to be very carefully factored in and time given for us to interrogate the data.
126. At all times and at every level, there was the keenest awareness of medical intelligence and of what the data showed. We had access to cabinet ministers and their counterparts in UKHSA and at the official level, medical intelligence was a constant consideration. Professor Chris Whitty and Sir Patrick Vallance had access to officials on a standing basis and had access to their counterparts in UKHSA.
127. Although you may have thought you knew what the data was showing because it seemed obvious, the point about data is that you also know that you can prove anything with statistics. There was therefore an element whereby the conclusions to be drawn from any data were inherently contestable, and they were contested. Often it was open-ended as to what

constituted a trend or a blip for example.

128. It also was not always the case that the data gave you definitive clarity as to how to proceed. It was inherently debatable what the consequences of doing action X might be in terms of impacting on any given trend. The data was enormously helpful, but it did not give total clarity at any point in 2020 as to what the right thing to do was.
129. This is the nature of the Cabinet and also the COVID (O). The function of HM Treasury officials on those bodies is to provide an economic dimension to discussions, representing Treasury policies and indicating any economic consequences on a cross government basis. In addition to those cross government bodies, there are a number of smaller working groups which were convened to discuss matters. For example, the reopening of airports or hospitality.
130. There was obviously an economic dimension to these working groups, HM Treasury officials attended and Treasury officials were generally speaking as an institution on the liberal end of what was considered the right thing to do. If the Treasury did not stand up for the consequences for the real economy and the exchequer, no one else was going to represent the impact on the economy. It was our job to try and balance those risks. I think our job was also to be clear that there were other attendant financial risks which flowed from an unduly risk of mentality across government. Everything we did was commensurate with the balance of the advice that we were receiving. At no point were we acting either recklessly or heedlessly.
131. All of those structures exist precisely to allow the coordination of advice. There was a very clear sense, more so then than probably at any other time in my time in government, whereby different departments were standing up for different equities. The challenges were unusually stark but out of that

process came agreement and this wasn't always in HM Treasury direction. It was not a one way street. It was genuinely about the prevailing mood across government and ultimately the decisions often rested on the personal readout of the Prime Minister.

132. There was a daily meeting on the medical data, and it was always in my box. I assume therefore by extension, the SCS in HM Treasury and often in some cases whole teams were receiving epidemiological information and advice regarding the public health impact of the virus. There was a very detailed level of access to the data and to the officials.
133. The Chancellor's role was to consider the real economic impact. Weekly meetings and/or daily meetings were always in his box. By extension SCS and HM Treasury and whole teams received detailed level access. My responsibility as CST was public finance. I only really acted on the periphery in this regard. I can assert based on all other experience of being a Treasury Minister at that time, that absolutely the data will have been part of that decision. The general approach was informed by science.
134. I would agree with this and say that we held an equal stature, the health data and the economic data which were playing out in real time. The closest level of attention was paid to the data and this was inherent structurally, but it also provided on an ad hoc basis, if required.
135. There was an obvious tension between the two, both in terms of the cost of the response, but also the cost of inactivity. In particular, the costs which flowed from stopping people from doing things they would normally do. You couldn't really assess the one without understanding the other. The two were inherent. The Treasury was as much a public health ministry at that point as we were a finance ministry. We were living in the data as we tried

to make decisions.

136. We viewed the data from the presumption that we should seek to unwind the harm of the pandemic to the public finances and the economy but this was not an illegitimate standpoint for us to adopt. It was at the earliest possible opportunity that we sought to make decisions which were compatible with public safety. You could not understand the impact of one without assessing and understanding the impact of the other.
137. The absolute height of the full lockdown was in the spring of 2020 and I wasn't in the Treasury at that time. As an informed observer, what you saw during the long sweep of the ensuing 18 months was a gradual willingness to unlock the economy more and to accept a slightly higher degree of risk with the virus.
138. This was informed by two really important things. The first is the existence of a vaccine which changed everything and allowed such an approach to be proportionate. The second was the growing body of evidence about the lethality of the virus. When the Omicron variant arose, this is the reason the Cabinet ultimately made its decision not to go with a full lockdown again. It was clear by that point from the data about Omicron in those countries where it was already present, that it was already changing what we knew widely. Not only was there the benefit of the vaccine, but there was also the benefit of more data and a longer horizon time on which to make your decisions.
139. The reason why the initial approach was so intense was because neither were available. There were no effective preventative measures other than physical separation, and there wasn't any data other than a handful of days worth to base any risk analysis. I therefore think the nature of the risk

tolerance did change, but it changed for positive reasons.

140. It would be fair to say that as the pandemic went on, there was a gradual willingness to unlock the economy more and accept a slightly higher risk of the virus, as the existence of vaccine changed everything. The data about omicron showed that it was not having a higher death toll, and by this stage we had the benefit of more data. The first strain of the virus had no data, so we had no insight and no vaccine, this of course impacted on our approach to decision making at the outset of the pandemic.

#### **PART H: MICROECONOMIC POLICY**

141. By the time I took up the role of CST, these schemes had been implemented and I was mostly engaged in winding down and monitoring the ongoing finances of these schemes.
142. I was also involved, alongside wider Ministerial colleagues, in considering what the phasing would look like and presenting this along with various scenarios to the Chancellor of the Exchequer [SC/38 INQ000655634 SC/39 INQ000655635]. This included work to assess the net impact of the schemes. However, the ultimate decision making on these schemes rested with the Chancellor and the Cabinet.
143. The overwhelming response from industry was positive and HM Treasury's response was remarkable in its generosity and saved millions of jobs. The economy would have suffered even more without interventions.
144. Economic modeling underpinned these schemes from start to finish and was subject to constant iteration as the stakes were very high. I would consider that the Kickstart scheme was more effective than the restart scheme and there was a clear difference between these two schemes [SC/40- INQ000655638]. We met with the DWP to wind down restart and

focus on Kickstart and monitored this via DWP data. The effectiveness of the Kickstart scheme is well documented. The government's evaluation found that at 5 years Kickstart scheme expected to make a return of £3.15 for every pound spent; and the scheme reduced the time 19-24 year old UC claimants spent on benefit and increased the time they spent in employment. I would consider that we gave the economy as a whole an adequate and generous response.

145. There were challenges in this process, for example, fraud and error. In autumn 2021 and spring 2022, fraud started to emerge, for example, with covid loans applied for on a flawed or fraudulent basis. I asked Cat Little to approach this as she was the responsible official at HM Treasury, and to ensure that HM Treasury would bear down upon fraud and error. A great deal of the available evidence was still emerging during the period when I was CST and many of the claims by the DHSC for civil recovery of funds from potentially fraudulent claims did not start to happen until 2022. As a Minister, beyond making it clear that I was firmly of the view that fraud should be pursued and prosecuted, it was not my role to direct investigations. Lord Agnew's resignation over issues around fraud and his stance on insufficiency of response was a further challenge, although his views were not shared by officials at HM Treasury. The Treasury took a different view, based on its own institutional analysis, as to the true nature of the level of fraud that was occurring and how that had to be balanced against the support for the real economy that was being provided. I had no reason to query this analysis. HM Treasury recognised the need to deliver support quickly, meaning the window to develop the schemes was short. There had to be trade-offs given the urgency, not only relating to fraud and error, but also value for money, deliverability, and the speed with which support could reach those in need. This is very different to accepting that fraud should occur, and go unpunished. The House view was never that fraud should go unpunished, it should not. But the question at that time was

one of sequencing, in terms of what mattered most of all the things that were pressing upon my attention at any given time. These included issues such as the Comprehensive Spending Review in Sept/Oct 21, the Omicron emergency, the legislative passage of the Public Service Pensions and Judicial Offices Bill for which I was the responsible Minister, the onset of the war in Ukraine from January 2022 as well as the political pressures associated with the collapse of the Boris Johnson government and subsequent party leadership contest. None of that is to say that the question of fraud and error was not important, but it was one of a huge number of pressing issues which had to be considered throughout the duration of my time in post, in addition to day to day business that was complicated in its own right. On 29 March 2022, I gave a speech to the Institute of Economic Affairs, addressing this [SC/03 - INQ000656825]

146. There were difficulties in economic modelling during the pandemic. I was aware as a non-economist that all data created in real time in a fast moving and unprecedented crisis is inherently limited. This was driven, in part, by limitations in accessing adequate and timely real time data; and lags in the availability of certain data sources driven by the time taken to process these. This limited our ability, especially early in the pandemic, to use these data sources to understand what was happening in the economy, and as a means of understanding impacts of policy. However I cannot comment as to the effects of this as my purview was not the management of the economy and other witnesses would be better placed to provide views regarding the availability and use of data.
147. We tracked and evaluated the impact of the interventions, as all of them were subject to regular monitoring, and would have catch up meetings to discuss what the interventions were yielding. There were a lot of briefings in this regard. Reflecting on the implementation of the interventions, I would

consider that it was an adequate and generous response.

148. With regards to Project Birch, this predated my appointment as CST Project Birch was an effort in 2020 to protect the most critical businesses in the economy, but I had no personal involvement in the project, and there were no live issues on this project once I came into post as CST in September 2021.

## **PART I FRAUD AND ERROR**

149. HM Treasury was alert to the risk of fraud and error in COVID-19 support schemes from the outset. However, these risks were carefully balanced against the critical need to provide swift support to individuals and businesses, which was rightly prioritised. This support proved vital in protecting millions of jobs and businesses, and contributed significantly to the UK's economic recovery from the pandemic.
150. Responsibility for addressing fraud and error within each scheme rested with the respective departments administering them. Departments responsible for administering schemes (e.g., HMRC for furlough and SEISS, BEIS for business loans) published annual reports and accounts, which included estimates of fraud and error relating to COVID-19 support schemes. In July 2023 HMRC published research and analysis of error and fraud in the Covid-19 scheme **[SC/41 - INQ000583779]**.
151. When I joined HM Treasury, a robust programme for monitoring fraud and risk was already in place. A taskforce of over 1000 HMRC staff had been created to combat fraud in COVID-19 schemes **[SC/42 - INQ000609595]**, with regular monthly updates sent to the Financial Secretary to the Treasury on progress **[SC/43 - INQ000656812]**.

152. These schemes were put in place before I was appointed as CST. Whilst I was in post, my role was to maintain, not set up, the schemes. We wished to avoid a late spike in fraud, but I was not involved in providing guidance and advice on this issue.
153. During my time there would have been periodic updates as to what the actual run rate of fraud or, at least suspected fraud was, but it was never the case that there was a sort of a target level or accepted level which was broached with me. In this situation there had to be a trade off between total certainty, and speed of delivery of the scheme.
154. Given the unprecedented scale and broad accessibility of the schemes, an elevated risk of fraud was an inherent challenge. While the expansive reach was essential to deliver rapid support, it inevitably created opportunities for misuse, enabling some individuals to access funds they were not legitimately entitled to.
155. My role in relation to the management and mitigation of fraud and error primarily involved staying informed about the evolving risk landscape and ongoing recovery efforts. Although I was not directly responsible for this work, I was regularly briefed on losses and recovery strategies in meetings with Cat Little, Director of Public Spending.
156. On 23 February 2022, advice was sent to myself and the Chancellor following a commission from No.10 on HM Treasury efforts to take action on fraud. The advice set out the strands of work including investment in scheme oversight and further system wide proposals, including a proposed Public Sector Fraud Authority and the introduction of mandatory fraud assessments in major projects **[SC/44 - INQ000656813]** and **[SC/45 - INQ000656814]**.

157. The Public Sector Fraud Authority was launched in August 2022, with an additional £24.7 million over 3 years to turn the existing Government Counter-Fraud Function into a new Public Sector Fraud Authority. The authority was set up to hold departments to account on their counter-fraud performance and deliver improved data analytics, deliver fraud impact assessments, create 'red teams' and hold central enforcement capability.
158. Efforts to detect and prosecute fraud were ongoing and, during my tenure, still in their early stages. The prosecution of fraud and error was handled separately without ministerial involvement. I understand some cases remain in dispute, falling into grey areas where it is still unclear whether fraud occurred. Nonetheless, there continues to be active monitoring and prosecutions, reflecting the original intent to pursue fraudulent activity beyond the immediate crisis period.
159. I am unable to speak about the Covid 19 Loans scheme, with any degree of accuracy owing to the fact that I was not there at the inception of the loan schemes. As such I am not sure whether there was a number in the first instance which was estimated clearly.
160. Based on the wider assurances that I received, I had no reason to be concerned about the performance of the former BEIS and the British Business Bank in this regard.
161. I do not consider that more measures could or should have been implemented. The systems that we put in place had to be established swiftly and had to be responsive to the needs of businesses to keep the economy buoyant. In these circumstances we had to view fraud in a backward looking model, in that, we were iterating based on data as it became available over time and on the most effective recovery strategies. As is inherent with all cases of fraud, it takes time to become explicit and obvious. It then takes

further time to look back on data to investigate potential fraud, and where appropriate, prosecute.

162. I could not comment on any recommendations about the loans scheme in a future pandemic and would refer to my answers above about recommendations.

## **PART J: INEQUALITIES AND VULNERABLE GROUPS**

163. This issue was at the heart of the response to the pandemic, and clearly one of the main priorities of that phase of the pandemic response was the shielding programme and how we could deliver that. It was obviously a very targeted response at those people, particularly the elderly, who were most at risk from the virus.
164. Throughout the government's response there was a clear focus on making sure that we commissioned effective solutions: first, a lockdown to prevent the NHS from being overwhelmed so that it could provide safe care, and then a safe and effective vaccine. When this became available, it was rolled out in the most structured possible way, so that those people who would derive the greatest benefit from it, received it first. So I think on both those counts, vulnerability was at the core of the response.
165. The precise nature of different groups and their vulnerability became clearer over time as well. As such there was an ongoing refinement to try and capture that as more data became available.
166. Economically as well there was also a focus on people who needed more support to maintain their lives. As such there was a lot of focus on making sure that the right economic support packages were available as well. It was the case that different groups started receiving support over different time

periods, as the data emerged to display different levels of vulnerability, and the data guided us in helping to determine what areas and groups required assistance. As such there was an awareness of ethnicity as well, which started to emerge as the data became clearer. This was not an economic matter for the Treasury to respond to directly, but obviously the DHSC had to factor that into their work, which had spillover effects into ours.

167. In terms of the outright Treasury equities, a lot of the protections that were put in place were age based and disability based.
168. This was based on the ongoing data which was made available by officials. And so it was something which came up frequently in discussions. I always felt the quality of the data was quite high in regard to a sectoral impact on the economy. In the context of a shielded population, the emerging evidence was discussed on an ad hoc basis. It was for DHSC and UKHSA to raise issues as and when they considered government intervention was needed.
169. We did try to look at the adequacy of all pandemic responses, but it was more the case that the the fragility of, say, the retail and hospitality sector was what we were talking about rather than say, there was particular economic vulnerability on behalf of X group or Y group, but this was more because I do not think such data really emerged.
170. If such data had emerged, then I am confident it would have been flagged. There was an ongoing willingness to look at deviations as they arose, but I do not think on the basis of different groups within society, it really did economically at least.
171. We were aware from the outset that certain groups in society were more likely to succumb to serious illness because of the virus. As such they were

our clear priority from inception.

172. The challenge was obviously working out how this virus specifically impacted those groups. I would accept that some mistakes were made early on in this regard and I would accept that, whilst it was an action made in good faith and with the best of intentions, that the decanting from hospitals into the care sector was such a mistake
173. Gauging how to respond to the specific disease of COVID as opposed to what had previously been a position in terms of such exercises that had been conducted in terms of pandemic flu for example posed different challenges for us. The Whitehall desktop exercises which are periodically conducted were different to the situation that we faced in COVID.
174. Beyond that, I do not consider that there was anything else we could or should have done. I think that the information and data we received was monitored in real time and it is not always easy to disaggregate it in the early stages of the pandemic. The granularity of data to emerge for particular groups within society makes assessment of the information more challenging. It is easier to consider the data for society as a whole. It becomes progressively harder the more you need to drill down into that data. As the pandemic progressed, I think the data became more and more specific and allowed us to make more graduated interventions where they were required.
175. I do not consider that there were. This question may be better directed towards a statistician, but I can say that nothing was highlighted with me as an individual item that was difficult to obtain. Clearly it became easier as more time passed and more data became available which we could break down. I do not recall that there was anyone saying that there was a very specific issue with any one individual group. I cannot of course say that

unbeknownst to me, that there was, but it wasn't flagged with me.

176. The ongoing data provided better insight to us in this area as time went on. Information was monitored in real time but there is a lag as to granularity of details but as time progressed, more interventions could be made as required. In particular adequacy of shielding mechanisms was considered in the summer and autumn of 2020. We were very alert as to official data but also as to representations that spoke for groups in society, and we had an ongoing dialogue with them. Were it the case that a particular organisation thought something was going wrong, they had the platform to feed that into us. We were living with a high level of public scrutiny, any gaps in the system would have been noticed by the public and press.
177. I would consider that we did, although I would say that one area where there is a question mark regarding the pandemic response, was that it was easier for white collar workers, predominantly middle class, to stay at home and avoid exposure to the virus. This was not as easy for blue collar workers, health care workers and transport workers for example.
178. There was a correlation in that particularly on ethnic grounds, with relative risk factors, as they continued to maintain core services. Hospitals had to remain open and critical transport structures mostly had to continue to operate, and we had to accept a trade off regarding the consequences.

#### **PART K: LONG COVID**

179. What was understood by HM Treasury and the government in the latter part of 2020, became a much more debated topic by the time I came into the CST post. It became known that long covid was an issue and how long and debilitating it could be, how widespread and effective counter measures were and the impact it would have on economic compensation. From the point of view of the Treasury, we did not want it to become an

unmanageable economic issue and we concluded that people should be supported back into work. In doing so, the government moved at a pace dictated by the science of what we knew and understood about long covid.

180. I would say that long covid was given adequate consideration, according to what we knew and the information available at the time. In the spring and summer of 2022, we would have regular updates about long covid and how it was impacting on the restart and kickstart programmes. I am aware that Therese Coffey, who at the time was Secretary of State for the DWP, was also trying to convene a working group on long covid.

181. The earliest modelling available in this regard came in summer 2022, and the figures suggested that the numbers of the workforce who could be affected by long covid ranged from tens to hundreds of thousands. We did not want people to be left on welfare in the long term, and if we could help them live normal lives through health interventions or DWP schemes, then we were keen to see them supported in this manner.

## **PART L: ANALYSIS AND REFLECTIONS**

182. I would consider that we led the world in terms of the furlough scheme that was implemented in response to the pandemic, but that there were issues regarding the fraud risks that could have been better explored. The macroeconomic strategy could have been better targeted to shielding the genuinely vulnerable, but maintaining a much higher level of economic understanding. Considering the Swedish model, this was too expensive and damaging in wider implications. The fundamental question has to be whether the modelling was right. If we shut everything down then shielding can be more effective, but there is widespread economic damage. If you do not shut everything down, then there are trade offs where sadly and inevitably shielding would be less effective and there would be an increase in fatalities. In relation to fraud it might be possible to preemptively design

support packages for certain institutions for example, the NHS, provide the requisite level of beds for major pandemic exercises and to run services if a pandemic is underway.

183. In relation to the entirety of this question, I would say that changing the structure of government because of a unique set of events is inappropriate. The pandemic was a unique situation, which had not been encountered for over a century, and is not something to use to guide change in areas of government. The structure of the government worked well in the pandemic and the British government did not fail structurally during the pandemic.
184. The economy was subordinated to the health needs of the country. It flowed from the fact that health came first and the economy second. We made the decision in 2020 to lockdown and the economy was impacted in turn. Protecting taxpayer interests is inherently very hard in this context. But it didn't change the role of CST which is to scrutinise the efficiency of government spending and affordability, to hold departments to account and to function and remain constant despite large figures.
185. We did challenge government department initiatives when we thought they were ill founded. This was always done with good intention.
186. There are a lot of questions you can ask about the role of HM Treasury in government, but that is something for a wider review, rather than a targeted review in response to covid.
187. I would consider that the Treasury functioned well during the pandemic, and provided value to the areas in which it operated.

188. I would consider that the Permanent Secretary role operated well during the pandemic.
189. Often, the government is criticised for moving slowly especially in crisis situations, but what we saw, especially in the Treasury, was that the design and roll out of enormous schemes was conducted at a fast pace. Indeed we found that this was easier in HM Treasury than in other departments, and HM Treasury was extremely flexible in these times.
190. I would consider that the culture in the Treasury was extremely good and collegiate. The work and the pace of that work was relentless, but the personnel were highly motivated and functioned well in the circumstances.
191. I am not aware of any obstacles that were erected deliberately or by accident to preclude action being taken, and I would consider that the government co-ordinated and worked together well in making decisions.
192. Both the breadth and the range of consultation was good in my view. In HM Treasury we had to balance Ministers being able to make decisions at pace with democratic levels of engagement, and officials did their best to consult as widely as possible. HM Treasury absorbed what was coming at it quite well and the level of engagement was proportionate to what was achievable. We had to balance the priority of being able to make decisions quickly in a fast moving situation, and ensuring that we were not shutting out voices.
193. There was a genuine willingness to consult with Devolved Administrations on the nature of the response, and this was done at ministerial level. As I outlined above, the final decision making sits with the UK government but this does not mean that the UK government pushed its way through the pandemic without consultation with the Devolved Administrations. There were obviously some contentious points between the Whitehall and the

Devolved Administrations, but the Devolved Administrations were consulted on financial issues.

194. The data that we were working from was in my view good. It was presented to us in real time and enabled us to make economic decisions as accurately as possible in the circumstances.
195. I would consider that the economic analysis and modeling was very good, but that modeling to shut down society in a wider sense, was much harder. The actual economic modelling on interventions was fairly robust.
196. The capacity and capability of HM Treasury was strong, and the calibre of individuals shone through during the pandemic. The Treasury was staffed with very intelligent personnel people who conceived of, and rolled out, support schemes such as furlough and other support schemes that kept the economy moving. I would consider that HM Treasury showed extraordinary resilience and should be very proud of what they achieved.
197. The macro economic strategy is inextricable to the macro strategy to lockdown. The macro is in turn a function of a more fundamental decision. We made the decision in 2020 that national lockdown was required and exceptional support was put in place. It came with huge costs and write-offs, but it was difficult to identify a different macroeconomic strategy that didn't jeopardise the health of citizens and/or cause the NHS to collapse.
198. Errors are always frustrating in government. In both good times and bad times, HM Treasury tries to eliminate errors, and detect fraud. I will concede that procurement was not perfect and the same with benefits that were being paid in error. There needs to be a cross government drive to focus on, in particular, procurement and adequacy of competition systems to deal with eliminating needless waste. There was some inevitability that some

fraudulent activity would take place with the support schemes, but there had to be a presumption in favour of paying money out to people to protect jobs and livelihoods, but at the same time send an important signal that fraud perpetrated against the exchequer will be prosecuted.

199. We were aware and conscious of the fact that large sums of money were being spent during the pandemic. HM Treasury, in a good way, tried to act as a limiting factor on what was being spent, and tried to challenge some of the suppositions in relation to areas of spending. The spending envelopes were proportionate to the need, and in 2022 support packages were decreasing and were less generous than they had been in 2020 as circumstances had changed significantly.
200. We need to ensure that the entire response and intervention to a pandemic is correct and that fraud and waste prevention should be adopted. A form of lockdown, be that full, partial, or different to that implemented in the pandemic, would be justified. We need to ensure the resilience of the British state for future shocks and ensure vaccine production ability is secured. We are now in a better position in this regard than we were in during spring 2020.
201. The ability to develop and mass produce a vaccine in a sovereign state is a critical function of a modern state. That was why they were able to sign the deal with Moderna. However, if you want to sign off on all of these costs then you must make sure you have the necessary underlying economic capability.

### 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: \_\_\_\_\_ 21 October 2025 \_\_\_\_\_