

Witness Name: Vaughan Gething

Statement No: M9/R9R/VG01

Exhibits: 91

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UK COVID-19 INQUIRY

WITNESS STATEMENT OF VAUGHAN GETHING

I, Vaughan Gething, provide this statement in response to a request under Rule 9 of the Inquiry Rules 2006 dated 29 May 2025 issued under reference M9/R9R/VG01.

Preface

1. The purpose of this statement is to assist the work of the UK Covid-19 Public Inquiry (“the Inquiry”). My statement will address my role in relation to the Welsh Government’s economic response to the Covid-19 pandemic from 1 January 2020 to 28 June 2022 (“the relevant period”), so that lessons can be learned, and recommendations made for the future. Given the nature of this module, and save for where I state otherwise, this statement will predominantly focus upon the period following my appointment as Minister for the Economy on 14 May 2021.
2. This is the ninth statement I have provided to the Inquiry, having prepared statements in modules 1, 2B, 3, 4, 5, 6, 7 and 8. Where relevant and appropriate, I have included information from those statements in this statement to respond to those matters with which the Inquiry is presently concerned.
3. Covid-19 was a public health emergency where both physical health and mental health was directly affected across the population. It was understood from very early on that this public health emergency would have a direct and significant impact on the economy. Responding to the economic aspect of the pandemic was not just important for the economy itself, but it also had a real impact on the mental health of people who were in work, in business or those who wanted to start a business.

4. This statement, which is referenced M9/R9R/VG01, will be structured as follows:
 - a) **Part A:** Overview of Roles and Relationships (paragraphs 6 to 56)
 - b) **Part B:** Funding and Fiscal Framework (paragraphs 57 to 75)
 - c) **Part C:** Assessing the economic crisis from May 2021 onwards (paragraphs 76 to 107)
 - d) **Part D:** Support for Jobs (paragraphs 108 to 167)
 - e) **Part E:** Support for Business (paragraphs 168 to 255)
 - f) **Part F:** Inequalities and Vulnerable Groups (paragraphs 256 to 272)
 - g) **Part G:** Data and Modelling (paragraphs 273 to 281)
 - h) **Part H:** Analysis and Reflections (paragraphs 282 to 284)

5. In preparing this statement, I have received support from the Welsh Government in preparing this statement.

Part A: Overview of Roles and Relationships

6. I have been the Member of the Senedd for Cardiff South and Penarth since 6 May 2011, before which I practised as a solicitor in Cardiff where I was a partner in the firm of Thompsons LLP. I am a member of the GMB, UNISON and Unite unions, and I was the President of the Wales TUC Cymru in 2008. I have previously served as a county councillor, a school governor and a community service volunteer.

7. I first entered the Welsh Government on 26 June 2013 when I was appointed the Deputy Minister for Tackling Poverty. On 11 September 2014 I was appointed Deputy Minister for Health, a position which I held until 19 May 2016 when I became the Cabinet Secretary for Health, Well-being and Sport. In 2018, the name of that portfolio was changed to the Minister for Health and Social Services, but for the purposes of this Inquiry, there was no relevant change in my responsibilities. For ease of reference, I shall use the latter term to describe the post in which I served between 2016 and 2021. I held that office until 13 May 2021 when I was appointed Minister for the Economy.

8. The Minister for Health and Social Services holds a broad range of responsibilities, a full list of which, as at February 2020, is exhibited in **VG/01 - INQ000321251**. Between February 2020 and October 2020, although it was not set out in the formal summary of the responsibilities, I was also heavily engaged in the pandemic response. From October 2020 to May 2021 the Minister for Health and Social Services' portfolio changed to also

include (i) Public health: Covid-19 response, screening and vaccination, and (ii) Health innovation and Digital.

9. I was appointed Minister for the Economy in May 2021 and held that position for the remainder of the relevant period. The full list of ministerial responsibilities for the Minister for the Economy is exhibited in **VG/02 - INQ000321252**. Although not an exhaustive list, my responsibilities included:

- a) Support and advice to assist the establishment, growth or development of business;
- b) International trade policy;
- c) Major events;
- d) Hospitality sector;
- e) Workforce skills development;
- f) Remote working;
- g) Science and life sciences.

10. In September 2022, following the relevant period, those responsibilities were amended to also include responsibility for digital connectivity infrastructure, including public sector broadband aggregation, fast broadband and mobile and cross-government digital and data policy and strategy.

11. The Deputy Minister for Arts, Sport and Tourism, Dawn Bowden MS, was responsible for the cultural and sporting issues in the portfolio.

Relationships within Welsh Government

12. As the Inquiry has already heard, Welsh Ministers met multiple times per week during the relevant period in various fora including in Cabinet, Covid-19 Core Group meetings and daily ministerial calls. The principle of collective responsibility in Cabinet decision-making meant that ministers could express views freely and frankly with each other in private, with everyone standing united once decisions had been made following those discussions. The frequency and nature of our working relationships meant that we had positive, close-working ministerial relationships that enabled effective decision-making, but which also supported and permitted different viewpoints to be voiced respectfully when they arose. This was true of all my ministerial relationships during the relevant period.

13. I have been specifically asked about the extent of my relationships with Rebecca Evans MS, Julie James MS and Ken Skates MS as it related to the economic response to the pandemic. I had already worked closely with Rebecca Evans MS on matters requiring funding decision within my portfolio where required during my tenure as Minister for Health and Social Services and this continued once I became Minister for the Economy. I had also worked with Julie James MS during this earlier period, in relation to the local government aspect of her portfolio where this was required. However, at the same time that I became Minister for the Economy, the local government portfolio passed to Rebecca Evans MS who then became Minister for Finance and Local Government. Julie James MS became Minister for Climate Change at this time. There was some overlap between portfolios but nothing that impeded our work on responding to the pandemic.
14. At the same time as my appointment in May 2021, Ken Skates MS stepped down from Government and so I had no ongoing working relationship in government with him in relation to the economic response to the pandemic. However, before doing so, we had met in order to discuss a handover of the economy portfolio and I provide details on this meeting further below.
15. I had constructive relationships with Rebecca, Julie and Ken, along with colleagues that I worked with in the Welsh Government. It was a difficult time with many stresses and strains but we all worked together and I had no concerns over these relationships, nor were there ever any concerns raised with me.
16. Alongside those ministerial relationships, I also had positive, close working relationships with senior civil servants in the Welsh Government in relation to the economic response. These included Duncan Harmer, Chief Operating Officer of Business and Regions, with whom I worked on matters such as the deployment of Covid Business Support for sole traders including taxi support and freelancers, and Gareth Woodhead, Head of Policy – Economic Resilience, with whom I worked on matters such as emergency funding support for businesses for those that were closed or severely impacted by restrictions. I also worked with Andrew Slade, Director General of the Economy, Skills and Natural Resources Group, Sioned Evans, Director of Business and Regions, and Claire McDonald, Deputy Director Economic Policy from December 2021. As to the cultural issues within the portfolio, the relevant official dealing with these was primarily Jason Thomas, Director of Tourism, Marketing, Events & Creative.

17. As the Inquiry will be aware, civil servants are under a duty to give honest and impartial advice to ministers without fear or favour and are subject to the Civil Service Code. Alongside those mentioned above, I also had the benefit of advice and assistance from my Special Adviser, Alex Bevan, who was appointed to assist me on matters where the work of the government and the government party overlap. They were subject to a separate Code of Conduct and were able to add a political dimension to the advice and assistance available to me, whilst distinguishing the source of this political advice and support to reinforce the political impartiality of the permanent Civil Service.

Relationships with UK Government and Devolved Governments

18. My relationships with those in the UK Government and devolved governments developed throughout the relevant period. Between January 2020 and May 2021, whilst I was Minister for Health and Social Services, there had initially been some irregular meetings via COBR, followed by the implementation of Ministerial Implementation Groups that were then later replaced by Covid-19 Operations (“Covid-O”) meetings in May 2020. These generally discussed various issues including social care, funding and international travel and would invariably have very little warning or pre-meeting papers. I exhibit, by way of example, an exchange between my office and officials regarding a Covid-O meeting I attended on 13 November 2020 which related to proposals for a business, jobs and investment exemption for international travel, at **VG/03 - INQ000376541**.

19. Under the health portfolio, I also participated in weekly calls with my counterparts in the other governments. I understand Ken Skates MS has provided the Inquiry with details in his statement of the quadrilateral meetings that were taking place between the UK Government’s Business and Industry Minister and the Economy Ministers from the devolved governments from March 2020, along with a small number of senior officials and Special Advisers.

20. When I took over the economy portfolio in May 2021, it was my responsibility to attend these meetings on behalf of the Welsh Government. The first of these to occur post-election took place on 30 June 2021. I exhibit the briefing I received ahead of that meeting at **VG/04 - INQ000626373** and a Welsh Government note taken of the call at **VG/05 - INQ000626374**. The purpose of these meetings was to discuss areas of shared interest between the administrations in relation to the economy, with a particular focus on Covid-19 impacts, recovery and impacts from Brexit. They also provided an opportunity to

escalate operational issues formally with ministers from the UK Government and the devolved governments or to seek their views, support or action on such matters.

21. At the meeting on 30 June 2021, a particular concern I raised on behalf of the Welsh Government related to the removal of UK Government financial support and the potential cliff edge faced by businesses from the proposed closure of the Coronavirus Job Retention Scheme, the Self-Employed Income Support Scheme and the Coronavirus Business Interruption Loan Scheme. At this time, all nations had paused the lifting of restrictions as the impact of variants was considered, which suggested the need to review the removal of financial support. It was made clear that it was critical that the UK Government should not end the support provided before the economy was ready.
22. I emphasised that openness on all sides was needed and that it was disappointing when the devolved governments were not sighted on UK Government decisions and had to find out from media headlines. I sought discussion and real engagement as, whilst the UK Government were creating policy for England, this resulted in rules that affected the whole of the UK. These views were also reiterated by the Ministers for Scotland and Northern Ireland, the former specifically stating that consultation and joint problem-solving was required, rather than briefings and Q and As.
23. From July 2021 onwards, these Inter-Ministerial meetings became monthly, which had been the pre-pandemic method of inter-governmental engagement in relation to the economy. A Welsh Government note of the meeting on 28 July 2021 is exhibited at **VG/06 - INQ000626376**. When required, officials would also follow up on any points raised during meetings. I exhibit an example of one such follow-up in September 2021 at **VG/07 - INQ000626378**.
24. By the end of the relevant period, the focus of these meetings was upon economic recovery strategies. These strategies not only covered post-pandemic recovery but were also impacted by the conflict in Ukraine, and the broader inflationary challenges and the cost of living crisis. I exhibit a note of the meeting held on these issues on 24 May 2022 at **VG/08 - INQ000626387**.
25. Throughout the relevant period, I also had ad hoc telephone calls with the Secretary of State for Wales, Simon Hart MP. These were usually calls that I undertook on behalf of the First Minister who had set up a weekly call with the Secretary of State in the early stages of the pandemic. I did not find these telephone calls to be particularly useful in the

decisions we had to make for Wales as the Secretary of State for Wales would usually repeat the position of the UK Government and advocate the approach that it wanted the Welsh Government to take.

26. I had limited engagement with HM Treasury. I understand that ministerial engagement with HM Treasury was undertaken by Rebecca Evans MS in her role as Minister for Finance with the Chief Secretary to the Treasury.
27. I do not consider that the engagement with the UK Government was particularly effective during my time as Minister for the Economy. At the time of my appointment, we had largely moved to the chronic and then recovery stage of the pandemic. The UK Government were regularly represented by junior ministers in the quadrilateral meetings and, having moved past the emergency phase of the pandemic, it felt that there was little appetite from them to engage in constructive discussions. The lack of effective engagement was also compounded by the high turnover of ministers in the UK Government from May 2021 onwards.
28. These relationships did make things more difficult with regards to neighbouring local authorities across the land border between England and Wales. In announcing its non-pharmaceutical interventions, the UK Government would regularly be ambiguous and / or not upfront about whether it was making choices for England or for the whole of the UK. As the country became more open, it was particularly problematic in north east Wales where English media was providing much of the messaging. There is a porous border in Mid Wales, but there is less movement of people as compared to north east Wales.
29. The UK Government appeared unwilling to enter into a sensible conversation about providing messaging as simple as saying that the public should check the rules for where they were in the UK. There are towns and villages that straddle the border. For example, there is a street in Buckley that is situated in both England and Wales. Having different rules was a challenge and was a source of tension.
30. Insofar as business support was concerned, it particularly mattered where there was much more regular movement between north east Wales and north west England. Tourism was another issue, particularly in the summer of 2021 when restrictions in the UK were being lifted but some international travel restrictions remained in place, which led to many people from England coming to holiday in Wales. This resulted in some local tensions where tourists did not follow the rules in Wales. Whilst some of this was a result of a proportion

of people deliberately not following the rules, some of this was as a result of confusion over communication from the UK Government.

31. I am asked by the Inquiry about the impact of some confusion in Whitehall over the role of the Welsh Government and that of the Secretary of State for Wales. I am unaware of any such confusion occurring so do not consider that it affected my work in the economic response to the pandemic. As far as I was aware, the UK Government fully understood the nature of the separate decision-making responsibilities.

Relationships with Local Government

32. The Welsh Government is committed to delivering public services through a partnership approach and there are strong links between the Welsh Government and local government. Ministers therefore sought to work closely with Welsh local authorities throughout the pandemic response, using formal and informal mechanisms. At a formal level, there was the statutory Partnership Council for Wales which engaged the leaders of local authorities and other key organisations. The Minister for Local Government was responsible for the Partnership Council. As at the date I was appointed Minister for the Economy, Rebecca Evans MS took over the local government portfolio as stated above.
33. In addition to the Partnership Council for Wales, there would also be meetings with the Welsh Local Government Association. All the principal councils in Wales are members of the Association and it represents their collective views and interests and advises and supports individual authorities.
34. We were able to build upon the pre-existing foundation of trust developed pre-pandemic to work cooperatively with local authorities in our response to the pandemic. I met with the Welsh Local Government Association several times myself during the relevant period and my Special Adviser also attended meetings led by other ministers. For example, and during my tenure as Minister for the Economy, I attended a meeting with the Welsh Local Government Association on 7 June 2021, the briefing I received in advance of which is exhibited at **VG/09 - INQ000626389**.
35. During this meeting, issues relating to working with local authorities and feedback on the Economic Resilience Fund were discussed. On the whole, feedback was positive with some minor practical matters having arisen during the application process such as some confusion over the relaxation of eligibility requirements and applicants applying to local

authorities when they should have applied to the Welsh Government. Processes were put in place to resolve these issues and the approach of using a small group of local authorities to run through the detail of guidance and application forms co-ordinated by the Welsh Local Government Association had proved very effective.

36. I also worked with local authorities and the Welsh Local Government Association in the progression of the Economic Resilience and Reconstruction Mission (which is detailed further below). At **VG/10 - INQ000626391** I exhibit a copy of a letter regarding this sent to the Regional Leaders and the Welsh Local Government Association on 3 November 2021 following a meeting held to discuss our shared priorities and vision for Wales.
37. Insofar as the economic response, we deliberately worked with local government on a number of relevant schemes. Local government had a direct network of people who paid business rates that they could access and contact. We reached sole traders through local government, as many already had relationships with local authorities. Whilst the Welsh Government would have needed to create new infrastructure to deliver some of the schemes, the local authorities already had pay systems in place that could be utilised.
38. For the most part, I found the Welsh Local Government Association to be constructive, regardless of the political leadership within each council. Aside from minor individual spikes of difficulty around politics, when it came to practical delivery in the economic sphere, we have a constructive relationship with local government that I consider worked well.
39. In addition to my individual engagement with local authorities, throughout the period in which the Welsh Government made decisions on non-pharmaceutical interventions, the Leader of the Welsh Local Government Association was invited to the Covid-19 Core Group meetings, which enabled him to receive information that formed the basis for Welsh Government decision-making and to contribute to discussions around the Welsh Government response at that time. These meetings would often include discussion of the economic response and / or an update on the economic situation, including from the Chief Economist. Those discussions would also permit the Welsh Local Government Association Leader to update ministers on the economic response from a local government perspective. I exhibit the notes of such a meeting where this occurred on 7 June 2020 as an example, at **VG/11 - INQ000314498**.

40. These Welsh Government structures meant that local government leaders had access to ministers and ministers would engage with local government directly on specific issues.
41. I am also aware that, in addition to ministerial engagement with local government, there was substantial engagement at official-level, particularly insofar as the implementation of Welsh Government economic support (such as Economic Resilience Fund payments to employers, which is detailed further below).

Relationships with External Groups or Organisations

42. Alongside the above relationships, I also had regular engagement with parties external to government. These included regular meetings with Trade Unions including, for example Wales Trade Union Congress, the Union of Shop, Distributive and Allied Workers, the Bakers, Food and Allied Workers Union, Community, the GMB, and Unite, and business representatives including, for example, the Chief Executives of the British Business Bank and Development Bank of Wales, the Confederation of British Industry, the Federation of Small Businesses, Make UK, Industry Wales, the Welsh Retail Consortium, the Institute of Directors and Chambers Wales.
43. On 18 October 2021, I spoke at the Economic Summit, with enabled discussions with a range of groups and organisations about the impact of the Economic Mission (which had been launched by my predecessor in Spring 2021) and the assessment of the strategic post-pandemic economic approach. I exhibit the briefing note I received ahead of this meeting at **VG/12 - INQ000626380**.
44. In late-2021, upon the emergence of the Omicron variant and ahead of considerations by Cabinet on matters such as the re-introduction of restrictions under the 21-day reviews or the use of the Covid Pass scheme, I held meetings to consult external groups and organisations representing people who would be affected about their views as to what mitigations or practical measures could be put in place to assist with implementation and / or alternatives. By way of example, I exhibit a briefing note received ahead of one such meeting on 16 November 2021, at **VG/13 - INQ000626390**, and notes of meetings held on 15 December 2021 with trade unions and business representatives at **VG/14 - INQ000626381** and 16 December 2021 with wider retail organisations at **VG/15 - INQ000626382**. This high level of engagement was welcomed by the representative of the Welsh Retail Consortium at the meeting on 16 December 2022. I held several of these external meetings during the December 2021 and January 2022 period.

45. In March 2022, it was decided by officials and business representatives that ongoing quarterly meetings with these external groups and organisations should move emphasis away from matters relating to Covid-19 and focus more on regular economic policy.
46. In addition to engagement with wider business representatives, I would also visit local businesses to engage with them on the usage of Economic Resilience Funding to permit operation in a Covid-safe way or acknowledge the Covid-compliant measures in use, acknowledge the hard work of businesses to provide safe environments and thank staff for their continued co-operation. Such visits included Morrisons in Cardiff Bay and Boulders Rock Climbing in Cardiff.
47. These relationships enabled ministers and officials to understand the practical issues being faced by businesses as a result of the pandemic.
48. Insofar as external expert economic advice is concerned, on 16 July 2021, I received advice on the approach to be taken to the permanent, formal Ministerial Advisory Forums (not including ad-hoc 'task and finish' type structures) to support economic development. I exhibit a copy of this advice at **VG/16 - INQ000626375**.
49. At the time of my appointment, the advisory bodies included:
- a) Ministerial Advisory Board – this had been set up by and reported to my predecessor and was appointed through a light touch public appointments process, with the purpose of providing good quality, timely and relevant external advice to inform the Welsh Government's policy making, horizon-scanning and evaluation.
 - b) Ministerial Advisory Board Foundational Economy – this was a sub-group developed in response to the increasing profile of the Foundational Economy focused on the four sectors within the Economic Action Plan: tourism, food, retail and care.
 - c) Council for Economic Development (previously known as Council for Economic Renewal) – the role of this group was to provide advice to inform economic and business policies and to work together to identify proposals to support economic development.
 - d) European Transition Working Group – this was a sub-group of the Council for Economic Development which sought to provide a forum for the business community to share its experience and knowledge of the ongoing impacts of the

end of the European transition period on businesses across Wales and to advise the Welsh Government on its analysis of the issues.

- e) Social Partner Strategy Group – this was a further subgroup of the Council for Economic Development which sought to provide a forum for unions and business representatives to share their experience and knowledge and contribute to the Welsh Government’s strategy development.
- f) Shadow Social Partnership Group – the purpose of this Group was to advise and support the Welsh Ministers to improve the social and economic wellbeing of Wales through social partnership and fair work. This is a cross-Government board chaired by the First Minister to engage and bring together trade unions, local government, business groups and voluntary groups to work collectively in areas of mutual interest and progress action to achieve key priorities. It had equal representation from employers, trade unions and the Welsh Government.

50. In considering the appropriate advisory bodies going forward, the structures already in place were noted as being solid, but required some adaptations to provide a powerful support mechanism to ministers, including by way of less meetings and more value. The primary purpose of establishing new advisory groups was the provision of a full range of views and expert external advice to inform the development of policy. It was not intended to replace engagement with groups representing unions and businesses but, instead, to enhance it and bring different voices together to formulate a shared view on how to address the challenges faced by ministers.

51. Discussions with existing advisory bodies had concluded that the easy access to ministers was welcomed, but that the purpose had slipped into general engagement rather than the intended advisory role. There were also concerns regarding a lack of diversity across the bodies, particularly insofar as gender, age and ethnicity being unbalanced and unreflective of Welsh society. Additionally, a lack of geographical coverage and under-representation of Welsh language speakers was noted.

52. Several options were provided to me. Option 1 proposed that there be participation in the Social Partnership Council with all other advisory fora brought to a close. However, this option did not provide for a specific forum for the discussion of key economic development issues and did not allow the required level of in-depth discussion of complex issues within my portfolio.

53. Option 2 proposed a refocusing of the Council for Economic Development alongside the continued participation in the Social Partnership Council. The new Council for Economic Development was intended to be a showpiece economic event, providing a wide range of partners with the opportunity to share their knowledge and expertise with ministers by way of a biannual Economic Summit. These Summits would focus on both reviewing and critically analysing current policy as well as looking ahead at upcoming priorities. The new Council for Economic Development was to have a broader membership to ensure that it was appropriately diverse and reflected the regional approach to economic policy.
54. Option 3 sought to combine the proposals contained in Options 1 and 2, as well as establishing a new Ministerial Policy and Delivery Board. This was to consist of a small expert group to provide me with in-depth advice and insights on specific issues within my portfolio, as well as a challenge and accountability function on delivery priorities. The Board was to be tasked with formulating advice and presenting it to ministers, as per an agreed annual programme of work (with flexibility). Diversity of membership was required and the intention was for the group to provide a robust challenge function rather than a 'rubber stamping' or echo chamber of views.
55. I accepted the advice provided and confirmed my agreement to Option 3 on 13 August 2021, exhibit **VG/17 - INQ000626377** refers. In accordance with this, I held an Economic Summit on 18 October 2021 and, in March 2022, the new Economic Ministerial Advisory Board was announced. I exhibit the Press Release concerning the Economic Summit at **VG/18 - INQ000626388**, and the Press Release announcing the appointments to the Board at **VG/19 - INQ000626386**.
56. As to the question I'm asked regarding whether I would have benefitted from different or greater engagement with economic experts outside of Welsh Government, this engagement was provided by the new structures put in place.

Part B: Funding and Fiscal Framework

57. As the Inquiry will be aware from other statements, the Welsh Government had the following four principal sources of funding available to it during the pandemic:
- a) The annual 'Block Grant' which are funds allocated by the UK Government;
 - b) Funds raised in Wales by means of taxation and other charges;
 - c) Borrowing; and

d) European Union structural funds.

58. The Block Grant accounts for more than 80% of the Welsh Government's annual financial resource and is therefore the largest part of its annual budget. Adjustments are made to the Block Grant by reference to the Barnett formula, which factors in the population of Wales compared to (usually) England and considers the extent to which in-year changes to funding by the UK Government relate to comparable areas within the Welsh Government's devolved responsibility. The Barnett consequential funding that flows from that adjustment can be positive or negative, resulting in either increased fund availability to or money being clawed back from the Welsh Government.
59. I am aware that there are general concerns surrounding the unpredictability of this framework, particularly as the funding levels under the Barnett formula are usually confirmed very late in the financial year. During the relevant period, I am aware that this caused some particular uncertainty during the earlier months. Such matters fell within the portfolio of then-Minister for Finance and Trefnydd, and I recall her advising Cabinet on 16 March 2020 that this uncertainty should not be permitted to slow down the Welsh Government's response to coronavirus at that stage. I exhibit the minutes of that Cabinet meeting at **VG/20 - INQ000048797**.
60. I am aware that a "Coronavirus Guarantee" (also referred to as the "Barnett Guarantee") was introduced in July 2020 which sought to alleviate some of those uncertainties, although I understand that this did not fulfil all of the requests for flexibility that Rebecca Evans MS had sought from HM Treasury. Once more, the specific considerations of those matters lie with her and are outside of the scope of the economy portfolio.
61. From my perspective, even after the introduction of the Barnett Guarantee, there were still examples where the speed or substance of Welsh Government decision-making was actively constrained or impacted by the fiscal framework in place. For example, during October 2020, the Welsh Government was required to consider the imposition of a circuit-breaker or 'firebreak' lockdown to tackle rising cases. Whilst I was not Minister for the Economy at this time, I recall the scientific advice provided to Cabinet was that such a lockdown would need to be a minimum of two weeks but that three weeks was preferable. However, this needed to be balanced against the greater economic, financial and social impact that a further lockdown would have. It was recognised that the UK Government's new job support scheme would not start until mid-way through the proposed lockdown

period and so it was important to ensure that a financial package was put in place to support employers and employees during the first week.

62. The specifics of this package were set out to Cabinet on 18 October 2020 by the then-Minister for Economy, Transport and North Wales, who also confirmed that the Chancellor of the Exchequer had been requested to bring forward the new scheme by one week to avoid Welsh businesses from having to make two separate applications in a two-week period. We were further informed the following day that the Welsh Government had offered to pay any additional costs that this would incur. Despite this, I understand that request was denied by the UK Government. I have exhibited the minutes of Cabinet meetings taking place on 15 October 2020, 18 October 2020 and the morning of 19 October 2020 at **VG/21 - INQ000048796**, **VG/22 - INQ000048801** and **VG/23 - INQ000048802** respectively. This is a clear example of when the fiscal framework impacted the decision-making of the Welsh Government.
63. The impact of the fiscal framework upon Welsh Government decision-making was made even more stark during the response to the emerging Omicron variant in late-2021. By this time, I was Minister for the Economy and, at a Cabinet meeting on 6 December 2021, planning for a 'Covid Urgent' situation was considered as a result of the potential for cases of the Omicron variant to increase. It was expressly recognised at that meeting that, unless financial support was made available by the UK Government, the economic harms from moving to Alert Level 4 would be much greater than in previous waves. For that reason, it was agreed that officials from the Welsh Treasury, Economy Skills and Natural Resources Group and Communities and Tackling Poverty Group would consider what support could be offered to businesses, the cultural sector and voluntary bodies in the event that a reintroduction of restrictions was considered necessary.
64. By 9 December 2021, the emerging evidence suggested that the situation was a lot bleaker than previously reported and there had been a significant increase in the number of people admitted to intensive care units ("ICUs") in South Africa which, combined with the greater transmission of this variant, meant that more harms were to be expected. Cabinet were informed that the First Minister had, along with the First Minister of Scotland, sought to press the UK Government for a COBR meeting to plan a four-nation approach which would include HM Treasury to ensure adequate financial support was available to facilitate any additional restrictions. A paper provided to Cabinet considered that, under the worst case scenario of Omicron becoming dominant and leading to high exponential growth in hospital admissions, only those interventions provided for by Alert Level 4 would

likely be effective, but that this would need to be balanced against the wider economic, social and equality harms.

65. In considering those harms, the paper recognised the significant financial implications for constraining businesses, due to the closure of the UK Government's Coronavirus Job Retention Scheme and the Self-Employment Income Support Scheme with no indication that the UK Government intended to reintroduce the schemes even should there be a deterioration in public health in England. It was expressly stated that, without that support from UK Government, the harms from Alert Level 4 interventions would be much higher, leading to more business failures and job losses than would otherwise be the case. This paper is exhibited at **VG/24 - INQ000057943**.
66. A further paper, exhibited at **VG/25 - INQ000057950**, reiterated that Alert Level 4 measures would be necessary to bring the epidemic back under control in a worst-case scenario. In considering the financial support required to avoid additional permanent business closures and job losses, it was recognised that, whilst the Welsh Government could make available such support, it could not plug the gap left by the cessation of the UK-wide schemes.
67. In a paper addressing the financial implications of Alert Level 4 measures, the financial support provided to businesses to date was outlined and confirmed that, if there was a requirement to replicate that support previously provided to closed businesses for a period of 2-3 weeks, a budget of circa £150 million would be needed. It was further noted that the Welsh Government had neither the data, capacity, finance or systems to replicate either the UK Government Coronavirus Job Retention Scheme or the Self-Employment Income Support Scheme as employment support is not devolved to Wales. This paper is exhibited at **VG/26 - INQ000057958**, and minutes of the Cabinet meetings on 6 and 9 December 2021 are exhibited at **VG/27 - INQ000022559**.
68. Ultimately, following multiple meetings of Cabinet during the December 2021 period, a decision was made to apply Alert Level 2 measures. As recognised in a Cabinet paper provided in advance of a meeting on 21 December 2021, the advice from the Technical Advisory Cell and the Chief Medical Officer in advance of the review on 16 December 2021 had been to introduce as stringent measures as early as possible to flatten the potential peak in hospital and ICU admissions which could overwhelm the NHS. However, without wage support schemes in place from the UK Government, the harms from restrictions could not be mitigated in the same way as previous waves, ruling out the more stringent measures at that stage.

69. Accordingly, discussions at Cabinet on 16 and 20 December had identified Alert Level 2 as the most realistic basis for a suite of protections that could be introduced whilst being able to bring in a financial package of support that could mitigate some of the economic harms relative to the public health risk. It was recognised that options for adopting higher Alert Levels would have been more viable if the UK Government reinstated wage support schemes. I exhibit this Cabinet paper at **VG/28 - INQ000057994**.
70. Requests by both the First Minister and the Minister for Finance and Local Government to permit the reinstatement of the Coronavirus Job Retention Scheme and allied measures in cases where the devolved governments needed to implement measures to protect public health which impacted the ability of businesses to trade went largely unanswered. These requests are set out in further detail later in this statement.
71. Fortunately, the public health situation began to improve in January 2022. However, the Welsh Government's decision-making in response to the Omicron variant was plainly impacted by the fiscal framework in place which permitted the UK Government to unilaterally withhold access to UK-wide financial interventions based upon its own assessment of the public health situation in England, without regard to the Welsh Government's view as to the necessity of the imposition of restrictions arising out of the public health situation in Wales.
72. As outlined above, when necessary, I would raise concerns over the unilateral actions of the UK Government in respect of the funding arrangements and the impact these had upon Welsh Government decision-making in the Quadrilateral ministerial meetings. However, given the limited enthusiasm of the UK Government to engage in these meetings, such concerns were rarely acknowledged. I was also aware that the First Minister and the Minister for Finance and Local Government had communicated these concerns in writing to relevant parties in the UK Government. These communications are also addressed further below in this statement at paragraph 130 onwards.
73. I am asked by the Inquiry as to appropriate recommendations that the Chair may consider making in relation to funding and fiscal framework. It is clear from the examples given above that the current arrangements directly affected the ability of the Welsh Government to respond to the pandemic. We had some flexibility as, for example, where the Welsh Government spent considerably less than the UK Government on Test, Trace, Protect, there were additional funds that we were able to utilise towards support for smaller

businesses. However, some of that flexibility also resulted in the UK Treasury clawing back a proportion of that money.

74. As may be seen from the prior examples, the UK Treasury operates on an England-first basis. When the Welsh Government and the other devolved governments made decisions (such as the imposition of the firebreak), the financial support from the Treasury was not made available. However, when the UK Government chose to impose its own firebreak in England, the UK Treasury made a decision to extend the existing scheme.

75. Insofar as recommendations on the fiscal framework, I would invite a recommendation that, in times of a public health emergency, where there is a public health basis for decisions and evidence to support those decisions, the UK Treasury should enable the devolved government to make those choices with the necessary financial support. The UK Treasury is required to be a UK Treasury for the whole of the UK. If nothing else, the pandemic highlights that whilst the public health response ran differently in different parts of the UK based on evidence, financial support only took place if the UK Government made a decision for England that necessitated it. In my view, this cannot be the correct way for a funding framework to operate in pandemic times, and necessary economic support is required to protect lives and livelihoods.

Part C: Assessing the economic crisis from May 2021 onwards

76. As set out above, I was appointed as Minister for the Economy in a Cabinet reshuffle following the Senedd elections in May 2021. I do not consider that this change in portfolio during the pandemic impacted my ability to make decisions at the necessary pace in an emergency.

77. Even whilst I was Minister for Health and Social Services, I had recognised the importance of the likely impact of the pandemic upon the economy from the outset of the pandemic. For example, on 9 March 2020, I requested that the Chief Economist prepared a paper outlining the economic impact of Covid-19 in Wales. A copy of that request is exhibited at **VG/29 - INQ000611510**.

78. This update was provided later that same day, exhibited at **VG/30 - INQ000320754**. This confirmed that the economic impact would depend greatly on the way the pandemic played out. A relatively short episode could result in a "V" shaped effect, with any slowdown or recession rapidly reversed, even if quite deep, whilst a protracted pandemic would have

more long-lived effects. The Chief Economist considered that a large scale fiscal and monetary response would be required with the UK Government holding the policy levers in that area, whilst the Welsh Government was expected to do all it could to support businesses in Wales.

79. My ability to pick up the economy portfolio and make decisions at pace was also assisted by a series of conversations and a formal meeting with Ken Skates about the challenges and opportunities of the economy portfolio. These were all really constructive. I also already knew many of the economy officials not only as a result of cross-government working but also because a number of officials in that area had been redeployed to priority Covid-19 response teams in the early stages of the pandemic.
80. Further, and following the Cabinet reshuffle, all ministers were provided with briefings for their new portfolio areas. These briefings were broken down by various departments. I exhibit the briefing I received from Business and Regions as an example, at **VG/31 - INQ000626372**. This briefing set out the legacy position at the time of my appointment in significant detail and expressly informed me of live issues that would require decisions to be made at pace. For example, at that time, it was confirmed that I would need to take an early decision on the next stages of the Economic Resilience Fund and, specifically, the £200 million set aside for business support during the pandemic. Early decisions were also required on various other non-Covid and regional matters, which were detailed in the briefing.
81. By the date of my appointment as Minister for the Economy, my understanding of the likely duration of the pandemic was informed by (i) the regular updates I received in my capacity as Minister for Health and Social Services on the public health situation as the pandemic progressed, and (ii) the regular updates I received as a government minister in Cabinet on the wider pandemic situation. There were many variables that made it impossible to predict with any certainty the exact duration of the pandemic. However, as at early-May 2021, restrictions in Wales had been gradually eased to Alert Level 3 following the lockdown imposed over the Christmas 2020 period into early-2021.
82. We were optimistic as to the likely impact of the rollout of the vaccination programme taking place during this same period, but proceeded cautiously due to the ongoing potential for emergence of new variants and increased transmission as restrictions were lifted.

83. From an economic perspective, the Chief Economist had provided ad hoc updates to Cabinet and Covid-19 Core Group meetings throughout the relevant period. Prior to May 2021, he had last updated Cabinet orally on 22 February 2021, when he had confirmed that there was still extreme uncertainty facing the economy and that the recovery would be driven by the overall response to the pandemic and the rollout of the vaccines. The Bank of England were forecasting that the economy was expected to contract around 4% in the first three months of 2021, with 1% being attributed to Brexit, although most Brexit costs were expected over the longer term. Generally, people's incomes had been much less affected (as opposed to GDP) due to the support packages in place.
84. We were further informed that the Bank of England were assuming that the vaccination programme would give consumers progressively greater confidence to run down savings and it was predicting that this would help fuel the recovery. However, it was recognised that the higher savings were concentrated in more well-off groups and so the recovery would be uneven and overall spending might not recover as quickly as predicted. Minutes of that meeting are exhibited at **VG/32 - INQ000057892**.
85. The Chief Economist produced monthly updates which I received. The update received for May 2021 is exhibited at **VG/33 - INQ000565838**. This concluded that the economy was bouncing back strongly as public health restrictions eased in that quarter, with business and consumer confidence increasing, household savings being high (true for some more than others), job ads and vacancies rising, and employees on PAYE payrolls consistently increasing (in four of the last five months in Wales). Job creation was considered to be the most critical element to limit any permanent losses in GDP or income (so-called "scarring") that may result from the recession. I exhibit the other monthly updates produced by the Chief Economist during my time as Minister for the Economy at **VG/34 - INQ000350582** (June 2021), **VG/35 - INQ000565986** (July 2021), **VG/36 - INQ000565989** (August 2021), **VG/37 - INQ000565992** (September 2021), **VG/38 - INQ000565995** (October 2021), **VG/39 - INQ000565998** (November 2021), **VG/40 - INQ000566001** (December 2021), **VG/41 - INQ000566004** (January 2022), **VG/42 - INQ000566006** (February 2022), **VG/43 - INQ000566009** (March 2022), **VG/44 - INQ000566012** (April 2022), **VG/45 - INQ000565843** (May 2022) and **VG/46 - INQ000565844** (June 2022).
86. At that time, it was considered that scarring may be less severe than after past recessions, with the Office for Budget Responsibility estimating the permanent loss in GDP from the pandemic to be around 3% by 2024 as compared to scarring of more than 10% at the

equivalent point in the aftermath of the financial crisis. Lesser scarring from the pandemic was considered probable because labour market subsidies had prevented millions of people from becoming unemployed (the Bank of England estimating unemployment rates to peak at 5.5% as compared to 8.5% in the financial crisis). Business failures had been limited and start up rates quite well sustained, which could also contain scarring damage.

87. As at May 2021, several challenges to recovery were identified:

- a) The potential for mutation of the Covid virus making vaccines less effective;
- b) Continuation of the global threat, which would constitute a threat domestically for as long as it remained;
- c) Businesses were carrying much more debt than before the pandemic;
- d) Planned tightening of fiscal policy was a risk;
- e) Brexit problems could intensify.

88. In summary, the Chief Economist considered at that stage that recovery could not be taken for granted and may well prove “bumpy”.

89. As set out above, the programme for rolling out of the vaccine and boosters for different parts of the population in Wales was considered likely to assist with the recovery of the economy. However, this optimism was approached with caution due to the risks of potential mutation of the virus that could impact upon the efficacy of the vaccination.

90. Consideration of the rollout of the vaccine programme (and its effects) was fundamental to the response taken by the Welsh Government to the ongoing public health situation and, in particular, the level of restrictions imposed at any one time. The level of restrictions imposed inevitably had a corresponding impact upon the approach to economic policy taken, such as determining the fact and level of support to be offered to businesses who were subject to closures or reduced turnovers pursuant to those restrictions.

91. For example, in a Cabinet meeting on 14 July 2021, it was recognised that there was emerging evidence on the impact of the vaccines on reducing transmission and preventing serious illness and ministers were reminded that there was a need to be mindful of the impact of this upon the economy, public services and education, as well as the wellbeing of people affected. The minutes of this meeting are exhibited at **VG/47 - INQ000129973**.

92. Another example of the practical impact of the vaccination programme on the economic response can be seen when Cabinet considered the removal of the requirement to self-isolate for people who had been fully vaccinated for longer than 14 days at a meeting on 29 July 2021, minutes exhibited at **VG/48 - INQ000022545**. At this time, staff absences across certain sectors (including public services, police forces, local authorities, health and social care, hospitality, manufacturing, retail and HGV driver shortages) were due to a number of reasons including self-isolation, other sickness absence, summer leave, recruitment issues, Brexit and furlough. By removing self-isolation as one of those elements, the burden upon these sectors would be eased and Cabinet agreed to do so.
93. When I was appointed Minister for the Economy in May 2021, there were already established economic decision-making structures and associated policies in place, implemented by my predecessor. These worked well and so I did not make any material changes to them during the period May 2021 to June 2022.
94. The Economic Action Plan has been in place since December 2017 as the guiding economic blueprint for Wales. It remained in place during the pandemic. Fundamental to that Plan was the 'Economic Contract', which was essentially a conditional agreement between the Welsh Government and the businesses it supports. This took a 'something for something' approach to business support where businesses had to sign up to core principles (such as fair work and decarbonisation) when seeking support from the Welsh Government.
95. The Economic Mission was developed under the remit of my predecessor to complement the Economic Action Plan with an increased focus on recovery, having recognised that Covid-19 had both deepened existing problems and brought new economic issues. Whilst I was not responsible for the economy portfolio at the time of its development, the Economic Mission was discussed in Cabinet in October 2020. A copy of the relevant paper is exhibited at **VG/49 - INQ000057748**. This proposed four separate focuses for interventions to renew the Welsh economy: place-based recovery, people-based recovery, green and just recovery, and digital recovery.
96. In February 2021, three months prior to my appointment, the Economic Mission was published as '*Our Economic Resilience and Reconstruction Mission*' by my predecessor, a copy of which is exhibited at **VG/50 - INQ000321229**. This outlined five 'beacons' for overcoming Covid-19:

- a) Strengthening the foundational economy;
- b) Commitment to protecting and enabling skills and employment;
- c) Accelerating adaptation for recovery and future prosperity;
- d) Magnetising investment in a green recovery;
- e) Fortifying the pursuit of social value.

97. Following my appointment in May 2021, the Welsh Government re-emphasised its commitment to this mission. Policy objectives remained the same throughout this period following handover, which provided consistency of message and support for viable businesses throughout.

98. Whilst there were no material changes to these policies following my appointment, there continued to be development of the economic policies in place. The Economic Resilience and Reconstruction Mission had established the fundamental recovery principles. In October 2021, and following a review of the Mission carried out by Professor Jonathan Portes of Kings College London, I introduced a paper to Cabinet which sought to highlight the ongoing focus and work to be undertaken.

99. The focus was to be on investing in the existing working age population and attracting people to live and work in Wales, while building a unique, coherent and compelling narrative for the future of the country. This sought to address the finding that the proportion of the population aged 16 to 64 in Wales had been decreasing each year since mid-2008, with the estimated proportion by 2043 to be as low as 58%.

100. The intention was to tackle this issue as a complement to a progressive economic policy that focused on better jobs, narrowing the skills divide and tackling poverty. This was not to be a shift away from the original Mission and its five beacons remained the key priorities. Taking forward the review would mean building an economy that was driven by fair work and action on the climate and nature emergencies. The further work was to be supported by the Economic Summit due to take place on 18 October 2021. A copy of the Cabinet paper and the minutes are exhibited at **VG/51 - INQ000626379** and **VG/52 - INQ000022550** respectively. A Press Release concerning the Economic Summit has previously been exhibited at **VG/18 - INQ000626388**.

101. A new innovation strategy, '*Wales innovates: creating a stronger, fairer, greener Wales*', published in March 2023 (and exhibited at **VG/53 - INQ000591736**) focused

further on business development, although I understand this falls outside of the relevant period.

102. I consider that the advisory and economic decision-making structures in Wales were largely effective, particularly following the process to streamline those advisory structures as set out above. Insofar as the advisory structures are concerned, I consider the personnel to be more relevant to efficacy than the structures themselves. For an effective advisory body, you need people who are willing to be robust and provide constructive and critical advice and feedback to ministers. At the time I was appointed in May 2021, I considered that the senior advisory bodies were too male heavy. I specifically wanted representation from good quality women alongside good quality men. As part of the process of appointing the new Economic Ministerial Advisory board, as described in paragraphs 48-55 above, I was keen to make sure we had a balance of gender and was pleased that the final Board consisted of five males and four females. There is always a constructive tension between continuity being a good thing to have, balanced against the need to obtain different views.

103. The Socio-Economic Harms subgroup of the Technical Advisory Group was established in the summer of 2020 to provide assessments of the full range of socio-economic effects of the pandemic, other than the health effects, including the effects of the measures put in place to control the disease. It was primarily concerned with the medium and longer-term socio-economic impacts of the pandemic, rather than attempting to assess the more immediate impact of specific non-pharmaceutical interventions which was already being undertaken by the Covid-19 Project Team for the purpose of the 21-day reviews.

104. The subgroup was established by and reported to the Technical Advisory Group. During the relevant period, it produced two key pieces of work, both of which were published before my appointment as Minister for the Economy: "*High level summary of evidence on costs and benefits and potential mitigations for measures to address Covid-19 in Wales*" published by the Technical Advisory Group on 25 November 2020 and "*The potential risks and benefits of removing restrictions in a phased approach to mitigate the impact of harms from Covid-19 in Wales*" published by the Technical Advisory Group on 5 March 2021.

105. Whilst the work of the subgroup did not directly support my work as Minister for the Economy, it was chaired by the Chief Economist, Jonathan Price, who was also a member

of the Technical Advisory Group, and I am aware he has previously told the Inquiry that the subgroup informed the advice and assessments of the Technical Advisory Group during the relevant period as a result of this overlapping membership.

106. I think it would be very sensible, and may be an area that the Inquiry chooses to make a recommendation, for the Socio-Economic Harms subgroup (or a similar group) to be available at the outset of any future pandemic. This provided a view on the wider harms and produced a broad view on the interruptions into people's lives that assisted across various portfolios, including health, economy and education.

107. I am also asked about the effectiveness of various other structures to support economic decision making, and I provide my view as follows:

- a) Star Chamber – it was helpful to have a process where you could challenge yourself and other people to ask whether a particular response was something that really needed to be done. The pandemic required the reassessment of priorities to identify money that couldn't or wouldn't be spent and centralise it, followed by the reallocation of that money to other pandemic spending. The Star Chamber was a good way of doing that. I do not think it was perfect, and I had some frustrations with the time taken for some decisions to be made. For example, in relation to the time taken to agree field hospital funding and social care 'thank you' payments. My frustrations also related to the number and speed of decisions required that I was accountable for, which were well beyond what would be considered the normal Health Minister role. However, I accept that is part of the grit that proper challenge provides. It would also be pretty extraordinary if Ministers had no frustrations about the decision-making time or process. It is not realistic to think that does not happen in normal times, never mind at times of extraordinary stress or pressure. On the whole, I consider Star Chamber to have been a successful and effective structure. Should there be a future pandemic which interrupts and prevents normal business in the same way as Covid-19 did it would be sensible to create a process like the Star Chamber which would play an important role in scrutinising unnecessary spending. It should also provide the central challenge and evaluation necessary on requests for additional funding from the centre of that government.
- b) Ministerial Advisory Board – I have already addressed this body further above. There is value in a body of this nature and it is important to have people who are external to government. The challenge is getting the correct personnel. You need

people with a blend of experiences and perspectives, but who also have the confidence to support and be willing to challenge ministers. A body of this nature also helps with business engagement and understanding how government is seen and perceived in the world of work and investment, which is necessary not just in pandemic times but to ensure that the economy department is run effectively at all times.

- c) Ffenics – following my appointment, and as already discussed above, there was a resetting of priorities insofar as advisory bodies were concerned and not all of the advisory architecture in place was considered necessary moving forward. As a result, Ffenics was not progressed any further at that time.

Part D: Support for Jobs

108. This section will address matters relating to the following UK-wide and Welsh Government interventions / schemes to support jobs in Wales:

- a) Coronavirus Job Retention Scheme;
- b) Self-Employment Income Support Scheme;
- c) Welsh schemes to support the labour market.

Coronavirus Job Retention Scheme

Design and Delivery

109. I was not involved in any aspect of the design of the Coronavirus Job Retention Scheme. However, I consider that the design worked well, although the engagement as to the design did not. The Welsh Government were told what the Scheme was, including as to its design, and had no input into it.

110. As at May 2021 when I was appointed Minister for the Economy, the Coronavirus Job Retention Scheme had already been in place for over 12 months. The delivery of the scheme was being administered by HM Revenue and Customs and I had no input into this.

111. As with the design of the Scheme, there was no consultation by the UK Government in the delivery of the Scheme at all. If there had been a more open and flexible approach, we could have done more to support people and businesses. The structure of

businesses is different in Wales in that there are more small and medium-sized businesses and sole traders, and the way that we need to work and support them is different. Had there not been the lack of flexibility in the delivery of the Scheme (as demonstrated by the decisions to not make it available during the firebreak and Omicron variant), it could have made a material difference as to what we could do. Decisions were made by the UK Government and the Treasury on the basis of what they thought was right for England and decided that this would also apply to Wales (and the other nations).

112. On 1 July 2021, the UK Government reduced the level of grant available to employers under the Coronavirus Job Retention Scheme. From that date, employers were expected to contribute towards the cost of furloughed employees' wages. In order to qualify, employers had to continue to pay 80% of their furloughed employees' wages, up to a cap of £2,500 per month, with the grant provided by the Scheme reducing to 70% on 1 July 2021 and further reducing to 60% on 1 August 2021. The Coronavirus Job Retention Scheme was thereafter closed on 30 September 2021.

113. As set out further above, the engagement I had with the UK Government in respect of the reduction in grant of the Coronavirus Job Retention Scheme in July 2021 and its cessation in September 2021 was limited to the concerns I raised directly at the Quadrilateral meetings and there was little appetite for listening to these. Whilst the concerns would be heard, it was clear that they were not particularly listened to nor would they change any minds in the UK Government. It was a pattern with such matters that there was no engagement by or from the UK Government prior to any decision-making and, on occasion, the announcement of any such decisions. Even where I was notified prior to announcement, this was limited to notification of a decision already made rather than consultation with a view to joint decision-making.

114. My views on the lack of engagement as to design and delivery and the impact this had on the economic response equally apply to the review, amendment and cessation of the Scheme. As already stated above, there was no consultation from the UK Government, whether adequately, effectively or at all.

115. The only recommendation I would have in relation to improving the design and delivery of the Scheme (or a similar scheme) in future would be to make sure that the UK Treasury engaged in a more open approach to working between devolved governments on such matters before making decisions on economic support.

Efficacy

116. I consider that the Coronavirus Job Retention Scheme was an effective economic intervention in Wales and met its objectives in the sense that, without it, I am confident that more jobs would have been lost. It would have been far worse had the UK Government not taken action to introduce such a Scheme to save those jobs. There would have been economic harms and health harms, especially for those people who would have lost their jobs without the prospect of recovering work at the same level.

117. I was not in position at the time of the Coronavirus Job Retention Scheme's announcement. I am aware that Welsh Government support was intended to complement and not replicate the UK Government support, with any gaps that may have existed being identified and filled during those early stages. That said, there are broader points that may be made around the issue of sick pay and the support of people, particularly sole traders and freelancers, which were not particularly looked after in the design of the UK Treasury schemes.

118. I am also not aware that there were any specific inequalities in its impact or that certain economically vulnerable groups were unable to access or benefit from the Scheme. However, upon considering the cessation of the Coronavirus Job Retention Scheme, it was clear that the impact of that cessation would be greater for certain economically vulnerable groups, as outlined in a paper to Cabinet on 4 October 2021, a copy of which is exhibited at **VG/54 - INQ000057887**. As at 31 July 2021, figures showed that the highest take-up rate of the Scheme in Wales came from the arts, entertainment and recreation sectors at 16%, followed by other service activities at 14%. These were much higher take-up rates than the rate for Wales at a whole.

119. Data for the UK showed that the take-up rate amongst those over 65 was still the highest amongst all age groups at 8%, with the total take-up rate across all age groups being 5%. Further, whilst the take-up rate for women was 4% (and similar to that of men at 5%), in Wales at that date, women were more likely to work in sectors that had been shut down due to the pandemic. According to the Institute for Fiscal Studies, low earners were seven times as likely as high earners to have worked in an industry that shut down at the beginning of the pandemic. Ending the Scheme had the potential to impact those groups disproportionately and, if companies did not take them back or they were unable to find a job elsewhere, they could make up a disproportionate share of the projected unemployment in the years to come.

120. This could be especially problematic for people in poverty as the Scheme had protected more jobs in industries with high-rates of in-work poverty before the pandemic than sectors with lower rates of poverty.
121. The Resolution Foundation was anticipating that winding down the Scheme would endanger more than one in four workers aged 55 to 64, whilst the Institute for Fiscal Studies estimated that, in addition to older workers, those aged under 25 or over 65, women, and workers in the cultural, accommodation or food sectors were especially likely to be furloughed. As a consequence, the ending of the Scheme meant big income losses for many of those who would end up unemployed, unless they were able to find alternative employment quickly.
122. As already stated, the purpose of the Welsh Government interventions were to complement the support being provided by the UK Government. Any Welsh Government interventions were designed with those UK Government interventions (including the Coronavirus Job Retention Scheme) in mind, which allowed the maximisation of support offered. For example, in order to receive assistance from the Economic Resilience Fund, one of the criteria drawn up by officials in the early stages was that certain businesses had to undertake not to make any compulsory redundancies as long as the Coronavirus Job Retention Scheme was in place. I consider that this Scheme operated effectively alongside the other economic interventions administered by both the UK Government and the Welsh Government, with the efforts of the Welsh Government being focused upon ensuring that its interventions worked alongside the Scheme.
123. For example, Phase 3 of the Cultural Recovery Fund provided support to freelancers, the Welsh Government having identified a gap and seeking to fill it using the resources available. I have set out further detail on this Phase of the Fund in the relevant section below.
124. That said, the Coronavirus Job Retention Scheme was fundamental in safeguarding jobs by providing the necessary support to businesses in Wales to enable them to limit the impact of the pandemic, particularly in its earliest stages.
125. As to the timing of the end of the Coronavirus Job Retention Scheme, I would have preferred that the support had continued beyond 30 September 2021. I believe that is a conversation that we could and should have had. However, once more, it was a decision

made by the UK Government and the UK Treasury without any consultation with the devolved governments.

126. As stated above, the impact of the ending of the Scheme was the subject of a paper to Cabinet on 4 October 2021, a copy of which was previously exhibited at **VG/54 - INQ000057887**. This concluded that there were considerable risks arising from its ending. These ranged from those which were expected, such as the increase in unemployment, to those which were less clear, such as the likely increase in household debt. Wales had a disproportionately larger share of some groups most likely to be affected by its removal and was considered to be at increased risk of lasting negative effects.

127. As I have already detailed above, certain vulnerable groups, such as older and poorer workers, were likely to be particularly impacted. These impacts were also disproportionately exacerbated by the cut to the Universal Credit uplift as a result of the prevalence of low incomes in Wales. I was not consulted on the decision to remove the uplift to Universal Credit and Working Tax Credit and I didn't personally raise the issue with the UK Government. My Ministerial colleagues Rebecca Evans, who was the Minister for Finance, and Jane Hutt, the Minister for Social Justice both wrote to the UK Government on separate occasions calling on them to reconsider the decision to end the uplift. I exhibit Rebecca Evans' letter sent on 13 November 2020 at **VG/55 - INQ000337302** and Jane Hutt's letter, sent jointly with her counterparts from Scotland and Northern Ireland on 30 August 2021 at **VG/56 - INQ000282107**.

128. These direct effects were also likely to have indirect effects by way of lower spending power that would be felt disproportionately by businesses in Wales, with consequent effects on pay and employment. The extent to which these effects were estimated to last were dependent upon how quickly the economy would recover and businesses and consumers would adapt to the new reality.

129. On 12 October 2021, in a Press Release commenting on the latest Labour Market statistics, I stated my disappointment with the decision that the UK Government had made to completely withdraw the Coronavirus Job Retention Scheme. This decision was, in my view, prematurely made at a time when the pandemic remained ongoing. I exhibit the Press Release at **VG/57 - INQ000626392**.

130. Unfortunately, the Welsh Government were not in a position to replicate any such wage-related support scheme. It did not have the data, capacity, finance or systems to

support individual support schemes like either the Coronavirus Job Retention Scheme or the Self-Employment Income Support Scheme at scale. To operate such schemes would require tax records which HMRC was not legally able to share. A paper outlining the inability for the Welsh Government to realistically replace the support provided by the Coronavirus Job Retention Scheme (and the Self-Employment Income Support Scheme) was provided to Cabinet on 16 December 2021, and is exhibited at **VG/58 - INQ000057974**. As already detailed elsewhere in this statement, this meant that the closure of the Schemes unilaterally by the UK Government had a profound impact on Welsh Government decision-making.

131. In my view, the premature nature of the ending of the Scheme was demonstrated during the emergence of the Omicron variant. The unwillingness of the UK Government to consider the re-statement of the Scheme during this time was disappointing. As set out earlier in this statement, the Welsh Government made requests in late-2021 for the Coronavirus Job Retention Scheme to be extended in Wales in the event that the Welsh Government considered it necessary to bring in measures to contain the spread of the Omicron variant. Those requests were made by the First Minister and the Minister for Finance and Local Government. The following paragraphs summarise and exhibit the letters sent by them both in 2021.

132. At a Cabinet meeting on 29 November 2021, the minutes of which are exhibited at **VG/59 - INQ000130006**, Ministers were informed that the First Minister had (together with the First Minister of Scotland) written to the Prime Minister earlier that day to request an urgent COBR meeting and tighter travel restrictions in light of the emerging threat associated with the Omicron variant. This letter also requested confirmation that devolved financial business support schemes would be funded by HM Treasury in the event that more interventionist measures were required to respond to the public health situation. In particular, it requested confirmation that if conditions in a devolved nation were to require more significant interventions than in England, an agreed package of financial support would be available to that nation. This letter is exhibited at **VG/60 - INQ000256922**.

133. A response was received from the Prime Minister on 1 December 2021, which is exhibited at **VG/61 - INQ000228015**. This response remained silent as to the points raised by the First Ministers but confirmed that a fuller response would be provided by the Secretary of State for Health. That response was received on 7 December 2021, exhibited at **VG/62 - INQ000256925**, and whilst it confirmed the financial support that remained

available to businesses in Wales, Scotland and Northern Ireland, it did not agree to the requests made by the First Ministers in their earlier correspondence.

134. At a Cabinet meeting on 9 December 2021 (the minutes of which are exhibited at **VG/27 - INQ000022559**), the First Minister confirmed that he had renewed his requests orally for a COBR meeting to plan a four nation approach to tackling Omicron, which included the UK Treasury as part of those discussions, at a meeting with the Secretary of State for Levelling Up, Housing and Communities the previous day.

135. That COBR meeting took place on 15 December 2021, where the Chief Secretary to the Treasury indicated that he objected to the First Minister's conception of the Treasury only be for England when so much funding had been provided to the devolved governments. The First Minister confirmed that the Welsh Government made no complaint as to the amount of money provided by the Treasury and was grateful for the same. However, he repeated his concern that the funding settlement meant that relevant decisions as to how that money flowed to Wales were consequent upon decisions taken by UK Ministers in relation to spending choices for England only. The issue was confirmed as being one of how and when the devolved governments could initiate those decisions when circumstances required. A note of that meeting prepared on behalf of the Welsh Government is exhibited at **VG/63 - INQ000216608**.

136. On 16 December 2021, the First Minister wrote again to the Prime Minister to repeat the points made in the meeting the previous day. He confirmed that Wales had benefitted directly from the major measures deployed by HM Treasury during the pandemic to support businesses and the wider economy. However, in the circumstances unfolding at that time, he stated that the Welsh Government were inhibited from considering a full range of mitigation measures because of an inability to access Treasury funding to support public health options. Put plainly, Wales and the other devolved nations could only access Treasury funds when the UK Government decided the time was right for such measures in England. The First Minister provided the Prime Minister with the advice received from the Welsh Government's scientific advisers and confirmed that recent discussions in Cabinet had concluded that this advice could not be acted upon because the funding to support the Welsh economy was not available from the Treasury. The UK Government was urged to either re-introduce a furlough scheme (and allied measures) for the whole of the UK or to provide the devolved governments with access to the necessary Treasury funding so that they could consider the introduction of measures, where necessary. This letter is exhibited at **VG/64 - INQ000228013**.

137. In addition to the First Minister's requests, the Minister for Finance and Local Government wrote to the Chief Secretary to the Treasury on 15 December 2021, exhibited at **VG/65 - INQ000321139**. This letter confirmed that the Coronavirus Job Retention Scheme had been a welcome initiative that had played an essential role in minimising the impact of the pandemic on businesses and protecting jobs. In light of the rising infection rates, the UK Government was urged to provide clear assurances that the Scheme would be available to support areas of the economy that were affected by further restrictions, including where the devolved governments implemented measures impacting the ability of businesses to trade regardless of the position in England.
138. The Chief Secretary to the Treasury responded on 20 December 2021 to confirm that the Treasury intended to immediately double the additional funding available to the Welsh Government from £135 million to £270 million. From this funding, £116 million was used to give retail, leisure and hospitality ratepayers in Wales 50% non-domestic rates relief for the duration of 2022-23 and a further £120 million package of funding was also made available for retail, hospitality, leisure and tourism business and their supply chains affected by the move to alert level 2. However, it did not respond to the requests made to make available the Coronavirus Job Retention Scheme in cases where the Devolved Governments considered it necessary to implement measures to protect public health that impacted the ability of businesses to trade. A copy of this response is exhibited at **VG/66 - INQ000321085**.
139. I am also aware that the Minister for Finance and Local Government orally repeated the request to HM Treasury to keep under consideration the targeted use of the Coronavirus Job Retention Scheme and the Self-Employment Income Support Scheme at a Finance Quadrilateral meeting on 12 January 2022. A note of that meeting is exhibited at **VG/67 - INQ000321261**.
140. As I was aware that those requests had already been made, I did not write separately to make such a request myself. I have already confirmed above my view that I consider it necessary for the Coronavirus Job Retention Scheme to continue beyond 30 September 2021, together with the reasons and evidence in support of this view.

Self-Employment Income Support Scheme

Design and Delivery

141. My views on the design of the Self-Employment Income Support Scheme replicate my views upon the Job Retention Scheme. The design of the Scheme itself largely worked well, but the engagement as to such matters was lacking.
142. Similarly to the Coronavirus Job Retention Scheme considered above, I had no input into the delivery of the Self-Employment Income Support Scheme. It was administered by HM Revenue and Customs and had already been in place for over 12 months at the time of my appointment as Minister for the Economy. Further, there was no consultation in relation to the delivery of this Scheme either, the potential impact of which I have already reflected upon in the section above.
143. The Self-Employment Income Support Scheme was closed on 30 September 2021. Again, similarly to the Coronavirus Job Retention Scheme, the engagement I had with the UK Government as to the review, amendment and cessation of the Self-Employment Income Support Scheme was limited to my ability to raise such issues at the Quadrilateral meetings held. There was no engagement forthcoming from UK Government to discuss such matters and decisions were made without consultation or engagement with myself or the Welsh Government on a wider basis. For the reasons already outlined, this was particularly unfortunate and I am aware that attempts at engagement on these issues by my ministerial colleagues (including the Minister for Finance and Local Government) had little substantive effect with the UK Government being unwilling to reconsider and / or engage in discussions upon such issues.
144. Once more, the only recommendation I would make as to improvement of the delivery of the Income Support Scheme (or a similar scheme) in future would be to propose a more open approach to working between Governments on such matters.

Efficacy

145. As per my view on the Coronavirus Job Retention Scheme, my view as to the effectiveness and the meeting of objectives by the Self Employment Income Support are reflected in the number of jobs and businesses that were saved as a result of the support they provided. I repeat my view set out above that, without such schemes, there could have been irreparable economic and health harms caused to people who would have lost their livelihoods as a result.

146. As with the Coronavirus Job Retention Scheme, gaps in its coverage would have been identified at an early stage, prior to my appointment as Minister for the Economy. Notwithstanding, I am aware that there were some gaps in coverage identified in the Self Employment Income Support Scheme. The Scheme was open to those with a trading profit of less than £50,000 in 2018/19 or with an average trading profit of less than £50,000 from 2016/17, 2017/18 and 2018/19. This meant that those who commenced trading after 31 March 2019 were unable to access the Scheme. There were also some concerns regarding the delay in receiving income under the Scheme for the period up to June 2020 and the potential for this to cause significant cashflow difficulties.

147. Whilst support for the self-employed was primarily a matter for the non-devolved welfare system, the Welsh Government recognised that there were policy reasons for providing some additional support for those who did not qualify under the Scheme including the role that self-employed people played in the supply chain of the wider economy and the risk that they may seek to sell off 'tools of the trade' to top up any welfare payments, thereby limiting their ability to contribute to the economic recovery, exhibit **VG/68 - INQ000321143** refers.

148. As stated, I was not in post at this time and I understand that the Welsh Government interventions to assist with these gaps are set out in the corporate statement (M9/WG/ESNR/01) and that of my predecessor, Ken Skates MS.

149. There were several other gaps identified, although the Welsh Government did not seek to intervene to fill those for the reasons set out below:

- a) Those with an annual self-employment income of over £50,000 – it was estimated that 7,000 people in Wales fell within this category. However, as the Welsh Government support was intended to plug the gaps in UK Government support for those most in need, no further support was provided for people falling within this gap.
- b) Those with alternative income sources – those who did not earn the majority (over 50%) of their income through self-employment were not eligible for the Self-Employment Income Support Scheme. This was estimated as relating to approximately 58,000 people in Wales and, as their other sources of income were unknown to the Welsh Government, it was impossible to ascertain whether they

were in receipt of other government support or whether their needs were a priority for additional government support.

- c) Those that receive income through dividends – company owner-managers running their own incorporated businesses who paid themselves mostly through dividends did not qualify under the Scheme. Whilst it was understood that they would be eligible for employee support in relation to their salary under the Coronavirus Job Retention Scheme, HMRC tax records showed that many paid themselves a very small salary and took the rest of their income as dividends. This meant that the employee scheme would only cover a small part of their income. On the basis that the treatment of income for this group was motivated by tax advantages, no further support was provided for this group.

150. These gaps in support meant that the Scheme was not necessarily equal in its impact as not all self-employed people were able to benefit from it. The Welsh Government took complementary interventions to address those gaps where this was considered appropriate. However, as such interventions occurred prior to my appointment as Minister for the Economy, I am unable to address the question as to whether more should have been done.

151. As with the Coronavirus Job Retention Scheme, those complementary interventions allowed the maximisation of support offered. For that reason, and such interventions having been designed with the Self-Employment Income Support Scheme in mind, it operated effectively alongside the other economic interventions administered by both the UK Government and the Welsh Government.

152. Again, this was a Scheme that was fundamental in assisting self-employed individuals whose activities were adversely affected by Covid-19 by targeting those most reliant on their self-employed income and enabling them to remain in business despite the financial losses caused by the pandemic.

153. The concerns I have expressed above regarding the ending of the Coronavirus Job Retention Scheme are mirrored insofar as the Self-Employment Income Support Scheme. These were both wage-related support schemes upon which people (and businesses) in Wales had substantially relied during the pandemic to retain jobs and which were unilaterally brought to an end whilst the pandemic remained ongoing. The observations already made above regarding the impact of the closure of the Coronavirus Job Retention

Scheme upon Welsh Government decision-making during the emergence of the Omicron variant apply equally to the closure of the Self-Employment Income Support Scheme. A decision to move to the higher alert levels that the public health requirements suggested may be necessary as a result of this variant were considered unfeasible at that time because of the withdrawal of these support schemes.

Welsh Schemes to support the labour market

154. A Cabinet paper dated 23 March 2020, exhibited at **VG/69 - INQ000048815**, identified that: *“The scale of the macroeconomic shock is such that reserved tax, welfare and monetary policy levers must comprise the vast majority of the response. We should not seek to compete with the UK response; instead we should look for individuals and businesses who may fall through the gaps of the interventions. This may particularly apply to the self-employed, the casually employed or people operating in the informal economy”*.
155. I consider that the Welsh Government was successful in these objectives through the identification of alternative ways to support such groups who did not necessarily benefit from the UK Government response via schemes such as the Economic Resilience Fund and the Cultural Recovery Fund (both of which are set out in detail further below).

Data on Self-Employment

156. I received data as to self-employed people in Wales through various channels. Where relevant to the decisions to be made, data would be contained in ministerial advice provided. The Chief Economist would also regularly provide updates on matters including the Self-Employment Income Support Scheme in the Monthly Economic Report, which was included in the Labour Market Statistics and Economic Reports compiled by the Knowledge and Analytical Services division. I exhibit an example of one such report for January 2022 at **VG/41 - INQ000566004**.
157. Official data was also received from UK-wide surveys, population surveys, surveys from trade unions and employment organisations. Where there were limitations with some of the data being out of date by the time of publication, the data received from trade unions and employment organisations generally had near-live information and this was a reliable source of data for the Welsh Government.

158. The Welsh Government did not have access to data from HM Revenue and Customs on individual pay. This meant that the Welsh Government did not have access to the information utilised by the UK Government to provide support to employees. This data is protected by Section 18 of the Commissioners for Revenue and Customs Act 2005 and so is unable to be shared with the Welsh Government.

159. As outlined above and discussed in the Cabinet paper previously exhibited at **VG/58 - INQ000057974**, the lack of availability of this data was one of the reasons that the Welsh Government were unable to replicate individual support schemes, such as the Coronavirus Job Retention Scheme or the Self-Employment Income Support Scheme, at scale when the UK Government decided to unilaterally close them. Such schemes require tax records to operate, which HM Revenue and Customs were not legally able to share. As outlined in that paper, the unavailability of this data was just one of various different reasons why such schemes could not be replicated. It is not suggested that access to the data alone would have enabled the same, nor that it should have done given that support for the self-employed was primarily a matter for the non-devolved welfare system. However, the lack of access to this data meant that the provision of such support by the Welsh Government, even on a short-term, temporary basis, was not possible.

160. Had this data been available, this may have assisted with the identification and verification of eligible businesses for direct support. This may also have assisted in providing a clearer picture of the individual needs of those falling within the identified gaps in the UK Government's Self-Employment Income Support Scheme. For example, those with alternative 'main' sources of income that come from employment and / or those business owners who were paid via a combination of salary and dividends. This would have potentially enabled a more targeted approach based on actual income with resultant adjustments to eligibility criteria and more precise targeting of support to specific sectors or groups, although it is difficult to provide specifics as to how any individual intervention would have differed without access to that data.

161. As to whether access to data impacted the design or monitoring of ongoing support for the self-employed in Wales, it affected the viability of an alternative. It is possible that the Scheme could have been improved with better data.

Sufficiency of the Self-Employment Income Support Scheme

162. I have already outlined my views above insofar as I am able regarding the sufficiency of the Self-Employment Income Support Scheme to support self-employed individuals and

the economy in Wales. There were gaps in that system, but the Welsh Government sought to introduce complementary interventions to support those who fell within these gaps that were most in need of support. I did not raise any such matters with the UK Government as I was not in position at the time that the Scheme was introduced and those gaps were identified.

New Economic Interventions for the Self-Employed Post-May 2021

163. I am asked about the economic interventions designed and targeted at the self-employed in Wales during my tenure as Minister for the Economy. By the time of my appointment in May 2021, all of the relevant economic interventions targeted at the self-employed in Wales had already been designed and implemented. I am aware that Ken Skates MS has already outlined in his statement those which were designed and implemented prior to my appointment.
164. During my tenure, I would be involved in the decision-making upon further phases of funding required under the schemes. For example, the section on the Economic Resilience Fund below sets out the date and level of support provided at each further phase of that Fund during my tenure, which included identified funding for the self-employed. Further detail upon this is contained in Part E below.
165. Another example involves the Cultural Recovery Fund. This Fund launched in the summer period of 2020 and provided financial support to the cultural, creative and events sectors across Wales. It was made up of three elements:
- a) The Arts Council for Wales administered funding to organisations, supporting national and local theatres and art galleries;
 - b) The Freelancers Fund administered by local authorities provided grant support to freelancers who had been unable to work during the pandemic and who would be vital to Wales' cultural recovery. It was the first of its kind in the UK.
 - c) The Welsh Government administered an element of the fund which provided funding to organisations to support the culture, creative, events and heritage sectors.
166. Phase 2 of this Fund ran from April 2021 to September 2021 and was already running as at the date of my appointment. Phase 3 ran in January 2022 following the emergence of the Omicron variant. I exhibit at **VG/70 - INQ000176912**, the advice received seeking

my agreement to the allocation of further funding to support the third round of this Fund. The recommended option sought to provide a total package of £15.438 million on the following basis:

- a) £5.25 million for the arts sector to be delivered via Arts Council Wales in line with its approach set out for the Winter Stability Fund, with reported underspends of £188,000 from the Cultural Recovery Fund Phases 1 and 2 to be re-prioritised to support this activity, totalling £5.438 million;
- b) £10 million for the Welsh Government to fund key sectors previously supported via the Cultural Recovery Fund through a quick self-declaration process based on successful applicants to Phases 1 and 2 of the Fund that could demonstrate a 60% reduction in income compared to the same time period in 2019/20.

167. I agreed this recommendation on 10 January 2022 and, in so doing, expressly sought updated information on the freelancers position in a way that took account of taxi drivers that was being handled by ESNR – Business and Regions Team. I exhibit a copy of my agreement at **VG/71 - INQ000626385** and the subsequent information I received on freelancers and taxi drivers at **VG/72 - INQ000321106**.

Evaluation of Support to the Self-Employed in Wales

168. I consider that the support provided worked well in identifying the gaps that were left by the UK Government interventions and seeking to fill those. My understanding from the sectors where such support was provided was that they were grateful for the support, although there will inevitably be individuals within those sectors who were ineligible that may well disagree that the support worked well. The provision of support in this regard had to be balanced against the other government responsibilities. We were able to find money to support this sector because we understood that it would lead to losses if such support was not provided. However, the recovery programmes were not limited to this alone and had to be balanced against the need for support in other areas, for example, most notably the recovery programme in the health service.

Part E: Support for Business

169. This section will address matters relating to the following support for businesses in Wales:

- a) Support administered by the UK Government;

- b) Economic Resilience Fund;
- c) Transport schemes.

Support Administered by the UK Government

170. In this section, I am asked by the Inquiry about loans to businesses administered by the UK Government, particularly in relation to the Covid Corporate Financing Facility and the Recovery Loan Scheme.

Design and Delivery

171. I had no input into the design and / or delivery of the UK Government's loan schemes that were continuing or commenced during my tenure as Minister for the Economy. The Covid Corporate Financing Facility, the Business Interruption Loan Scheme, the Large Business Interruption Loan Scheme and the Bounceback Loan Scheme had all been announced by the UK Government more than 12 months prior to my appointment. The Business Interruption Loan Scheme, the Large Business Interruption Loan Scheme and the Bounceback Loan Scheme were all replaced prior to my appointment by the Recovery Loan Scheme in April 2021. All of these loan schemes were administered by the UK Government from the outset and that did not change when I was appointed.

172. I was not consulted in their design. However, I would not have expected to have been consulted given my appointment as Minister for Health and Social Services at the time of their design and implementation. I am unaware as to the adequacy or effectiveness of consultation with the Welsh Government at that time, as such matters were outside of my then-portfolio responsibilities. However, I have no reason to believe that a different approach was taken regarding consultation by the UK Government upon the loan schemes as compared to that taken regarding the income support schemes where no consultation or engagement took place.

173. Without being able to specifically address the impact that better consultation would have had upon decision-making at that time as I was not in post, my general view expressed above also applies here. The ability to consult and engage with the UK Government on such matters prior to their announcement would have enabled the Welsh Government to make representations to try to ensure that any such UK-wide support met the needs of businesses in Wales. Further, it would have greatly assisted the Welsh Government to undertake timely decision-making in the complementary support to be put

in place to aid coverage of any gaps within those schemes, rather than having to await their announcement before being able to consider such matters.

174. As to what worked well and what did not work well regarding the loan schemes, I recognise that there is a need to have loan schemes in place to help larger businesses in such times. In normal times, any government should look at whether the loans are appropriate and there has to be regard had to the impact that the loans would have upon the future viability of these organisations and businesses. For that reason, I think there should have been more willingness to reconsider the terms of these loans when normal times resumed.

175. As to engagement between the UK Government and I in relation to the review, amendment and cessation of the loan schemes, I was only in post for the cessation of the Covid Corporate Financing Facility. All others either ended prior to my appointment pre-May 2021, save for the Recovery Loan Scheme which ended after my appointment as First Minister. I was not consulted upon such matters, nor am I aware of anyone else in the Welsh Government being so consulted. However, my general views set out above regarding the benefits of full and early inter-governmental engagement are equally applicable here also.

176. The only recommendation I have is that already set out above: I consider it would be helpful for the terms of pandemic-time lending to be reconsidered once normal times have recommenced to ensure the ongoing viability of those businesses who have availed themselves of the schemes during the pandemic.

Efficacy

177. I consider the loan schemes to have been effective economic interventions in Wales that achieved their aims in the sense that they provided funding to organisations and businesses who required assistance during the pandemic as a result of the impact of the public health interventions upon them. However, I am aware that there are organisations who had benefitted from these schemes who found themselves in some difficulty in the repayment of those loans pursuant to the terms offered during the later stages of the pandemic and beyond.

178. I am not aware of any gaps in coverage nor inequalities in the impact of those schemes continuing during my tenure, those being the Covid Corporate Financing Facility and the Recovery Loan Scheme. As stated, the loan schemes were consolidated into the

Recovery Loan Scheme shortly prior to my appointment, which meant any earlier issues or concerns regarding the identification by businesses of which of the previous schemes applied to them were resolved.

179. I am aware that there had been some initial concerns regarding cashflow difficulties pending the roll-out of the UK Government's Business Interruption Loan Scheme. Those gaps were addressed by the introduction of the Welsh Government's Covid-19 Wales Business Loan Scheme to provide immediate financial support to address those difficulties. It was only ever intended as a short-term measure and the Scheme ran from 30 March 2020 to 8 April 2020 meaning those issues were resolved substantially before my appointment in May 2021. I understand more detail on that Scheme has been dealt with by my predecessor, Ken Skates MS.

180. Once more, limiting my answer to those in place at the time of my appointment, I consider that the loan schemes operated effectively alongside other economic interventions. Following the closure of the gap identified as requiring the short-term introduction of the Covid-19 Wales Business Loan Scheme, there were no standalone Welsh Government interventions insofar as loan schemes are concerned, save for those specific lending facilities provided under respective phases of the Economic Resilience Fund. I have addressed the financial support provided under each of those phases during my tenure in the section dealing with that Fund below. Each of those phases were designed with the support provided by the UK Government (including the relevant loan schemes) taken into account, which contributed to their combined effective operation. I am not aware of any challenges that needed to be overcome in this regard.

181. The Covid Corporate Financing Facility was set up to permit the Bank of England to purchase short-term debt from larger companies to support those affected by a short-term funding squeeze and allow them to finance their short-term liabilities. It ended on 18 March 2022. I understand that its end was brought about by the repayment of all funds loaned under that Facility by that date. Such repayments having been made, there would have been no ongoing reason to keep it open and so I consider that the Covid Corporate Financing Facility was ended at the right time.

182. As to the Recovery Loan Scheme, this continued until 30 June 2024 when it was extended and rebranded to the Growth Guarantee Scheme. I was no longer Minister for the Economy at the time that this occurred. However, I note that this was significantly outside of the relevant period and some considerable time after the pandemic ended. On

that basis, I do not raise any concerns regarding the time at which the Recovery Loan Scheme was ended. As I have already stated, I consider the material issue is more about ensuring the terms were correct, rather than how long the loan schemes were actually operational.

The Economic Resilience Fund

Design and Delivery

183. The Economic Resilience Fund was set up to provide direct support to businesses. Funding was provided to businesses, social enterprises and third sector organisations affected by the non-pharmaceutical interventions in place to mitigate and slow the spread of Covid-19. Each funding round was underpinned by economic analysis, with audit and challenge to ensure it was supporting those most in need notably those in the retail, hospitality and tourism sectors. It operated alongside a number of specialist sector funds (such as the Cultural Recovery Fund).

184. During the pandemic, more than 250,000 grants worth over £2.6 billion were distributed to protect businesses and their employees through the Economic Resilience Fund, which took place over eight 'phases'. Each of those 'phases' used different approaches to support businesses, with packages of support typically including local authority-delivered business support grants on a basis of assumed impact, Welsh Government-delivered application-based discretionary business support grants, and bespoke support for areas not covered by either of the foregoing (such as start-up businesses, residential outdoor centres, sole traders and hospitality sectors).

185. I first became aware of the proposed creation of the Economic Resilience Fund in a Cabinet paper provided ahead of the meeting on 23 March 2020, exhibited at **VG/69 - INQ000048815**. The need for financial support was outlined and stated:

“The pace at which the economic crisis is unfolding is extraordinary, with the rate of potential redundancies or business closures rising exponentially on an hourly basis. Although the impact is coming in waves, starting with the social economy and the self-employed, practically no part of the economy is being spared, with the crisis spreading to sectors including manufacturing. The situation remains fluid, with ongoing uncertainty and businesses and jobs at risk”.

186. The range of business experiences during the pandemic was recognised as being on a continuum and included:
- a) Those that would have to cease trading;
 - b) Those that may be able to go into medium-term hibernation;
 - c) Those that would be able to adapt to a remote way of working;
 - d) Those that would continue trading because their business was critical to the functioning of the nation.
187. Interventions would necessarily be modest and were to be focused on supporting businesses with cash flow and general hardship, along with consideration given to recovery. The objective was to complement UK Government support rather than to compete with it by identifying and targeting those who may fall through gaps in that support. This was considered likely to be particularly relevant to small and medium-sized enterprises, the self-employed, those who were casually employed and those working in the informal economy.
188. The strategy of the then-Minister for Economy, Transport and North Wales, as outlined in the Cabinet paper, was that "*a good business in 2019 will be a good business in 2021*".
189. It was at this Cabinet meeting that Star Chamber was set up to consider and scrutinise pandemic-related requests for funding and, in my capacity as Minister for Health and Social Services, I had no further involvement in the design of the Economic Resilience Fund.
190. Similarly, I had no role in the initial setting of the objectives for the Economic Resilience Fund. As to my involvement in the amendment of those objectives and the delivery of the Fund, at the time of my appointment as Minister for the Economy, the Economic Resilience Fund was entering Phase 6.
191. Phases 1 and 2 had run from April 2020 and June 2020 to July 2020 respectively, and had addressed the need for initial support. Phase 3 ran from October 2020 to November 2020 and sought to address the support required as a result of pressures caused by local lockdowns and the firebreak lockdown during that period. Phase 4 ran from January 2021 to February 2021 and Phase 5 ran in March 2021. These both sought to address the economic response necessitated by the further restrictions in December 2020, with a focus on sector-specific support for those particularly affected. Any ministerial decisions

required in respect of these Phases were dealt with by my predecessor and I had no involvement in their design nor the setting of objectives.

192. Prior to my appointment on the 13 May 2021 the First Minister, the Minister for Economy, Transport and North Wales, the Minister for Finance and Trefnydd and the Minister for Housing and Local Government agreed to give business assurances of funding to the end of June, together with requesting further funding for start back grants. In so agreeing, they made clear that the support was agreed as a short-term measure with the incoming government to agree further proposals in the coming weeks. This support was announced by the First Minister later that same day, exhibited at **VG/73 - INQ000591679**.

193. Following my appointment on 13 May 2021, I received Ministerial Advice on 11 June 2021, exhibited at **VG/74 - INQ000145411**. This followed an announcement by the First Minister on 4 June 2021 that the move to Alert Level 1 would be undertaken in a phased way following the emergence of the Delta variant which meant any changes to the regulations on indoor activity would be considered later. This was identified as being likely to particularly affect wedding venues, venues for indoor events, visitor attractions and conferences, and ice rinks. In order to further support those businesses during this pause, officials sought agreement to an emergency funding 'top up' for the most impacted businesses, together with the development of costings and proposals for further emergency support for businesses that would remain closed in Alert Level 1 and beyond.

194. In seeking agreement, officials outlined two main options: either to 'do nothing', or to top up emergency funding for those identified businesses. The second option was said to involve top ups ranging between £875 and £5,000 for an estimated 500 impacted businesses, covering the two-week period until the anticipated full move to Alert Level 1. Officials recommended this second option.

195. In considering the Advice, I noted that officials had also referenced an 'enhanced' offer, being a size of business-based disruption allowance. However, officials confirmed that this option was not recommended as it was not linked to the value for money consideration in terms of businesses self-indicating a disruption approach.

196. I was concerned to understand why the enhanced option was raised but then dismissed without any indication as to how affordable that option was and what the global sum would be. I also wished to understand in more detail why it was considered not to

meet value for money considerations when the Advice indicated that there would be more losses than the offer suggested. I held a meeting with officials to discuss these concerns on 14 June 2021, following which I was content to accept the recommendations made in the Advice, that is to provide a 'top up' for the most impacted businesses in relation to the phasing in of Alert Level 1 at an estimated cost of up to £2.5 million. I exhibit a copy of the e-mail correspondence setting out my concerns, requesting a meeting and thereafter confirming my agreement to the recommendations, at **VG/75 - INQ000368938**.

197. Three days later, and as a result of the continued emergence of the Delta variant, the First Minister announced a four-week pause to the easing of the restrictions (save for some specific easements). This led to the development of Phase 7 of the Economic Resilience Fund which ran from July 2021 to August 2021.

198. On 25 June 2021, I received Ministerial Advice seeking approval for further emergency funding for businesses that remained closed or were severely impacted by restrictions, and to indicate that this may be the final support for businesses of this nature that were now able to trade (subject to conditions). A copy of this Advice is exhibited at **VG/76 - INQ000145412**.

199. The affected businesses until Wales moved beyond Alert Level 1 were identified as nightclubs and late entertainment venues (comprising around 400 businesses likely to be eligible to access a grant from the Fund), ice rinks (there being two in Wales), and some other business predominantly in the tourism, events and hospitality sector and their supply chain (with 3,800 businesses having claimed under this criteria in the latest round of Economic Resilience Fund support). Once more, three options were offered by officials:

- a) Option 1: 'do nothing' and provide no further emergency funding for any closed or severely impacted businesses;
- b) Option 2: continue emergency support for businesses that remain closed only during the period and up to 31 August 2021, which would particularly include nightclubs and late entertainment venues (subject to grant eligibility criteria);
- c) Option 3: continue emergency support until 31 August 2021 for businesses that remain closed or severely impacted by restrictions shown via a greater than 60% impact on turnover compared to corresponding timeline in 2019 (or equivalent).

200. Officials recommended Option 3, but proposed that it be accompanied by a clear signal in all accompanying communications that this would be the final package of emergency

support for those able to trade, unless the Welsh Government re-introduced closure or very significant trading restrictions. This option also included a distinct offer for sole traders operating without a property with a turnover of less than £85,000. In so recommending, it was anticipated that only limited sections of the hospitality, leisure and tourism sector would remain eligible as many had been able to trade from late-April. It was also made on the assumption that the public health position would improve over the summer period.

201. I agreed with this recommendation, exhibited at **VG/77 - INQ000368951**, and announced this further support for businesses on 30 June 2021, exhibited at **VG/78 - INQ000591680**. In making this announcement, I confirmed that the Welsh Government had provided in excess of £2.5 billion to Welsh businesses in a package that was designed to complement and build on the support provided by the UK Government. This, combined with an extension of the 100% business rate relief package until the end of the financial year had focused particularly on backing small businesses and Welsh communities and helped protect in excess of 160,000 Welsh jobs that might otherwise have been lost.

202. This announcement confirmed that this further support would entitle eligible businesses to an additional payment of between £1,000 and £25,000 depending on their size, structure and circumstance, to cover the period until the end of August 2021. In line with my decision to agree the recommendations, the announcement also stated that the Welsh Government envisaged that this would be the final package of emergency support for those businesses that were able to trade based on the current level of restrictions, although this would be reviewed if new restrictions were to be required in response to a new variant or other emerging developments.

203. Finally, it was announced that, beyond the emergency phase (and should the situation allow), the Welsh Government intended to deliver a Business Development and Recovery Fund designed to support businesses with match funding to relaunch, develop and grow as part of Phase 7, following the potential further relaxation of restrictions.

204. Advice formally submitted to me in September 2021 (having already been submitted in draft at an earlier stage), exhibited at **VG/79 - INQ000321146**, sought my approval for an £80 million Business Development and Recovery Fund to enable businesses to develop and grow at a critical time in the economic recovery, with intentions to launch at the end of the emergency support. This was a co-investment-based grant where businesses would be expected to provide match funding (ranging from 50-80% depending

on the size of the business) and would be aligned with key policy commitments within the Programme for Government.

205. The main intention of the fund was stated to be to identify as many proposals as possible that would help Wales meet its legally binding Net Zero carbon emission target by 2050 and to seek to support businesses that recognise the benefits to them and their employees of fair work. Businesses were expected to submit an expression of interest by late-September / early-October, introducing an element of competition to support the most impactful projects and negating the risks of unfairness associated with a 'first come, first served' approach. Officials anticipated at least 5,000 expressions of interest in the fund and proposed to accept projects up to a value of £130 million in order to consider offers up to £80 million. £60 million of the fund would be administered by the Welsh Government and £20 million for businesses with 9 or less employees was to be administered by local authorities.

206. Once more, three main options were offered by officials:

- a) Option 1: 'do nothing' and agree that the intervention to date has been sufficient, with the funding to be re-allocated to wider areas across Government;
- b) Option 2: agree to the £80 million Business Development Recovery Fund set out above;
- c) Option 3: pause any decision on this until further economic and health prospects data was clearer.

207. As outlined in the Advice exhibited, I approved the recommendation for an £80 million Business Development and Recovery Fund under Option 2. The Minister for Finance and Local Government also agreed for the release of £62 million from reserves, to be supplemented with £18 million from the emergency business support rounds that was not required, together with associated costs for the administration and delivery of the Fund.

208. Following Wales moving fully into Alert Level 1 on 17 July 2021 and then into Alert Level 0 on 7 August 2021 (meaning there were no legal limits on the number of people who could meet and all businesses could open), no further phases of the Economic Resilience Fund were anticipated at that stage, subject to any future deterioration of public health conditions.

209. Unfortunately, such deterioration occurred in November and December 2021 with the emergence of the Omicron variant. As a result, this necessitated the introduction of Phase 8 of the Economic Resilience Fund, which ran from December 2021 to February 2022 to provide emergency support for businesses affected by the new restrictions.
210. On 22 December 2021, I received Ministerial Advice, exhibited at **VG/80 - INQ000145566**, regarding this proposed support. This followed announcements made by the First Minister in response to the emerging situation: on 16 December 2021 (exhibited at **VG/81 - INQ000321123**), confirming restrictions on businesses from 27 December 2021 accompanied by up to £60 million of support for those affected, and subsequently on 22 December 2021 (exhibited at **VG/82 - INQ000023306**), confirming a move to Alert Level 2 from Boxing Day accompanied by £120 million of support for those businesses affected by the decision.
211. This Advice proposed three options for financial support in light of the move to Alert Level 2, as follows:
- a) Option 1: a £60 million sector-specific grant fund for businesses with greater than 60% impact;
 - b) Option 2: a basic £133 million Non-Domestic rates-linked grants package to all non-essential retail, hospitality, leisure and tourism businesses;
 - c) Option 3: a higher £158 million Non-Domestic rates-linked grants package to all non-essential retail, hospitality, leisure and tourism businesses impacted and bespoke Economic Resilience Fund for hospitality and leisure businesses.
212. Officials recommended Option 3 on the basis that the UK Government were not going to re-introduce the Coronavirus Job Retention Scheme or the Self Employment Income Support Scheme, although confirmed that their recommendation would pivot to Option 1 in the event that it did. In light of the lack of any confirmation from the UK Government to re-introduce those Schemes, I agreed to the recommendation and approved Option 3, as exhibited at **VG/83 - INQ000369212**.
213. I announced details of this further support on 23 December 2021, exhibited at **VG/84 - INQ000321196**. I confirmed that funding would take the form of three elements:
- a) Non-Domestic Rates-linked grants of up to £6,000;
 - b) A discretionary fund delivered by local authorities to support sole traders, freelancers and businesses who did not pay rates, with grants of £500 to £2,000;

- c) A re-opening of the Economic Resilience Fund, with grants of up to £25,000 for severely impacted hospitality and leisure businesses (including non-essential retail), and their supply chains, where turnover had reduced more than 60%.
214. An eligibility checker was to be made available on the Business Wales website early in the New Year, with applications to be made during the week commencing 17 January 2022.
215. As a result of the new emergency support packages, the Business Support Fund previously announced was withdrawn in order to process emergency payments as soon as possible, although with existing offers continuing to be honoured.
216. On 6 January 2022, the Deputy Minister for Arts and Sport and I met with officials to discuss the business support package further. At this time, we sought further advice as to the options on the business support package. Officials provided that advice the following day, offering three options:
- a) Option 1: an automated 'top up' of any grant if the restrictions of Alert Level 2 go beyond 20 January 2022;
 - b) Option 2: a lowering of the required drop in turnover from 60% to 50%;
 - c) Option 3: a further payment of Non-Domestic Rates-linked grants.
217. Officials recommended Option 1 be explored further should the review of restrictions in Cabinet extend Alert Level 2 beyond 20 January 2022. Option 2 was considered more nuanced whilst Option 3 was not recommended. On 10 January 2022, and subject to the discussion due to be held in Cabinet as to the review of restrictions, I indicated my preference as being Option 2.
218. Further advice was provided to me on 12 January 2022 regarding the proposed drop in the turnover threshold, along with advice upon a proposed increase in the existing one-off grant to sole traders who did not pay rates and were impacted by restrictions from £500 to £1,000 per applicant. An e-mail chain exploring all of the above is exhibited at **VG/85 - INQ000321103**.
219. I confirmed my agreement to both the increase in the sole trader grant and the decrease in the turnover threshold on 13 January 2022, exhibited at **VG/72 - INQ000321106**.

220. In an announcement made on 14 January 2022, the First Minister confirmed a phased approach to ease existing restrictions and, on 28 January 2022, Wales moved to Alert Level 0.
221. Officials provided me with an update on the delivery of Phase 8 on 10 February 2022, exhibited at **VG/86 - INQ000321108**, which confirmed that of the local authority-delivered support, final output was expected to constitute 18,000 grants with a £50 million claim. By that date, enquiry rates had slowed to a low rate and enquiry levels remained low. The overwhelming view of those representing local authorities who met with officials was that the number of applications received had reflected the demand, particularly around the change to Alert Level 0 and there was no case to extend, meaning the scheme would close on 14 February 2022 as planned. Of the Welsh Government-delivered support, 2,370 awards had been made at a value of £12 million.
222. Phase 8 was the final phase of the Economic Resilience Fund, with its closure also representing the closure of the wider fund. This continued support for businesses until February 2022 was necessitated by the emergence of the Omicron variant and the consequent restrictions put in place in respect of the public health situation. In light of the lack of ongoing case to extend, I consider that the Economic Resilience Fund was brought to an end at the correct time.
223. As the Inquiry has noted, many of these decisions resulted in various options being put to me, which ranged from 'doing nothing' to providing various degrees of support. In deciding which businesses to prioritise for support, I tried to prioritise those which needed the most help and which could survive in the future. As a government, we made choices about rate relief for larger businesses. Capping this meant that we could focus our support on smaller and medium-sized businesses. We were looking at how to support businesses to maintain employment and growth and were keen to look at how to grow the economy, although this is not an objective unique to Covid or pandemic times. In determining the appropriate support, the question was how to support those which should survive the pandemic but were being hamstrung and building up debt during Covid.
224. In making decisions, I also considered the advice provided to me by officials, along with the rationale for their recommendations. As demonstrated above, where I required further information before making my decision, I would request this in order to ensure I was fully informed in doing so.

225. Insofar as the features of the Fund that worked well, I consider the use of existing systems that we had in government and local government, particularly in trying to meet smaller businesses, freelancers and sole traders, worked well and was something we had not done before. In relation to a similar future scheme, we need to consider how to maintain that infrastructure.
226. As to the timing of each phase and, in particular Phases 7 and 8, we had a rhythm of what we were doing by the time I was appointed in May 2021. Both Phases 7 and 8 were dictated by need and reflected the public health situation and consequent restrictions in place at the relevant times.
227. The delivery of the Fund and the size and shape of the Welsh Government enabled direct contact between us and the relevant industries. For example, I recall holding meetings with the hospitality sector in the half-term of October 2021 whilst away with my family. They were desperately worried at this stage and were looking to avoid further restrictions that would require them to close. It was entirely reasonable for them to raise those concerns with us and I found it particularly positive that I was able to hear from them directly on these matters.
228. As outlined above, the intention behind the creation of the Economic Resilience Fund was to complement the support being provided to businesses and their employees. Inevitably, this meant that the Fund was informed by the decisions made by the UK Government throughout its implementation.
229. From May 2021 onwards, there were several decisions I was asked to make that were either informed, limited or constrained by decisions made by the UK Government. For example, the Advice received on 25 June 2021, exhibited above at **VG/76 - INQ000145412**, to approve further emergency funding for businesses until 31 August 2021 recognised that, whilst communications should make clear that this was likely to be the final package of support, the cessation of the Coronavirus Job Retention Scheme at the end of September 2021 meant that further policy consideration regarding support to businesses in Wales may be required if there was a continuation of social distancing and much stricter restrictions than in England. Whilst there was an expectation that the number of businesses eligible for the further emergency support would decrease significantly, it was recognised that the forthcoming ending of the Coronavirus Job Retention Scheme and the Self-Employment Income Support Scheme may mean the significant risk of

redundancies remained if certain restrictions were still in place. The Welsh Government did not hold the levers to intervene at the payroll level and so could only consider support of the nature provided pursuant to the Economic Resilience Fund.

230. Another example of the Economic Resilience Fund being informed by, although on this occasion not constrained or limited by, was the creation of the Business and Development Fund in September 2021. The Advice provided by officials in relation to this, exhibited above at **VG/79 - INQ000321146**, recognised the 'critical timing' of this, which included the imminent ending of the furlough scheme on 30 September 2021. However, whilst Option 3 of that advice to pause any decision upon the creation of the Fund recognised that this would allow time to receive clearer data on the full impacts of the UK Government's decision to end the Coronavirus Job Retention Scheme and impose VAT increases, officials did not recommend this course of action on the basis that regular data and a range of surveys had already demonstrated a broad appetite to invest and recruit. For that reason, whilst informed by the decisions made by the UK Government, those did not limit or constrain the decision I made on this occasion.

231. That was in contrast to the decisions made regarding Phase 8 of the Economic Resilience Fund and the emergency support necessitated by the emergence of the Omicron variant. Advice received by me on 22 December 2021, exhibited previously at **VG/80 - INQ000145566**, confirmed that the UK Government had not, to date, indicated a desire to re-visit the Coronavirus Job Retention Scheme or the Self-Employment Income Support Scheme. Accordingly, and in devising a further package of emergency support to alleviate the pressure upon businesses impacted by the onset of increased restrictions, officials had considered replicating those Schemes as part of their approach. However, both were discounted on grounds of value, viability and deliverability. The recommendations made by officials in the Advice were directly impacted by the decision of the UK Government not to reinstate the Schemes (or to permit the devolved governments to utilise them in accordance with the public health situation in the individual nations). Option 3 was recommended on the basis of there being no reinstatement of the Schemes, whilst Option 1 was the recommendation should they be so reintroduced.

Risks of Fraud and Error

232. Whilst I was not in post at the time of its design and commencement, I am aware that the risk of fraud and error in the operation of the Economic Resilience Fund was identified by officials at an early stage. Concerns included applicants falsifying supporting documentation, not declaring receipt of business rate relief, incorrect payment information

being deliberately provided, and the risk of duplicate funding where a business may have already claimed from other sources. As a result of the urgent nature of the support need, this was mitigated by a reduced level of pre-offer due diligence and reviews (carried out by sample checks both 'hot' at the point of approval and 'cold' at 1 week, 3, 6 and 12 months), alongside self-declared pre-eligibility and rapid assessment of claims.

233. The approach of 'process now, check later' was adopted, following the same principles utilised by HM Revenue and Customs in their self-assessment process. This made clear that the applicant was responsible for providing accurate information with retrospective due diligence followed by enforcement action if required thereafter. This approach enabled people to benefit quickly, whilst also maintaining compliance checks retrospectively.

234. The level of due diligence carried out was directly aligned to the level of the grant. Applications were assessed by officials and a recommendation made, which would be subsequently approved by a senior member of staff to ensure all checks had been completed correctly.

235. Claims would be assessed against the grant criteria, with bank account details being checked against the Welsh Government banking service, the Development Bank of Wales. Tools were used to check VAT statuses, along with Companies House checks, Creditsafe checks on the viability of businesses and checks carried out with the Welsh Government due diligence hub. The hub was a digital tool developed to permit the sharing of information to assist in the decision-making process and included information such as address, company / charity registration details, audit details, due diligence record, assessment, persons of concern, SAP Vendors and the most recent grant history.

236. For applications involving larger businesses, a 'panel' of economy department team members would also assess the request on a case-by-case basis to ensure funding was deployed effectively to complement other sources of support. Additional checks on individual directors were also carried out and assessors would consider profit and loss accounts, forecasts and accounts. These processes significantly reduced the level of the risk of fraud and error. I understand that further detail on these processes is detailed in M9/WG/ESNR/01. Further, any Ministerial involvement in the consideration of those risks and their mitigation prior to May 2021 was dealt with by my predecessor who I understand has detailed such matters in his statement to the Inquiry, M9/R9R/KS01.

237. Following my appointment, the risk of fraud and error continued to be kept under consideration as further phases of the Economic Resilience Fund were developed. For example, when advice was provided to me in September 2021 to seek approval for an £80 million Business Development and Recovery Fund (previously exhibited at **VG/79 - INQ000321146**) as part of Phase 7, officials advised that fraud risks remained, including:

- a) Applicants falsifying accounts / documentation;
- b) Applicants not declaring receipt of business rate relief;
- c) Incorrect payment information deliberately given for payment purposes;
- d) Unique tax reference number not valued or a duplicate;
- e) Duplicate funding where businesses have already claimed from other sources.

238. To mitigate those risks, a liquidity ratio analysis was conducted at application stage on businesses as part of the eligibility to apply, with only those passing able to proceed. The Fund continued to use at least two points of automatic and process check from verified data sets including VAT, Companies House and PAYE records. At the micro-level, the local authorities also had the benefit of local business intelligence to mitigate these risks.

239. Alongside those appropriate checks built into the assessment process, as with earlier Phases of the Fund, the approach continued to make clear that the responsibility for providing accurate information rested with the applicant, with it being expected that retrospective due diligence would be undertaken, followed by enforcement where required.

240. Whilst steps were taken to reduce this risk throughout the entirety of the period that the Fund was in place, inevitably given the speed at which the support was necessitated, it remained significant with a greater tolerance of risk required when developing policy. However, the risk of not acting and the consequent closure of businesses and loss of jobs was greater than the risk of acting, even with a reduced level of pre-grant offer due diligence.

Inequalities and Economically Vulnerable Groups

241. The support provided by the Welsh Government, including under the Economic Resilience Fund, was largely targeted to sectors identified as being 'in need' in light of gaps or to 'top up' funding provided by the UK Government. This included sectors such as hospitality and tourism which were lower paid sectors with a significant proportion of women in employment.

242. I am also aware, although I was not Minister for the Economy at the time this was first identified, that taxi drivers were one such group that did not initially benefit from mainstream funds. Given the nature of their work as sole traders, they experienced issues of eligibility. Local government support was generally unavailable because they did not operate from a property, and there were often language and issues with access, such as digital access. There was also a higher proportion of those who had protected characteristics. For this reason, sector specific funding targeting sectors including taxi drivers formed part of the funding provided during Phase 4. Ministers were updated on this by-then Minister for Economy, Transport and North Wales, Ken Skates MS, at a Ministerial call on 28 January 2021, exhibit **VG/87 - INQ000361712** refers.

243. By the time I became Minister for the Economy, we already had in place that architecture of looking at and assessing impact on groups of people. We tried to ensure the Fund was not unequal in its impact, but there may well have been inequalities remaining. Each phase of the Fund enabled us to understand whether particular groups had not been able to access the support and permitted us to address those in future phases.

244. One benefit to the use of local authorities is that people were used to dealing with them. For example, taxi drivers would engage with local authorities to obtain their licenses or other businesses would engage with them in respect of paying their rates. This was part of the reason we worked with local government in this way; it made the delivery of the Fund easier and more effective.

245. One matter that I do consider is important to think about is the administrative burden of applying for funding under schemes such as this. Those who are economically vulnerable, for example, whether as a result of a protected characteristic or language barrier or as a result of numeracy and literacy issues, may have difficulties with filling in extended forms to access the support being offered. There needs to be a balance between obtaining sufficient information to ensure that support is being distributed fairly and as intended and have unduly burdensome application processes or forms to do so.

Communications

246. From a ministerial perspective, the availability of the Economic Resilience Fund was communicated through press conferences, press releases and social media channels. I exhibit an example of an announcement I made on 18 January 2022 regarding the

Economic Resilience Fund during my tenure as Minister for the Economy at **VG/88 - INQ000654174**.

247. The Fund was also discussed with representative groups such as the Ministerial Advisory Board, the Council for Economic Development and the Shadow Social Partnership Council.

248. Additionally, I am aware that there was significant communication ongoing at an official level with businesses and representative groups at all stages of the Fund, from development to application to refinement. The Welsh Government's support service for businesses, Business Wales, had a helpline to assist with queries, including those relating to the Economic Resilience Fund, during the relevant period. Information was available on the Welsh Government and Business Wales websites, together with key messaging provided by email bulletins to leading contacts in business representative groups and generally on social media channels. I understand that these communications are detailed further in M9/WG/ESNR/01.

249. I consider that communication as to the details of the Economic Resilience Fund to its intended beneficiaries was adequate. By the time that I was appointed Minister for the Economy, the self-employed, businesses, sole traders and local authorities were used to knowing where and how to access support.

Efficacy

250. I largely consider that the Economic Resilience Fund achieved its aims. As set out above, the aim of the Fund was to complement support provided by the UK Government and to help businesses in Wales during the imposition of non-pharmaceutical interventions that were required to address the public health situation during the relevant period. I consider that the Fund broadly did that.

251. Across all 8 Phases of the Economic Resilience Fund, there were 31,936 grants made at a total value of £362,340,820, exhibit **VG/89 - INQ000591678** refers. Preliminary figures in ongoing evaluation work suggest that a total of 333,329 jobs were safeguarded and 3,486 jobs were created as a result of the support provided by all of the Welsh Government financial business support schemes. It is understood that these figures are subject to conversion to net figures as part of the ongoing evaluation work. These are considered in further detail at paragraph 334 of M9/WG/ESNR/01.

252. That said, I am aware that there are parts of all of the relevant sectors who would no doubt say that we could have done more or that the support did not reach them. No support scheme of this nature will be perfect, and there is always a balance to be struck between certainty or flexibility. You can not be entirely flexible or else the provision of support can be determined by the subjective views of the decision-maker. However, we listened to feedback on the individual phases of the Fund and made changes where required.

253. I am also asked whether I consider that all parts of the Economic Resilience Fund were value for money. I am only able to substantively respond to those Phases that came after my appointment as Minister for the Economy, being Phase 6 onwards. At each Phase of the Fund (and any 'top up' or further support during those Phases) in which I was involved, I was provided with Advice in making decisions that included an assessment by officials of the value for money of the proposed support being sought.

254. Where I had any questions regarding the value for money (or any other matter) in making those decisions, I would seek further information from officials. An example of where I did this is set out above regarding the Advice received by me on 11 June 2021, where I sought a meeting to better understand why a potential enhanced option of support was not recommended. In making each of my decisions in respect of the Economic Resilience Fund, I was satisfied that a full assessment of value for money had been undertaken by officials and, having considered the same (along with any further information sought, where appropriate), that the relevant support I was approving constituted value for money.

255. The clearest confirmation of the value for money of the Fund is that, without it, we would have seen far more businesses fail to survive the pandemic. Even those who might have survived would have been subject to far more worries without the support provided by the Fund, and we have to think about that not only in strictly economic terms but also as to the impact it would have upon the mental health and wellbeing of the individuals involved.

Transport Schemes

256. I had no involvement in the design or delivery of transport schemes to support the rail and bus services during the relevant period. Whilst my predecessor was responsible for

matters pertaining to transport in his capacity as Minister for Economy, Transport and North Wales, the Cabinet reshuffle in May 2021 resulted in the transport portfolio shifting into that of the Minister for Climate Change, with the Deputy Minister for Climate Change taking lead on such matters. In the circumstances, I do not consider myself sufficiently informed to provide an opinion on matters relating to those schemes.

Part F: Inequalities and Vulnerable Groups

257. As confirmed to the Inquiry in past modules, in Wales we have committed to progressing a more equal Wales, with this being reflected in the statutory duties on our public bodies and in the development and delivery of policies.
258. The Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 requires public bodies, including the Welsh Ministers, to consider how they can positively contribute to fairer society through advancing equality and good relations in their day-to-day activities and requires the public sector equality duty be built into the design and delivery of services.
259. In 2011, Wales also became the first country in the UK to incorporate children's rights into domestic law with the introduction of the Rights of Children and Young Persons (Wales) Measure 2011. The Measure requires the Welsh Ministers to consider children's rights in everything they do.
260. Additionally, Wales is the first country in the world to legislate for the wellbeing of current and future generations in a way that ties in with the United Nations Sustainable Development Goals. The Well-being of Future Generations Act 2015 puts in place a sustainable development principle which means when public bodies (including the Welsh Government) make decisions, they need to take into account the impact they could have on people living their lives in Wales in the future. The Well-being of Future Generations (Wales) Act 2015 sets out seven well-being goals for national government, local government, local health boards and other specified public bodies which includes the goal of a more equal Wales meaning a society that enables people to fulfil their potential no matter what their background or circumstances (including their socio-economic background and circumstances).
261. During the pandemic, these statutory duties and our commitment to progressing a more equal Wales continued. This was clearly demonstrated by the commitment to

equality set out at the very outset of the pandemic in the Welsh Government's framework '*Leading Wales out of the pandemic: A framework for recovery*' which was published as part of the general pandemic response. Another example is provided by the set up of the First Minister's Black Asian Minority Ethnic Covid-19 Advisory Group. The attempt to mitigate inequalities and provide support to vulnerable groups was a policy stance underpinning the whole of the Welsh Government's response to the pandemic.

262. The economic policies and structures in place were also developed with a particular focus upon inequalities and economically vulnerable groups. For example, in the development of the Economic Mission, it was recognised that the parts of the labour market who had already suffered particularly adverse effects from the pandemic would particularly face the uncertainty of its ongoing economic consequences, including the young, the low-paid, those with lower levels of qualifications, those in temporary and part-time employment, the disabled, women and those from minority ethnic groups. Cabinet paper CAB(19-20)73 already exhibited above at **VG/49 - INQ000057748** refers.

263. The Economic Resilience and Reconstruction Mission, published in February 2021 and exhibited at **VG/50 - INQ000321229**, also recognised in the foreword that the greatest impacts were threatened against those individuals who already experience socio-economic disadvantage, including women, Black, Asian and Minority Ethnic communities, disabled people and young people entering the labour market for the first time.

264. The Mission had one vision of a well-being economy that drives prosperity, is environmentally sound and helps everyone reach their potential. That vision was underpinned by the pursuit of three outcomes: a more prosperous economy, a greener economy and a more equal economy. The latter of these meant investing in the productive potential of all people in communities, making sure that nobody is left behind. The Mission set out plans to build ambition, encourage learning for life and support people to make the most of their potential where work is well-rewarded and fulfilling. A regional approach would support a fair distribution of opportunities to deliver fairer outcomes for all members of society.

265. Whilst the Economic Mission was developed and initially implemented under my predecessor, the policy objectives remained the same throughout the relevant period, meaning that inequalities and vulnerable groups were a key consideration in the provision of economic support and recovery throughout.

266. Alongside the economic policies underpinning the economic response to the pandemic, specific updates given to Cabinet and ministerial advice provided to me as part of the individual decision-making process would also outline the economic impact of the pandemic upon economic vulnerable groups and those the subject of inequalities.

267. For example, I exhibit the Cabinet minutes for 22 February 2021 at **VG/32 - INQ000057892**, when the Chief Economist provided an economic update, during which he confirmed that previous recessions had increased inequality and this was no different. Young people, lower skilled and those in insecure employment were estimated to be the most badly affected. Were the UK Government to proceed to withdraw the Universal Credit premium, even more people were estimated to be affected, with a disproportionate impact on ethnic minorities and men.

268. Another example comes from the briefing note already exhibited at **VG/54 - INQ000057887** above, in which ministers were briefed on the specific impact upon vulnerable groups of the ending of the Coronavirus Job Retention Scheme.

269. In making decisions, both collectively in Cabinet and as part of my portfolio responsibilities, I remained acutely aware throughout that there were a larger proportion of economically vulnerable people in Wales as compared to the UK as a whole. Wales' population includes a greater proportion of older people and, as discussed in the dedicated section above, of self-employed workers. As set out above, decisions I made regarding the later phases of the Economic Resilience Fund (which included specific funding for freelancers and those sectors such as tourism and hospitality more likely to employ economically vulnerable groups) and a further phase of funding under the Cultural Recovery Fund, all sought to address the inequalities and provide assistance to those most in need of it.

270. Vulnerable groups were a regular feature of our discussions. In considering whether I would have taken a different approach in response to any future pandemic, I bear in mind the reality and experience of what we had to do. If you have to make decisions in short periods of time, it is not practical that full equality impact assessments be carried out before such decisions are permitted to be made. There are times where you have to make choices on the basis of the imperfect information that is available, especially as we did in the early stages of the pandemic. That is the difference in considering matters with the benefit of hindsight rather than on the basis of the information available at the time.

271. As to whether the UK Government adequately took into account inequalities and economically vulnerable groups in its economic response to the pandemic, I am unable to tell the Inquiry what they discussed or thought about in their decision-making as that would be a matter for the UK Government. I can say that we raised issues at the time and went through what we were doing in this regard and published it. A good example of this occurring is regarding sole traders and, in particular, taxi drivers. The UK Government did not appear to look at the mix of taxi drivers or provide the level of support that the Welsh Government did. There seemed to be little response from the UK Government, but I am unable to provide any further view as I do not have the necessary information as to what or the extent to which they took such matters into account.

272. I do think the Welsh Government adequately took into account inequalities and economically vulnerable groups in its economic response. We thought about these issues at every opportunity, and included commissioners and advisory groups who did their best. It was in every area of policy-making, and we generally try to consider it in how we make schemes and policies at all times; both in normal times and during the pandemic.

273. As to recommendations in this area, there has got to be a way to take account of lived experiences. To attempt to do this for the first time during a pandemic is going to be difficult. If you've never listened to these issues before, trying to do so when everything else is going wrong would be very hard. It is much more about having a more determined approach to addressing inequality in normal times. Practical inequality makes a difference in every area of work and society. For example, from a race point of view, where and how people are exposed is relevant. Bus and taxi drivers had the highest level of exposure to Covid outside of the health and care systems but this was never talked about. The vaccination for teachers campaign took off as they had a platform to raise issues, but there was no national news story about bus and taxi drivers dying at a faster rate. These are jobs with a disproportionately high number of black and Asian people. Similarly, the care sector demonstrated women being indirectly impacted from the disproportionately high number of women in those roles. These are structural inequalities, and there needs to be a more determined approach to addressing inequalities in all its forms.

Part G: Data and Modelling

274. Data, modelling and other scenario analysis was used by the Welsh Government in its pandemic decision-making, including by reference to the economic response. Such data was provided by several different sources.
275. For example, the Chief Economist would provide data in his oral and written updates to Cabinet. I have already referenced several of those updates throughout this statement, but a further example may be found in the slide pack which accompanied the update given to Cabinet on 19 May 2022, which is exhibited at **VG/90 - INQ000130070**.
276. There would also be a monthly Labour Market Statistics and Economic Report compiled by the Knowledge and Analytical Services division, as detailed further above. These would summarise the economic circumstances and harms of the pandemic using traditional official statistics such as GDP and employment, alongside more timely measures based on card spending and business insight surveys from the Office for National Statistics. The use of support schemes for businesses, both the Welsh and UK Government schemes, was also monitored. An example of this Report from July 2021 is exhibited at **VG/91 - INQ000565985**.
277. Data and economic analysis would often feature in ministerial advice, when the nature of the decision-making necessitated such information be provided. The Technical Advisory Group and Technical Advisory Cell also provided regular data, modelling and scenario analysis.
278. As to challenges, I was always concerned to make sure I was not necessarily receiving lots of data, but getting the data that was believable and helpful for decision-making. There was an ongoing need to know whether something required address in the economy or to understand what need existed to support different people. I was always interested to receive the data about the support reaching those it was intended for: were the payments getting to them and how quickly? Is the size and scale of the intervention going to reach the number of people we need it to?
279. As to whether a different approach should be taken in the future, there is a need to look at the data sets we ended up with. In any future situation, it is important to consider how quickly we can get to that end result. We need to ask how to get support to businesses and employees and what the schemes are for, whether business survival or

employee survival. To do this, we need to start from the end and work backwards, pulling all of the different data sets that we eventually had together.

280. As to whether the UK Government adequately used data, economic modelling and other scenario analysis, I am not in a position to answer that question as I do not know what they took into account. By the time that I had become Minister for the Economy, they had stopped sharing any information with us.

281. As to the adequacy of the Welsh Government's usage, the Knowledge and Analytical Services division did a good job, together with sources of data provided by the economy team. The Chief Economist's team also provided a lot of useful analysis. As far as I am aware, there was adequate use of data, economic modelling and other scenario analysis by the Welsh Government.

282. The only recommendation I have insofar as data and modelling is concerned relates to inter-governmental sharing. The more governments can share the information available to them, the better the understanding will be about what is being done insofar as the support to be provided and what is being achieved.

Part H: Analysis and Reflections

283. By the time I was appointed as Minister for the Economy, the Welsh Government already had in place effective structures and schemes to support the economy in Wales. When considering lessons learned, it is important to look at where we ended up insofar as the structures and schemes that worked effectively and work backwards from there to see which of those was needed and worked well.

284. It would be impractical and unworkable for those to be retained during 'business as usual' times as this would lead to significant redundant capacity. However, the way to ensure an appropriate response for future pandemics is to consider which of those that were in place by the end of the pandemic should be re-introduced and ensure a route to their re-introduction at pace at the outset of any future pandemic.

285. Insofar as recommendations for the Chair to consider, I have detailed the recommendations I make throughout this statement and respectfully refer the Inquiry to those.

Part J: Documents

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

Statement of Truth

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

Signed:

Personal Data

Dated: 09 October 2025