

Public Accounts Committee

Oral evidence: NHS supply chain finance, HC 745

Monday 15 November 2021

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Members present: Dame Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Mr Mark Francois; Antony Higginbotham; Mr Richard Holden; Sarah Olney; Nick Smith; James Wild.

Gareth Davies, Comptroller and Auditor General, and David Fairbrother, Treasury Officer of Accounts, were in attendance.

Questions 1-205

Witnesses

I: Sir Chris Wormald, Permanent Secretary, Department of Health and Social Care; Simon Tse, Chief Executive, Crown Commercial Service; Michael Brodie, Chief Executive, NHS Business Services Authority; Erika Bannerman, Managing Director, NHS Shared Business Services.

Report by the Comptroller and Auditor General
Investigation into supply chain finance in the NHS (HC 734)

Examination of witnesses

Witnesses: Sir Chris Wormald, Simon Tse, Michael Brodie and Erika Bannerman.

Q1 **Chair:** Welcome to the Public Accounts Committee on Monday 15 November 2021. We are returning to the subject of Greensill Capital and the continuing fallout from its collapse in March of this year. Greensill was involved in two particular schemes involving the Department of Health. One was supply chain finance, so that pharmacists were able to access money earlier for their prescription charges, which were paid in arrears by the Department. Supply chain finance is, in effect, a short-term loan, though I paraphrase massively, and that will come out during the hearing.

Greensill finance was also behind a scheme called Earnd, which some NHS trusts took up to allow advances to their staff on their salaries. Again, we are going to be asking questions of officials at the Department about that. Thanks to the National Audit Office for its recent investigation that covers both of these schemes. We want to find out what happened, why they were given the go-ahead and what lessons have been learned.

We have, as our witnesses, Sir Chris Wormald, the Permanent Secretary at the Department of Health and Social Care; Michael Brodie, who is the chief executive for the NHS Business Services Authority; Erika Bannerman, the managing director for NHS Shared Business Services—it seems like there is a competition for how many ways you can have an NHS organisation with the word “business” in the name—and Simon Tse, who is the chief executive of the Crown Commercial Service. Welcome to you.

Before we go into the main session, I need to raise with you some serious issues, Sir Chris, about your Department’s tardiness or sometimes a complete lack of response to us on Treasury minutes. We get Treasury minute updates, as you will recall, twice a year. This is not the original Treasury minute response but the further updates. 15 of 21 reports from you are outstanding or missing. We have also had issues with contingent liabilities being notified late, most notably the contingent liability for pharmacists to deliver vaccines being renewed in June, which we were not informed about. It is an important part of the process that we have the chance to ask questions about these things before they go through, so I was wondering if you could give us an update on this and explain why we have had so little response from you on some important issues.

Sir Chris Wormald: I could give you a long explanation on each of those about the pressures of workload, short timetables and all that, but I am not going to because I do not think that what we have delivered to you is



good enough, and so we owe you an apology on behalf of both us and NHSE, which is also responsible for this. I and the chief executive of NHSE discussed this this morning. We are going to review all our procedures around this, which will be led by my director general of finance. We will come back to you in about three weeks with changed procedures and we will seek to catch up. As I say, I can go into some of the individual explanations. When I looked at this, I did not think it was good enough, so I can only apologise and say so.

Q2 Chair: Thank you for that apology. If it was an individual case, we are reasonable people, and I am a reasonable woman some of the time. I will take that on board, given that we had a discussion right at the beginning of Covid about how you would approach that.

I would say, in your defence, that the fact that you spoke to me early on in Covid and said very clearly that you would attend Committees—and we had an agreement about how that would happen—is a sign that you do not want to dodge this, but this is really unacceptable, as I am glad you recognise. For instance, the first response on adult social care was two months late.

These are important issues, and it is important for people following them, as well as for the Committee to keep our beady eye on you. I appreciate the apology and I thank you for that.

Sir Chris Wormald: As I say, we need some different procedures around this because of the nature of our work. As you know, there is an awful lot that is signed off by multiple organisations and we have not got that slick enough.

Q3 Chair: You are the worst-performing Department, just to layer criticism on criticism.

Sir Chris Wormald: I am sure. I am not trying to defend this.

Q4 Chair: I just wondered if the Treasury Officer of Accounts wanted to say something on this important issue.

David Fairbrother: Yes. I am very pleased to hear Sir Chris's statement. I have been discussing with your Clerks whether we need to issue a Dear Accounting Officer letter, just to further reinforce this to Departments more widely.

Chair: It is just a warning to other Departments, if they are watching, that we do take this very seriously, because we do follow through on the recommendations. In fact, internationally, people are interested in how we track this. We do track it and will keep a close eye on it. Thank you very much for that apology, though, and we will keep a close eye on progress.

Q5 Mr Holden: I tabled two new clauses to the Health and Care Bill regarding virginity testing and hymenoplasty. I received assurances from the Department that these are being looked at and taken seriously, and



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an expert panel is currently looking into the hymenoplasty element. I just wondered whether you are aware whether that panel will be able to report before Report stage in the House of Commons.

Sir Chris Wormald: I will need to go away and check and come back to you. They are extremely important issues that you raise and I know that we take them very seriously, but I do not know the timings. I will go away and check and come back to you.

Q6 **Mr Holden:** Amendments have to be tabled tomorrow, so I would appreciate it if you could do that very swiftly.

Sir Chris Wormald: I will look to some of my officials to get it checked now.

Q7 **Mr Holden:** Secondly, I have had a lot of concern from my primary care networks in County Durham around the integrated care system and the level below that. Their concern is that they are going to be thrown in with other areas that they do not have common interests in on that primary care side. They are a very large area in County Durham. Could you speak to Sir David Sloman and perhaps ask him to have a look and ask whether the particular primary care network is most appropriate for County Durham?

Sir Chris Wormald: I can certainly raise that with my colleagues at NHSE. As the Committee knows, exactly what the right geography is where is an extremely difficult and controversial issue.

Chair: Particularly in the north-east, I am hearing.

Sir Chris Wormald: I would not like to pick out a particular area of the country.

Mr Holden: But if you could raise it, Sir Chris.

Sir Chris Wormald: I can raise that with my colleagues, yes.

Chair: On the hymenoplasty Committee, the fact that amendments need to be tabled tomorrow means that there is no point coming up with good advice after the event. Fitting in with parliamentary timetables rather plays to what we were discussing at the beginning. I saw an official nodding vigorously at the back, so I hope that that is an enthusiastic sign that we might even have an update, perhaps, by the end of the meeting, even if that is in the private bit at the end. Thank you very much indeed for that.

I am now going to turn Richard Holden MP to kick off on the knotty issue of supply chain finance in the public sector and in the NHS, particularly as it relates to Greensill Capital.

Q8 **Mr Holden:** Obviously, this is a particular concern of this Committee; it involves such an unusual and novel use of public money. Just regarding the entire episode as a whole with Greensill Capital, do you believe, Sir Chris, that this episode actually validates HM Treasury's initial scepticism



about use of supply chain finance in the NHS?

Sir Chris Wormald: I will say a number of things relating to this. I can completely see why the original decisions were taken in 2012 to look into this issue and run this scheme. There is almost no public money at risk in this scheme, and never was, and there was a potential upside both for the NHS and for individual pharmacies. Knowing what we know now, would we do it again? No, we wouldn't. So in that sense, I agree with you, but I do understand why people were interested in an innovative scheme with almost no risk to the public sector, with potential upsides. It clearly didn't work out as the original business case suggested and, knowing what we know now, we wouldn't do it again, but I would defend the original decision as an appropriate set of risks to take.

Q9 **Mr Holden:** Why would you not do it again? In April 2021, Sir Geoffrey Clifton-Brown asked a broad question. A large percentage of suppliers—in the high 90%—paid within 30 days and many paid even more quickly than that. Why would you not do it again, when there was a similar situation at the time you started the scheme?

Sir Chris Wormald: I might ask Mr Brodie to describe what we are now doing. Post the Greensill collapse, we looked at whether to continue this scheme with other providers. Essentially, there was nothing out there that was an attractive proposition, so we didn't replace the Greensill scheme with an equivalent one. Instead, we have amended our own payment procedures to pharmacies, some of which is now possible because of technological developments, which we see as the way forward. So in fact we are not doing it again. I completely understand the original decision but, as Mr Brodie will describe, we are now pursuing a rather different course.

Q10 **Mr Holden:** Just to pick up on that briefly, Sir Chris, you have different schemes now and you say you would not do them again. Why, in the first place, did you not just move to these newer, quicker schemes, rather than trying to go down the supply chain finance model?

Sir Chris Wormald: The decisions in 2012 were to look for an innovative solution that did not involve any public money, to see if those kinds of approaches could work. The risk-reward balance at the time had very little risk to the public sector and a potential reward, so the risk-reward ratio was very good. That is not the situation now, which is why we are pursuing a rather different course.

Q11 **Mr Holden:** But Sir Chris, even you are acknowledging that, although the risk might be small, there is still a very limited risk to public money. If you just changed your own processes, there would be zero risk to public money, would there not?

Sir Chris Wormald: No, that is not quite the case. If we are advancing public money—

Q12 **Mr Holden:** This wasn't the case, was it? You are not advancing public



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money; you are paying them more quickly.

Sir Chris Wormald: Yes, but there is still a cost to that. There is a cost in the increased finance risk of doing so. Indeed, the only money that we spent on the post-Greensill scheme when it collapsed was that financing charge on the advance of public money. The original scheme held out the prospect of there being no cost to the public.

Q13 **Mr Holden:** But, you admit, with a small risk appetite.

Sir Chris Wormald: Yes, but the risk-reward ratio assessed at the time was clearly very positive.

Q14 **Mr Holden:** You are accepting that that risk-reward ratio is not something that you would now do again.

Sir Chris Wormald: Not knowing what we know now, and given what we can now do with the payment system. But that is, of course, partly about market conditions. We did look at whether there were alternative providers of the same scheme, and there were not. So it is not simply a Government question.

Q15 **Nick Smith:** Could I just pursue that a little bit, please, Sir Chris? At the time you did the analysis, what was the cost of paying pharmacies a bit earlier and improving your processes, rather than setting up this new, different, novel, complex financial arrangement?

Sir Chris Wormald: It is whatever the Government's borrowing costs are at the time, multiplied by the amount. So it is a small amount in the grand scheme of things, but it is still a cost to the public finances.

Q16 **Nick Smith:** Did you, at the time, analyse the small cost versus the setting up of this novel private arrangement?

Sir Chris Wormald: I don't think that the original business case did that exact calculation, but the scheme that was introduced in 2012 had almost no risk to the taxpayer in it at all, but had benefits. That is what the business case stood on.

Q17 **Nick Smith:** In the 11 years I have been in Parliament, pretty much every couple of months someone has asked, "Why can we not pay small providers to the Government on time, so that they can pay their workforce?" We keep coming up against these hurdles of Government not really getting their act together and coming up with complex arrangements that are a problem further down the road.

Sir Chris Wormald: We like our new scheme, and Mr Brodie can explain exactly what we do. We agree with your basic point. The only thing I would say is that supply chain finance is doing rather more than simply the Government paying on time. It is taking out the lag between somebody submitting an invoice and being able to access capital pretty much completely, which is different from a paying-on-time scheme. Michael, do you want to explain—



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Michael Brodie: Would it be worth my explaining why the pharmacy reimbursement system is not quite as simple as an invoice repayment system? I absolutely take the point that we should be paying all of our suppliers quickly. We have 11,000 pharmacists. We do not receive one invoice per month saying, "This is how much you owe." We receive 40 million prescriptions, which don't have a value to them. Those prescriptions are received by the NHS Business Services Authority. We then have to price those prescriptions by reference to the drug tariff and add a complex series of allowances and reimbursement fees that pharmacies are allowed.

If you think of prescriptions dispensed during January, pharmacists would get those prescriptions to us by 5 February. It then takes us a month cycle to do the costing of 40 million prescription forms and 80 million prescription items. We then reimburse the pharmacists the following month. What the earlier payment scheme allowed was for pharmacies to be reimbursed just after the end of the month. In the new scheme, that was extended to be reimbursed on the first day of the month during which they would be prescribing.

The new scheme that we have introduced following the Greensill collapse means that, as of this month—so the first payment went through on Thursday—pharmacies send their prescriptions to us by the fifth of the month. We then have four working days—

Chair: That was all laid out in the Report, so we know that bit.

Michael Brodie: So we now pay them, on average, within the 30 days that you would expect.

Chair: Just to be clear to witnesses—and this is not a criticism, Mr Brodie—we do not need to hear what is in the Report, because we are on top of that.

Q18 **Mr Holden:** No cash analysis was done in 2012 as to whether this would save any money. It was just assumed that it might. You said that you would not do the scheme again. If you had no analysis that it would save any money or not, and you knew there was a risk element, how could you possibly have pursued the scheme in the first place?

Sir Chris Wormald: That is not quite what I said, so I am sorry if what I said was unclear. The original business case had quite a large level of projected savings.

Q19 **Mr Holden:** How much was that level of projected savings?

Sir Chris Wormald: That was the £100 million that was quoted in the Report.

Q20 **Mr Holden:** Indeed. How much of that £100 million annual saving was actually realised?

Sir Chris Wormald: It would have been much lower than that.



Mr Holden: Do you know how much? Do we have any—

Sir Chris Wormald: No, we don't. The original business case made it clear that it would not be possible to identify the specific levels of savings, because the savings come through in our margins survey of pharmacies, and you cannot identify individual efficiencies within them. There was an in-principle case that it should allow pharmacies to save money. It was, of course, a voluntary scheme, so pharmacies would sign up to it only if they believed it was in their interest. There was an in-principle case that savings ought to be achievable, at almost no cost and no risk to the taxpayer, and that was the basis of the decision in 2012.

Would that have been a sufficient business case had we been investing Government money? Probably not, but we were not; we are creating a voluntary—

Q21 **Mr Holden:** But Sir Chris, you were not investing Government money but you were, essentially, putting taxpayers' money at risk, weren't you?

Sir Chris Wormald: No, because the money from the scheme came from the private sector. That was the point. There was almost no public money at risk. The only money that we spent was some very small expenditure within the Business Services Authority to do the systems, and the money right at the end when we decided to pick up the Greensill scheme for a bit and we covered the finance cost of that, which is the £144,000 that the National Audit Office quotes in its Report. That was the only public money at risk.

Q22 **Mr Holden:** The middle company, Taulia, failed the assessment and needed a Greensill guarantee. In the end, it reverted back to the taxpayer to mop up the issue—

Sir Chris Wormald: Sorry, you are now talking about the 2017 scheme.

Mr Holden: Yes.

Sir Chris Wormald: In 2012, they were not the supplier. It was Citibank in 2012. In 2017—

Q23 **Mr Holden:** We are coming to the point of taxpayers' money being at risk here. At various stages throughout this process, you could have seen that there were risks here, because even the main person providing you with the capital was not sound enough to not have to be underwritten by somebody else.

Sir Chris Wormald: Yes, but that is, of course, reasonably normal.

Q24 **Chair:** Reasonably normal in which arena?

Sir Chris Wormald: For us to seek guarantees from companies that they are financially viable. Simon might like to comment, but that is not an unusual thing to do in a contract. The cost to us, even in a total collapse of the scheme, was the £144,000 that the National Audit Office quotes in



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its Report. That is the basis on which I say there was virtually no public money at risk here.

Q25 **Mr Holden:** So there is no public money at risk. I just want to come back briefly to the £100 million of annual savings. Have you made any assessment at all of what the annual savings were? Were they £10 million?

Sir Chris Wormald: No. There isn't a basis for making an accurate estimation, but given that take-up—

Q26 **Mr Holden:** If there was no basis for making an accurate estimation of what the savings are now, how could you possibly have had projected savings in the first place?

Sir Chris Wormald: That was based on estimates at the time.

Q27 **Mr Holden:** Have you estimated the amount of money that has been saved?

Sir Chris Wormald: No.

Q28 **Mr Holden:** If you have not estimated the savings now, why not?

Sir Chris Wormald: Because of the way that the savings accrue, we can't distinguish between—

Q29 **Mr Holden:** We understand that, but surely you can estimate. You estimated in the first place.

Sir Chris Wormald: As I understand it, we do not have a basis for estimating that would give us a number that we had confidence in, but I think we can be confident, given the level of take-up in the scheme, that it would be considerably lower than the original £100 million estimate. I am not going to use numbers that I don't have confidence in.

Q30 **Mr Holden:** I understand that, but do you understand that it might be sensible, even in terms of best practice and lessons learned, to at least assess what happened—at least judge it on your estimates from the Department?

Sir Chris Wormald: I don't currently have a reasonable basis for estimation of that number and therefore I don't want to use a number.

Q31 **Mr Holden:** Why do you not just use the basis, Sir Chris, of the estimates of the initial £100 million savings and see if they work through?

Sir Chris Wormald: The £100 million was clearly a large overestimate of what happened in practice, because the take-up was considerably lower.

Q32 **Mr Holden:** I understand that, so why do you not just use that as a basis? My understanding is that you based this on 60% to 80% of pharmacies being enrolled. We know that only 14% of pharmacies enrolled, so why not just use that as a basis to assess the level of savings?



Sir Chris Wormald: You can do those sorts of calculations. Would it give a number I was confident in? Given that even the original business case said we would never be able to separately identify the savings, that is not a number I would feel comfortable using with this Committee. You can do the calculation that you say, and I suspect you would be in roughly the right ballpark, but it is not a number that I could come to this Committee with and say I have confidence in as a validated estimate. The National Audit Office did not have a basis for doing so either, and that is why it is not in their Report.

Q33 **Mr Holden:** Do we now accept that, realistically, there was really no overall benefit of this scheme?

Sir Chris Wormald: No, I don't, because the absolute core thing about this scheme is it is voluntary to pharmacies. We were providing a facility for pharmacies to take up or not. Pharmacies are independent businesses. They would go into such a scheme only if they saw benefit for themselves.

Mr Holden: I understand that.

Sir Chris Wormald: So for the percentage that did, I think it is safe to assume that there was a benefit.

Q34 **Mr Holden:** In that case, why would you not do it again?

Sir Chris Wormald: The reasons why we are not doing it again are partly what we have learned in the scheme, partly that we now have the technology to do what Michael is describing, and partly about market conditions. As I say, we looked and there was no other provider out there that was prepared to provide a scheme on the same basis.

Q35 **Mr Holden:** If there was another provider out there prepared to provide a similar scheme, and given that you have said that there are obvious benefits from it—which you have not been able to properly quantify, but I understand that—would this be something that you would be looking at doing again?

Sir Chris Wormald: It is a hypothetical question, but clearly if there was a supplier out there, we would assess that against the scheme—

Q36 **Mr Holden:** You have told us it had benefits.

Sir Chris Wormald: Yes, but what we now have is an alternative in terms of what Michael was describing earlier, and were you to have somebody who had what looked like a good deal for the taxpayer, you would assess that against that. That didn't happen, so we are not in that position. So we are looking for another way forward that allows pharmacies to get their money more quickly and, hopefully, therefore be more efficient users of the taxpayers' money that they receive.

Q37 **Mr Holden:** Sir Chris, this scheme lasted for nine years. Why did it take you so long to move to Mr Brodie's new scheme?



Sir Chris Wormald: While it was running, there was a good in-principle case, and the percentage of pharmacies that used it, given that it was entirely voluntary, clearly liked it. So there was no point where you would have a reason to stop doing it that way. The impetus for thinking about it differently was, more bluntly, the collapse of Greensill Capital. I understand the original decision, as you have articulated it, and while it is running and pharmacies are choosing to be participants in it, it is the kind of thing you keep running. It is why we retendered it with our colleagues at the Cabinet Office in the 2017 retendering. What caused everyone's re-evaluation were the events we are discussing here.

Q38 **Mr Holden:** Indeed. Almost to go back to my first question, do you now understand the Treasury's scepticism of supply chain finance for the NHS, given the fact that it collapsed?

Sir Chris Wormald: My position is exactly as I described it in the first place. I understand why that decision was taken. I don't think it is unfair to say that the Treasury are sceptical about quite a lot of things. They did agree the business case. We went forward as a piece of Government policy. As you say, it lasted nine years. We are not doing it now.

Q39 **Mr Holden:** It is interesting. The Treasury was sceptical. You had estimates that cannot even be based on anything that you are now happy to look back on and say, "This is what we would do now." It sounds to me like the Department was pushed into doing this. Would you say that is fair?

Sir Chris Wormald: I can't tell you exactly what happened in 2012. I wasn't there at the time. Having reviewed the business case and what happened since, which was signed off as Government policy, including by the Treasury, I can see why that decision was made. That is what I said right at the beginning of this hearing. I have seen no evidence to support the proposition that you have made, and in terms of the paperwork of the case, it was done properly. There was a proper business case and a proper Government decision, which was then implemented. I have not seen anything in—

Q40 **Mr Holden:** A proper business case, with HMT's initial scepticism of supply chain finance; a proper business case, with estimates that you cannot even then work backwards from to give us a broad idea of how much the taxpayer benefited, if at all.

Moving on, I just want to look at who actually used the scheme, because that is quite an important context to it. The entire theory behind it is surely that it is particularly for small suppliers who may have cash-flow issues—small pharmacies—but it does not look like they were the ones who used it at all. It looks like it was the large multiples.

Sir Chris Wormald: The National Audit Office sets this out very clearly. The biggest users of it were medium-sized pharmacies.

Q41 **Mr Holden:** The biggest users were medium-sized multiple pharmacies,



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so they had multiple establishments. They were not individual businesses. They had multiple sites.

Sir Chris Wormald: Yes. There was some use by standalone pharmacies, but the position is exactly as described in the National Audit Office report.

Q42 **Mr Holden:** The use by standalone pharmacists, which make up 25% of all distribution, was 4%. The smallest pharmacists, who apparently were the people who were meant to be benefiting most from the scheme, because of the issues that they would face, were using less than 18% of their—

Sir Chris Wormald: As I say, it is entirely a voluntary scheme, but the facts you state are correct. They are exactly as set out in the National Audit Office Report. Who uses it and who doesn't is entirely a matter for individual pharmacies.

Q43 **Mr Holden:** Indeed it is. Mr Tse, just coming to you, the main users of supply chain finance were the larger pharmacy chains—either the medium-sized multiple pharmacies or the large multiples. In fact they made up roughly three-quarters of all use, despite making up well less than half of the people using the standard payment terms. Do you agree that it would be misleading to suggest that this scheme had been there to support independent pharmacies in the first place?

Simon Tse: We were asked, as Crown commercial services, back in March 2017, by the then chief executive of the civil service, to attend a meeting with him, where we were asked to put in a replacement agreement for what was the earlier agreement that had been run through the Government banking services. It was at that request that we then set about putting a replacement agreement in place, which we started, as you will know from the Report, in 2018.

My job was not to look at who was going to be on it in terms of whether it was small, medium or large-sized enterprises. My role was to put a compliant commercial agreement in place, which we did.

Q44 **Mr Holden:** Mr Brodie, obviously the issue here that most of us face in our constituencies would be that we are really worried about small pharmacies being able to access finance. Do you think that the scheme that was put forward by Greensill and others was achieving that objective?

Michael Brodie: If you look at figure 5 in the NAO Report, only 26% of those people using PEPS were large multiples, whereas 31% of those not using the scheme were, so it is disproportionately at small and medium multiples. In terms of independents, when we extended the scheme in 2020 to pay even earlier, we found that the number of independent firms went from a small number—122—up to 290. All of our soft intelligence that we get from speaking to pharmacists on a regular basis was telling us that more and more independents would be taking part in the scheme.



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Q45 **Mr Holden:** So it took nine years for the Department to realise that the people that we are after to help—small pharmacies with cash-flow problems—were the ones who benefited from the new scheme rather than this existing scheme.

Michael Brodie: Small and medium-sized multiples, which are still SMEs, were still benefiting from the scheme, and I guess the important thing was to make sure—

Q46 **Mr Holden:** With the greatest respect, an SME can have up to 250 employees. We are talking of small, independent pharmacies. These are small, family-run businesses and small chains, maybe employing 10 or 15 people. We are talking about medium-sized and large multiples, so that is companies like Boots and Lloyds, is it not?

Michael Brodie: The large ones are, yes, certainly.

Q47 **Mr Holden:** Could you give me an example of a medium-sized multiple?

Michael Brodie: Someone like Day Lewis on 120 premises.

Q48 **Mr Holden:** Medium-sized multiples are not SMEs, are they, if they have 120 premises?

Michael Brodie: At the smaller end of the multiples, they would be, and certainly the small multiples would be. Either way, what we have done is we have put a voluntary scheme in place that supports community pharmacies. Whether it is Day Lewis, Boots or an individual pharmacy in a place—

Q49 **Mr Holden:** I understand that, but we are trying to learn the lessons of supply chain finance. We understand, and you are suggesting, that what you have put in place is clearly better than this, but this scheme was not delivering on those objectives that we have just talked about.

Michael Brodie: It didn't get a large sign-up from independent pharmacies, but what we have seen is that there are more pharmacies now than there were 10 years ago, so we have retained resilience in the pharmacy sector over that period.

Q50 **Sir Geoffrey Clifton-Brown:** Good afternoon, Sir Chris. I would like to ask you about the guarantee that Greensill gave that it would guarantee the payments of any pharmacies that went bust. You are indicating that Mr Brodie should answer and I am happy with that. How important a part of the scheme was that?

Michael Brodie: When we changed the scheme from being the pharmacy earlier payment scheme to the even earlier payment scheme, which meant that pharmacies were paid on the first of the month during which they would then dispense, the risk profile changed at that point—because there is a risk that a pharmacy could be reimbursed on the first of a month and then cease trading during that month, having received the payment in advance.



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Sir Geoffrey Clifton-Brown: We get that; that has been made very clear.

Michael Brodie: So with that change in risk profile, the first thing we needed to do was to make sure that the taxpayer wasn't picking that up, so my organisation negotiated with Greensill to make sure that Greensill/Taulia would give a guarantee to meet any pharmacy failure during the month. Without that guarantee, we wouldn't have recommended to the Department that the scheme should continue. We negotiated that guarantee not with Greensill UK, which was the contracting agent, but with the parent company of all of Greensill enterprises, recognising that that would give us, hopefully, some greater security as well.

Q51 **Sir Geoffrey Clifton-Brown:** Do you have any numbers as to how much Greensill had to pay out under that guarantee?

Michael Brodie: If a pharmacy went bankrupt during the month, they had to meet the full cost.

Q52 **Sir Geoffrey Clifton-Brown:** I understand that. I am asking how much money was called on—

Michael Brodie: Given that we implemented the scheme in July 2020 and in March 2021 Greensill collapsed, there were very few pharmacy failures in that time for schemes that were in. I could send a note, if that would help, but it wouldn't be a material amount.

Q53 **Sir Geoffrey Clifton-Brown:** So it was not material to Greensill's collapse.

Michael Brodie: But it could have been, had the scheme continued for a longer period. But what it meant—

Sir Chris Wormald: The question was whether it was material to Greensill's collapse. I don't think anyone has suggested that.

Michael Brodie: No, absolutely not. The pharmacy scheme was nothing material to that.

Q54 **Sir Geoffrey Clifton-Brown:** You said something very important there: had the scheme gone on, it could have become material. When you introduced the new earlier payment scheme, you didn't know that Greensill was going to collapse, so what investigations did you carry out to make sure that Greensill was able to meet the guarantee?

Michael Brodie: First of all, we got that guarantee. We checked all the credit agency ratings, which were A-minus at that stage, which is a really substantial credit rating. We continued to do credit rating checks during that period, and we know that CCS checks the financial stability of organisations on its framework. Given that the organisation was valued at £3.5 billion, given the A-minus rating, and given that we had negotiated a parent company guarantee, we were comfortable. Recognising that the



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risk we had mitigated was the risk of pharmacy collapse, the only risk left to the taxpayer was the risk of pharmacy collapse coinciding with the risk of Greensill/Taulia collapsing.

Q55 Nick Smith: Having read the report, it seems to me that this is a tale of long-term financial chicanery by the well-connected smooth operator Lex Greensill. My first question is to Mr Tse. Why was there no discussion about a potential conflict of interest arising from Lex Greensill providing advice on supply chain finance services and his company, Greensill Capital, then being appointed to supply these services?

Simon Tse: Mr Smith, we were and still remain confident in the way that the procurement was undertaken for that replacement framework. When we look at the conflict of interest, you will be familiar, as no doubt other panel members are, that Nigel Boardman recently carried out a review and gave evidence before PACAC, your sister Committee, in the last few weeks, on recommendations that the Government are now considering. I know it is not just those aspects that they are considering; it is also along with the review of standards in public life. But in relation to the procurement itself, our team remained, and are still confident today, that there was no conflict in relation to the procurement itself that we ran, which Taulia subsequently won.

Q56 Nick Smith: Can we just drill down a bit into that? When the bids for the contract were put to tender, Taulia's bid was ruled out but Lex Greensill threatened legal action. Did not your smell test perhaps move up a notch?

Simon Tse: In relation to Mr Greensill, yes, it is true that he did try to make contact with our chief executive at the time, but that was completely closed as access through. He had nothing to do with the bid, because it was Taulia that was bidding in this instance. Again, we had no reason to doubt the process that we were undertaking for this procurement.

Q57 Nick Smith: You might not have had a doubt right then, but when did it become clear that Greensill Capital was a subcontractor to Taulia's bid?

Simon Tse: The first we knew that Greensill was involved was when Taulia submitted their bid. So we were aware that they were a subcontractor to Taulia at the point that they submitted their bid. But in terms of procurement regulations, Mr Smith and the panel, there was no reason to preclude Taulia based on Greensill being a subcontractor named in their bid. Our team considered the submissions that had been submitted by the various bidding companies, and their assessment was that there was not conflict in relation to the procurement itself and, therefore, we carried on with the procurement. You are right in your comment that actually, at one point during the process, Taulia had failed on one particular question.

Q58 Nick Smith: They were going to be ruled out, weren't they?



Simon Tse: We took advice on this from both the Government Legal Department and counsel. The advice from them both was that we could proceed with the procurement, but that there was a risk associated with carrying on with that procurement. We, as an organisation, decided then to seek points of clarification from both the two final companies before we went through to the e-auction. We sought those clarifications, we had those clarifications, and on that basis we were then happy to proceed to the auction with two bidders.

Q59 **Nick Smith:** Mr Greensill had threatened legal action. It then became clear that Greensill Capital was a subcontractor in Taulia's bid. What did your antennae say then? Did you think there could be a problem?

Simon Tse: Mr Smith, we knew, before legal correspondence came in from Taulia, that Mr Greensill was listed, or his firm was listed, as a financial backer—the guarantor—to the Taulia bid. But again, when we went through it—and if there is anything that we, as an organisation, could have done better, it is the documentation of our consideration around whether there were any conflicts at that point in time. That was not documented.

However, having reviewed it again, I and the team are confident that we ran a fair, open, robust and compliant process. If we had, as you say, excluded Taulia from the bid on the basis of Mr Greensill being the financial backer to that organisation, as in guarantor, it is our assessment, and we still believe today, that if that had been challenged in the courts, it would have been overturned.

Q60 **Nick Smith:** Listen, I am a rugby fan, but I understand that cricketers say that you roll the pitch just before you play a game, to make sure that things work to your advantage, which is like what I think Lex Greensill was doing. Then he tried to protect the company that he was going to be a subcontractor for, and then he became the subcontractor for that company to provide their service. Were you twitching a little bit there?

Simon Tse: I refute that there was any conflict in the process. In terms of meetings that my organisation had where Mr Greensill was present, there were two: one in March 2017, which was the meeting I referred to earlier, where the chief executive of the civil service asked us to attend, which we did, where it was established that we should put a replacement agreement in place.

There was one further meeting with Mr Greensill in May 2017, where he gave an overview of supply chain finance to part of my team in the organisation. That team is referred to as the category specialists. They know the finance markets. Effectively, he gave that presentation to them. There was no further contact with Mr Greensill beyond that point.

Not only did we engage with Mr Greensill in the way that I have explained, but we regularly do what is called prior market engagement, where we engage with the supply chain. In this particular instance, we



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engaged with over 18 different companies in the process leading up to us going out to market for this particular framework.

Q61 **Nick Smith:** I suggest you go through the chronology. Officials met Lex Greensill in March and May. When was the contract awarded, please?

Simon Tse: It would have gone through to March 2018, where the bidders were submitted. In terms of the actual contract, it would have been May 2018. I think I have got that right.

Q62 **Nick Smith:** Let us just go back to broader lessons. How much time do you think should elapse between taking advice and appointing a contractor?

Simon Tse: Mr Smith, with respect, that is a really hard one to say, because there can be all sorts of circumstances in terms of level of seniority, involvement in organisations and to what degree, etc.

Q63 **Nick Smith:** What about when the adviser and the potential contractor are the same people?

Simon Tse: It goes back to the point I made earlier on. I know that Mr Boardman has looked at this, particularly in relation to conflicts of interest, and we are waiting for Government's response to that point.

Q64 **Nick Smith:** We wait for the Boardman report, part 2.

Simon Tse: It is already there as a report and it is being considered, as I said earlier, with the standards in public life report as well.

Q65 **Nick Smith:** Just to move on a little bit, can you tell us a bit more about Bill Crothers, who is a former Government chief commercial officer, and his involvement with Greensill Capital, I believe as a director? Can you tell us a bit more about his relationship with the NHS centrally and around the country?

Simon Tse: Mr Crothers was the chief commercial officer for Government, as you know. In relation to the Greensill bid—I am sorry, the Taulia bid—he was not involved in that at all. The only point I would make is that, when Mr Greensill wrote to the then chief executive of the Crown Commercial Service during the procurement time, that email was copied to Mr Crothers. But there was no contact with Mr Crothers from us, nor did he try to contact us as an organisation.

Q66 **Nick Smith:** Was Mr Crothers using his contacts within the NHS and going around the country, speaking to different NHS organisations and promoting the work of Greensill Capital?

Simon Tse: I am personally aware that he was doing that, recognising that he was now, at that point in time, a director of Greensill, and yes, he was employed in that capacity, as I understand it. Actually I met with Mr Crothers on two occasions; I have recorded those to both the NAO and the Boardman review. One was in April 2019 and the other in February 2020. He was asking what it was that we were doing as an organisation



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to promote supply chain finance. He also explained some of the things that he was intending to do with supply chain finance.

At that time I knew, again from those conversations, that it was not just supply chain finance that Mr Crothers was looking at; he was also looking at early Earned salary schemes, where, effectively, people could draw down their salary earlier. Again, Mr Crothers, as I am aware, was employed in that capacity.

Q67 **Nick Smith:** Mr Crothers was trying to tout for business with you on those two topics.

Simon Tse: Not with—

Nick Smith: Did you introduce him to anyone else within the NHS?

Simon Tse: No, I did not. Actually, I did meet him on one occasion. When I say “meet”, it was a passing in the reception of the NHS’s headquarters in London. He happened to be there and was going to talk about early salary schemes.

Q68 **Nick Smith:** You said that Mr Crothers was travelling to other parts of the country, speaking to NHS colleagues.

Simon Tse: I was aware that he was doing that, yes, in the same way that any—

Q69 **Nick Smith:** What does that mean, you were “aware”?

Simon Tse: That I knew that he was going out and trying to “sell” those services in the same way, Mr Smith and panel, as any of our other suppliers on our frameworks, where they are looking to drive business through their frameworks.

Q70 **Nick Smith:** Again, was he trying to sell on supply chain finance or employer wage schemes to other bits of the NHS?

Simon Tse: As I am aware of, almost definitely in terms of the early salary scheme, and supply chain finance in terms of the wider public sector, not central Government. So in that case, the NHS, yes.

Q71 **Nick Smith:** Was he successful?

Simon Tse: No, he wasn’t successful, as I am aware, because it was only the pharmacies contract that actually went through the supply chain finance agreement.

Sir Chris Wormald: I am sure that we will come on to this later, but in terms of the early payment of salaries scheme in the NHS, there was no selling going on; there was no cost to it. He was certainly involved in talking to the NHS but it was not a sale.

Q72 **Nick Smith:** That was the phrase that Mr Tse used.

Sir Chris Wormald: Yes. I just thought I would clarify.



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Q73 **Chair:** He put it in inverted commas, so we get the point. We will come to that later.

Mr Tse, lots of stuff has come out of what you have said so far. You met with the chief executive of the civil service in March 2017 and you said—and you chose your words carefully—that, in that meeting, it was “established” that we would procure supply chain finance and set up a framework. Did you make any comment in that meeting about whether this was something you wanted to do? Did you have a position on that?

Simon Tse: It was not actually I that attended the meeting but one of the directors in our organisation. As I said earlier, we were asked to attend, and it was on the basis that the existing commercial agreement that was in place with Citibank was coming to an end, and we were being asked to facilitate the putting in of a new agreement.

Q74 **Chair:** How typical is it that the chief executive of the civil service would be involved in a procurement of this nature, which is relatively small, frankly, in the grand scheme of things?

Simon Tse: With respect, he was not involved in the procurement, but—

Chair: He was involved in having a meeting.

Simon Tse: —he was involved in the discussions of. So it is difficult for me to comment on how often the chief executive got involved in those sorts of conversations with suppliers, but it is not uncommon for suppliers, senior people in organisations, to talk to lots of people across Government.

Q75 **Chair:** Perhaps I will just ask Sir Chris, then, because it is your Department and you had overall oversight of this. How often did this happen?

Sir Chris Wormald: Sorry, just to be clear, it was not the head of the civil service; it was the chief executive, John Manzoni. This was a big part of his responsibilities, so I wouldn't be that surprised for him to be chairing such a meeting.

Q76 **Chair:** How much else of your Department's business would be being looked at by Mr Manzoni?

Sir Chris Wormald: The reason why the Crown Commercial Service was doing it was that the decision that was taken was to procure a wider thing than just a replacement for the pharmacy scheme. It also included the local authority schemes covered in the National Audit Office Report. That is why it was being done by Cabinet Office as a cross-Government thing, as opposed to something discrete to DHSC. The decision was a cross-Government decision, and that is what the chief executive was for.

Q77 **Chair:** As head of a Department that has many moving parts and many arm's length bodies that it has oversight of, was supply chain finance something that you were looking to promote in other arenas as well as pharmacies?



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Sir Chris Wormald: Not particularly, no. I can't say—

Q78 **Chair:** I am sorry. The civil service's approach was to do it more widely and to look at local government, as the report covers, but you are saying that you were not looking at doing it more widely in the Department of Health.

Sir Chris Wormald: Not in health. You are going to go rapidly beyond my area of expertise.

Chair: Give it a go.

Sir Chris Wormald: As I understand it—others will correct me—supply chain finance is a technique that is particularly useful when you are dealing with external suppliers.

Q79 **Chair:** That is why I raise the point, because there are lots of external suppliers in the NHS.

Sir Chris Wormald: Yes, but not ones that have the same relationship with us that pharmacies do. I don't think there are any other sets of relationships that we have that have the same sort of payment system and, therefore, the same sorts of issues as the way pharmacists work.

Q80 **Chair:** So someone supplying wheelchairs or orthotic shoes would be doing it, one, for a trust, and secondly, they would be physical things that they would be invoicing for.

Sir Chris Wormald: Obviously, the vast majority of contracting in the NHS is with individual trusts. I am not aware that it was considered for other bits of the NHS.

Q81 **Chair:** It was not that it was not being extended elsewhere in the NHS or the Department of Health because you had any squeamishness about this; it was just because there was nothing else—

Sir Chris Wormald: I don't remember it being discussed.

Q82 **Chair:** But you were not squeamish about the whole idea of doing it.

Sir Chris Wormald: I don't think that was part of the discussion at all. I am not aware that there were areas of DHSC business that were considered for a similar sort of approach. I will go away and check for certain.

Q83 **Chair:** You are here, but there are other bits of the system and moving parts that were trying to direct some of this, so John Manzoni at the time.

Sir Chris Wormald: You have all seen the reports of the announcement: since 2012, the Government have had a policy of promoting supply chain finance; that is on the public record. It was being considered in all sorts of sectors. What I am saying is that I am not aware that there was active consideration of anything else within DHSC. At the time, I don't think this was seen, from our point of view, as anything other than a like-for-like replacement for an ongoing scheme. Now, the contract, as I said, and the



NAO covers, covered other things, and as I say, that was part of an announced Government policy to be promoting this, where it was appropriate.

Q84 **Chair:** Going back to Mr Tse, can you tell me what other senior people were at that meeting? There seemed to be a lot of quite senior people to decide on what is, in the grand scheme of things, quite a small area of work.

Simon Tse: The chief executive of the civil service, the chief commercial officer for Government at the time, somebody from the Department of Health and my representative in terms of the director who had this particular product under his portfolio. That, I believe, was the extent of it.

Q85 **Chair:** Would you say that that is a normal group of senior people to have at a meeting like this on such a relatively small financial product?

Simon Tse: It is not uncommon to have the key individuals that are involved in a particular—in this case, Department of Health—contract. As Sir Chris said, what we were asked to put in place was a replacement for the pharmacy early payment scheme. Actually, it was my team's decision to go broader than it being just supply chain finance. Through discussions that they had with customers in central Government as well as the wider public sector, they believed that there was a demand there for the dynamic discounting element as well. So that is when we then decided to add that particular product to the framework requirements.

Q86 **Chair:** You have told us that you had 18 expressions of interest in this framework to supply this product. You ended up with two bidders and went down to one. Can you just talk through how it went from 18 to two and then one?

Simon Tse: Can I just clarify that? We engaged with 18 organisations, as in suppliers.

Q87 **Chair:** So they had not expressed an interest.

Simon Tse: They had not expressed an interest. We had engaged with 18. In terms of the tender, once we had gone to market, there were 11 organisations that registered on our platform that wanted to take part in this particular procurement. When we then moved the procurement forward, there were three companies that submitted a formal tender for this. One of them failed outright in terms of the quality of their submission and, effectively, we advised them of that.

As I said earlier, that left two: the incumbent, being Citibank, and Taulia. Through that process, as I mentioned earlier, we decided that we wanted to seek clarification questions, not from one bidder but from both. The legal advice that we sought at that point in time, as I mentioned earlier, from both the Government Legal Department and counsel, was that you could progress with the procurement but there was a risk associated with that.



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We decided, in terms of our organisation, that the right thing to do was to ask those clarification points and carry out a re-evaluation, which we did. In the process of re-evaluating, as standard practice, we actually changed the review panel, so we had a fresh group of people looking at what had then been submitted. Once that was reviewed, it was decided that both bidders' scores went up slightly, to the point that they met the threshold, and we then went to what we call the final part of the process. In this case, it was an e-auction. Effectively it is a reverse auction, where both bidders then come online and we completed with Taulia, in this instance, winning the overall framework competition.

Q88 Chair: Would you say that it is normal for Crown Commercial Service, when you are dealing with what is, effectively, a financial product, to end up with only one supplier? You had no resilience to go back to anyone if something had gone wrong.

Simon Tse: First of all, when you talk about one supplier, we are generally not in the market of creating monopolies.

Chair: You have a framework agreement with one person on it. That's—

Simon Tse: But we don't like, in that instance, putting single suppliers on. Actually it was our engagement with the marketplace that made us get to the point of making the decision that, in this instance, it made sense for it to be a single-supplier framework.

Q89 Chair: Can you just expand on that?

Simon Tse: Yes, I can. The reason that we believed that was that the margins on this framework were extremely thin. There were two companies in particular whereby big financial institutions decided that they didn't want to progress with their bid, going back to the 11 that ended up as three. We had established why—it was because they were so thin. So if we had split this agreement into two suppliers, our assessment was that we were not certain that we would have a market to be able to award this contract to.

Q90 Chair: Okay. So you have got a framework with one on it, which is a monopoly, you would agree, by any other description.

Simon Tse: I don't like calling it a monopoly.

Q91 Chair: I am sure you don't, because that goes against the grain of the Crown Commercial Service, but it was.

Simon Tse: That is not what we do as an organisation, but, effectively, the intelligence that we were getting when we were engaging with the market was that if we had gone with more than one supplier, it was too thin.

Chair: I can see that you might split a market with—

Simon Tse: If you think about this contract, over the three-year period—I think of the NAO numbers in my mind—about £3.5 billion went through



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on the supply chain finance. In terms of the amount of money that Taulia had for that, it was something in the region of £840,000-odd over a three-year period. I know that the sums are large, but relative to the amount of capital that was going through, our assessment was that it needed to be one supplier in this instance.

Q92 Chair: At any point, did Crown Commercial Service step back or feel that it had a role in advising other parts of Government in that meeting that you had, about the marginal benefit to any company of doing this and, therefore, the potential risk? Did you see any potential risks or did you just see your role as, “We are being told to deliver on a framework and we just need to procure someone to deliver”?

Simon Tse: It is the latter. We were asked to consider to put one in, and we thought that that was the right thing to do, on the basis that the existing one was coming to an end.

Q93 Chair: So at no point did you question the whole approach to supply chain finance.

Simon Tse: We didn’t, no.

Q94 Chair: Was that because it was not your role?

Simon Tse: It was not technically my role to do that. We will consider the things that our customers are asking, so we will not just put in what they ask, which, in this case, led to us thinking that this was not just a supply chain finance agreement, but actually we thought that we could bring dynamic discounting into the agreement as well and offer that service more widely to the public sector.

Q95 Chair: Your accounts show that you make a 42% surplus on framework agreements. Do you agree with that?

Simon Tse: I will go through the percentages with you in a moment.

Q96 Chair: Are you, to any extent, over-recovering charges from public sector suppliers and, therefore, costing Departments more, effectively? Because that amount will be baked into the cost of procurement. We see lots of things on this Committee. There are sometimes indemnities, for example, provided by a Department to reduce the costs. There is a balance on the risk. What do you have to say about that?

Simon Tse: If I look at the overall portfolio and the accounts for last year, just over £22 billion of spend went through our commercial agreements. Of that £22 billion, you are right in the sense that £132 million was income, that is, the charge that we have for the suppliers on our commercial agreements. We are a trading fund within the Cabinet Office. I don’t go to Treasury and ask for money; so effectively—

Chair: You pay for yourself.

Simon Tse: —our costs are covered by ourselves. Of that £132 million, we spend £80 million a year in operating our business. Last year, we then



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had £37 million-worth of surpluses. We also do a dividend into the Cabinet Office on an annual basis.

In addition, we carry out procurement activities, so not only do I put the commercial agreement—the framework in this instance—in place but, for central Government and a little part of the wider public sector, we will run what we call assisted procurements. So we will run a competition off our own framework on behalf of a customer, at no cost. Last year, that was about £2 billion-worth of assisted procurements that we did on their behalf. This year, that number is more like £4 billion to date. So it is not just in the sense of the income that we generate but the value that we drive back into the public purse. Against the £22 billion of spend for last year, circa £2 billion of that was commercial benefit, so an audited commercial benefit that we have established and has been agreed with customers and audited by the NAO in terms of it being a true benefit.

Q97 Chair: We will come in a moment to Ms Bannerman. How would you compare, as head of the Crown Commercial Service, the performance of yourself and NHS Shared Business Services in the creation of these framework agreements?

Simon Tse: I don't do a compare-and-contrast, because I deal only with common goods and services. I don't buy medical or military equipment.

Q98 Chair: Do you do any benchmarking?

Simon Tse: We do benchmarking. That is why I was able to tell you about the £2 billion-worth of commercial benefits. We will compare to the marketplace, not to Ms Bannerman or other public service buying organisations; we will compare to the market directly.

Q99 Chair: So why don't you do any comparison with other public sector?

Simon Tse: We do it direct to the marketplace. My service is not a mandated service. Our customers have a choice whether to use our service or not. If I go back three or four years, there was £12 billion-worth of spend going through our books; so in three years we have grown from £12 billion to £22 billion. With respect, they would not do that if they were not getting good benefits from using our commercial agreement, again on the basis that we are not a mandated service.

Q100 Chair: Ms Bannerman, what percentage of NHS spending is going through your framework agreements at the moment?

Erika Bannerman: We estimate it is around 2%. In 2020, our trading accounts show £1 billion of spend under management specifically within the NHS marketplace. Our run rate this year is just under £2 billion. We estimate that the health and social care market is around £70 billion.

Chair: When you say "the health and social care market", are we talking about NHS spending?

Erika Bannerman: NHS providers.



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Chair: They are publicly funded providers. We are not talking about private providers here, just to be clear.

Erika Bannerman: Yes, absolutely.

Q101 **Chair:** In doing that work, can you just walk us through a couple of examples of projects that you have on your framework?

Erika Bannerman: The majority of the frameworks are for five categories, including construction, so for the building of hospitals; IT, as we went through the pandemic and the mobilisation of resources; and clinical goods. It is very specific to NHS providers' requirements.

Q102 **Chair:** When you say "clinical goods", how deep down do you go? Are you talking about big bits of kit, such as MRI scanners, or about smaller day-to-day disposables such as PPE?

Erika Bannerman: It is both. To give you an example, we have shared services within NHS providers. Within NHS trusts, we have teams of procurement specialists who are managing categories of requirements. We are then supporting the provision of those services. If you look at our core business as an independent limited company operating commercially in the public interest for the NHS, we focus very specifically on managing the procurement services for an NHS provider. We compete for that opportunity to serve, and then we identify requirements within that sector to procure frameworks on their behalf. It is very specific to those providers.

Q103 **Chair:** If it is your framework, that company gets a big foot in the door in terms of supplying the NHS, but also, reputationally, they benefit from the branding of the NHS. Do you at all consider, when you are looking at frameworks, that there might be companies willing to do it maybe even at a slight discount, because of that branding benefit?

Erika Bannerman: We have a very robust process. Once we have identified the need with an NHS provider, we will go through the due diligence. On average, the identification of the requirement through to the letting and the selection of the suppliers currently takes between 12 and 18 months, which is probably a little bit too long; we need to get more dynamic with regard to that. So there is a robust process that we follow to ensure that we have considered the commercial impact and the selection of those providers on to the frameworks.

Q104 **Chair:** How do you balance the potential for conflicts between your commercial activities and those of the suppliers that you are putting on to the frameworks?

Erika Bannerman: Chair, could you just ask me that question again?

Chair: There are potential conflicts of interest between your commercial activities as NHS Shared Business Services and those of the suppliers placed on the frameworks that you manage, because you can be working in the same area.



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Erika Bannerman: I am trying to think of an example of a conflict of interest for us in order to answer that question.

Chair: You cannot think of one. You may think that there are no conflicts of interest at all. That is a legitimate position to take.

Erika Bannerman: The marketplace is £70 billion-worth of indirect spend across the health system. We currently manage, as I said, a run rate of £2 billion. We are very specific in terms of delivering best value for money for the public very specifically within the health area. We do focus on SMEs and ensuring that we are adding value in provision and looking at things like social value and payment terms. If I may, I would like to come back to the Committee with regard to that, because I am genuinely finding it very difficult.

Q105 **Chair:** What about IT frameworks? Sopra Steria provides IT.

Erika Bannerman: Yes. IT is one of our largest categories of growth through the pandemic, as our NHS providers have had requirements. Any supplier has to go through a full and open competition in order to be selected. At this point in time, Sopra Steria is not on our frameworks, so I do not see that there is a current conflict of interest.

Q106 **Chair:** But it owns 50% of your company.

Erika Bannerman: Yes. We were set up just 15 years ago by the Department of Health. Sopra Steria is the other partner in that joint venture. So yes.

Q107 **Chair:** You don't see any conflict there. You are saying that they are not involved in the decisions from day to day.

Erika Bannerman: No, absolutely not. We have a completely independent board of directors. It might help to explain that. It is an independent limited company with an independent chair, independent non-exec directors and representatives from the Department, from the wider NHS and from Sopra Steria.

Q108 **Chair:** I should have checked who the independent chair and non-executive directors are. Have any of them got interests in commercial organisations that bid for business with the NHS?

Erika Bannerman: Yes, one of the non-exec directors does, and we review conflicts of interest across the board at all times. We are very aware of that.

Sir Chris Wormald: This is a commercial company. Its board has the same fiduciary responsibilities, both collective and personal, that any other board of any other commercial company has. Like any commercial company, it has to have a system for managing conflicts of interest of board members. Although it is a joint venture between the public and private sector, the requirements on it are exactly the same as for any other commercial company, including the fiduciary responsibilities and



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the management of conflicts of interest of its board members. We appoint two board members and, while they are at the board, their responsibilities are to fulfil the duties of a board member, just like any other.

Q109 **Chair:** When you say you “appoint”, that is two of your officials.

Sir Chris Wormald: It is one official, and we appoint one independent. As I say, when they are there, their legal duty is to perform the fiduciary duties of a board member of a public company.

Q110 **Chair:** A lot of people listening to this will just be amazed at the complexity of commercial procurement in the NHS. Trusts also do their own procurement.

Sir Chris Wormald: You are asking me about the contrast with CCS. This is not the same manner of creature at all. This is a commercial company that competes with other commercial companies in the marketplace for trust business, as it were. It is not a Government body that does things. It stands or falls on its success at winning business in the NHS against commercial competitors.

Q111 **Chair:** I just want to come back to you, Sir Chris, about the decision in July 2020 that the Department took to prefund pharmacies up to one month before the dispensing activity. There was no business case. You mentioned this in response to Mr Holden, but could you just explain again why you did not put in a business case?

Sir Chris Wormald: Just to be clear, this is when we moved to the very early payment scheme. This was done under the original contract. There was no change of contract and there was no additional public money at risk. We took the view that, except for the issue that Mr Brodie described earlier around guarantees should pharmacies go bust, there was, therefore, no material change to the contract. Whether or not people wanted to do it was entirely voluntary to the pharmacies concerned. With the one exception that Mr Brodie has described, we could not see any public money involved, nor any risk to the public sector. Therefore, we considered it to be a quite small alteration to the original business case and not something that required a review.

Q112 **Chair:** In retrospect, do you wish you had done a business case?

Sir Chris Wormald: You could have taken a different decision. I think the decision was appropriate and, as I said, it was not material to what subsequently happened.

Q113 **Chair:** Can I come to you, Mr Brodie? How did you find out about Greensill Capital’s failure and what did you then do?

Michael Brodie: One of my team received a call from a middle manager within Taulia on the final day of February. The payments were due on 1 March. That was late on. I was made aware very early on the morning of 1 March. We had had several attempts to make contact with Taulia and



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Greensill, which had failed. I happened to have the number for Lex Greensill, so I rang him.

Q114 **Chair:** Was that his mobile number?

Michael Brodie: I rang his mobile to ask him what was happening.

Q115 **Chair:** Do you normally ring suppliers on their mobile number?

Michael Brodie: I would not normally, but this was a particular set of circumstances.

Q116 **Chair:** Sorry, I meant do you normally have the mobile numbers of your suppliers? If you are meeting people to discuss Government business, do you normally talk to them on mobile phones?

Michael Brodie: Yes. My mobile is just about the only source of incoming calls I get, and it is how—

Q117 **Chair:** That is fine. I was just interested to know. We have had government by WhatsApp and we now have lots of mobile messages. It is quite normal. I am not saying that there is anything wrong with it; we are just interested to know.

Michael Brodie: I am not at all concerned. That is how I would normally do business.

Q118 **Chair:** It is your work mobile, not your personal one.

Michael Brodie: Yes, it is my work mobile. So I contacted Mr Greensill. He could give me no guarantees that he would make payments that day.

Chair: He could give you no guarantees.

Michael Brodie: He could give no guarantees that he would be able to make payments that day. We hold true to our responsibilities to our pharmacy contractors—they do a brilliant job in community pharmacy and we wanted to make sure that they were paid. I contacted the second permanent secretary at the Department.

Q119 **Chair:** Was that David Williams at the time?

Michael Brodie: Mr Williams, yes. I asked permission from Mr Williams to make those payments. Mr Williams sought permission from Treasury. I would like to put on record that my team did a fabulous job of validating the details of all of the various bank accounts that needed to be paid and of negotiating with the bank to make sure that same-day payments of that scale could be made on the same day. We managed to make all of those payments on the day on which we were advised.

Chair: As the Report goes into, it is an unusual decision by the Treasury, but it did, on this operation, agree to do that.

Michael Brodie: The alternative was to risk pharmacy failure.



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Q120 **Chair:** So before that point—before the last day of February—you had no inkling that there was a problem.

Michael Brodie: Other than that we had obviously seen the rolling news around Greensill coming up to that, around difficulties with Credit Suisse and suchlike, so we had been tracking Greensill.

Q121 **Chair:** You had been tracking. Had you made any attempt before then to contact Mr Greensill or any of his team?

Michael Brodie: No, we had not, on the basis that the risk we were mitigating against was the risk of a pharmacy failing, and at no point did Mr Greensill have public money in advance of making payments.

Q122 **Chair:** On the other hand, as you have just highlighted, community pharmacies are a pretty key part—

Michael Brodie: As the organisation responsible for operationalising the programme, what I wanted to make sure that we had in place were business continuity arrangements, so that we could make a payment if we needed to step in. As it transpired, on the worst possible day, we were still able to step in and make those payments.

Q123 **Chair:** It was not that your team just knuckled down on the last day of February to get a payment out on the first day of March. You had plans in place.

Michael Brodie: We have plans for all sorts of circumstances, yes.

Q124 **Sir Geoffrey Clifton-Brown:** When you altered the scheme from the previous one to the earlier payment scheme, if we look at table 45 in the NAO Report, you placed much more reliance on dynamic discounting rather than on the supply chain finance part of it. The Report says you asserted that that was because you felt the market saw further growth in dynamic discounting, but that was not true, was it?

Michael Brodie: That is a question for Mr Tse.

Sir Geoffrey Clifton-Brown: I am very happy for Mr Tse to take that.

Simon Tse: Sir Geoffrey, yes, that was our decision as the Crown Commercial Service. When you looked at the tender pack, we weighted dynamic discounting greater than supply chain finance. Some of the rationale for that was that, on supply chain finance, as Sir Chris and others have explained, there was not a cost to Government. There was a cost to the pharmacies, but not to Government, in the supply of supply chain finance.

On dynamic discount, that is a different situation, because the public sector is giving up some of the discount that is offered. On that basis, the weighting of the bid was done on a 65/35 basis: 65 percentage points on the dynamic discounting part, and 35 on the supply chain finance.



Yes, you are right. We thought that there would be far greater growth in the dynamic discounting part, not to make it that that part of the business would then be anywhere near the scale and size of supply chain finance, because we are talking of billions on supply chain finance. Going back to the thought process that we had at the time and which remains the case, we wanted to secure the right level of reduced charge on the dynamic discounting element.

Q125 Sir Geoffrey Clifton-Brown: I accept that we all have PhDs in hindsight but, with hindsight, would you have altered that weighting? Given that Citibank had lower supply chain finance costs than Taulia, backed by Greensill, would you have altered the weighting?

Simon Tse: No, because what we were looking for was making certain that it was value for the public purse. Going back to the point that I made earlier, there is a charge on dynamic discounting for the public purse, whereas, on the supply chain finance side, it was the utilisation of those funds from, in this case, Taulia, with Greensill as a backer.

Q126 Sir Geoffrey Clifton-Brown: There is a trade-off here, is there not? Given that it did not cost the public purse a huge amount of money, by putting the weighting higher on the supply chain finance, you were benefiting the pharmacies more.

Simon Tse: Although when we assessed this market, our view was that we wanted to drive the discount on the dynamic discounting side of the equation, because that is where the charges were to the public sector.

Q127 Sir Geoffrey Clifton-Brown: Is that still your view in designing these schemes?

Simon Tse: When we put this one in place, yes, it was.

Q128 Sir Geoffrey Clifton-Brown: Is it still?

Simon Tse: Is it now? We have looked at this. You may have seen, through the NAO Report, that we had put what is called a prior information notice out as a replacement for the now failed Taulia/Greensill organisation, to say that this framework that we put in place was coming to an end. We put an information notice out to say that we were now starting to look at the replacement for that. We have not yet formalised that decision internal to the organisation; we have to take it to the board, but my guidance to the board is that we should come out of this particular marketplace, especially as the Department of Health and the BSA have now put something else in place for pharmacies.

Q129 Sir Geoffrey Clifton-Brown: You have just said something very significant: your advice to the board is that you should come out of this particular marketplace.

Simon Tse: Not put a replacement agreement in place, recognising that the one that is there now—



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Q130 **Sir Geoffrey Clifton-Brown:** Are we talking about specifically to the Health Service or across Government?

Simon Tse: Across Government.

Q131 **Sir Geoffrey Clifton-Brown:** So Government will not be involved in the future in supply chain—

Simon Tse: My intention is not to put in place a replacement for the Taulia supply chain finance or dynamic discounting agreement.

Q132 **Chair:** Just very quickly on local government and dynamic discounting, have you speculated, Mr Tse, on why local government did not take this up with vigour?

Simon Tse: There are a number of things. Maybe we did not explain it as well as we could have to potential users of that service. Potentially as well we may have underestimated the cost of change. There are already public sector organisations out there, such as local authorities, using dynamic discounting today. There is a cost of changing to it in terms of IT systems, etc.

Q133 **Chair:** Did you talk to any local authority treasurers? I have the privilege of meeting some local authority treasurers quite often, and they are a canny bunch of professionals who will very quickly give you their honest opinion. We have had some big failures recently but, on the whole, there are quite good technical and financial skills in that area.

Simon Tse: I agree that there are. Our pre-market engagement was that actually they wanted this particular product in terms of dynamic discounting. In terms of the winning bidder, it was nine percentage points. Even with that lower charge, it did not seem as if it was appetising enough, or they could get something different from the marketplace than what we had put in place.

Q134 **Chair:** But you weighted it massively higher in the final round.

Simon Tse: Yes, we did. Again, all of that was very transparent. We did it right from the beginning, so it was not the final round. Nothing changed from when we went to market originally to the final evaluation process.

Q135 **Chair:** You were using supply chain finance to try to build up dynamic discounting as another model of—

Simon Tse: One could look at it that way. Going back to the point I made earlier where we believed that there was no cost associated with the supply chain finance, there was a cost associated with a dynamic discount—i.e. the 9%. In this instance, therefore, we thought it was the right thing to do to drive dynamic discounting pricing-wise from the marketplace.

Q136 **Chair:** It is an interesting mix of hybrid financial products that are used in the private sector coming into the public sector, which has a lower risk appetite. Is that one of the reasons why it did not get taken up more?



Simon Tse: I have not made that assessment.

Q137 **Chair:** Who is making the assessment?

Simon Tse: Do you mean in terms of the dynamic discounting? What I meant by that is that I have not looked specifically in the way that you asked the question. What we have done is engaged with the marketplace and the provider of these types of services.

Q138 **Chair:** The marketplace being local authorities.

Simon Tse: Sorry, no, two marketplaces in this instance, one being the financial services bodies out there, and the other being customers—that is, local authorities and so on. We have come to the view that people have now stepped away from this as a marketplace.

Q139 **Nick Smith:** Mr Tse, you made a remark earlier on. We know that Lex Greensill was a stellar networker. We have all seen the photographs in *The Times* of him sat down outside a Bedouin tent with former Prime Minister David Cameron. This man knew his way around Whitehall, did he not?

Mr Tse, you mentioned earlier that you were aware that Bill Crothers had been in contact with other NHS contacts. Could I just ask the panel, since Mr Crothers became a director for Greensill Capital, have any of you have been in contact with Mr Crothers?

Sir Chris Wormald: No, I haven't, I don't think. I can't remember having done so.

Chair: I am sure your Department will trawl through your records if necessary.

Sir Chris Wormald: I am sure we will. I always hate answering these questions because of course you hold a lot of meetings and meet a lot of people, but I am not aware that I have seen him.

Chair: I am sure you will clarify with us.

Nick Smith: I am trying to understand the tentacles here.

Michael Brodie: My team, and I personally, had meetings with Mr Crothers post the award of the contract in order to get into the detail of how we operationalise the service, but those were the only meetings that we had, and all of those are recorded.

Erika Bannerman: I joined NHS Shared Business Services on 1 July 2020. We had contracted with Greensill and Earnd for the employer salary advance scheme. I had operational meetings around the implementation of that from that date. Just to go a little further, our organisation first met with Mr Crothers in October 2019 to discuss the employer salary advance scheme.

Q140 **Nick Smith:** Mr Tse, you said that you were aware that Mr Crothers had met other NHS leaders in other parts of the country. Could you just tell



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us a bit more about that, please?

Simon Tse: In one of the meetings that I had with Mr Crothers, he was saying to me that he was actively out there promoting the early salary scheme and that it was being done at no cost to the NHS or to the individual.

In terms of our agreement with Greensill—so I am moving beyond supply chain finance, which was just Taulia—

Q141 **Nick Smith:** I am going to come on to Earnd shortly, so just bear with on that. Could you just say which parts of the country and which trusts, or any more detail about where Mr Crothers was taking his knapsack and encouraging—

Simon Tse: I did not get into that level of detail.

Chair: We can always consider calling future witnesses.

Simon Tse: I did not get into that level of detail with him, other than I knew that he was out there.

Chair: Much as we could go on about this for a long time, and it may not be the last hearing we do on it, we are now going to move on to the Earnd scheme.

Q142 **Mr Holden:** Sir Chris, paragraph 28 of the NAO Report summary says that “Government advised Departments not to implement salary advance schemes”. Did you pass that on to NHS trusts?

Sir Chris Wormald: No. We take the view—well, the view is set out in the National Audit Office Report—that these sorts of issues are for trusts to decide upon themselves, and the Government do not take a policy position. There was an oversight where we did not pass it on to our ALBs, which should have happened, but this advice applied to central Government. Trusts are their own employers and take their own decisions about what to offer to their own staff.

Q143 **Mr Holden:** You did not have any concerns, then, about not passing this advice on, beyond the central civil service in your own Department, to NHS trusts.

Sir Chris Wormald: No, and we routinely do not. It is our position that trusts are, as you know, big, sophisticated organisations. They employ their own staff and set their own terms and conditions and all that. We leave it up to them, so we neither support this kind of scheme nor advise against. We take an entirely neutral position and it is for individual trusts to decide what to offer to their staff.

Q144 **Mr Holden:** Do you offer salary advance schemes within your own Department at all?

Sir Chris Wormald: No.

Mr Holden: In no circumstances.



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Q145 **Chair:** What about season ticket loans, possibly?

Sir Chris Wormald: Yes. I was going to say I think we do those. We do not do anything resembling this scheme.

Q146 **Chair:** Only ones that are designated for something specific, like bikes.

Sir Chris Wormald: I have never come across any other than the ticket advance scheme.

Q147 **Chair:** What about if somebody joins the organisation at the wrong point in the month?

Sir Chris Wormald: I will check what we offer and whether we do something on that, but we certainly do nothing resembling this scheme.

Q148 **Mr Holden:** One of the concerns that many people have had is that, with these schemes happening, as something that came from within the broader NHS family, there is a risk of dependency developing among individuals. Is that something that you would share?

Sir Chris Wormald: As I said, we take no position on these schemes overall. Would I expect a well-run trust to consider issues like that as part of their wider consideration of their wellbeing offer to their staff? You would expect a trust to be thinking about those sorts of issues. As I say, it is for individual trusts to decide what they do and do not offer.

Q149 **Mr Holden:** I understand, and I think we both agree that it is up to the individual trust, but would you expect NHSEI, as the body responsible for regulating trusts, to have shared such advice with them?

Sir Chris Wormald: No. In terms of schemes like this, I believe that NHSEI takes the same view—that these decisions are best made at trust level. Were trusts to be taking decisions that were having adverse effects, I am sure you would expect the regulator, as part of its regulatory business, to look at what those were and whether any advice was necessary. In general, I believe that NHSEI takes the same position as the Department—that it is individual trusts and their boards that decide what their offer is to their staff.

Q150 **Mr Holden:** Mr Brodie, are you aware of how much money went through these schemes? We heard that £3.5 billion went through the pharmacy scheme. Do we know how much money went through this scheme?

Michael Brodie: Do you mean the Earnd scheme?

Mr Holden: Yes.

Michael Brodie: No, that would not be something for us to be aware of. It would be more to do with Ms Bannerman and her organisation.

Q151 **Mr Holden:** Ms Bannerman, would you know?

Erika Bannerman: I am very aware of how much monies was going through the Earnd pilot with NHS Shared Business Services. We were



piloting an employer salary advance scheme with Earnd in three trusts. We had adoption of 450 individuals, which is 2% of the employee base of those three trusts. They were calling down £70,000 a month, so it was very small.

Q152 **Chair:** So 450 people were calling down £70,000 a month.

Sir Chris Wormald: £70,000 in total.

Erika Bannerman: In total.

Sir Chris Wormald: I think the numbers per individual are in the NAO Report.

Erika Bannerman: The aggregated monthly drawdown was £70,000.

Mr Holden: So £150 a month on average.

Erika Bannerman: Yes.

Q153 **Mr Holden:** Sir Chris, I am sure that during the pandemic you have talked a lot about the broader NHS family and support for them. Why do you feel that, in this instance, about their financial health, you do not have a responsibility as the centre?

Sir Chris Wormald: Trusts are big, sophisticated organisations and they are perfectly competent to take decisions about what they offer to their own staff. I don't want to get into the NHS more widely, but there is a continual danger of micromanagement at the centre of things that are better done by big, sophisticated organisations that are trusts. They are perfectly competent to be taking the right decisions for their own staff.

In this particular case, there were two levels of voluntarism. It was voluntary to trusts to sign up to the pilot, and there were very small numbers. It is then voluntary for the individuals within the trust as to whether they use the scheme and, in the end, it was very small numbers for this particular case. I should say, just for completeness, that there is nothing to stop an individual trust making a direct relationship with somebody to offer a similar type of scheme not involving NHS SBS and this framework, and we believe that some do. That is a matter for them, their boards and their staff.

Do we take an interest in the wider wellbeing of NHS staff? Yes, but not at this level of microdetail.

Q154 **Mr Holden:** Do you mean the level of microdetail of 2% of your staff having to have significant salary advances on a monthly basis?

Sir Chris Wormald: 2% of three trusts.

Q155 **Mr Holden:** Yes, but my understanding from the NAO Report is that that was roughly the level across the users of the services.



Sir Chris Wormald: I don't think it says that in the NAO Report, but the wellbeing offer to staff is a matter that is rightly the decision of individual trusts. We, of course, take an interest in the overall pay of staff, which, as you know, goes through salary review bodies, etc. In terms of the wellbeing offer in an individual trust, we would not seek to manage that from DHSC.

Q156 **Mr Holden:** Ms Bannerman, within your organisation, have you made any policy changes since you have become aware of the Government advice from the Department?

Erika Bannerman: We started looking at employer salary advance schemes as far back as 2017 as a direct response to our NHS provider requirements. We currently administer payroll for just over 400,000 NHS employees across just under 100 organisations, and it is becoming a prerequisite now for us to provide integrated wellbeing services that are selected by those NHS providers. We are competing alongside the market for that position, and so we absolutely have followed the more recent reports from the Financial Conduct Authority to ensure that, when an NHS provider customer of ours requests us to look at a scheme, it selects the scheme provider. We are currently considering how we integrate those products within the service provision, which is the administration of their payroll.

Q157 **Mr Holden:** Just let me get that right: you are currently looking at how you adopt salary advance schemes within your administration of payroll.

Erika Bannerman: At the request of the NHS provider who is a customer of ours and in order to continue delivering payroll services. This market has been using employer salary advance schemes as far back as 2017. In 2018, our business developed, and we are digitising the provision of our payroll service, so that NHS employees can have access through their mobile apps to their pay and tax details, their overtime and wellbeing products.

Chair: That opens up other possibilities.

Q158 **Nick Smith:** Ms Bannerman, it says in the Report that the NHS has done its own research and found that the benefit of these schemes could be positive, might help increase recruitment and lower agency bills and so on. Is there any evidence that this has happened?

Erika Bannerman: In our pilots, yes. We have an independent board, as I mentioned earlier. We have completed a lot of due diligence when looking at the demand from our customer base. That was the reason why we decided to pilot first. From the feedback from those three trust employees, they were saying that they were using this employee advance scheme where they are calling down on pay that they have already earned but before the end of the month, and that they were using that as an alternative to payday loans and to much more expensive ways of getting access to their pay.



Q159 **Nick Smith:** But has it worked for the employer? Has it helped with recruitment? Has it helped with retention? Has it helped the employer, which I understand was part of the deal?

Erika Bannerman: In the pilots, it was too early to tell. We only started the first pilot in July 2020. However, the demand continues. The demand started back in 2017 and we, this year, have had a number of tenders, which is a prerequisite, from a number of trusts, so they are saying that they are requesting those services.

Q160 **Mr Holden:** Paragraph 3.25 of the Report says that between 1.3% and 10% of staff at trusts were looking at using these services, so, clearly, from the services side of things, that looks like a substantial number of people. With the 400,000 people that you are helping out in payroll, that is between about 5,000 and, potentially, 40,000 a month who would potentially use those services. What expectations do you have of usage of a payday advance scheme?

Erika Bannerman: When we started the pilot, it was really hard to estimate because the pilot that we were providing to NHS providers was one of many. The differentiator was that ours was free at the point of use. It was voluntary and there was no cost to the employer and the employee, which was why we piloted it. We were estimating a 2% adoption over the period of the five years.

Q161 **Mr Holden:** That is higher than the bottom estimate but lower than the top estimate from the NAO Report. Obviously, the failure of Greensill resulted in some of the trusts switching to paid-for advance schemes. Is the one that you are offering now a paid-for advance scheme? Obviously, the pilot is not.

Erika Bannerman: At the point of the pilot—and we were going through the full due diligence, and we continued to monitor through a pilot scheme to mitigate any risks—we implemented a platform that enabled trusts to use their own monies to advance pay. We are also working agnostically, so that we will look at integrating other schemes at the requirement of our customer. We have not actually implemented any of those schemes at this point, but if our customer, the NHS trust, selects that it is appropriate to implement a scheme and selects a scheme, we are looking to integrate into the payroll service.

Q162 **Mr Holden:** I understand that. Employee schemes are active in how many of the organisations that you work for now within the NHS?

Erika Bannerman: We have identified 60 NHS organisations that are using some form of financial wellbeing schemes.

Q163 **Mr Holden:** Sir Chris, do you think that commercial exploitation, potentially, of this arrangement conflicts with the Department's wider interests?

Sir Chris Wormald: Sorry—commercial exploitation in terms of what?



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Mr Holden: If the scheme is not going to be provided free in the longer term, there is a commercial exploitation element of it, is there not?

Sir Chris Wormald: Again, it is a matter for individual trusts whether to—

Q164 **Mr Holden:** You are a shareholder of the service.

Sir Chris Wormald: Yes.

Q165 **Mr Holden:** So you have a big say in whether that is provided.

Sir Chris Wormald: No. As I was explaining earlier, we provide two directors who act in the commercial interests of the company and it operates as a commercial company, so we—

Q166 **Mr Holden:** You do not see any conflict, potentially, between those commercial interests and the broader public interests of the Department.

Sir Chris Wormald: If there were seen to be such a conflict, that would show through in a changed policy position, so not at this time.

Q167 **Mr Holden:** Sir Chris, you also accept that NAO Report paragraph 28, which is obviously agreed between yourselves and the NAO, accepts that “Government advised Departments not to implement salary advance schemes, but this advice was not cascaded” down. Will you accept that there is an issue there—a conflict between what Government are advising and what your own arm’s length Department is doing?

Sir Chris Wormald: No, because that is advice about central Government and what it should do. NHS trusts have always run themselves as separate employers, and there is a whole range of things that we do in the civil service that they don’t do and vice versa. The advice you refer to applies to central Government.

Chair: We have got the point of difference there.

Q168 **Mr Holden:** I think we understand the difference between what is worth for civil servants, and the difference between them and NHS staff.

Sir Chris Wormald: No; you can’t draw that connotation at all. These—

Q169 **Mr Holden:** Well, I think that is exactly what you just said, Sir Christopher.

Sir Chris Wormald: Yes, but you cannot draw from that that there is some sort of different weight. It is a differently run system.

Mr Holden: It is a differently run system. We accept that, yes.

Chair: I think we are on the same page on that point. We understand what you are saying.

Q170 **Mr Holden:** Regarding Wagestream, a commercial alternative, Ms Bannerman, that obviously charges for its services; it is £1.75 a transaction, which can be split between employee and employer. What



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sort of cost are you looking at for the provision that you are doing?

Erika Bannerman: We are not commercially agreeing that agreement with Wagestream directly. If an NHS trust identifies that it has a requirement for a scheme and selects Wagestream, for example, and agrees the price point, that is a direct contract with that trust. We operate as an integrator because we are providing the administration of the payroll. We don't charge for the integration. We don't charge for the development of the app into the trust or to an employee, so we are just supporting our customers' requirements by ensuring that they can access through our payroll.

Q171 **Mr Holden:** Do you charge the employer anything extra for offering this as part of the payroll service?

Erika Bannerman: No, absolutely not.

Q172 **Mr Holden:** That is clear. The final question from me is that it looks like there is not a huge amount of cash here being made by Greensill on either the pharmacy contracts or on these contracts, because it is providing a service that is now being commercially provided. Sir Chris, what do you think they were getting out of it at the time?

Sir Chris Wormald: On supply chain finance, that was their core business, and it was a paid-for business, and I assume that they were doing so in the expectation of making long-term profits. Now, whether they were or not is obviously a commercial matter for them.

Q173 **Chair:** What about Earnd?

Sir Chris Wormald: In terms of the salary advance scheme, which was free at all points, they were clearly not trying to make money from that. They described it as part of their corporate responsibility, which, as you know, has been challenged in other Committees. I don't know the truth of their intentions any more than anyone else.

I would say, because it comes to the point that the Chair raised earlier, that we do have measures in place to protect the NHS brand. The NHS logo and the NHS is a trademark owned by the Secretary of State and cannot be used without his permission. We intervene when companies and others seek to do so. The concern that possibly lies behind your question is of people trying to have access to the NHS brand, which is a very powerful brand. That is something we take a direct interest in and take action on where it is misused.

Q174 **Nick Smith:** I will pick up from that point, because it has become clear after disclosure, after the collapse of Greensill, that he really wanted to use the NHS and Earnd to build his financial architecture and test his product and then go on to sell it to other businesses in other sectors. When did you cotton on to that, and does it matter?

Sir Chris Wormald: As I say, we have a set of measures in place to protect the use of the NHS brand, so people cannot go out and say,



“NHS-endorsed”, etc., as a part of their marketing. People can, of course, describe themselves factually as a supplier to the NHS, but, as I say, we defend the use of the NHS brand and the NHS logo. As I say, they are trademarks of the Secretary of State, and we are active with companies that don’t follow those rules. In terms of what Lex Greensill’s intentions were, I know exactly what you know from what has been reported in the press; I have no insight into the company beyond that.

Q175 **Nick Smith:** Ms Bannerman, you knew what Lex Greensill was up to: you knew he was building a business for the future, he was piloting it in the NHS and he was going to roll it out across the country with other sectors, was he not?

Erika Bannerman: No, that was not our understanding. At the point that we entered into a pilot with Greensill/Earnd, they were selected after benchmarking with the other providers, and they were the only organisation that was offering it free to the employer and the employee, and it was a pilot in a market where we had a number of NHS providers that were asking for us to integrate those schemes. When we entered into a non-exclusive supplier agreement, we did put clauses, provisions and safeguards in to say, with any contract that we partnered with Earnd and Greensill, there were no further sales into those providers. So they could not sell different products or services and they could not use the NHS trademark and brand. We were safeguarding that through that contract, but it was a non-exclusive contract.

We did challenge, at the point in time when we were selecting Earnd, around free at the point of use, and Greensill and Earnd were very clear that it was a corporate social responsibility investment. When we considered and reviewed the due diligence, including the financial position of the organisation, they were valued at £3.5 billion and it was a very small proportion of their turnover, and so we accepted that at that point.

Q176 **Nick Smith:** I am, however, interested in the issue of Greensill selling on his projects. Do you know whether any other NHS trusts thereafter took up any of Greensill’s projects or any of his other great schemes?

Erika Bannerman: We were aware that Greensill/Earnd had at least seven NHS providers that they were providing services to.

Chair: That is what the Report says, yes.

Erika Bannerman: They had gone through some market competition with some of those providers in order to be selected as a scheme provider. We had a non-exclusive arrangement. Where they were partnering with us, we had restrictions in to ensure they could not sell other products into those providers.

Q177 **Nick Smith:** Did those other NHS organisations lose much money, given this connection?



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Erika Bannerman: I am not aware of the commercial impact to them. It was very early on with the implementation, and those trusts did have the option of using our platform, which would have enabled them to move monies around if they needed some consistency, and they did not. I cannot comment further than that.

Q178 **Nick Smith:** Mr Wormald, can you find out, please, whether other NHS organisations lost out?

Sir Chris Wormald: We can certainly check on what we know. I am not aware that any had any difficulties. I have never seen a report that any trust had any difficulties, but I will go away and check with my colleagues at NHSEI.

Q179 **Chair:** You talk about protecting the brand, but Wagestream does have NHS logos across its website and the NHS logo is often used. How do you police the brand?

Sir Chris Wormald: We deal with complaints. When an issue is raised with us, we look into it. So far this year, we have raised concerns with 134 organisations.

Q180 **Chair:** When you raise concerns, what actually happens?

Sir Chris Wormald: We contact the organisation and if they are using the brand inappropriately we tell them. In the vast majority of cases, people will just stop. There is a very small number that we escalate to the Government Legal Department to pursue down a legal course. In the last resort, we can go to court, but I am not aware that, recently, we have ever had to take anyone to court.

Q181 **Chair:** If an organisation like Earnd was providing the service, would it be legitimately able to use the fact that it had worked with the NHS?

Sir Chris Wormald: I have not looked at that particular one as to what it is doing, but you are allowed to factually describe that you are a supplier to the NHS.

Q182 **Chair:** Even without the NHS logo, you recognise, as you have highlighted already, that there is a value to the NHS brand, and any supplier associated with that NHS brand can do quite well because people trust the NHS, and if the NHS is procuring something working with an organisation—

Sir Chris Wormald: Yes. As I say, you are not allowed to claim any endorsement or anything like that.

Q183 **Chair:** What about endorsements from individual staff? How does that work?

Sir Chris Wormald: I don't think you are. I will check that.

Chair: A trusted matron, or—quite rightly, people trust medical staff.



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Sir Chris Wormald: I will check the position on individual staff. As I say, what we have trademarked is the NHS logo and the NHS letters, and that is what we police.

Q184 **Chair:** You could still use not the actual brand but the fact that you are working with the NHS to profit.

Sir Chris Wormald: I will check whether clinicians and others can comment. As I say, what you cannot use is the NHS brand as a marketing tool.

Q185 **Chair:** We are not saying it is the wild west out there, but there have been interesting issues in terms of relations between doctors and drug companies for many years. I speak, I should say, as the daughter of a former GP, who, I don't think, ever wrote a note on anything that was not branded in those days. Things have changed a bit.

Sir Chris Wormald: Yes. GPs are, of course, not NHS employees, so that is rather different.

Q186 **Chair:** Yes, but they still use the brand. People think of them as the NHS. Pharmacies use the NHS brand. The problem is that the brand goes quite wide.

Sir Chris Wormald: You are allowed to use the brand if you are a supplier of NHS services, so, if you take a pharmacy, it is allowed to use the brand in relation to the NHS services it provides but not in relation to anything else that pharmacy does.

Q187 **Chair:** That already begins to demonstrate the confusion because pharmacies, certainly in my patch, are multiply useful, not just for NHS services, so we recognise that there is—

Sir Chris Wormald: It is, of course, perfectly reasonable, if somebody is providing NHS services, to have the NHS sign so that people know that it is an NHS service. Now, as this conversation describes, this is a very difficult area to police because obviously you want people to supply things to the NHS and you want providers of NHS services to be able to say they are NHS services, but as we have quite a lot of mixed markets—

Q188 **Chair:** When the pharmacy scheme was launched, Taulia had the NHS logo because, I suppose, it was working with the pharmacies, so that was allowed, presumably, under what you have just described.

Sir Chris Wormald: I am not aware that they were using the logo.

Q189 **Chair:** There was a YouTube video that included the logo. It was possibly a misunderstanding, but did you jump on that one?

Sir Chris Wormald: As I say, we tend to respond—

Q190 **Chair:** There are many platforms. We would recognise that it is a challenge. You have described that you police it, but it is really hard to police this stuff.



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Sir Chris Wormald: As I was describing, it is very hard to police. We tend to respond to complaints when they are raised. We do not surveil the whole market.

Q191 **Chair:** I do not know how many people are watching this, but hopefully people will be piling in their complaints as they see things.

Sir Chris Wormald: As I say, the brand should not be misused.

Q192 **Chair:** That has just made your small team dealing with this very busy. Sopra Steria is working with Ms Bannerman's organisation as part of that. The NHS is in the joint venture's name, NHS Shared Business Services. Does Sopra Steria benefit from that, Sir Chris?

Sir Chris Wormald: I am sure NHS SBS benefits from using the NHS name, and that was part of its creation. This was created, I think, 15 years ago out of a series of not very successful NHS shared services, and this was how to improve them. Part of that original deal was that it would be called NHS SBS, and it has been ever since. Sopra Steria, as a shareholder, clearly benefits if NHS SBS makes a profit.

Q193 **Chair:** We are talking about the branding now.

Sir Chris Wormald: They could not use the brand anywhere else just like any other company.

Q194 **Chair:** They could describe that they are a major part of—a shareholder—of NHS SBS.

Sir Chris Wormald: They could factually describe that they have a share ownership of NHS SBS.

Q195 **Chair:** Here, we begin to get to the fuzziness at the edge of this: that you can police the branding as much as you want, but, actually, that is a legitimate use of the NHS connection.

Sir Chris Wormald: Yes, and it has to be. I am sure that, if you look at the annual accounts of companies that trade with the NHS, they say so and are required to do so, so people have to be able to factually describe.

Q196 **Chair:** There is an awareness of the value of the brand but possibly a challenge, if we are putting it politely, in making sure that this is not—

Sir Chris Wormald: It is a huge challenge. As I say, what we police is the use of the words and things where people are claiming that something is endorsed by the NHS or some sort of proactiveness by the NHS. Obviously, people can factually describe.

Q197 **Chair:** I think you will agree, though, that it is fuzzy at the edges.

Sir Chris Wormald: I am not disputing that this is difficult to police at all.

Q198 **Chair:** Earlier, Erika Bannerman talked about the trusts using their own monies to advance pay. Do you have any understanding across the



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sector, Sir Chris, about how much trusts—

Sir Chris Wormald: No, I don't. I could see whether NHSEI does, but I suspect that it does not either.

Q199 **Chair:** When we look at local government, we see that, often, the Department was not always aware of the exposure of the sector to certain risks. Do you think that you are aware enough of the risks to NHS trusts of exposure to schemes like this? Do you have any way of monitoring that? Do you keep an eye on it?

Sir Chris Wormald: It is in the overall governance of the sector. It would be in the local audits of individual trusts.

Q200 **Chair:** That is fine, but do you have anyone tracking that, so that you can see that suddenly all of these hospitals are going for a new scheme because it is the latest thing?

Sir Chris Wormald: The Department certainly does not. In its NHSI role as the regulator of trusts, you would expect NHSI to have an overview of the finances of the sector as a whole.

Q201 **Chair:** It would be there that you would expect them to do that.

Sir Chris Wormald: Yes, but I suspect it would first show up in the concerns of individual trusts and local auditors.

Q202 **Chair:** Of course, it would, yes, but the point is that is often too late, as we saw with the Icelandic banks and as we have seen with some of the other issues with local government failure, for example—overexposure to a particular sector or a particular product.

Sir Chris Wormald: As it happens, I was in DCLG doing local government finance at the point of the Icelandic banks, and it is disputed whether local government was overexposed or not, but we possibly should not debate that now.

Chair: No. I think that is a wise move at seven minutes past 6 on a Monday evening, Sir Chris.

Sir Chris Wormald: I think the Comptroller and Auditor General was in the Audit Commission at the time as well, so we could probably have a very good debate on that subject.

Q203 **Chair:** We could have a little reunion. It sounds like Radio 4 in all but reality. Ms Bannerman, I think it was you who mentioned the Financial Conduct Authority, the FCA, and its role in these unregulated products that are these schemes for employees to draw down their money. Are there lessons, from your point of view but particularly for Sir Chris, about promoting these products that have no FCA imprint? An employee on a low salary might decide to take some early advance and it is not actually a regulated product at all. There may be other less advantageous loan schemes, but they will have some regulation.



Sir Chris Wormald: It is certainly something that we should look at. As is quoted in the National Audit Office report, when trusts go into these schemes, it is very frequently to give their employees options that are not much more expensive loans. As I say, you would expect a trust, in considering whether to go down that route, is taking all that into account. Now, whether there is a case for wider regulation, that would be an FCA question.

Q204 **Chair:** It is just the dependency issue, is it not? We all have constituents for whom, once you are getting £150—there are different points in the Report and what you have said today about the rate, but even £50 for people on a lower wage—if they can never pay it back or it takes months to pay it back, it is a real challenge.

Sir Chris Wormald: Yes, absolutely, and these are the sorts of issues that employers should consider. What I am saying is that, if that employee's alternative is a much more expensive form of credit, that is clearly what you are taking into account when you are asking yourself the question, "Am I doing something good for my employees here or something that is dangerous?" Clearly, "What is the alternative for them?" is part of that consideration.

Q205 **Mr Holden:** I just wanted to go to Ms Bannerman on one of the things that you had raised earlier on. You mentioned that 2% of people might use the salary advance scheme. I was wondering whether that is 2% per payroll period, so every month, or 2% over the course of the year.

Erika Bannerman: The adoption rate was 2% per month.

Chair: Can I thank you very much indeed for your time? There is a lot of food for thought, and possibly questions being begged by today's discussion as well, about the interaction between some of these companies and the NHS, the NHS brand and NHS employees. Our transcript of this session will be up on the website uncorrected in the next couple of days, thanks to our good colleagues at *Hansard*. We expect to produce the Report, hopefully, before Christmas. Thank you very much for your time.