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Covid-19 Funding Allocations and Expenditure In Scotland and Wales - a basic overview

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This briefing paper, commissioned by the Assembly's Finance Committee, provides an overview of Covid-19 funding provided during the pandemic by the United Kingdom Government to the Scottish Government and to the Welsh Government.

This information is provided to Members of the Legislative Assembly (MLAs) in support of their duties, and is not intended to address the specific circumstances of any particular individual. It should not be relied upon as professional legal advice, or as a substitute for it.

Introduction

The Committee for Finance (the Committee) commissioned the Finance & Economics Research Team in the Assembly’s Research and Information Service (RaISe), to provide an overview of Covid-19 funding in Scotland and Wales, following on RaISe’s previous Briefing Paper - NIAR 69-21 - entitled “Covid-19 Funding: Allocations and Spending in Northern Ireland”.¹ That past Paper provides background information to contextualise the contents of this Paper.

Following on this Paper, to undertake – as far as possible - a basic comparison of Covid-19 funding received from the United Kingdom Government (UKG) by the Scottish Government (SG), the Welsh Government (WG) and the Northern Ireland Executive (NIE). At section 1, it provides an overview of the quantum of Covid-19 funding granted to each devolved administration (DA). Thereafter, the Paper outlines SG and WG Covid-19 allocations and expenditure, respectively at sections 2-3, using available data at the time of writing. In closing, concluding remarks meriting the Committee’s consideration are provided in section 4.

1 UKG Covid-19 funding

Table 1 below sets out how much funding the SG, WG, and NIE received from the UKG Government as part of the funding response to the Covid-19 pandemic – hereinafter referred to as “Covid-19 funding”:

Table 1: Devolved administration’s Covid-19 funding, by year

£ million	Scottish Government	Welsh Government	Northern Ireland Executive	Total
2020-21	9,588.2	5,769.9	3,276.8	18,634.9
2021-22*	4,025.2	2,401.8	1,453.5	7,880.5
Total	13,613.4	8,171.7	4,730.4	26,515.4

*2021-22 funding up to and including Spending Review 2021

Source: HM Treasury Block Grant Transparency December 2021²

¹ <http://www.niassembly.gov.uk/globalassets/documents/raise/publications/2017-2022/2022/finance/0422.pdf>

² <https://www.gov.uk/government/publications/block-grant-transparency-december-2021>

£2.1 billion (bn) of the Barnett consequentials received in 2020-21 were allocated very late in the financial year; and therefore were carried forward to 2021-22.³ Those consequentials were: SG - £1.2bn; WG - £660 million (m); and, NIE - £330m.

2 SG allocations and expenditure

2.1 SG: Covid-19 strategic response

The SG published a number of strategic documents over the course of the pandemic, including: “Covid-19 – A Framework for Decision Making” (April 2020),⁴ to support Ministers to make sound decisions at pace through the SG agreed lens of the “Four Harms of Covid-19”. Each harm is summarised in the strategic document entitled “Framework for Decision Making – Assessing the Four Harms of the Crisis” (December 2020).⁵ They are:

1. Direct harm to people’s health;
2. Wider impact on health and social care services and the impacts on non-Covid-19 health harms;
3. Harm to the broader way of living and society; and,
4. Harm to the economy.

By October 2021, SG’s increased focus on recovery was evident through its publication of “Covid Recovery Strategy: For a fairer future” (October 2021).⁶ That document set out a vision for recovery, alongside actions aiming to: address systemic inequalities made worse by Covid-19; accelerate inclusive person-centred public services; and, build a wellbeing economy.

The SG summarises its strategic priorities in its December 2021 publication of the SG Consolidated Accounts, stating:⁷

³https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/995939/Block_Grant_Transparency_2021_Explanatory_Note_.pdf

⁴ <https://www.gov.scot/binaries/content/documents/govscot/publications/strategy-plan/2020/04/coronavirus-covid-19-framework-decision-making/documents/coronavirus-covid-19-framework-decision-making/coronavirus-covid-19-framework-decision-making/govscot%3Adocument/coronavirus-covid-19-framework-decision-making.pdf>

⁵ <https://www.gov.scot/binaries/content/documents/govscot/publications/research-and-analysis/2020/12/covid-19-framework-decision-making-assessing-four-harms-crisis/documents/covid-19-framework-decision-making-assessing-four-harms-crisis/covid-19-framework-decision-making-assessing-four-harms-crisis/govscot%3Adocument/covid-19-framework-decision-making-assessing-four-harms-crisis.pdf>

⁶ <https://www.gov.scot/binaries/content/documents/govscot/publications/strategy-plan/2021/10/covid-recovery-strategy-fairer-future/documents/covid-recovery-strategy-fairer-future/covid-recovery-strategy-fairer-future/govscot%3Adocument/covid-recovery-strategy-fairer-future.pdf>

⁷ <https://www.gov.scot/binaries/content/documents/govscot/publications/corporate-report/2021/12/scottish-government-consolidated-accounts-year-ended-31-march-2021/documents/scottish-government-consolidated-accounts-year-ended-31-march-2021/scottish-government-consolidated-accounts-year-ended-31-march-2021/govscot%3Adocument/scottish-government-consolidated-accounts-year-ended-31-march-2021.pdf> page 20

Leading Scotland safely through the pandemic remains the priority for the Scottish Government and, as the organisation maintains that resilience against COVID-19 and other pressures, there is also an increased focus on recovery – with a particular focus on tackling inequality and disadvantage.

2.2 SG: Covid-19 spending and funding in 2020-21

In February 2020, the SG published its 2020-21 Scottish Budget,⁸ which set out its spending priorities and plans for the year. No Covid-19 funding was included at that time. Its Budget subsequently was revised through three separate budget revisions over the course of the year, to reflect additional monies available to support the Covid-19 response – i.e.: “Summer Budget Revision 2020-21”⁹ – 27 May 2020; “Autumn Budget Revision 2020-21”¹⁰ – 24 September 2020; and, “Spring Budget Revision 2020-21”¹¹ – 25 February 2021. Over the course of the three budget revisions, the SG allocated £8.6bn Covid-19 Barnett consequentials. A summary of each 2020-21 budget revisions is below – at sub-sections 2.2.1 – 2.2.3.

2.2.1 Summer Budget Revision 2020-21

- The Summer Budget Revision included the allocation of just over £4bn in funding for the Covid-19 response.
- Allocations included: £2.379bn package of support for business; £620m allocation to health services; and, £350m funds for communities.
- These allocations were funded by £3.581bn of Covid-19 Barnett consequentials, £112m of non-Covid-19 related funding received following the UK Budget in March 2020, as well as £255m reprioritised from within existing departmental budgets.

2.2.2 Autumn Budget Revision 2020-21

- The Autumn Budget Revision allocated a further £2.5bn to Covid-19 related measures.
- Allocations included: an additional £1.8bn to Health and Social Care; £222m to support bus, rail and local transport operators; £190m in additional support for business and the arts; and, £119m towards the Education and Skills budget.
- These allocations were funded through a further £2.4bn of Covid-19 Barnett consequentials, and £142m of reprioritisation of existing expenditure.

2.2.3 Spring Budget Revision 2020-21

⁸ <https://www.gov.scot/binaries/content/documents/govscot/publications/corporate-report/2020/02/scottish-budget-2020-21/documents/scottish-budget-2020-21/scottish-budget-2020-21/govscot%3Adocument/scottish-budget-2020-21.pdf>

⁹ <https://www.gov.scot/publications/2020-21-summer-budget-revision/>

¹⁰ <https://www.gov.scot/publications/2020-21-autumn-budget-revision/>

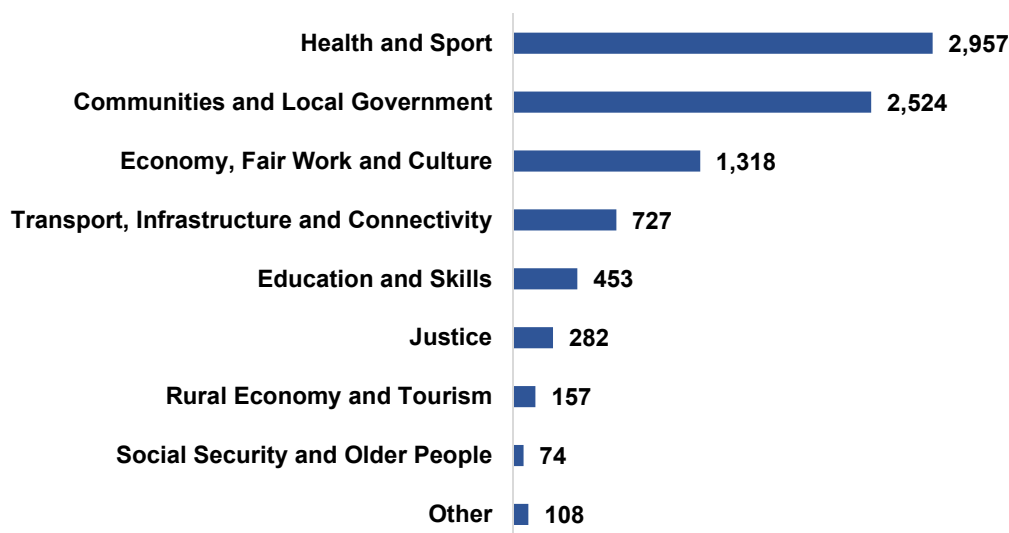
¹¹ <https://www.gov.scot/publications/2020-21-spring-budget-revision/>

- The Spring Budget Revision allocated a further £3.2bn to Covid-19 related measures.
- Allocations included: £780m to business support; a further £494 to Health and Sport; £270m of transport support; and, £330m towards Education and Skills.
- These allocations were funded through £2.6bn of Covid-19 Barnett consequentials, and £745m of reprioritisation of existing expenditure.

The SG received a further £1.1bn of Covid-19 Barnett consequentials in February 2021. It was carried forward to be spent in the 2021-22 financial year.

Figure 1 below sets out how the SG Covid-19 Barnett consequentials were allocated to each of its departments. It shows the main priority areas for Covid-19 funding in 2020-21 have been health funding and support for businesses. Significant elements of the support for businesses have been delivered *via* local authorities: they are shown as an increase to the Communities and Local Government portfolio. Other aspects of business support were delivered *via* agencies such as Scottish Enterprise, and fall within the Economy, Fair Work and Culture portfolio:

Figure 1: SG 2020-21 Covid-19 Barnett Consequentials Allocations by Portfolio, £m



Source: SG Spring Budget Revision 2020-21

2.3 SG: Covid-19 spending and funding in 2021-22 to date

The SG published details of its proposed spending plans, including the allocation of any Covid-19 allocations for 2021-22 in the “Scottish Budget 2021-22” published in January 2021.¹² Its “Autumn Budget Revision” was published on 27 September

¹² <https://www.gov.scot/publications/scottish-budget-2021-22/>

2021¹³, followed by its “Spring Budget Revision”, published on 3 February 2022.¹⁴ Each is set out in sub-sections 2.3.1 – 2.3.3 below.

2.3.1 Scottish Budget 2021-22

- The Scottish Budget 2021-22 includes the allocation of £1.7bn of Covid-19 funding.
- Allocations included: £869m to the Health and Sport portfolio; £309m to the Communities and Local Government portfolio; and, £230m to the Transport, Infrastructure and Connectivity portfolio.

2.3.2 Autumn Budget Revision 2021-22

- The Autumn Budget Revision included the allocation of a further over £1.1bn in funding for the Covid-19 response.
- Allocations included: £834m to health and social care; £104m to support bus, rail and local transport operators; and, £71m to support businesses and the arts.

2.3.3 Spring Budget Revision 2021-22

- The Spring Budget Revision allocated a further £1.4bn to Covid-19 in Covid-19 funding.
- Allocations included: an additional £782m to Health and Social Care; £329m to support businesses and tourism; and, £131m for self-isolation support.

2.4 SG: Additional information on Covid-19 spending

2.4.1 SG Year-end underspend 2020-21

The “SG Consolidated Accounts for 2020-21” were published in December 2021,¹⁵ which presented the financial results for the year, as well as an explanation of any major variances between actual and budgeted spend. The SG reported a total underspend of £580m, which equates to 1.1% of the total annual budget. The £580m underspend comprised £373m of resource funding, and £207m of capital funding. The largest variances related to underspends in the Transport, Infrastructure and Connectivity portfolio (£321m) and the Health and Sport portfolio (£292m).

The SG reported that the variances for the former included lower than budgeted demand for Covid-19-related grants for concessionary travel, lower than expected demand for energy efficient schemes and lower than anticipated depreciated costs. The underspends in the Health and Sport portfolio was attributed to the timing of

¹³ <https://www.gov.scot/publications/2021-22-autumn-budget-revision-budget-scotland-act/>

¹⁴ <https://www.gov.scot/publications/spring-budget-revision-2021-22-supporting-document/pages/2/>

¹⁵ <https://www.gov.scot/binaries/content/documents/govscot/publications/corporate-report/2021/12/scottish-government-consolidated-accounts-year-ended-31-march-2021/documents/scottish-government-consolidated-accounts-year-ended-31-march-2021/scottish-government-consolidated-accounts-year-ended-31-march-2021/govscot%3Adocument/scottish-government-consolidated-accounts-year-ended-31-march-2021.pdf>

Barnett consequentials received around the end of the financial year, which have been carried forward to be utilised in 2021-22.

It should be noted that Covid-19 funding is not treated separately within the SG Consolidated Accounts. Consequently, these underspends do not solely relate to Covid-19 funding.

2.4.2 SG Total Covid-19 spend 2020-21

Audit Scotland has produced a series of reports considering the impact of Covid-19 on Scotland's public finances. The latest, from September 2021, highlights Audit Scotland's tracking of the Covid-19 public spending announcements and includes an estimated breakdown of actual spend on Covid-19 in 2020-21 as £8.8bn.¹⁶ However, the Committee should note that its latest report stated:¹⁷

...the tracking of spend is more straightforward across health and social care and the larger support schemes; outside of these, judgements have been made about how Covid-19 disruption to spending on services has been recorded.

However, it further noted:¹⁸

As Scotland moves into the recovery phase, it will likely become increasingly hard to define what is, and what isn't, Covid-19 spending.

The issue of data quality also was highlighted in Audit Scotland's publication "Scotland's Economy: Supporting businesses through the Covid-19 pandemic" (March 2022), which stated:¹⁹

There was not enough focus on the need for good quality data, below an aggregate level, on the use of the funds when they were initially paid to businesses.

Moreover, that publication stated:²⁰

The quality and completeness of the data held by the Scottish Government varies, preventing detailed analysis of how funding has been distributed, or the pace at which applicants received funding. It will be important for the Scottish Government to fully understand how funding was used to support specific economic sectors, geographies and groups, for future policy development and delivery.

2.4.3 SG Covid-19 Business support funding

¹⁶ https://www.audit-scotland.gov.uk/uploads/docs/report/2021/briefing_210915_public_audit.pdf

¹⁷ https://www.audit-scotland.gov.uk/uploads/docs/report/2021/briefing_210915_public_audit.pdf

¹⁸ https://www.audit-scotland.gov.uk/uploads/docs/report/2021/briefing_210915_public_audit.pdf

¹⁹ https://www.audit-scotland.gov.uk/uploads/docs/report/2022/briefing_220317_supporting_businesses.pdf

²⁰ https://www.audit-scotland.gov.uk/uploads/docs/report/2022/briefing_220317_supporting_businesses.pdf

The SG established a range of business support funding schemes aimed at helping businesses survive, protecting jobs, and encouraging compliance with public health restrictions. Between March 2020, and October 2021, the SG allocated £4.4bn of grants and non-domestic rate relief.²¹

As reported in the Auditor General's report on the SG's Consolidated Accounts for 2020-21, the SG accepted a higher than normal fraud risk, due to both the speed at which business support schemes were set up and the need to make payments quickly. The report further stated:²²

The Scottish Government estimates fraud and error in these schemes to be no more than one to two per cent of payments, approximately £16 million to £32 million. This is based on information available about the schemes being targeted, the quality and completeness of fraud controls and the evidence of fraud detected. While this estimate is not unreasonable, the Scottish Government needs to regularly assess and improve its estimates of fraud and error in Covid-19 grant schemes and assure themselves that controls to detect and prevent fraud and error are working in practice.

There was discussion on the issue of fraud in the business grant schemes during a recent meeting of the Scottish Parliament's Public Accounts Committee's session on the 2020-21 Consolidated Accounts.^{23 24} On the back of the evidence provided to that Committee, it requested additional information from the SG, but at the time of writing this Paper, such information has not been received by RaiSe, despite its request for same.²⁵

3 WG allocations and expenditure

3.1 WG: Covid-19 strategic response

The WG published a number of strategic documents over the course of the pandemic, including: "Coronavirus Control Plan for Wales" (August 2020,²⁶ December 2020,²⁷ February 2021)²⁸; and, "Together for a safer future: Wales' long-term Covid-19 transition from pandemic to endemic" (March 2022).²⁹ The WG published its "Covid-19

²¹ https://www.audit-scotland.gov.uk/uploads/docs/report/2022/briefing_220317_supporting_businesses.pdf

²² <https://www.audit-scotland.gov.uk/publications/the-202021-audit-of-the-scottish-government-consolidated-accounts>

²³ <https://www.parliament.scot/chamber-and-committees/official-report/what-was-said-in-parliament/PA-20-01-2022?meeting=13537>

²⁴ <https://www.parliament.scot/chamber-and-committees/official-report/what-was-said-in-parliament/PA-24-02-2022?meeting=13605>

²⁵ RaiSe request via email to Scottish Parliament Information Centre, dated 11 March 2022.

²⁶ <https://gov.wales/sites/default/files/publications/2020-08/coronavirus-control-plan-for-wales.pdf>

²⁷ <https://gov.wales/sites/default/files/publications/2021-02/coronavirus-control-plan-alert-levels-in-wales.pdf>

²⁸ <https://gov.wales/sites/default/files/publications/2021-02/coronavirus-control-plan-alert-levels-in-wales-coming-out-of-lockdown.pdf>

²⁹ <https://gov.wales/sites/default/files/publications/2022-03/wales-long-term-covid-19-transition-from-pandemic-to-endemic.pdf>

reconstruction: challenges and priorities” in October 2020,³⁰ which outlined its plan for reconstructing the economy following the pandemic. The plan focused on eight key priorities for reconstruction, including reducing unemployment, ensuring young people are not disadvantaged educationally or economically, investment in town centres and the construction of more affordable housing, amongst others.

In its legacy report, the Finance Committee of the fifth Senedd stated:³¹

The Committee considers that the recovery from COVID-19 will be the priority for the next Welsh Government.

Discussions between the Welsh Finance Minister and the Senedd’s Finance Committee focussed on how prioritisation of funding had changed during the pandemic. That discussion was captured in the Finance Committee’s report on the 2021-22 Draft Budget. The Report stated:³²

The Minister described to the Committee how budgetary decision making had changed during the pandemic, through to the Draft Budget prioritisation and deciding allocations. Ministers have been meeting frequently during the pandemic to discuss addressing key issues as they arose, the work led by the Counsel General and Minister for European Transition, Jeremy Miles MS on reconstruction and recovery; and other analyses. Over that period the Minister had at least two bilateral meetings with each Minister and also Cabinet discussions on priorities. So while the Welsh Government only had four weeks to put together the Draft Budget after the UK Spending Review, the Minister felt that by undertaking this cross-sectoral work she was able to put together a budget that reflected the concerns raised.

The Report further stated:³³

The Minister stated that one of the main differences compared to previous years was a more centralised approach to budgeting, with the Minister making “individual specific allocations to particular schemes and projects and priorities” rather than general uplifts to departments.

3.2 WG: Covid-19 spending and funding in 2020-21

The WG’s Final Budget 2020-21 was published in February 2020; and therefore did not include any Covid-19 funding. It normally publishes two Supplementary Budgets in each financial year. However, in 2020-21, an extra Supplementary Budget was published, which included significant additional allocations, as part of its response to the Covid-19 pandemic. The three Supplementary Budgets published were: “First

³⁰ <https://gov.wales/coronavirus-reconstruction-challenges-and-priorities-html>

³¹ <https://business.senedd.wales/documents/s114470/Finance%20Committee%20Fifth%20Senedd%20Legacy%20Report.pdf>

³² <https://senedd.wales/media/k5rha2zp/cr-ld14093-e.pdf#page=21>

³³ <https://senedd.wales/media/k5rha2zp/cr-ld14093-e.pdf#page=21>

Supplementary Budget 2020-21”,³⁴ published on 27 May 2020; “Second Supplementary Budget 2020-21”,³⁵ published on 20 October 2020; and, “Third Supplementary Budget 2020-21”,³⁶ published on 16 February 2020. Each is discussed below at sub-sections 3.2.1 – 3.2.3.

3.2.1 First Supplementary Budget 2020-21

— The first supplementary budget allocated £2.46 bn to the Welsh Covid-19 response centred around four main pillars:

- Health and Public Services - £763m
- Supporting the Economy - £1,608m
- Voluntary Sector and Communities - £50m
- Transport - £40m

— The funding was drawn from the following sources: £1.86bn in Covid-19 Barnett consequentials; £256m of funding identified within existing allocations and returned to the central reserve for redeployment; £245m of repurposed European funding; and, £108m of funding repurposed within existing departmental budgets toward the Covid-19 response.

3.2.2 Second Supplementary Budget 2020-21

— The second supplementary budget allocated £1.5 bn to the Welsh Covid-19 response.

— The Welsh Government’s Budget comprised seven ministerial portfolios: Health and Social Services; Housing and Local Government; Economy and Transport; Education; International Relations and the Welsh Language; Environment, Energy and Rural Affairs; and, Central Services and Administration.

— Allocations included: £900m allocation to Health and Social Services; £339 allocation to Housing and Local Government; £139m allocation to Economy and Transport; £70m allocation to Education; £60m allocation to International Relations and the Welsh Language; and, £5m allocation to Central Services and Administration.

3.2.3 Third Supplementary Budget 2020-21

— The third supplementary budget allocated £1.1 bn to the Welsh Covid-19 response centred around four main pillars:

³⁴ <https://webarchive.nationalarchives.gov.uk/ukgwa/20210403141119/https://gov.wales/1st-supplementary-budget-2020-2021>

³⁵ <https://webarchive.nationalarchives.gov.uk/ukgwa/20210406145922/https://gov.wales/2nd-supplementary-budget-2020-2021>

³⁶ <https://webarchive.nationalarchives.gov.uk/ukgwa/20210404064736/https://gov.wales/3rd-supplementary-budget-2020-2021>

- Health and Public Services - £318m
- Supporting the Economy - £794m
- Voluntary Sector and Communities - £15m
- Transport - £117m

— In addition, the third supplementary budget included an allocation of £270m to assist with reconstruction efforts, provided to the Development Bank of Wales, to help Welsh businesses access finance to “focus on their long term success”.

3.3 WG: Additional information on Covid-19 spending

At the time of writing, the WG Consolidate Accounts 2020-21 have not been published, so it was not possible to ascertain year-end under or overspends.

The Senedd Public Accounts and Public Administration Committee is currently receiving evidence on its inquiry into Covid-19 and its impact on matters relating the Public Accounts and Public Administration Committee’s remit.³⁷ The inquiry is considering the impact of Covid-19, and the WG’s response, examining the following areas:

- The economic impact of Covid-19 in Wales;
- Covid-19 impacts for the WG’s Education and Public Service Group;
- The WG’s response to Covid-19;
- Impact on Health, Education and Local Government in Wales; and,
- Impact on the Senedd Commission.

During its meeting on 9 February 2022, the Senedd’s Public Accounts Committee agreed to seek further updates on Covid-19 recovery from the WG in Autumn 2022. A watching brief should be kept for any developments in that regard.

4 Concluding Remarks

Key concluding remarks are provided below, to highlight high-level observations from the findings discussed earlier in this Paper:

- The SG and WG have been spending unprecedented sums to mitigate the harms of the Covid-19 pandemic. In addition, the SG has received an additional £13.6bn of Covid-19 funding from the UKG as Barnett consequentials in 2020-21 and 2021-22; while the WG has received an additional £8.2bn for that period.

³⁷ <https://business.senedd.wales/mgIssueHistoryHome.aspx?IId=37790&Opt=0>

- £2.1bn of the Barnett consequentials received in 2020-21 were allocated very late in the financial year; and therefore were carried forward to 2021-22. Those consequentials were: SG - £1.2bn; WG - £660 million (m); and, NIE - £330m.
- Covid-19 funding has been treated separately by both the SG and the WG.
- In each jurisdiction, Covid-19 spending has been funded in-part by these additional Barnett consequentials and by reallocating some existing budgets. In this regard, Audit Scotland highlighted a concern that underspends in other expenditure areas are not tracked accurately by the SG, and therefore the total Covid-19 spend is largely unknown at present.
- In order to improve transparency and allow for committee scrutiny of Covid funding in Scotland and in Wales, both the SG and WG have published additional supplementary budgets in 2020-21.
- Transparency of Covid funding and spending is essential, albeit challenging in a fast-moving and unpredictable environment. The SG has attempted to collate and analyse overall Covid-19 spending in 2020-21, but cited issues with gaps in the data. Moreover, the Welsh Parliament's Public Accounts and Public Administration Committee has launched an inquiry into Covid-19 and its impact on matters relating to the Committee's remit. It currently is at the stage of receiving evidence. It will be interesting to read the Committee's report when the inquiry concludes.
- Both the SG and the WG's strategic approach during the pandemic fell into two phases – i.e. responding to the Covid-19 pandemic, followed by recovering from the pandemic. In this context, the SG noted that as Scotland moves into the recovery phase, it will likely become increasingly difficult to define what is, and what is not, Covid-19 spending.