



House of Commons
Public Administration
and Constitutional Affairs
Committee

Propriety of Governance in Light of Greensill: An Interim Report

Third Report of Session 2021–22

*Report, together with formal minutes relating
to the Report*

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Public Administration and Constitutional Affairs Committee

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Summary

The collapse of the financial services company Greensill Capital in March this year has been accompanied by revelations about the proximity of the company and its founder, Lex Greensill, to key figures in Government. Greensill Capital was contracted by the Government to provide an early payment scheme for pharmacies and was an approved lender for the Coronavirus Large Business Interruption Scheme (CLBILS) and the Coronavirus Business Interruption Scheme (CBILS). In addition, it emerged that Greensill Capital employed former Prime Minister David Cameron and that he had approached officials and Ministers directly to lobby them on behalf of the company. Greensill Capital also employed the Government's former Chief Commercial Officer, Bill Crothers, who had started to work at the company before he had left the Civil Service. Furthermore, Lex Greensill had previously worked at the Cabinet Office as some sort of adviser and, later, as a Crown Representative advising on Government procurement.

This is an interim report establishing, as best we have been able, the nature of Lex Greensill's relationship with Government. In addition to several inquiries by Parliamentary Select Committees, the Government asked Nigel Boardman to conduct a review into these matters. His review has apparently been facilitated by the Government and he has had access to people and records that we have not. However, given that his review has taken evidence *in camera*, we felt it important to conduct our own inquiry with publicly available evidence. We will consider Mr Boardman's report and its recommendations in the next phase of our inquiry and intend to take evidence from Mr Boardman once his report is published. In particular, we have not addressed the issues related to Greensill Capital's efforts to lobby Government; this will form a key component of the next phase of our inquiry

There are gaps in our inquiry. We are disappointed that Lex Greensill declined our invitation to give evidence. We consider his reticence to cooperate inconsistent with the ethos of public service. Though we decided to proceed with this interim report without hearing from him, if we later decide we require him to give evidence, we expect his cooperation to be forthcoming.

We found no conflicts of interest relating to Lex Greensill's time attached to the Cabinet Office nor the award of the Pharmaceutical Early Payments Scheme (PEPS) after he had left Government service. However, we were surprised at the autonomy Mr Greensill appeared to enjoy, as well as the access he had during this time. Despite being a consultant attached to the Cabinet Office, Mr Greensill was able to act as a "Senior Adviser" in the Prime Minister's Office and had access to Number 10 premises and equipment. We would not expect consultants to have the freedom or authority to act in ways that Mr Greensill did and nor is it desirable that they should. It raises concerns that we have had previously about the ways in which external consultants have been used in Government. We heard that some in Government were concerned about Mr Greensill's position at the time, and we were advised that advice was sought from the then Head of Propriety and Ethics, Sue Gray. However, we have been prevented from hearing her evidence on these matters.

We were mindful that the late Lord Heywood, the former Cabinet Secretary, is not able to answer questions about his role in the events under consideration. We do know that Lex Greensill was a former colleague of Lord Heywood, whose role in bringing him into Government was highlighted during our oral evidence sessions. However, in doing so, Lord Heywood appears to have been operating in accordance with Government policy on Supply Chain Finance at the time. Whilst there appears to have been some reluctance to explore the use of Supply Chain Finance in some parts of Government, we heard that there was nevertheless support for doing so in Number 10 at official and Ministerial level.

We found that the Government's Chief Commercial Officer at the time, Bill Crothers, went to work for Greensill Capital part time while still working in the Cabinet Office, and later went on to become a director at the company. At no point was the Advisory Committee on Business Appointments consulted. Though the company did not, at that stage, hold any Government contracts, it was to go on to do so. Whilst there were no apparent conflicts of interest at the time, too little attention was given to the potential reputational risk for Government and the Civil Service in allowing him to hold the two roles simultaneously. The complexity of the Business Appointment Rules and their implementation seemed to account for the omission. We were advised Mr Crothers had consulted both his Permanent Secretary and the Head of the Propriety and Ethics Team in the Cabinet Office at the relevant time, Sue Gray before his move. We were prevented from hearing from Sue Gray. Ms Gray had initially agreed to appear, but her appearance was subsequently blocked by the Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office, Michael Gove. This has left a number of significant questions outstanding. Furthermore, Mr Gove cited the Osmotherly Rules in preventing Ms Gray's appearance. These Rules are not recognised by Parliament, but his characterisation of those rules was nevertheless erroneous; they do not prevent officials from appearing before Committees in the way he claimed. Indeed, the refusal of the Chancellor of the Duchy of Lancaster to allow Ms Gray to appear before the Committee has seriously impeded the conduct of our inquiry.

1 Introduction

Background to this inquiry

1. The collapse of the financial services company Greensill Capital in March this year has been accompanied by revelations about the proximity of the company and its founder, Lex Greensill, to key figures in Government.

2. Greensill Capital focused on providing supply chain finance. It provided an advance on outstanding invoices to firms facing long waits for payment, for which it charged commission, and then recouped the money once the invoice was paid. Such supply chain finance is common, but Greensill Capital “securitised” the process by putting the outstanding invoices into funds into which investors could purchase. This investment helped fund the advances to suppliers. However, for those companies owing money, the outstanding payments owed to companies like Greensill Capital does not show up as debt in their accounts. Consequently, some companies have used it to hide the extent of their debts in their accounts (in addition to the current concerns about the state of the Gupta Family Group (“GFG”) Alliance network of firms, it played a part in Carilion’s collapse). Once it emerged that Greensill Capital was overexposed and its loans to GFG-related companies vulnerable, its insurers withdrew cover and the business was left apparently unviable.¹ The Serious Fraud Office has now launched an investigation that includes the relationship between GFG and Greensill Capital.²

3. Greensill Capital was involved with Government in several areas. The most notable of these was that it was contracted to run the Pharmacy Early Payments Scheme (PEPS) which allowed pharmacies to receive an advance on their fees due for issuing prescription medication in return for which Greensill Capital received a small fee. Earnd was a wage advance scheme owned by Greensill Capital which allowed employees of participating employers to gain an advance on their wages, again for a small fee. The NHS was one of the participating employers, though Earnd waived the fee in their case. And Greensill Capital was approved to issue Government-underwritten loans under the Coronavirus Large Business Interruption Scheme (CLBILS) and the Coronavirus Business Interruption Scheme (CBILS).

4. The controversy was added to significantly when it was reported that Greensill Capital employed former Prime Minister David Cameron and that he had approached officials and Ministers directly to lobby them on behalf of the company. Greensill Capital also employed the Government’s former Chief Commercial Officer, Bill Crothers, who had started to work at the company before having left the Civil Service. Furthermore, Lex Greensill himself had previously worked at the Cabinet Office as some sort of adviser.

Scope of this inquiry

5. In the wake of Greensill Capital’s collapse and the issues surrounding it, a number of Select Committee inquiries were initiated. We have been mindful to focus only on those issues that are within our remit and to avoid duplicating work done in those other inquiries. In our inquiry, we have also tried to focus on the more general lessons for policy

1 “Greensill files for administration and warns of GFG ‘defaults’” [Financial Times](#) 8 March 2021

2 Serious Fraud Office [SFO confirms investigation into Gupta Family Group Alliance](#) 14 May 2021

to ensure such events are not repeated. However, before looking forward to considering solutions to some of the problems, we thought it important to establish, as best we could, the precise nature of the issues that had arisen. This is the focus of this interim report and, as we go on to discuss, these are not quite as clear cut as some of the initial accounts suggest. **This is an interim report only and we are continuing with our inquiry into this area.**

6. In addition to the various Parliamentary inquiries that were launched into aspects of the Greensill saga, the Government has initiated its own review and has appointed Nigel Boardman, a senior lawyer and former partner at Slaughter and May, to conduct it.³ He is also currently a non-executive at the Department of Business, Energy and Industrial Strategy (BEIS), though has recused himself from that role whilst conducting his review. Mr Boardman had recently completed reviews of the Cabinet Office's use of the Covid-19-related emergency procurement provisions.⁴

7. At the time of publication, Mr Boardman's report, which was due no later than the end of June 2021, has yet to be published. It is likely that our inquiry will have covered some similar ground to his review. His inquiries have apparently been facilitated by the Government and he has had access to people and records that we have not had. However, given that his review has taken evidence *in camera*, we felt it important to conduct our own inquiry with publicly available evidence. We intend to take evidence from Mr Boardman in the next phase of our inquiry. It should be noted that Lady Heywood has expressed frustration that she was denied the opportunity to make representations on behalf of her late husband, former Cabinet Secretary Lord (Jeremy) Heywood.⁵ When considering his role, we have been very conscious throughout our inquiry that Lord Heywood is not able to defend himself and have tried to avoid applying hindsight or imputing motive on his part.

8. **We had expected to see Nigel Boardman's report before we concluded this phase of our inquiry. It was promised at the end of June though, at the time of writing, it has still not been published. In conducting his review, Mr Boardman has had the cooperation of Government and access to people and material that we have not had. We have had to complete this report without having had the benefit of seeing the Boardman Report. Once his report is published, we intend to hear from Mr Boardman at the first available opportunity.**

Post Legislative Review of the Lobbying Act

9. In the wake of Greensill Capital's collapse and the concerns around lobbying that it has given rise to, the Government embarked on post-legislative scrutiny of the Transparency of Lobbying, Non-party Campaigning and Trade Union Administration Act 2014. It has said that, once completed, it will produce a memorandum for the Committee.⁶ Given we are awaiting both this and Nigel Boardman's final report, we will return to the aspects of the inquiry relating to lobbying in the next phase.

3 Cabinet Office [Review into the Development and Use of Supply Chain Finance in Government](#) 12 April 2021

4 Cabinet Office [Boardman Review of Government Procurement in the COVID-19 pandemic and Boardman Report on Cabinet Office Communications Procurement 2020](#)

5 [Letter from Suzanne Heywood on Propriety of governance in light of Greensill, dated 14.6.21](#)

6 [HC Deb 14 April 2021 c330 \(Chloe Smith MP\)](#)

10. In the course of this inquiry, we held one evidence session. We also heard from Lord Pickles, the Chair of the Advisory Committee on Business Appointments (ACOBA), Cabinet Secretary Simon Case and the Head of the Propriety and Ethics Team Darren Tierney as part of separate inquiries.⁷ We have received 18 pieces of written evidence.

Lex Greensill

11. As part of our inquiry, we invited Lex Greensill to give evidence. He had already given evidence to the Treasury Committee as part of their inquiry. However, the focus of that session was, quite reasonably, on issues relating to the regulatory regime that Greensill Capital had operated under and HM Treasury's response. The issues under consideration here went largely uncovered. He declined our invitation to appear.

12. The House has the power to issue summons requiring individuals to attend a Select Committee. However, the process takes time and our timetable was pressing. The fact that we did not initiate this process should not in any way be seen as an acknowledgement that Mr Greensill's decision to decline our invite to give evidence was accepted or acceptable. Moreover, given the media coverage of the collapse of his company and the related issues, we find it surprising that he did not feel that it would have been beneficial to give his version of events, particularly if he felt he had nothing to hide. In this instance, we chose to continue our inquiry in spite of his refusal to attend. Should the next phase of the inquiry require it, he will be asked to give evidence again. Should he decline to do so, the Committee will take this further.

Sue Gray

13. In the course of our evidence-gathering, the name of Sue Gray was cited on a number of occasions. Sue Gray was for many years the Head of the Propriety and Ethics Team in the Cabinet Office. The Propriety and Ethics Team ("PET") is located in the Cabinet Office. Its current functions include:

- Home to the Honours Secretariat;
- Home to the Privy Council Office;
- Providing advice to senior officials, and Ministers (including the Prime Minister) across Government on propriety issues. This can include conduct and propriety issues around elections and referendums and the conduct of statutory inquiries;
- Overseeing the operation and maintenance of the Special Adviser and Civil Service Codes and related policy issues arising from them (though the Civil Service Code is "owned" by the Civil Service Commission);
- Supporting the Civil Service Commission; and
- Supporting ACOBA and oversight of the Business Appointment Rules (the ACOBA advises on the application of the BAR but they remain 'owned' by the Government).

⁷ PACAC [Oral evidence: The work of the Cabinet Office](#) HC 118 26 April 2021; PACAC [Oral evidence: The Advisory Committee on Business Appointments](#) HC 1350 15 April 2021

14. The importance of Sue Gray’s role during her time as Head of PET has been commented upon. She was referred to in one report as “the most important person you’ve never heard of”.⁸ In the course of our inquiry, she was described as “the bible” of propriety and ethics matters in Government and she played a role in overseeing Lex Greensill’s time in the Cabinet Office and in advising Bill Crother’s on working simultaneously for the government and for Greensill Capital.

15. Given the role others attributed to her in both Lex Greensill’s time in the Cabinet Office and advising on Bill Crothers’ move to Greensill Capital, we were eager to hear her account of events. We invited her to give evidence and she agreed to appear on Tuesday 13th July. Before agreeing to do so, she wanted to clarify that she would be asked questions only about the historic matters that we are addressing in this report and not about matters relating to current policy, which should rightly be directed to the Minister for the Cabinet Office or the current Head of PET. Having received that assurance, she was happy to appear. However, having agreed to do so, we were then told by the Cabinet Office that she would not be appearing and that the Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office, Michael Gove, would do so in her place. Asked about this in the Chamber, Mr Gove suggested that it is “rarely appropriate” for civil servants to do so.⁹

The Osmotherly Rules: What they do and do not say

16. Mr Gove cited the “the Osmotherly Rules” as the justification for believing that it would be “inappropriate” for Ms Gray to appear before the Committee and for preventing Ms Gray from giving evidence to our inquiry. The Osmotherly Rules is the shorthand for the Cabinet Manual, *Giving Evidence to Select Committees: Guidance for Civil Servants*.¹⁰

17. It should be emphasised that the Osmotherly Rules were written by the Government and Parliament has never accepted them.¹¹ Even so, it is also worth recapping what the Osmotherly Rules actually say. The Osmotherly Rules restate the principle, set out in places such as the Armstrong Memorandum, that it is Ministers who are accountable to Parliament and that civil servants are accountable through them.¹² It follows that, in essence, the Civil Service has no independent view other than that of the Government of the day and that officials appearing before Select Committees do so as representatives of their Minister.¹³

18. On the basis that civil servants are delegates of their Minister, the Osmotherly Rules state that the Minister retains the right to decide whether a specific official whose attendance has been requested by a Select Committee should appear, whether another official would be better placed to answer the Committee’s questions and should attend instead, or whether the Minister themselves should appear in place of an official.¹⁴ However, the Osmotherly Rules also state that, whilst it is up to the Minister to permit the attendance of a specific official or to provide an alternative, they will seek to comply with the Committee’s wishes:

8 “The most powerful person you’ve never heard of” [BBC News](#) 10 July 2015

9 HC Deb 8 June 2021, [c1060](#)

10 HC Deb 8 June 2021, [c1060](#)

11 Erskine May, 25th Edition, para. 38.35

12 HC Deb 26 February 1985 [cc128–30W](#)

13 Cabinet Office [Giving Evidence to Select Committee: Guidance for Civil Servants](#) October 2014, para. 4

14 Cabinet Office [Giving Evidence to Select Committee: Guidance for Civil Servants](#) October 2014, para. 12

When a Select Committee indicates that it wishes to take evidence from any particular named official, including special advisers, the presumption is that Ministers will seek to agree such a request.¹⁵

19. Mr Gove omitted to refer to this aspect of the Osmotherly Rules in the House, and in our view has wholly misconstrued the spirit of those Rules. Mr Gove has not sought to comply with the Committee's wishes as the Rules state, rather the opposite, and his contention that it is inappropriate for officials to appear, seemingly as matter of principle, is clearly contrary to the Government's own guidance. Furthermore, the Committee had been clear that in requesting the attendance of Ms Gray, it was purely to establish matters of fact pertaining to her direct involvement in these matters. Whilst Mr Gove was willing to attend the Committee in her place, it is clear he was not in a position to answer the Committee's questions on this occasion. It is regrettable that the way these events have unfolded removed the opportunity for Ms Gray to give her version of events and to comment on the role that Mr Manzoni and Mr Crothers attributed to her. It has also interfered with the ability of this committee to establish the facts.

20. It is obvious that Ms Gray was the only appropriate person to give evidence on these issues. The most recent iteration of the Osmotherly Rules incorporated the principle that Senior Responsible Owners of significant projects within the Civil Service should continue to answer to Parliamentary Committees for the project's progress during their tenure, even after moving post.¹⁶ We can see no reason whatsoever why the former Head of Propriety and Ethics should not similarly answer questions on propriety and ethics matters relating to events that transpired during her tenure, despite having changed roles. We have been denied her valuable input and she has been denied the opportunity to give her version of events and to comment on the role that others have attributed to her.

21. Mr Gove did offer to appear in place of Ms Gray. However, given the direct references to her that we received in the course of our inquiry, the nature of the questions that we wished to put to her, and the fact that, at the time the events we are considering took place, Mr Gove was in an unrelated post in a different department and has no first-hand knowledge of the matters under consideration, it is patently illogical for him to imply that he would be the most appropriate person to give evidence on this matter, or indeed that anyone else would be able to do so in Ms Gray's place. While the Committee welcomes Mr Gove's apparent enthusiasm for appearing before us, and is more than happy to take him up on his offer in relation to other matters in the future, we declined his offer on this occasion, judging that it would not be an effective use of the Committee or indeed Mr Gove's time to discuss this matter with him.

22. We are at a loss to explain Mr Gove's decision not to allow Ms Gray to give evidence to the Committee, particularly given her willingness to do so. The Osmotherly Rules have never been recognised by Parliament, which maintains its right to call for any individual. However, even if Parliament were to accept the Rules, we can see no grounds within them for Ms Gray not to give evidence to our inquiry. As we made clear, the nature of the questions we wished to put to Ms Gray was to establish matters of fact. The Minister has denied Ms Gray the opportunity to give her version of events and to clarify her role. Moreover, the intervention of the Minister to prevent her from answering these will surely add to the suspicions surrounding this episode.

15 Cabinet Office [Giving Evidence to Select Committee: Guidance for Civil Servants](#) October 2014, para. 12

16 Cabinet Office [Osmotherly Rules: statement on updated guidance](#) 17 October 2014

23. It is unacceptable for Ministers to hide behind the Osmotherly Rules to prevent Select Committees from carrying out legitimate inquiries. We will be writing to the Chair of the Liaison Committee to consider ways in which we can clarify the responsibility of officials to appear before Select Committees.

2 Lex Greensill and the Cabinet Office

24. Greensill Capital had considerable involvement with Government through its contract for PEPS and its pay advance scheme for NHS workers, as well as its role in the Covid-19 response. The involvement of former politicians and officials with the company, including in using personal contacts in lobbying Government, added to the controversy. Naturally, reports that Lex Greensill had previously worked in Government as “an adviser” in the Cabinet Office were concerning and were something we considered worthy of investigation.

25. The Cabinet Office appeared to have been taken by surprise by the revelation that Greensill had been in the Cabinet Office. At the time he gave evidence, Darren Tierney, the current Head of Propriety and Ethics in the Cabinet Office, had only been able to access a limited amount of information relating to Lex Greensill’s time in Government. He was able to confirm that, despite at one point having a business card describing him as a “Senior Adviser” in the Prime Minister’s Office, Lex Greensill had never been appointed as a Special Adviser (or “Spad”).¹⁷

26. Lord Maude, who was the Minister for the Cabinet Office at the time, was not able to throw much light on the matter of Lex Greensill’s status and distanced himself from Lex Greensill’s activities more generally. He authorised Greensill’s initial appointment letter but said that he could not remember doing so.

I have been told that I authorised it as well, but I have to say I have absolutely no recollection of it.¹⁸

27. Ian Watmore, who was the Permanent Secretary to the Cabinet Office at the time when Lex Greensill was brought into Government, was able to confirm his status in Government. Mr Watmore confirmed that Lex Greensill was appointed as an external consultant and was unremunerated for his role.¹⁹

28. In the weeks since Mr Tierney’s appearance, the Cabinet Office has been able to locate further records relating to Mr Greensill’s time in Government. It was able to confirm to us that letters of appointment were issued and was kind enough to share them with us in confidence and with some redactions of personal information. The appointment letters—one covering an initial three month attachment to the Efficiency and Reform Group in the Cabinet Office and subsequent annual extensions, covering the period between April 2012 and 2015, to the Economic and Domestic Affairs Secretariat—make clear that his post was unremunerated, though travel and accommodation expenses were covered. They also cover conflicts of interest disclosures, which we return to in paragraphs 41–45.

29. If Mr Greensill’s appointment as a consultant appears fairly unremarkable, what seems to us less common for a consultant is the extent of his apparent freedom of operation during his time within Government. Emails obtained by the Sunday Times suggested some concern amongst officials at the manner in which Mr Greensill was going about his work. An email from a Treasury official complained at the way in which he was unilaterally approaching departments, apparently trying to “sell” supply chain

17 PACAC [Oral evidence: The work of the Cabinet Office](#) HC 118 26 April 2021, Q762. We had established that Mr Greensill did not appear in the annual Register of Special Advisers for the period.

18 [Q3](#)

19 [Q30](#)

finance. Effort was required to “rein him in”.²⁰ The emails suggested that Mr Greensill was effectively bypassing the Cabinet Office hierarchy to report directly to Downing Street. Later, Mr Greensill wrote to officials, including the Chief Procurement Officer Bill Crothers, telling them that the Prime Minister had authorised him to press ahead with the roll-out of PEPS. He wrote that his email was simply to let them know this and that he was “not seeking their approval”.²¹ This is not consistent with the assurances from the Cabinet Office’s then Permanent Secretary, Ian Watmore. He explained that, initially at least, as a consultant, Mr Greensill would have offered advice but not determined outcomes.

The team would have been selected to take the inputs from Lex, but not to take the answer from him. That is the important difference I make.²²

30. A further aspect of Lex Greensill’s time with the Cabinet Office that we have found surprising relates to his affiliation and his access. It is clear that he was retained as an unremunerated consultant. However, we were also told that he had a pass that allowed him direct access to Downing Street and that he had access to the relevant IT equipment.²³ He also had a business card describing him as a “Senior Adviser in the Prime Minister’s Office” and an accompanying Downing Street email address.²⁴ This seems an exceptional level of access and institutional endorsement for somebody hired as an unremunerated consultant.²⁵

31. The Cabinet Secretary, Simon Case, told us that he did not think there were others in the same position as Lex Greensill in Government. However, he was unable to definitely confirm it. The Committee has previously questioned the way in which consultants have been used. Last year, a consultant was hired to work in the Number 10 Policy Unit but who, to all intents and purposes, appeared to be operating as a Spad. Extensive questioning of the then Cabinet Secretary about this revealed very little about why he was classed as a consultant and not a Spad.²⁶

32. In spite of this autonomy, it should be emphasised that we have not seen anything to suggest that the integrity of policymaking was compromised. Whilst Lex Greensill’s apparent enthusiasm for trying to promote supply chain finance to departments, independent of other Government work in this area, may have been an irritant to officials, the only scheme to emerge from this was PEPS, for which there was a plausible case. Sir John Manzoni, who had not been involved in its design or implementation, said of PEPS:

Of course, it would be much better to have the national health system pay all the pharmacists on time, but the fact is that it is a large distributed system. It cannot work at the same pace.²⁷

20 “David Cameron, Jeremy Heywood, Lex Greensill and all that ‘free money’” [Sunday Times](#) 4 April 2021

21 “David Cameron, Jeremy Heywood, Lex Greensill and all that ‘free money’” [Sunday Times](#) 4 April 2021

22 [Q42](#)

23 PACAC [Oral evidence: The work of the Cabinet Office](#), HC 118 26 April 2021, Q767

24 “Lex Greensill: Labour questions ex-adviser’s No 10 business card” [BBC News](#) 21 March 2021

25 Whilst Number 10 is formally part of the Cabinet Office, it is usually treated as a separate entity for employment purposes. See PACAC [The role and status of the Prime Minister’s Office](#) First Report of Session 2021–22 HC67, chapter 2

26 PACAC [Oral evidence: The work of the Cabinet Office](#) HC 118 10 March 2020, Qq91–102

27 [Q52](#)

33. In evidence to the Treasury Committee, Lord MacPherson, the former HM Treasury Permanent Secretary, said that there was some resistance within HM Treasury to making pharmacy payments too quick:

If you bring forward payments, the Government have to borrow more and, therefore, pay interest on that debt. That is why, it is fair to say, the Treasury was a bit cautious back in 2012 about bringing forward payment terms too quickly.²⁸

PEPS provided a low risk, low cost means to get around this problem and allow pharmacists to receive payment sooner.

34. After a period as an unremunerated consultant, Lex Greensill became a Crown Representative (“Crown Rep”). A prominent aspect of the effort to import commercial expertise into the Civil Service was the reform of procurement. Under Lord Maude, the Government’s procurement regime was significantly overhauled. Purchasing activity that had previously been undertaken independently by Departments was centralised under Cabinet Office control with the aim of creating economies of scale and allowing the Government to maximise its commercial advantage as major buyer. To this end, the role of Crown Rep was created to oversee and coordinate the Government’s procurement activity and manage its relationships with suppliers. Initially, these were mostly held by officials with significant procurement expertise, but Lex Greensill became one of an increasing number drawn from the commercial sector, working part time as Crown Reps whilst simultaneously continuing their business careers.

35. At one level, Lex Greensill seemed to have the relevant experience to become a Crown Rep. He was deemed suitable for the role by Bill Crothers who, as Chief Procurement Officer, was overseeing their appointment. Mr Crothers said that the initial phase of the appointment process was skipped as Greensill was already working with Government.²⁹ Mr Crothers also noted that, after reviewing prospective Crown Rep appointments, the ultimate decision was down to the Minister for the Cabinet Office who was the “appointing authority”.³⁰

36. However, along with an endorsement from then Cabinet Secretary Lord Heywood, Mr Crothers also told us that Sue Gray, as Head of Propriety and Ethics, was also keen to see Mr Greensill appointed as a Crown Rep. She was, he told us, keen to “formalise” his position after becoming “uncomfortable” with his status as a consultant and had raised these concerns with Lord Heywood.³¹ Having been prevented from hearing from Ms Gray, we have been unable to confirm what these concerns were or how they were managed. In terms of Lord Heywood’s role, given his positive endorsement, we must assume that he valued Mr Greensill’s work in this area. Ultimately, the decision to appoint Lex Greensill as a Crown Rep was not his.

37. The appointment of Lex Greensill as a “Senior Adviser on Supply Chain Finance” in the Cabinet Office, including the means by which he was managed and his conduct regulated, are key areas about which we would have been particularly keen to hear from Sue Gray. Had she not been prevented from giving evidence to our inquiry, amongst

28 Treasury Committee [Oral evidence: Lessons from Greensill Capital](#) HC 1376 28 April 2021, Q82

29 [Q87](#)

30 [Q87](#)

31 [Q87](#)

other things, we would have liked to have asked her about the way Lex Greensill was managed, any limits on the types of work he could do as a consultant, and his relationship with the Civil Service, including whether he had any formal authority over them. We would also have asked her whether it was normal for an unremunerated consultant in the Cabinet Office to have been given unescorted access to Downing Street, as well as a business card and email address for the Prime Minister's Office. We would also have wished to explore the issue of his apparent endorsement by Lord Heywood. Her evidence on these matters would have been particularly valuable as we were told that she became "uncomfortable" with Lex Greensill's position and that part of the motivation behind his move to become a Crown Rep was to resolve the issue of his status.

38. As we have noted, the Chancellor of the Duchy of Lancaster did offer to appear in Ms Gray's place after preventing her from giving evidence to us. However, he would clearly have been unable to add anything of consequence in this regard.

39. This Committee has previously raised the issue of consultants and the sorts of work they are hired to perform in Government. There is nothing unusual in a large organisation hiring external consultants to fulfil specialist roles or provide expertise in supporting the work of the Civil Service. Lex Greensill was recruited to provide advice on an area of prospective policy in which he could legitimately claim expertise and which the Civil Service lacked.

40. Nonetheless, there are aspects that would appear to suggest that Mr Greensill's role was not truly reflective of his status as consultant. He appeared to operate with far greater autonomy than we would expect. And we would not normally expect a consultant under contract to the Cabinet Office to be given a business card describing them as a Senior Advisor in the Prime Minister's Office or a pass to access Downing Street. This is not the only occasion where this Committee has questioned the appropriateness of the use of consultants. The way they are used is something the Committee will consider further in the next phase of the inquiry.

Potential conflicts of interest in Lex Greensill's appointment

41. That Lex Greensill was involved in promoting SCF, which was the basis of Greensill Capital's business, has naturally raised concerns about conflicts of interest. This is especially so as Greensill Capital was to go on to win the contract for the scheme that Lex Greensill had been so involved in introducing. Darren Tierney, the current Head of the Cabinet Office's Propriety and Ethics Team, conceded that it appeared a "glaring" conflict of interest for Lex Greensill to be "employed" by the Cabinet Office and to then go on to win Government contracts.³²

42. The picture is less clear cut when the timing of events is considered more carefully, however. Lex Greensill was attached to the Cabinet Office to work on SCF-related matters from the beginning of 2012 until the end of March 2015. During this time, he had no obvious conflicts of interest to disclose; Greensill Capital was a small start-up based in

Australia. Lex Greensill told the Treasury Select Committee that the company had no UK public sector practice during this time. Its first public contract was not awarded until 2018.³³

43. Under the Business Appointment Rules (“BARs”), former Senior Officials, including Spads, and Ministers are expected to seek advice from the Advisory Committee on Business Appointments (ACOPA) before accepting new posts within two years of leaving public service. As a consultant, Lex Greensill was not subject to the BARs. The letters of appointment that we were shown in confidence required only that he seek Cabinet Office approval before taking on new posts within three months after the end of his tenure as a consultant. Mr Greensill was clearly in compliance with his contractual obligations in this respect. Moreover, even if he had been appointed as a Spad, or if a way found to extend the BARs to cover consultants without acting as intolerable restraint of trade, he would have been outside ACOPA’s auspices by the time Greensill Capital won its first UK public tender in 2018 when it was awarded the PEPS contract.

44. Lord MacPherson, the then Permanent Secretary to HM Treasury, told the Treasury Select Committee that he thought that Greensill Capital had been awarded the PEPS contract without a competitive tender process.³⁴ Had that been the case, there may well have been conflict of interest issues. However, we were told that it was not the case. Sir John Manzoni, who was the Cabinet Office Permanent Secretary at the time, told us that Greensill Capital, in conjunction with the American firm Taulia, had successfully won the contract via a normal process overseen by the Crown Commercial Service, a Cabinet Office agency responsible for Government procurement.³⁵

45. At least some of the criticism of the appointment of Lex Greensill to advise on the use of Supply Chain Finance is made with the benefit of hindsight and knowledge of events that were to take place some years later. His appointment appeared to entail the usual declaration of interests and there were no obvious conflicts at that time. The Pharmacy Early Payment Scheme appears to have been compliant with normal commercial practice by Government. That Lex Greensill had been involved in the design and implementation of the scheme might raise eyebrows. Indeed, we recognise that the public perception of this may give rise to legitimate concerns regarding the robustness of the existing arrangement relating to conflicts of interest. However, it was compliant with his contractual obligations as an adviser and, had they been applicable, would also have been compliant with the Business Appointment Rules. Whether the Business Appointment Rules are sufficiently broad or stringent is a theme we shall be considering in the next phase of this inquiry.

33 Treasury Select Committee [Oral evidence: Lessons from Greensill Capital](#) HC 151 11 May 2021, Q245

34 Treasury Select Committee [Oral evidence: Lessons from Greensill Capital](#), HC 1376 28 April 2021, Q83

35 [Letter from John Manzoni on Propriety of governance in light of Greensill, dated 15.6.21](#)

3 Lord Heywood's involvement

46. The two former Ministers who have given evidence on Greensill to date—David Cameron, who gave evidence to the Treasury Committee and PAC, and Lord Maude, who gave evidence to this Committee—both gave the impression that they had had very little to do with either the decision to bring Lex Greensill in as a “consultant” or with the work he did whilst in the Cabinet Office. David Cameron said that he only encountered Lex Greensill a handful of times, though he thought the idea of SCF was worth exploring.³⁶ Similarly, Lord Maude said that he only recollected meeting him once.³⁷

47. Emphasising their distance from the appointment of Lex Greensill to the Cabinet Office and his work whilst there, both suggested that the impetus had come from the then Cabinet Secretary, Lord Heywood. Lord Heywood had worked with Lex Greensill at Morgan Stanley.³⁸ In evidence to the Treasury Select Committee, David Cameron referred to Lord Heywood's role, saying that:

My understanding is that Mr Greensill was brought in by Jeremy Heywood, who had known him from a previous job. Jeremy was an outstanding civil servant, and he was conscious of the fact that the civil service can benefit from outside advice and input. My understanding is that he brought Mr Greensill in with this remit of looking at how Government can do better at paying bills faster, particularly to small businesses, and whether there was an application for this approach. He had an office in the Cabinet Office.³⁹

48. Lord Maude said that:

It was perfectly clear that Jeremy had brought Lex Greensill into government. Jeremy was the principal advocate of this approach and clearly Jeremy had been involved in this.⁴⁰

49. Lord Maude suggested that, though he disputed the usefulness of SCF, he went along with it for fear of upsetting Heywood:

If Jeremy said, “There is something in this. I think you should look at it,” at a time when I think it is fair to say Jeremy and I weren't agreeing about everything and I did not want to have a fight with him unnecessarily, I can see why I would have agreed to that initial appointment, but the system is quite fussy generally about how people are brought in.⁴¹

50. It should be noted, however, that as Minister for the Cabinet Office, Lord Maude had introduced a range of reforms, from Extended Ministerial Offices to fixed-term contracts for Permanent Secretaries to attempting to end the Civil Service's monopoly of official policy advice for ministers, and was publicly critical of the Civil Service leadership on a regular basis.⁴² He generally appeared to be unphased by the prospect of unsettling the Civil Service at the time he headed the Cabinet Office.

36 Public Accounts Committee [Oral evidence: Lessons from Greensill Capital](#) HC 1368 13 May 2021, Q1

37 [Q1](#)

38 Treasury Committee [Oral evidence: Lessons from Greensill Capital](#) HC 151 11 May 2021, Q252

39 Public Accounts Committee [Oral evidence: Lessons from Greensill Capital](#) HC 1368 13 May 2021, Q7

40 [Q15](#)

41 [Q8](#)

42 HM Government [Civil Service Reform Plan](#) June 2012

51. It should be noted that, along with Ian Watmore, the then Cabinet Office Permanent Secretary, both David Cameron and Lord Maude formally authorised Lex Greensill's appointment.⁴³ When the go-ahead was given for the introduction of PEPS, the authorisation came from the Prime Minister.⁴⁴ We have already noted the role Lord Heywood played in promoting Lex Greensill's appointment as a Crown Rep, as well as noting that such appointments required the ultimate authorisation of the Minister for the Cabinet Office.

52. There can be little doubt that Lord Heywood was keen to explore the use of SCF by Government or that he was keen to use Lex Greensill to do so. In a tranche of emails leaked to the *Sunday Times*, one that Lord Heywood wrote whilst still the Number 10 Permanent Secretary and a few months before he became Cabinet Secretary, said that:

Lex and I have been working on this stuff off and on for five years. It is a huge frustration that Her Majesty's government continues to leave free money on the table in this way ... He is quite keen to sever links with Citigroup and come and work for us. I hope we can seriously consider this.⁴⁵

53. That Lord Heywood had initiated Lex Greensill's involvement was confirmed by Ian Watmore, the Cabinet Office Permanent Secretary at the time. However, Mr Watmore stressed that there was a wider enthusiasm for exploring the potential of SCF in Government in Number 10:

The special advisers—people like Steve Hilton, Rohan Silva; those sorts of people—were keen and a lot of Cabinet Ministers were. They saw it as a way not just of saving money in the Government supply chain, but of boosting British companies. I think it was a combination of those two things that motivated the push from No. 10 to get the SME community into the Government supply chain.⁴⁶

The policy context

54. Lady Heywood highlighted the significance of the context in which Lex Greensill was brought into the Cabinet Office that she felt had been missing from much of the reporting and evidence on the subject. Despite the attempts by Ministers to distance themselves from it, exploration of the potential of SCF was actually part of the Government's policy at the time.⁴⁷ Furthermore, though Lord Maude was dubious about its usefulness in reducing costs, she emphasised that SCF was not primarily about reducing the cost of outsourced goods and services for Government but as a means to support SMEs. The then Government set a target of 25% of total spend with SMEs and to encourage other firms to do similar. In his evidence to the Treasury Select Committee, Lex Greensill noted how the Global Financial Crisis had impacted on SME liquidity.⁴⁸

43 [Q3](#)

44 "David Cameron, Jeremy Heywood, Lex Greensill and all that 'free money'" [Sunday Times](#) 4 April 2021

45 "David Cameron, Jeremy Heywood, Lex Greensill and all that 'free money'" [Sunday Times](#) 4 April 2021

46 [Q32](#)

47 [Letter from Suzanne Heywood on Propriety of governance in light of Greensill, dated 14.6.21](#)

48 Treasury Select Committee [Oral evidence: Lessons from Greensill Capital](#) HC 151 11 May 2021Q100

55. In this respect, Lady Heywood drew attention to the report of an independent taskforce the then Government appointed to consider options to encourage non-bank lending options for business, *Boosting Finance Options for Business*, or “the Breeden Report”.⁴⁹ The Breeden Report concluded:

The Taskforce believes that there is significant benefit to be gained from freeing up more of the cash currently tied up in supply chains across the UK economy.⁵⁰

56. The report recommended that, as the economy’s biggest procurer of goods and services, Government should encourage the adoption of SCF in its own supply chains:

Government should ... explore how it can use its power as the biggest purchaser in the UK to encourage its own suppliers to adopt supply chain finance or similar schemes to support their suppliers.⁵¹

57. Lady Heywood also pointed out that, despite telling us how dubious he was about the merits of SCF, Lord Maude had, as Minister for the Cabinet Office, given a speech espousing its potential. He told us that he regarded Project Bank Accounts as a better means of ensuring suppliers were paid quickly than SCF.⁵² However, in a speech in March 2012, he reflected what was apparently Government policy at the time which was to consider the use of SCF:

Where Project Bank Accounts are not applicable, we will also consider the role of structured finance products, such as Supply Chain Finance, which have the potential to allow tier 2 suppliers to access payments early.⁵³

58. Ian Watmore, a former Permanent Secretary at the Cabinet Office, who had also previously headed its Efficiency and Reform Group, reiterated that SCF was primarily under consideration as a means to facilitate SME involvement in the Government supply chain. The impression has been given that the impetus for the consideration of SCF came only from Lord Heywood and Lex Greensill. Mr Watmore acknowledged the role Lord Heywood played in pushing the investigation of the applicability of SCF, but he stressed that support was much wider within Number 10.⁵⁴

59. In the emails leaked to the *Sunday Times*, Tim Luke, David Cameron’s business adviser in Number 10, was revealed to be working on the launch of PEPS alongside Lex Greensill. So too was senior HM Treasury official Clare Lombardelli.⁵⁵

60. In evidence to the Public Accounts Committee, David Cameron confirmed that, whilst he had not been closely involved in the area:

I remember thinking that the supply chain finance initiative was a good one, and I remember the event in Downing Street where there were lots of

49 [Letter from Suzanne Heywood on Propriety of governance in light of Greensill, dated 14.6.21](#)

50 [Boosting Finance Options for Business: Report of industry-led working group on alternative debt markets](#) March 2012, p.28

51 [Boosting Finance Options for Business: Report of industry-led working group on alternative debt markets](#) March 2012, p.29

52 [Q13](#)

53 [Francis Maude speech to the Procurex Conference](#) 14 March 2012

54 [Q32](#)

55 “David Cameron, Jeremy Heywood, Lex Greensill and all that ‘free money’” [Sunday Times](#) 4 April 2021

UK corporates that had agreed to use this approach. I liked it because we were in a credit crunch at the time. The banks weren't lending in the way that we wanted them to, and this was a way of extending credit to small businesses.⁵⁶

61. Governments could, of course, pay their suppliers faster. However, as former Permanent Secretary Lord MacPherson acknowledged, there was some resistance in HM Treasury to doing so.⁵⁷ Moreover, Mr Watmore explained the initial appeal of SCF, even if Government sped up payment to its contractors:

... if the Government were paying their primary contractors quickly, but the primary contractors were then not paying the subcontractors—usually small businesses—small businesses could be discouraged from entering the job of trying to sell to the Government. The only reason for looking at supply chain finance at that time was to see whether it would help to bring more SMEs into Government procurement and, in so doing, potentially make the procurement better and cheaper and also boost British business.⁵⁸

62. In our view, there has been insufficient consideration of the policy context in which Lex Greensill was brought in to advise on Supply Chain Finance. Consideration of its potential was the policy of the Government at the time. Whilst the Minister for the Cabinet Office may have been unconvinced, there was evidently support for it within Number 10.

63. The impression might also be drawn that Supply Chain Finance was entirely the responsibility of Lord Heywood and Lex Greensill. Whilst the then Minister for the Cabinet Office and Prime Minister may have given the impression that they were not involved in its development, both gave speeches endorsing it at the time. Moreover, whilst the Prime Minister may not have been actively involved in exploring its potential, the initiative came from his office and with his approval, either tacit or, in some places, expressed.

64. These are matters to which we shall return later in this inquiry and upon which we shall call for further evidence.

56 Public Accounts Committee [Oral evidence: Lessons from Greensill Capital](#) HC 1368 13 May 2021, Q8

57 Treasury Select Committee [Oral evidence: Lessons from Greensill Capital](#) HC 1376 28 April 2021, Q82. See para.33 of this report.

58 [Q33](#)

4 Bill Crothers

65. A prominent aspect of the effort to import commercial expertise into the Civil Service was the reform of procurement. One such appointment was Bill Crothers, who joined the Cabinet Office as the Government's Chief Procurement Officer in 2010, after holding senior roles with management consultancy firm Accenture, and who was in charge of the Government's commercial relationships. In 2012, following an overhaul of Government procurement activity, his role changed to be Chief Commercial Officer and, between 2011 and 2014, he was chair of the Crown Commercial Service, the Cabinet Office agency established to manage Government procurement. Following Greensill Capital's collapse and the media reporting of David Cameron's efforts to lobby on behalf of Greensill Capital, it was also reported that Mr Crothers had been working simultaneously for both the Cabinet Office and for Greensill Capital.

66. The current Cabinet Secretary Simon Case told the Committee that he found the revelations of Mr Crothers' dual roles to be "a pretty extraordinary set of circumstances".⁵⁹ He went on to say:

I personally have never heard of anything like it before and, having talked to current and former colleagues, no one else seems to have seen anything quite like it.⁶⁰

67. Lord Pickles, Chair of ACOBA, was similarly surprised by the news that Mr Crothers' had apparently been permitted to work simultaneously for Government and for a company:

It is fair to say, to misquote P. G. Wodehouse, that my eyebrows did raise a full quarter inch when I heard about this ... I have been involved in public life for a long time, like your good self, and I have never really come across anything quite like this before.⁶¹

68. Following these reports, Cabinet Secretary Simon Case ordered an audit of the Senior Civil Service, requiring that all external, paid appointments that could potentially constitute a conflict of interest be immediately declared. He wrote to the Committee to report the findings. He said that fewer than 100 senior officials had been found to hold paid employment alongside their Civil Service roles and that these included roles such as fitness instructors or tutors and that none was found to constitute a conflict of interest.⁶² Nonetheless, he committed to implementing a more robust reporting regime for outside interests.

69. Between September and late November 2015, whilst still a serving civil servant, Mr Crothers held a part time advisory role with Greensill Capital. At the end of November 2015, he left the Civil Service, becoming a consultant and continuing his advisory work with Greensill Capital. In late 2016, he became a director with Greensill Capital. He did not apply to the Advisory Committee on Business Appointments (ACOBA) before commencing his work with Greensill Capital in 2015 nor when his role for them changed

59 PACAC [Oral evidence: The work of the Cabinet Office](#) HC 118 26 April 2021, Q816

60 PACAC [Oral evidence: The work of the Cabinet Office](#) HC 118 26 April 2021, Q821

61 PACAC [Oral evidence: The Advisory Committee on Business Appointments](#) HC 1350, 15 April 2021, Q4

62 [Letter from Chair to Simon Case, Cabinet Secretary on Audit of Civil Service dual roles and secondments, dated 15.4.21](#)

even though, under the Business Appointment Rules (BARs), he should have consulted ACOBA regarding commercial appointments for two years after leaving the Civil Service. He did consult ACOBA over other appointments.

70. In evidence to the Committee, Mr Crothers said the media representation of his “double hatting” between the Cabinet Office and various commercial roles, including as an adviser to Greensill Capital, had been misrepresented. After he had announced his intention to leave the Civil Service, it was, he said, a means by which he could continue to contribute to a project developing the Civil Service’s commercial capability whilst transitioning back to the private sector. He said he had been entirely transparent about his actions and had sought advice from his Permanent Secretary—Sir John Manzoni—and the Head of the Propriety and Ethics Team in the Cabinet Office, Sue Gray.

The first stage was me moving to part time and taking a very part-time appointment for an outside company. I asked Sue and Sue was very clear Sue told me, and I believe this is the correct position still, that as I was still a civil servant, albeit part time, there was no need for an ACOBA approval but rather that was for the home Department[i.e. the Cabinet Office] to provide that approval.⁶³

71. Sir John Manzoni confirmed that Sue Gray’s advice had been sought and that he viewed her advice as definitive:

we all felt was quite fierce when she needed to be and was quite the bible of propriety and ethics at the time.⁶⁴

72. Having initially been permitted to join Greensill Capital on a part-time basis, it was apparently not deemed necessary to consult ACOBA when he moved to become a director.⁶⁵

73. It should also be noted, however, that it is not apparent whether there were any grounds for ACOBA, had it been consulted, to be concerned with Crothers’ move to Greensill Capital. Greensill Capital was, at that stage, a small firm that had only recently begun to expand beyond Australia, where it was founded. Such UK public sector practice as it was to develop was still several years in the future. Crothers told the Committee that his role was predominantly focussed on overseas work and on the private sector.⁶⁶ As such, at that time, there were no clear conflicts of interest involved in Crothers joining Greensill Capital. Asked why he did not consult ACOBA when he moved to a directorship with Greensill Capital, Mr Crothers said:

Greensill was about 30 employees, most of whom were not in the UK. There was another 20 or so in a bank in Germany, but of the 30, I don’t know how many were in the UK—seven or eight maybe. It was a small business ... There was no prospect of us doing business in government and, indeed, I am absolutely confident that had I applied for ACOBA approval it would

63 [Q98](#)

64 [Q98](#)

65 [Q98](#)

66 [Q115](#)

have been forthcoming. Indeed I applied for Salesforce, Green Park, FMA and arguably they were more difficult applications. There was no reason for me to avoid an application to ACOBA.⁶⁷

He emphasised that the first engagement that he had with public sector work in the UK was in January 2018. He had left the Civil Service in 2015 so, even if he had initially consulted ACOBA, it would have been outside its two year remit by then.⁶⁸

74. Nonetheless, the Crothers' case does raise issues relating to the Business Appointment Rules ("BARs"). It highlights, for instance, the complexity of the BARs as they are currently interpreted. Mr Crothers' explained that he felt too little was done to make plain the requirements for external hires:

The rules are complicated if you are an outsider like me—the Civil Service Management Code, which I am probably more familiar with now than I was then, is 91 pages. It was never pointed to me in the beginning. I was never getting training on it and so on ... I had nothing to hide and I was trying to follow the rules, both in spirit and in form. They are quite complicated and quite particular.⁶⁹

75. He went on to describe the induction, or lack of it, in propriety and the BARs at the time he joined the Civil Service:

We did a week, I think, of training in Sunningdale, which then existed, but the course was pretty pointless. It was about the general machinery of government and relationship between Parliament and Departments. The previous permanent secretary came to talk and so on. It had a point, but it was very macro. I was never—I doubt that Mr Manzoni was—taken through or even pointed to the management codeFrankly, duty of care would be that when you are a senior civil servant, and I was very senior, there should be a training course on ACOBA.⁷⁰

76. We are aware that much may have changed in the years since Mr Crothers first joined the Civil Service. There has been an explicit aim to make the Civil Service more "porous" to recruitment from the private sector. For example, the Baxendale Report was commissioned to consider some of the barriers—cultural as well as practical—to successful recruitment into the Civil Service from the private sector.⁷¹ Nonetheless, given the propriety requirements of Government, it is unclear how far the sorts of "portfolio career" can be adequately accommodated in the mainstream Civil Service.⁷²

67 [Q98](#)

68 [Q108](#)

69 [Qq98–99-](#)

70 [Q100](#)

71 A previous iteration of this Committee considered this area in more detail. See PACAC [The Minister and the Official: The Fulcrum of Whitehall Effectiveness](#) Fifth Report of Session HC 497 2017–19, paras 46–54.

72 It should be noted that such those with the sorts of portfolio careers that Mr Crothers was apparently embarking on hold numerous public positions such as Crown Reps or departmental Non-executives. One of the Prime Minister's former advisers appeared to be building himself such a portfolio of roles whilst still in Downing Street. See "Double life of Johnson's ally raises awkward conflict of interest questions" [Financial Times](#) 30th April 2021

77. The revelation that one of the most senior civil servants held a part-time position with a private company has unsurprisingly led to considerable criticism. That the company was later to go on to hold government contracts, become embroiled in ill-advised lobbying activities involving a former Prime Minister, and to collapse in controversial circumstances, unsurprisingly added to the intensity of that criticism.

78. Bill Crothers' move to Greensill Capital was a part of his transition out of the Civil Service and was sanctioned by both his Permanent Secretary and by the then Head of Propriety and Ethics. Greensill Capital's public sector practice was also still some way in the future. However, even if no conflicts of interest were apparent at the time in this position, the perception created by a very senior official simultaneously holding a private sector post does carry reputational risk. Subsequent events have demonstrated this very clearly.

79. The implementation of the Business Appointment Rules would appear to be more complex than it should be. If an official is seeking to leave the Civil Service, it should be clear and obvious to them and to their Permanent Secretary whether an application to ACOBA is required. If there is any doubt, an application to ACOBA should be the default position. If this impacts on ACOBA's limited resources, then these should be increased to reflect the extra workload. This is in area the Committee intends to consider in more detail.

80. We would like to have discussed these matters with Sue Gray but were prevented from doing so by the intervention of the Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office, Michael Gove.

Conclusions and recommendations

Introduction

1. This is an interim report only and we are continuing with our inquiry into this area. (Paragraph 5)
2. We had expected to see Nigel Boardman’s report before we concluded this phase of our inquiry. It was promised at the end of June though, at the time of writing, it has still not been published. In conducting his review, Mr Boardman has had the cooperation of Government and access to people and material that we have not had. We have had to complete this report without having had the benefit of seeing the Boardman Report. Once his report is published, we intend to hear from Mr Boardman at the first available opportunity. (Paragraph 8)
3. The House has the power to issue summons requiring individuals to attend a Select Committee. However, the process takes time and our timetable was pressing. The fact that we did not initiate this process should not in any way be seen as an acknowledgement that Mr Greensill’s decision to decline our invite to give evidence was accepted or acceptable. Moreover, given the media coverage of the collapse of his company and the related issues, we find it surprising that he did not feel that it would have been beneficial to give his version of events, particularly if he felt he had nothing to hide. In this instance, we chose to continue our inquiry in spite of his refusal to attend. Should the next phase of the inquiry require it, he will be asked to give evidence again. Should he decline to do so, the Committee will take this further. (Paragraph 12)
4. We are at a loss to explain Mr Gove’s decision not to allow Ms Gray to give evidence to the Committee, particularly given her willingness to do so. The Osmotherly Rules have never been recognised by Parliament, which maintains its right to call for any individual. However, even if Parliament were to accept the Rules, we can see no grounds within them for Ms Gray not to give evidence to our inquiry. As we made clear, the nature of the questions we wished to put to Ms Gray was to establish matters of fact. The Minister has denied Ms Gray the opportunity to give her version of events and to clarify her role. Moreover, the intervention of the Minister to prevent her from answering these will surely add to the suspicions surrounding this episode. (Paragraph 22)
5. *It is unacceptable for Ministers to hide behind the Osmotherly Rules to prevent Select Committees from carrying out legitimate inquiries. We will be writing to the Chair of the Liaison Committee to consider ways in which we can clarify the responsibility of officials to appear before Select Committees.* (Paragraph 23)

Lex Greensill and the Cabinet Office

6. The appointment of Lex Greensill as a “Senior Adviser on Supply Chain Finance” in the Cabinet Office, including the means by which he was managed and his conduct regulated, are key areas about which we would have been particularly keen to hear from Sue Gray. Had she not been prevented from giving evidence to our inquiry,

amongst other things, we would have liked to have asked her about the way Lex Greensill was managed, any limits on the types of work he could do as a consultant, and his relationship with the Civil Service, including whether he had any formal authority over them. We would also have asked her whether it was normal for an unremunerated consultant in the Cabinet Office to have been given unescorted access to Downing Street, as well as a business card and email address for the Prime Minister's Office. We would also have wished to explore the issue of his apparent endorsement by Lord Heywood. Her evidence on these matters would have been particularly valuable as we were told that she became "uncomfortable" with Lex Greensill's position and that part of the motivation behind his move to become a Crown Rep was to resolve the issue of his status. (Paragraph 37)

7. As we have noted, the Chancellor of the Duchy of Lancaster did offer to appear in Ms Gray's place after preventing her from giving evidence to us. However, he would clearly have been unable to add anything of consequence in this regard. (Paragraph 38)
8. This Committee has previously raised the issue of consultants and the sorts of work they are hired to perform in Government. There is nothing unusual in a large organisation hiring external consultants to fulfil specialist roles or provide expertise in supporting the work of the Civil Service. Lex Greensill was recruited to provide advice on an area of prospective policy in which he could legitimately claim expertise and which the Civil Service lacked. (Paragraph 39)
9. Nonetheless, there are aspects that would appear to suggest that Mr Greensill's role was not truly reflective of his status as consultant. He appeared to operate with far greater autonomy than we would expect. And we would not normally expect a consultant under contract to the Cabinet Office to be given a business card describing them as a Senior Advisor in the Prime Minister's Office or a pass to access Downing Street. This is not the only occasion where this Committee has questioned the appropriateness of the use of consultants. The way they are used is something the Committee will consider further in the next phase of the inquiry. (Paragraph 40)
10. At least some of the criticism of the appointment of Lex Greensill to advise on the use of Supply Chain Finance is made with the benefit of hindsight and knowledge of events that were to take place some years later. His appointment appeared to entail the usual declaration of interests and there were no obvious conflicts at that time. The Pharmacy Early Payment Scheme appears to have been compliant with normal commercial practice by Government. That Lex Greensill had been involved in the design and implementation of the scheme might raise eyebrows. Indeed, we recognise that the public perception of this may give rise to legitimate concerns regarding the robustness of the existing arrangement relating to conflicts of interest. However, it was compliant with his contractual obligations as an adviser and, had they been applicable, would also have been compliant with the Business Appointment Rules. Whether the Business Appointment Rules are sufficiently broad or stringent is a theme we shall be considering in the next phase of this inquiry. (Paragraph 45)

Lord Heywood's involvement

11. In our view, there has been insufficient consideration of the policy context in which Lex Greensill was brought in to advise on Supply Chain Finance. Consideration of its potential was the policy of the Government at the time. Whilst the Minister for the Cabinet Office may have been unconvinced, there was evidently support for it within Number 10. (Paragraph 62)
12. The impression might also be drawn that Supply Chain Finance was entirely the responsibility of Lord Heywood and Lex Greensill. Whilst the then Minister for the Cabinet Office and Prime Minister may have given the impression that they were not involved in its development, both gave speeches endorsing it at the time. Moreover, whilst the Prime Minister may not have been actively involved in exploring its potential, the initiative came from his office and with his approval, either tacit or, in some places, expressed. (Paragraph 63)
13. These are matters to which we shall return later in this inquiry and upon which we shall call for further evidence. (Paragraph 64)

Bill Crothers

14. The revelation that one of the most senior civil servants held a part-time position with a private company has unsurprisingly led to considerable criticism. That the company was later to go on to hold government contracts, become embroiled in ill-advised lobbying activities involving a former Prime Minister, and to collapse in controversial circumstances, unsurprisingly added to the intensity of that criticism. (Paragraph 77)
15. Bill Crothers' move to Greensill Capital was a part of his transition out of the Civil Service and was sanctioned by both his Permanent Secretary and by the then Head of Propriety and Ethics. Greensill Capital's public sector practice was also still some way in the future. However, even if no conflicts of interest were apparent at the time in this position, the perception created by a very senior official simultaneously holding a private sector post does carry reputational risk. Subsequent events have demonstrated this very clearly. (Paragraph 78)
16. *The implementation of the Business Appointment Rules would appear to be more complex than it should be. If an official is seeking to leave the Civil Service, it should be clear and obvious to them and to their Permanent Secretary whether an application to ACOBA is required. If there is any doubt, an application to ACOBA should be the default position. If this impacts on ACOBA's limited resources, then these should be increased to reflect the extra workload. This is an area the Committee intends to consider in more detail.* (Paragraph 79)
17. We would like to have discussed these matters with Sue Gray but were prevented from doing so by the intervention of the Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office, Michael Gove. (Paragraph 80)

Formal minutes

Wednesday 21 July 2021

Members Present

Mr William Wragg, in the Chair

Ronnie Cowan	John McDonnell
Jackie Doyle-Price	Tom Randall

Draft Report (Propriety of governance in light of Greensill: An Interim Report) proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 80 agreed to.

Summary agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order 134.

[Adjourned till Tuesday 7 September 2021 at 8.55am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Tuesday 8 June 2021

The Rt Hon Lord Maude of Horsham, former Minister, Cabinet Office; **Ian Watmore**, former Permanent Secretary, Cabinet Office; **Sir John Manzoni KCB**, former Permanent Secretary, Cabinet Office; **Bill Crothers**, former Government Chief Commercial Officer, Cabinet Office, former Director, Greensill Capital

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Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

PGG numbers are generated by the evidence processing system and so may not be complete.

- 1 38 Degrees ([PGG0016](#))
- 2 ACOBA ([PGG0007](#))
- 3 Beal, Mr Michael (Retired, None) ([PGG0002](#))
- 4 Campaign for Freedom of Information ([PGG0020](#))
- 5 Chartered Institute of Public Relations (CIPR) ([PGG0005](#))
- 6 Cullen, Dr John J.A. (Research electrical engineer (retired), n/a) ([PGG0008](#))
- 7 Fisher, Professor Justin (Professor of Political Science, Brunel University London) ([PGG0004](#))
- 8 Heywood, Professor Paul (Sir Francis Hill Chair of European Politics, University of Nottingham) ([PGG0010](#))
- 9 Institute for Government ([PGG0019](#))
- 10 PRCA ([PGG0012](#))
- 11 Patel, Jag ([PGG0003](#))
- 12 Protect ([PGG0006](#))
- 13 Spotlight on Corruption ([PGG0018](#))
- 14 Trades Union Congress (TUC) ([PGG0013](#))
- 15 Transparency International UK ([PGG0014](#))
- 16 UK Anti-Corruption Coalition ([PGG0017](#))
- 17 Wallace Ms Emily (Partner, Inflect Partners); and Burrell, Mr Michael (Independent Public Affairs Consultant, Independent Public Affairs Consultant) ([PGG0015](#))
- 18 Worthy, Dr Ben (Senior Lecturer, Birkbeck) ([PGG0011](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2021–22

Number	Title	Reference
1st	The role and status of the Prime Minister's Office	HC 67
2nd	Covid-Status Certification	HC 42
1st Special Report	Government transparency and accountability during Covid 19: The data underpinning decisions: Government response to the Committee's Eighth Report of Session 2019–21	HC 234

Session 2019–21

Number	Title	Reference
1st	Appointment of Rt Hon Lord Pickles as Chair of the Advisory Committee on Business Appointments	HC 168
2nd	Parliamentary and Health Service Ombudsman Scrutiny 2018–19	HC 117
3rd	Delivering the Government's infrastructure commitments through major projects	HC 125
4th	Parliamentary Scrutiny of the Government's handling of Covid-19	HC 377
5th	A Public Inquiry into the Government's response to the Covid-19 pandemic	HC 541
6th	The Fixed-term Parliaments Act 2011	HC 167
7th	Parliamentary and Health Service Ombudsman Scrutiny 2019–20	HC 843
8th	Government transparency and accountability during Covid 19: The data underpinning decisions	HC 803
1st Special Report	Electoral law: The Urgent Need for Review: Government Response to the Committee's First Report of Session 2019	HC 327
2nd Special Report	Parliamentary and Health Service Ombudsman Scrutiny 2018–19: Parliamentary and Health Service Ombudsman's response to the Committee's Second report	HC 822
3rd Special Report	Delivering the Government's infrastructure commitments through major projects: Government Response to the Committee's Third report	HC 853
4th Special Report	A Public Inquiry into the Government's response to the Covid-19 pandemic: Government Response to the Committee's Fifth report	HC 995

Number	Title	Reference
5th Special Report	Parliamentary Scrutiny of the Government's handling of Covid-19: Government Response to the Committee's Fourth Report of Session 2019–21	HC 1078
6th Special Report	The Fixed-term Parliaments Act 2011: Government Response to the Committee's Sixth report of Session 2019–21	HC 1082
7th Special Report	Parliamentary and Health Service Ombudsman Scrutiny 2019–20: Government and PHSO Response to the Committee's Seventh Report of Session 2019–21	HC 1348