



OFFICE OF THE ADVISORY COMMITTEE ON BUSINESS APPOINTMENTS

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September 2023

BUSINESS APPOINTMENT APPLICATION: Sir Stephen Lovegrove KCB, former Defence Industrial Adviser to the Prime Minister, National Security Adviser, Cabinet Office and Permanent Secretary at the Ministry of Defence. Paid appointment with Lazard.

1. Sir Stephen sought advice from the Advisory Committee on Business Appointments (the Committee) under the government's Business Appointments Rules for former Crown servants (the Rules) on his proposal to work with Lazard.
2. The purpose of the Rules is to protect the integrity of the government. The Committee has considered the risks associated with the actions and decisions made during Sir Stephen's time in office, alongside the information and influence he may offer Lazard. The material information taken into consideration by the Committee is set out in the annex.
3. The Committee's advice is not an endorsement of the appointment - it imposes a number of conditions to mitigate the potential risks to the government associated with the appointment under the Rules.
4. The Rules¹ set out that Crown servants must abide by the Committee's advice. It is an applicant's personal responsibility to manage the propriety of any appointment. Former Crown servants are expected to uphold the highest standards of propriety and act in accordance with the 7 Principles of Public Life.

The Committee's consideration of the risk presented

5. There have previously been contracts between Lazard and government. However, the Cabinet Office was not made aware of any current contracts and

¹ Which apply by virtue of the Civil Service Management Code, The Code of Conduct for Special Advisers, The King's Regulations and the Diplomatic Service Code.

the Committee² considered it significant that Sir Stephen has had no responsibility for any contractual matters with Lazard for almost 10 years. As a result there is no evidence Sir Stephen made any decisions in expectation of this role.

6. Given Sir Stephen's former roles in government, he will have had oversight of a wide range of information and policy that may provide an unfair advantage to a broad range of organisations. The Committee considered where Sir Stephen advises on UK security or defence policy there is a risk that Lazard may be considered to gain from his privileged insight that is unavailable to its competitors. There are a number of mitigating factors that help to reduce these risks:
 - This is a broad risk related to his general access to information rather than specific to Lazard and this role.
 - Sir Stephen has been out of government for 6 months & the Cabinet Office considered the currency of his access to information will have devalued as government priorities have shifted since October 2022, after the Sir Stephen left his most recent substantive role; and
 - Sir Stephen is prevented from drawing on privileged information and has an ongoing duty of confidentiality (including under the Official Secrets Act).
7. There are risks attached to Sir Stephen's potential to offer unfair influence or access to government. The Committee noted there is already a relationship between the organisation and government which is a key stakeholder in the policy work of HM Treasury. Further, he will have no contact with government in his role.
8. The Committee also noted there may be potential risks associated with the unknown nature of Lazard's clients. Specifically, should there be a client or piece of work Sir Stephen is asked to advise on where he had specific insight or influence as a result of his time in office.

The Committee's advice

9. The Committee determined the majority of risks identified in this application can be appropriately mitigated by the standard conditions. These seek to prevent him from making improper use of his privileged access to information, contacts and influence from his time in office, alongside his ongoing duty of confidentiality and other provisions.
10. Given the unknown nature of Lazard's clients the Committee also considered it appropriate to impose an additional condition to prevent Sir Stephen from advising Lazard or its clients on matters he had specific involvement with in his most recent roles in office.
11. In the circumstances, the Committee's advice in accordance with the

² This application for advice was considered by Andrew Cumpsty; Isabel Doverty; The Baroness Jones of Whitchurch; The Rt Hon Lord Pickles; and Mike Weir. Jonathan Baume; Sarah de Gay; and Richard Thomas were unavailable.

government's Business Appointment Rules is that this work with **Lazard** should be made subject to the following conditions:

- he should not draw on (disclose or use for the benefit of himself or the persons or organisations to which this advice refers) any privileged information available to him from his time in Crown service;
- for two years from his last day in Crown service, he should not become personally involved in lobbying the UK government and its arm's length bodies on behalf of Lazard (including parent companies, subsidiaries, partners and clients); nor should he make use, directly or indirectly, of his contacts in government and/or Crown service to influence policy, secure business/funding or otherwise unfairly advantage Lazard (including parent companies, subsidiaries, partners and clients);
- for two years from his last day in Crown service, he should not provide advice to on behalf of Lazard (including parent companies, subsidiaries, partners and clients) on the terms of, or with regard to the subject matter of, a bid with, or contract relating directly to the work of the UK government or any of its arm's length bodies; and
- for two years from his last day in Crown service he should not advise Lazard or its subsidiaries on any work with regard to any policy or operational matter he had specific involvement in or responsibility for as Defence Industrial Adviser to the Prime Minister, National Security Adviser, Cabinet Office and Permanent Secretary at the Ministry of Defence nor where he had a relationship with the relevant business during his time in these roles.

12. The advice and the conditions under the government's Business Appointment Rules relate to Sir Stephen's previous role in government only; they are separate to rules administered by other bodies such as the Office of the Registrar of Consultant Lobbyists or the Parliamentary Commissioner for Standards. It is an individual's responsibility to understand any other rules and regulations they may be subject to in parallel with this Committee's advice.

13. By '*privileged information*' we mean official information to which a Minister or Crown servant has had access as a consequence of his or her office or employment and which has not been made publicly available. Applicants are also reminded that they may be subject to other duties of confidentiality, whether under the Official Secrets Act, the Civil Service Code or otherwise.

14. The Business Appointment Rules explain that the restriction on lobbying means that the former Crown servant/Minister '*should not engage in communication with Government (Ministers, civil servants, including special advisers, and other relevant officials/public office holders) – wherever it takes place - with a view to influencing a Government decision, policy or contract award/grant in relation to their own interests or the interests of the organisation by which they are employed, or to whom they are contracted or with which they hold office*'.

15. You must inform us as soon as Sir Stephen's appointment is live or is

announced. You must also inform us if Sir Stephen proposes to extend or otherwise change the nature of his role as, depending on the circumstances, it may be necessary for him to make a fresh application.

16. Once this appointment has been publicly announced or set up, we will publish this letter on the Committee's website, and where appropriate, refer to it in the relevant annual report.

Yours Sincerely,

Isabella Wynn
Committee Secretariat

Annex - Material information

The role

1. Sir Stephen said Lazard is a financial advisory and asset management firm. The website states Lazard offers:
 - Financial advisory services: advising clients around the world on strategic and financial matters including mergers and acquisitions, restructurings, capital structure and capital raising.
 - Asset management: managing investment portfolios in key regions of the world and distributing them locally, regionally and globally.
2. Sir Stephen said he would join Lazard as a senior advisor to assist with:
 - the financial advisory business of Lazard in the UK, providing advice and support to Lazard and its clients in relation to general corporate finance advisory matters.
 - the global geo-political advisory business of Lazard, assisting with the development of this recently established business and providing advice and support to Lazard and its clients on geo-political matters
3. Sir Stephen said he expects to draw upon his past experience as a former senior investment banker at Morgan Grenfell and its successor organisations (now Deutsche Bank). His role will not involve contact with government.

Dealings in office

4. Sir Stephen said in the first year of his time as Permanent Secretary of the MOD in 2016, Lazard gave some informal, unpaid advice to the team which was dealing with Annington Homes (who own the long leasehold on the military housing estate). This advice was to the team who were dealing with the matter, rather than him - though he sat in one meeting.

5. Sir Stephen said he has had no recent involvement in or responsibility for any decisions specifically affecting Lazard. He did note that in 2011 there was the sale of the Tote to Betfred which Lazard assisted in - the Shareholder Executive at the time (now UKGI) worked with many investment banks in the course of its business. During his time as CEO there, which finished in 2013, this was the only contract it had with Lazard. Mark Boyle – Director at Shareholder Executive - was the director in charge – Sir Stephen had no involvement.

Department Assessment

6. The Cabinet Office confirmed the details provided by Sir Stephen and noted Sir Stephen received hospitality from Lazard whilst Permanent Secretary at Department of Energy & Climate Change³ (DECC) between 2013 and 2016:
 - A business dinner on 24 July 2013
 - A business dinner on 13 February 2014
7. During this period, Lazard was in receipt of a £2.6million contract to advise DECC on the contract for Hinkley Point C (nuclear power station), but this was awarded the year before Sir Stephen became Permanent Secretary.
8. The Cabinet Office noted that more than 10 years ago he was responsible for the member of staff leading on the awarding of a £1.5million contract to Lazard in July 2011 to handle the sale of the Tote (as Chief Executive of the Shareholder Executive - though he states he was not personally involved in any of this contractual decision making). The Cabinet Office also said Lazard has advised on numerous government schemes such as the sale of the Millennium Dome in 2000, the sale of bookmakers 'The Tote' in 2011, the privatisation of BPL (Blood Plasma Limited) in 2012, the sale of Royal Mail in 2013, advice on obtaining a contractor to deliver the Hinkley Point C nuclear reactor in 2015, and the sale of Bulb Energy in 2022. Lazard has received one public contract in the last few years (Jun-Aug 2020) - worth £250,000 to provide HM Treasury with Corporate Finance Advisory Services.
9. The Cabinet Office said Sir Stephen had been National Security Adviser since 2021, as well as previously the most senior positions of accountability within the Ministry of Defence, the Department of Energy and Climate Change, and so will have been exposed to a wide range of privileged information over the years. However, the Cabinet Office said the currency of this information will have devalued as government priorities have shifted since October 2022, after the individual left his most recent substantive role.
10. His most recent role as National Security Adviser sometimes focused on long term policy and strategy (for example, the implications of leaving the UK, and the COVID pandemic). Therefore, it is possible that Sir Stephen may have

³ Following the machinery of government changes, the Department of Energy and Climate Change (DECC) merged with the former Department of Business, Industry and Skills (BIS) to form the Department of Business, Energy and Industrial Strategy (BEIS) in 2016. In 2023, BEIS was dissolved to form 3 new departments; the Department for Energy Security and Net Zero (DESNZ), Department for Business and Trade (DBT) and the Department for Science, Innovation and Technology (DSIT).

information relating to long ranging weaknesses within the British economy which may be of value to the prospective employer.

11. The Cabinet office consider the 7 months since he was in post with access to information and the provisions that prevent him from drawing on privileged information are appropriate mitigation
12. The department recommended the standard conditions and 3 month waiting period (which has now passed).