REVIEW INTO THE DEVELOPMENT AND USE OF SUPPLY CHAIN FINANCE (AND ASSOCIATED SCHEMES) IN GOVERNMENT

PART 1:
REPORT OF THE FACTS

21 JULY 2021
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INTRODUCTION

The Prime Minister has asked me to conduct a Review into the development and use of supply chain finance (and associated schemes) related to Greensill Capital in government. In accordance with the Terms of Reference, Part 1 of this report sets out a factual summary of my findings. In accordance with the Terms of Reference, this includes an assessment of how far the relevant systems and policies were upheld at the time decisions were made. Part 2 of the Report containing recommendations on possible improvements to the processes and regulations relevant to the events in this Report will be submitted shortly.

In producing this report, I have interviewed a number of individuals, whose names are set out in an appendix to this report, and reviewed a large amount of relevant documentation. I should also note that, sadly, Lord Heywood who had a central role in relation to the recruitment of Mr Greensill into government is deceased. Readers of this report should therefore bear in mind that it does not include the benefit of his testimony or his personal explanation of events.

The timescales of this Review did not allow for a forensic interrogation of every detail of the issues. Furthermore, some of the events in question date back a decade and, as such, some parts of the written record are incomplete and individual recall can be unreliable. My report establishes the facts as far as possible, based on evidence presented to me, including by those directly involved in the events.

The Review does not examine Greensill Capital itself, or any of its activities beyond those listed above. In particular, Greensill Capital’s financial conduct will be a matter for others, including the insolvency practitioner appointed to conclude its affairs and the Financial Reporting Council. As a consequence, whilst I have made enquiries about lobbying in relation to the British Business Bank’s extension of the Coronavirus Large Business Interruption Scheme (CLBILS) to Greensill, I have not examined any other aspect of this arrangement, including the relationship between Greensill Capital and the Department for Business, Energy and Industrial Strategy (BEIS) about CLBILS, on which the National Audit Office (NAO) have recently published a report.

I have noted the announcement on 14th May 2021 by the Serious Fraud Office that it is “investigating fraud, fraudulent trading and money laundering in relation to the financing and conduct of the business of companies within the Gupta Family Group Alliance (GFG) including its financing arrangements with Greensill Capital UK Ltd.” I also note the confirmation on 20th April 2021 by the British Business Bank in its letter to Ms Anneliese Dodds MP that it “had opened an investigation into Greensill Capital’s compliance with the terms of the [CLBILS] scheme.” I note too that on 3rd March 2021 the German Federal Financial Supervisory Authority, BaFin, announced a ban for Greensill Bank AG on disposals and payments and ordered that the bank be closed for business. BaFin further explained that “during a special audit, BaFin found that Greensill Bank AG was unable to provide evidence of receivables in its balance sheet that it had purchased from GFG Alliance Group.”

The Review does not look at government engagement (or ‘lobbying’) by individuals on behalf of any company other than Greensill Capital and its affiliated company, ‘Earnd’.
I have not scrutinised the conduct of any individuals, either Greensill employees or government officials, other than in relation to the above areas and in the spirit of identifying changes or improvements to future practice. I have no remit for disciplinary matters, and any appropriate human resources procedures continue to apply outside the process of this review. I do not make any judgment on the actions of ministers whilst in office which, under the Ministerial Code, is a prerogative reserved to the Prime Minister.

Finally, I would also like to take this opportunity to thank my team who did so much of the work to produce this report: they have been exceptionally diligent and committed. It would have been impossible to cover so much ground without their efforts which went above and beyond the call of duty. Thank you.

Nigel Boardman
21.vii.2021
EXECUTIVE SUMMARY

In accordance with the Terms of Reference, this Review is structured as follows:

- Section 1: Mr Greensill’s engagement, activities and terms of engagement with government;

- Section 2: The development and use of supply chain finance (and associated schemes) in government (and its Arm's Length Bodies), including, where relevant, contracting arrangements for these schemes, with a particular focus on where Greensill Capital (including associated companies or companies in its group) has been involved;

- Section 3: The relationship between current and former ministers and officials and Greensill Capital (including associated companies or companies in its group), including processes for consideration and management of conflicts of interest on joining, during and following Crown Service; and

- Section 4: Engagement with government by those acting for and on behalf of Greensill Capital (including associated companies or companies in its group).

In my view, these four areas clearly correlate with four wider questions, which are:

- the suitability and desirability of private sector personnel within government and how to manage their appointments, including any appropriate conditions on their engagement;

- the suitability of supply chain finance and associated schemes for central government and its Arm's Length Bodies;

- what (if any) are the most appropriate conditions to place on public servants once they leave government service; and

- whether the current rules relating to the 'lobbying' of government are adequate and, if not, how they should be strengthened.

I have set out below a summary of the evidence I have reviewed and also my observations relating to the key individuals involved.
**Section 1: Mr Greensill’s engagement, activities and terms of engagement with government**

It is clear from the evidence that I have reviewed that Mr Greensill had a privileged – and sometimes extraordinarily privileged - relationship with government.

In his capacity as a banker pitching to provide financial services to government, Mr Greensill worked with his colleagues first at Morgan Stanley then at Citibank. In 2008, whilst Mr Greensill was at Morgan Stanley and when Lord Heywood had recently left that bank, Lord Heywood apparently introduced Mr Greensill to HM Treasury. Mr Greensill then intimated in 2011 to Lord Heywood that he was planning to leave Citibank, and was interested in working with government part time and in an unpaid capacity - a move which Lord Heywood supported. Mr Greensill and Lord Heywood both worked at Morgan Stanley and it is clear that Lord Heywood respected Mr Greensill’s capabilities. It is also evident from Lord Heywood’s decision to place Mr Greensill in the Economic and Domestic Secretariat in due course and to propose him for a CBE, that he had a high regard for Mr Greensill’s integrity. Mr Greensill has indicated that the initiative came from Lord Heywood to do something to give back to the country. Mr Greensill has explained that this occurred in bilateral discussions of which there is no extrinsic evidence and it is, of course, not possible to ask Lord Heywood to comment on this statement.

Following a period of informal work with government, Mr Greensill was appointed as an Adviser on supply chain finance for a three month period, unpaid, from 1 January to 31 March 2012. Mr Greensill was placed in the Efficiency and Reform Group of the Cabinet Office headed by Katharine Davidson who reported to Lord Maude and to Ian Watmore, who had been appointed Permanent Secretary at the start of 2012. I am advised that the appointment most closely approximates a direct ministerial appointment. There is some evidence, albeit not conclusive, that this three month appointment was formally approved by Lord Maude. However, it is also noteworthy that in July 2012 Mr Greensill commented in an email “I have never met Francis Maude or his SpAds.” Whilst there is some evidence that this is incorrect and that they had met briefly, it is indicative of the lack of a relationship between Lord Maude and Mr Greensill. A covering memo to the Prime Minister in 2012, copied to Lord Heywood, points to Lord Heywood as the person primarily responsible for Mr Greensill being given a role in government. The note explains “The proposal, and note, is from Lex Greensill, a former Managing Director of Citibank and before that Morgan Stanley. Jeremy has brought him in to work a pro bono in the Cabinet Office…" 

Assuming ministerial approval was given, Mr Greensill’s appointment for this first three months was properly made. But as set out in my previous report for the government, this area of public appointments is opaque and ill-defined. The process should be more clearly delineated, and requires greater transparency to maintain public confidence.

For this first three month period of formal engagement, Mr Greensill had a clear letter of appointment, was given no official IT or building access, and had not at this point established his company, Greensill Capital, in the United Kingdom. Potential conflicts of interest should have been considered more fully in the process, in particular in reference to his pre-appointment activities and consequent proximity to Citibank. Mr Greensill was permitted
to start work before receiving the appropriate security clearance. Documentary evidence of the reasons for this cannot be found.

Mr Greensill’s reappointment into the Economic and Domestic Secretariat (EDS) after the first three month period raises significantly more questions. Mr Greensill explained in an email on 11th September 2012 “Ultimately, Jeremy Heywood asked me to join his team directly, and he placed me in the Economic and Domestic Secretariat”. There is a mention in the evidence of referring the appointment to an “Approvals Board”: Lord Heywood responded to this suggestion saying “Sure - though it is bureaucracy gone mad!”. I have been unable to find the minutes of the Approvals Board which could have determined whether ministerial approval was sought or obtained for his reappointment. During this period, Mr Greensill was provided with two sets of official IT and security access for the Cabinet Office and, with Lord Heywood’s support, Number 10 Downing Street, initially, although there is no evidence that Lord Heywood was aware of this, in advance of the completion of the usual security vetting process. Furthermore, his letter of appointment into EDS (unlike the letter of appointment into the Efficiency and Reform Group) contained a provision which Mr Greensill had drafted which created ambiguity about the potential for conflicts of interest. This could have placed those involved in his reappointment on notice of that conflict.

During this period, Mr Greensill was not only given access through Lord Heywood’s introductions to several departments in Whitehall, but he was also able to leverage his position, using the facilities of Number 10, to hold meetings with major companies. During his time in government he cleared conflicts through Lord Heywood for Greensill Capital to take two of these as customers of his business - Vodafone and Carillion (although he said in interview that Greensill Capital did not eventually contract with Carillion).

That this level of access and the status he derived from it was important to Mr Greensill is understandable given that he was trying to build a supply chain finance business using a relatively new, non-bank model, against competition from major internationally recognised banks where his credibility was important to his success. That he understood and leveraged this is demonstrated by his complaint when he was removed from the list of Crown Representatives on the government website and by his use of the soi disant title of ’Adviser to the Prime Minister’ on the Greensill website.

Mr Greensill’s role in government had the consequence of providing him with a marketing platform for Greensill Capital’s business with the private sector. This enabled Mr Greensill to promote a product which did not, in fact, provide material benefits to government (except possibly in relation to the pharmacy supply chain finance programme, although even here the benefits are disputed), although it could have been of benefit to his incipient business and was of immediate benefit to his former employer, Citibank.

As Lord Heywood is deceased it is not possible to ask him when he was aware that Mr Greensill was building a UK based supply chain finance business. Paul Kirby, former head of the No10 Policy Unit, stated in interview that he raised this issue of a conflict with Lord Heywood in 2012, but it is important in giving weight to this remark to bear in mind that we cannot know if Lord Heywood would have a similar recollection of the conversation. However, at the latest, at the time that Mr Greensill cleared the Vodafone conflict through Lord Heywood in 2015 it should have been apparent to Lord Heywood and others involved
that Mr Greensill was building a supply chain business in the UK and should have considered the issue of conflicts of interest. It is unclear why Mr Greensill was permitted to remain an adviser to government on supply chain finance under these circumstances.

For the most part the use of direct appointments by ministers appears rightly to be limited to situations where a discrete project is proposed, and there is a clear need to appoint specialist expertise, often at pace. This was clearly not the case with Mr Greensill, but there was very little guidance in place at the time for how this process should work. I also note that pre appointment conflict management, if it had been in force at the time, would have been relevant to Lord Heywood’s apparent introduction of Mr Greensill to HMT whilst Mr Greensill was at Lord Heywood’s former employer, Morgan Stanley, in 2008, and to Mr Greensill and his relationship with Citibank.
Section 2: the development and use of supply chain finance and associated schemes in government and its Arm's Length Bodies

Supply chain finance includes a wide category of financial tools, but my report focuses only on two types within government and its Arm's Length Bodies:

1. the payment to a supplier at a discount of its invoice by a third party financier before the contract due date, where the invoice has been accepted as valid by the buyer; and

2. purchase order or pre-purchase order finance where the buyer undertakes to make purchases from a supplier and a financier pays the supplier on the strength of that undertaking.

Mr Greensill sought to develop both forms of supply chain finance in government with a number of different departments. He also sought to use government's influence to promote the use of supply chain finance in the private sector.

Based on the evidence I have seen, I share the view, expressed to me by Her Majesty's Treasury (HMT), that they are institutionally sceptical of the role of supply chain finance in central government given the government's low cost of capital. The arguments why it might have a role in central government advanced by Mr Greensill to me in interview and to the Treasury Select Committee in May 2021 are not valid. I note that Mr Crothers told the Public Administration and Constitutional Affairs Committee in June 2021 that Mr Greensill appears to have understood that it was not an appropriate tool of central government when Mr Crothers said “As has been said earlier in your previous sessions, supply chain finance is generally not appropriate for the public sector. I had had that conversation with Lex. That was my view that I wrote to the Minister for the Cabinet Office. Lex’s view was that he agreed that the government should just pay their suppliers on time, and suppliers within the large suppliers should be paid on time as well. I was not being recruited with a view to try to sell to the public sector.”1 This is not to deny that supply chain finance is a widely and successfully used method of funding in the private sector and was, for example, recommended by the Breedon report. My remarks are limited to its use in central government and its Arm's Length Bodies.

Although the first recorded reference to supply chain finance and the promotion of its use in government dates back to May 2008, the momentum and focus on the potential use of supply chain finance increased considerably during 2012 and in the lead up to the round table with government’s major private sector suppliers chaired by the then Prime Minister, David Cameron, on 23 October 2012. The briefing for Mr Cameron to agree to the event was largely written by Mr Greensill himself, and was not balanced. Concerns were raised by officials working with suppliers and those responsible for delivering the efficiency agenda that they had not had an opportunity to comment before it was sent to the Prime Minister. It was also not shared with HMT. The memorandum for the Prime Minister listed its authors as including Lord Heywood, Oliver Letwin and Mr Greensill although, as is made clear in the covering memo, it was mainly produced by Mr Greensill. I can understand the Prime

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1 Public Administration and Constitutional Affairs Committee, Propriety of governance in light of Greensill, oral evidence transcripts 8 June 2021, Q95, P40, online https://committees.parliament.uk/oralevidence
Minister, on the basis of the submission he received and the people he received it from, agreeing to attend the round table and attach no criticism of him for doing so.

In conjunction with the roundtable event there was an announcement of a supply chain finance facility for pharmacies to be provided by Citibank, Mr Greensill’s former employer and a contracted party under a framework agreement for money transmission services. This contract was not tendered. When it was tendered in 2018 the discount proposed by Citibank would have fallen from LIBOR plus 50 bps to LIBOR plus 23 bps.

There were a number of other proposals by Mr Greensill to the Ministry of Defence (MoD) and the Department for Work and Pensions (DWP) in 2012 related to supply chain finance and a subsequent proposal from Greensill Capital to the Ministry of Justice (MoJ) in July 2020 related to ESAS or employer salary advance schemes. There were also approaches to NHS SBS (a joint venture between the NHS and the private sector in which the NHS has a minority share) and certain NHS Trusts in relation to employer salary advance schemes, and a broader proposal for a supply chain financing arrangement in respect of a range of procurements. In each case these proposals were reviewed and rejected after the necessary commercial due diligence and legal advice. The schemes did not proceed except for some employer salary advance schemes in the NHS.

I note that the contract between Taulia (Greensill Capital’s partner in the pharmacy supply chain finance scheme and the party actually contracted with the government) and NHS Business Services Authority (NHS BSA) for the delivery of the Pharmacy Earlier Payment Scheme (PEPS) referred to above ended on 30 June 2021. The Department for Health and Social Care (DHSC) have confirmed no new pharmacies will be added to PEPS, that they are considering next steps and will announce the outcome of their considerations in due course.
Section 3: The relationship between current and former ministers and officials and Greensill Capital

This section considers the roles of five other individuals with links to Greensill Capital, who also held positions in government or expressed an interest in doing so. These are:

- Bill Crothers, who performed a number of commercial roles, but who - notably - was Head of the government’s commercial function while also working for Greensill Capital;
- Sean Hanafin, who was appointed as a ‘Supply Chain Finance Adviser’ from October 2012 until 1 April 2014 (though his title was updated during this period) on similar terms to Mr Greensill and subsequently was employed by Greensill Capital in 2019;
- David Brierwood, who served as a Crown Representative between October 2014 - May 2018, and who joined Greensill Capital as a Non-Executive Director in 2015;
- Lord Hogan-Howe, who continues to serve as a Non-Executive Director to the Cabinet Office, and who joined Earnr as an adviser in June 2020; and
- Maurice Thompson, an ex-Citibank employee and Chair of Greensill Capital, who was put forward for a Non-Executive Director role in government by Bill Crothers and Sir John Manzoni.

Of these, and recognising again that I have not had the opportunity to conduct a detailed forensic review, only events relating to Mr Crothers and the method of appointment of Mr Hanafin (which is not a criticism of Mr Hanafin but of the processes within government) raise any particular concerns.

Two areas of policy are of particular contextual importance for the examination of events in this section. The first is the longstanding aspiration of successive governments to attract people from a wider range of professional backgrounds to the Civil Service. This ambition, and suggestions for its delivery, have been reflected in ‘The Civil Service reform plan’\(^2\) (2012), Catherine Baxendale’s report into attracting and retaining talent recruited into the Senior Civil Service\(^3\) (2014), the ‘Civil Service Workforce Plan’\(^4\) (2016 - 2020) and, more recently, the Declaration on Government Reform (2021).

The second area of policy key to understanding the events in this section are the Business Appointments Rules (BAR) and the Advisory Committee on Business Appointments (ACoBA), which respectively set out and administer the employment restrictions on those leaving government office.

During the course of this Review, I have seen evidence that Bill Crothers was allowed to work part time for government as head of the commercial function, while also advising Greensill Capital. However, it would be unfair to criticise Mr Crothers for this dual employment from September until November 2015 as he was exiting the Civil Service, given that he discussed his possible routes for his exit with Sue Gray, the Director General for

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Propriety and Ethics, and understood he had received the approval to this arrangement from Lord Heywood and Sir John Manzoni, being respectively the Head of the Civil Service and the Chief Executive of the Civil Service. Mr Crothers would already have had access to all the information and contacts from his position and therefore the damage to government confidential information from permitting these overlapping roles will have been negligible, especially as Mr Crothers then did not start to pitch for government business for a further two years. Sir John Manzoni also explained that he no longer considered Mr Crothers to have the skill set appropriate to develop the role in the manner Sir John wanted, but that there was a particular piece of work he wished Mr Crothers to complete before his departure. This was therefore a pragmatic solution to a particular issue. In the case of government there is a further dimension to be considered and that is in keeping the public’s trust. Consideration of the public perception of this dual position by the decision makers may have resulted in a different decision.

Following Mr Crothers' departure from government he switched from being an Adviser to Greensill Capital to being a Director of the company, although Mr Crothers told me that this did not change his remuneration or time commitment. There is a question as to whether he ought to have made an application to ACoBA at this point. As he sets out in his correspondence with ACoBA, Mr Crothers originally took on the advisory role in 2015 and was told that ACoBA clearance would not be required because he had not left the Civil Service. Instead this should be cleared as secondary employment with advice from HR. Mr Crothers considered that his original discussions were sufficient to cover any subsequent changes in the role, saying “the approval was to be a Board adviser, attending board meetings, with the role developing, discussed as becoming a Director”. Paragraph 6 of the Business Appointment Rules states “Before accepting any new appointment or employment...individuals must consider whether an application under the Rules is required.” Paragraph 8 then states that “An application is required for any new appointment or employment that individuals wish to take up during the two year period after leaving office." Taking up a directorship is taking up a new appointment and therefore is caught by the rules. I do not therefore accept Mr Crothers’ view that the appointment was covered by a prior approval, although I can accept that he did believe that he had appropriate approval and that the breach was not intentional.

It is regrettable that Mr Crothers later misstated the position regarding formal ACoBA clearance for this role when, as part of his communication with Ministry of Justice (MoJ) officials in the course of his lobbying for Greensill Capital, he wrote that “I have been a main Board Director of Greensill since early 2016 (I left the Cabinet Office in late 2015). All was of course formally cleared and approved by ACoBA”. This was part of a pattern of behaviour as a salesman of Greensill Capital’s financial products to government, which leveraged his former role. Mr Crothers must also take some responsibility for agreeing to make Mr Greensill a Crown Representative for supply chain finance when he was trying to build a supply chain finance business in the United Kingdom, when there was a clear conflict of interest.

The circumstances of Mr Hanafin’s appointment were similar to that of Mr Greensill’s reappointment after the first three months - there was little proper process. I have found no document evidencing the appointment had ministerial approval, and his conflict of interest provision contained the same inappropriate ‘carve out.’ Importantly, however, Mr Hanafin has
confirmed that he did not become involved in supply chain finance or hold a remunerated position in any Greensill Companies until 2019. I have seen no evidence that Mr Hanafin sought to benefit from his government position.

Between October 2014 and May 2018, David Brierwood served as a Crown Representative, providing independent advice to government in relation to its relationships with three suppliers: Virgin, Deloitte and PA consulting. Prior to this appointment, Mr Brierwood had worked alongside Mr Greensill, and had invested in Greensill Australia. In December 2014, he also became a Non-Executive Director at Greensill Capital. It is not, in my view, unusual or improper for Crown Representatives to have additional business interests, and I have seen no evidence to suggest that any of Mr Brierwood’s interests influenced his judgement in performing his Crown Representative role - in particular given the lack of overlap between his external interests and the portfolio of relationships on which he provided advice to government.

Lord Hogan-Howe’s appointment as an adviser to Earnd was the result of discussions which began before the company was acquired by Greensill Capital in 2018. These discussions took place not with Mr Greensill, but with the company’s previous CEO, Reuben Saxon. In June 2020, Lord Hogan-Howe joined Earnd as an adviser, where - in addition to providing advice - he performed an ambassadorial role, including making the police force aware of the product, which was on offer to them at this time free of charge. I do not believe that this represented a conflict of interest with Lord Hogan-Howe’s role as a Non-Executive Board Member at the Cabinet Office, which he started on 12 May 2020 - a position which would have afforded him no authority over the adoption of Earnd within individual NHS trusts or the police.

Maurice Thompson joined Greensill Capital as Chair and Non-Executive Director in September 2014 after several years as a senior employee at Citibank. There is evidence that Mr Thompson was interested in being appointed a Non-Executive Director in a Government Department was communicated second-hand in the evidence I have reviewed, this did not materialise. His engagement with government never therefore went beyond attempts at marketing his bank’s products. He does not appear to have had any influence on policy or commercial decisions.
**Section 4: Engagement with government by those acting for and on behalf of Greensill Capital**

Engagement between government and a wide range of interested parties, which many refer to as 'lobbying', is vital to the proper functioning of democracy. It can provide decision-makers with insights and data, and enables governments to understand the impact of public policy on those it may affect. It is fundamental that legislators and the executive listen to the voters. As the OECD publication in May 2021, “Lobbying in the 21st Century: Transparency, Integrity and Access” says “By sharing expertise, legitimate needs and evidence, interest groups can provide government with valuable insights and data on which to base public policies. This can help policy makers understand options and trade-offs, and can lead, ultimately, to better policies." However, lobbying can also lead to undue influence in policy making, unfair competition and regulatory capture, which can be harmful or contrary to the public interest.

Recent scrutiny of government's processes for managing lobbying, especially in the context of the engagement between government and those acting on behalf of Greensill Capital, has focused on a number of issues with the current system. In particular, it has been argued that the government’s processes for managing lobbying are insufficiently transparent, that external organisations are able to exploit certain loopholes to land their messages more effectively, and that a privileged few have a disproportionate level of access to decision makers in government.

I think some of these observations are justified, particularly in the context of the fact finding work which I have done in relation to Greensill Capital’s engagement with government. The majority of Greensill Capital’s engagement with government seems to have taken place with the Department for Health and Social Care (DHSC) (and its Arm's Length Bodies) and Cabinet Office, though there are notable examples of engagement with other Departments too. At times this engagement took place with the most senior people in government. For instance, government’s departmental transparency publications show that between mid-2017 and late-2019 Sir John Manzoni and Lord Heywood met representatives from Greensill Capital seven times. Through 2020, as has been widely publicised, Greensill Capital’s engagement with government took on a new level of intensity, in particular as it sought accreditation under the Covid Corporate Financing Facility and pushed its early payment and salary advance schemes in DHSC and the Ministry of Justice (MoJ).

Those lobbying government on behalf of Greensill Capital at times used strong methods. For instance, Bill Crothers had to apologise to officials in MoJ for being too forceful in his attempts to sell Greensill Capital's products, and he misstated the events around his departure from the Civil Service. David Cameron, when seeking to influence Her Majesty’s Treasury (HMT)'s decisions about the CCFF, on occasion understated the nature of his relationship with Greensill Capital.

However, it is worth noting that, while there are improvements to be made, the current system and those operating within it worked well. In spite of the efforts of representatives of Greensill Capital to persuade government to buy their products, by the time Greensill Capital was declared insolvent earlier this year it was only providing finance for the pharmacy early payment scheme and offering Earned in some NHS trusts. This low take up of supply chain finance by government attests to the fact that ministers and civil servants made the proper
analysis of the products being offered to them and did not allow their judgment to be influenced under the pressure being applied by Greensill Capital. Similarly, officials and ministers in HMT and officers at the Bank of England appear to have behaved appropriately and made the correct decisions in relation to Greensill Capital’s efforts to be accredited under the CCFF scheme. I am of course aware of the extension of the Coronavirus Large Business Scheme to Greensill by the British Business Bank. This is largely outside my scope and has been addressed by a report of the National Audit Office, although I discuss some issues related to this later.

It is also worth noting that this section focuses on lobbying, rather than the related issues of gifts and hospitality. I am aware of broader calls for reform of the policies relating to gifts and hospitality (for instance, from the OECD and the Group of States Against Corruption). However, having surveyed the government’s transparency publications there was no evidence that I should pursue a line of investigation into any gifts and hospitality offered by Greensill Capital to senior figures in government.
SECTION 1
LEX GREENSILL’S ENGAGEMENT, ACTIVITIES AND TERMS OF ENGAGEMENT WITH GOVERNMENT

This section of the report sets out:

- the regulation, policy and guidance relating to the range of appointments that bring people into government;

- Mr Greensill’s activities and terms of engagement with government, including his initial appointment, his introduction to the Cabinet Office, his appointments as ‘Senior Adviser on Supply Chain Finance’ and as a Crown Representative, and his access to the centre of government;

- the process applied to the management of conflicts in relation to Mr Greensill’s appointment;

- the citation process for the award of Mr Greensill's CBE; and

- Mr Greensill’s departure from government.
Regulation, policy and guidance relating to the range of appointments that bring people into the public sector

There are a number of routes through which an individual may be appointed to a role within or for government. The majority of individuals are engaged as either ‘employees’ (civil servants, including special advisers) or ‘office holders’ (including ministers and some public appointments, which can be statutory or non-statutory, paid or unpaid). Individuals can also end up carrying out work in government when engaged as consultants or contractors (through contracts for services).

Civil servants

Those employed directly by government departments are appointed as civil servants and the recruitment practices are governed by the legislative provisions of Section 10 of the Constitutional Reform and Governance Act 2010. The Act requires appointment to be on merit on the basis of a fair and open competition or by way of selected exception as set out in the Civil Service Commission’s Recruitment Principles.

Appointment to the Civil Service carries specific rights and obligations in a highly regulated structure. For example, civil servants are bound by the Civil Service Code, their terms and conditions are set in accordance with the requirements of the Civil Service Management Code, and their conduct is regulated in terms of their political and business interests, among other things. Senior Civil Servants (SCS) across the Civil Service, whether permanent or fixed term employees, are issued with the SCS Model Contract which is produced by the Cabinet Office.

Special advisers

Special advisers (or ‘SpAds’) are temporary civil servants whose appointments are set out in statute and to whom a particular set of conditions apply. These appointments are made in an exception from the requirement for fair and open competition, as set out in the Constitutional Reform and Governance Act. The Ministerial Code states that:

“With the exception of the Prime Minister, Cabinet Ministers may each appoint up to two special advisers. The Prime Minister may also authorise the appointment of special advisers for Ministers who regularly attend Cabinet. All appointments, including exceptions to this rule, require the prior written approval of the Prime Minister, and no commitments to make such appointments should be entered into, in the absence of such approval. All special advisers will be appointed under terms and conditions set out in the Model Contract for special advisers and the Code of Conduct for Special Advisers.”

The last published account sets out that as at [31 March 2020] there were 102 (101.7 full-time equivalent) special advisers working in government.

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Agency staff and contractors engaged in the Civil Service

Agency staff and various types of worker, contractor or office holder may be engaged in the Civil Service but are not subjected to the same framework of obligations imposed on civil servants or given the same rights.

Generally contractors and consultants are engaged to provide specialist input. They are not public appointees or civil servants. They are often independent, in business on their own account (self-employed) or staff of recruitment agencies. Their engagement is not subject to the merit principle. It follows procurement procedures and law and is usually made in accordance with an approved framework or via a single tender action (subject to the legal requirements).

Office holders in government

A ‘public office’ is a broad term with no generic legal definition. In law, those appointed hold the status of office-holders not employees. Ministers are the main example of this but there are also a broad range of appointments made to public bodies, advisory committees, and expert reviews for government departments and ministers (such as this one). Some of these are statutory appointments, where the power to appoint derives from legislation and where the appointment process may be regulated by the Commissioner for Public Appointments and governed by the Public Appointments Order in Council and Governance Code for Public Appointments. Other, less formal roles do not follow a mandated process but general public law principles apply.

All public appointees must uphold the standards of conduct set out in the Committee on Standards in Public Life’s Seven Principles of Public Life (the ‘Nolan Principles’) and are expected to adhere to the Code of Conduct for board members of public bodies.

Ministerial direct appointments

The other way of appointment to ‘public office’ or a non-statutory role is less commonly understood, although it has been in existence in various forms during successive administrations. Such appointments are not ‘public appointments’, governed by the Order in Council and Governance Code referred to above, and are not within the remit of the Commissioner. Their use is generally for short-term, more ad-hoc roles and has waxed and waned. My previous review makes reference to their use during the response to COVID 19 and the Cabinet Office has articulated a reminder about the general approach to such appointments, including consideration of terms of engagement and conflicts of interest.

- Before deciding that a direct appointment is needed, ministers, on advice from their Permanent Secretary, should be clear about the need for and nature of the role. It is good practice to consult the Cabinet Office as to whether the role can be established.

- It is for the minister to determine whether to make a direct appointment. Cabinet Office practice is that the prior approval of the Prime Minister to appoint a specific individual to a specific role must be sought before any commitment is entered into.

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- This process may be appropriate for short-term advisory roles, such as leading a government review or to advise on, or champion, a specific subject and where some independence is needed but established, resourced and supported by a department.

- Direct ministerial appointments are often unpaid, although reasonable expenses can be paid in line with the department’s expenses policy. In limited circumstances, if the Permanent Secretary/Accounting Officer is content, then reasonable remuneration (in line with current policy on pay levels) may be payable.

- An engagement letter, setting out the role and functions they will fulfil, their accountability whilst carrying out that role, and the expected length of appointment must be provided. The letter should also make clear the importance of ensuring that there is no conflict of interest between the matters on which the appointee will be advising and their private concerns.

- Direct appointees are expected to adhere to the Nolan Standards, and this should be made clear in terms of engagement. Not all of the requirements placed upon appointees to formal roles in public offices or on the boards of public bodies will necessarily apply.

However, this clarity of process was not in place at the time of Mr Greensill’s appointment.

**Crown Representatives**

These are examples of the use of the type of the appointment described above. The Cabinet Office introduced the Crown Representative programme in 2011 as a new approach for how the government engages with its key strategic suppliers. It started monitoring the performance and financial health of strategic suppliers following publication of its risk management policy in 2012. Its aim is to ensure suppliers fulfil their contractual obligations to central government and that public services are maintained.

Crown Representatives act as focal points for particular groups of providers looking to supply to the public sector, helping the government to act as a single customer. The Crown Representatives, and specific officials from the Cabinet Office form the Commercial Relationships Board. It meets every six weeks to discuss the performance of each strategic supplier, and assigns each supplier a risk rating.

Crown Representatives act as independent advisers to government for the improved management of risks and issues in relation to its most strategic suppliers. They are able to take a pan-government view working across and with Departments to leverage a more unified relationship. Their industry experience and independent nature allows them to take a more neutral and balanced viewpoint to support the government in its decision making.

Since the inception of the programme Crown Representatives have been involved in a number of government initiatives, enabling transformative change across various sectors and organisations. These include working with strategic suppliers in support of policy in areas such as modern slavery, prompt payment, net zero, social value and work on the outsourcing playbook. The Crown Representatives provided assistance to a department during independent inspections, worked on a legacy IT programme and the government cloud strategy. Finally they have worked on activity in support of Covid-19 programmes to assess financial risk and to engage the market as part of the ventilator challenge.
In its early stages, the Crown Representatives programme reported into and was overseen by Bill Crothers. In the initial announcement, made on 13 April 2011, Mr Crothers was listed as one of seven Crown Representatives all of whom were internal to government and most of whom were Commercial Directors. Officials I have spoken with reminisced about the challenges the Programme faced in its early days as they sought to pivot to attracting talent from the private sector.

Mr Crothers was responsible for leading the commercial function across government and over the years between 2011 and 2014 he founded and chaired the Crown Commercial Service (CCS). In September 2014 he stepped down from his role as CCS Chairman to continue to focus on the commercial function, taking the job title Government Chief Commercial Officer.

Despite stepping back from the CCS in 2014, Mr Crothers retained responsibility for the Crown Representatives Programme, which was considered to be part of CCS (for example, CCS Annual Reports and Accounts include Crown Representatives in headcount and salary disclosure figures). This created an anomaly where Sally Collier, as Chief Executive of CCS, was technically the Accounting Officer for Crown Representatives but in practice they continued to report to Mr Crothers.

Late in 2015 direct responsibility for the Programme was passed to Coleen Andrews, Head of Markets and Suppliers in the Government Commercial Function. The Crown Representatives continued to be included in headcounts reported in the CCS Annual Reports and Accounts until 2016-17, when the reporting was adjusted to reflect the reality that they are managed in the wider Cabinet Office. The Cabinet Office Annual Reports and Accounts for following years do not routinely disclose the number of Crown Representatives in post, but this information is made available elsewhere on gov.uk.

An internal audit review of the strategic and operational controls in place to monitor Crown Representative activity took place over the summer of 2015 and made several recommendations to address governance risks. This report noted as context that “from late 2015 full-time SCS level internal managers will be recruited to manage strategic supplier relationships with commercial advice and support from C[rown] R[epresentative]s”.

The first draft of the internal audit report gave a limited overall assurance rating, citing two high risk findings in the design of controls and one in the operation of controls and summarising:

“A lack of clarity in the ownership and accountability for the C[rown] R[epresentative] P[rogramme] has had a negative impact on the robustness of controls, most notably on recruitment, performance management, and Conflicts of Interest. Additionally, structures supporting supplier engagement are not yet fully developed. As these issues are fundamental to C[rown] R[epresentative] P[rogramme] objectives we can only provide a Limited level of assurance of the Crown Representatives control framework (see Appendix Two for rating descriptions). Forthcoming changes to the reporting lines of the C[rown] R[epresentative] P[rogramme] will provide the required clarity and therefore the opportunity to strengthen control in these areas.”
The final draft of the internal audit report gave a moderate overall assurance rating, giving no high risk findings in the design of controls but maintaining one on their operation, and summarising:

“A lack of clarity in ownership and accountability for the C[rown] R[epresentative] P[rogramme] has had a negative impact on a number of key aspects of the control framework, most notably on Conflicts of Interest, performance management, and recruitment. Forthcoming changes to the reporting lines of the C[rown] R[epresentative] P[rogramme] will provide the required clarity and therefore the opportunity to strengthen control in these areas. Additionally, structures supporting supplier engagement are not yet fully developed. We consider these to be fundamental to a robust system of internal control. However, in the context of the risk appetite under which the C[rown] R[epresentative] P[rogramme] operates in terms of providing a value adding service, we are, on balance, able to provide a Moderate level of assurance.”

The detailed findings were not changed between the first draft and the final report. Among other findings, on conflicts of interest, both versions identified a high risk in the operation of controls and found:

“Although adequate in design, testing identified a lack of robustness and transparency in respect of Conflict of Interest control operation. Assurances received by top level management are not proportionate to the high inherent risk. Unless these issues are addressed there is potential for significant reputational damage to CCS and wider central government.”

On performance management, the draft version found a high risk in the design of controls whereas the final version found the risk to be medium. Both versions mentioned the risk of poor performance to the objectives of the Crown Representative Programme, but the draft version also mentioned a reputational risk arising from poor performance. Both versions found:


On recruitment, the draft version found a medium risk in the design of controls whereas the final version found a light risk. The detail in the draft version included four direct criticisms of the status quo:

“a) a lack of clarity in terms of headcount planning and approval;

b) ad-hoc arrangements with recruitment based on nominated individuals identified by word of mouth;

c) roles and responsibilities for the end to end recruitment process are not defined; and
d) no clear audit trail between required knowledge, skills, experience, and values and recruitment decisions."

These observations were softened in the final report into a reflection that despite Crown Representatives not being employees, "we would still expect that Crown R[epresentative] recruitment be supported by a proportionate recruitment framework in which end to end roles and responsibilities are defined and which provides the basis for a transparent audit trail between required knowledge, skills, experience, values and behaviours and recruitment decisions."

The internal audit risk summary on recruitment, identical between both versions, found:

“The framework for Crown R[epresentative] recruitment requires fundamental review to ensure that: a) roles and responsibilities for the end to end process are allocated; and b) a clear audit trail between required knowledge, skills, experience, values, behaviours and recruitment decisions is established.”

CCS Audit Committee minutes from September 2015 show that members felt that the final report reflected a necessary “balanced approach to policing the Crown Representative agenda”. The Head of Internal Audit discussed the difference between Crown Representatives and other parts of CCS, commenting that “the risk appetite was higher and there were opportunity risks as well as threats”. The Audit Committee Chair recorded some discomfort, however, accepting the ‘moderate’ rating but saying that in his view the rating was borderline with ‘limited’.

Internal audit updates from the following months show implementation of the recommendations of the audit report, including (for example) Conflict of Interest declarations being obtained from all of the Crown Representatives as well as ongoing work to develop performance management including regular performance reporting. The Government Internal Audit Agency (GIAA) tracked the implementation of these actions in the CCS until June 2016, when the Programme fully transitioned into the Cabinet Office. At this stage the majority of the actions had been implemented, though work continued on developing and embedding reporting metrics and improving the structural relationship between Crown Representatives and the rest of the Commercial Function.

At my request, GIAA has been able to provide a detailed update confirming that implementation against each action was completed, many through the introduction of a Strategic Partnering Programme in 2016.

The Crown Representative Programme currently has a structured approach to appointments, with a standard template for terms and conditions, and the role falls into the category of fee paid contractor. Roles are advertised or individuals are recommended, but both result in recruitment via a selection panel. Two roles are reserved as political appointments, for which ministerial approval is required.

As directly appointed office holders, Crown Representatives are not appointed as civil servants, but their contract and letter of appointment does require them to prevent their judgement or integrity to be compromised or permit there to arise any reasonable grounds for suspicion as to the compromise of their judgement and integrity and to observe the Seven Principles of Public Life, and they are subject to a defined process for managing
conflicts of interest, however it should be noted that this process has only been in place since 2015.

The Crown Representative role cessation letter states that Crown Representatives continue ‘to be bound by the provisions of the Official Secrets Act and the provisions of criminal law which protect certain categories of information, and by [their] duty of confidentiality owed to the Crown.’

The confidentiality disclaimer in the cessation letter requires that if a former Crown Representative wishes to accept a job within a year with a person, firm or company with whom they’ve have had official dealings or have had commercially sensitive information about their competitors, they must inform the Cabinet Office to ‘allow for an assessment of any conflict of interest’.

The role of Crown Representative is part time, and individuals are paid £500 per day. Crown Representatives are paid via payroll. There is management oversight on expenses and these are managed in line with Cabinet Office expenses policy. Some volunteer their time unpaid.

At the time of writing there are 25 Crown Representatives.\(^9\)

\(^9\) Crown Representatives and strategic suppliers: [Link](https://www.gov.uk/government/publications/strategic-suppliers)
The context to Mr Greensill’s appointment

Mr Greensill's career prior to 2011

Lex Greensill came to the UK in 2001 and in 2005 joined Morgan Stanley, where between 2004 and 2007 Lord Heywood was a Managing Director.

In May 2008 when Mr Greensill was employed by Morgan Stanley he was pitching supply chain finance to government. He states in an email to an HMT official that “I spoke with Jeremy Heywood at Number 10 late last week and he asked me to reach out to you with a view to updating you on TReFS, our supply chain finance product that we discussed last year and our progress at the PPD.” There was then an exchange between Mr Greensill and HMT regarding a different view of the size of the market opportunity, based on the analysis.

I have not seen any evidence of further exchanges between Mr Greensill and government regarding supply chain finance until 2011.

Mr Greensill subsequently moved to Citigroup where he became Managing Director, Head of Supply Chain Finance for Europe, Middle East & Africa. Citibank was later appointed to administer the supply chain finance scheme for community pharmacies which was launched in October 2012. I understand Citibank were appointed because they brought the idea of using supply chain finance for pharmacies to government. The contract did not require to be tendered because Citibank were one of two banks with a framework agreement with the government for money transmission services which was judged to cover the pharmacy scheme. I have seen no evidence of any discussion of tendering the contract or of a pricing discussion with Citibank.

The earliest link in the chain of events which led to Mr Greensill’s appointments in government came when Citibank approached Lord Maude, in late 2010, promoting the concept of supply chain finance for the public sector.

On 18 April 2011 Lord Maude met Maurice Thompson, a senior UK based representative of Citibank to discuss how the US bank could “contribute to the government’s efficiency agenda”, according to a leaked letter. Explicit references were made to Network Rail, pharmacies, and the Department of Work and Pensions. Maurice Thompson continued to engage with the government on supply chain finance on behalf of Citibank over the following years whilst Mr Greensill worked initially with Mr Thompson and then advised the government on supply chain finance. Mr Thompson subsequently became Chair of Greensill Capital

In July 2011 Mr Greensill, along with Citibank colleagues, presented to Lord Maude and members of the Cabinet Office’s Efficiency and Reform Group (ERG) on the merits of supply chain finance including setting out details of how they could provide supply chain finance at the NHS and in the Department for Work and Pensions (DWP).

After leaving Citibank and starting to do some unpaid work for government on an informal basis in late 2011/early 2012, Mr Greensill continued his efforts to gain support for the same schemes. In effect Mr Greensill switched from ‘sell side’ to ‘buy side’ of these transactions with no intervening period. Such a move without consideration of conflicts and risks raises questions which are explored further below.
The economic environment, the coalition government and Civil Service reform

It is useful to set in context the environment in which these early events, including Mr Greensill’s first government engagement, took place.

Following the global financial crisis, SMEs in the UK found it difficult to access the working capital they needed. By the end of the 2000s, SMEs were more likely to be rejected for bank lending than at the start of the decade. This problem was worse in the UK than elsewhere in Europe, with UK SMEs experiencing one of the highest SME loan rejection rates, and a much sharper decrease in the supply of loans, among the European countries.

In May 2010, David Cameron and Nick Clegg formed a coalition government with an agreed ambition for Civil Service reform. In June 2012 the government published “The Civil Service reform plan”\(^{10}\) (2012) which included a commitment for “learning from the best in the private sector” through ministerial appointment of “a very limited number of senior officials, for specified and time-limited executive/management roles.”

Mr Greensill’s introduction to the Cabinet Office

On 1 August 2011, while still at Citibank, Mr Greensill emailed and met Lord Heywood. In preparation for this meeting, Mr Greensill forwarded some materials to Lord Heywood stating that he had “shared these with Katharine Davidson and the ERG team at the Cabinet Office on Friday - they will form the core of a discussion that Katharine is [arranging] with Francis Maude for later this month”.

Ms Davidson was then Executive Director of the Efficiency and Reform Group (ERG) in the Cabinet Office, a central team reporting to Lord Maude. The Group’s aim was to “save money, transform the way public services are delivered, improve user experience and support UK growth”.

Immediately following his meeting with Mr Greensill on 1 August, 2011 Lord Heywood emailed Ms Davidson and Ian Watmore, then Cabinet Office Chief Operating Officer, to endorse Mr Greensill, copying two advisers to the Prime Minister. He stated “Lex and I have been working on this stuff [i.e. supply chain finance] off and on for 5 years. It is a huge frustration that HMG continues to leave free money on the table in this way”.

On 11 August, Ms Davidson replied to Lord Heywood, stating that “We are also very keen to work on identifying how supplier finance can be improved, both to support the government’s efficiency agenda, as well as to support our efforts to increase the size and competitiveness of our supplier community”. The note sets out that they planned to “put a proposal to the ERG Commissioning Board on September 20” for an “ERG project to scope the opportunity”, and states that one role of this team would be to “coordinate the potential financial sector suppliers so that this exercise is conducted in a transparently fair manner”.

The note proposes a “working session where the various potential financial players would present to the key departments”. This note does not mention Mr Greensill.

The Commissioning Board was a regular meeting attended by Lord Maude and Ian Watmore, to decide which of a number of projects should be taken forward over the next few months.

It is not clear what was discussed at the Commissioning Board on 20 September 2011, but from this point forward, Mr Greensill had ongoing contact with senior Cabinet Office officials.

On 5 October, Mr Greensill replied to an email from Ms Davidson, copying Lord Heywood and setting out further thoughts on the areas of focus for the proposed supply chain finance project:

“As discussed, I would be very pleased to help you capture some of the significant savings available to HMG and also, simultaneously push new, low-cost liquidity down to UK SMEs using proven supply chain finance methodologies. Given the sizable savings that could be unlocked this financial year, I think that key Departments will discover a new-found motivation to implement a supply chain finance solution.

They key areas of focus would be:

* Restore HMG payment terms to their original 30 days – unlocking up to GBP 14bn in cash-flow savings (and implement supply chain finance so that HMG suppliers can still get paid early if they require same);

* Require all HMG suppliers to either (a) pay their suppliers in 5 days or (b) implement a supply chain finance programme that gives SMEs the ability to get paid immediately on invoice approval. This could have the effect of delivering over GBP 100bn in cheap new liquidity to UK SMEs (who supply the HMG suppliers) and could leverage the existing Bank of England supply chain finance facility.

* Implement SCF for specific areas where savings have been already identified – e.g. Real estate lease payments (DWP, HMRC, DH etc.) Contract payments (Pharmacists, GPs, Opticians, Dentists etc.)

In order that I can prepare a more detailed discussion paper for you to use more generally within government, it would be great if you could share the following data points with me:

* Top 50 suppliers to HMG (preferably [by] sorted by Department) * Spending "cuts" by Department (i.e. The original "Labour" 2011, 2012 and 2013 budgets, compared with the new "Coalition" budgets for each Department. My objective here is to show by looking at actual supplier spend how much we could deliver each Department in savings – helping them to meet their new targets.)

* Total external supplier spend by Department (historical data is fine if that is what you have available)

I am happy to execute a confidentiality agreement or such other documents as you may require. As requested, a copy of my CV is attached. Citibank HR also wish to confirm to you and Jeremy the terms of my separation (i.e. that my stock was forfeited upon my departure etc.) - so you may well receive an email from them shortly.”

Lord Heywood gave a brief and immediate response on the email chain “Great to hear that this is moving forward and very happy to meet next week if helpful”
Further administrative emails were exchanged, setting up a meeting between Mr Greensill and Mr Watmore.

On 14 October 2011, Maurice Thompson of Citibank wrote to Lord Maude about the possibility of using supply chain finance to help SMEs and requesting a meeting on the subject. This was forwarded to Ms Davidson, whose office responded to advise that this meeting was “not appropriate” and that “The 'supply chain finance' issue is in hand”. They advised that she has already met Mr Thompson, and that a fuller meeting to which all potential suppliers would be invited was planned. The meeting with Maurice Thompson was removed from Lord Maude’s calendar.

Around this time there was a curious and unexplained email exchange. Citibank delivered a pitch document on supply chain finance to ERG which forwarded it to Lord Maude’s office. His office replied that the document was “suspiciously similar to one I have just received from No10”.

On 20 October 2011, two members of the Strategy Team in the Cabinet Office sent advice to Francis Maude, which said that Citibank had written to MCO and spoken to officials about the possibility of using supply chain financing to help SMEs.

On 8 November 2011 a member of Ms Davidson’s team asked Mr Greensill to share an up to date CV, including his date of birth to support security checks, and contact details at Citibank so that Cabinet Office HR could confirm the terms of his separation from that organisation.

On the same day, Mr Greensill responded to a call from Sue Gray, the Head of Propriety and Ethics at the Cabinet Office, with an email listing his shareholdings and directorships.

On 9 November 2011, Mr Watmore met Mr Greensill to discuss the latter’s interests in supply chain finance. Mr Greensill proposed that supply chain finance could be used to provide an immediate cash flow benefit to government by extending payment terms for suppliers from 5 to 30 days, and that big businesses supplying government could be encouraged to offer supply chain finance to benefit smaller secondary suppliers. Mr Greensill confirmed that he had severed his links with Citibank and raised his offer to work for the Cabinet Office for one day a week free of charge, providing his travel and subsistence was funded. (Mr Greensill told me that he did not in fact ever make a claim for reimbursement of travel and subsistence.)

Actions from the meeting included Mr Greensill testing the possibility that big suppliers could offer supply chain finance facility to their SME pipelines with the Crown Representatives for SMEs. Mr Greensill would also meet Lord Maude to discuss supply chain finance. His offer to work for the Cabinet Office would be reviewed following his meeting with Lord Maude and a supplier finance meeting which was due to take place later that month.

Following their 9 November meeting, Mr Watmore arranged for Mr Greensill to be invited to a planned discussion on supply chain finance being organised with Lord Heywood on 15 November 2011.

Mr Watmore stated in an email at the time that he felt that the proposal about extending payment terms for suppliers was a matter for Her Majesty's Treasury (HMT), but he saw potential in Mr Greensill’s second proposal to support SMEs in the government supply chain. Mr Watmore has explained to me in an interview that the Prime Minister had set a target to
increase the proportion of government contracts delivered directly or indirectly through SMEs to 25%. At the time the coalition government was formed, the percentage was 6.5%. Making finance more readily available might be one way, among several others being considered, to increase that percentage.

Mr Greensill attended the 15 November meeting convened by Lord Heywood in Number 10 as an ‘Adviser on Supply Chain Finance’. According to the agenda, the purpose of this meeting was to understand: the various forms of supplier finance schemes offered by the market; the scope for implementing supply chain finance in government and what government’s role might be; and the most effective way to take this forward, if attendees agreed that there was sufficient scope for implementing supply chain financing within government.

On 24 November, another cross-government supplier finance meeting was held at Number 10. The meeting was chaired by Lord Heywood. Mr Greensill was in attendance. The meeting discussed how to ensure the benefits of the government’s Prompt Payment Code were being passed down government supply chains. Actions from the meeting included that Mr Greensill would work with the Departments of Health and Work and Pensions and other relevant departments to examine specific opportunities for applying Project Bank Accounts or supply chain finance.

On 14 December 2011 a member of Ms Davidson’s team sent advice to Lord Maude which set out three options for ERG’s response to the meeting. The first was to step back and allow other parts of government to take whatever actions they felt appropriate. The second was to set up a cross-government working group with an ERG secretariat to examine both cross-government improvements and specific departmental opportunities, and the third was to focus only on specific departmental opportunities.

The paper proposed, if focusing only on departmental opportunities, that “Lex Greensill could also be leveraged to further explore opportunities for SCF.” It elaborated:

“This might involve:

- appointing Lex as a Delivery Commercial Representative for project bank account and supply chain finance (potentially 1 day per week);

- providing him with 50% of a Band A’s time to help him navigate Whitehall and offer him analytical support; and,

- providing him with a share of the proposed CCR administrative support”.

On 30 November and 19 December, Mr Greensill met Ms Davidson. Her recollection is that at this stage they were trying to set up a team for the work on supply chain finance and figure out how to staff it. In her view, as expressed in my interview with her, the project was not core to the ERG’s agenda or a priority for Lord Maude, but it was important to Lord Heywood whose support was valuable to her team’s wider work.

On 10 January 2012 another ERG Commissioning Board considered the proposal and approved an exploratory project to take place over the next two to three months, with Mr Greensill acting as an unpaid commercial adviser to the work.
In February 2012 Mr Greensill received a letter of appointment as an unpaid Adviser on supply chain finance in ERG, covering the three month period from January to March 2012.
Mr Greensill's first appointment as ‘Senior Adviser on Supply Chain Finance’

Mr Greensill was first officially appointed as a ‘Senior Adviser on Supply Chain Finance’ at the beginning of 2012. I have seen four letters of appointment covering the period from January 2012 to March 2015:

- The first from Katharine Davidson, dated 21 February 2012 and setting out the first appointment from 1 January - 31 March 2012
- The second from Melanie Dawes and dated 26 November 2012 setting out a new appointment from 1 April 2012 - 31 March 2013
- The third from an HR business partner and dated 17 June 2013 extending this appointment from 1 April 2013 - 31 March 2014
- The fourth and final letter, from a different HR business partner and dated 14 April 2014 extending the appointment a final time from 1 April 2014 - 31 March 2015

The first letter of appointment dated 21 February 2012 from Ms Davidson refers to authorisation by Lord Maude and Mr Watmore. Neither recall specifically approving this appointment, although they were both aware of it. This Review has found evidence (unsigned appointment letters and comments from others in emails) of this approval but no written authorisation. The letter does not set out a description of the role or any objectives or deliverables of the appointment.

The terms accompanying this letter of appointment state that the position was unremunerated but that expenses were payable. The terms set out that the provisions of the Official Secrets Act and the Cabinet Office’s Code of Practice apply, and that the appointee has a duty regarding conduct, propriety and confidentiality. They also state that a clearance process for business appointments at the end of the contract period applies.

During the early part of Mr Greensill’s tenure, Ms Davidson raised concerns that Mr Greensill’s work to set up supply chain finance deals with the Ministry of Defence (MoD), DWP and the Department for Health and Social Care (DHSC) was outside the remit of the ERG. By the time his first three month contract came to an end she had grown sceptical about the potential for supply chain finance in government. In a progress report to Lord Heywood on the SCF work, dated 13 June 2012, Ms Davidson noted that “HMT made clear that supply chain finance was not HMT’s first choice method of achieving the policy goals of getting cash into SMEs and reducing purchase prices.”

By 1st May 2012 his contract with the Efficiency and Reform Group was over, but Mr Greensill still continued to meet contacts across government and to promote supply chain finance.

Mr Greensill emailed Lord Heywood on 27 April 2012 about his status, writing:

“I have been informed that Katharine Davidson feels that with the expansion of the SCF agenda it is no longer appropriate for me to be reporting to her – given that ERG have a rather narrower focus.

Further, my original engagement expired on 31 March (even though it was only issued in early March [sic]). Hence, if you would like me to continue to assist we will
need to arrange some form of extension. (I have not, nor plan to, seek any reimbursement for my travel or accommodation expenses incurred to date.)

I also have neither a government email address nor access pass – it would be great if that could be arranged."

On 1 May Lord Heywood forwarded Mr Greensill’s email on to another official, adding: “Can you find out from KD what the issue is here - I thought she was happy with Lex's work?” The official replied later that day, apparently summarising a conversation with Ms Davidson:

“Katharine says it’s been going very well over the past 4 months – they’ve got to a stage with the government suppliers initiative where they’re ready to embed the ideas into everyday practice. After your banks meeting and after the announcements before the summer, this bit of work will be business as usual. The team has been wound up.

The problem is that she doesn’t see Lex’s two other initiatives – the specific work with DHSC, MoD and DWP, and the work with wider industry – as being part of the ERG (or, for that matter, MCO) remit. So she thinks Lex needs another sponsor for the next phase.

Being as diplomatic as she could be, she said that she didn’t feel that she could tell MCO – as the sponsoring minister - that she was in charge of Lex's agenda any more.

She didn’t say, but I’ve heard from elsewhere, that Lex is making the most of a long leash and not really involving Katharine in his work or telling her what he’s up to and who he’s talking to. I've also heard that Katharine isn't quite persuaded that government should be extending these principles throughout the whole economy. Her line is that this should be for BIS to worry about.

In summary – Katharine thinks that Lex has practically finished what he was brought in to do and is now going beyond his brief, and someone else should take responsibility. She would of course put it much more tactfully than that.”

During this period of ongoing uncertainty about Mr Greensill’s appointment Lord Heywood asked Paul Kirby, then Head of the Number 10 Policy Unit, to meet Mr Greensill and discuss his ideas for supply chain finance. Mr Greensill presented to Mr Kirby, who told me that he remembers responding that supply chain finance was not an area of interest for the Policy Unit, that pharmacies would be better served by earlier payment than by a financing arrangement, and that if there was to be a review carried out it should be done by an existing team starting with an open mind rather than by a new adviser such as Mr Greensill who already had a fixed view of supply chain finance as the solution.

Mr Kirby has reported to me that he shared his scepticism with Lord Heywood and recalls that he was surprised to find that Lord Heywood not only believed in Mr Greensill but wanted to place Mr Greensill in the Number 10 Policy Unit. This suggestion was rejected by Mr Kirby who was of the view that Mr Greensill was trying to create demand for supply chain finance. Mr Kirby recalls that Lord Heywood disagreed with the suggestion that Mr Greensill was motivated by personal gain, arguing that Mr Greensill was a rich man already.
Lord Heywood is deceased and is therefore unable to give his recollection of these events. I have therefore reached no conclusion as to whether Lord Heywood was put on notice at this time of the conflict of interest Mr Greensill’s business activities created with his role in government or his view on the merits of supply chain finance.

Rachel Hopcroft, then Principal Private Secretary to Lord Heywood recalls that the consideration around where to place Mr Greensill focused on the fact that he would be unpaid and in an advisory rather than a political role. Ms Hopcroft recalls Lord Heywood wanting Mr Greensill to be “set up for success”. On 30 May 2012 she made email introductions between Mr Greensill and Clare Sumner, then head of the Economic and Domestic Secretariat (EDS).

EDS is the 35-40 strong unit within Cabinet Office which coordinates domestic policy, provides the secretariat to Cabinet and its committees, and helps broker collective agreement between departments. EDS is at the centre of government, handling many important and sensitive matters on a routine basis. It is a core function of the Cabinet Office, providing essential support for ministers. It was also a team managed and overseen by Lord Heywood.

Melanie Dawes was Director General of EDS between October 2011 and January 2015. In the early summer of 2012, however, Ms Dawes spent a few months acting as Cabinet Office Permanent Secretary. At the end of May when Mr Greensill’s appointment was under discussion, Ms Sumner (then a Director in EDS) was acting as head of the team.

Ms Sumner recollects being approached by Lord Heywood and agreeing that Mr Greensill could be housed in her team. Her main concern at the time was confidentiality and the risk that Mr Greensill might overhear conversations on sensitive matters in the EDS room. She had no concerns about Mr Greensill’s employment status as she assumed that he was already “in the system” and the matter had already been dealt with.

Ms Sumner explained to me at interview that she was being asked to find Mr Greensill an administrative home rather than to provide oversight of his work. Lord Heywood similarly used EDS as an administrative home in other cases. For example when the Office for Fair Trading (OFT) was closed in April 2014 its former head, John Fingleton, was temporarily assigned to EDS as he carried out a short term project reporting directly to Lord Heywood. Mr Fingleton, unlike Mr Greensill, was already a civil servant under contract.

On 31 May 2012, Lord Heywood’s private secretary forwarded an email exchange to show that Mr Greensill was now in touch with Ms Sumner, adding, “Lex is solved. Sorry it took so long. But Clare will now look after him and I’ll finish off the details.”

In the 31 May email from Mr Greensill to Ms Sumner, Mr Greensill shared his CV and requested to keep his title as Senior Adviser, which he refers to as “the title that Jeremy and I agreed when I was a contractor with ERG”.

There is no obvious connection between the work of EDS and the supply chain finance project as originally attached to the ERG agenda. The ERG paper in November 2011 considered supply chain finance to be an option to explore alongside prompt payment and Project Bank Accounts.
Later on the same day Mr Greensill emailed Lord Heywood’s private office setting out some proposed next steps on supply chain finance. These were:

“CBI & BBA Support

We invite John Cridland from the CBI and Angela Knight from the BBA in to meet you and/or Oliver to confirm their support for our plan;

PM Briefing Note

I draft (with feedback from Andrew Van Der Lem, Tim Luke, John Gibson, Bill Crothers/Katharine Davidson) a note for you and Oliver to send to the PM explaining our plan;

(Query whether this is better sent before or after we meet the CBI and BBA to confirm their support. Do you have a view?);

This note would be copied to ERG team, BIS and Treasury;

Letter to CEOs

PM writes to the CEOs of our Top 50 Suppliers setting out our supply chain finance plan and invites them to an event at Number 10 (per Oliver’s recommendation);

CEO Event

We schedule and execute the event at Number 10;

PM gives short keynote speech with follow up from Oliver & you; and

Support/Follow Up

I act as point person for HMG in troubleshooting any CEO questions/feedback and track adoption providing feedback to Cabinet Office/Number 10/BIS.”

On 13 June 2012, Katharine Davidson issued a progress report on supply chain finance, addressed to Lord Heywood and copied to Lord Maude and others. She highlighted that the Efficiency and Reform Group had reviewed opportunities for improving prompt payment practice and increasing the use of supply chain finance tools and noted that they had worked closely with Mr Greensill, in his capacity as a subject matter expert.

The report made three recommendations, which were:

A. “Consider whether and how you would like to formalise Lex Greensill’s role now that his contract with the Cabinet Office has ended; we understand Lex is now working in EDS under Clare Sumner

B. Note that ERG is changing the way HMG engages suppliers to ensure that prompt payment is raised in key discussions and that the positive existing policies are more rigorously implemented. Bill Crothers (Executive Director, Supplier Relationships) is leading this work; and
C. Note the next steps we propose on the broader programme of work, advising if any of these steps cause concern.”

Ms Davidson went on to emphasise further in bolded text that “we assume that Lex Greensill is now working on a new Cabinet Office contract.” Despite Ms Davidson’s hint that Mr Greensill’s position should be regularised, no new letter of appointment was issued at that time. Ms Sumner was not copied into Ms Davidson’s letter and continued to assume that Mr Greensill’s status was a settled matter.

It is apparent from this update that Ms Davidson had already heard of Mr Greensill’s proposed next steps. Her update discusses meetings with a range of stakeholders including the Department for Business, Innovation and Skills (BIS) (2009 - 2016) and HMT. In her view “This work is outside of ERG’s core remit and we think that firm HMT and BIS involvement will be necessary to secure progress.” She also provided a summary of concerns raised in a meeting with HMT, including:

“Re SCF as an intra-private sector financing tool, the HMT position was that it was considered a useful product. However it was not clear why there was a market failure (i.e. if banks have been selling it and it is good for buyers and their suppliers, why does HMG need to promote it?) or what was needed from HMT.”

Ms Davidson further reported that the meeting with HMT and Mr Greensill had agreed “that it has now reached the stage in the policy process where a proper submission needs to be produced for No 10, CO and HMT which will consider the matter in the round and that will set out the basis for any government action.” Mr Greensill does not appear to have shared any of his subsequent proposals or papers with HMT and, contrary to his note to Lord Heywood quoted above, the briefing note to the Prime Minister did not include input from Katharine Davidson or Bill Crothers.

Ms Davidson also noted that Lord Maude was not happy with ERG working on policy areas that he considered to be the responsibility of BIS and HMT, and suggested “given the locus of this next phase of supplier finance work, it may be preferable for Lex’s continuing involvement to be sponsored by BIS.”

Mr Greensill did not copy Ms Davidson or any of his ERG contacts into his messages to Lord Heywood about next steps. Ms Davidson was not aware that her colleagues in EDS were already working with Mr Greensill on his proposed approach.

On 27 June Mr Crothers raised concerns that a memorandum proposing a roundtable on supply chain finance had been submitted that day to the Prime Minister.

This memorandum, drafted predominantly by Mr Greensill, proposed that the Prime Minister:

- Sponsor a partnership to implement supply chain finance between banks, non-banks and major companies starting with HMG’s Top 50 Suppliers, with a view, in the future, to extending supply chain finance even more widely in the UK economy.

- Write to the CEOs of HMG’s Top 50 Suppliers informing them of the value that supply chain finance can bring to their company and the UK economy and inviting them to a roundtable at Number 10 in the summer.
There are a number of features of this memorandum which are of interest:

- The covering note from the Private Secretary copied, inter alios, to Lord Heywood states “The proposal and note is from Lex Greensill, a former Managing Director of Citibank and before that Morgan Stanley. Jeremy has brought him to work a pro bono [sic] in the Cabinet Office.”

- The proposal emphasises the benefit of supply chain finance by saying “These SME suppliers typically have payment terms with their customers - the major UK corporates - of 30 to 150 days.” Whilst there was no public sector legislation prior to 2015 on payment in the supply chain, government did impose in its contracts with suppliers at that time an obligation for the supplier to pay its own suppliers within 30 days, an obligation which the Commercial Function were seeking to enforce more rigorously. The reference to 150 days was therefore inappropriate since proper enforcement of the contractual provisions would have restricted government suppliers to a 30 day payment term.

- Whilst the paper does say that “we should discourage our top 50 suppliers from using supply chain finance as an excuse to extend payment terms to their SME suppliers”, it does not point out that the research by the Efficiency and Reform Group had shown scepticism from SMEs on the benefits of supply chain finance for that very reason.

- The paper also refers to the Breedon report’s support for supply chain finance but, again, does not disclose that the report also mentions that SMEs expressed caution for the product because of its likely use by buyers as an excuse to lengthen payment terms.

- It is not clear how the proponents of the paper intended to discourage a consequential extension of payment terms by major suppliers and government does not seem to have taken any serious steps to discourage such extensions of payment terms.

- Notably, at the same time as ERG were already working to strengthen prompt payment across government, the memorandum proposes that government could potentially revert from our current 5 day payment terms with non-SME suppliers to 30 days. It claimed that this could unlock a one-off saving in the order of £5bn to be redeployed, for example, in infrastructure investments. The government would then put in place a supply chain finance facility to enable corporates to be paid in five days. The contradiction in using a supply chain finance facility to extend government payment terms whilst encouraging corporates to put in place supply chain finance without extending payment terms does not appear to have been considered.

- There is no mention of HMT’s scepticism of supply chain finance in central government.

- There is no mention of HMT’s question as to why there was a market failure which required government intervention if it was commercially beneficial.
- The paper suggested that the change in payment terms was as a result of a mis-analysis of the suppliers to government since most were major corporations and only a small number were SMEs. My understanding is different. The requirement to pay within 5 days in government was a stipulation only applicable to SMEs but departments found it difficult to work out which companies were and were not SMEs and then to create two parallel payment tracks depending upon that distinction. They therefore found it easier to accelerate all payments.

- The paper claimed that government reverting to 30 day payment rather than 5 day payment “could unlock a one-off saving in the order of £5bn to be redeployed, for example, in infrastructure investments.” Mr Greensill had promoted this idea from an early stage in his engagement with the Cabinet Office and presented it as a source of substantial savings. It was discussed enthusiastically by senior officials in a late May/early June email chain. Lord Heywood wrote on 1 June “I think this is pretty important since it could give us 5 billion one-off cash flow benefit that will allow us for example to postpone fuel duty increase”. Oliver Letwin agreed, saying “indeed it is”.

- The paper makes no mention of Project Bank Accounts despite the ERG conclusion that they served a useful purpose in appropriate circumstances and the Government briefing document issued on 10 February 2012 promoting Project Bank Accounts in the construction industry.

The memorandum for the Prime Minister included a list of authors: Lord Heywood, Oliver Letwin, Mr Greensill, Tim Luke, and Andrew van der Lem. Mr van der Lem was, at the time, a Deputy Director at BIS whose name Ms Davidson mentioned as a primary contact on supply chain finance. He recalls making comments on the draft memorandum but also finding it unusual that his name was included on the final version, in company with the names of the Cabinet Secretary and a Minister of State. A Deputy Director is four grades below the Cabinet Secretary in the Civil Service and it would be normal for any paper from a Department being submitted to the Prime Minister to have a sign off from a more senior official in the Department. There is no reference to, or author from, HMT or ERG mentioned in the paper.

On the same day Mr Crothers raised concerns around the memorandum, in an email that makes it clear that neither he, Ms Davidson, nor their ERG colleagues had had an opportunity to comment before it went to Lord Maude and to the Prime Minister. As well as alerting his colleagues to the situation, Mr Crothers described his exchange with Mr Greensill:

“I did make the point that events seemed to have moved at a surprising speed and I had expected that there would have been some engagement with MCO re the paper before it had been sent to No. 10/PM’s office. Lex said that JH was keen on speed and had asked him to expedite (and also MCO and JH had discussed this week).”

A few days later, on 2 July 2012, Mr Crothers had a further conversation with Mr Greensill that he documented in another email:
"I noted that it felt like we were chasing this. For example, we have not seen a copy of the note as sent to the PM (we saw a version on which it was based), we have not seen a draft of a letter and indeed this is being drafted by BIS I believe, and also not seen the final list of suppliers. You have reassured me that we (I) will be kept informed as events progress."

Mr Greensill and Lord Heywood both replied offering reassurances. On 3 July Oliver Letwin had a conversation with Lord Maude in order to provide further reassurances. Summing up the situation, Lord Maude’s private secretary explained that he was more comfortable knowing that there was a clear break between proposals relating to the supplier agenda and those relating to promoting supply chain finance across industry, and that steps would be taken to manage any overlap. He went on to say:

“Beyond this one particular issue, there has clearly been some miscommunication here, and areas where the usual process for clearance/escalation paths have gone awry. Had MCO and OL had this conversation a week or so ago, and the note/letter been tweaked to reflect this position, a stronger note with wider support across govt would have gone to no.10; and MCO would have been content that this was not cutting across the ERG agenda in a damaging way.”

Had the usual process for clearance gone ahead there would have been opportunities for Ms Davidson and ERG to add balance to the memorandum, for more senior input from BIS and to make sure that HMT colleagues also had an opportunity to share their views.

In early August 2012 Ms Dawes returned to EDS as Director General and found Mr Greensill had joined the team. Like Ms Sumner, she assumed that all relevant processes had been followed.

Mr Greensill had founded Greensill Capital Ltd in Australia in 2011. In November 2011 Mr Greensill made a declaration of interest by email to Ms Gray, at her request and prior to his initial appointment as an adviser, which said that his business interests in Australia were all related to his family’s agricultural interests there.

On 2 July 2012 Mr Greensill incorporated Greensill Capital Ltd in the UK. Greensill Capital UK Ltd was incorporated as a provider of supply chain finance. It did not, and did not need to, register as a banking institution with the FCA or PRA principally because it was not a deposit taking business. Unlike banking businesses which fund their advances (whether loans or supply chain finance) predominantly from deposits, Greensill Capital had a different model. The Greensill model was to buy the invoices at a discount from the supplier, provide an insurance wrapper against default, and then sell these invoices generally to funds managed by third parties.

On 11 September 2012 Mr Greensill reached out to Ms Gray in an email which read:

“You will recall our discussion last year regarding my external interests. Ultimately, Jeremy Heywood asked me to join his team directly, and he placed me in the Economic & Domestic Secretariat. (I have copied my Cabinet Office email address.)”
If I wanted to update my list of private company directorships (none of my shareholdings have changed since my email below), should I just send you an email?

In the ensuing email exchange Mr Greensill disclosed his directorship at Greensill Capital Ltd to Ms Gray and informed her that he did not have a contract but did have a letter of appointment. When it became clear that Mr Greensill had no appointment letter or contract covering his role in EDS, officials regarded it as an unfortunate but not unusual administrative oversight to be corrected. I believe that these procedures have subsequently been tightened and I would observe that such tightening was necessary to ensure that conflicts and security and other issues are properly managed.

Officials in EDS completed a Business Case for the appointment of Mr Greensill as a ‘Senior Supply Chain Finance Adviser’, to run from 1 April 2012 to 31 March 2013 with an option to extend beyond that date, subject to agreement from HMU [Head of Management Unit] and Sue Gray. The Business case states that:

“The role delivers against the agreed business objectives in the Management Unit Business Plan by creating an ongoing source of advice in terms of market intelligence, practical achievability of ideas and potential solutions brought to HMG by the private sector and also initiated within HMG. In addition, the role enables immediate access to appropriate financial institutions (whether Pension Funds, Insurance Companies, Sovereign Wealth Funds, Banks or Family Offices) and individuals within those institutions.”

The note explains that “The post is located in the Cabinet Office, rather than BIS to enable the post holder to provide personal and regular feedback to the Cabinet Secretary, Cabinet Ministers and No10.”

It is not clear why it assisted the business objectives of government to have immediate access to pension funds, insurance companies, sovereign wealth funds and family offices or why this could best be achieved through Mr Greensill rather than the usual access routes of government. What is clear is that it was of assistance to Mr Greensill, as a non-bank provider of supply chain finance, to have privileged access to asset rich organisations capable of providing funding for the purchase of invoices issued pursuant to a supply chain finance facility albeit that this was not known at the time as Mr Greensill had not yet made an update to his Declaration of Interests.

In September 2012, Lex Greensill emailed Ms Gray, copied to Lord Heywood as follows:

“As discussed, I raised the question of which of the Cabinet Office ministers I should be reporting to for the purposes of my contract with Jeremy yesterday afternoon. As we anticipated, Jeremy’s guidance was that he felt that Oliver Letwin would be the most appropriate choice.”

Sir Oliver Letwin does not recall being consulted about the terms of Mr Greensill’s appointment, and stated that prior to 2015 as Minister without Portfolio he did not have direct responsibility for the operation of any particular team of civil servants, so such an arrangement would have been exceptional.
Mr Greensill was familiar from his time at Morgan Stanley and Citibank with supply chain finance as provided by a bank, but he did not have expertise in the capital markets which is where, in due course, Greensill Capital would seek funding for its supply chain finance activities. Mr Greensill therefore approached Sean Hanafin, a former colleague with expertise in capital markets, to work with him to explain to government how the funding model could work. Lord Heywood endorsed the appointment of Sean Hanafin, as is more fully described in Section 3. On 24 October 2012 Ms Gray emailed Cabinet Office HR with a draft contract for Mr Hanafin, saying that EDS would be able to share details and naming Ms Sumner as the policy lead.

On 8 November another email confirmed that Mr Hanafin’s security clearance had come through, and on 14 November the same official emailed Ms Gray to ask how long Mr Hanafin’s contract would last in order to confirm his Cabinet Office pass expiry date. At this prompting Ms Gray suggested that Mr Hanafin’s end date should be aligned with Mr Greensill’s, adding “Also can’t remember where we’ve got to with letters of appointment. We didn’t raise at Approvals board so might be best to get letters issued and pick up “approval” next time round”

I have found no further evidence to indicate whether or not a business case for Mr Greensill’s or Mr Hanafin’s appointment was considered by an Approvals Board, and no interviewees were able to recall whether this went ahead. At this time there was a hiring freeze in place in the Cabinet Office and any appointment had to go through the Approvals Board. My understanding is that the Approvals Board was Lord Maude and his permanent secretary, possibly with others. No minutes have been found for the operation of this Board.

Emails from late November and early December 2012 show hard copies of the letters of appointment, signed by Clare Sumner, being sent to Mr Greensill and Mr Hanafin for their signatures. When Mr Hanafin noticed that his six month role apparently started two months before 26 November when the letter was dated he emailed officials saying “could I request you let me have a revised letter with the start date concurrent to the date of letter issuance, particularly as I was requested not to start working formally until my security clearance had been complete?”

On 10 December an official replied:

“Hi Lex, Sean, please see attached Word versions of your appointment letters which, given Clare Sumner’s departure, I’ll ask Melanie to sign off.

If you’ve any further amendments you’d like made, please let me know (Sean - I’ve indicated in the attached that you started 26th Nov – date your original letter was issued). Otherwise, please sign a copy of your cover letters.

Thanks, and sorry this has all taken a while.”

Mr Greensill’s letter of appointment, signed by Ms Dawes, is dated 26 November and he has added a date of 11 December with his signature. Ms Dawes has explained to me that, given that she was only re-signing a letter to correct typographical errors and a changed start date, she signed the letter on the reasonable assumption that others would have carried out all the necessary due diligence to support Mr Greensill’s appointment.
The text of this letter of appointment, used both for Mr Greensill and Mr Hanafin and renewed in each of Mr Greensill’s appointment extensions, is highly unusual. I discuss the implications for the process applied to managing Mr Greensill’s conflicts of interests later in this report, and Mr Hanafin’s appointment is set out in more detail in Section 3.

Mr Greensill’s contract was extended again from 1 April 2013-31 March 2014.

In March 2014, EDS requested a contract extension for a further 12 months. The only evidence I have seen of this request is an email from Mr Greensill himself to the HR Business Partner, as follows:

“Dear xxx,

Melanie Dawes asked that I contact you with a view to extending my contract (that expires at the end of March) for a further 12 months. (I attach a copy of the previous one.)

....

Would it be possible for you to circulate a new appointment letter on the same terms as the previous one for Melanie and me to sign?”

This email also makes a further declaration of interest - a subsidiary of Greensill Capital having acquired a majority interest in NordFinanz Bank A.G., which he states has already been discussed with Melanie Dawes and others. A similar interest was declared by Sean Hanafin (see Section 3).

Mr Greensill’s conflicts of interest were reflected in each extension letter, which all contain identical terms to the first extension letter.

**The nature of Mr Greensill’s appointment as a ‘Senior Adviser on Supply Chain Finance’**

Mr Greensill’s initial formal appointment as an adviser was for three months from 1 January to 31 March 2012. This appointment was not in accordance with Civil Service recruitment processes, nor did he work in accordance with the terms of the SCS model employment contract. No competition was held for his role. There is no evidence that the special adviser route was considered for Mr Greensill’s appointment, or that his role was at all political in its nature. He was not engaged as a contractor following a procurement process.

Based on the documentation available, government lawyers have advised that the way in which Mr Greensill’s first appointment was made most closely resembles that of a non-statutory, unpaid, office holder. It can be most closely described as a direct appointment made by a minister to a non-statutory office.

There is evidence surrounding Mr Greensill’s first appointment in that, for example, his letter of appointment states that ministerial approval had been given, and the subsequent appointment may have gone to the Approvals Board, which may have included Lord Maude. One would expect that, in the event that Lord Maude had approved this appointment, there would be direct evidence of that, but no such evidence has been found.
Mr Greensill was described as an ‘Adviser on Supply Chain Finance’ as early as November 2011 and began meeting regularly with Ms Davidson from that month onwards. His immediate role in ERG therefore took shape as an informal adviser without any ministerial appointment or official status, which is permitted.

EDS does not report directly to a Cabinet Office minister, but instead to the Cabinet Secretary, who in turn is responsible to the Prime Minister. Oliver Letwin was the Minister who worked most closely with EDS, the team to which Mr Greensill was subsequently appointed. Sir Oliver does not recall having any engagement with this appointment, and stated in his interview with me that as Minister without Portfolio he would not have had oversight of any governance or HR matters within this team.

Mr Greensill’s terms of appointment do not appear to be a standard template, and do not contain any reference to the seven principles of public life (the ‘Nolan’ Principles).

Mr Greensill's appointment was then extended for a year until 31 March 2013, but he did not receive an updated appointment letter until 26th November, some eight months into the 12 month term. There is no explanation why the re-appointment took so long to formalise. There is no evidence of ministerial approval for this extension.

**Mr Greensill’s subsequent appointment as a Crown Representative**

In addition to his advisory appointment, Mr Greensill was appointed as a Crown Representative (CR) from 2013 to 2016. Mr Greensill was appointed as a Crown Representative specifically for supply chain finance. He was not designated any supplier relationships to manage.

Mr Greensill was therefore appointed as a Crown Representative at an early stage in the Programme, before the 2015 internal audit report led to a tightening of controls around recruitment, conflicts of interest, and performance management.

Bill Crothers emailed Lord Heywood on 6 September 2013 informing him that he had discussed the proposed appointment with Mr Greensill “a few weeks ago” and that MCO had cleared it “yesterday” (5th September).

At interview, Mr Crothers suggested that Mr Greensill’s appointment as Crown Representative had been at the suggestion of Lord Heywood and that Ms Gray, who was concerned about Mr Greensill’s lack of formal status, viewed this as the most appropriate option. I have been unable to corroborate Mr Crothers’ suggestion here with contemporaneous evidence, and again, given that Lord Heywood is deceased, form no judgment on whether it was Lord Heywood’s suggestion which led to this appointment. Irrespective of the source of the idea, Mr Crothers should have considered whether there was a conflict of interest appointing Mr Greensill to this role.

The letter of appointment, signed by Bill Crothers and dated 13 December 2013, states that the appointment began on 1 December 2013. Under ‘contractual arrangements’ the letter simply states that “This engagement will be in line with your existing terms and conditions with the Cabinet Office”.

Mr Greensill’s existing terms and conditions did not include the £500/day remuneration that he would have been able to claim as a Crown Representative, and he did not at any stage...
receive that payment. His activities did not change, he took on no new responsibilities, and he did not attend Crown Representative Board meetings or contribute to the wider work of the Crown Representative Programme.

An announcement was made on 4 March 2014 on gov.uk about Mr Greensill’s role as a Crown Representative grouped in with five other new Crown Representatives. The names and responsibilities of Crown Representatives are routinely updated on gov.uk.

This appointment overlapped with the final year in which Mr Greensill’s letter of appointment as a ‘Supply Chain Finance Adviser’ was extended. The announcement on gov.uk described Mr Greensill as Chief Executive of Greensill Capital, a Trustee of the Monteverdi Choir and Orchestra, and as a former employee of Citibank: it made no mention of his existing advisory role in the Cabinet Office.

**Mr Greensill’s access to the centre of government, including 10 Downing Street**

Mr Greensill did not have a Cabinet Office pass or laptop during his first three months, when he was placed in ERG.

In June 2012, on his appointment into EDS, Mr Greensill exchanged emails with officials requesting “a few further administrative items” including a Cabinet Office laptop and Blackberry, Cabinet Office business cards, and access to Number 10 (a ‘link pass’). The Number 10 pass required an appropriate security clearance.

As Mr Greensill did not yet have security clearance the IT matters were approved on the basis of a waiver by the Departmental Security Officer, although there is no record of the reasons why the waiver was granted. In June 2012 Mr Greensill sent an email to Lord Heywood saying “I wanted to let you know that I am now ‘officially’ part of the team. Clare and her very efficient staff have arranged my access pass, desk and a computer.”

This approach does not appear to have been standard practice. A few months later Lord Heywood also brought in Sean Hanafin, a former colleague of Mr Greensill’s from Citibank, as an ‘Adviser on Supply Chain Finance’. Mr Hanafin was refused both a laptop and a Number 10 pass until his security clearance came through. Mr Hanafin objected, citing Mr Greensill and Mr Fingleton as examples of people in similar situations who had not had to wait for their access.

In an email on 23 October 2012 Sue Gray said of Mr Hanafin “he will get his pass and IT when his clearance has come through. Until then he shouldn’t be working for C[abinet] O[ffice]”, adding “John Fingleton was in a very different position as he had been a civil servant for many years. Don’t know what business case was made for Lex but that is in any event all done now (and I still don’t understand the case for Lex having a link door [Number 10] pass).”

The policy relating to security waivers at this time in 2012 is not entirely clear, and Mr Greensill’s case would indicate that it may not have been strictly adhered to. I understand, however, that amendments made to this process in recent years would preclude the application of a waiver to Mr Greensill, as a non-civil servant with no extant clearance, if the same request was made now.
Mr Greensill was given Security Clearance on 18 Dec 2012, more than a year after he first started attending central government meetings as an ‘Adviser on Supply Chain Finance’.

In December 2012, Lex Greensill sent an email to Paul Kirby of the No10 Policy Unit, copied below:

“Further to our discussion last Wednesday afternoon, I wanted to confirm the status quo, how we are moving forward on the supply chain finance agenda per the PM’s direction and my requested support:

Status Quo and PM’s supply chain finance agenda

Jeremy Heywood arranged a desk for me in the Economic & Domestic Secretariat during the planning and pre-announcement phase of what ultimately became the PM’s supply chain finance roundtable and announcements on 23 October. Subsequent to that event, the PM has asked me to:

Monitor and report to him on the adoption of supply chain finance by UK corporates (most particularly the 40 CEOs who gave commitments to execute supply chain finance to the PM at the Roundtable);

Work with the CEOs of leading UK companies (particularly in aerospace/defence, automotive and civil construction) to drive the adoption of supply chain finance by Tier 1 & 2 companies - including ensuring non-bank finance to ensure that credit is available to non-investment grade companies looking to offer supply chain finance to their supply chains (which may potentially include support from the Business Bank);

Lead the adoption of supply chain finance across HMG with a view to securing annual savings of £1bn per annum (the programme the PM announced for Pharmacists will save us £100mm p.a. alone).

Delivering on the PM’s supply chain finance agenda

In order to deliver on this agenda for the PM, I will:

Need to convene meetings from time to time with:

CEO/CFOs of Rolls Royce, JLR, General Dynamics, Carillion and other major UK corporates to lead the UK corporate adoption of supply chain finance;

Fund managers at Prudential, Standard Life etc., to ensure non-bank capital is available to UK supply chains;

The heads of the CBI, FSB, BBA and Bank of England to coordinate their support for this agenda; and

The CEOs of major suppliers to all parts of HMG in order to unlock significant savings in our external spend via supply chain finance (much as we have done with Pharmacists and are about to do with Telereal Trillium, the landlord to the DWP).
(I anticipate that this will mean that I would want to use a meeting room at Number 10, say, twice a week. As discussed, where appropriate I will: continue to use Cabinet Office meeting room facilities.)

Continue to use my desk in 70 Whitehall;

Need a Number 10: front door pass;

email address; and business cards.

Finally, I confirm that I am happy to continue to provide these services on an indefinite basis per my current arrangements – for which I receive no compensation nor reimbursement for my expenses.

I hope this provides the information that you require and look forward to your confirmation that these arrangements are in order.”

It should be noted that the claim that the pharmacy supply chain finance arrangement would save government £100m a year against the original scheme is not substantiated. However, Mr Greensill contends that the introduction of the scheme enabled the Department of Health to remove, within a year, a cost of capital subsidy paid to pharmacies until 2011, thus resulting in a direct benefit to government. The scheme, until its amendment in 2020, involved payment to some pharmacies about 25 days earlier than would otherwise have occurred, of an amount which averaged c£80m. This occurred 12 times a year. Moreover, this is a saving to the pharmacies, although there was discussion on clawing back other financial benefits that pharmacies received that could have saved the government money but do not eventually appear to have occurred. Any saving there might have been would have been greater had government, with its lower cost of funds, provided the early payments rather than using a financing intermediary.

Mr Greensill has responded to this challenge from me by stating that government was able to eliminate the working capital subsidy to pharmacies of 10% as a result of introducing the scheme. However, there is no mention of this being a benefit from the scheme in the documents I have reviewed. The NHS BSA, which administers the scheme, does not have any awareness or evidence that the PEPS scheme has led to any renegotiation of the pharmacy reimbursement scheme and hence the delivery of monetary savings for government.

It should also be noted that the email emphasises arrangements for non-bank supply chain finance, which was at an early stage of development in the UK but which was the very business Mr Greensill was seeking to create in Greensill Capital. Even in October 2015 McKinsey stated that the sector was “traditionally dominated by banks but the market has more recently been entered by fintechs” and estimated that fintechs had only some 10 to 15% of the market.

Paul Kirby did not respond to this email despite several chasers, and Mr Greensill eventually forwarded to Lord Heywood, who contacted Chris Martin, the Prime Minister’s Principal Private Secretary to say:

“C – is there a problem with this?”
Lex is giving huge amounts of his personal time to HMG and needs occasional use of No 10 to host senior business people

Let’s discuss tonight if u have reservations"

Mr Martin replied to confirm he was unaware of the request, stating "Happy to. (PM is vaguely aware of lex isn't he?)". Unfortunately more detail of this exchange is not possible as both Lord Heywood and Chris Martin are deceased.

Mr Greensill finally acquired a Number 10 pass in December 2012.

Mr Greensill held the Cabinet Office pass and laptop through to his termination as a Crown Representative (discussed further below) in late 2016. The pass and laptop were not retrieved when his employment with the Cabinet Office ended and remained in his possession until May 2021 when he voluntarily returned them.

In March 2014, Number 10 became aware that Mr Greensill’s promotion material stated he was a ‘Policy Adviser in the PM’s office’. His email signature from Number 10 also included the title ‘Senior Adviser, Prime Minister’s office’. An email chain indicates that an official was asked to require Mr Greensill to correct this although Mr Greensill has told me he has no recollection of being asked to do so.

From the evidence I have seen and heard, Mr Cameron had no responsibility for bringing Mr Greensill into government, and his promotion of supply chain finance at a roundtable of the government’s key suppliers was understandable in light of the briefing he received, as was his ‘shout out’ for Mr Greensill at a conference he attended as Prime Minister.

**The process applied to the management of conflicts in relation to Mr Greensill’s appointment**

On 8 November 2011 Lex Greensill declared his interests by email. He confirmed he did not hold any directorships in the UK (public or private), and no public directorships anywhere else in the world. He declared directorship of a number of private companies in Australia. He also confirmed at this time that his contract with CitiBank was terminated in August 2011, and he no longer held shares in the Bank. The email also listed shareholdings in Morgan Stanley dating from his employment there.

In this declaration, Mr Greensill stated that:

“I can confirm that Morgan Stanley does not engage in the provision of “supply chain finance” – which is the subject matter upon which it is contemplated that I will provide advice to the Cabinet Office. Should that situation change, then I would be happy to either (a) recuse myself from any decision making process that may involve Morgan Stanley or (b) request Morgan Stanley to cancel my right to those unvested shares and stock units.”

In listing his directorships, Mr Greensill stated:

“I am a director of a number of private companies in Australia, all of which related to my family agricultural businesses. (None of these entities trade in the United Kingdom.)”
Mr Greensill’s initial letter of appointment includes a standard section on conflicts of interest, reading:

“You must declare any personal or business interests which may, or may be perceived to, influence your judgements in performing your functions.

These interests will be included in a register of interests maintained by the Cabinet Office and you must ensure that your entries are kept up to date.

Should a particular matter give rise to a conflict of interest a member is required to inform the Executive Director for Strategy in advance and withdraw from discussions or consideration of such matter.

You must declare your own non-pecuniary interests and interests of close family members and persons living in the same household which are closely related to your terms of reference.

You must inform the Minister for Cabinet Office and the Executive Director for Strategy in advance of any new appointments which may impinge on your duties.”

Mr Greensill’s subsequent letters of appointment follow a different, non-standard format. In an email from his second appointment letter onwards, his terms of appointment contain an unusual provision under the ‘conflicts of interest’ section, as follows:

“For the duration of your appointment you have agreed not to be involved in a private capacity with any company (in the capacity of a “Buyer” in a supply chain finance Programme) which you are dealing with as a result of your official duties – this does not apply to any bank, insurance company, pension fund, hedge fund or similar financial institution on the basis that they are not beneficiaries of this initiative.’

Mr Greensill confirmed that he provided the drafting for this paragraph. This text is not only non-standard for a letter of appointment drawn up in the Civil Service, it is also unclear. The term “Buyer” in this context is ambiguous. It could mean that Mr Greensill is prevented from being involved in a private capacity with any company that buys goods or services to which an invoice subject to supply chain finance relates, or it could mean any company that buys the invoice (that is, the financial institution in the supply chain finance arrangement). If the former then there would be no reason to add an exclusion for banks and other finance providers, as they would not be likely to fall into that category. If the latter then excluding all finance providers entirely removes any situation in which this could possibly apply.

It is also noteworthy that this exclusion claims that banks, insurance companies, pension funds, hedge funds and similar financial institutions would not be beneficiaries from an initiative to expand supply chain finance. It could be argued that the entity providing supply chain finance is not the sole beneficiary of the arrangement, but it strains credulity to claim that the finance provider is not benefiting, and therefore being a beneficiary, since it would expect to profit from the discount it charges for early payment of the invoices.

Greensill Capital Management Company (UK) Limited was incorporated on 19 April 2012, shortly after the three month period covered by Mr Greensill’s initial contract came to an end. Greensill Capital (UK) Limited was incorporated in the UK on 2 July 2012 as a provider of supply chain finance. Mr Greensill developed Greensill Capital as a non-bank supplier of
supply chain finance in the UK, serving a market that his actions in the public sector sought to develop.

It is not clear when officials first knew that Mr Greensill had set up his own company with the intention of providing supply chain finance.

The first declaration I have seen is from 12 September 2012 when Mr Greensill emailed Ms Gray flagging his updated declaration of interests copied below.

“The activities of none of my external interests conflicts with the advisory role that I have in EDS.

The two new companies I wished to add to the disclosure of interests list are the following:

* Greensill Capital (UK) Limited; and
* Greensill Capital Management Company (UK) Limited

My primary liaison is with Jeremy Heywood, but also with Clare Sumner and Geoff Baldwin in EDS. I do not have a contract.”

In a follow up email on the same day Mr Greensill added further details:

These companies are both UK private limited companies. I am a director of both, but not a shareholder. The sole shareholder of both companies is Greensill Capital Pty Limited, an Australian company that was listed in my disclosure email to you in November last year. Neither of these companies are active in the UK, they both provide services to their parent company in Australia (Greensill Capital Pty Limited) associated with the fact that I am resident in the UK and not in Australia.

Mr Greensill did not explicitly describe his UK registered supply chain finance business as related to an Australian agricultural business but officials could be forgiven for understanding that to be the case. In particular, it is understandable that in light of the statement that neither of the companies were active in the UK, no further examination was undertaken. I have not been able to find any evidence that Mr Greensill made full disclosure of his potential conflict of interest to government.

Greensill Capital grew whilst Mr Greensill worked in the Cabinet Office albeit at a slow pace. For the year ended 31st December 2015 Greensill Capital had revenue of $21.8m and a loss of $5.6m. Its accumulated losses at that stage were $13.5m. The following year revenue had risen to $42m but expenses had climbed to $99.5m including a loan loss of $38.8m giving a total loss of $54.4m.

In interview Mr Greensill explained that the losses were on trade receivables and were covered by credit insurance. However, Mr Greensill said that the insurers made it clear to him that if he claimed on the insurance the insurers would not renew the policy. He therefore decided not to make a claim but to absorb the loss. It is noteworthy that at the Treasury Select Committee Mr Greensill said that the failure of Greensill Capital was ultimately due to the failure of the insurers to renew the credit insurance. When challenged on why Mr Greensill expected the insurers to renew following claims when they had threatened not to renew if he claimed on a previous occasion, Mr Greensill said that there was no reason to
expect the insurers to withdraw, despite his earlier experience, because the business was on a much larger scale. By the end of 2017 the business had recovered with revenue of $116m and profits of $32m.

In terms of direct benefits from Mr Greensill's role in government, in April 2016 Mr Greensill emailed to Lord Heywood that Greensill Capital had reached an agreement with Carillion to provide supply chain finance (although Mr Greensill told me that ultimately Greensill Capital never did provide supply chain finance to Carillion) and sought confirmation that this was acceptable. Mr Greensill said that this was similar to an arrangement some 12 months earlier with Vodafone. Lord Heywood passed the request to the Cabinet Office Permanent Secretary and Head of Propriety and Ethics indicating he was comfortable with the arrangement by saying "Assume this is all ok". Mr Greensill had explained he would recuse himself from any Crown Representative work related to Carillion. The process for clearing the conflicts appears in this case to be lacking structure.
The citation process for the award of Mr Greensill's CBE

The honours nomination process

The honours system recognises the achievements of extraordinary people who have made a significant contribution to society. Lists of honours are published twice annually, at New Year and in June on the date of the Queen’s official birthday.

Nominations for an honour are entirely open and can be made by any member of the public through gov.uk. Members of the public can also directly email the Honours and Appointments Secretariat in the Cabinet Office. Information about the range of honours that can be awarded is also widely shared to support the openness of the nomination process.

Alongside public nominations, Government Departments bring forward nominations for those who have made contributions across their sectors. This can include nominations for civil servants. Nominations arising from within the Civil Service are subject to the same process of review and verification as those submitted by the general public.

The Honours and Appointments Secretariat coordinates the system but, to ensure transparency, nominations are scrutinised by ten independent committees made up of independent experts, supported by relevant senior civil servants. The membership of each committee is listed on gov.uk.11

Every nomination begins with a nomination form, setting out the nominee’s personal details and the reasons why they should receive an award. Members of the public are invited to obtain and submit letters in support of the nomination from people who are familiar with the nominee and their contribution. Nomination forms are used by the Secretariat or relevant Government Department to produce long citations for each nominee.

When a nomination is made directly by a Government Department, relevant policy officials typically identify relevant supporting information, undertake initial due diligence and produce a citation.

Proposed nominations are discussed at a departmental ‘sifting’ committee before being submitted to the central Honours and Appointments Secretariat. Once submitted all nominations are subject to the same scrutiny, including being reviewed by the appropriate independent Honours committee. Recommendations from the committees are then reviewed by the Main Honours Committee and further probity checks are carried out before a draft list is submitted for approval by the Prime Minister and Her Majesty the Queen. A further stage of review, including contacting potential recipients for their views, takes place before the list is finalised.

There is guidance available in the form of a handbook for Honours Secretaries which sets out best practice for the process.

The UK honours scheme (excluding gallantry awards) has at its apex the award of Companion of Honour, then a level lower, a knight or dame. This latter is awarded for "having a major contribution in any activity, usually at national level. Other people working in

11 https://www.gov.uk/guidance/honours-committees
the nominee’s area will see their contribution as inspirational and significant, requiring commitment over a long period of time.”

A CBE, or Commander of the Order of the British Empire, “is awarded for having a prominent but lesser role at national level, or a leading role at regional level. You can also get one for a distinguished, innovative contribution to any area.”

The award of Officer of the Order of the British Empire, OBE, “is awarded for having a major local role in any activity, including people whose work has made them known nationally in their chosen role.”

The first reference to an Honour for Mr Greensil I have seen came at the end of 2015, by which time Greensill Capital had a turnover of $21.8m and made a loss of $5.6m. Apart from the pharmacy scheme proposed by and awarded to Citibank, the government had adopted no supply chain finance schemes.

September 2015

On 30 September 2015 Rachel Hopcroft, Principal Private Secretary to Lord Heywood, emailed Bill Crothers: “Jeremy is really keen to have Lex nominated for a CBE. Please could you prepare a citation for him (J will endorse/help write too). More than happy to work with you on it - but if you could get the ball rolling that’d be super.”

The Cabinet Secretary has an important role in identifying suitable candidates for honours, given their overview across the operation of the Government and a wide range of sectors; and in oversight of the honours system, recognising that they are usually also the Head of the Civil Service, which brings specific responsibilities in the honours system (usually delegated to a senior Permanent Secretary).

Ms Hopcroft recalls that Lord Heywood often recommended people for consideration within the system, some for a short sharp burst of outstanding contribution and others for a long burn of career success that culminated in an honour. She remembers a belief at the time that Mr Greensill had done outstanding work for the government on supply chain finance, that he had delivered significant savings for the government, and that his work had been unremunerated.

The initial proposal related to the 2016 New Year Honours list. Mr Crothers initially said “happy to do so”, but another official copied into the chain confirmed that the deadline for nominations had already passed. When asked whether there was an urgent reason to expedite the citation, Ms Hopcroft replied “there is no terminal illness, just an oversight here for not suggesting him sooner. So Birthday 2016 would be OK. But it would still be good to get the citation in train”.

December 2015

According to Ms Hopcroft, at this time there had been discussions in the Cabinet Office about how to include “a more diverse pool of business candidates” in the Honours process, part of which could include names drawn from the pool of Government Non Executive Board Members and Crown Representatives. In December 2015 Sir John Manzoni passed this suggestion on to a small group of people who had worked with the potential candidates,
including Bill Crothers, for consideration for the 2016 Birthday Honours list. Mr Crothers, who had recently left the Civil Service, replied “I know that Jeremy is very keen to nominate Lex for his work both as a CR and before. I do not think that I can nominate given my current position.” This reticence on Mr Crothers part was due to his work for Greensill Capital which had begun by this point.

April 2016

Lord Heywood’s office again contacted the Cabinet Office honours secretary in April 2016 to ask for an update on Mr Greensill’s nomination, who replied, “I have a call out to someone in the Crown Commercial Service who was the last person that we have down taking it forward. As soon as I hear back, I will let you know. We can certainly finalise it to put forward for NY17.”

The role leading the Crown Representative Programme had passed to Coleen Andrews by this point (Head of Markets and Suppliers in the Government Commercial Function). Ms Andrews has confirmed that she was asked to draft citations to nominate several people for honours, including Lex Greensill. Ms Andrews and her team refused to write a recommendation on Mr Greensill as they did not believe they had the evidence to substantiate a citation. Ms Andrews and Mr Greensill himself both confirmed that he did not work closely with the team in his Crown Representative role.

May 2016

In May 2016, Lord Heywood’s office again requested a form be submitted for the 2017 New Years Honours list for Mr Greensill. Ms Andrews and her team again refused, and Ms Andrews shared her concerns about the request with Sue Gray. Ms Gray suggested that Ms Andrews should explain to Lord Heywood why she and her team would not write the citation. A member of Ms Andrews team emailed the Honours secretary, explaining “Unfortunately we will not be drafting [a citation] for Lex Greensill. I and my colleagues also have not had any contact with him since I started work Cabinet Office since 2014.” This was forwarded to Lord Heywood’s office which then made enquiries as to whether anyone else was in a position to draft a citation for Mr Greensill. In the event, no nomination for Mr Greensill was submitted at that time. It is not clear whether Lord Heywood himself was aware of the team’s refusal to draft this citation, or whether this was an administrative process dealt with by his office. It does seem clear, however, that the officials working on the Crown Representative Programme were uncomfortable with the principle of nominating Mr Greensill in that role rather than simply not wanting to be burdened with a cross-cutting nomination.

On 16 December 2016 Lord Heywood raised the question personally, copying Sir John Manzoni’s office into an email to say “I am keen that Lex Greensill gets some recognition - probably at O or CBE level. He has made a major contribution pro bono to saving money for HMG as well as being a highly innovative insurgent in the banking market”.

The following day Sir John forwarded the email to Ms Gray with the comment “we may have to go with this now. .... can be a low level.” Ms Gray responded “grrr… but ok - let’s chat next week”.

December 2016
On 22 December, in the absence of any input from the Crown Representative team, a first draft of a citation template was produced for Lord Heywood’s office by the Cabinet Office honours secretary, who emailed to say “I have just googled and have put what I have found into the attached citation form - let me know if I can help in any way”. I have not seen this version of the citation.

On 9 January 2017 the then Principal Private Secretary to Lord Heywood responded, sharing what he described as “a fleshed out nomination for Lex”.

**February 2017**

On 3 February a citation was forwarded as part of a Cabinet Office-sponsored nomination for Mr Greensill to receive an OBE. The email highlighted that this was one of the nominations that had “Jeremy’s strong backing”.

I have seen the version of the citation which was submitted, but no earlier drafts. Based on the knowledge we have now, some of the points were inaccurate. These include:

- “[Mr Greensill] was appointed a senior adviser to the UK PM where he advised Downing Street and the White House on the successful launch of their supplier finance initiative.”

  The suggestion that Mr Greensill directly advised the Prime Minister was later contested and Mr Greensill was required to remove the claim from his website. Mr Greensill confirmed to me that he did work with the White House’s economic unit to develop supply chain finance in the US after they had contacted Number 10 following the Prime Minister’s roundtable although I have not independently verified the accuracy of the claim.

- “Over 3,000 pharmacies (mostly SMEs) avail themselves of [the pharmacy supply chain finance scheme], resulting in over £3bn of early payments being released each year. As a consequence, a subsidy to pharmacies has been removed which is saving ~£100m p.a.”

  In an email dated 8 February 2015 Mr Greensill told Lord Heywood “Approximately 1,700 pharmacies (of the total of 4,500 client base) are signed up and actively using PEPS. However, 1,600 of these are subsidiaries of just 13 different parent companies. There are only 171 independent or small pharmacy groups on board.”

  At this time the scheme saw payments made c 25 days early of around £80m every month. NHS BSA does not have any awareness or evidence that the PEPS scheme has led to any renegotiation of the pharmacy reimbursement scheme and hence the delivery of monetary savings for HMT.

- “He made a real impact on the UK economy and saved the taxpayer money especially in the Health and Defence areas.”

  It is not clear that Mr Greensill’s involvement in Health led to any savings of taxpayer money and certainly not such that he had a ‘real impact’ on the UK economy. In Defence his proposed supply chain finance schemes were never adopted and no savings were achieved. There was therefore no impact on the UK economy.
Lord Heywood is the only name which appears on the citation as recommending Mr Greensill for this honour, and therefore being responsible for its contents, although it is not clear if Lord Heywood was aware of the statements contained in the citation.

Lord Heywood’s office was in ongoing contact with the Honours and Appointments Secretariat over several nominations at this time, which I understand was normal practice. On 15 February, among comments and suggestions relating to various nominations, Lord Heywood’s office asked whether Mr Greensill’s nomination was “on the economy list”, that is, being considered by the Economy Committee.

On 16 February an official from the Secretariat replied “Lex Greensill - we do have a submission for the Economy Committee at OBE. An early steer on level would be particularly helpful if the feeling is this might be pitched a bit low.”

On 20 February Lord Heywood’s office replied “On Lex Greensill, Jeremy continues to support and recommends that he should be nominated for a CBE rather than an OBE. He’s asked me to pass on the attached Economist article as further evidence for the citation.”

Discussions around the appropriate level for an honour are common as part of the routine process of departmental consideration of citations, taking place both between individuals and in committee meetings. In this instance the official thanked Lord Heywood’s office for “a very helpful early steer” and confirmed that they would “look to strengthen the citation for Lex Greensill”.

The request was passed across to another official who agreed to look at the citation but also, on 21 February, forwarded the email chain to Ms Gray, adding that they had been asked to rework Mr Greensill’s citation for a CBE, and that “you will recall that at our committee we agreed an Obe........"

Ms Gray replied “yes - i’ve told [an official in the Honours and Appointments Secretariat] that Lex must remain an OBE and while we can put him forward for a CBE it will be outrageous if he gets one”. It is not clear whether there were any further discussions following this exchange.

The Economy Committee met on 9 March 2017 and unanimously supported Mr Greensill for a CBE. The Main Honours Committee met on 29 March and recommended Mr Greensill for a CBE, noting his selection by the Economy Committee.

Mr Greensill was awarded a CBE in Her Majesty’s birthday honours list in 2017.
Mr Greensill’s departure from government

The final extension of Mr Greensill’s role as a ‘Supply Chain Finance Adviser’ ended on 31 March 2015. His appointment as a Crown Representative, as set out in his letter of appointment, began on 1 December 2013 for a period of “up to two years”.

I understand from interview accounts that Mr Greensill was not active in his role of Crown Representative. He rarely attended mandatory meetings, and had little to no contacts with Coleen Andrews, the senior official running the programme following Mr Crothers’ departure. When she asked to see him he required her to visit him in the offices of Greensill Capital.

According to the recollections of individuals with oversight of his areas of work, Mr Greensill spent less time on government work as his role went on - reducing from 2-3 days per week in 2012 to 2-3 days per month in 2016.

I have seen no cessation letter relating to Mr Greensill’s appointment as a Crown Representative. However, a CCS HR status update from late 2016 includes a comment confirming that his appointment would end on 30 November 2016.
SECTION 2:
THE DEVELOPMENT AND USE OF SUPPLY CHAIN FINANCE (AND ASSOCIATED SCHEMES) IN GOVERNMENT (AND ITS ARM'S LENGTH BODIES)

This section of the report sets out:

- the different types of supply chain finance relevant to Greensill Capital’s role in government;
- the activities of Greensill Capital in relation to supply chain finance in central government and the NHS;
- Greensill Capital’s explanation of the role of supply chain finance in central government; and
- the merits of Supply Chain Financing and its applicability in government and the public sector.
The different types of supply chain finance relevant to Greensill Capital’s role in government.

The financial terms related to supply chain finance (SCF)

In October 2015, McKinsey said that although supply chain financing has been around since the early 1990s, it did not really take off until after the economic crisis. A number of economic, technological and regulatory forces had spurred its growth and they gave three reasons for its development: globalisation of the economy and the consequent lengthening of supply chains; scarcity and cost of capital; and improving technology.

Greensill Capital was a non-bank supplier of supply chain financing and this activity was not regulated in the UK. They were regulated by the FCA as an organisation for anti-money laundering purposes and for their securitisation activity. Greensill Capital acquired ownership of a bank in Germany during this period. Its bank was regulated by BaFin and the deposits of Greensill Bank AG’s customers are protected under the German Deposit Guarantee Act (Einlagensicherungsgesetz - EinSiG). The Greensill model was to acquire invoices or future invoices, take out credit insurance against non-payment and transfer the invoices and associated credit insurance to funds managed by third parties, who are the investors, or to its bank.

In 2016, the Global Supply Chain Finance Forum defined supply chain finance as “the use of financing and risk mitigation practices and techniques to optimise the management of working capital and liquidity invested in supply chain processes and transactions. Visibility of underlying trade flows by the finance provider(s) is a necessary component of such financing arrangements which can be enabled by a technology platform”\(^\text{12}\).

Greensill Capital’s model was explained by Mr Greensill in these terms: “The structure is the same whether it is a seven day deal receivable or a 12 year aeroplane lease cash flow or indeed a payment 25 years into the future for hydroelectric power. It uses a combination of capital plus risk mitigants - principally insurance - to deliver to our investors a product that allows us to unlock working capital for our client so they can put it to work.”\(^\text{13}\)

Reverse factoring arrangements

Reverse factoring is an umbrella term for a range of supply chain financing arrangements. Whilst they have a number of key commonalities, the detailed terms and conditions of each arrangement and the motivations of the parties involved can differ greatly. Such differences can result in different accounting treatments when best presenting the substance and nature of the transactions.

In essence, all such arrangements are intended to result in suppliers receiving cash for the goods and services they have supplied on an earlier date than the customer pays that cash - the timing difference is bridged by a financial institution, usually a bank.

In some cases, the bank pays the supplier in full and is then reimbursed by the customer. In other cases the customer pays the supplier, who then reimburses the bank for its earlier prepayment of the obligation.

\(^\text{12}\) Source: Global Supply Chain Finance Forum, October 2016, online http://supplychainfinanceforum.org
\(^\text{13}\) Source: Mr Greensill quote, online https://www.greensill.com
In some situations, the objective is to pay the supplier earlier than the due date, especially where the supplier offers an early payment discount in its usual terms. The supplier receives its cash earlier, albeit after the discount it has offered, whilst the customer is able to settle with the bank on the due date. The benefit of the early payment discount will then fall to the bank or be shared between the bank and the customer. The customer can, in some cases, be doing little more than assisting the supplier in raising working capital finance.

In other situations, the objective is to effectively extend the customer’s credit terms without any deterioration in the supplier’s cash flows - the supplier is paid on the due date, but the bank provides a period of extended credit to the customer for a fee and/or interest charges. In such cases, the economic substance is far more akin to a bank loan.

What is clear in all situations is that the customer continues to present a liability in its balance sheet until it ultimately pays cash out to settle for the goods and services it has received. What is at issue is whether this liability that originally arises on the supply of goods and services is appropriately shown as owed to the supplier (as trade payables) or some other party (e.g. as some form of borrowing from a bank).

Similarly, if there is only one cash outflow from the customer (e.g. to the bank which has paid the supplier) there is a question as to whether this is best presented in the cash flow statement as operational cash flow (i.e. to pay for goods and services) or cash flow to settle a debt financing arrangement. The answer to these questions requires the application of professional judgement in the light of the extant accounting standards14. I believe that accounting standards could be adjusted better to reflect the economic realities of the transactions.

**Purchasing of approved receivable invoices**

Invoices are subject to regulation in the UK and must include the company name, address and contact information, the company name and address of the customer being invoiced, a clear description of what goods or services are being invoiced, the date the goods or service were provided (supply date) the date of the invoice15.

At the end of 2011, the government commissioned an independent taskforce chaired by Tim Breedon on non-bank lending to examine a range of alternative and sustainable finance sources that might be suitable for SMEs. Vince Cable, then Secretary of State for the Department for Business Innovation and Skills explained the problem - “Most UK businesses, especially SMEs, have traditionally been reliant on banks to meet many of their financing needs. We find ourselves now in a period of deleveraging and credit restriction, where businesses are frustrated by lack of access to capital of all kinds. Britain’s recovery will depend on companies being able to access the finance to invest and grow.” The independent taskforce reported in March 2012. The report explains:

“The UK has one of the most sophisticated global finance centres but UK finance does not fully serve the needs of smaller businesses. UK businesses that use external finance are currently heavily reliant on bank lending and, as we saw during

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15 Source: Invoicing and taking payment from customers, online [https://www.gov.uk/invoicing-and-taking-payment-from-customers/invoices-what-they-must-include](https://www.gov.uk/invoicing-and-taking-payment-from-customers/invoices-what-they-must-include)
the financial crisis, there is a significant risk associated with reliance on one single source of finance.” It goes on to explain “The arguments for alternative sources of finance are strong. More diverse financing gives businesses greater choice, promotes competition amongst finance providers, potentially reducing cost, and leads to greater resilience in the financial system.”

Against this background, Lord Heywood’s initial interest in supply chain finance in the private (as opposed to government) sector is understandable.

On publication in March 2012 the Breedon report, indicated that working capital for SMEs was especially constrained following the global financial crisis and that “SMEs were more likely to be rejected for bank lending in 2008-09 than earlier in the decade.” The report highlighted evidence “which shows that the UK had one of the highest SME loan rejection rates in the European area, and that the decrease in the supply of loans to SMEs in the UK has been much sharper than elsewhere.”

In its recommendations the Breedon Report stated that government should “require that benefits to large companies of its prompt payments are passed on to their suppliers; favourable payment terms should be withdrawn if those agreements are not met” and explore “practical ways to encourage faster payments by large companies”.

It also recommended that government “should explore how it can use its power as the biggest purchaser in the UK to encourage its own suppliers to adopt supply chain finance or similar schemes to support their suppliers.” The report goes on to note “The most significant barrier to increased use of supply chain finance products is suspicion that the buyer is merely using it as a method of extending its payment terms.” The same concern was noted by the Efficiency and Reform Group when they looked at supply chain finance.

All other things being equal, the cost of finance closely correlates to the credit rating of the borrower. In a supply chain, therefore, the total cost to the supply chain of its working capital requirement is minimised if the borrower providing the working capital is the entity in the supply chain with the highest credit rating. It is then a matter of negotiation between the parties in the supply chain how that benefit is allocated. Central government is invariably the entity with the lowest cost of borrowing in any supply chain. Inserting a bank in the supply chain when that bank will have a higher cost of borrowing is unlikely to be appropriate. This does not apply in the private sector where supply chain finance may well provide benefits.

**Purchasing of future invoices**

An invoice is normally sent to a buyer when payment is due under the contract. Sometimes this may be prior to delivery of the service or goods, but the invoice nonetheless represents a contractually payable sum. The buyer, in confirming the validity of its obligation to pay the invoice, is not therefore exposing themselves to an obligation which they do not already have. Most supply chain finance funds invoices of this nature. However, supply chain finance can also be applied to future invoices. In this case, two companies may have entered into a contract under which invoices will be issued in the future, for example at set dates (e.g. to pay rent on a leasehold building) or on the achievement of certain milestones (e.g. the development of the next generation of submarines). If the buyer is willing to confirm

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irrevocably that it will pay these amounts, then the supplier can discount these under a supply chain finance facility. The buyer, however, thereby loses significant commercial negotiating power and exposes itself to the credit of the supplier if, for example, the building burns down and rent would no longer be payable, or the submarine programme does not proceed according to contract. Arrangements of this sort also give rise to accounting issues and need careful analysis for the appropriate accounting treatment. There may also be issues for the buyer, if it is government, as to whether the arrangement constitutes state aid.

There is a further development on the purchasing of future invoices. In this case, there may be a consistent course of dealing between two parties but no actual contract. This could arise, for example, if a shop consistently purchased its fabrics from the same supplier over many years but each purchase was made at short notice and there was no overarching contract. In this case the shop could give an irrevocable payment undertaking to a supply chain financier that it would, over the next 12 months, buy materials from that supplier of a certain value. The supply chain financier could use that commitment as the credit backing for an advance to the fabric manufacturer. This carries the same risks as outlined above but to an even greater degree.

**Dynamic Discounting**

Dynamic Discounting is a form of Receivables Purchase, flexibly applied, in which sellers of goods and services sell individual or multiple receivables (represented by outstanding invoices) to a finance provider at a discount.

Receivables Discounting is usually offered by finance providers to larger corporate clients selling to multiple buyers. The buyer coverage will depend on the number of buyers for which the finance provider is willing to take credit risk.

Dynamic discounting can also be buyer funded, as is the case in the dynamic discounting framework agreement provided by Taulia (Greensill Capital’s partner in the pharmacy scheme) for the benefit of local government. This forms part of the same framework agreement as was used for pharmacy supply chain finance, but unlike the pharmacy scheme local authorities themselves make the early payment. Under this arrangement a supplier to local government which wishes to receive payment before the due date for payment under the contract can elect to do so, and it will receive that early payment subject to a discount on the value of the invoice.

**Project Bank Accounts (PBAs)**

A project bank account is a ring-fenced bank account from which payments are made directly and simultaneously by a bank on behalf of a buyer to members of their supply chain. PBAs have trust status which secures the funds in it and funds can only be paid to the beneficiaries – the supply chain members named in the account.

The account is held in the names of trustees; likely to be the buyer and lead contractor (but could also be members of the supply chain). The advantage of trust status is that in the case of insolvency monies in the account due for payment to the supply chain is secure and can

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17 Source: Global Supply Chain Finance Forum, Standard Definitions for the techniques of Supply Chain Finance, 28 January 2021, online [https://baft.org/scf-definitions](https://baft.org/scf-definitions)
only be paid to them. The further advantage is that payments out of the PBA are made simultaneously to all parties. This has a significant advantage to subcontractors which otherwise have to wait for their buyer to be paid before, generally, they can themselves be paid. It can therefore significantly accelerate the receipt of funds by the supply chain.

On 10 February 2012 government published “Government Construction: Project Bank Accounts- briefing document.” The paper explains its purpose - “Cabinet Office is working with public sector construction procurers in pioneering a new way of paying supply chain members in construction projects through Project Bank Accounts (PBAs). PBAs will see construction SMEs working in government projects receiving payment in five days or less from the due date. Government Construction Board members have committed, over the next three years, to deliver £4bn worth of construction projects using PBAs.”

The document quotes Lord Maude as saying “We are leading the way with this innovative approach to paying smaller suppliers and where better to do so than in an industry where more than 99% of businesses are SMEs. Project Bank Accounts means SMEs will be paid faster, freeing them of the burden of juggling with their cash and allowing them to focus on expanding their businesses instead of chasing payments.”

**Employer Salary Advance Schemes (ESAS)**

The Financial Conduct Authority states on its website that: “ESAS are commonly promoted as an alternative to high cost credit and have a broadly similar economic effect. While most of these schemes do not fall under the FCA’s regulation, as they do not meet the definition of credit under legislation, given the similarities with some credit products” and their use by Greensill Capital’s subsidiary, Earnd, I have included a description of them because they are a product offered by Greensill and which Mr Greensill described in interview as being supply chain financing for the individual.

They continue by stating that the ESAS offer “allows employees to access, usually for a fee, some of their salary before their regular payday. These schemes are a recent development, and are usually administered by specialist scheme operators who promote the scheme to a variety of both public and private sector employers.”

The Financial Conduct Authority has also stated that: “When used in the right way, ESAS can help employees. They can be a convenient way for employees to deal with unforeseen expenses and occasional short-term cash flow.” However the FCA highlighted their concerns that: “They are often promoted as a cheaper alternative to high-cost credit such as payday loans. The FCA does not usually regulate ESAS as an early advance of salary provided by an employer does not involve the provision of credit, but they can raise similar issues.”

ESAS typically works with “specialist scheme operators, which are usually unregulated businesses, often provide the product as part of a ‘wellbeing package’ to help employees with financial management. Some offer employees an app based platform which sits between the employer’s payroll operations and the employee’s bank account. The employee can then draw down usually up to half of their accrued or earned wages before their next pay day. The scheme operators usually charge the employee a fee for each drawdown. The employer will then pay the balance of the salary (i.e. net of the advanced payments and the

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fees for the service) on the next payday. Employees can make multiple drawdowns during each pay cycle and can repeat this again in subsequent periods.”19 The employer reimburses the finance house the amount of the advance on the next salary date.

On 18 December 20 a letter related to early salary payment schemes was issued by Cat Little, Director General Public Spending, Gareth Rhys Williams, Government Chief Commercial Officer and Rupert McNeil, Government Chief People Officer. The contents of the letter are set out below in full.

“We have been made aware that over the last couple of months a number of departments and Arm’s Lengths Bodies have been approached by a finance company offering them access to an early salary payment scheme.

We wanted to take this opportunity to remind departments of the guidance that HMT have published on this subject matter. In particular, the need that if departments do want to introduce a new type of finance arrangement, they will need to get internal sign off by their departmental Accounting Officer before approaching Her Majesty’s Treasury (HMT) for final approval.

Whilst we are really supportive of departments looking at more innovative ways to support their employees, particularly, in this very difficult economic climate, I would ask colleagues to ensure they have fully considered all options already available to them, including utilising fully the salary advances and loan schemes they operate through payroll.

The evidence suggests it is more beneficial for organisations to support individuals becoming more capable and confident in managing their finances before launching these types of products. We highlighted this when we launched the CS Financial Wellbeing Strategy in February 2020 and produced a supporting toolkit (both attached) which provided departments with a ‘road map’ towards developing their own financial wellbeing strategy.”

19 Source: Financial Conduct Authority sets out views on Employer Salary Advance Schemes, 30 July 2020, online
The activities of Greensill Capital in relation to supply chain finance in central government and the NHS

Greensill Capital bundled the invoices and sold them normally to specialist funds managed by third parties operating in the capital markets, unlike banks which would fund their advances to the customer from their usual bank resources. In order to ensure these remained sufficiently creditworthy to be attractive to investors, Greensill Capital took out credit insurance against non-payment of the obligation.

On 11 May 2021 at the Treasury Select Committee inquiry into the ‘Lessons from Greensill Capital’, Mr Greensill ascribed the failure of his business to the failure of the credit insurer to renew the insurance. In our interview Mr Greensill explained that he had losses in 2016 and had been told if he claimed on the credit insurance they would not renew it. They had decided at that time not to call on the insurers but to raise capital from shareholders instead.

The first engagement I have found relevant to this story of the use of supply chain financing was on 15 May 2008 when Mr Greensill was employed by Morgan Stanley. He states in an email to an HMT official that “I spoke with Jeremy Heywood at Number 10 late last week and he asked me to reach out to you with a view to updating you on TReFS, our supply chain finance product that we discussed last year and our progress at the PPD.” and in response the HMT official replies to Mr Greensill [in relation to the Department for Health and Social Care analysis of the financial opportunity] stating that “Their assessment is that the market opportunity is substantially smaller than the MS analysis suggests. They believe it is of the order of £20-30m per year, rather than the +£100m your colleagues estimated. This substantially changes the balance of arguments as to whether this is worth pursuing, given other associated risks and opportunities.”

Maurice Thompson from Citibank approached Francis Maude, Minister for the Cabinet Office (MCO) in late 2010 and again in a letter in April 2011 to highlight opportunities for the use of supply chain finance at the Department for Work and Pensions (DWP) and in the NHS with pharmacies. Citibank was Mr Greensill’s employer at the time where he worked with Mr Thompson who subsequently became Chair of Greensill Capital. Citibank was also one of two banks which were parties to the framework agreement for providing money transmission services to government.

In July 2011, there was a presentation from Citibank and Lex Greensill to Francis Maude, Minister for the Cabinet Office (MCO) and members of the Efficiency and Reform Group (ERG) on the merits of supply chain finance including setting out details of how they could provide supply chain finance at the NHS and in DWP. There was a subsequent version of the same presentation that had been amended and sent to Lord Heywood two weeks later. The original version of the presentation was a very close reflection of the various topics and targets that Mr Greensill subsequently focused on as an unpaid adviser to government.

The presentation appears to have been modified following input from MCO. The main changes from the first to the second presentation were:

- Supply chain finance was initially included as a possible route to helping suppliers to government, instead the later version stated supply chain finance might be used, but only outside government, to help small suppliers in the wider economy.
Three pages of material related to the use of supply chain finance in government at the NHS and DWP were excluded.

Material on the prompt payment of suppliers, project bank accounts and supply chain finance outside of central government appears to have been added into the later version that was sent to Lord Heywood.

The first documented engagement between civil servants from the Cabinet Office and Mr Greensill, when he was employed at Citibank, was an email exchange and subsequent meeting with Lord Heywood, then the Permanent Secretary at Downing Street, in August 2011. Following this meeting Lord Heywood emailed Katharine Davidson from the Efficiency and Reform Group in the Cabinet Office to say that "He [Mr Greensill] is quite keen to sever links with Citigroup and come and work for us as a part time specialist on supply chain finance. I hope we can seriously consider this..." In response Ms Davidson replied to Lord Heywood to say "We are interested in better understanding the economic benefits/profit potential for financial suppliers, as well as how much of this opportunity is created by poor internal cash management and accounts payable performance."

Between 12 and 14 October 2011 there was an email exchange between Francis Maude's office and Katharine Davidson concerning a proposal received from Maurice Thompson of Citibank which says "It [the proposal from Citibank] looks suspiciously like a proposal I have just had from No10." It is unclear and I do not wish to speculate on why Number 10 should be producing as its own document a document which appears to have had common authorship with a document presented by a third party bank.

Lord Heywood convened two meetings at Number 10 in November 2011. The first was a cross government supplier finance meeting to understand “the various forms of supplier finance schemes offered by the market; the scope for implementing supply chain finance in government and what the government’s role might be; the most effective way to take this forward, if attendees agreed that there was sufficient scope for implementing supply chain finance within HM Government” and the second “to discuss how to ensure the benefits of the government’s Prompt Payment Code were being passed down government supply chains.” The notes from the cross government supplier finance meeting held on 24 November 2011 had four solutions outlined; improve payment systems; persuade large suppliers to pay their supply chain promptly; use project bank accounts; and consider supply chain finance. This set out a balanced approach that did not appear to be later reflected in the advice to the Prime Minister.

Actions included that Mr Greensill would work with the Department for Health (DH), as it then was, DWP and relevant departments to examine specific opportunities for applying supply chain finance or project bank accounts. Mr Greensill was in attendance at both meetings as an ‘Adviser on supply chain finance’ although at this stage there had been no steps taken to appoint him to any capacity in government. It was also confirmed in November 2011 that he was no longer at Citibank.

Further internal correspondence between HMT officials on 11 November 2011 regarding three matters discussed with Mr Greensill; the first related to large UK corporates setting up supply chain finance schemes, the second related to the idea that government could increase its payment days to large corporate suppliers and finally the potential to set up a supply chain finance scheme for pharmacies to enable pharmacies to borrow against
their invoices. The view expressed by the HMT official was that “We would have to look into the finer details to take a view on something like this, which could be complex. We might alternatively take the view that DHSC should actually just pay its suppliers quicker(?).”

Subsequent activity in February 2012 resulted in Mr Greensill delivering presentations to Lord Maude (although Mr Greensill later stated that he had not met Lord Maude so it is possible there was no such meeting) and Lord Heywood on the merits of supply chain finance. Mr Greensill sent a number of suggested actions and follow up to Lord Heywood that included proposing the writing of a letter to the CEO’s of the Top 50 suppliers setting out ‘our supply chain finance plan’ and inviting them to an event at Number 10.

A key series of events to highlight in the lead up to the event at Number 10 in October 2012 include an email from Mr Greensill to Lord Heywood on 31 May 2012 where Mr Greensill sets out proposed next steps including a PM briefing note with feedback from Andrew Van Der Lem, Tim Luke, John Gibson, Bill Crothers and Katharine Davidson”. It also states that “this note would be copied to the ERG team, BIS and Treasury.”

On 13 June there was a progress report from Ms Davidson on supply chain finance which was addressed to Lord Heywood and copied to Lord Maude and a range of senior stakeholders including Mr Crothers. Ms Davidson highlighted that the Efficiency and Reform Group had reviewed opportunities for improving prompt payment practice and increasing the use of supply chain finance tools and noted that they had worked closely with Mr Greensill.

It is apparent from this update that Ms Davidson had concerns. The report noted that ERG was changing the way the government engaged suppliers to ensure that prompt payment was raised in key discussions and that positive existing policies were more rigorously implemented. Previously Ms Davidson had noted that “HMT made clear that supply chain finance was not HMT’s first choice method of achieving the policy goals of getting cash into SMEs and reducing purchase prices.”

The update covers meetings with a range of stakeholders and recommends that firm involvement from HMT and the Department for Business, Innovation and Skills (BIS) (2009 - 2016) would be necessary to secure progress of supply chain finance. There is a summary of concerns raised in a meeting with HMT, which included that as an intra-private sector financing tool, the HMT position was that supply chain finance could be a useful product but it was not clear why there was a market failure, why the government needed to promote it or what was needed from HMT.

Ms Davidson further reported that the meeting with HMT and Mr Greensill had agreed “that it has now reached the stage in the policy process where a proper submission needs to be produced for Number 10, Cabinet Office and HMT which will consider the matter in the round and that will set out the basis for any government action.” Mr Greensill does not appear to have voluntarily shared his proposals or papers with HMT from this stage forward. Mr Greensill did not copy Ms Davidson or any of his ERG contacts into his messages to Lord Heywood about next steps.

On 27 June Mr Crothers raised concerns that a memorandum proposing a roundtable on supply chain finance had been submitted to the Prime Minister and that neither he, Ms Davidson, nor their ERG colleagues had an opportunity to comment before it was sent to the Prime Minister. The memorandum for the Prime Minister listed its authors as including Lord
Heywood, Oliver Letwin and Mr Greensill. This memorandum, primarily drafted by Mr Greensill, proposed that the Prime Minister:

- Sponsor a partnership to implement supply chain finance between banks, non-banks and major companies starting with the government’s Top 50 Suppliers, with a view, in the future, to extending supply chain finance even more widely in the UK economy.

- Write to the CEOs of the government’s Top 50 Suppliers informing them of the value that supply chain finance can bring to their company and the UK economy and inviting them to a roundtable at Number 10.

The partnership was a significant change in approach with the addition of non-banks and the proposed focus on and engagement with the largest suppliers to government, as opposed to the commercial to commercial use of supply chain finance outside of government.

If the usual process for clearance had been observed there would have been opportunities for Ms Davidson and ERG to add balance to the memorandum and to make sure that HMT colleagues also had an opportunity to share their concerns. This view would appear to be confirmed by Tom Scholar, Permanent Secretary, HMT in response to being asked at the Public Accounts Committee, Lessons from Greensill Capital: “What is the need for supply chain finance? Why doesn’t the government perform this function itself?” with the reply “The Treasury has always been institutionally sceptical of that kind of proposal, for exactly the reason that you set out.”

Communication was exchanged between key stakeholders to set out a plan to develop a policy with BIS, HMT, the Cabinet Office and Mr Greensill in July 2012 where government acted as a catalyst to encourage businesses to adopt supply chain finance in order to support SMEs to get access to cheaper credit.

Lord Heywood requested HMT and DHSC meet Mr Greensill to discuss the supply chain finance scheme for pharmacies in August 2012. His email on 30 August asked “can you meet Lex asap (ideally tomorrow as planned) so we can nail this pharmacy SCF scheme - which is a brilliant way to inject £1 billion cash flow into the pharmacy sector while saving HMG £100m a year? I cannot understand why we are still playing pass the parcel on this!” Later that day Mr Greensill emailed Lord Heywood to request assistance saying “Given that HMT won’t issue its approval without an express request from DHSC to go ahead with SCF for pharmacists” he then went on to say “Given that Richard approved us going ahead nearly 6 weeks ago, it is staggering to me that we are still in a holding pattern. It would be most helpful if you could weigh in with your thoughts on the email we are sending to Richard.”

The amount of cash injected into the pharmacy sector was, at any one time, about £80m. The saving would have been greater if government had used its own resources to fund the scheme rather than using Mr Greensill’s very recent employer to fund the scheme without tendering and with advice from Mr Greensill. Mr Greensill would later recruit the senior Citibank banker involved to chair Greensill Capital.

It has been confirmed by NHS BSA that the proposal to introduce supply chain finance into the pharmacy payment process was discussed at their Board in July 2012. A formal proposal

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20 Source: Public Accounts Committee, Lessons from Greensill Capital, oral evidence transcripts 22 April 2021, Q35, p12, online https://committees.parliament.uk/oralevidence
was considered by HMT and on 5 October 2012 the Chief Secretary to the Treasury, Danny Alexander, confirmed approval of the Pharmacy Early Payments Scheme (PEPS). It was confirmed that an announcement of the scheme was scheduled to be made by the Prime Minister at the cross government roundtable.

Ahead of the cross government roundtable meeting there was a brief to the Prime Minister from Tim Luke on supply chain finance that referenced Mr Greensill “having designed many of the UK’s existing SCF programmes while with Morgan Stanley and Citibank leading this work with support from Number 10 and BIS.” It explained that the event would “be attended by around 60 of the largest UK companies, with support from the Bank of England, the CBI and the Chambers of Commerce.” This was a change from the original proposition to invite the government’s Top 50 Suppliers which was made to assuage Lord Maude’s concern that the initiative cut across his team’s work encouraging government suppliers to pay promptly.

Ahead of the event there was a supply chain finance pre-brief submitted to the Prime Minister, on 10 October 2012. The paper indicates its purpose is to “update you [the Prime Minister] on progress being made on your Supply Chain Finance (SCF) initiative” and states that “Lex Greensill, who was brought into the Cabinet Office having designed many of the UK’s existing SCF programmes while with Morgan Stanley and Citibank, has done a terrific job leading this work with support from Number 10 and BIS.” The paper then goes on to set out the plan and schedule for the Prime Minister and indicates that “At this event, the government and Dept of Health would announce the launch of a £1 Billion supply chain finance programme which aims to reduce the payment timeline for UK Pharmacies from 90 days to 36 days.” and goes on to suggest that the Prime Minister “could highlight how supply chain finance forms part of your Growth Agenda by supporting SMEs and increasing payment efficiency in the UK economy.”

The Prime Minister hosted the roundtable meeting with leading businesses to discuss supply chain finance on 23 October 2012. It was supported by a press release with the list of companies that agreed to actively evaluate the implementation of, or continue to offer, supply chain finance.

On the day of the event supply chain finance was described in an announcement as “an innovative way for large companies to help their supply chain access credit, improve cashflow and at a much lower cost, and has already been successfully implemented by companies.” and with a quote from the Prime Minister saying “It can be a win-win, with large companies and small suppliers both benefiting from this innovative scheme.”

The largest component of SME financing was working capital funding given that SMEs generally funded their working capital via overdrafts, invoice discounting, factoring or similar products. The products accessed by SMEs were more expensive than their customer’s cost of credit. The economic climate at the time made it relatively more challenging and expensive for SMEs to grow their businesses. The first UK Government supply chain finance scheme for community pharmacies in England was also announced at the event.

In relation to the pharmacy early payment scheme the government announcement said that around “4,500 pharmacy businesses will be able to get access to approximately £800 million

21 Source: Prime Minister’s Office, 10 Downing Street, Prime Minister announces Supply Chain Finance Scheme new story published on gov.uk on 23 October 2012
of credit at a much lower cost than they do now.”

There was a further debrief to the Prime Minister on 8 November 2012 thanking the Prime Minister for his support of the supply chain finance roundtable on 23 October. It stated that “We have been subsequently contacted by over a dozen of the companies who attended to reaffirm how helpful they found us to bringing together those who offer supply chain finance and those who are now working to evaluate and implement it for their UK supply chains.” and set out next steps that “can be extended to drive savings of £500mm-£1bn p.a. in HMG goods and services procurement; and unlock further credit in the wider UK economy (beyond the 40 companies you met).” The paper makes two specific requests of the Prime Minister: “Are you supportive of us actively investigating the areas where we could use supply chain finance to unlock savings across Whitehall?” and “Are you supportive of us using the momentum and goodwill created by your Roundtable to forge supply chain finance programmes available to Tier 1 & 2 suppliers in the UK automotive, defence and civil construction sectors?” further highlighting that “This will have the effect of pushing new credit down to firms (especially SMEs) who are indirect suppliers to the companies who attended your SCF Roundtable.” and then suggests that “Given that we would be leading the creation of these SCF programmes, we could potentially secure a quick win for the Business Bank by having it contribute a modest amount of additional SCF funding (on equivalent terms to the other non-bank investors). We are in early stage discussions with BIS about this and their Officials have indicated that they see real merit in this idea.”

The promotion of the potential use of supply chain finance by Mr Greensill was marketed in government as being applicable to a range of areas including property contracts, defence contracts and pharmaceutical and other medical suppliers. Set out below are the details of the only schemes promoted by Mr Greensill which were actually adopted by government - the Pharmacy Earlier Payment Scheme (PEPS) and its successor prepayment scheme, and an Employer Salary Advance Schemes (ESAS) in the NHS.

Other attempts at providing invoice purchasing and future invoice purchasing schemes in central government to DWP, the Ministry of Defence (MoD) and the Ministry of Justice (MoJ) were reviewed but did not proceed after commercial due diligence for the reasons referenced above.

Proposal to move all government purchasing from five to 30 day payment

Mr Watmore met Mr Greensill in November 2011 to discuss the latter’s interests in supply chain finance and that big businesses supplying the government could be encouraged to offer supply chain finance to benefit smaller secondary suppliers. Mr Greensill proposed that supply chain finance could be used to provide an immediate cash flow benefit to the government by extending payment terms for suppliers from 5 to 30 days.

Following that, it was arranged for Mr Greensill to be invited to a planned discussion on supply chain finance being organised with Lord Heywood on 15 November 2011. Mr Watmore stated in an email at the time that he felt that the proposal about extending payment terms for suppliers was a matter for HMT.

However, HMT did raise the question of why they were being requested to support the proposal or what was specifically needed from them. The argument put forward by Mr Greensill is that terms agreed under the Brown Administration to pay in five days to 30 days
had supported large suppliers and not SMEs so reversing the prompt payment policy would not affect many SMEs but would release immediate cashflow, and supply chain finance could be used to enable suppliers to be paid as if government was still paying after 5 days.

This proposal would have reversed government’s existing policy and would have been counter to the recommendation in the Breedon report. It would have created a massive opportunity for financial institutions to provide finance against government credit and, whilst generating a short term cash flow benefit for government, it would have adversely affected the UK economy and increased government funding and procurement costs.

Mr Crothers in his evidence before the Public Administration and Constitutional Affairs Committee asserted that even Mr Greensill believed that supply chain finance was not an appropriate tool for central government. He said:

“As has been said earlier in your previous sessions, supply chain finance is generally not appropriate for the public sector. I had that conversation with Lex. That was my view that I wrote to the Minister for the Cabinet Office. Lex’s view was that he agreed that the government should just pay their suppliers on time, and suppliers within the large suppliers should be paid on time as well. I was not being recruited with a view to try to sell to the public sector. That would not have sat well with me anyway.”

More colloquially, extending the credit terms in this way and putting in place supply chain finance has been described as pushing the suppliers overboard and then throwing them a life jacket.

The current regime as outlined in the Public Contracts Regulations 2015, states that the Statutory Guidance for contracting authorities and suppliers includes measures to monitor and tackle late and unfair payment practices, assisting the cash flow of businesses. BEIS refers to findings that SMEs in the UK are owed £26.3 billion in overdue payments, with over half experiencing issues with late payment.

I note that the government is committed to its long-standing policy to pay 80% of undisputed and valid invoices within 5 days, with the remaining paid in 30 days with government departments required to report their performance against these payment targets on a quarterly basis.

I am aware that the public sector buyers must ensure that their prime contractor includes equivalent 30 day payment terms in any subcontracts through the supply chain. BEIS is responsible for prompt payment policy in the private sector. I understand that Government Commercial Function also closely monitors the performance of its strategic suppliers.

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22 Public Administration and Constitutional Affairs Committee, Propriety of governance in light of Greensill, oral evidence transcripts 8 June 2021, Q95, P40, online https://committees.parliament.uk/oralevidence

Signatories to the Prompt Payment Code undertake to pay suppliers within a maximum of 60 days; to work towards adopting 30 days as the norm; and to avoid any practices that adversely affect the supply chain. In order to meet the requirements of the Prompt Payment Code, suppliers must pay 95% of invoices within 60 days.

BEIS has introduced regulations establishing a new statutory reporting duty for payment practices and performance. These regulations require the UK’s largest companies and LLPs to report details of their payment practices and policies for financial years beginning on or after 6 April 2017, on a half-yearly basis. The stated aim is to boost transparency of payment practices to help SMEs.

BEIS announced further reforms in January 2021 to strengthen Prompt Payment Code, ensuring larger companies pay their suppliers on time - which required the payment period to small businesses to be reduced to 30 days.

The treatment of supply chain finance when reporting payment days is covered in the BEIS regulations that state that: “If fees or a discount are applied to the supplier’s invoice, the reporting entity is obliged to report the payment time to the later settlement date with the bank rather than the earlier date where the supplier was paid the reduced sum.”

**Pharmacy Earlier Payment Scheme (PEPS)**

The NHS Business Services Authority (NHS BSA) is an Arm’s Length Body of DHSC. NHS BSA is an NHS delivery organisation active in the workforce and primary care space with pharmacies and dentists, and in providing assurance over contracts. It is not involved in policy making but does put policy into practice. They deliver a range of services to NHS organisations, NHS contractors, patients and the public. NHS BSA were directed by DHSC to implement the Pharmacy Earlier Payment Scheme (PEPS).

There has always been a complex funding arrangement for pharmacies, which covers almost 52,000 prescribed products, all at different prices and with varying applicable fees.

PEPS was established to accelerate the payment for the provision of NHS pharmaceutical services. The scheme was put in place to address the length of time it takes to process and pay pharmacies for patients’ paper prescriptions as NHS BSA were required to complete a time consuming reconciling process prior to funds being transferred to the pharmacies to reimburse them for the prescriptions they dispensed and any applicable fees.

It was announced as part of the cross government roundtable meeting with leading businesses to discuss supply chain finance in October 2012 and then started operation in 2013. There were three phases of the PEPS scheme: the first was operated by Citibank within a sterling money transmission framework agreement which commenced in 2013 and expired in March 2016 but was twice extended as the government considered what it should do with the scheme. The second phase was the award of the contract to Taulia in 2018 and the third was the introduction of the earlier payment scheme known as the Estimated Early Pharmacy Payment Scheme (EEPPS) in July 2020.

In a note on 11 August 2016 Brendan Peilow, Crown Representative for Banking and Payments stated that: Citi had been awarded the Pharmacy Earlier Payment Scheme

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24 Source: Public Contracts Regulations 2015 - Statutory guidance
(PEPS) because they brought the idea to government and, as it fell within an existing framework agreement to which they were party, it did not have to be tendered.

Before the PEPS scheme was introduced all pharmacies were paid in substantially the following manner. By the sixth day of a month each pharmacy delivered to NHS BSA all their prescriptions serviced in the prior month. They also delivered at the same time a signed declaration of the number of items included in their submission. The NHS BSA would use this declaration to create an advance calculation that was paid at the end of month 2. Once all prescriptions have been individually processed a payment at month 3 will be made reconciling the advance made at month 2. Therefore, for prescriptions dispensed at the start of month 1, which would be of drugs purchased before month 1, there was a two month delay before the pharmacy received payment. On the basis prescriptions are dispensed throughout the month, the average delay from dispensing to payment was 6 weeks.

Under the PEPS scheme (phase 2) by the sixth day of a month each pharmacy still delivered to NHS BSA all their prescriptions serviced in the prior month. Again, they also delivered at the same time their own declaration of the number of items submitted. The NHS BSA checked the approximate accuracy of these declarations against historical data. NHS BSA would then send those estimates (adjusted if appropriate for any concerns NHS BSA had about their accuracy) to Greensill Capital for payment against an irrevocable undertaking to reimburse Greensill Capital from the NHS BSA. Greensill then made payments directly to contractors on either the 8th or 12th of the month, based on speed of submission. The physical prescriptions and electronic prescriptions would then be processed by the NHS BSA's Prescription Services team who would undertake a detailed process of calculating the exact financial amount due, which would then be reconciled against the previous estimated amount. Any discrepancy would be corrected in the next payment instruction sent to Greensill Capital in the following month.

At the Treasury Select Committee on 11 May 2021 Mr Greensill claimed that "Unlike the private sector, the government do not have the capacity to approve invoices very promptly, so as a consequence there is a delay - even though you want to pay within 10 days, there is often a delay. If one looks at what the private sector does, that delay can be solved using analytics, machine learning and algorithms to accelerate that process."

PEPS is perhaps unique in that it is not a traditional invoice based payment system. Pharmacies do not submit a single monthly invoice to NHS BSA for payment. In dispensing 1 billion items per year, they submit over 400 million prescriptions to the NHS BSA which have to be processed, priced (with reference to the drug tariff) and a value for each prescription calculated (including incorporating fees as well as drug reimbursements). When the scheme was originally implemented this would have been predominantly through the manual keying of prescriptions by an NHS BSA Prescription Services team. However, most are now automatically processed through the Electronic Prescription Service (EPS).

PEPS is effectively a parallel scheme to the manual process followed by the remaining 80% of pharmacy contractors paid directly by the NHS BSA.

In a report to the Chief Executive of the Civil Service on 10 October 2016 Brendan Peilow stated that: “Despite being in place for a number of years, the scheme is only used by a small number of pharmacies and it is likely that other mechanisms for reducing the drug cost
through support may be of wider application and provide greater savings.” There is no record of why this advice was not followed.

On launch the scheme had 738 participants. In October 2016 there were 1,567 pharmacies using the scheme with a monthly reimbursement of c£80m out of a total of c12,600 pharmacies with a monthly reimbursement of c£850m. The total charge by Citibank was LIBOR plus 0.5%. The greater take up was among smaller pharmacy chains with under 200 independent pharmacies electing to join. By July 2020 the number of participating pharmacies had remained stagnant at 1,617 but when EEPPS was introduced providing for earlier payment during the Covid crisis the number peaked at 2,188 users.

It was also positioned by Mr Greensill that PEPS could also be extended to accelerate GPs' Global Sum Monthly Payments as well as payments to dentists, opticians and physiotherapists. The scheme was not extended to these professions.

The Citibank PEPS contract was due to expire in March 2016, but was renewed twice on a ‘rollover basis’ whilst government considered what it should do. Following the second rollover of the PEPS contract with Citibank, the Crown Commercial Service was asked to run a tender for a framework agreement through which NHS BSA could contract for PEPS. CCS also required bidders for the framework procurement to offer a dynamic discounting service, which it was thought would be of interest to some local authorities. Local government has statutory 30 day payment terms but I am told that some authorities pay late while more do not pay as early as they wish (e.g. because of paper based approval processes) so CCS considered that there could be a demand for dynamic discounting. CCS launched the procurement for a single supplier framework agreement in November 2017.

This request for a new framework agreement originated from a meeting of senior officials across government including the then Chief Executive of the Civil Service and Permanent Secretary of the Cabinet Office, the Crown Representative for Banking and the then Finance Director of DHSC.

The decision was taken to combine the supply chain finance early payment solution with a dynamic discounting solution for local authorities. It was advertised on 22 November 2017 as “Supplier Early Payment Solutions - UK Public Sector Framework” and explained it was for “Supplier Early Payment solutions which will encompass both Supply Chain Finance solutions (SCF) and a Discount solution.” The fuller description of the tender explained “Crown Commercial Services is seeking to establish a single Supplier Framework Agreement for use by central government and wider public sector organisations (Contracting Authorities) … for the provision of Supplier Early Payment Solutions (SEPS) which will encompass both Supply Chain Finance solution (SCF) and a Discount solution….This Framework Agreement will provide Contracting Authorities with the ability to pay Suppliers in advance of their contractual payment term (e.g. thirty (30) days).... The Discount solution will enable Contracting Authorities to use their own funds to offer early payment in return for a discount.”

The incumbent provider for PEPS, Citibank, and two other bidders entered the tender process for the framework procurement. At the selection stage one of the tenderers failed to meet certain criteria and was dropped from the process. At the award stage therefore there were two bidders, Citibank and Taulia (which had named Greensill Capital as a key subcontractor).
At the time Taulia was a San Francisco based business which described itself as - “Taulia delivers working capital solutions that make it easy for businesses to free up cash, accelerate payments and improve supply chain health. Since its foundation in 2009, Taulia has envisioned a world where every business can thrive by liberating cash using our state of the art platform. Today our team of financial game changers have built a network connecting 1.6 million businesses across 168 countries and has accelerated more than $90 billion in early payments.” Taulia was to be the contracting party and to provide the technical solution but Greensill Capital was its subcontractor to provide access to the financial resources necessary to fund the early payments.

At this stage the evaluators decided that Taulia failed to meet the criteria and Taulia was notified that it would be excluded in accordance with the procurement process.

In light of its imminent exclusion, Taulia’s legal representatives sent formal legal correspondence to CCS questioning the evaluation on 30th January 2018. Bill Crothers and Lex Greensill at Greensill Capital, which was not a party to the bidding process but was disclosed as Taulia’s proposed funder for the supply chain finance part of the framework agreement, supported Taulia’s questioning of the evaluation.

Mr Greensill wrote to the CEO of the Crown Commercial Service on 31 January 2018 further to this legal correspondence stating that “[their legal advisers] are instructed by us both to take all steps necessary to challenge the decision made by the CCS and communicated via the portal on 26 January 2018. For the avoidance of doubt, we expect to be successful in that challenge and our objective is to require Taulia be included in the remainder of the tender process going forward.” It goes on to say that “Both Taulia and Greensill are hugely aggrieved with the decision and extremely disappointed and concerned with the apparent deficiencies in the process of the tender, particularly in light of the focus and importance of SCF to wider governmental policy and strategy.” In acknowledging receipt of this letter, CCS emphasised the importance of maintaining due process in the live procurement and made clear that engagement with Mr Greensill would not be appropriate at this point. It responded to Taulia’s legal representatives instead through its procurement portal. Following this legal correspondence, CCS conducted a review of the evaluation procedure, taking advice from the Government Legal Department and external counsel. The advice was to ‘proceed cautiously’ with the remaining bidder, Citibank.

However, following a further consideration of the issues, CCS agreed with Counsel that CCS were not in a position to robustly defend the initial scores or the rationale, and so CCS decided proceeding with caution was not the best course of action. Clarification of the responses from both bidders was sought and a decision was taken to re-evaluate with new evaluators and a new consensus manager. This resulted in Taulia being readmitted to the tender process and both bidders proceeding to an e-auction.

In the subsequent e-auction bidding process Taulia offered a discount rate of LIBOR plus 30 bps and Citibank LIBOR plus 23.5 bps. However, on the other part of the tender, the dynamic discounting, Citibank was more expensive than Taulia and the net result was that Taulia was determined the winner. CCS then undertook a mandatory 10 day standstill period in line with regulations to allow for clarification and challenge before the award to Taulia. None was received. In 2018, the government calculated that total expected revenue to Taulia under PEPS would be c£2.1m until its expiry in 2025. When PEPS was switched to the
prepayment scheme, EEPPS, in 2020 the revenue calculation was increased because of the longer period of the advance and the likelihood of increased take up. At this stage the calculation by the government was that Taulia would share revenue of £5.4m.

After NHS BSA had awarded a contract to Taulia, calling off from the CCS framework agreement, it emerged that Taulia’s technology was not aligned with the existing end to end payment process used by NHS BSA. NHS BSA considered the best course of action to continue to perform its previous administrative role not to use Taulia systems but directly present Greensill Capital, Taulia’s subcontractor, each month with the names of the pharmacies and the amounts due to them. Greensill Capital received no other information and performed no other role in the process. The impression that Greensill Capital was a fintech company, at least as regards the pharmacy early payment scheme, is not therefore borne out by the facts.

On 11 May 2021 at the Treasury Select Committee inquiry into the ‘Lessons from Greensill Capital’, Mr Greensill claimed that “the data points that we were having to predict were the number of prescriptions that would be fulfilled in each individual pharmacy and the reimbursement value of each one of those prescriptions. Those were the two data points, effectively, that determined how much a pharmacy would receive in reimbursement from the Department of Health.”

Whilst this is a correct description of the process, it may not have been apparent to members of the Select Committee that this process was performed primarily by NHS BSA. Mr Greensill has stated to me that:

“There were two algorithms behind the NHS SCF programme.

1. The BSA Algorithm
   a. Phase 1 (from 2012-2020)
      i. This took the 3-month moving average reimbursed value per FP10 (prescription) and applied that value to the number of actual FP10s the pharmacist claimed to have filled in their return at the end of each month.
      ii. This enabled pharmacies to get paid up to 22 days earlier than they would otherwise have been paid.
      iii. This was devised by me and the BSA when I was initially working in the Cabinet Office.
      iv. This algorithm, once created, was singlehandedly operated by the NHS BSA.
   b. Phase 2 (from July 2020 onward)
      i. Phase 1 algorithm, plus we also took the 3-month moving average number of actual FP10s filled per pharmacy.
      ii. In effect we used the moving average of both the value and the

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number of FP10s to quantify expected future prescribing per pharmacy.

iii. This was devised by me and the NHS BSA, back when I was working in the Cabinet Office, but only (finally) signed off by the Department of Health in 2019.

iv. Again, this algorithm, once created, was singlehandedly operated by the NHS BSA.

2. The Greensill Capital Algorithm

a. It is important to note that under the Phase 2 algorithm above, the NHS BSA required GC [Greensill Capital] to indemnify them for the risk they had by providing us with an IPU [Irrevocable Payment Undertaking] for future receivables (i.e. future filled FP10s) – if they incurred a loss (i.e. a pharmacy went bankrupt). This is because the NHS BSA was required to pay under the IPU regardless of whether the pharmacy met the forecast we had come up with under the algorithm. In that scenario, the NHS BSA would pay and would then seek reimbursement under an indemnity from GC.

b. To determine if this risk was an acceptable one for us to run, we needed to be able to forecast the probability of a pharmacy going bust. To do that we:

i. Built a machine learning algorithm to predict when/if pharmacies would go bust.

ii. It operated using a "gradient boosting" machine learning technique for regression modelling.

iii. The BSA provided us with historical data (for the previous 2 years), by individual pharmacy, dispensing activity and those details of pharmacies that ceased trading. To that, we added a range of publicly published data – which provides considerable data around local prescribing activity by area and pharmacy.

iv. Interestingly, the model showed that:

1. More digital prescriptions – was a predictor of being less likelihood to default; and

2. The dispensation of more colostomy bags – was predictor of greater likelihood of default

c. This enabled us to determine (a) what pharmacies might be at risk (and remove them) and (b) whether GC was prepared to provide the facility, given we were on the hook if the predicted future receivable (i.e. dispensed prescriptions) failed to arise.”

The third phase of the pharmacy supply chain finance arrangement commenced in July 2020 as the Estimated Early Pharmacy Payment Scheme, EEPPS. This scheme was first proposed by Citibank in May 2015 along with other proposals to increase take up by
pharmacies, but was rejected at that time. It was then further promoted by Greensill once Taulia became the contracting party. The switch from PEPS to EEPPS did not result in a further procurement exercise and the scheme remained with Taulia/Greensill.

Under the standard arrangement payment is made by NHS BSA to pharmacies at the end of month 2. For those pharmacies which had elected for PEPS, as we have seen above payment was made one week after the end of Month 1 by Greensill Capital at the direction and in the amounts stipulated by NHS BSA with EEPPS payment is made even earlier, at the start of month 1 in anticipation of the likely level of prescriptions to be dispensed by that pharmacy, with reconciliation for any variance being made the following month.

The switch to prepayment by NHS BSA increased the risk of loss to the NHS BSA as a pharmacy might go out of business and not therefore dispense the anticipated value of prescriptions in a month for which they had already been paid. Accordingly, NHS BSA required Greensill to guarantee any shortfall as a result of pharmacy failure. At the time of Greensill Capital’s insolvency Greensill owed NHS BSA a figure believed to be less than £5,000 in respect of this guarantee.

The expenditure subject to supply chain finance through EEPPS in February 2021 was £142m per month shared among 2,164 pharmacies. It was estimated that if 100% pharmacies joined the scheme, the payment would be £851m per month. On 11 May 2021 at the Treasury Select Committee inquiry into the ‘Lessons from Greensill Capital’ Mr Greensill claimed that “using the example of the pharmacy scheme here in the UK, we were extending, on average at any point in time, just under £300 million on a consistent basis to pharmacies that would not have been available to them otherwise”.

Following Greensill Capital’s collapse, Taulia remained contractually responsible for the EEPPS scheme until 30 June 2021. It was always the contracting party and Greensill Capital did not have any direct contract with government for any supply chain facility. The guarantee from Greensill Capital has ceased to be of value with that company’s insolvency. This has meant that DHSC has assumed responsibility for the loss suffered as a result of any pharmacy failure. I am advised that such losses to date are less than £5,000. In the absence of Greensill Capital, Taulia’s proposed solution was to arrange finance through a special purpose vehicle. The EEPPS scheme is currently being funded directly by DHSC. I wish to acknowledge and pay tribute to the NHS BSA’s finance and Prescriptions Services teams for their commitment to ensure payments to pharmacy contractors continued after the collapse of Greensill Capital.

I note the recent update on the NHS BSA website with regard to the contract with Taulia. It reads that: “On Wednesday 30 June 2021, the contract between Taulia Inc and NHS Business Services Authority (NHS BSA) will end. The Department of Health and Social Care (DHSC) has confirmed that no new pharmacies will be added to the Pharmacy Earlier Payment Scheme (PEPS). DHSC are considering next steps with regards to PEPS. DHSC will announce the outcome of their considerations in due course.”

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26 Source: Treasury Select Committee, Lessons from Greensill Capital, oral evidence transcripts 11 May 2021, Q185, p30, online https://committees.parliament.uk/oralevidence

Dynamic discounting

Dynamic discounting is not strictly speaking supply chain finance, but it is nonetheless relevant to this review as it forms part of the same framework agreement issued by government. It enables buying organisations to agree lower prices with their suppliers in return for paying them earlier and, unlike supply chain finance, does not necessarily rely on third parties to fund these transactions. Demand has been low for the dynamic discounting facility accessible to public sector organisations by contracting with Taulia through CCS’s Supplier Early Payment Solutions framework agreement.

Thus far, only three local authorities have taken up the dynamic discounting service through the CCS framework (none relied on third party finance) although other public sector bodies are known to contract for dynamic discounting services with other suppliers through other routes. To date £5.25m of invoice value has been transacted through this element of the SEPS framework. This has resulted in £46,834 of discounts realised and has earned Taulia fees of just £4,700. The average cost to suppliers has been less than 1%.

Greensill had no role in the dynamic discounting facility so, other than the PEPS scheme, contracts established through the SEPS framework for Taulia’s services did not involve Greensill Capital. I note that in Mr Greensill’s letter of 16th March 2020 to Sir John Cunliffe at the Bank of England, in relation to Greensill’ Capital’s attempts to alter the terms of eligibility for CCFF finance, Mr Greensill wrote “We are the sole provider of HMG’s supply chain finance across all areas of local and central government.” In Mr Greensill’s letter the next day to the Chancellor of the Exchequer Mr Greensill repeated the same claim.

In an email from Mr Greensill to Charles Roxburgh, Second Permanent Secretary, HMT on 21 March 2020 also in relation to the Greensill CCFF Application it was highlighted by Mr Greensill that “we pay pharmacists early in England on behalf of the Department of Health. This scheme has just been expanded and will see us increase our early payments to pharmacies - meaning we will permanently inject an additional £1.5bn into the UK economy.” The email then goes on to highlight that “We are, as of this last week, allowing NHS employees the option to be paid daily (at no cost) using our Earnd App. (in 7 trusts initially, but going national.)” and goes on to claim that “The response to this product has been phenomenal.” I do not have the figures for four of the NHS trusts but NHS SBS have confirmed that the take up in the three trusts for which they were responsible was 450 out of 26,300 NHS employees across the three Trusts.

Employer Salary Advance Schemes (ESAS) and the Earnd product

The NHS employs approximately one and a half million people and uses various suppliers and systems for its employment services. One of the suppliers of employment services is NHS Shared Business Services (NHS SBS) which accounts for approximately a third of NHS employees.

NHS Trusts are the data controllers for their employees and it is therefore the NHS trusts not SBS which controls who has access to their employees. NHS employees are paid weekly and monthly for their normal wages, but in relation to overtime this can take even longer.

Agency staff working in the NHS, under contract by an employment agency, are paid on a much quicker cycle and this is one of the attractions to health workers to work through an
agency rather than through the NHS. Agency staff are more expensive for the NHS and therefore there is a desire to compete with the agencies in terms of the attractiveness of the offer.

Before Greensill Capital, I am told two private equity backed companies were offering Employer Salary Advance Schemes (ESAS) to NHS employees. These are Wagestream and Salary Finance. Wage Stream has an exclusive right to access Allocate which is the NHS system for recording shift work. Wagestream and Salary Finance continue to offer ESAS to over 80 NHS organisations, circa one third of NHS trusts. It is a mature market and the product is well used across the NHS. They charge the employee £1.50 to £1.75 per drawdown.

Earnd, owned by Greensill Capital, aggressively tried to enter this market with the initiative led by Bill Crothers. Unlike its competitors Earnd was free to the user and the employer for those in the public sector. All NHS SBS clients and Trusts had to contract with Earnd directly before they could choose to access it on the NHS SBS Payroll app. The cost to NHS SBS of integrating Earnd has been approximately £97,000 to date. To support NHS SBS to assist in developing customers and as a way of mitigating that cost of integration, Earnd offered SBS £5 for every active user. At the time that Earnd ceased operating there were 450 active users, which means that NHS SBS is owed a fee of £2,250. It was explained that this fee was intended to be used to reinvest in the digitisation of the payroll service as part of the launch of a payroll app.

Lord Hogan Howe, the former Metropolitan Police Chief Commissioner, was in talks to become an adviser to Earnd before it was acquired by Greensill Capital but actually took up the role of adviser after Greensill Capital had taken control when he was informed that the service would be provided free of charge to the user and employer in the public sector. This was after the expiry of restrictions on Lord Hogan Howe’s activities as a result of his former employment. He performed an advisory and ambassadorial role appropriate to his position as an adviser. No contract was entered into as a result of his activities.

NHS SBS conducted an initial pilot of the Earnd scheme which resulted in 450 out of 26,300 NHS employees across three Trusts (Royal Free, Provide and Mid and South Essex) using Earnd. These users called down early pay at average £137 per month aggregating £62,000 in total. In my interview with Mr Greensill, he stated that there were a total of 4,000 users in their scheme over six hospital trusts, including 450 at the Royal Free Hospital Trust. He stated that most of this business was direct with the Trusts by Greensill Capital.

NHS SBS had been investigating supply chain financing since 2016. Greensill Capital was one of a number of suppliers with which they had been engaging. Greensill Capital was also pitching to NHS SBS for them to introduce a supply chain finance scheme for a broad range of its supplies. NHS SBS suspended the rollout of Earnd in March 2021 and discontinued discussions on supply chain finance in part because of concerns about Greensill's finances and in part because NHS SBS considered that Greensill Capital was not aligned with NHS SBS and the NHS values. NHS SBS assured that Earnd would not sell services, via the contract, to NHS SBS customers that do not comply with the FCA regulations should they apply.

The Financial Conduct Authority produced guidance on ESAS in July 2020. This pointed out certain disadvantages to ESAS including that they were not regulated by the FCA; that they
could actually cost more than a payday loan; and that they do not provide a solution to longer term financial difficulties. They recommended certain mitigations. It is not clear if the various providers of ESAS adopted the recommendations of the FCA. The FCA also said that they would continue to monitor the market. The FCA Board also commissioned the Woolard Review to consider development, as well as change and innovation in the unsecured credit market. The Woolard Review sets out recommendations to the FCA. In relation to ESAS the review concludes:

“Employer Salary Advance Schemes (ESAS) offer a low cost alternative to using credit like payday loans or overdrafts. If used appropriately they can give employees benefits and greater control of their finances. While wider regulation may not be immediately necessary, the FCA should take a proportionate approach and continue to closely monitor market developments and guard against risks to individuals. These risks can include inappropriate relationships between employers and lenders. For example, lenders ‘locking in’ employers through linked commercial contracts, or cross selling of inappropriate financial products to employees. The FCA working with government should encourage ESAS providers and major employers to draw up a code of best practice. Where firms are regulated for part of their activity by the FCA, the FCA should look to formally recognise the code. Further, major employers should be encouraged to only contract with ESAS providers adhering to this code.”

I am aware that following the collapse of Greensill, NHS SBS provided an interim early pay solution to its customers to ensure their employees still had access to flexible pay.

**Other Greensill proposals related to supply chain finance**

During 2017 and 2018 the MoD reviewed long term PFI contracts to examine whether supply chain finance could be used to negotiate better terms.

Government Contract Finance was a product designed by Greensill Capital to use the principles of supply chain finance with the intent to directly reduce the costs of government’s major projects. Any major project supplier to the government would need to raise long term debt in the capital markets and Government Contract Finance was supposed to allow the supplier to raise debt at government’s cost of funds (invariably much lower than its own cost) and pass that saving to government, thereby reducing government’s project cost.

The product was developed for the MoD to reduce its contract cost of submarines supplied by BAe Systems.

MoD and BAe agreed on a number of specific contracts to be included in the scheme, mainly the contracts of the Successor programme. Under the scheme the intent was for the MoD to commit to a ten year programme of irrevocable payments under these contracts with an initial two year term and then on a rolling monthly basis over the remaining years. The payments would not be made early, but they would be committed to and irrevocable irrespective of the BAe performance on the underlying contracts.

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Given the irrevocable nature of the government’s commitment to make payments, BAe would be able to sell these commitments to Citibank in exchange for a discounted cash lump sum. Citibank could sell on the stream to bank and non-bank investors. The investors would be repaid directly by the irrevocable payments made by MoD.

MoD and BAe computed the difference between the total cost of funds raised under the Government Contract Finance scheme and the cost that BAe would have incurred on issuing a bond directly to the market. BAe would have paid this difference to MoD either by way of a cash monthly payment or by issue of a credit note against sums due under other government contracts with BAe. MoD’s cost of the successor programme would have reduced considerably given the funding cost differential.

There were, however, a number of difficulties with the scheme. The ONS maintained that the accounting treatment should reflect “the underlying economic reality” of the arrangement, namely that “government is borrowing from the financial markets on behalf of BAe”. There were also concerns over state aid and about the contractual exposure of the government to BAe if they had committed to make payments irrespective of performance. The scheme did not therefore proceed.

Greensill was also pursuing an opportunity related to the MoD sale of military housing to a company named Annington Homes. As part of the deal for the 57,400 properties there was a renegotiation of the rent formula, in which the government wanted to get a larger discount. The scheme did not proceed.

I am aware of further proposals from Greensill, starting in April 2012, related to a supply chain finance initiative to refinance an arrangement between DWP and Telereal Trillium under which DWP guaranteed future payments before it received services as part of the PFI contract. In return Telereal Trillium was to be enabled to access cheaper funding and to pass the benefit of that funding to government. In a supply chain finance progress report to the Permanent Secretary, DWP in December 2012 it was stated that the initiative “could be worth up to £41m for DWP”, but in internal departmental correspondence to the Permanent Secretary’s Office it was highlighted that "Lex is pushing us to make decisions which we are not yet in a position to make."

On 21 October 2013 and as part of the consideration of this opportunity within DWP there was a letter attached from the Director General, Finance, DWP for the attention of Lord Heywood. On 28 October 2013 the Permanent Secretary at DWP responded solely to the Director General with “Thanks for doing this. Does Jeremy’s friend who has been working on this agree with our analysis?”

The Bank involved in this proposal was, again, Citibank, Mr Greensill’s former employer. The department sought legal advice on the proposed arrangements and concluded the risks were significant, in particular arising from the commitment to irrevocable payments but also because of state aid questions and changes to the contract wanted by the counterparty. As a result the scheme did not proceed.

There was also a subsequent proposal from Greensill Capital to the MoJ in July 2020 related to employer salary advance schemes. It is confirmed in an email exchange on 27 November 2020 that the MoJ met Bill Crothers to inform him that the Earnd product delivery was being paused and that “As expected the message didn’t land well with Bill, we reiterated that it was
a pause but Bill was of the opinion that this wasn’t a pause but was in fact a stop, and he stated that he is likely to reach out to Senior members of the MoJ to reiterate the ease of this to implement and the benefits of this for staff.”

UK Government Investments reviewed the proposals and provided advice which alerted HMT as novel and contentious. It is my understanding that this triggered the joint letter from HMT and the Cabinet Office related to early salary payment schemes reminding departments of the guidance HMT have published and the importance of sign off by departmental Accounting Officers if they are seeking to introduce a new type of finance arrangement.
**Greensill Capital’s explanation of the role of supply chain finance in central government**

On 11 May 2021 at the Treasury Select Committee inquiry into the ‘Lessons from Greensill Capital’, Mr Greensill claimed that,

“on the face of it, it is crazy to implement supply chain finance and to use private sector money, which ought to be more expensive than where the government can borrow money to do this; and it is crazy to have an intermediary in the mix who is presumably taking some profit out, therefore effectively making it a tax.”

Mr Greensill claimed, however, that the truth was somewhat different.

“Unlike the private sector, the government do not have the capacity to approve invoices very promptly, so as a consequence there is a delay - even though you want to pay within 10 days, there is often a delay. If one looks at what the private sector does, that delay can be solved using analytics, machine learning and algorithms to accelerate that process.”

He went on to say that,

“First, the private sector can bring that learning, which is part of what we did. Secondly, on paying suppliers faster, the government previously paid in 30 days, and then it was changed to 10 days, so why not pay them in one day? That actually costs the taxpayer because the Exchequer has to borrow that money to provide it. In the private sector, the supply chain solutions that are provided allow the people who benefit from it - that would be the suppliers to the government - to get paid faster, but they have to pay for it, rather than the taxpayer paying for it. The truth is that the majority of the government’s expenditure on suppliers is not with small businesses but with massive multinationals. Do you really want to be subsidising their cost of capital, have the private sector provide it and have those who want to use it take advantage of it?”

I am not persuaded by Mr Greensill’s view. Mr Greensill advocates the digitalisation of accounting systems as having enabled supply chain finance to reach a sophisticated level of data modelling and accurate prediction that can minimise the normal administration costs and time and effort required with normal invoicing processing.

In a memo in February 2021 from the NHS BSA it is confirmed that:

“At the time of awarding the contract to Taulia, the intention was that Taulia would provide an online portal to Pharmacies who would use this service to initiate early payments. Greensill, as a sub-contractor to Taulia, would provide the funds. Through funding provided by Greensill, Taulia has been delivering PEPS since June 2018 but has not been able to implement its online portal due to the nature of the scheme.”

“Between July 2018 and June 2020, the PEPS scheme ran on the basis that payments were made to Pharmacies after an FP34C Form was submitted to the NHS BSA meaning the NHS BSA had sight of a signed declaration from a pharmacy.

29 Source: Treasury Select Committee, Lessons from Greensill Capital, oral evidence transcripts 11 May 2021, Q242, p42, online https://committees.parliament.uk/oralevidence
together with actual prescription forms for a payment instruction to be then delivered to Greensill."

This means that NHS BSA had previously been performing this role and continued to perform the administrative role and they presented Greensill each month with the names of the pharmacies and the amounts due to them. Greensill Capital received no other information and performed no other role in the process.

In his interview on 18 May 2021, Mr Greensill agreed in general (although not with reference to NHS BSA),

"that the technology element of SCF could be separated from the provider of the finance, but that the length of time it took to develop such technology often made it untenable." He also stated that Greensill Capital’s algorithms meant that they could calculate what would happen in the future, with very little risk, and make that payment in advance."

With regard to the second point made by Mr Greensill in relation to the claim that the private sector is able to pay suppliers faster to free up the government working capital. In response I would highlight that there are many levers available to HMT and the government to better manage working capital such as basic mechanisms around prompt payment. Despite the collapse of Greensill Capital the NHS BSA managed to arrange to step in and pay the pharmacies at the same time as they were being paid by Greensill Capital, albeit with a transfer of risk to government.

Mr Greensill is suggesting that the cost of supply chain finance should be assessed against the cost to departments of their working capital. I am unaware that there is a difference between the departmental cost of capital and that of the government, and in interview HMT did not recognise the point that Mr Greensill was making. However, even if there is a charge to departments for use of working capital, it is the cost to the government which is relevant to the analysis. Mr Greensill also suggests that the government’s weighted cost of capital is higher than the marginal cost of supply chain finance. Again I do not see that as a meaningful comparison.

At the Treasury Select Committee on 11 May 2021, Mr Greensill stated,

“My final point is that, even if you did devolve to government Departments the authority to pay using private sector technology and just use their own cash, the reality is that that capital is charged out at a much higher cost by Departments than the private sector provides. The reason for that, as I am sure you are very aware, is that although the Treasury can borrow money very cheaply, it provides to Departments - I am not going to use the right word, I am sorry - a weighted average cost of capital, where overall the government borrows money."

Mr Greensill goes on to say,

“But if you are advancing money to a supplier to government 30 days faster than they were getting paid before, I as a financial institution am borrowing money for 30 days, taking government risk - that is a lot cheaper to fund than the 10-year weighted average cost of borrowing for the Exchequer, which it passes through to Departments. I use the 10-year as an example. There is a very big difference
between the two. Have the private sector benefit from it, have them pay for it, but have it be cheaper than the government Departments would actually be able to do based on the cost of capital that the Treasury provides. That was the rationale for doing what we do."\(^{30}\)

In response to Mr Greensill I will first defer to HMT who have confirmed that there is no internal charging regime and contrary to the point made by Mr Greensill departments are indeed provided cash without any charge from HMT.

It is possible that Mr Greensill was thinking of the assessment departments would carry out as to whether a proposal was value for money, which would be a net present value calculation rather than a charge from HMT. However, it should be noted that the standardised discount rate that departments use to assess whether an early payment represents value-for-money would be higher than government's short term borrowing cost. As the government does not borrow by individual project or payment, HMT is of the view that it is right that the weighted average is used. HMT have confirmed that they would look at the government-wide position and judge that such proposals typically do not result in value for money.

I refer once more to the evidence from Mr Crothers before the Public Administration and Constitutional Affairs Committee when he asserted that even Mr Greensill believed that supply chain finance was not an appropriate tool for central government.

"As has been said earlier in your previous sessions, supply chain finance is generally not appropriate for the public sector. I had that conversation with Lex. That was my view that I wrote to the Minister for the Cabinet Office. Lex’s view was that he agreed that the government should just pay their suppliers on time, and suppliers within the large suppliers should be paid on time as well. I was not being recruited with a view to try to sell to the public sector. That would not have sat well with me anyway."\(^{31}\)

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\(^{30}\) Source: Treasury Select Committee, Lessons from Greensill Capital, oral evidence transcripts 11 May 2021, Q242, p42, online https://committees.parliament.uk/oralevidence

\(^{31}\) Public Administration and Constitutional Affairs Committee, Propriety of governance in light of Greensill, oral evidence transcripts 8 June 2021, Q95, P40, online https://committees.parliament.uk/oralevidence
The merits of Supply Chain Financing and its applicability in government and the public sector

It is the view of HMT, which I share, that it is very unlikely that supply chain financing has a role in direct government commercial activity. Given that the government has the lowest cost of capital it is unlikely to be attractive financially to provide finance from a bank or other financial institution. This should increase the overall cost of the contract and it is reasonable to expect that part of that additional burden, if not all of it, will be reflected in the cost to the taxpayer.

This is not the same as saying that supply chain finance in its various forms has no place in commercial activity. It may well make sense for companies and it will depend on their own circumstances.

The financial crisis damaged public trust in large businesses and banks. The government was concerned to seek a recovery led and powered by SMEs. The financial crisis created a ‘credit crunch causing many banks and other lenders to be reluctant to offer loans to small businesses, or, if they were, it was only at higher rates of interest.

On publication in March 2012 the Breedon report, Boosting finance options for business, included two recommendations under the heading “stimulating growth by supporting smaller companies”. The first, recommendation 6, focused on encouraging prompt payment. The second, recommendation 7, focused on supply chain finance and stated that the government should:

- Explore how it can use its power as the biggest purchaser in the UK to encourage its own suppliers to adopt supply chain finance or similar schemes to support their suppliers; and

- Work with banks, industry associations and professional bodies (such as the ACCA, ICAEW), to accelerate adoption of supply chain finance.\(^\text{32}\)

The Breedon report identified SME caution as the main barrier to expanding supply chain finance: “The most significant barrier to increased use of SCF products is suspicion that the buyer is merely using it as a method of extending its payment terms.”\(^\text{33}\)

Charles Roxburgh, Second Permanent Secretary, HMT (and, coincidentally, a member of the committee which authored the Breedon Report) in response to being asked at the Public Accounts Committee, Lessons from Greensill Capital: “What novel ways did Mr Greensill try to do business around supply chain finance and other ways of working?” replied “supply chain finance, done properly in the private sector, can be a valuable way for small businesses to improve their cash flow, given that in the private sector large companies often pay their bills at 60, 90, or even 120 days.”\(^\text{34}\)

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\(^{33}\) Source: Boosting finance options for business, March 2012, Paragraph 6.2.1.9, p28, online, https://assets.publishing.service.gov.uk/boosting-finance-options-for-business

\(^{34}\) Source: Public Accounts Committee, Lessons from Greensill Capital, oral evidence transcripts 22 April 2021, Q53, p16, online https://committees.parliament.uk/oralevidence
However, as was indicated in the Breedon report, and in Ms Davidson’s memorandum, the risk of introducing supply chain finance is that the buyer then extends the payment terms. There is an accounting advantage from this arrangement which I believe should not be allowed to continue in that extended payment terms can mean the obligation appears as an account payable whereas it may be better classified as a borrowing.

HMT wrote to all Accounting Officers on 11 June 2019 highlighting the need to be aware of the guidance on novel financing arrangements. The letter sets out that HMT were made aware of examples of finance companies directly approaching departments and Arm’s Length Bodies with offers to enter into novel or complex corporate finance arrangements. The letter highlights public sector organisations should not normally rely on obtaining finance by borrowing from commercial banks as it is almost always more expensive than relying on the government’s credit rating.\[^{35}\]

Project bank accounts provide the ability to automatically pay suppliers all the way down the supply chain on a set date, enabling them to receive the payment at the same time as the prime contractor. This is a preferred method to the use of supply chain finance in appropriate cases. They work better as ways of improving prompt payment and have been used on construction projects as a means of ensuring both certainty and speed of payment to SMEs. However, they do require a significant amount of effort to establish and are not suited to many contracts.

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SECTION 3: RELATIONSHIPS BETWEEN GOVERNMENT OFFICIALS AND GREENSILL CAPITAL

This section sets out:

- context on HMG’s approach to attracting and retaining private sector expertise into the Civil Service;

- the policies and procedures governing outside employment both during and after Crown employment;

- a factual account of the relationship between several other named individuals within government and Greensill Capital.
The Business Appointment Rules

The Business Appointment Rules (‘BAR’) govern post-employment restrictions for those leaving government office. The principle relies on the responsibility of the individual to refer themself for advice, and the expectation is that the transparency of the process and the potential reputational damage for an employer will provide an incentive to observe the BAR.

The BAR apply to all ministers and civil servants (including special advisers), although the guidance uses the term ‘civil servant’ and ‘crown servant’ interchangeably. The rules apply for two years to ministers and members of the Senior Civil Service (and equivalent special advisers), and for one year for everyone else. This means that during that period, outgoing government officials must consider whether an application is needed for any appointment they wish to take up, and abide by advice if sought and given.

The aim of the Business Appointment Rules is to avoid any reasonable concerns that:

- an individual might be influenced in carrying out his or her official duties by the hope or expectation of future employment with a particular firm or organisation, or in a specific sector; or

- on leaving government, an individual might improperly exploit privileged access to contacts in government or sensitive information; or

- a particular firm or organisation might gain an improper advantage by employing someone who, in the course of their official duties, has had access to:

  - information relating to unannounced or proposed developments in government policy, knowledge of which may affect the prospective employer or any competitors; or

  - commercially valuable or sensitive information about any competitors.

The BAR provide for various restrictions which can be recommended to mitigate the above, including a lobbying ban (mandatory for two years for ministers) a waiting period (mandatory for three months for Permanent Secretaries with an option for remuneration in exceptional circumstances) and limits on the type of work an individual can do in their new role (for example nothing in a similar field in which they worked in government). When individuals apply to set up independent consultancies, they may also be required to submit further applications for when they take on new clients. The Rules also provide for waiting periods to be paid ‘in exceptional circumstances’.

Applications from ministers and the most Senior Civil Servants and special advisers (above SCS3) are considered by the independent Advisory Committee on Business Appointments (ACoBA) a non-statutory Arm’s Length Body of the Cabinet Office. Applications from all other civil servants (and equivalent special advisers) are handled by their employing department. In this latter category, an application is only required if the individual’s circumstances meet a set of criteria as set out in the Rules36.

ACoBA has an advisory function, and no statutory enforcement powers. It provides its advice directly to former ministers, and for applications from civil servants it advises the Prime Minister. All ACoBA’s advice is published on its website. The committee’s members are drawn from the public and private sectors, and are a mixture of political appointees from each main party, and regulated public appointments via competition and subject to the Public Appointments Governance Code.

The requirement to observe the BAR (at a minimum, to consider whether an application is necessary) before taking up an appointment, is set out in the Ministerial Code, the Code of Conduct for special advisers, and the Civil Service Management Code (CSMC). As the CSMC underpins all civil servants’ terms and conditions, the requirement to observe the Rules can be said to be a contractual obligation.

Since 2014 Departments are required to publish the advice given under the BAR (for Senior Civil Servants) as part of their quarterly transparency obligations. Since 2017, departments have also been required to identify a Non-Executive Board Member to take responsibility for overseeing compliance with the BAR, and the Audit and Risk Committee should be provided with updates. There is, so far as I am aware, no public guidance for the relevant Non-Executive Board Member or the Audit and Risk Committee and no established protocol for their oversight.

A report by the National Audit Office in July 2017 found that there was inadequate central oversight of the application of the BAR, and that departments were inconsistent in their approach, and that transparency requirements were not being adequately enforced.

They also noted that applications under the Rules are not ‘turned down’, although I understand this is difficult to quantify as, following discussions with the committee or the department, an unsuitable application will very likely be withdrawn, or in some cases informal discussions would lead to an unsuitable application not being submitted to begin with.

Reports by the Public Administration and Constitutional Affairs Select Committee and the Committee on Standards in Public Life have looked at the issue of the BAR & ACoBA in April 2017 and June 2021 respectively. Both reports made a number of recommendations which broadly covered enforceability, transparency, extending the timelines of bans on specific appointments and other activity, and increasing the profile of ACoBA.

I understand that both ACoBA and the Cabinet Office are currently working on improvements to the Rules and their application. The Cabinet Office has started work on a number of planned improvements across three key themes: scope and clarity of the Rules; consistency and proportionality; and enforcement and sanctions.

**Secondary employment**

The BAR themselves only apply to outside appointments following Crown service, not during. Therefore an appointment taken up as a secondary employment by a serving civil servant would not, after leaving government service, require a BAR application provided that the role did not substantively change.
However, the Civil Service Management Code (CSMC), on which the terms and conditions of all civil servants are based, essentially sets out that departments should base their consideration for second jobs on the same principles as the BAR:

“Departments and agencies must require staff to seek permission before accepting any outside employment which might affect their work either directly or indirectly, and must make appropriate arrangements, which reflect the Business Appointments Rules for civil servants at annex A and any local needs, for the handling of such requests.”

Departments are responsible for setting out their own HR policies and procedures, which are based on a combination of the CSMC and policy notes from the central HR policy team based in the Cabinet Office. This includes the procedure for seeking and granting permission for second jobs.

For example, the Cabinet Office policy, found on the departmental intranet, sets out that to undertake secondary employment, an individual needs to:

- seek permission from your line manager; and
- comply with any provisions put in place governing what you can and cannot do.

Any approval of external part-time work is provided on the basis that:

- the external work is carried out entirely outside Cabinet Office office hours;
- Cabinet Office has first call on the jobholder’s services;
- any arrangement is subject to review if the jobholder’s official duties are changed;
- the jobholder ensures that they do not disclose official information; and
- the jobholder does not make use of official resources (premises, facilities, computers).

There appears to be limited guidance available for what would constitute an appropriate appointment for a civil servant to take up, but it states that ‘The principles within the Civil Service Code continue to apply where you undertake outside employment, business, or voluntary activity. You must avoid any conflict of interest – or perception of such a conflict – in undertaking external activity.’ The Civil Service Management Code has not been substantively updated since 2016.

In April 2021, following interest in this issue in the media and in parliament, the Cabinet Secretary issued letters to permanent secretaries across Whitehall, asking them to bring to his attention any instances of Senior Civil Servants with outside interests that conflicted with their obligations under the Civil Service Code, including secondary employment.

Fewer than one hundred Senior Civil Servants were identified as holding paid employment alongside their Civil Service role, which included a range of roles including for example tutoring or fitness instruction. In each case, the relevant permanent secretary confirmed that they had considered the outside role alongside the individual’s obligations under the Code and found there to be no conflict.
External expertise in the Civil Service

In May 2010, David Cameron and Nick Clegg brought the Conservatives and the Liberal Democrats together to form the UK’s first coalition government since the Second World War.

One of the goals of the coalition government was Civil Service reform. Between 2010 and 2015 Lord Maude served as the Minister for the Cabinet Office and Paymaster General. In June 2012 he published ‘The Civil Service reform plan’ (2012). The plan recommended a series of changes that collectively sought to make the Civil Service smaller and more strategic, with an emphasis on cultural change, developing capabilities, and improving governance.

One priority identified within the plan was to break down the barriers between the private sector and the Civil Service, in order to encourage learning between the two and “narrow the cultural gap.” In support of this outcome, alongside an increased focus on secondments and a Capabilities Plan to identify and fill gaps in skills, the plan proposed that:

“Ministers should be able to ask their Permanent Secretaries to appoint a very limited number of senior officials, for specified and time-limited executive/management roles. In such cases the Civil Service Commission’s approval would be required and they would need to be satisfied that the individuals concerned have the appropriate skills and that they are appointed for their abilities and knowledge rather than for any party political background. These appointees would be subject to the Civil Service Code, and thus politically restricted.”

In 2014, the government commissioned Catherine Baxendale to research the issues external hires face when joining the senior levels of the Civil Service. Her report referenced the aspirations set out in the 2012 Reform Plan to facilitate more movement between the Civil Service and the private sector, and made a number of recommendations in relation to external hires into the Senior Civil Service (SCS), covering 5 key strands:

- **Monitoring progress**, including establishing a database of external hires and conducting consistent exit interviews;

- **Recruitment and selection**, including applying more “personal care, rigour and contact during the selection process”, and providing greater opportunities for informal discussions outside of the formal interview process;

- **Induction**, including developing a standard 5-10 day induction and ensuring proper ownership of the new hire by the line manager;

- **Talent management**, including the recruitment of a Talent Director for external hires, and greater training to line managers for managing the transition of external hires; and

- **Culture**, including ensuring that those coming into the Civil Service have well-defined, clearly agreed objectives, and are provided with both formal and informal support.

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38 The Civil Service reform plan, June 2012, p.21
Ms Baxendale’s publication was preceded by a report by Deloitte, ‘Transfusion: Private to Public’[^40], which also explored the ‘delivery challenge’ faced by those hired into the SCS from the private sector. Two findings in particular provide useful context for the examination of events in scope of this Review:

- The report found that “the SCS imposes significant process burden on itself”. It quoted interviewees criticising the difficulty of “getting approval” and the volume of “rules and regulations”.

- The report also found that, while the SCS had successfully imported some skills, challenges remained, most notably in relation to commercial skills. One interviewee set out that: “the biggest most obvious gap is the commercial understanding… Projects could be conceived and delivered so much better if there were a real understanding of commercial issues”.

Following the publication of this set of reports, in 2016, the Civil Service published the ‘Civil Service Workforce Plan’[^41] (2016 - 2020), which aimed - among other things - to improve commercial capability and to attract and retain people from a “range of sectors and all walks of life”. Actions proposed as part of this plan included advertising roles externally by default, building relationships with executive search firms, and implementing a secondment and interchange strategy to facilitate better mobility between the Civil Service and external organisations.

Since then, work has continued to ensure effective and proper interchange between the Civil Service and the private sector. In June 2018, Civil Service HR launched the Success Profiles[^42], a new recruitment framework which widened selection criteria to include strengths, experience, technical skill and ability, with a view to support a holistic assessment of candidates and limit any internal advantage.

More recently, the Civil Service has brought ex-private sector employees into the Civil Service through targeted recruitment campaigns, such as the Industry Partner Voluntary Scheme and the Industry Partner Redundancy Scheme, to meet the delivery challenges of EU Exit and COVID-19. In May 2021, Civil Service HR launched a new Secondment Unit to lead further work on secondments and interchange with the private sector.

In light of this drive towards permeability with the private sector, Civil Service HR is also undertaking a review of the various capacities - other than standard employment - in which individuals can engage in work for the Civil Service. Examples of the ‘alternative modes of engagement’ being reviewed include secondees into the Civil Service, and Crown Representatives and commercial leads. Their ambition is to establish a robust and coherent set of Terms and Conditions for engaging individuals to perform Civil Service activity, with a particular focus on conflicts of interest and standards expected while in service.

Work on monitoring movement between the Civil Service and the private sector is also underway. As set out in his letter to PACAC on 14 May 2021, the Cabinet Secretary has

[^40]: https://www.criticaleyecm.com/inspiring/insights-servfile.cfm?id=1295
asked Civil Service HR to collate the total number of Directors and Deputy Directors seconded into the Civil Service from external organisations, and will write to PACAC with this information in due course.

The Declaration on Government Reform⁴³ reaffirmed the government’s aspiration to attract a wider range of people to public service, and made a number of commitments in support of this agenda, including opening all senior appointments to public competition and developing new entry routes from industry, academia, the third sector, and the wider public sector.

**Other individuals and Greensill Capital**

In addition to Lex Greensill, I have identified five noteworthy examples of relationships between individuals within government and Greensill Capital during the timescale of this review. I have set out my understanding in relation to each of them in turn below.

The following sections focus only on each individual’s engagement with the Cabinet Office, their relationship with Greensill Capital, and the approach taken to the declaration and management of any relevant interests. Explanation, where relevant, of their involvement in specific events within the scope of this Review is provided separately in the relevant chapter/s.

**Bill Crothers**

Bill Crothers served as the Government’s Chief Commercial Officer (GCCO) from April 2012 until November 2015. Before this, he had served as a Crown Representative and as the Government’s Chief Procurement Officer in the Cabinet Office, as well as Group Commercial Director in the Home Office.

Mr Crothers led the formation of the Crown Commercial Service (CCS) in April 2014, where he briefly then served as executive Chair. He stepped down as Chair in September 2014, but continued to lead the commercial function across government.

Mr Crothers has explained that he first started to consider a return to the private sector after the 2015 general election, and intended to leave the Civil Service to begin a portfolio career of advisory roles and directorships. He has said that “six or nine months” prior to this, Lex Greensill had invited him to join his company, and that these discussions were picked up again in summer 2015. Mr Crothers was, at this time, leading a programme of work to improve commercial capability within government which Sir John Manzoni was eager for his continued support on.

They discussed this and Sir John Manzoni suggested he leave the Civil Service and contract back temporarily to support this work, which was at a critical phase.

On 16 July 2015, Mr Crothers emailed Sir John Manzoni setting out his suggested daily rate for being a contractor and asking him to discuss with Lord Heywood. Sir John responded to say he would talk to Lord Heywood, and that Sue Gray was “fine with it- and suggested that being a contractor was probably the better option. I suggest you and she pick it up - there may be business appointment rules to go thru that's all.”

Also on 16 July 2015, Lex Greensill emailed Lord Heywood, writing, “As foreshadowed some months ago, I wanted to let you know that I have extended an invitation to Bill Crothers for him to become a senior adviser to the Board of my firm”. Lord Heywood forwarded the message to Sir John Manzoni, who wrote back, “thats what i was going to chat with you ! will grab a few minutes - it is good”.

At interview, Mr Greensill said that Greensill Capital had not had a HR department at the time, and that he had not been aware of all the processes they might have needed to complete. Mr Greensill said he had understood, however, that Mr Crothers had finished his role as Head of the commercial function and a replacement had been appointed. This was not actually correct.
On 19 July 2015, Mr Crothers emailed Sue Gray with details of his plan to “cease to be a permanent civil servant and become a contractor (to CO or to CCS, to be determined)” and to reduce his hours to 2 to 3 days per week starting from 1 September 2015.

Mr Crothers’ email to Ms Gray explained that under the proposed arrangement, he would focus on building commercial capability through ongoing recruitment exercises and inducting new recruits; providing commercial advice on large deals as the need arose; and helping Sir John Manzoni to appoint his successor, with whom he would then agree an updated working arrangement. In his appearance before PACAC in June 2021 Sir John Manzoni said that Bill Crothers had ultimately only performed the commercial capability role, and had not been involved in the appointment of his successor, or provided commercial advice on any large deals.

Mr Crothers’ email also confirmed that, in parallel to reducing his contracted hours, he would begin to take up external advisory roles. The first of these would be with Greensill Capital, which he assured Ms Gray “does not do any business with the UK government”. The email included a description of his expected role with Greensill Capital, explaining, “My role would be to be as an adviser to the Board - the company is young and growing and has many issues that companies in such situations face. We have defined no further specific role yet though expect it to grow as the situation develops”.

On 16 July 2015, he had sent a draft of this note to Sir John Manzoni, who had written, “im fine for you to send the note to sue [Gray] - she will be ready to chat with you as soon as you are ready. I have mentioned to jeremy - who is supportive of you continuing to help us as long as possible as much as possible, and also of you evolving to a new arrangement - i.e. he is on board for your new plans”.

On 20 July 2015, Ms Gray responded, confirming “I am supportive of your plan and am meeting the Chair of the Advisory Committee on Business Appointments this afternoon and will talk her through this so she is ready (and supportive of any applications made by you to the Committee)”.

Mr Crothers suggested in interview that Ms Gray had advised him in person that leaving and immediately contracting back into the Civil Service would not be appropriate - she said there should be a gap between his departure and any re-appointment. In response to concerns that this would prevent his continued support of the commercial capability work, Mr Crothers explained, Ms Gray advised that he could reduce his hours and use the additional time to take on any external roles. Ms Gray recalls discussing options with Mr Crothers, including this option, but my understanding is that her role was to provide advice rather than to give approval.

Ms Gray has also explained that during one part of these discussions (which took place in person and are not documented), she had informed Mr Crothers that as he was still a civil servant, he would not need to engage ACoBA to take up this particular role with Greensill Capital. However, it was for the Permanent Secretary and HR Director to give approval. I have not seen any evidence of whether approval from the Permanent Secretary or HR was sought or given. The Permanent Secretary at this time was Richard Heaton. Sir John Manzoni was appointed as his replacement on 29 August 2015.
On 1 September 2015, HR records show that Mr Crothers reduced his hours to 5 days per fortnight. At the end of November 2015, Mr Crothers left the Civil Service and undertook his mandatory three month paid ‘waiting period’.

Emails from November 2015 discussing the announcement of Mr Crothers’ departure alluded to a plan for him to return to the Cabinet Office as a “part time commercial adviser”. Details of this plan were not included in the announcement, as it had not yet been approved by ACoBA.

On 14 December 2015, Mr Crothers emailed Sir John Manzoni’s office with a draft ACoBA application, explaining, “I am told by Sue that the attached form needs to be submitted to allow me to contract back to the CO”. He asked for the office to look through the application, and for a section assigned to Sir John Manzoni, as CEO of the Civil Service, to be populated. Mr Crothers was advised, in the same email chain, that ACoBA may want to know about any other appointments he was taking on, including his work for Greensill, to which he responded: “I don’t want to complicate things by mentioning Greensill Capital. Sue has been clear previously to me that there is no further need for approval there”.

Mr Crothers did not return to the Cabinet Office as a contractor, and the ACoBA application was never submitted. On 15 January 2016, Ms Gray emailed Mr Crothers to remind him that if he still planned to return to the Cabinet Office, he would need to make an application to ACoBA.

Publicly available information indicates that in August 2016, Mr Crothers’ role at Greensill Capital changed to holding a Directorship. This was a new appointment and would therefore have necessitated an application to ACoBA. Mr Crothers did not seek approval from ACoBA at this time although I can understand that Mr Crothers had assumed it was covered by the earlier approval since he has told me it did not increase his time commitment or pay. As set out in Section 4, Mr Crothers wrote in an email to the Treasury that his role at Greensill “was of course formally cleared and approved by ACoBA”.

Mr Crothers submitted applications to ACoBA throughout 2016 and 2017 for three further positions following his period of appointment in the Cabinet Office.

Further information about Mr Crothers’ engagement with government on behalf of Greensill Capital is set out later.

**Sean Hanafin**

Sean Hanafin was appointed on similar terms as Lex Greensill, as a “Senior Adviser on Supply Chain Finance”, on 1 October 2012. His title was later updated to “Senior Adviser on Capital Markets and Corporate Finance”. He left his part time and unpaid role in the Cabinet Office on 31 May 2014.

Mr Hanafin has explained that he first met Mr Greensill at Citibank in 2009, but that they did not stay in contact after Mr Hanafin left the bank in 2010. In 2012, Mr Greensill approached Mr Hanafin and suggested he become involved with the government. Mr Hanafin was not a supply chain finance expert but was active in capital markets transactions. Mr Greensill wanted Mr Hanafin to complement his skills - Mr Greensill explaining supply chain finance and Mr Hanafin explaining how this could be funded either by banks or, of particular interest to Mr Greensill given his financial model for Greensill Capital, through the capital markets.
On 28 September 2012, in an otherwise unrelated email chain, Lord Heywood asked Mr Greensill to provide Sue Gray with details for Mr Hanafin, writing: “we are good to go on that one”. This is the earliest documentary evidence I have seen that relates to Mr Hanafin’s appointment to the Cabinet Office.

In response, Ms Gray asked about the contractual basis on which Mr Hanafin would be appointed, and confirmed that security and conflict of interest checks would need to be conducted before this could proceed. Ms Gray also advised Lord Heywood, “Jeremy this probably should go to the approvals board to avoid any issues down the line”, to which he responded, “Sure - though it is bureaucracy gone mad!”. I have not found evidence of whether a subsequent board meeting to discuss or approve Mr Hanafin’s appointment occurred. Ms Gray was unable to recall whether such a meeting, which would most likely have been led by the Permanent Secretary’s office or the Cabinet Office’s Corporate Services Group, went ahead.

Mr Greensill confirmed that Mr Hanafin would, “(subject to the approval/screening process you described) be joining on exactly the same basis as me”. He then provided an overview of Mr Hanafin’s employment status and professional background, writing, “Sean is a main board director of an AIM listed company (Eros International plc), was Managing Director and head of corporate banking for mid cap and SME companies at Citibank for 15 years and has been involved in the setup of the Green Investment Bank”. Mr Greensill also confirmed that he had asked Mr Hanafin to prepare a CV and a full disclosure of his outside interests.

Mr Hanafin’s appointment as a ‘Supply Chain Finance Adviser’ was confirmed by letter for a period of six months commencing 1 October 2012 until 31 March 2013. As with Mr Greensill he was unpaid. I have not been able to locate a version of this letter which is signed by an approving official or minister. The letter contained a full list of outside interests which Mr Hanafin had, by this point, disclosed.

The terms of engagement in Mr Hanafin’s letter of appointment included a provision that:

“For the duration of your appointment you have agreed not to be involved in a private capacity with any company (in the capacity of a “Buyer” in a Supply Chain Finance Programme) which you are dealing with as a result of your official duties – this does not apply to any bank, insurance company, pension fund, hedge fund or similar financial institution on the basis that they are not beneficiaries from this initiative. In view of your private interests you have agreed not to have any role in companies in the Energy sector. You have also decided to step down from being a member of HMG’s capital markets climate imitative and also from the climate bond initiative (NGO). You will advise the Cabinet Office immediately of any changes to these interests.”

The wording of this provision mirrors that in Lex Greensill’s letter of appointment, which was drafted by Mr Greensill, but includes further provisions on energy and climate issues which are specific to Mr Hanafin. I assume that the wording was inserted in the draft to reflect Mr Greensill’s instruction that Mr Hanafin’s terms of appointment should be the same as his own. Mr Hanafin was not able to provide clarification on this point, but stated that it was not the result of a negotiation between himself and the Cabinet Office.
I have seen two business cases relating to Mr Hanafin’s appointment. Both describe his role as a “Corporate and Supply Chain Finance Adviser”. The first version, completed by Clare Sumner, lists the dates of his initial appointment from 1 October 2012 to 31 March 2013, and contains a number of placeholders for the Department for Business, Innovation and Skills (BIS) (2009 - 2016) to “complete” or “add more”. The other, presumably later version was completed by Melanie Dawes, and includes a later start date of 26 November 2012 - the end date is the same. The placeholders had been filled in in this version, which set out that Mr Hanafin’s responsibilities would be to “provide advice to Cabinet Office and No.10 on the new Business Bank, recently launched by Business Secretary Vince Cable, as well as to provide assistance to Lex Greensill in relation to the Prime Minister’s Supply Chain Finance Programme”. The file name of the completed version contains the date 13 January, indicating it may have been completed retrospectively. However, the date of completion is not confirmed in the body of either document. Mr Hanafin has surmised that his original title, in his letter of appointment, mirrored Mr Greensill’s as they had been appointed on similar bases, but explained that his title was later updated to better reflect his role. I have seen no evidence that an approvals board took place to discuss this business case.

This Review has not been able to locate formal documents evidencing Mr Hanafin’s appointment status between 1 April 2013 and 1 April 2014, but internal emails indicate that his contract was extended throughout this period.

Mr Hanafin’s term was extended, by letter, for 12 months, from 1 April 2014 until 31 March 2015. Shortly before this letter was issued, on 18 March 2014, Mr Hanafin provided HR with an update to his outside interests, writing, “the only change to my disclosures since last time is that I have just been asked to become a Non-Executive Director for Nord Finanz Banken”. Mr Greensill had made a similar disclosure four days previously. These related to Greensill Capital acquiring an interest in and then full ownership of Nord Finanz Banken. In October 2014, it was renamed “Greensill Bank”. In fact Mr Hanafin did not take up the role at Nord Finanz Banken but instead joined Standard Chartered Bank as an executive developing their European corporate business. He did not correct his disclosure of interests to remove Nord Finanz Banken as his appointment was about to terminate in any event.

A letter from the Cabinet Office Resourcing and Recruitment Team, dated 27 May 2014, confirmed the termination of Mr Hanafin’s term as Senior Adviser on Capital Markets and Corporate Finance, setting his last day as 31 May 2014.

Mr Hanafin has confirmed that he did not hold a remunerated position in any Greensill Companies until 2019, when he resigned from Standard Chartered Bank and joined Greensill Capital. Mr Hanafin stressed that his work at Greensill Capital - building a blue chip client base in support of the company’s plans to become a broader working capital provider - was distinct from the public sector-facing strand of the business. He confirmed that he had a very limited involvement in the early stages of the CLBILS application to the BBB.

David Brierwood

David Brierwood was appointed as a Crown Representative from October 2014 to May 2018.

On 25 September 2014, Mr Brierwood signed a letter from CCS confirming his terms of engagement as a Crown Representative. The letter described the start date of his
appointment as “TBC”. Mr Brierwood estimated, when interviewed, that he began working as a Crown Representative in October 2014.

Mr Brierwood was not assigned a sectoral portfolio as Crown Representative but was given certain supplier relationships to manage. The supplier relationships he managed on behalf of the government were, in chronological order, Virgin, Deloitte and PA Consulting.

Mr Brierwood’s letter of appointment included an instruction that:

“6.1 You must declare to Bill Crothers any personal or business interest which may, or may be perceived (by a reasonable member of the public) to influence your judgement in performing your functions and obligations under this agreement. These interests include (without limitation), personal direct and indirect pecuniary interests, and any interest of your close family members and/or people living in the same household as you or as your close family members.

6.2 You must inform Bill Crothers in advance of any new appointments that may impinge on your performance of your functions, and obligations under this agreement.

6.3 You may be engaged, employed or concerned in any other business, trade, profession or other activity which does not place you in a conflict of interest with the CCS. However, you may not be involved in any capacity with a business which may place you in a conflict of interest in respect of your role on behalf of the CCS.”

Mr Brierwood was working at Morgan Stanley at the time of his appointment. He had also been a Non-Executive Director at Preqin since August 2014, and at the Monteverdi Choir since 2009. He had known and worked alongside Mr Greensill in his roles at Morgan Stanley and the Monteverdi choir. Mr Brierwood explained in interview that he had “helped” with Mr Greensill’s recruitment to Morgan Stanley, though he did not personally appoint him.

After his appointment as Crown Representative in October 2014, Mr Brierwood took on three additional NED roles at Greensill Capital, SNL Financial, and RIMES Technologies in December 2014, February 2015, and November 2015 respectively. Mr Brierwood confirmed in interview that in 2014, shortly before his appointment at Greensill Capital, he had personally invested in equity and debt capital to Greensill Australia as part of a group of angel investors.

Mr Brierwood’s role at Greensill Capital did not include a specific portfolio until mid-2018, when he became Director of the company’s UK entity. At that point, the company restructured, and Mr Brierwood was asked to chair the risk subcommittee of the company’s board, with oversight of activity in the risk department. Mr Brierwood retained his non-executive director role and risk management responsibilities at Greensill until February 2021.

Conflict of interest forms completed by Mr Brierwood covering the period from 1 July 2015 to 30 June 2018 asserted that “no circumstances exist which conflict or could be perceived to conflict with [Mr Brierwood]’s official duties at the Crown Commercial Service”. I have not seen any evidence to suggest that this was not the case.
On 8 May 2018, Mr Brierwood emailed Coleen Andrews, Director, Markets and Suppliers, and Gareth Rhys Williams, GCCO to resign, citing concerns about the time he could offer the Crown Representative role in light of increasing demands arising from his other board and advisory positions.

**Lord Hogan-Howe**

Lord Hogan-Howe served as Commissioner of Police of the Metropolis from 2011-2017. Upon his departure, he was subject to two key post-employment constraints on commercial activity:

- he was to inform the Mayor’s office of any work he wished to take with Metropolitan Police contractors and seek their consent to such work; and
- he was not to use or share information gained during his time in the Metropolitan Police for commercial advantage for two years after his departure.

Following his retirement, Lord Hogan-Howe became involved in discussions with FreeUp - a London-based fintech company which aimed to allow workers to receive payment for earned, but unpaid wages - with a view to becoming an adviser.

In October 2018, FreeUp was acquired by Greensill Capital and renamed “Earnd”. The previous CEO of FreeUp, who remained in post for some time, introduced Lord Hogan-Howe to Bill Crothers, who became his main point of contact at Earnd; discussions on a possible advisory role continued.

Lord Hogan-Howe became an adviser to Earnd in June 2020, where he was paid monthly instalments of a fixed annual fee to help grow the company and offer expertise on procurement in public services. In his time as an adviser, Lord Howe made the police force aware of the Earnd product, which was on offer to them free of charge.

Lord Hogan-Howe has explained that he met Mr Greensill once, for lunch, some time after starting work for Earnd.

Lord Hogan-Howe joined the Cabinet Office as a Non-Executive Board Member on 12 May 2020.

While the Crown Commercial Service holds overall responsibility for procurement in public services, procurement decisions relating to specific services are outsourced to sponsoring Departments or bodies. Decisions over whether to offer a product such as Earnd to NHS staff would be for the consideration of individual NHS Trusts, with facilitation support provided by NHS Shared Business Services (SBS); Lord Hogan-Howe’s position as a Cabinet Office NED afforded him no authority over either of these.

Lord Hogan-Howe performed an advisory and ambassadorial role for Earnd. I have seen no evidence that he engaged with central government on behalf of Earnd.

**Maurice Thompson**

Maurice Thompson was a senior employee of Citibank until April 2014. In September of that year, he was appointed as a non-executive Director and Chair of Greensill Capital, having already joined the company in June as a non-executive Chair of the Supervisory board of their recently-acquired bank in Germany. His involvement with government was primarily in
his role at Citibank, but is notable for having been put forward for a government Non Executive role by Bill Crothers and Sir John Manzoni.

On 12 October 2011, Maurice Thompson wrote to Lord Maude. Although I have not seen a copy of this letter, interviewees have indicated that - as well as requesting a meeting with Lord Maude - the letter outlined areas of public services where Mr Thompson believed supply chain finance could be introduced. Lord Maude’s office described the content of the letter as sounding “suspiciously like a proposal I have just had from No 10”. This Review has been unable to locate the proposal passed from Number 10 to Lord Maude’s office in question.

Katharine Davidson’s office, then-Director, Efficiency and Reform Group, advised that a meeting with Mr Thompson would not be appropriate; they confirmed that Ms Davidson had already met Mr Thompson, and highlighted that ahead of a roundtable on supply chain finance planned for November 15th, “if MCO meets with Citi - all other potential suppliers will write in wanting his time”.

On 3 December 2015, Bill Crothers emailed Sir John Manzoni to express Mr Thompson’s interest in serving as a NEBM in a government department. In subsequent emails, Mr Crothers provided an overview of Mr Thompson’s employment history, writing “Most recently CEO of CITI. Previous history at Deutsche, and some others I can’t remember. (Be aware that he has a few NED positions, the one to note being Chair of Greensill Capital)”.

On 9 December, 2015, Mr Thompson sent a copy of his CV to Mr Crothers, who forwarded this to Sir John Manzoni. On 12 December 2015, Sir John Manzoni emailed Andy Heyn, a Director in the Civil Service Group - who oversee public appointments - asking, “can we add this guy to your lists please?”. In response, Mr Heyn outlined the process for assessing candidates’ suitability for appointments, and agreed to start internal discussions on how to handle Mr Thompson’s case. No further evidence of discussion relating to Mr Thompson’s appointment as a NEBM has been located by this Review, and the appointment did not materialise.

On 10 October 2019, Mr Thompson emailed the office of Sir Mark Sedwill, then Cabinet Secretary, after they had met at an event, writing, “We discussed Greensill before dinner and I would like to take you up on your offer to meet Lex Greensill, our CEO, at our offices. They are opposite the Savoy Hotel and so a five minute walk from the Cabinet Office. We have much that we are doing and plan to do with various arms of HMG under our Crown Commercial Services contract and it would be very good to sight you on this work and have your guidance. Lex used to see Jeremy on a regular basis and is very keen to meet you”.

On 15 November 2019, Sir Mark’s office responded that a meeting wouldn’t be possible, citing pressure on his diary. On 21 January, Mr Thompson’s office emailed again, asking for a meeting between Sir Mark, Mr Greensill, Mr Crothers and himself. On 25 February 2020, in the absence of a response, Mr Crothers copied Sir John Manzoni into the email chain and reiterated the meeting request, assuring those copied that Sir Mark wanted to meet, and writing “We are very keen”.

This Review has found no evidence that the meeting/s requested by Mr Thompson with Sir Mark were ever arranged.
SECTION 4: ENGAGEMENT WITH GOVERNMENT ON BEHALF OF GREENSILL CAPITAL

This section of the report examines:

- the existing processes in place in government for managing the undue influence of outside interests in public policy making;

- notable examples of Greensill Capital and its associates' engagement with government; and

- Greensill Capital's engagement with the Bank of England, Her Majesty's Treasury (HMT) and the British Business Bank regarding the Covid business support loans offered by government throughout the pandemic response.
The existing processes in government for managing undue influence of outside interests in public policy making

**Definition of lobbying**

Lobbying, in the context of this Review, is defined as oral or written communication with a public official to influence legislation, policy or administrative decisions.

I agree with the statement from “Regulating lobbying: a global comparison” by Raj Chari, John Hogan and Gary Murphy that,

“Although the term has often had negative connotations, throughout the democratic world the work of lobbyists is essential when policy is formulated. Lobbyists are an accepted element within society, providing the necessary input and feedback into the political system, thereby helping to develop the policy outputs which drive political and economic aspects of our daily lives.”

The OECD has done some good work on how member states should manage the influence of lobbying in public life. In particular, its 2010 Recommendation of the Council on Principles for Transparency and Integrity in Lobbying provided adherents “with directions and guidance to foster transparency and integrity in lobbying”. The Recommendation suggested that adherents should seek to build an effective and fair framework for openness and access; enhance transparency; foster a culture of integrity; and build mechanisms for effective implementation, compliance and review.

On 20 May this year, the OECD published a new report entitled ‘Lobbying in the 21st Century: Transparency, Integrity and Access’. This report assessed the progress which member states had made since the publication of the 2010 Recommendation. The OECD has consistently advanced the position that:

“Lobbying, as a way to influence and inform governments, has been part of democracy for at least two centuries, and remains a legitimate tool for influencing public policies. However, it carries risks of undue influence. Lobbying in the 21st century has also become increasingly complex, including new tools for influencing government, such as social media, and a wide range of actors, such as NGOs, think tanks and foreign governments.”

HM Government has adopted the view of lobbying set out in the First Report of the Committee on Standards in Public Life (1995). The First Report stated that “it is the right of everyone to lobby Parliament and Ministers, and it is for public institutions to develop ways of controlling the reaction to approaches from professional lobbyists in such a way as to give due weight to their case while always taking care to consider the public interest”.

Government’s overall approach to lobbying, reflecting the approach of the Nolan Committee, is not to ban contacts with lobbyists. It is “to insist that wherever and whenever they take place they should be conducted in accordance with the Civil Service Code, and the principles of public life set out by the Nolan Committee”. The government made a general commitment in the 2017 Anti-Corruption Strategy to ensure that “the systems that govern … lobbying will remain effective and fit for purpose”. This is an important goal, and I would expect the government to make a similar commitment in the next iteration of the anti-corruption strategy in 2022.
Government argues that it manages the influence of lobbying in policy making through a combination of transparency measures, integrity standards, and the policy making process itself.

Transparency

Government uses transparency measures to enable the public to see who is seeking to influence those holding senior roles in government and where their engagement is directed. Transparency means, to use the OECD term, the disclosure and subsequent accessibility of relevant government data and information. In theory, transparency enables the public to understand government decision making and to hold those making decisions to account.

The Seven Principles of Public Life (the ‘Nolan Principles’)

The Seven Principles of Public Life (the ‘Nolan Principles’) set out a general principle of openness in public policy making. Holders of public office are required to act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for doing so. The Nolan Principles form the basis of the Ministerial Code, and they are applied and shaped for civil servants and special advisers in the core values of the Civil Service Code and Special Adviser Code (both of which are contractually binding and given a statutory basis by the Constitutional Reform and Governance (CRaG) Act 2010).

To uphold these principles, government makes a range of data routinely available to the public. Information is published on ministerial and senior official (Permanent Secretary level) meetings with third parties, along with any gifts and hospitality received (which also extends to special advisers). This focus on ministers and Permanent Secretaries reflects the decision making powers they have (compared to more junior officials and special advisers who usually only provide the advice upon which decisions are based). Government argues this is proportionate as it focuses on where influence could be brought to bear in decision making, but allows more junior advisers a safe space for deliberations where other checks or tools guard against undue influence.

The Freedom of Information Act 2000 (FOIA) provides a statutory right of access to recorded information held by public authorities. The government is required under the FOIA to release information about its decision making, aside from certain information which is exempt from release in order to, for instance, create a safe space for the formulation of policy or to protect personal information. Government suggests that interested parties are able to use their rights under the FOIA to follow up for more information on specific areas of interest in the transparency returns.

The statutory Register of Consultant Lobbyists, established through the Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014 (referred to as the ‘Lobbying Act’), is a UK-wide legislative measure to regulate consultant lobbying of ministers and Permanent Secretaries. This legislation requires those who conduct consultant lobbying activity to register themselves with the Office of the Registrar of Consultant Lobbyists (ORCL) and to provide details of their clients. The Register aims to ensure that third party lobbyists cannot use consultants to hide their engagement in policy making.

Government advises that the register does not cover in-house lobbyists as the government publishes data on meetings between ministers and Permanent Secretaries and external organisations, including details of attendees and the organisations they represent. This
information, government says, captures the activities of in-house lobbyists, and enables the Registrar to investigate instances where individuals or organisations may be conducting consultant lobbying activity without registering. The Registrar has a statutory duty to 'monitor compliance' with the obligations set out in Part 1 of the 2014 Act and may impose penalties where satisfied that offences have been committed under the Act’s provisions. The Registrar has recently updated the guidance for registrants on the statutory requirement to register and the quarterly information required. Government is currently undertaking post-legislative scrutiny of the Lobbying Act.

The Register of Members' Financial Interests provides information about any financial interest which a Member of Parliament has, or any benefit which he or she receives, which others might reasonably consider to influence his or her actions or words as an MP. Members must register any change to their registrable interests within 28 days. The rules are set out in detail in the Guide to the Rules relating to the Conduct of Members. The Register is maintained by the Parliamentary Commissioner for Standards. It is updated fortnightly online when the House is sitting, and less frequently at other times. Interests remain on the Register for twelve months after they have expired. The Register enables members of the public to see which organisations and individuals are engaging with MPs to influence the legislative process. Similar procedures are in place for Members of the House of Lords.

Political parties are required to submit quarterly donation and loan returns to the Electoral Commission. Within these returns, parties report: donations accepted above the £7,500 threshold (£1,500 for accounting units); smaller donations from a single donor which add together to exceed the reporting threshold; donations which ought to have been reported in previous quarters; and impermissible donations they have received and the action taken in relation to these. The Electoral Commission published this data in its reports on party donors, so that voters can see how political parties in the United Kingdom are being funded.

Integrity Standards

Government maintains a range of integrity standards which aim to ensure that public servants put the obligations of public service above their own personal interests or the interests of others.

The Civil Service Code sets out the core values and standards of behaviour expected of civil servants. The Code of Conduct for Special Advisers sets out the standards of behaviour expected of special advisers, and aims to reinforce the political impartiality of the permanent Civil Service by distinguishing the source of political advice and support to ministers. The Ministerial Code requires ministers to “maintain high standards of behaviour” and provides guidance on how ministers should act and arrange their affairs in order to uphold these standards. These codes are the basis of standards for engagement with outside organisations and declarations of interest, including the receipt of gifts and hospitality from third parties.

The Ministerial Code places an obligation on government ministers to ensure that no conflict arises or could reasonably be perceived to arise between their public duties and private interests, financial or otherwise. On appointment, ministers are required to provide a list of interests to their Departmental Permanent Secretaries. Ministers’ declarations are assessed at departmental level by the Permanent Secretary, so that any specific issues arising out of
their specific responsibilities can be considered. They are also assessed by the Cabinet Office – which can advise Permanent Secretaries about the judgements they are making – and by the Independent Adviser on Ministers' Interests. The Ministerial Code also makes clear that ministers should not accept any gift or hospitality which might, or might reasonably appear to, compromise their judgement or place them under an improper obligation.

In relation to engagement with outside organisation specifically, Section 8.14 of the Ministerial Code states that:

“Ministers meet many people and organisations and consider a wide range of views as part of the formulation of government policy. Meetings on official business should normally be arranged through Ministers' departments. A private secretary or official should be present for all discussions relating to government business. If a Minister meets an external organisation or individual and finds themselves discussing official business without an official present – for example at a social occasion or on holiday – any significant content should be passed back to the department as soon as possible after the event. Departments will publish quarterly, details of Ministers' external meetings. Meetings with newspaper and other media proprietors, editors and senior executives will be published on a quarterly basis regardless of the purpose of the meeting.”

The Ministerial Code, and any reforms or amendments to it, is the responsibility of the Prime Minister. The Prime Minister is the Sovereign’s principal adviser. This means that, in relation to the ministerial powers that are derived from the Royal Prerogative (the residual power inherent in the person of the Sovereign), these prerogative powers are exercised mostly on the advice of the Prime Minister.

The Prime Minister therefore has overall responsibility for the organisation of the Executive. It is for the Prime Minister alone to advise the Sovereign on the exercise of the Royal Prerogative powers in relation to government, such as the appointment, dismissal and acceptance of resignation of other ministers. Ministers hold office as long as they have the confidence of the Prime Minister. He or she is the ultimate judge of the standards of behaviour expected of a minister and the appropriate consequences of a breach of those standards.

The Civil Service Code is clear that civil servants must not misuse their official position to further their private interests or those of others. The process for declaring and managing civil servants' interests sits in departments within management units, on the premise that conflicts are more effectively assessed at a local level. In all cases, civil servants are required to declare their interests (including business or financial interests) in real time to senior management, up to Permanent Secretary level if necessary, so that senior management can determine how best to proceed.

Civil servants must comply with any instructions from their department or agency regarding the retention, disposal or management of such interests. Civil servants must not receive gifts, hospitality or benefits from anyone which might be seen to compromise their personal judgement or integrity. Departments are required to publish details of business expenses incurred by Director General-level civil servants and above, including Non-Executive Board Members, on a quarterly basis. The principles around civil servants' declarations of interest and engagement with outside organisations are held centrally in the Cabinet Office, and set

Special advisers are bound by the standards of integrity and honesty required of all civil servants as set out in the Civil Service Code. The Code of Conduct for Special Advisers makes clear that special advisers must declare details of their meetings with newspaper and other media proprietors, editors and senior executives. In summer 2020 a change was made to the Model Contract for special advisers to introduce a cross-government policy for declarations of interest, including making a declaration mandatory. While Permanent Secretaries in departments still make the main assessment of interests, these are now collated and viewed within the Cabinet Office for central oversight. Under the policy, departments publish special advisers’ interests judged by the Permanent Secretary to be relevant in the departmental report.

In relation to engagement with outside organisations specifically, special advisers are required by the Code of Conduct for Special Advisers to:

"declare details of gifts and hospitality received in accordance with the rules set out in their departmental staff handbooks. Departments will publish, on a quarterly basis, information about gifts and hospitality received by their departmental special advisers and details of special advisers’ meetings with newspaper and other media proprietors, editors and senior executives."

All public appointees are expected to adhere to the principles set out in the Code of Conduct for Board Members of Public Bodies. During the appointments process, the Advisory Assessment Panel must satisfy itself that all candidates for appointment can meet these standards and have no conflicts of interest that would call into question their ability to perform the role. Public appointees must comply with the rules set by the body on the acceptance of gifts and hospitality. They must not accept any gifts or hospitality which might, or might reasonably appear to, compromise their personal judgement or integrity or place them under an improper obligation. Board members of Public Bodies also have an obligation to ensure their public body does not use public funds to employ consultants or other companies to lobby Parliament, government or political parties. And they must not use, nor attempt to use, the opportunity of public service to promote their personal interests or those of any connected person, firm, business or other organisation.

Crown servants at all levels are subject to rules on accepting outside appointments after leaving Crown service, called the Business Appointment Rules (or BARs). The BARs are designed to allow departments on a case by case basis to guard against the, perceived or actual, risk that an appointment might be a reward for past favours, that an employer might gain an improper advantage by appointing a former official who holds information about its competitors or impending government policy, or that a former official is able to improperly exploit privileged access to contacts in government. Ministers, Senior Civil Servants and their equivalents are prohibited from lobbying government for two years after they leave office.

The policy making process

Government also argues that the wider processes and standards of policy making reduce the undue influence of outside interests in public policy. The government suggests that only
having the input of a small number of stakeholders can leave policy makers more susceptible to undue influence from lobbyists. The government has therefore published consultation principles, which are part of the Policy Profession Standards, which set out the principles for engagement in policy making with the public and affected parties. Consulting during policy making aims to capture the views of the public and outside organisations, thereby taking into account a broad range of relevant views and interests on a given issue.

Policy in government is also subject to collective agreement, which ensures that impacts on other government departments have been considered before a major announcement or action is taken. Collective agreement is secured by the agreement of Cabinet or a Cabinet Committee, either at a meeting or by ministerial correspondence seeking clearance for a proposal. This process means that in theory no interest can be represented in significant changes to public policy without the views of all teams across government who are affected by those changes having been taken into account. It also ensures that a proper assessment is made of the impact which new policies have on, for instance, the environment, equalities, or the economy.

Ahead of the collective agreement process, all policies are subject to, for instance, cost and legal assessment by subject experts, again in order to reduce the risk that undue influence goes unchecked throughout policy development. Policy development is undertaken based on, for instance, the Managing Public Money requirements (which ensure that public servants use public money responsibly and effectively), the Orange Book (which ensures the sound development and implementation of risk management processes in government organisations), or the Green Book (which provides guidance on the appraisal and evaluation of government policies, projects and programmes). These standards, and a range of others across government, are intended to provide a framework for testing policy at all stages of the policy cycle to ensure it delivers public, rather than private, interests.

If a change in policy requires a change in the law, policies and the rationale underpinning them are subject to parliamentary scrutiny. This scrutiny provides an external check on government activity, and ensures that no single interest is unduly represented in public life or the policy making process.

**HM Government’s transparency regime**

As noted above, an important aspect of government’s ability to manage the influence of outside organisations is the transparency regime. The Cabinet Office established a central Transparency Data team in April 2018, to oversee the network of transparency data leads and publishers across central government departments. The Transparency Data team supports departments to improve the timeliness, quality and accessibility of government transparency data publications, including the quarterly meetings data for ministers, special advisers and senior officials.

Cabinet Office is responsible for prompting other government departments to consistently apply the letter and the spirit of the transparency requirements. This includes flagging the need to publish appropriate details on the purpose of discussions, whilst balancing any public interest considerations (e.g. security, international relations, commercial confidentiality) which need to be made.
Departments are required to publish details of ministers’ meetings with external organisations. This includes making clear the purpose of meetings, without resorting to catch-all terms such as ‘General Discussion’ in their transparency returns. External organisations are defined as “any group, company, organisation or individual person external to government”. As far as I have been able to establish, there is no definition of what constitutes a ‘meeting’ in the transparency guidance. However, the guidance does suggest that “whether a meeting is a meeting should be decided on a case-by-case basis, but visits, attendance at seminars, conferences, receptions, media interviews etc. would not normally be classed as meetings. If a minister took an active role in a seminar then [departments] may wish to consider including it”. From 16 March 2020, all remote meetings which would normally have taken place in person, but have not done so because of reduced face-to-face interaction due to Covid-19, should be recorded in line with previous quarterly meetings declarations (i.e. as if they had taken place in person).

Departments are also required to publish details of gifts given or received by ministers valued at more than £140, and the outcome in respect of each gift (whether it was kept, bought by the minister, or surrendered to the Department). Departments are also required to publish details of hospitality accepted by ministers, and details of overseas travel. Departments are also required to publish details of gifts and hospitality received by special advisers, and any meetings special advisers have had with senior media figures.

In respect of senior officials, Departments must publish details, for SCS2 (Director) level and above, of hospitality received and the business expenses associated with all domestic and international travel. Departments are only required to publish details of meetings with external organisations for Permanent Secretaries.

All of these transparency publications should be made quarterly in arrears.

It is notable that Departments are not required to publish details of offers of hospitality to ministers, special advisers or Senior Civil Servants which were subsequently declined.

**Government business and official information**

Ministers, special advisers and civil servants all have a general obligation to handle official information and to conduct government business properly, particularly in the context of engagement with outside organisations and individuals.

Section 11 of the Cabinet Manual defines official information as being:

“Created and commissioned in the course of official government business. It includes information created or received by ministers in a ministerial capacity. Official information can be in any format, and includes correspondence and memoranda, guidance, emails, datasets and databases, websites, official blogs and wikis, and film and sound recordings. Other formats that emerge will also be covered.”

Ministers’ obligations in respect of official information and government business are set out in the Ministerial Code. The Ministerial Code requires ministers to maintain the security of government business, which includes using official information in the correct way and for the correct purposes. Section 8.14 of the Ministerial Code, included in full above, also sets out the expectation that for all discussions relating to government business ministers must be accompanied by a private secretary or other official. If ministers are not accompanied by an
official (for instance, at a social occasion or on holiday), and they find themselves discussing official business, any significant content should be passed back to the department as soon as possible after the event.

Civil servants and special advisers are obliged under the Civil Service Code to “keep accurate official records and handle information as openly as possible within the legal framework”. They must not “disclose official information without authority (this duty continues to apply after [they] leave the Civil Service)”.

Ministers, special advisers and civil servants also have a personal responsibility to create a record of official business, and they must not rely on technology to do it for them. As far as I have been able to establish, there are no regulations which prevent them from using technology which automatically deletes messages. However, even if this technology is used, the personal responsibility to create a record, and to handle official information correctly as set out above, is not diminished.

I take these regulations to mean that it is the content of business and the capacity in which ministers, special advisers and civil servants undertake it which is important, rather than the venue or medium in which business is undertaken. Even where they engage outside organisations or individuals in a private capacity or through ‘informal’ means, and that engagement deals with official information or government business, ministers, special advisers and civil servants must all take appropriate steps to handle official information correctly and to notify the department of the business undertaken.

Shareholding

For civil servants, Section 4.3 of the Civil Service Management Code requires departmental staff handbooks to reflect that:

“Civil servants may freely invest in shareholdings and other securities unless the nature of their work is such as to require constraints on this. They must not be involved in taking any decision which could affect the value of their private investments, or the value of those on which they give advice to others; or use information acquired in the course of their work to advance their private financial interests or those of others.

Civil servants must therefore declare to their department or agency any business interests (including directorships) or holdings of shares or other securities which they or members of their immediate family (spouse, including partner where relevant, and children) hold, to the extent which they are aware of them, which they would be able to further as a result of their official position. They must comply with any subsequent instructions from their department or agency regarding the retention, disposal or management of such interests.”

The requirements in Section 4.3 of the Civil Service Management Code also apply to special advisers, and the process for declaring shareholdings is captured in the declaration of interests process for special advisers set out above.

Ministers declare their shareholdings as part of the declaration of interests process set out above. Ministers are expected to outline any changes to their declarations, including any changes in their shareholdings, in real time thereafter.
Arm’s Length Bodies and lobbying

Under their framework agreements with departments Arm’s Length Bodies have their own codes of conduct (reflecting the fact that many employees of Arm’s Length Bodies are not civil servants) which commonly set out the rules for contact with outside organisations.
**Notable examples of Greensill Capital and its associates’ engagement with government**

**Engagement pre-2017**

As set out earlier, by the end of 2016 Mr Greensill ceased to hold any role in government.

**Greensill Capital’s engagement with the Department for Work and Pensions**

Several current and former officials have told me that in late 2012 Mr Greensill proposed extending supply chain finance to the Department for Work and Pensions (DWP)’s property contracts with Telereal Trillium (examined further in Section 2). Mr Greensill appears to have put these proposals to DWP in his capacity as ‘Supply Chain Finance Adviser’ in the Cabinet Office. I have found no evidence that Mr Greensill or anybody acting on behalf of Greensill Capital lobbied DWP to explore or accept these proposals. DWP have confirmed that no agreements were entered into.

I find it noteworthy, however, that in October 2013 when officials in DWP sent an analysis of Mr Greensill’s proposals (which they ultimately decided not to pursue) to the then Permanent Secretary, the Permanent Secretary replied:

“Thanks for doing this. Does Jeremy’s friend who has been working on this agree with our analysis?”

**Greensill Capital’s engagement with Cabinet Office**

The Cabinet Office transparency publications show that on 19 October 2015 the Rt Hon Matt Hancock MP, then Minister for the Cabinet Office and Paymaster General, had a meeting with Greensill Capital to discuss “supply chain finance policy”. I have been unable to locate an agenda or readout of that meeting. Mr Hancock told me that he does not remember the meeting. It is unclear from the transparency publication who attended on behalf of Greensill Capital, or specifically what the discussion might have involved.

**Bill Crothers’ engagement with Cabinet Office**

The Cabinet Office transparency publications show that Bill Crothers met Sir John Manzoni on 27 April 2016 to discuss “business issues” and on 22 December 2016 to discuss “commercial capability”. An email from January 2016 from Mr Crothers to Sir John shows that at that point Mr Crothers’ work with Greensill Capital was “currently taking up most of [his] time”. As set out in Section 3, by August 2016 Mr Crothers had taken a Directorship at Greensill Capital. The Cabinet Office Transparency returns do not make it clear what specifically these discussions involved, and I have been unable to locate an agenda or readout for either meeting.

**Engagement since 2017**

Government’s transparency publications suggest that since January 2017 ministers and Permanent Secretaries across all central government Departments have met representatives from Greensill Capital 17 times. The recorded meetings are set out in the table below.
There is some inconsistency in the information which departments record in their transparency publications (for instance, around the naming of organisations and individuals engaging with government, or the purpose of the meetings held). The information listed below is as it appears in departments' published transparency data.

<table>
<thead>
<tr>
<th>Name</th>
<th>Date</th>
<th>Person or organisation that meeting was with</th>
<th>Purpose of meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charles Roxburgh</td>
<td>26/06/2020</td>
<td>Greensill</td>
<td>Discussion Of Eligibility For Covid Support Programmes</td>
</tr>
<tr>
<td>Charles Roxburgh</td>
<td>15/05/2020</td>
<td>Greensill</td>
<td>Discussion Of Eligibility For Covid Support Programmes</td>
</tr>
<tr>
<td>Charles Roxburgh</td>
<td>14/05/2020</td>
<td>Greensill</td>
<td>Discussion Of Eligibility For Covid Support Programmes</td>
</tr>
<tr>
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<td>13/05/2020</td>
<td>Greensill</td>
<td>Discussion Of Eligibility For Covid Support Programmes</td>
</tr>
<tr>
<td>Charles Roxburgh</td>
<td>24/04/2020</td>
<td>Greensill</td>
<td>Discussion Of Eligibility For Covid Support Packages</td>
</tr>
<tr>
<td>Charles Roxburgh</td>
<td>16/04/2020</td>
<td>Greensill</td>
<td>Discussion Of Eligibility For Covid Support Packages</td>
</tr>
<tr>
<td>Charles Roxburgh</td>
<td>07/04/2020</td>
<td>Greensill</td>
<td>Discussion of eligibility for COVID support packages</td>
</tr>
<tr>
<td>Tom Scholar</td>
<td>07/04/2020</td>
<td>Greensill</td>
<td>Discussion of eligibility for COVID support packages</td>
</tr>
<tr>
<td>Charles Roxburgh</td>
<td>30/03/2020</td>
<td>Greensill</td>
<td>Discussion of eligibility for COVID support packages</td>
</tr>
<tr>
<td>Charles Roxburgh</td>
<td>21/03/2020</td>
<td>Greensill</td>
<td>Discussion of eligibility for COVID support packages</td>
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<td>Name</td>
<td>Date</td>
<td>Organization</td>
<td>Meeting Details</td>
</tr>
<tr>
<td>--------------------</td>
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<td>-------------------</td>
<td>------------------------------------------------------</td>
</tr>
<tr>
<td>John Manzoni</td>
<td>04/09/2019</td>
<td>Greensill</td>
<td>Updated discussion on supply chain finance</td>
</tr>
<tr>
<td>John Manzoni</td>
<td>23/07/2019</td>
<td>Greensill</td>
<td>Discussion on supply chain finance</td>
</tr>
<tr>
<td>John A Manzoni</td>
<td>06/06/2018</td>
<td>Greensill Capital</td>
<td>Regular catch up on latest issues</td>
</tr>
<tr>
<td>Jeremy Heywood</td>
<td>30/04/2018</td>
<td>Greensill Capital</td>
<td>Meeting to discuss Pharmacy Earlier Payments Scheme</td>
</tr>
<tr>
<td>Jeremy Heywood</td>
<td>09/02/2018</td>
<td>Lex Greensill</td>
<td>Discussion on NHS Pharmacy Scheme</td>
</tr>
<tr>
<td>Jeremy Heywood</td>
<td>07/11/2017</td>
<td>Greensill Capital</td>
<td>Regular catch up on latest issues</td>
</tr>
<tr>
<td>Jeremy Heywood</td>
<td>03/07/2017</td>
<td>Greensill Capital</td>
<td>Catch up meeting</td>
</tr>
</tbody>
</table>

**Greensill Capital's early engagement with the Department for Health and Social Care regarding PEPS**

In April 2018, Mr Greensill and Mr Crothers met senior commercial officials in the Department for Health and Social Care (DHSC) to pitch the Pharmacy Earlier Payment Scheme (PEPS). Mr Greensill explained the scheme from his perspective, noting that uptake had been relatively limited so far (only 1,500 pharmacies). Mr Greensill and Mr Crothers set out their plans to move the scheme forward to involve 90% of pharmacies and prescriptions. Steve Oldfield, Commercial Director at DHSC, told me that:

> “They were pretty assertive on the potential for the scheme and I wondered whose benefit was that serving - the department’s policy team had not set a goal, it was ticking along at 1,500 pharmacies and nobody else was kicking up a fuss about why it wasn’t getting to 11k pharmacies.”

Mr Greensill also set out how they could pay pharmacies even earlier. Mr Oldfield told me he could see how this would benefit pharmacists, but he was unsure about what the benefit was for the government or the taxpayer. Mr Greensill also suggested that he was able to borrow at a cost that was at least comparable to the government if not better, but commercial officials had not been convinced that that was the case.
Mr Oldfield told me at interview that he had been asked to meet Mr Greensill by Lord Heywood’s private office on 9 April. Mr Oldfield met Mr Greensill on 17 April with the DHSC readout of the meeting stating that:

“Steve and Lex agreed that the priority was to ensure the smooth transition of the current early payment by July and that Lex would come back to Steve in a couple of months with a worked up case of why more pharmacies should use the scheme including benefits/risks, and the potential wider usage of supply chain finance.”

Following the meeting, Mr Greensill emailed Lord Heywood to say “In short, we have had fantastic engagement from NHS BSA and support from DHSC Commercial (I had a good meeting last week with Steve Oldfield)”, and he went on to provide a summary of the benefits of a proposed upgrade to the system of paying pharmacies. He closed his email to Lord Heywood by saying that:

“This is clearly a major and easy win – and one I will take responsibility for delivering. The BSA could percolate this up from below and it would take years to get done or you could help us to champion this and we can deliver £1.2bn in immediate cash to pharmacists, tens of millions in savings each year, £2.6m in direct fees paid by us to CCS/BSA – all by 1 August 2018.”

Mr Greensill’s email was forwarded to the DHSC Permanent Secretary’s office on 30 April, who then forwarded it to Commercial officials in DHSC to ask for their view of the meeting and Mr Greensill’s proposals before they moved forward.

The Commercial Director in DHSC responded to make clear that what had been agreed was that Mr Greensill would come back to DHSC in a couple of months with a business case for why more pharmacies should use the scheme, including the benefits and risks of doing so, and the potential wider usage of supply chain finance. He made clear that they could not at that stage “suggest major improvements to the early payment scheme without understanding the implications”, and suggested that it is “interesting that Lex says in his note to JJH that he has DHSC support following his meeting with me - I simply listened and learnt, without expressing a clear view!”

On 1 May, senior commercial officials in DHSC were made aware that Mr Greensill had approached Sir John Manzoni for a meeting, and they offered Sir John their view of Mr Greensill’s proposals and set out what had been agreed with Mr Greensill as a way forward. On 31 May, Mr Greensill sent DHSC some material, but rather than being a business case Mr Greensill had resent the slides he had initially talked about in their meeting in April.

A senior commercial official in DHSC suggested to me that Mr Greensill and Mr Crothers had said that NHS BSA was “very positive” about Greensill Capital's proposals for the rollout of the scheme, but when they tried to verify this the feedback from NHS BSA turned out to be far more neutral. Officials from NHS BSA have confirmed they were more neutral about the scheme.

One senior official told me that this was the only time Lord Heywood’s office had been in touch with him to ask him to meet someone. The official was not sure why this person was different.

Greensill Capital's engagement with the Ministry of Defence
Current and former officials told me that in 2018 Mr Greensill attended meetings involving HMT, the Ministry of Defence (MoD) and the Government Commercial Function to discuss the BAe advance payment or purchase order scheme and the MoD Annington property contracts. However, officials had thought it was inappropriate to take either scheme forward.

There is no record in MoD’s transparency returns of any meetings having taken place at Ministerial or Permanent Secretary level about these contracts.

**Greensill Capital’s engagement with NHS SBS**

In November 2018, Bill Crothers met a member of the NHS SBS board to discuss supply chain finance. This meeting was followed by another meeting in January 2019 which also included the CEO of NHS SBS and Mr Greensill. In early 2019 Bill Crothers met the Managing Director of NHS SBS to discuss Earnd. Greensill Capital signed a contract with NHS SBS to provide Earnd in June 2020. After the contract was signed, Greensill Capital and NHS SBS held weekly calls to discuss the contract.

DHSC confirmed that there were no meetings or communications between DHSC officials or ministers and Earnd or Greensill Capital in connection with NHS SBS progressing this contract with Earnd. There is a senior DHSC official on the Board of NHS SBS (as required under the NHS SBS Shareholder Agreement). This individual had no communications with Earnd or Greensill Capital.

**Greensill Capital’s engagement with the Secretary of State for Health and Social Care**

There has been media reporting already of the ‘private drink’ between Lex Greensill, Bill Crothers, David Cameron and Matt Hancock, the Former Secretary of State for Health and Social Care, on 14 October 2019.

Mr Hancock told me he cannot recall whether he knew beforehand that two representatives of Greensill Capital would be at the informal drinks with Mr Cameron, though he suspects he did not know as he remembers being disappointed that he was unable to have a chat with Mr Cameron privately. Mr Cameron, however, told me that Mr Hancock was aware that Mr Greensill was going to be at the meeting. Mr Cameron recalled that Mr Hancock was keen to meet Mr Greensill. Mr Hancock recalled that Mr Cameron, Mr Greensill and Mr Crothers did lobby him on the question of introducing Earnd to the NHS, to which he responded politely but without commitment. Mr Greensill told me that he, Mr Cameron and Mr Crothers had spoken beforehand about the approach they would take in talking to Mr Hancock about the Earnd product. Mr Greensill also confirmed that the answer he and his colleagues received from Mr Hancock, and other officials in DHSC when they approached them, was that these decisions were made at a Trust level, and were not therefore matters for decision by the Secretary of State, and that Greensill would need to approach NHS Trusts directly.

Mr Hancock informed his private office the day after the conversation at the informal drinks and specifically told them there should be no change of policy. His office, however, received an email from David Cameron’s private office the day after the drinks, setting out a series of points which it claimed Mr Hancock had agreed to and asking for Mr Hancock’s special advisers’ help:

“Greensill Offering
As you're well aware, there are three parts to the Greensill offer:

1. Employee offer: GC will allow all of NHS-BSA employees to draw their salary earned, on a daily basis and using an app, at no cost to either the employee or to NHS-BSA. GC have also made this offer to all employees within the whole NHS. This is the ‘PAIY’ scheme, as referenced in Lex Greensill’s letter last month.

2. Pharmacy Early Pay Scheme ("PEPS") Phase 2: This builds on GC’s existing pharmacy early pay scheme and means that all pharmacies (in England) will be able to be paid on the 1st of the month in which they will issue medicines - i.e. they will be being paid in advance, before the medicines have even been dispensed - a positive and innovative development on the current scheme that’s already in operation.

3. Pensions offer: GC (well, NHS-BSA via GC) will pay all NHS pensioners one month earlier than they would otherwise be paid, using their technology and proven platform.

Key points from last night’s meeting

i) It was agreed with MH that GC would provide their employee offer free and forever. MH was most impressed that GC had agreed to change it to be forever (and, to be honest, MH negotiated hard on this). This, of course, will come as (hopefully, positive) news to officials at DHSC.

ii) MH was very taken by the offerings (above) and the good they could do for the NHS (and, indeed, all other public sector employees). He thought that it would be appropriate for officials to be "passive" and let it be taken up "through the system" as appropriate; he expected that to happen quickly and widely.

iii) MH made clear that the only objection that he had been given to the scheme was that it was only free for three years. Now it is being offered as free forever, he saw there being no further objections to it progressing without delay. Because of the existing early payments framework that is already in place with CSS, no further procurement exercise would be necessary. And, of course, because it is now being offered as free, forever.

iv) Lex and Bill updated MH on their meeting with the new NHS-BSA CEO, Michael Brodie, (which took place in Newcastle earlier yesterday before their meeting with MH). Brodie indicated that he wanted to move at speed to implement the employee offer for all of their employees. Given that NHS-BSA hold the central employment records (ESR) for all NHS employees, this is the perfect organisation to start with.

v) Lex and Bill summarised the offering which is already operating today for English pharmacies and their plan to move a new, and significantly improved, solution whereby pharmacies will be paid in advance (referred to as "Phase 2"), using Greensill’s unique technology. MH was very impressed and is keen to implement this across English pharmacies, especially as this comes at a time when HMG are moving towards asking pharmacies to provide ever more services (to take some load away from GPs).
vi) NHS BSA pay NHS pensions (about £11bn per annum to 1m pensioners). NHS-BSA would like to pay them one month earlier than they do today, using GC’s pensions offer.

vii) NHS BSA are very keen to organise a visit from MH to confirm their excellent execution status as well as their innovations. They would like that to happen before Christmas - to align with the new employee offer; pharmacies Phase 2 offer; and also, possibly, an announcement to move quickly on the pensions offer.

ACTIONS

1. There is a small (but vital) action required to “unlock” approval within DH re: Phase 2, to allow NHS-BSA to announce this on their website. MH was clear that this should happen asap and suggested that you would be best placed to manage that - hopefully within a few days.

2. MH was happy in principle to visit NHS-BSA in Newcastle pre-Christmas, so long as they already had both the new employee offering and the Phase 2 offering in place - the pensions offering would be well underway and ready for launch early in the New Year. You and Jamie might want to help plan what this visit / announcement might look like. GC stand by to help in anyway they can.

3. MH will communicate that he is now content for GC's employee offer to be made throughout “the system” and openly say that he welcomes it now that it will be free forever (maybe this could be done initially as a response to Lex Greensill's letter?)."
**Greensill Capital engagement with HM Government, 2020**

I asked government Departments to indicate whether any of their Department’s ministerial team or any senior officials had been approached since January 2020 by those acting on behalf of Greensill Capital (including associated companies or companies in its group) with reference to supply chain finance or other schemes. This contact may have included contact made in person, by phone, email, letter or text message, on either official or personal communication channels. The results of this search are set out below.

<table>
<thead>
<tr>
<th>Department</th>
<th>Summary of contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Legal Department</td>
<td>Nil</td>
</tr>
<tr>
<td>Scotland Office</td>
<td>Nil</td>
</tr>
<tr>
<td>Attorney General's Office</td>
<td>Nil</td>
</tr>
<tr>
<td>Department for Work and Pensions</td>
<td>One official level contact</td>
</tr>
<tr>
<td>Department for Health and Social Care</td>
<td>DHSC: Several official level contacts</td>
</tr>
<tr>
<td></td>
<td>NHSE/I: Several official level contacts</td>
</tr>
<tr>
<td></td>
<td>NHS BSA: Several official level contacts</td>
</tr>
<tr>
<td>Northern Ireland Office</td>
<td>Nil</td>
</tr>
<tr>
<td>Ministry of Justice</td>
<td>Several official level contacts</td>
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<tr>
<td>Commons Business Managers</td>
<td>Nil</td>
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<tr>
<td>Wales Office</td>
<td>Nil</td>
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<tr>
<td>Foreign, Commonwealth and Development Office</td>
<td>Several official level contacts</td>
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<tr>
<td>Department for Education</td>
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<tr>
<td>Her Majesty’s Revenue and Customs</td>
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<tr>
<td>Home Office</td>
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<tr>
<td>Ministry of Housing, Communities and Local Government</td>
<td>Nil</td>
</tr>
<tr>
<td>Department for Digital, Culture, Media and Sport</td>
<td>Nil</td>
</tr>
</tbody>
</table>
Several of these contacts bear closer scrutiny, however, and are set out in more detail below.

**Greensill Capital’s engagement with the Foreign, Commonwealth and Development Office and the Department for International Trade**

Throughout 2020, representatives from Greensill Capital met officials in the Foreign, Commonwealth and Development Office (FCDO) and the Department for International Trade (DiT) in relation to participation in government trade initiatives, for support in expanding their business abroad, and introductions with officials in foreign governments.

The FCDO and DIT have said their support and Greensill Capital’s attendance at their events were in line with government policies and support given to other comparable UK FinTech companies.

I note one particular instance in January 2020 in which David Cameron’s office contacted Number 10 to request a briefing from the FCDO before his visit to Saudi Arabia, including a potential meeting with the Crown Prince. Mr Cameron was accompanied on that visit by Mr Greensill. Mr Cameron had a breakfast briefing while he was there with Simon Collis, then HM Ambassador to Saudi Arabia, and was accompanied to that briefing by Mr Greensill and others.

Mr Cameron told me that he requested the briefing because he had been invited by the Saudi Government to advise them on their chairing of the G20, as he had previously chaired the G8. He also wished to use the opportunity to land a number of government messages with the Saudi Government, which included, for instance, UK-Gulf trade arrangements post-Brexit.

Mr Cameron said that the written briefing he received was not confidential, and was typical of the briefings he would have if he was meeting foreign politicians or visiting other countries. I have no reason to believe that Mr Cameron’s request for briefing was improper, or that Mr Cameron used the briefing for any improper purpose.
The FCDO has said that it has engaged regularly with Greensill Capital in relation to Saudi Arabia, in order to support Greensill Capital in expanding their business there. This support has included facilitating meetings for Greensill Capital with stakeholders, including Saudi ministers and across the public and private sectors, and invitations to join events including the Saudi FinTech Week in Summer 2020 and the Lord Mayor’s Virtual Trade Mission to Saudi Arabia in Autumn 2020.

**Greensill Capital's engagement with the Department of Health and Social Care**

As set out in an earlier section, in May 2018, the NHS BSA entered into a contract with Taulia for the provision of a Pharmacy Earlier Payment Scheme (PEPS). Between July 2018 and June 2020, the PEPS scheme ran on the basis that payments were made to pharmacies after an FP34C Form was submitted to the NHS BSA, meaning the NHS BSA had sight of a signed declaration from a pharmacy together with actual prescription forms for a payment instruction to be then delivered to Greensill.

In July 2020 the third phase of the scheme began, and the scheme changed so that payments were made to pharmacies in the scheme before they had dispensed any medication / appliances for that month. The amount to be paid was based on estimates provided to Greensill Capital by the NHS BSA. These estimates are derived from historical data the NHS BSA holds about each individual pharmacy’s dispensing trends.

Through the first half of 2020, Greensill Capital engaged frequently with NHS BSA on the rollout of the scheme and announcement of Phase 3. Mr Greensill and Mr Crothers were in regular contact with executives at the NHS BSA regarding the progress of the scheme and related announcements. NHS BSA confirmed to me that they had never been lobbied by any current or former politician.

**Greensill Capital's engagement with the Ministry of Justice**

From April to November 2020 Greensill Capital, led by Bill Crothers, attempted to sell the Earnd product to the Ministry of Justice (MoJ). In May 2020 Mr Crothers pitched Earnd to HR professionals in the MoJ, and over the ensuing months representatives from Greensill Capital regularly met HR, commercial and shared services officials in the MoJ to discuss the viability of Earnd.

Evidence I have seen suggests that Greensill Capital took an aggressive approach to selling to the MoJ. On one occasion, in October 2020, Mr Crothers emailed to apologise for pushing his proposals on officials too hard. He wrote that he had had feedback from officials in MoJ that:

“I pushed a little hard the other day with the team. Can I apologise if I caused offence. We all have the same goal and are keen to make the solution available as quickly as possible. I tend to get frustrated with commercial processes as I spent much of my time when in the Cabinet Office trying to streamline and improve. In any case, I apologise if offence was caused.”

On other occasions Mr Crothers emphasised David Cameron’s connection with Greensill Capital, even copying Mr Cameron’s office in emails to the department, seemed to try to leverage his own history in the Civil Service, and misstated his exit from the Civil Service and his engagement with the the Advisory Committee on Business Appointments (ACoBA).
In October 2020, in an introductory email to the MoJ Interim Chief Financial Officer, Mr Crothers sought a meeting to set out, among other things, “who we are and our bona fides (for example David Cameron is a senior Board adviser, we have an advisory Board of those who focus on "Social Good", we are "approved " by CCS)”. He went on to say that:

“By way of introduction, I was a Senior Civil Servant within the Home Office and then the Cabinet Office, working directly for Jeremy Heywood, the Cabinet Secretary. I have been a main Board Director of Greensill since early 2016 (I left the Cabinet Office in late 2015). All was of course formally cleared and approved by ACoBA.”

Mr Crothers also set out to several officials in the MoJ suggested routes to market for the procurement of the Earnd product.

On 27 November 2020, officials in the MoJ met Mr Crothers to explain that since the department had other priorities they would be pausing their exploration of the Earnd product. Later that day, the officials noted to other colleagues in the the MoJ and Cabinet Office that:

“As expected the message didn’t land well with Bill, we reiterated that it was a pause but Bill was of the opinion that this wasn’t a pause but was in fact a stop, and he stated that he is likely to reach out to Senior members of MOJ to reiterate the ease of this to implement and the benefits of this for staff. He stated that he had been given very recent assurances from Exco Members and Senior Leaders within MOJ that this was a priority project.”

I have not seen any evidence to suggest that senior leaders in the MoJ had given Mr Crothers assurances of this kind. Rather, evidence I have seen indicates that while officials in the MoJ met Greensill Capital regularly throughout 2020 to discuss Earnd, they were clear with Greensill Capital that any adoption of a product like this would need to be undertaken through the appropriate procurement process. It is regrettable that Mr Crothers misrepresented the position regarding involvement from the Advisory Committee on Business Appointments (ACoBA) and some of his other behaviour towards government departments, including leveraging his former role, was at the margins of acceptable conduct.
Greensill Capital’s engagement with the Bank of England, Her Majesty’s Treasury (HMT) and the British Business Bank regarding the Covid business support loans offered by government throughout the pandemic response

I note that Greensill Capital’s engagement with government in 2020 was set in the context of the Covid-19 pandemic, which may have contributed to the financial difficulties which Greensill Capital experienced by the end of that year. This context created uncertainty for businesses across the world, including many of Greensill Capital’s customers, and in terms of the insurance which those businesses may have sought to rely upon.

Greensill Capital was also contending with concentration risk. Regarding the concentration reduction plan which had been imposed on Greensill Banks, Mr Greensill told me that:

“The Auditing Association of German Banks e.V. (PdB) identified a specific client concentration risk in the context of its regular deposit protection audit at Greensill Bank AG. This audit was concluded in early 2020. PdB, in a letter dated 3 March 2020, notified Greensill Bank AG of the requirement to have the exposure to the specific client reduced in line with a mutually agreed plan. (For the avoidance of doubt, there was no exposure reduction plan proposed by or agreed with the BaFin prior to 2021.) The Greensill Capital Pty Board was informed on 21 April 2020 that a reduction plan had been mutually agreed with the PdB. On 8 December 2020 the BaFin informed Greensill Bank AG of its intention to impose a credit ban with respect to the specific client and shortly thereafter the Directors of Greensill Capital Pty Board were apprised of this. The last Greensill Capital Pty Board meeting at which Mr Cameron attended was 10 November 2020.”

I note that Mr Greensill told the Treasury Select Committee that the German regulator imposed the reduction plan “in mid-December 2020”. Mr Greensill did not expressly mention the concerns of PdB or the reduction in concentration agreed with this other regulator. What Mr Greensill said was:

“Certainly, it did come out of the blue, in the sense that we had actually agreed to and basically been following a concentration-reduction plan up to that point, but the BaFin then suggested they were going to propose a much more onerous reduction plan, which we would not have been able to comply with, and would potentially have put our firm at risk.

I want to emphasise that they ultimately did not implement that plan but, out of transparency and completeness to the Committee, I want to be open with you about the fact that that was the point at which I became concerned. It was that point that then triggered us to bring in restructuring advisers, to advise us. On 31 December last year, we appointed advisers to assist us around managing that risk and to ensure that we were going to be able to carry on serving all of our customers.”

Mr Cameron and Mr Greensill both told me that Mr Cameron had a standing invitation to attend the Greensill parent company board based in Australia. Mr Cameron confirmed that he received board papers as a matter of course and regularly attended meetings. At the
Treasury Select Committee Mr Cameron discussed with the committee the concept of 'shadow directors'.

“Q375 Dame Angela Eagle: Thank you. Mr Greensill told me that you had a standing invite to board meetings, and that you attended regularly. You have said today that you attended regularly and that you had a lot to say at some of those board meetings. Do you know what a shadow director is, under section 251(1) of the Companies Act 2006, and are you aware of the consequences of you being found to be a shadow director?

David Cameron: I am aware. I am not a lawyer, but my understanding of this is that the shadow director issue is when you have a company that has a board, but the real person controlling that company is actually not on the board. That is what the concept of the shadow director is. In my case, there is absolutely no question that I was in any way controlling this company while not being on the board, so I do not think that applies to me at all.”

A de facto director is a person who acts as a director without having been validly appointed. Section 250 of the Companies Act 2006 says that the term “Director” “includes any person occupying the position of director, by whatever name called”. The term “director” may therefore be applied to any person who has been validly appointed as a director (de jure director) and to a person who acts as a director without having been appointed validly or at all (de facto director).

Mr Cameron told me he does not recall being aware of the concentration risk at the time of his engagement with HMT, although Mr Greensill explained that this was discussed at the Board on 21st April 2020. I do not have access to the company papers to see if this was discussed at an earlier board meeting. Normally I would expect a concern by a regulator of this nature to be discussed at the board even of the holding company of a bank as soon as the regulator raises the issue, rather than waiting to notify the board only when the issue is resolved.

Mr Greensill told me that he first became aware of Greensill Capital’s financial difficulties in December 2020. Mr Cameron also confirmed that he became aware of the financial difficulties at that time. It is difficult to verify these claims, but other evidence I have seen suggests that by the end of November 2020 senior officials in the Government Commercial Function, Civil Service HR and HMT were aware that

“The rumour is that Greensill, having run into some problems, needs some ’good quality’ debt to mix with some of his racier accounts, such that the overall mix fits the funding deals he needs.”

The Bank of England

I asked the Bank of England to set out the contact which they had with representatives of Greensill Capital in relation to the Covid Corporate Financing Facility (CCFF) scheme. The Bank directed me to the letter which Andrew Bailey, Governor of the Bank of England, wrote to the Treasury Select Committee on 6 May setting this narrative out. I have included the relevant excerpts from the letter below.

Initial contact
David Cameron, in his capacity as adviser to Greensill, contacted the Bank on 5 and 7 March 2020 to discuss financing conditions at the onset of the pandemic. He asked for clarification of statements made by both the outgoing and the incoming Governor on ensuring the provision of finance to corporates and whether this covered supply chain finance, and if we envisaged reintroducing a facility which the Bank had introduced in 2009 to support supply chain finance during the global financial crisis. David Cameron offered a meeting with Greensill to provide information on emerging risks to supply chain finance for SMEs and to discuss the Bank’s 2009 facility to support supply chain finance. A call was arranged by exchange of emails, and took place on 17 March between the Bank, Lex Greensill and David Cameron. In advance of the meeting on 16 March, Greensill sent a letter to the Bank which covered the pressures on supply chain finance in the then current market conditions and enquired about the possibility of re-establishing the 2009 facility. This was discussed at the meeting.

**CCFF application**

On 17 March the Bank announced the CCFF to support financing of large corporations and on 18 March issued a Market Notice setting out the terms of the facility. Following that announcement, Lex Greensill contacted the Bank to share further information and subsequently submitted an application to the CCFF followed by additional material in connection with that application.

The Bank’s analysis of this application focussed on whether Greensill met the CCFF eligibility criteria, and in doing so, identified features of Greensill’s proposal which were not compatible with the terms of the facility:

- Financial institutions were not eligible for the CCFF. The CCFF was designed to provide liquidity directly from the Bank to large corporations to protect space for banks to lend to a wider population of companies. The CCFF targeted large corporations who made a material contribution to the UK economy and had investment grade credits before the Covid crisis.

- Some of the assets behind the notes which Greensill had indicated would be submitted to the CCFF were not investment grade, a condition of eligibility to the CCFF scheme, which was designed to reduce the risk to public funds.

- The Market Notice specified that a company from whom the CCFF purchased CP must make a material contribution to the UK economy. Generally, this was assessed with regard to a range of criteria including whether a company issuing CP provides significant employment in the UK, serves a large number of customers in the UK or has a number of operating sites in the UK. The structure proposed by Greensill would rely on an SPV to issue notes to the CCFF. This SPV, on a standalone basis, may not have met the criteria used to assess material contribution to the UK economy.

- Greensill’s funding model was complex and had non-standard features, whereas the CCFF Market Notice specified that the scheme would not accept CP with non-standard features.

- The Greensill proposal assumed use of foreign currency assets, in contrast to the
scheme’s terms which outlined clearly that issuers only place sterling-denominated assets in the CCFF.

Greensill noted in their application that they did not meet the stated terms of the scheme, and proposed three changes to the CCFF including: allowing assets from securitisation vehicles in the EEA to be accepted; accepting the credit rating of insurers in place of the rating of the individual borrower; and to accept assets in other G7 currencies.

On 22 March, the Bank referred Greensill's application, and their request to change the criteria of the CCFF, to HMT. The Bank highlighted issues for HMT to consider including the above points and the potential risks in expanding the facility. HMT’s response to the Bank (on 30 March) noted that the Chancellor did not intend to expand the facility. On the same day, the Bank wrote to Greensill confirming its application did not meet the eligibility criteria for the CCFF, and that HMT had taken the decision not to adjust the parameters of the scheme.

Revised proposal

After being informed that their application did not meet the CCFF terms, Greensill approached HMT to propose further changes to the terms of the CCFF and to their application, of which the Bank was informed. David Cameron contacted the Bank on 3 April asking for clarity on why HMT had considered that the amended Greensill proposals did not qualify. The Bank repeated that this was a decision for HMT and pointed to the fact that Greensill was a financial firm and that the CCFF was aimed at non-financial corporations.

At HMT’s request on 4 April, the Bank considered an alternative to Greensill’s proposal in which Greensill would ask their investment grade corporate clients that would meet the CCFF eligibility criteria in their own right, to access the CCFF and use the proceeds to fund supply chain financing via Greensill. The Bank considered that this would be acceptable under the terms of the CCFF. Investment grade companies were already able to access the scheme and able to use those funds to pay their suppliers. It would be a decision for those companies as to whether to fund their suppliers directly or via Greensill. The Bank provided this advice to HMT. This approach would also have been available to other supply chain finance providers.

Greensill, however, indicated that it did not wish to pursue this option and instead was looking for the CCFF to buy CP issued by a Greensill SPV, with a CCFF eligible corporation assigning part of its CCFF allowance to the Greensill SPV. The Bank concluded that this was not equivalent to issuance by the corporate itself and hence was not compatible with the existing CCFF.

The Bank’s view was that Greensill did not play a sufficiently large role in providing funding in scale to UK SMEs to warrant a specific extension. Furthermore, since investment grade larger companies had access to alternative sources of finance (including the CCFF), any lending by Greensill would probably be focussed on allowing sub investment grade larger companies to increase leverage. This would have been inconsistent with the risk appetite of HMT, which was to fund UK investment grade corporates.

David Cameron contacted the Bank again on 22 April about Greensill’s application and
requested a further conversation including with Lex Greensill. This conversation took place on 24 April and the Bank explained that Greensill’s revised proposal was ineligible under the terms of the facility, which were a matter for HMT.

**Call for evidence**

On 1 May 2020, HMT issued a call for evidence and consulted a number of supply chain finance firms including Greensill on broadening the scope of the CCFF to enable access for providers of supply chain finance. At the height of the pandemic, the government was clear that all support schemes would be kept under review to ensure maximum effectiveness, and so that all options to protect jobs and livelihoods could be explored.

The Bank inputted into the call for evidence, recommending that if HMT was minded to extend the CCFF scheme, HMT explore a standard structure rather than a bespoke one to avoid complexity and ensure accessibility to a range of participants. The Bank also advised that HMT consider a range of issues, including tests to ensure that the proposed structure provided a benefit to SMEs.

The Bank supported HMT on the engagement with relevant firms on the call for evidence, attending meetings with a range of market participants together with HMT. As part of this process, Bank staff joined two calls with Greensill which were led by HMT (on 5 and 11 May). The discussion covered Greensill’s views on the call for evidence, Greensill’s business model and the supply chain finance market. Greensill submitted further documentation in respect of these proposals. Bank staff also joined 10 calls led by HMT with 10 other firms including a range of supply chain finance providers in early May, where views were gathered on the call for evidence. The Bank also discussed the call for evidence with relevant banks.

On 12 May, the Bank provided a summary and analysis of the responses to the call for evidence to HMT. This noted a number of issues, including that:

- There was limited evidence of liquidity problems for investment grade supply chain finance programmes, and that the majority of such finance was provided by banks, which continued to be prepared to fund creditworthy companies.

- Few participants in the supply chain finance market were interested in participating in the proposed structure, with a number citing its complexity and instead favouring an approach whereby corporates drew directly on the CCFF.

- While payment terms for SMEs were lengthening, there were questions concerning the extent to which SMEs were able to access supply chain finance programmes. There might also be a significant time delay to on-boarding new participants to such programmes. Alternative sources of credit provision, such as CBILS, could have greater reach.

HMT informed the Bank on 18 May that the Chancellor had taken the decision not to take forward the proposal to broaden the scope of the CCFF to enable access for providers for supply chain finance, and that this had been communicated to Greensill by HMT.

**Follow up to the call for evidence**
On 18 May, after being informed by HMT that the proposal in the call for evidence would not be taken forward, Greensill put forward to HMT, a follow up approach to the proposals in the call for evidence. HMT forwarded this approach to the Bank. Greensill argued this proposal would address HMT’s concerns by committing that proceeds from CCFF would only fund UK companies, predominantly SMEs, and that this proposal would be supported by other supply chain finance firms. The Bank joined a call with Greensill led by HMT to discuss this on 28 May.

The Bank carried out an initial analysis on this proposal which identified a number of issues, including risk, operational and legal issues, which it provided to HMT for further consideration. The issues identified included:

- Operational complexity, and the high resource requirements to run the scheme compared to the existing CCFF, given the number of changes that would have to be made to accommodate the proposal. This would also lengthen the time and costs required to launch the scheme, with the Bank judging that, on a best case estimate, this would take at least two months.

- Uncertainties about what would happen in the case of a default of the SPV or of the underlying corporate entities, which meant it was unclear whether the credit risk was equivalent to that for a standard drawing from the CCFF.

- Questions about the appetite of other non-bank finance providers, or of corporations themselves, to access the scheme to such an extent as to justify the resources needed to set it up, as well as whether finance would reach a sufficient quantity of UK SMEs quickly enough to meet policy goals.

- The risks and complexities arising from the fact that the scheme would be dealing with the Greensill SPV issuing CP, rather than directly dealing with the underlying large corporations or their suppliers.

- The accounting treatment of supply chain finance by the buyers.

- Potentially adverse commentary about Greensill, for example in press articles at the time.

HMT decided not to proceed and, on 26 June, confirmed this to Greensill. The Bank therefore did not carry out a detailed due diligence of the proposal, which would have followed in the event that HMT requested the Bank to proceed further.”

In his letter to the Treasury Select Committee Andrew Bailey also set out the Bank of England’s transparency duties, which I have included below.

“The Bank has a comprehensive set of rules governing potential conflicts of interest which are published on the Bank’s website and are listed – with hyperlinks – below. Our Code – which is included in the list below – encompasses the Bank’s conflict of interest policies. It embodies the principles of integrity and leadership expected, and the Nolan Principles of public life. We aspire to set an example of the best in public service: complying with Our Code is not simply about observing its requirements to the letter but understanding and embracing the values, principles and the spirit behind it. Our Code applies to everybody at the Bank: Governors, members of the
Financial Policy Committee, Monetary Policy Committee and Prudential Regulation Committee and staff from across the Bank.

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Her Majesty’s Treasury

On 17 March 2020 HMT announced a number of measures designed to support companies suffering disruption to their finances by reason of Covid-19. One of the measures announced was the joint HMT and Bank of England lending facility named the Covid Corporate Financing Facility (CCFF). The facility was designed to support liquidity among larger firms, helping them to bridge coronavirus disruption to their cash flows through the purchase of short-term debt in the form of commercial paper.

Through the period of March to June 2020, HMT ministers and officials examined proposals to use the CCFF to provide supply chain finance to UK SMEs. This work involved consultation with various external organisations. I asked HMT to set out their engagement with Greensill Capital throughout this period. As part of their submissions to this review, they provided me with a copy of the Chancellor’s letter to the Treasury Select Committee of 7 May, which sets out this information.

I have included the relevant excerpts from the Chancellor’s letter below. I note in particular from the Chancellor’s narrative that HMT had reason to look at supply chain finance given the use of similar arrangements following the financial crash in 2009. I also note that HMT ran a consultation, on the strength of which they chose not to proceed.

“Through the period of March to June 2020, HMT ministers and officials examined proposals to use the Covid Corporate Financing Facility (CCFF) to provide supply chain finance (SCF) to UK SMEs. This work involved consultation with various external organisations. A key counterpart was the Bank of England (the Bank), but there were also contacts at various points between HMT officials and the Financial Conduct Authority (FCA), the Cabinet Office, Crown Commercial Services, NHS England, the Department for Health and Social Care (DHSC), the Department for Business, Energy and Industrial Strategy (BEIS), and the Small Business Commissioner.

In addition there were several meetings and exchanges between HMT and Greensill representatives during this period, details of which HMT has already disclosed separately [...] For completeness, as stated previously, as regards ministerial engagement I note that David Cameron reached out informally by telephone to me, and to the Economic Secretary and the Financial Secretary, on the matter of Greensill’s access to the CCFF. The matter was referred to the relevant officials and, following appropriate consultations (the detail of which is set out below), the request was turned down. This decision was communicated to Greensill by officials and, in parallel, by both me and the Economic Secretary to David Cameron. Tom Scholar and Charles Roxburgh were made aware of David Cameron’s contacts with me and other ministers, as was my Private Office [...]”
HMT’s consideration of the supply chain finance proposals in relation to the CCFF between March and June 2020 can be divided into three broad phases of work, as set out below. Through each phase, my officials went through normal policy iterations of considering the new options, assessing them in the light of the current market conditions – which at the time were very challenging for UK businesses – and other government interventions, and on each occasion concluded that none of the options or proposals should be pursued.

The first phase ran from mid-March to early April. At that time, UK SMEs were facing extraordinary challenges. HMT was receiving feedback from businesses that they needed more support. In particular, on business loans, we were hearing feedback that the Coronavirus Business Interruption Loan Scheme (CLBILS) was not, at the outset, as easy to access as intended. For example, in mid-April, the Guardian reported UK Finance figures showing that only 20% of businesses that had applied for CBILS had been successful, raising concerns about the pace at which lenders were processing applications; one week later the BBC reported that this figure was still <50%.

On 16 March, Greensill sent a letter to the Bank covering the pressures on supply chain finance in the then market conditions and enquiring about the possibility of re-establishing the Bank’s 2009 scheme which was established to support supply chain finance during the financial crisis (the Secured Commercial Paper extension of the Asset Purchase Facility). Following a call with the Bank to discuss this on 17 March, Lex Greensill sent a letter to the Chancellor recommending the reactivation of the Asset Purchase Facility.

On 20 March, following the announcement of the CCFF and issuance of a Market Notice setting out the terms of the facility (on 17 and 18 March respectively), Greensill submitted an application to the Bank to participate in the CCFF. Mr Greensill also shared the company’s application with Tom Scholar that day seeking HMT’s support for it, stating that such access could benefit tens of thousands of UK SME suppliers. HMT considered their request and had a first call with Greensill on 21 March. However, a number of the features of their proposal would have required significantly revising the terms of the CCFF. For example:

- Financial institutions were not eligible for the CCFF
- The structure proposed by Greensill relied on a special purpose vehicle (SPV) to issue notes into the CCFF. However, the CCFF Market Notice specified that the corporates from which the CCFF purchased commercial paper must make a material contribution to the UK economy.
- Some of the assets behind the notes which Greensill had indicated would be submitted to the CCFF were not investment grade (as at 1 March 2020), a condition of the scheme which was designed to reduce the risk to public funds.
- Greensill’s funding model was complex and had non-standard features, whereas the Bank’s CCFF Market Notice specified that the Bank would
not accept commercial paper with non-standard features.

- The proposal assumed use of foreign currency assets, in contrast to the scheme’s terms that issuers only place sterling-denominated assets in the CCFF.

HMT concluded that Greensill’s proposal (allowing their Luxembourg-based Special Purpose Vehicle to issue notes to the CCFF and use the funds for supply chain finance purposes) was unlikely to bring sufficient benefits for UK SMEs to justify such a significant change to the CCFF for one particular financing model, at a time when many other businesses were requesting support. HMT’s decision to refuse Greensill’s request to revise the terms of the CCFF to permit their application was first communicated to Greensill in a letter from Charles Roxburgh on 30 March, and – at Greensill’s request – was discussed by officials with Greensill in a call that evening. On the same day, the Bank informed Greensill that their application did not meet the published terms of the scheme and noted that HMT had taken the decision not to adjust the terms of the scheme. Greensill challenged HMT’s decision and asked us to reconsider, and in parallel David Cameron called Tom Scholar on 31 March to emphasise Greensill’s willingness to revise their proposal if needed. HMT considered Greensill’s arguments and decided to stand by its original decision to reject their proposal. This was communicated to Greensill in a second letter from Charles Roxburgh on 3 April.

During this period, my officials were also in touch with NHS England and DHSC. Mr Greensill had said that Greensill was a major provider of SCF to UK pharmacies and had warned us that current market conditions were making it “nearly impossible to continue to deliver this kind of credit at scale”, indicating a risk that there might be disruption in the supply of finance to these pharmacies. My officials alerted DHSC to this risk.

The second phase ran from early April to mid-May. During this period, when businesses – notably small businesses – were still facing acute challenges, HMT continued to iterate and design new financing schemes. HMT made changes to improve the effectiveness of CBILS, and also launched CLBILS and BBLS (on 20 April and 4 May respectively). HMT continued to look at options which would enable the supply chain finance sector as a whole to better support UK SMEs through the continuing disruption from the pandemic, including potential targeted changes to the terms of the CCFF to deliver this.

On 7 April, HMT proposed to Greensill an option which had been reviewed by the Bank of England and was compatible with the terms of the Market Notice for CCFF. The proposal would enable CCFF-eligible corporates to draw on the CCFF in order to support the provision of supply chain finance to companies operating in their supply chains, with issuers assigning the proceeds to an SPV operated by Greensill as the agent acting on their behalf. This proposal and an alternative proposed by Greensill – in which the SPV would access the scheme directly on corporates’ behalf - were discussed further in calls on 16 and 24 April. During this period, HMT officials developed a variation on their original proposal – which could have been used by all supply chain finance providers - which
would have required some targeted, technical changes to the Market Notice, while adhering to the principle that only CCFF-eligible corporates could have drawn from the CCFF.

This culminated in a written call for evidence being circulated on 1 May by HMT to 11 finance providers active in supply chain finance, and a number of business representative organisations, setting out potential targeted changes to the terms of the CCFF which, if implemented, would promote quicker payments of invoices by CCFF-eligible corporates to their UK SME suppliers. Under this proposal:

- CCFF-eligible corporates would be able to assign their CCFF allowance to a supply chain finance provider who would then issue commercial paper on their behalf, with strict conditions on the use of funds benefiting UK SMEs. Eligible corporates would transfer payment obligations owed to UK SMEs into a SPV established by the provider. The CCFF would buy the commercial paper issued by the SPV secured by these payment obligations (so its credit risk would ultimately closely mirror that of the underlying investment-grade corporate).

- The proceeds from the sale of the commercial paper to the CCFF would be used solely for the purpose of paying corporates' UK SME suppliers early. Additional conditions proposed included that UK SME supplier invoices that were outstanding at the time of the corporates’ initial drawing under the new scheme must be paid within 14 days and that corporate participants must sign up to the government’s Prompt Payment Code.

As part of the call for evidence process, HMT and Bank officials held numerous direct conversations with CEOs and senior executives at a number of supply chain finance providers as well as other interested organisations. We are withholding their names on the basis that the consultation was confidential.

Responses to the call for evidence indicated that, while respondents supported the objectives of the proposal to support UK SMEs via supply chain finance providers drawing on CCFF, on balance, they did not think the proposed changes would make for an effective intervention. Greensill made representations to HMT during the consultation and three calls were held (on 13, 14 and 15 May) to discuss how they would propose to address my concern that the scheme extension should benefit exclusively, or at least nearly exclusively, UK SMEs. I was also considering introducing dividend and executive compensation conditions to the scheme, had it gone ahead. These had not been included in the call for evidence and I felt it important to test these additional conditions. Greensill had been the most enthusiastic respondent to the consultation and were a major player in the market, so it was appropriate to have these follow-up calls as my officials finalised advice for me on the viability of any proposed scheme extension.

However, on the basis of the call for evidence responses, and in the context of a range of HMG financing schemes that had been put in place and were supporting UK SMEs, HMT decided not to pursue this intervention. This was communicated to Greensill on 18 May.
Greensill then suggested a further proposal which they argued would ensure material benefits for more than 100,000 UK businesses. They also indicated that at least two other significant supply chain finance firms would be likely to participate in the scheme.

This marked the start of the third and final phase of our work, which ran from mid-May until late June. Greensill’s new proposal sought to address my concern that the proposed extension to the CCFF to cover supply chain finance would not deliver sufficient benefits to UK SMEs by committing that supply chain finance providers would only sell notes to the CCFF which were linked to invoices from UK suppliers.

Detailed assessment of the proposal by HMT and the Bank concluded that the proposal would not provide value for money, and the two other supply chain finance providers whom Greensill had suggested could be interested in participating confirmed that they would not be interested in using the proposed scheme. Given the improvement in liquidity conditions, the support provided by other government schemes, as well as the indication that take-up of any proposal to use the CCFF to support supply chain finance would not be significant, we decided not to pursue the proposal. On 26 June HMT communicated formally to the respondents to the 1 May call for evidence, including Greensill, that we would not be making any changes to CCFF.”

Mr Greensill told me he had discussed the CCFF application with Mr Cameron and that they would have coordinated who they would speak to and what they would say in support of that application. Mr Greensill was confident that Mr Cameron had believed that supply chain finance was important to the economy. The CCFF had been important to Greensill Capital because the capital markets were severely disrupted in March 2020 and liquidity had become extremely expensive. Greensill Capital could meet the immediate demand from their customers, but they did not know what might happen next.

Several claims made by Mr Greensill in his contact with government relating to the CCFF were open to misunderstanding. In his letter to Sir Jon Cunliffe on 16 March 2020, Mr Greensill claimed that Greensill Capital “are the sole provider of HMG's supply chain finance programmes across all areas of local and central government.” As set out earlier, the only supply chain finance which Greensill provided to government was, via Taulia, the pharmacy scheme. The contracting party under the framework agreement was Taulia. Further, Greensill Capital had no role in the dynamic discounting, which was funded by the local authorities themselves and did not provide any services to local government through the government framework agreement with Taulia.

In a letter to Charles Roxburgh on 21 March 2020, Mr Greensill claimed that the expanded pharmacy scheme injected £1.5bn permanently into the UK economy. It is difficult to see how Mr Greensill arrived at this figure, when in reality the scheme turned over £140m per month. Mr Greensill has argued that the average of £140m per month equates to £1.86bn per annum of accelerated payments. Whilst this is correct, it is not an injection of £1.5bn permanently into the UK economy. Mr Greensill also described the response to Earnd as 'phenomenal'. NHS SBS conducted an initial pilot of the scheme and only had 450 users out of 26,300 in the NHS Trusts administered by NHS SBS. Mr Greensill responded that NHS
SBS only started rolling out Earnd a short while before Greensill Capital went into administration and that almost all of the Trusts using Earnd did not use the services of NHS SBS. Mr Greensill stated that at the time that the letters were sent to Charles Roxburgh and Sir John Cunliffe more than a third of employees who were offered Earnd through their launch had signed up which substantially exceeded their targets and resulted in the use of the word “phenomenal” in the letter to Charles Roxburgh.

In relation to the volume of contact which Mr Cameron had with HMT at this time, he told me that these were special circumstances in which everyone was wondering what was going to happen next and the government was looking to take a flexible position. While Mr Cameron maintained that it was necessary given the circumstances to send a lot of messages, he did acknowledge that for ex-Prime Ministers in general a single letter and message would be better. As an FOI release from Cabinet Office in May this year shows, Mr Cameron was also in contact with Michael Gove, off the back of an email which Maurice Thompson sent to Mr Gove relating to Greensill Capital’s CCFF application. This contact involved at least one email and several text messages.

I also note that, in his messages to HMT and Bank of England ministers and officials, Mr Cameron could have been clearer about his relationship with Greensill Capital. For instance, in a text message to the Chancellor of the Exchequer on 3 April Mr Cameron said:

“HMT are refusing to extend CCFF to include supply chain finance, which is nuts as it pumps billions of cheap credit into SMEs. Greensill Capital, a British FinTech success story (who I help) are the champions of this.”

Similarly, in an email to Jon Cunliffe at the Bank of England the same day, Mr Cameron wrote:

“Am writing to ask for your help. Greensill - who I work with - have had numerous conversations with HMT but have failed to get anywhere”

Mr Cameron’s description of his relationship with Greensill Capital in these messages contrasts somewhat with his remuneration package from Greensill Capital. Mr Cameron told me that Greensill Capital was paying him “a good amount of money every year”, and that he had equity and participated in a discretionary uncapped bonus scheme.

Mr Cameron said that as he understood it government had been trying to help UK corporates with their supply chains. Greensill Capital had been trying to propose quite a simple amendment to the CCFF to support that aim. Having been on the other side, in government, and having seen how slow schemes like this could work, Mr Cameron thought the Greensill Capital proposal was a good solution.

HMT’s transparency returns in relation to Greensill Capital’s engagement on the CCFF are captured in the table above. Charles Roxburgh told the PAC on 22 April 2021:

“I did not feel under any undue pressure or inappropriate pushing from the Chancellor or the Economic Secretary, who are the two ministers I deal with most and who relayed to me their conversations with Mr Cameron. I did not feel under any pressure at all. I was following quite a normpropiateal process: to listen to representations, consider them, advise ministers, and then, as you heard, reject them.”
Mr Cameron did not breach the current lobbying rules and his actions were not unlawful. He has, however, accepted that he used methods of communication that were, in hindsight, not the right way for a former Prime Minister to engage with government. I have noted Charles Roxburgh’s comments to the PAC, but Mr Cameron should have considered further the impact of his frequent contacts with government during a time of crisis.

Greensill Capital's engagement with the British Business Bank regarding CLBILS

From April to June 2020, Greensill Capital engaged with the British Business Bank (BBB) in relation to the Coronavirus Large Business Interruption Loan Scheme (CLBILS). As previously noted, the NAO has recently published a report on Greensill Capital and the BBB, and I do not replicate their work below.

CLBILS provided finance to mid-sized and larger UK businesses with a group turnover of more than £45 million that were suffering disruption to their cashflow due to lost or deferred revenues during the Covid-19 outbreak. It closed for new applications on 31 March 2021.

CLBILS was available through a range of accredited lenders and partners and permitted the lender to provide up to £200 million in term loans, revolving credit facilities, invoice finance and asset finance. The scheme gave the lender a Government backed guarantee as to 80% of the outstanding balance of the facility. The borrower always remained fully liable for the debt. Lending under CLBILS could not be subordinated to any other senior obligations (including secured and/or super-senior obligations) of the borrower subject to carve outs for asset finance and invoice finance.

On 19 April 2020, the BBB received an expression of interest from Greensill Capital for the CLBILS. Two days later, on 21 April, the BBB held a videoconference with Greensill Capital to explain the CLBILS and the process for accreditation. The BBB followed this the same day with an email to Greensill Capital including an outline for the Formal Proposal document, making clear that this was not an invitation to submit a Formal Proposal at this stage.

On 23 April, Greensill Capital submitted a Formal Proposal to the BBB (although they had not been invited to by the BBB at this point)

On 4 May, the British Business Financial Services Limited (BBFSL) Investment Committee met to discuss Greensill Capital’s accreditation. The Investment Committee made queries about the nature of Greensill Capital’s proposed lending under the CLBILS and whether each of the products proposed by Greensill Capital (including supply chain finance) would fit under the CLBILS. The Investment Committee requested that the product team liaise with Greensill Capital to clarify the relevant points, and then discuss the matter further at team level before bringing it to the Investment Committee.

On 12 May, the BBFSL Investment Committee again met and approved Greensill Capital for the Invoice Finance variant of the CLBILS, with respect to their “accounts receivable portfolio” product but not for their “supply chain finance” product. The BBB sent the relevant documentation to Greensill Capital for review.

On 14 May the BBB had a call with Greensill Capital to discuss the potential assignment of future CLBILS loans and guarantees to Greensill Bank AG.

On 27 May, Greensill Capital requested Term Loan and Revolving Credit Facility variant accreditation for CLBILS from the BBB. The same day, Greensill Capital also requested
accreditation for ‘Larger Scheme Facilities’ (despite the fact that BBB had indicated on a prior call that they were unlikely to be eligible for this part of the scheme).

On 4 June, the BBB received a letter from John Healey MP suggesting Greensill Capital should be approved to provide CLBILS Larger Scheme Facilities on the basis that support was required for Liberty Specialty Steels (a steel company in his constituency). John Healey noted that he had been in direct contact with Nadhim Zahawi MP about the issue. The BBB has indicated that so far as they are currently aware this is the only direct lobbying attempt in relation to Greensill Capital’s application. That day the CLBILS Guarantee Agreement and Invoice Finance supplement between Greensill Capital and the Secretary of State for Business, Energy and Industrial Strategy was signed.

On 11 June, at Greensill Capital’s request, the BBB sent Greensill Capital an application form for the Term Loan and Revolving Credit Facility variants. The next day, on 12 June, Greensill Capital returned to the BBB their application for these variants, and requested accreditation to provide ‘Larger Scheme Facilities’.

On 19 June, the BBB confirmed to Greensill Capital that Greensill Capital was ineligible to be accredited for ‘Larger Scheme Facilities’. Greensill Capital noted this and requested to proceed with its application to be accredited for ‘Larger Scheme Facilities’.

On 22 June, the Secretary of State for Business, Energy and Industrial Strategy (BEIS), Greensill Capital and Greensill Bank AG executed a side letter permitting the equitable assignments of CLBILS loans and benefit of guarantees to Greensill Bank AG. Under these arrangements, Greensill Bank AG agreed to be bound by the terms of the guarantee agreement but Greensill Capital remained the lender of record and responsible for servicing and enforcement actions.

On 30 June, Greensill Capital sent their then-current CLBILS pipeline for the invoice finance variant to BBB.

On 3 July, the BBB approved Greensill Capital for the Term Loan and Revolving Credit Facility variants but rejected its application to be accredited for ‘Larger Scheme Facilities’. The BBB informed Greensill Capital of this decision. On 8 July Greensill Capital and the Secretary of State for BEIS executed the Term Loan and Revolving Credit Facility supplements.

On 24 August, Greensill Capital requested that the BBB explore the assignment of the facilities to one of their other funders (Credit Suisse). On 7 September the BBB responded to confirm they were not prepared to permit assignments to other funders.

Around 17 non-bank lenders either held preliminary discussions with, or progressed applications to, the British Business Bank for accreditation under the Coronavirus Large Business Interruption Loan Scheme. Of those 17, ultimately three were accredited (including Greensill Capital). A significantly higher number of non-bank lenders were accredited under the Coronavirus Business Interruption Loan Scheme (CBILS) – of the 116 CBILS lenders, roughly two-thirds were non-banks.

Accreditation to the Covid schemes, as with the predecessor scheme, Enterprise Finance Guarantee, reflected the need to ensure a wide diversity of lenders could become accredited under the schemes. This was considered vital at the time the schemes were established to
ensure a broad range of choice for borrowers, enabling them to access the finance they needed to survive and recover from the pandemic.

However, the seniority requirements of the CLBILS scheme often made it difficult for a lender that is not the “house bank/lender” to provide lending under the scheme. Under the terms of the scheme, as mentioned above, a loan was only eligible for advance under CLBILS if it had at least the same seniority as other debt owing by the borrower. Many borrowers would have granted fixed and floating charges, or debentures, to their primary lender which would prevent the borrower from granting a third party lender matching or senior security. This meant that once potential, non-bank applicants became aware of the scheme requirements, they would decide not to proceed. For Greensill Capital and the two other non-bank lenders that were accredited, their business models or the markets into which they were lending were such that BBB considered the CLBILS to have been a viable scheme in which they could seek to participate.

I asked the BBB what credit checks they had carried out for Greensill Capital, and how they came to consider Greensill Capital creditworthy, especially given subsequent events. The primary focus for all accreditation evaluations was on the product and the type of lending (ensuring that the delivery partner had a viable model that would fit within the structure of the scheme in terms of financing product offered and the way it was originated, serviced and priced to ensure the passing of economic benefit), the principles of risk sharing between government and the lender and the lender’s ability to deploy funds at scale. This process of course also included due diligence on the applicant's business, governance, risk management, compliance frameworks and CDD/KYC (‘client due diligence’ and ‘know your customer’), but is not comparable to the extensive due diligence typically performed by a finance provider extending credit to a borrower.

In relation to Greensill Capital specifically, the financial information considered by the Committee taking the decision on accreditation showed that they were well capitalised (they had a strong equity position and also had been profitable since 2019). Further, they had a good track record in the provision of trade receivables finance to CLBILS–eligible UK large businesses with a business model that was backed by significant equity investors. On this basis, there were no immediate concerns over the lender’s financial position.

The BBB also suggested that all BBB decisions with respect to Greensill Capital’s accreditation were made by the relevant BBB Investment Committee acting independently and based on their usual criteria. The BBB does not consider that the accreditation process for Greensill Capital was accelerated or otherwise modified or adjusted as compared to accreditation for other CLBILS lenders. There is, as mentioned earlier in this report, a current investigation into Greensill Capital’s compliance with the terms of the CLBILS.

The BBB have said they did not have contact with Mr Crothers. Mr Greensill was involved in introductory calls with the BBB and sent the formal application to be accredited to the scheme. There is no evidence of Mr Cameron’s involvement with the application for the CLBILS.
### ANNEX A: List of interviewees and other meetings

<table>
<thead>
<tr>
<th>Name</th>
<th>Title and Affiliation</th>
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<tbody>
<tr>
<td>Andrews, Coleen</td>
<td>Director, Markets and Suppliers, Cabinet Office</td>
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<tr>
<td>Bannerman, Erika</td>
<td>Managing Director, NHS Shared Business Services</td>
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<tr>
<td>Brierwood, David</td>
<td>Non-Executive Director, Greensill Capital, and Former Crown Representative, Cabinet Office</td>
</tr>
<tr>
<td>Brodie, Michael</td>
<td>CEO, NHS Business Services Authority</td>
</tr>
<tr>
<td>Cameron, David</td>
<td>Former Prime Minister</td>
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<tr>
<td>Crothers, Bill</td>
<td>Former Government Chief Commercial Officer and Head of Crown Representative programme</td>
</tr>
<tr>
<td>Davidson, Katharine</td>
<td>Former Director, Efficiency and Reform Group</td>
</tr>
<tr>
<td>Dawes, Melanie</td>
<td>Former Director General, Economic and Domestic Affairs Secretariat</td>
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<tr>
<td>Fall, Catherine</td>
<td>Former No.10 Deputy Chief of Staff</td>
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<tr>
<td>Field, Lydia</td>
<td>Former Crown Commercial Service Head of Internal Audit (maternity leave at time of internal audit report referenced here)</td>
</tr>
<tr>
<td>Finn, Simone</td>
<td>Former Special Adviser to the Minister for the Cabinet Office, Lord Maude</td>
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<tr>
<td>Gould, Matthew</td>
<td>CEO, NHSX</td>
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<tr>
<td>Gray, Sue</td>
<td>Former Director General, Propriety &amp; Ethics</td>
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<tr>
<td>Greensill, Lex</td>
<td>Former CEO, Greensill Capital</td>
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<tr>
<td>Hanafin, Sean</td>
<td>Former Group President, Greensill Capital</td>
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<tr>
<td>Hancock, Matthew</td>
<td>Former Secretary of State, Department for Health and Social Care</td>
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<tr>
<td>Harrison, Malcolm</td>
<td>Former CEO, Crown Commercial Services</td>
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<tr>
<td>Heaton, Richard</td>
<td>Former Permanent Secretary, Cabinet Office</td>
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<tr>
<td>Heywood, Suzanne</td>
<td>Widow of Lord Heywood</td>
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<tr>
<td>Hogan-Howe, Lord</td>
<td>Non-Executive Board Member, Cabinet Office</td>
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<tr>
<td>Hopcroft, Rachel</td>
<td>Former Principal Private Secretary to Lord Heywood</td>
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<tr>
<td>Hunt, Raine</td>
<td>Marketing and Communications Director, NHS SBS</td>
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<tr>
<td>Kelsall, Martin</td>
<td>Director of Primary Care Services, NHS BSA</td>
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<tr>
<td>Kirby, Paul</td>
<td>Former Head, No.10 Policy Unit</td>
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<tr>
<td>Lambert, Gavin</td>
<td>Former Deputy Director, Efficiency and Reform Group</td>
</tr>
<tr>
<td>Letwin, Oliver</td>
<td>Former Chancellor of the Duchy of Lancaster</td>
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<tr>
<td>Little, Cat</td>
<td>Director General, Public Spending, Her Majesty's Treasury</td>
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<tr>
<td>Llewelyn, Ed</td>
<td>Former No.10 Chief of Staff</td>
</tr>
<tr>
<td>Lombardelli, Clare</td>
<td>Former Private Secretary to the Prime Minister</td>
</tr>
<tr>
<td>Luke, Tim</td>
<td>Former Advisor to the Prime Minister</td>
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Manzoni, Sir John  Former Chief Executive of the Civil Service and Permanent Secretary to the Cabinet Office
Maude, Lord  Former Minister for the Cabinet Office
Morrow, Colin  Former Deputy Director, Sourcing, Crown Commercial Services
Newman, Henry  Former Special Adviser to the Minister for the Cabinet Office, Lord Maude
Oldfield, Steve  Commercial Director, Department for Health and Social Care
Oxley, Jo  Director, Her Majesty’s Revenue and Customs
Peilow, Brendan  Crown Representative, Cabinet Office and Director, Government Banking Services
Rhys-Williams, Gareth  Government Chief Commercial Officer
Roxburgh, Charles  Second Permanent Secretary, Her Majesty’s Treasury
Scholar, Tom  Permanent Secretary, Her Majesty's Treasury
Sumner, Clare  Former Director, Economic and Domestic Affairs Secretariat
Sunak, Rishi  Chancellor
Tse, Simon  Former Director, Procurement Operations, Crown Commercial Services
Van der Lem, Andrew  Former Deputy Director, SME Access to Finance, the Department for Business Innovation and Skills
Watmore, Ian  Former Permanent Secretary, Cabinet Office

I would also like to express my gratitude to the following individuals who met me during the course of this Review to share their subject matter expertise on the issues I have been examining.

Bryant, Chris  Chair, House of Commons Standards Committee
Evans, Jonathan  Chair, Committee on Standards in Public Life
Mance, Jonathan  Chair, Conduct Committee of the House of Lords
Penrose, John  Prime Minister’s Anti-Corruption Champion
Rich, Harry  Registrar of Consultant Lobbyists

Note:

Whilst every person who was invited to meet me did so and answered the questions I put to them, one person, Lesley-Ann Nash, a former Senior Civil Servant who worked closely with Mr Greensill when he was in Cabinet Office, did not make herself available despite several requests.