From: Michael Hipkins  
Sent: 27 May 2010 11:31  
To: David Edelman; Michael Yuille; Ian Dickson; Willie Gallagher  
Cc: Stephen Kerr; Martin Boyle; Sally Smedley; Deian Hopkin  
Subject: Message from Deian Hopkin and Sally Smedley - SLC interim CEO  

This is sent on behalf of Deian Hopkin and Sally Smedley.

As agreed at the Board meeting on Tuesday, we met Ed Lester this morning (and Deian had spoken to him over the telephone last night). We were impressed. We think Mr Lester will do a good job as interim CEO, and we felt there would be a good relationship between him and Deian as Chair of the Board. There is the question of setting him some demanding objectives and making absolutely clear what his responsibilities are, but that process is underway.

We have no hesitation in recommending to the Board that he be appointed as interim CEO.

We would be grateful for an urgent response, since if the Board agrees Mr Lester can be in Glasgow tomorrow to begin his task. Alongside that, the Company will need to prepare its internal and external communications.

Deian Hopkin  
Sally Smedley

---

From: Michael Hipkins  
Sent: 27 May 2010 12:52  
To: David Edelman; Michael Yuille; Ian Dickson; Willie Gallagher; Deian Hopkin; Sally Smedley; Taroub Zahran; Harry Taylor;  
Cc: Stephen Kerr; Martin Boyle; Les Campbell; David Wallace; Derek Ross; Chris Andrew;  
S40(2) (personal information); S40(2) (personal information)  
Subject: RE: Message from Deian Hopkin and Sally Smedley - SLC interim CEO  

To the Board -

David, Michael and Willie have all now agreed to this.

Taroub -

Can I pass to you the task of setting up the engagement with Mr Lester? [S40(2) (personal information)] here has quite a bit of material which can help, in particular the terms of the engagement which comply with the Treasury requirements.

Harry -
You will liaise with [S40(2) (personal information)] over the external announcement.

MFH

PS I understand Mr Cable's visit on Tuesday is going ahead. I'll email separately on that.

M F Hipkins | Director, Financial Support for Learners |

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From: S40(2) (personal information)  
Sent: 27 May 2010 13:38  
To: Taroub Zahran; Chris Andrew; Les Campbell  
Cc: Michael Hipkins; Madeleine Durie; Marion Maddox; S40(2) (personal information); S40(2) (personal information)  
Subject: FW: Message from Deian Hopkin and Sally Smedley - SLC interim CEO

Attachments: SLC Interim CE terms as agreed by HMT.doc

Hi Taroub,

[Information redacted as it is outwith the scope of this request]

Mindful that we'd need to move fast on this, we have already secured the necessary agreement to Ed's terms from Ministers and the Chief Secretary of the Treasury (CST) in anticipation of his potential appointment. CST's view was that the salary must come down to below £200,000 and not exceed the 1:20 ratio in terms of lowest/highest paid employee of the organisation. The negotiated package, as reflected in the attached template, meets these terms and we would therefore be grateful if this could be reflected in Mr Lester's appointment letter. Please note that the annualised salary quoted reflects an expected time commitment of 186 working days per annum pro rata, which reflects Ed's other non-executive commitments.

[Information redacted as it is outwith the scope of this request]

Happy to speak. Kind regards,

S40(2) (personal information)
**PROFORMA FOR CST APPROVAL OF SALARIES/RENUMERATION AT OR ABOVE £150,000 PER ANNUM**

<table>
<thead>
<tr>
<th>Post</th>
<th>Interim Chief Executive of the Student Loans Company Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer or Appointing Authority</td>
<td>The Student Loans Company Limited (SLC)</td>
</tr>
<tr>
<td>Is this application being made before or after advertising? If the post has already been advertised, please provide details of where you currently are in the process of sourcing a suitable candidate. If the post has not yet been advertised, please provide details of your proposed timetable</td>
<td>Before advertising. The post is for SLC Interim Chief Executive to be appointed forthwith. The Permanent Chief Executive role will be advertised to be filled from November.</td>
</tr>
<tr>
<td>Brief Description of the role. Please provide any job brief as supplied to (or intended for supply to) candidates</td>
<td>Interim Chief Executive, Student Loans Company, to ensure circa 1 million students at university in England are paid on time to support their studies: turnaround role as previous CEO not pursuing improvements with sufficient focus or urgency following critical reports into failure of service delivery last autumn.</td>
</tr>
</tbody>
</table>
| Is this a new role? If not what is the value of the package of the former postholder? | Not a new role - an interim replacement for the outgoing CE. The former postholder received a package of between £160-170k, comprising:  
- a salary of £144,947;  
- a performance related bonus of up to 15% of annual salary; and  
- personal pension contributions of 12% of |
<table>
<thead>
<tr>
<th><strong>annual salary.</strong></th>
<th>£900 per day plus a bonus of £150 per day on successful performance. (Agent's fee is also £150 per day with a further £150 per day if performance related element payable to CEO). This equates to an annual basic salary of £167,400 pa for the interim CEO which could rise to £195,300 pa if the bonus is earned in full.</th>
</tr>
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<tbody>
<tr>
<td><strong>Taxable benefits proposed</strong></td>
<td>Travel and subsistence expenses.</td>
</tr>
<tr>
<td><strong>Proposed performance related pay arrangements</strong></td>
<td>Deferred element of per diem rate to be based on objective criteria related to service delivery; and leadership and improved Company capacity/capability.</td>
</tr>
<tr>
<td><strong>Proposed pension Arrangements</strong></td>
<td>None.</td>
</tr>
<tr>
<td><strong>Proposed negotiating flexibility on any of the above package elements</strong></td>
<td>None.</td>
</tr>
<tr>
<td><strong>Type of Appointment (Fixed Term or Permanent). If a public appointment, specify the time-commitment and period of appointment.</strong></td>
<td>Interim – a fixed term of 6 to 8 months.</td>
</tr>
<tr>
<td><strong>Views of Departmental Minister</strong></td>
<td>David Willetts is content to pay the amounts requested, on the condition that we still stick within the 1:20 ratio, and that the salary is under £200,000 per annum as HMT have prescribed. He understands that we need to pay an agency fee on top of this, but feels that this is necessary in order to secure an interim CEO who is capable of turning the Company around and ensuring that students get paid this year. The base salary is £167,400k per annum (excluding performance bonus) and £195,300k per annum (assuming full bonus), meeting the 1:20 ratio (actual ratios are 1:13 and 1:15 respectively).</td>
</tr>
<tr>
<td><strong>Name and post of person submitting this application</strong></td>
<td>Howard Orme, Director General, Finance and Commercial Group, BIS.</td>
</tr>
<tr>
<td><strong>Contact telephone and email</strong></td>
<td>[S40(2) (personal information)]</td>
</tr>
<tr>
<td><strong>Date of application</strong></td>
<td>24&lt;sup&gt;th&lt;/sup&gt; May 2010</td>
</tr>
</tbody>
</table>
From: Michael Hipkins  
To: Taroub Zahran  
Cc: Ed Lester; Harry Taylor  
Sent: 27/05/2010 13:21  
Subject: Interim CEO

Taroub -

Mr Lester's contact details are:

[S40(2) (personal information)]

MFH

M F Hipkins | Director, Financial Support for Learners |

----Original Message----
From: Taroub Zahran  
Sent: 27 May 2010 15:00  
To: Michael Hipkins  
Subject: Re: Interim CEO

Thanks Mike

Taroub

Taroub Zahran (Ms)  
Interim HR/OD Director  
Student Loans Company Ltd

From: Hipkins Michael  
To: Taroub Zahram  
Sent: 28/05/2010 09:29  
Subject: RE: Interim CEO

Taroub -

I should have added two things:

1. Mr Lester works through Penna, the interim agency, and the contact there is [S40(2) (personal information)]. As you know, in order to be helpful we have negotiated the terms of Mr Lester's engagement with Penna so that it meets Treasury requirements, and the outcome is set out in [S40(2) (personal information)]'s recent email to you. If Penna try to reopen the negotiation, they can't. There is the question of accommodation, though: it's up to you to
decide whether you should pay Mr Lester's accommodation costs directly or get him to pay and reimburse.

2. Because there is a performance-related element in the reward package, the non-executive directors have been reflecting on what Mr Lester's objectives might be. There is a draft doing the rounds. My task is to incorporate the comments. I'll forward that version to you as the next draft and - if you don't mind - will suggest to the NEDs that they channel further thoughts to you (especially as I am out of the office this afternoon and on Tuesday).

Happy to discuss if that would be helpful.

MFH

M F Hipkins | Director, Financial Support for Learners |
1 June 2010

Ed Lester
The Student Loans Company Limited
100 Hutswell Street
Glasgow
G2 7JD

Dear Ed,

THE STUDENT LOANS COMPANY LIMITED – DESIGNATION AS ACCOUNTING OFFICER

Following your appointment as Interim Chief Executive of the Student Loans Company Limited (the SLC), I am writing in my capacity as Principal Accounting Officer to designate you the Accounting Officer of the SLC, with effect from 28th May 2010.

During your appointment you will be formally acting for each of the UK Administrations, however, the Department of Business, Innovation and Skills (BIS), as the successor organisation to DIUS, acts as the principal point of contact, with the formal agreement of the other Administrations.

The attached NDPB Accounting Officer Memorandum sets out the responsibilities of an NDPB Accounting Officer. This includes the relationship between my responsibilities, as the Department’s Principal Accounting Officer, and your own. Special circumstances apply because the SLC is a UK-wide organisation, which operates under one set of legislation for England, and under the legislation of the Devolved Administrations in Scotland, Wales and Northern Ireland1.

The Devolved Administrations have agreed that I appoint the SLC’s Accounting Officer on behalf of them, and that they will not appoint you separately as Accounting Officer. We have, however, agreed that we will work to a written agreement which will clarify our responsibilities and working arrangements with the SLC. This agreement will take the form of the relevant provisions of this letter and the Framework Document between SLC, BIS and

1 The Scottish Government, the Welsh Assembly Government and the Northern Ireland Assembly.
the relevant Departments of the Devolved Administrations. The Framework Document can be accessed via the following link:
http://www.slc.co.uk/pdf/SLC_Framework_document_appendices%20V1.2.pdf

In essence, you will be responsible for all of the public funds entrusted to you and will sign the year end Report and Accounts. You will be responsible for the proper management of the SLC’s resources and staff, for ensuring high standards of corporate governance in accordance with guidance issued from time to time, and for ensuring that Government guidance on regularity, propriety and value for money is complied with. In more detailed terms, you should:-

a) advise the Board of the SLC on the proper discharge of its responsibilities in accordance with statute and its Framework Document;

b) ensure the efficient, economic and effective management of the SLC’s resources, including cash, liquid assets, capital assets and equipment, and personnel;

c) ensure that financial considerations are taken into account at all stages in reaching decisions and in their implementation;

d) ensure the SLC keeps proper accounts and other records in relation to the accounts; and

c) sign the financial statement of accounts and send copies of the statement to the Secretary of State and the Comptroller and Auditor General no later than the end of the month of September next following the financial year to which the statement relates;

f) observe the government accounting guidance in “Managing Public Money” and all other guidance on the responsibilities of Accounting Officers that the Department, Treasury or Cabinet Office may issue.

You will wish to note, in addition, the circumstances set out in paragraphs 14 to 18 of the Accounting Officer Memorandum in which were you to be overruled by your Board on a matter of propriety, regularity or value for money, you should inform me.

As Principal Accounting Officer of the Department for Business, Innovation and Skills, I remain responsible and accountable to Parliament for the actions of the Department in paying grant-in-aid to the SLC; for satisfying myself that the sums paid are within the ambit and the
amounts of the Estimate for which parliamentary authority has been sought and obtained; for 
as sure I myself that the SLC has the necessary financial and other management systems and 
controls to enable it to handle those funds in accordance with the requirements of propriety 
and good financial management; and for ensuring that there is an adequate statement of the 
financial relationship between the Department and the SLC (currently the Framework 
Document).

The Principal Accounting Officers of the relevant Departments of the Devolved 
Administrations in Scotland, Wales and Northern Ireland are responsible and accountable to 
the relevant Devolved Administrations for the same matters. Where the relevant activities of 
the SLC relate to England and one or more of the Devolved Administrations; then the line of 
accountability will normally run through BIS. However, if a Devolved Administration 
wishes the SLC to operate special activities in their own territories, that Principal Accounting 
Officer will be directly accountable and responsible for the matters described above.

As Principal Accounting Officer for the SLC’s grant-in-aid, I am obliged to demonstrate to 
the Public Accounts Committee (PAC) that I am satisfied that the SLC has the financial 
management systems and organisation to enable it properly to administer its grant-in-aid. 
The Departmental Accounting Officers in Scotland, Wales and Northern Ireland have similar 
obligations to the Audit Committees of their respective Administrations. This underlines 
much of the Framework Document between the SLC and the Departments, and there needs to 
be regular contact between the SLC’s officers and officials in BIS, LLDS, DCELLS and 
DELNI.

In addition, BIS Internal Audit will normally take the lead responsibility and act on behalf of 
all four Accounting Officers in any review of the SLC’s internal controls and financial 
management arrangements, and may recommend improvements. Other than in exceptional 
circumstances, any such review would be undertaken in partnership with the SLC’s own 
Internal Audit service. This is, of course, distinct from the work of the SLC’s own Internal 
Audit service. However, if the Devolved Administrations make arrangements with the SLC 
to operate special activities in their own territories, then the Internal Audit service for the 
relevant Administration will be responsible, in conjunction with the SLC’s own Internal 
Audit service, for any specific reviews of these activities.

A standing arrangement exists for dealing with enquiries addressed to the SLC by the 
Comptroller and Auditor General, the Auditor General for Scotland, the Auditor General for 
Wales, or the Auditor General for Northern Ireland. A copy of such an enquiry will always 
be sent to this Department and, as appropriate, the relevant Department in the Devolved

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3 The Accountable Officer in the Education Portfolio of the Scottish Government, acting on behalf of Scottish Ministers 
(DCELL) has similar obligations to the Audit Committee of the Scottish Parliament, as does the Accounting Officer in 
the Department for Children, Education, Lifelong Learning and Skills in Wales (DCELLS) to the Audit Committee of 
the National Assembly for Wales, and as does the Accounting Officer in the Department for Employment and Learning 
in Northern Ireland (DELNI) to the Audit Committee of the Northern Ireland Assembly.
Administration, and the SLC should in all cases consult BIS before a reply is sent. BIS will in turn consult the Devolved Administrations. If the PAC, or Audit Committee of one of the Devolved Administrations, wishes to discuss any matter affecting the SLC, the assumption is that they will follow their usual custom of examining jointly the Principal Accounting Officer of the relevant Department and the accounting officer responsible for the grant-in-aid.

You should comply with any commitments which the Government makes in response to recommendations from the PAC or other Parliamentary bodies.

You should hold copies of “Managing Public Money” and the joint Cabinet Office and Treasury publication, “Public Bodies: A Guide for Departments”. You will also receive copies of the letters that the Treasury circulates to Accounting Officers from time to time and I will keep you informed of any other matters relating to your responsibilities for the SLC’s expenditure. I would also draw your attention to Annex C of the Framework Document which contains a list of other important guidance. If you have any difficulty locating any of these documents, your usual Departmental contacts will be able to advise on their availability.

It is a fundamental condition of your employment as Chief Executive that you carry out the duties of Accounting Officer for the SLC in accordance with the “NDPB Accounting Officer Memorandum” set out in Annex A to this appendix. If in the reasonable opinion of your Board or of myself you are no longer a fit person to carry out the responsibilities of an Accounting Officer, or it is otherwise in the public interest to do so, your designation as Accounting Officer will be withdrawn and your employment will normally terminate. In such a case the procedures that will apply will be the Board’s disciplinary procedures or the procedures relating to the withdrawal of Accounting Officer status from Chief Executives of NDPBs which are determined from time to time by the Head of the Home Civil Service.

The National School of Government\(^4\) provide various courses which may assist you in carrying out your duties as Accounting Officer, including “An Introduction to Public Accountability for Chief Executives”, a course specifically designed for newly appointed Chief Executives which I urge you to attend at the earliest opportunity. The college can be contacted direct on 01344 634628, or we can provide further information. I should be grateful if you will write and confirm when you have received this training.

In addition, you will have to have a general discussion with staff in the National Audit Office to obtain a proper understanding of their role. This will augment the training given at the National School for Government. Besides this, my staff are always ready to help and advise on particular issues or organise additional training.

\(^4\) http://www.nationalschool.gov.uk/index.asp
Howard Orr, the Department’s new Director of Finance, will be in touch to have a meeting with you to discuss your Accounting Officer duties. I myself am always ready to discuss any matters which you feel need my personal attention.

I am copying this letter, without enclosure, to Professor Sir Declan Hopkin (Interim Chairman of the SLC), the Comptroller and Auditor General, the Clerk to the PAC, the Treasury Officer of Accounts, Martin Boyle (Lifelong Learning, LLDS), David Hawker (Director, DCELLS), and Fergus Devitt (Director of Higher Education Division, DELNI).

Yours sincerely,

SIMON FRASER
ANNEX A: NDPB Accounting Officer memorandum

The responsibilities of an NDPB Accounting Officer

1. The senior official (usually the Chief Executive or equivalent) of a non-departmental public body (NDPB) is normally designated as Accounting Officer by the departmental Accounting Officer of the sponsor department. An Accounting Officer has the personal duty of signing the body's accounts. If the body is a Companies Act company, the accounts should be signed by both a director and the Accounting Officer of the body (unless the latter is also a director, in which case he or she may act as sole signatory). By virtue of this duty, the Accounting Officer has the further duty of being a witness before the Committee of Public Accounts (PAC) to deal with questions arising from those accounts or, more commonly, from reports made to Parliament by the Comptroller and Auditor General (C&AG) under the National Audit Act 1983.

2. Associated with these duties are the further responsibilities which are the subject of this memorandum. It is incumbent on the officials who serve as Accounting Officers to combine these duties with their duties to the board of the NDPB (or, where there is no board, to the senior appointee to the body), which they should inform of their designation.

3. NDPBs are financed in a variety of ways, e.g. by grant in aid, grant, income from fees and charges or private sector funds. An Accounting Officer is designated in the case of NDPBs which are financed by a large grant or grant in aid or where the accounts of the body are to be laid before Parliament. Where it is in the interests of public accountability, a department will also designate an Accounting Officer for an NDPB which receives its primary funding from other sources. It is an important principle that, regardless of the source of the funding, Accounting Officers are responsible to Parliament for the resources under their control.

4. This memorandum is directed at those who are formally designated as Accounting Officers. Its contents, however, are applicable to the senior official of an NDPB for which...
there is no designated Accounting Officer. This memorandum does not apply to those NDPBs (such as tribunals and advisory committees) which are funded directly by a department through an Estimate (as opposed to via grant or grant in aid) and for which the departmental Accounting Officer is therefore accountable.

5. Paragraph 6 below describes the responsibilities of a departmental Accounting Officer in relation to NDPBs. Paragraph 7 describes the general responsibilities of an Accounting Officer of an NDPB. Paragraphs 9–18 set out the responsibilities of Accounting Officers in respect of the funds for which they are responsible. Paragraphs 19–24 deal with the Accounting Officer's duties and responsibilities in respect of the National Audit Office and Public Accounts Committee. Paragraphs 25–7 describe the arrangements for covering the absence of an Accounting Officer.

Responsibilities of a departmental Accounting Officer

6. In relation to NDPBs, it is the responsibility of a departmental Accounting Officer to be satisfied that:

a. the financial and other management controls applied by the department are appropriate and sufficient to safeguard public funds and, more generally, that those being applied by the NDPB conform with the requirements both of propriety and of good financial management;

b. there is an adequate statement of the financial relationship between the department and the NDPB (in a Framework Document or similar document), and that this statement is regularly reviewed; and

c. the conditions attached to grants conform with the terms of the Estimate and that the sponsor department monitors compliance with those conditions.

The general responsibilities of an NDPB Accounting Officer

7. The designation as Accounting Officer reflects the fact that under the board (whether or not he or she is a member of the board) the Accounting Officer has responsibility, which
only he or she is in a position to discharge, for the overall organisation, management and
staffing of the NDPB and for its procedures in financial and other matters. The Accounting
Officer must ensure that there is a high standard of financial management in the NDPB as
a whole; that financial systems and procedures promote the efficient and economical
conduct of business and safeguard financial propriety and regularity throughout the NDPB;
and that financial considerations are fully taken into account in decisions on NDPB policy
proposals.

The specific responsibilities of the NDPB Accounting Officer

8. The essence of Accounting Officer's role is a personal responsibility for the propriety
and regularity of the public finances for which he or she is answerable; for the keeping of
proper accounts, for prudent and economical administration; for the avoidance of waste
and extravagance; and for the efficient and effective use of all the resources in their
charge.

9. As Accounting Officer you must:

a. personally sign the accounts (subject to the point in paragraph 1 about Companies
   Act companies), and in doing so accept personal responsibility for their proper
   presentation as prescribed in legislation or by ministers;

b. conform with the requirements of any financial memoranda and ensure that
   accounts are drawn up in accordance with any conditions set out in legislation, the
   accounts direction and relevant Treasury guidance;

c. ensure that proper financial procedures are followed and that accounting records
   are maintained in a form suited to the requirements of management as well as in
   the form prescribed for published accounts;

d. ensure that the resources for which you are responsible as Accounting Officer are
   properly and well managed (see paragraph 10 below) and safeguarded, with
   independent and effective checks of cash balances in the hands of any official;
10. An Accounting Officer should ensure that effective management systems appropriate for the achievement of the NDPB's objectives, including financial monitoring and control systems have been put in place. An Accounting Officer should also ensure that managers at all levels:

a. have a clear view of their objectives, and the means to assess and, wherever possible, measure outputs or performance in relation to those objectives;
b. are assigned well-defined responsibilities for making the best use of resources (both those consumed by their own commands, and any made available to organisations or individuals outside the NDPB), including a critical scrutiny of output and value for money; and
c. have the information (particularly about costs), training and access to the expert advice which they need to exercise their responsibilities effectively.

11. Accounting Officers must make sure that their arrangements for delegation promote good management and that they are supported by the necessary staff with an appropriate balance of skills. Arrangements for internal audit should accord with the objectives, standards and practices set out in the Treasury <i>Government Internal Audit Manual</i>. 
Regularity and propriety of expenditure

12. In respect of funds voted by Parliament, Accounting Officers have a particular responsibility for ensuring compliance with parliamentary requirements in the control of expenditure and any requirements imposed by the sponsor department. A fundamental requirement is that the funds for which they are responsible should be applied only to the extent and for the purposes authorised by Parliament. You must also comply with any conditions which ministers may attach to the grant or grant in aid. You must ensure that Parliament's attention is drawn to losses or special payments, by appropriate notation of the relevant account.

13. An Accounting Officer is responsible for ensuring that specific approval for expenditure has been obtained from the sponsor department in all cases where it is required, including cases involving pay, pensions and conditions of service. This will include any expenditure not covered by any authorities delegated by the department to the NDPB. As in the case of delegations from the Treasury to departments, delegated authority does not remove the obligation to submit to its sponsor department proposals which are novel or contentious. The Accounting Officer is also responsible for ensuring that adequate machinery exists for the collection and bringing to account in due form of all receipts of any kind connected with the accounts of the NDPB.

Advice to the board

14. An Accounting Officer has particular responsibility to see that appropriate advice is tendered to the board on all matters of financial propriety and regularity and, more broadly, as to all considerations of prudent and economical administration, efficiency and effectiveness. Accounting Officers will need to determine how and in what terms such advice should be tendered, and whether in a particular case to make specific reference to their own duty as Accounting Officer to justify, to the Public Accounts Committee, transactions for which they are accountable.
18. The board of an NDPB should act in accordance with the requirements of propriety or regularity (including the provisions of the NDPB’s management statement/financial memorandum, or other documents setting out the financial duties of the NDPB, or any government accounting or other rules governing the conduct of the NDPB). If the board or the chairperson is contemplating a course of action involving a transaction which you as Accounting Officer consider would infringe these requirements, however, you should set out in writing your objection to the proposal, the reasons for this objection, and your duty to notify the C&AG should your advice be overruled. If the board decides none the less to proceed, you should seek a written instruction to take the action in question. You should also inform your sponsor department’s Accounting Officer of the position, if possible before the board takes its decision or in any event before the decision is implemented, so that the department, if it considers it appropriate, can intervene with the board and inform the Treasury. If the outcome is that you are overruled, the board’s instruction must be complied with, but your request for the instruction and the instruction itself should be communicated without undue delay to the NDPB’s external auditors, and to the C&AG. Provided that this procedure has been followed, the PAC can be expected to recognise that the Accounting Officer bears no personal responsibility for the transaction.

19. If a course of action is contemplated which raises an issue not of formal propriety or regularity but relating to your wider responsibilities for economy, efficiency and effectiveness, it is your duty to draw the relevant factors to the attention of the board and to advise them in whatever way you deem appropriate. If your advice is overruled, and the proposal is one which as Accounting Officer you would not feel able to defend to the Public Accounts Committee as representing value for money, you should seek a written instruction before proceeding. The departmental Accounting Officer should be informed of such an instruction, if possible before the decision is implemented. It will then be for the departmental Accounting Officer to consider the matter, and decide whether or not to intervene. If the outcome is that the difference between yourself and the board nevertheless remains unresolved, the Treasury should be informed and your request for the instruction and the instruction itself should be communicated to the C&AG without undue delay, as in cases of propriety or regularity (paragraph 15 above).
17. If, because of the extreme urgency of the situation, there is no time to submit advice in writing to the board in either of the eventualities referred to in paragraphs 15 and 16 before the board takes a decision, you must ensure that, if the board overrules the advice, both the advice and the board’s instructions are recorded in writing immediately afterwards.

18. If an Accounting Officer is also the chairman or a member of the board, he or she should ensure that the responsibilities as Accounting Officer do not conflict with those as a board member. For example, if the board proposes action which, as Accounting Officer, you could not endorse, and would therefore advise against, you should, as a board member, vote against such action, or ensure that your opposition as a board member as well as the Accounting Officer is clearly recorded if no formal vote is taken. In serious cases, it will not be sufficient to protect your position as a board member merely to abstain from a decision which cannot be supported.

**Appearance before the Public Accounts Committee**

19. Where the C&AG is the auditor of the NDPB or has rights of inspection (either by statute or by agreement) then the C&AG may also, under the National Audit Act 1983, carry out examinations into the economy, efficiency and effectiveness with which the NDPB has used its resources in discharging its functions. An Accounting Officer may expect to be called upon to appear before the Committee from time to time, normally with the Accounting Officer from the sponsor department, to give evidence on the reports arising from these examinations or reports following the annual certification audit, and to answer the Committee’s questions concerning expenditure and receipts for which he or she is Accounting Officer. An Accounting Officer may be supported by one or two other senior officials who may, if necessary, assist in giving evidence.

20. Treasury officials attend Committee hearings, and may be asked to comment on the evidence. The Treasury has the formal responsibility for presenting Estimates to Parliament, for prescribing the form of accounts and the rules of *Managing Public Money* and for promoting good financial management in departments. This goes with the
Treasury's central responsibility for the operation of public expenditure control. Parliament has traditionally regarded the Treasury as an ally in controlling expenditure.

21. An Accounting Officer will be expected to furnish the Committee with explanations of any indications of weakness in the matters covered by paragraphs 8–13 above, to which their attention has been drawn by the C&AG or about which they may wish to question the Accounting Officer.

22. In practice, an Accounting Officer will normally have delegated authority to others, but cannot on that account disclaim responsibility or dilute his or her accountability. Nor, by convention, does the incumbent Accounting Officer decline to answer questions where the events took place before taking up appointment: the Committee may be expected not to press the incumbent’s personal responsibility in such circumstances.

23. The Committee has emphasised the importance it attaches to accuracy of evidence, and the responsibility of witnesses to ensure this. In order to ensure that relevant lines of enquiry may be pursued at its hearings: The Accounting Officer should ensure that he or she is adequately and accurately briefed on matters which are likely to arise at the hearing. The Accounting Officer may, however, ask the Committee for leave to supply information not within his or her immediate knowledge by means of a later note. Should it be discovered subsequently that the evidence provided to the Committee has contained errors, these should be made known to the Committee at the earliest possible moment.

24. In general, the rules and conventions governing appearances of officials before parliamentary committees apply to the Public Accounts Committee, including the general convention that officials do not disclose the advice given to the board. Nevertheless, in a case where the procedure described in paragraph 15 was used concerning a matter of propriety or regularity, the Accounting Officer’s advice, and its overruling by the board, would be disclosed to the Committee. In a case covered by paragraph 16, where the advice of an Accounting Officer has been overruled in a matter not of propriety or regularity but of prudent and economical administration, efficiency or effectiveness, the C&AG will have made clear in the report to the Committee that the Accounting Officer was
overruled. The Accounting Officer should seek to avoid disclosing the advice given to the board, though subject to their agreement the Accounting Officer should be ready to explain the reasons for their decision.

Absence of an Accounting Officer

25. An Accounting Officer should ensure that he or she is generally available for consultation and that in any temporary period of unavailability due to illness or other cause, or during the normal period of annual leave, there will be a senior officer in the NDPB who can act on his or her behalf if required.

26. If it becomes clear to the board that an Accounting Officer is so incapacitated that he or she will be unable to discharge these responsibilities over a period of four weeks or more, the sponsor department should be notified so that an acting Accounting Officer can be formally designated, pending the Accounting Officer’s return. The same applies if, exceptionally, the Accounting Officer plans an absence of more than four weeks during which he or she cannot be contacted.

27. The Public Accounts Committee may be expected to postpone a hearing if the relevant Accounting Officer is temporarily indisposed. Where the Accounting Officer is unable by reason of incapacity or absence to sign the accounts in time to submit them to the minister, the NDPB may submit unsigned copies pending the Accounting Officer’s return. If the Accounting Officer is unable to sign the accounts in time for printing, the acting Accounting Officer should sign instead.
From: [S40(2) (personal information)]
Sent: 2 June 2010 11:54
To: Taroub Zahran;
Cc: [S40(2) (personal information)]; [S40(2) (personal information)];
Madeleine Durie
Subject: FW: Message from Deian Hopkin and Sally Smedley etc - SLC interim CEO

Taroub,

[S40(2) (personal information)] from Penna, the recruitment consultant acting on behalf of Ed Lester, have been in touch with Madeleine asking for a contact within the Company who is dealing with Ed’s appointment.

I would be hugely grateful if someone from your team could get in touch with [S40(2) (personal information)] today. [S40(2) (personal information)]’ number is [S40(2) (personal information)]; e-mail: [S40(2) (personal information)].

Many thanks. Kind regards,

[S40(2) (personal information)]

From: Taroub Zahran
Sent: 02 June 2010 12:45
To: Michael Hipkins; S40(2) (personal information)
Subject: RE: Interim CEO

Hi

Just to let you know that [S40(2) (personal information)] and I have spoken and all contracting etc. is progressing

All the best

Taroub

Taroub Zahran (Ms)
Interim HR/OD Director
Student Loans Company Ltd.
From: Chris Andrew
Sent: 07 June 2010 13:29
To: Michael Hipkins
Subject: Confidential - update

Mike

Re your email/discussion with S40(2) (personal information) of earlier today with regard to Ed's appointment and his Accounting Officer responsibilities, I am planning to sit down with Ed and S40(2) (personal information) tomorrow to help move things on, and I will give you a call beforehand to find out your perspective on this. If necessary, I will also speak to Deian, as I understand that you were also planning to have a word with him on this matter. I am keen that we tie this up in an open manner with Ed as quickly as possible, which I know you will agree is the best way forward.

Chris

Chris Andrew
Company Secretary

From: Chris Andrew
Sent: 07 June 2010 13:29
To: Michael Hipkins
Subject: Re: Confidential – update

There is another aspect re Companies House and being a registered director of the Company.
Both aspects will also need to be considered from a personal tax and NI perspective as well, on which we have received some advice.
I will give you a call later on, as I am off this afternoon and need to deal with a couple of personal matters.
Chris
E-mail chain dated 12 June 2010

From: Sally Smedley
Sent: 12 June 2010 21:49
To: Ed Lester
Cc: Deian Hopkin; Michael Hipkins; Chris Andrew
Subject: Re: FW: Employment status

Thanks Ed

This is such a typical consultancy response; it is not really very clear nor helpful and does not provide solutions. I still believe that there are solutions eg why does Ed have to be on the Board given that he will be around for a limited period; could someone else eg Les be accounting Officer etc etc

[Information redacted as outwith scope of FOI request]

My view is that we should have a telecon with the person who wrote this; given your interest in the matter it might be better if you were not party to it and I suggest that Deian, Mike and myself participate with Chris Andrew present; Chris could you set this up asap please?

I can do Monday, but not between 12.00 and 14.30
Tuesday before 12 noon
Wednesday after 16.00

At least this was more interesting than the English footie.........

Kind regards

Sally

Sally C Smedley
S40(2) (personal information)

From: Ed Lester
Subject: FW: Employment status
To: Sally Smedley
Cc: Deian Hopkin
Date: Saturday, 12 June, 2010, 18:58

Sally
I have attached the KPMG opinion for your review
Enjoy the weekend
Best wishes
Ed
From: S40(2)(personal information)
To: S40(2)(personal information)
CC: Chris Andrew; Ed Lester; S40(2)(personal information); S40(2)(personal information); S40(2)(personal information)
Date: 10/06/2010 16:39
Subject: Employment status

S40(2)(personal information)

Following on from our call yesterday, please find attached our advice on the employment status points we discussed.

If you would like to talk this through in more detail, I will be in the office all day tomorrow, and my direct line is S40(2)(personal information).

Kind Regards
S40(2)(personal information)

S40(2)(personal information)
KPMG LLP
Saltire Court
Castle Terrace
Edinburgh
EH1 2EG
S40(2)(personal information)
From: Michael Hipkins  
Sent: 13 June 2010 11:15  
To: John Sands; Daniel Jenkins;  
Cc: Ed Lester; Marion Maddox; Madeleine Durie; S40(2) (personal information); Chris Andrew; Sally Smedley  
Subject: SLC interim directors and CEO – advice, please

John, Daniel -

I would be grateful for your advice to resolve an issue that has arisen over the status of the [information redacted as outwith scope of request] interim CEO at the SLC. The underlying question is: what differences there are between an employee and someone engaged on a consultancy contract? That is, are there characteristics of the job or the duties that go with it which are exclusively for an employee, and where a consultancy contract - even if it it is in place - is inappropriate? This breaks down into three inter-twined themes, of which the first two apply to the interim CEO only:

- for the interim CEO, can someone on a consultancy contract also be the Accounting Officer of an NDPB? We have now resolved this and the answer is yes;
- similarly, can an interim CEO on a consultancy contract also be a Director of the Company? The SLC are looking into this and - so far as I know - have not yet come up with a response; and
- even though an interim executive director has a consultancy contract (and is therefore not an employee) would that person be deemed to be an employee because of what they do (irrespective of the form of the contract) and there for the treatment of National Insurance would have to be appropriate to an employee? The SLC is anxious to apply the appropriate tax and NI treatment.

[Information redacted as outwith scope of request.] In the case of the CEO ([Information redacted as outwith scope of request]) the consultancy contract is held with an agency (Penna) at a daily rate. The interim CEO's daily rate is then paid by Penna into the CEO's personal company, which is tax-efficient. The SLC asked KPMG (as its external auditors and source of consultancy advice) for advice: this is attached. I suspect this advice needs to be scrutinised carefully. My understanding is that interim appointments are made routinely in a variety of organisations, and consultancy contracts with payments via personal companies are commonplace (if they were not, individuals would not form personal companies) and that in these arrangements the interim can have a wide range of responsibilities.

It would be helpful to have your urgent advice since the contract with the interim COO is due to be reviewed later this week.

MFH
Student Loans Company
Employment status

Background

Executive Summary

Ed Lester

Ed Lester is an office holder of SLC. We have reviewed the arrangements in place for the provision of his services and can confirm that SLC will be responsible for operating PAYE and employee and employer NIC on the remuneration relating to this appointment.

As a result of Ed Lester’s holding an office SLC, the other entities involved in the provision of his services (Ed Lester’s personal service company, Peuna and BIS) do not have an obligation to operate PAYE and NIC, and the responsibility to operate PAYE and NIC falls on SLC. We have detailed the legislative position on these points in more detail below.

Ed Lester

We have firstly looked at the position for Ed Lester, who has been appointed as interim chief executive of SLC.
Student Loans Company
Employment status

Background

Executive Summary

Ed Lester

Ed Lester is an officer holder of SLC. We have reviewed the arrangements in place for the provision of his services and can confirm that SLC will be responsible for operating PAYE and NIC on the remuneration relating to this appointment.

As a result of Ed Lester’s holding an office in SLC, the other entities involved in the provision of his services (Ed Lester’s personal service company, Penna and BIS) do not have an obligation to operate PAYE and NIC, and the responsibility to operate PAYE and NIC falls on SLC. We have detailed the legislative position on these points in more detail below.

Ed Lester

We have finally looked at the position for Ed Lester, who has been appointed as interim chief executive of SLC.
However, given the complex arrangements in place for providing EL's personal services, we need to consider whether there is, in these circumstances, an obligation to operate PAYE and NIC, and which entity is responsible.

**Personal Service Company – IR35 rules**

Where an individual provides their personal services to an end user through an intermediary company, then the IR35 rules should be considered. Broadly, these provisions apply where, but for the existence of the intermediary company, there would be an underlying employment relationship between the individual and the end user. Where there is an underlying employment relationship, then the income received by the intermediary company in respect of the engagement is classed as "deemed" employment income, and the intermediary company has an obligation to operate PAYE and NIC on this income.

However, the IR35 legislation specifically does not apply to office holders (s40(1)(c) ITEPA 2003) and is therefore not relevant in relation to EL's position. As a result, EL's personal service company cannot have an obligation to operate PAYE and NIC on remuneration relating to SLC, and so the obligation to operate PAYE and NIC would fall back to SLC.

**Perma - Agency rules**

s44 and s45 ITEPA 2003 set out the rules with regards to the treatment of workers supplied by agencies. The legislation states that where:

- the individual personally provides services to the end user,
- the services are supplied through an agency under the terms of an agency contract,
- the worker is subject to supervision, direction or control as to the manner in which the services are provided, and
- remuneration receivable under or in consequence of the agency contract does not constitute employment income of the worker,

the services provided by the worker will be treated as earnings from an employment with the agency.

As EL is an office holder of SLC, the final condition for the agency rules to apply will not be met. EL is an office holder of SLC and so his income from SLC will be deemed to be employment income under s45 ITEPA 2003. As a result, Perma will not be required to operate PAYE and NIC on the remuneration from SLC, and the obligation to operate PAYE and NIC will fall back to SLC.
BIS - Payments by intermediary

An intermediary is any person or body acting on behalf of the employer and at the expense of the employer.

We understand that there is no contractual arrangement in place between Perma and SLC, but that there is an agreement between Perma and BIS for the provision of EL's services. It is anticipated that SLC will ultimately bear the cost of EL's engagement, but the mechanism for this has not yet been established.

s687 ITEPA 2003 sets out the position where a payment to an employee or office holder is made by an intermediary of the employer (i.e. the company of which the individual is an office holder). Where the intermediary does not deduct PAYE from the payment, then the employer is deemed to have made a payment to the employee, and is responsible for operating PAYE.

Based on the above, even if BIS is making the payment to Perma, then SLC would have the obligation to operate PAYE and NIC on the remuneration relating to SLC, unless BIS accounts for PAYE and NIC.

Conclusion

Based on the facts and circumstances and our analysis of the legislative position, BIS will be an office holder of SLC and SLC will have an obligation to operate PAYE and employee and employer NIC on remuneration paid in respect of this role.

Given that no formal contractual arrangements are yet in place, it may be appropriate to simplify the structure under which EL’s services are provided and for SLC to engage with EL personally.
From: Chris Andrew
Subject: Re: SLC interim directors and CEO - advice, please
To: Michael Hipkins
Cc: Daniel Jenkins; Ed Lester; John Sands; S40(2)(personal information); Madeline Durie; Marion Maddox; Sally Smedley
Date: 13 June, 2010, 16:17

Mike

S40(2) (personal information) the Company's Legal & Compliance Manager, has prepared a separate briefing note on this, which I attach for your information. She will be happy to provide more information. Please let me know if this is required.

Chris

Chris Andrew
Company Secretary

Attachment: Note to Deian Hopkin

[Information redacted as outwith scope of request.]

2. Interim Chief Executive

The terms for appointment have been agreed through BIS directly with the Employment Agency Penna, again on a consultancy basis. The same risks apply as to whether this would be deemed a true consultancy arrangement by HMRC. This is exacerbated by the issue of offices held by this post; Accounting Officer and Director at Companies House. There is no absolute requirement in terms of the Companies Act for an executive director to be an employee (absent anything in SLC's constitution). However it is unlikely that they would be otherwise, no matter the title or presence of a service agreement, given the likely level of involvement in the company would be enough for them to meet the common law test of employment.

[Information redacted as outwith scope of request.]

From: Michael Hipkins
Sent: 13 June 2010 16:38
To: Sally Smedley
Cc: Deian Hopkin; Chris Andrew; Ed Lester
Subject: RE: FW: Employment status

Sally -

Our emails have crossed. Following a conversation with Deian and Ed on Friday, I have commissioned advice from HR and legal in BIS since I too think this needs to be challenged.

MFH
From: Chris Andrew  
Sent: 16 June 2010 11:35  
To: [S40(2)(personal information)]  
CC: [S40(2)(personal information)]  
Subject: Interims

[S40(2)(personal information)]

I believe that you were in contact with [S40(2) (personal information)] yesterday regarding the above. Please can you let me know if there is any further update or query on this matter, particularly with regard to the accounting officer aspect.

Thanks

Chris Andrew  
Company Secretary

---

From: [S40(2) (personal information)]  
Sent: 16 June 2010 12:04  
To: Chris Andrew  
CC: [S40(2) (personal information)]; Michael Hipkins; Madeleine Durie  
Subject: RE: Accounting Officer

Chris,

I reported back to Mike on the outcome of the issue as to whether an Accounting Officer can be paid on a consultancy contract last week and informally notified Shareen over the phone, thinking Mike was going to formally notify you. However, yesterday I saw an e-mail from him to me (sent Friday) asking me to do so.

Just to confirm, therefore, that Treasury have advised that there is nothing in principle to stop a consultant being appointed as an Accounting Officer, although it is a very rare occurrence. The test is whether the Principle Accounting Officer considers that such a person can properly carry out the role. In signing the letter appointing Ed Lester as SLC’s Accounting Officer, Simon Fraser is confirming that he considers Ed Lester to have the appropriate qualifications and experience. The nature of his contract therefore is not a barrier to him having this particular role.

Kind regards,

[S40(2) (personal information)]
From: Michael Hipkins  
Sent: 16 June 2010 14:34  
To: Ed Lester; Deian Hopkin; [S40(2) (personal information)]; SALLY SMEDLEY; [S40(2) (personal information)]  
Cc: Madeleine Durie; [S40(2) (personal information)]; Chris Andrew; [S40(2) (personal information)]; Marion Maddox  
Subject: SLC interim directors and CEO

Ed, Deian, Sally –

Let me try to draw together the threads of what we know about the appointments of the interim directs at the Company.

There were three questions:

1. in the case of the interim CEO, is there any incompatibility between being the Accounting Officer and being on a consultancy contract?
2. again in the case of the interim CEO, is there any incompatibility between being a Director of the Company and being on a consultancy contract? And
3. [Information redacted as out with scope if this request]

By way of advice we have the paper from KPMG, the note from [S40(2) (personal information)], and I have sought advice from legal and HR colleagues here.

1. Starting with the most straightforward question, the advice is that having an interim CEO with a consultancy contract as an Accounting Officer is unusual but there is nothing to rule it out. The test is rather whether the individual has the skills and experience to discharge the role of Accounting Officer. Moreover, when the interim CEO’s remuneration was put to the Treasury for clearance, they raised no objection.

2. The legal advice I have received is that it does not appear that the Articles of the Company prohibit the CEO as a Director of the Company from holding a consultancy contract, though that does not say anything about the employment status of the interim CEO. There may be more to say on this from the Company, where I understand [S40(2) (personal information)] was making enquiries.

3. The legal advice I have received is along the lines of that received from KPMG, namely that the individual cases would be judged on a number of factors, including the degree of integration with the Company which is needed for the CEO to carry out his duties. Having said that, the HR advice is that in practice interims on short term contracts, often held through a limited company via a recruitment agency, hold all kinds of positions where they act as employees. The risk, which nearly the whole of the interim industry currently runs, is that a contract for “supplying an individual” is deemed to be an employment contract, rather than a commercial contract for services. So it
appears there is a risk, and there needs to be a judgement whether the risk is worth running. For my part, I note that when the terms of the interim CEO’s remuneration were cleared with Treasury, they raised no objection to the form of the contract, nor that there was agency acting as intermediary.

The particular concern of the Department was Q1, which is now cleared. It remains for the Company to make a judgement about Q2 and Q3. For my part, it looks as if the Company would be running no greater a risk than any other Company employing interims on consultancy contracts; and the fact that the Treasury raised no objection to then proposed arrangement in the case of the CEO must mitigate that risk further.

MFH

M F Hipkins

From: Sally Smedley
Sent: 16 June 2010 16:11
To: Ed Lester; Deian Hopkin; Michael Hipkins
Cc: Chris Andrew
Subject: SLC interim directors and CEO

Mike

this is most encouraging; as far as I am concerned commonsense can prevail and we should go ahead as planned just as an other company would.

regards

Sally

Sally C Smedley
Email chain 23 June 2010

From: Michael Hipkins
Sent: 23 June 2010 @ 11:02
To: Chris Andrew
Subject: Fw: SLC interim directors and CEO - advice, please

Chris -
I ought not to copy BIS legal advice to you, so please do not quote this, but happy for you to give the gist.
MFH

From: Daniel Jenkins
To: Michael Hipkins John Sands
Cc: Maddox Marion; Durie Madeleine; [S40(2)(personal information)]; [S40(2)(personal information)]
Sent: Mon Jun 14 12:19:112010
Subject: RE: SLC interim directors and CEO - advice, please

Mike

Thank you for your e-mail. I see that SLC lawyers have since provided a long note, particularly on the sorts of things which are taken into account in determining whether someone is an employee, or working under a contract for services. Helen in my team and I have looked at that note, which seems to us to identify the right tests, and so you may not need any input from me. Briefly, on your three questions:
- I think you have an answer to point 1.
- At point 2, you ask whether an interim CEO on a consultancy contract can also be a Director of the Company. Article 278 enables the Directors to appoint one of their body to hold "executive office in the management of the business . . . for such fixed term or without limitation as to period and on such terms as they think fit . . .". So it doesn't look as though there is a prohibition in the Articles on the CEO being a consultant. However, applying the tests of employment status, I wonder whether it is possible for CEO to be anything other than an employee/office holder, given the degree of integration into the Company which he presumably needs to carry out his duties. This seems to be the conclusion reached by SLC lawyers, and I see no reason to disagree.
- On point 3, I think SLC are in the best position to judge how the employee/consultant tests apply to the particular facts of the various individuals.

They are doing the right thing by consulting KPMG and their lawyers on these issues and, particularly on the tax questions, I am not in a position to second-guess that advice.

Please let me know if there any further specific questions you would like me or [S40(2)(personal information)] to consider.

Daniel
Email chain 23 June 2010

From: Michael Hipkins
Sent: 23 June 2010 @ 11:43
To: Chris Andrew
Subject: Fw: SLC interim directors and CEO - advice, please

Chris -
Here's the other advice. Again, please do not quote, just give the gist.
MFH

From: John Sands
To: Michael Hipkins Michael
Cc: Maddox Marion; Durie Madeleine; S40(2)(personal information)
Sent: Tue Jun 15 09:04:50 2010
Subject: RE: SLC interim directors and CEO - advice, please

Michael,
The legal position is as advised and I'm not a lawyer. In practice you are right, interims on short term contracts, often through a limited company via a recruitment agency, hold all kinds of positions where they act as employees. The risk, which nearly the whole interim industry currently runs, is that a contract for "supplying an individual" is deemed to be an employment contract, rather than a commercial contract for services. For example, could Penna provide another CEO, if Ed became ill or went on a pre-arranged holiday - Penna would argue that they could which is why the contract is through an agency. It is tax efficient for the individual, there is no employment contract, just a commercial arrangement between an organisation eg SLC, BIS, DWP, Unilever, or whomever, with an Agency, eg Penna to supply services. Penna then enters a commercial arrangement with one of a range of suppliers that they use which happen to be small limited companies.

I trust that this is helpful.

Happy to discuss.

From: Hipkins Michael
Sent: 15 June 2010 06:36
To: Sands John
Cc: Maddox Marion; Durie Madeleine; [S40(2)(personal information)]
Subject: Re: SLC interim directors and CEO - advice, please

John –

I would welcome your view on this. As I understand it, interims on consultancy contracts hold all kinds of positions where they act as employees. But you know more than I do.

MFH
From: Jenkins Daniel  
To: Hipkins Michael; Sands John  
Cc: Maddox Marion; Durie Madeleine; [S40(2)(personal information)]; [S40(2)(personal information)]  
Sent: Mon Jun 14 12:19:11 2010  
Subject: RE: SLC interim directors and CEO - advice, please

Mike

Thank you for your e-mail. I see that SLC lawyers have since provided a long note, particularly on the sorts of things which are taken into account in determining whether someone is an employee, or working under a contract for services. S40(2)(personal information) in my team and I have looked at that note, which seems to us to identify the right tests, and so you may not need any input from me.

Briefly, on your three questions:
- I think you have an answer to point 1.
- At point 2, you ask whether an interim CEO on a consultancy contract can also be a Director of the Company. Article 27B enables the Directors to appoint one of their body to hold "executive office in the management of the business . . . for such fixed term or without limitation as to period and on such terms as they think fit . . .". So it doesn't look as though there is a prohibition in the Articles on the CEO being a consultant. However, applying the tests of employment status, I wonder whether it is possible for CEO to be anything other than an employee/office holder, given the degree of integration into the Company which he presumably needs to carry out his duties. This seems to be the conclusion reached by SLC lawyers, and I see no reason to disagree.
- On point 3, I think SLC are in the best position to judge how the employee/consultant tests apply to the particular facts of the various individuals.

They are doing the right thing by consulting KPMG and their lawyers on these issues and, particularly on the tax questions, I am not in a position to second-guess that advice.

Please let me know if there any further specific questions you would like me or [S40(2)(personal information)] to consider.

Daniel
E-mail Chain 14 October 2010

From: Les Campbell  
Sent: 14 October 2010 16:38  
To: Michael Hipkins  
Cc: Sally Smedley  
Subject: Fw: Penna Plc  

Attachments: 20101014 - Lester E P - ltr.doc

Mike

Good news on the Penna front - they have approved the process that we have put in place for Ed.

I spoke to Sally earlier this afternoon and I've also updated [S40(2) (personal information)] of Penna.

We'll now process the outstanding invoices from Penna.

regards

Les Campbell  
Finance Director  
0141 243 3642

----- Forwarded by Les Campbell/SLC on 14/10/2010 16:36 -----  

From: [S40(2) (personal information)]  
To: Les Campbell; [S40(2) (personal information)]  
14/10/2010 16:12  
cc: [S40(2) (personal information)]; [S40(2) (personal information)]  
Subject Fw: Penna Plc

In the better late than never category comes approval from HMRC to pay Ed Lester via Penna per attached.

We will now proceed to process their invoices.

Regards

----- Forwarded by [S40(2) (personal information)] on 14/10/2010 16:11 -----  

[S40(2) (personal information)]  
To: [S40(2) (personal information)]  
14/10/2010 12:30  
cc:  
Subject FW: Penna Plc

Dear [S40(2) (personal information)]

I've dealt with your letter of 13 August 2010. As you'll see from the copy letter attached, payment of fees gross is approved. The signed original should be with you in the next few
days.
I'm sorry it's taken so long to finalise this case.

Regards

[S40(2) (personal information)]

Technical Support Inspector

HMRC Customer Operations

Cardiff Group
Senior Finance Manager
Student Loan Company
100 Bothwell Street
Glasgow
G2 7JD

Date  14 October 2010
Our ref
Your ref

E P LESTER – PENNA PLC

has passed for my attention the copy of your letter of 13 August 2010.
Though the point at issue is strictly within the remit of an Employer Support Team, in view of
the delay, I am dealing with the matter.

Against the background of the information supplied, I am happy to accept that the fees paid
in respect of Mr Lester’s duties may be paid gross. This treatment relates to him only, and
fees paid in other circumstances or to other individuals will have to be reviewed in the light of
the circumstances of such cases.

I have noted my records accordingly, and offer my apologies for any inconvenience caused
by the delay in finalising this matter.

Yours sincerely

HM Inspector of Taxes
From: SALLY SMEDLEY  
Sent: 16 November 2010 12:06  
To: Howard Orme  
Cc: Ed Smith; Michael Hipkins  
Subject: SLC CEO STRICTLY CONFIDENTIAL

Dear Howard,

Michael Hipkins will have contacted you regarding our progress on this matter. I now have reasonable clarity regarding the issues and options and believe that we are not too far away from reaching a realistic package; however there are matters which need resolution and I would appreciate having the opportunity to discuss with you.

We have now interviewed 5 candidates having advertised and 'searched' via headhunters, and as a result our preferred candidate is Ed Lester who is as you know currently on an interim contract with SLC. There are of course benefits to us all in having the continuity and costs savings (no overlapping contracts etc) that his appointment would provide. We do however also have a good 2nd choice should we be unable to conclude a deal with Ed.

We are of course conscious of the public sector constraints and are keen to find the best solution for SLC whilst honouring these constraints.

My current view is that a package similar to that which Ralph S-J received is possible; however Ed would lose out to some extent on the tax efficiency as I believe (still checking) that under revenue rules extending his existing contract by 2 years would in revenue eyes preclude him from continuing with contractor status.

The other key issue is living expenses. This is not just an Ed issue as our second choice candidate would have similar issues, and this could only be avoided in the unlikely event that we identified a local (to Glasgow) candidate which we have failed to do so far.

The areas therefore that I would like to discuss with you are as follows:

Pay:
1. Ideally we would set a base salary of £150k pa  
   This is an increase on RSJ's base of £145k but bearing in mind this would not be reviewed during the 2 year pay freeze, and the loss of tax efficiency if Ed becomes an employee, this seems fair.
2. 12% supplement for Ed to either pay into a private pension or to take as cash as he chooses (no change from RSJ deal)  
3. Max bonus of 15% also per RSJ deal.
4. Life cover and long term sick cover per normal contract

Contract
Whilst I am investigating the possibility of continuing the current contractual basis as indicated above it is possible that the revenue will not find it acceptable in which case we would set up a 2 year fixed term 'standard' contract with the company with a notice period included within; there will be costs payable to Penna either way.

Living expenses
Propose to pay his travel expenses from home to Glasgow weekly and living costs whilst in Glasgow to a reasonable limit; this is likely to be between £400 and £500 per week; we would need to gross this up for tax (clearly other travel and accommodation would be covered by normal expenses)

I would appreciate a conversation about these thoughts with you
Kind regards
Sally
Sally C Smedley
Hi Howard

Following your discussions with Ed Smith, and my discussions with Ed Lester I have amended the proposal.

With regard to expenses I am satisfied that £550 per week is realistic, given that travel costs alone with flights, taxes and taxis typically cost £300 per week. It is proposed to pay expenses against receipts and not as a per diem so any reductions he can make in travel costs will be reflected.

Please let me know if you wish to amend the proposal in any way

Kind regards

Sally

Sally C Smedley

Attachment: SLC CEO PACKAGE

REQUEST FOR APPROVAL OF REMUNERATION PACKAGE FOR CEO OF STUDENT LOANS COMPANY

Following critical reports of the SLC service during 2009/10 the CEO was replaced by an interim CEO whilst recruitment of a permanent replacement was progressed. The post was advertised and a search undertaken following which a number of candidates were interviewed. Two potential candidates were identified and it was decided to recommend that Ed Lester, the incumbent interim CEO should be offered the post on a 2 year fixed term contract.

The previous CEO’s package was a package of between £160-170k comprising:
Salary of £144,947
Bonus of up to 15% of annual salary
Personal pension contributions of 12% of annual salary

The interim CEO package is:
£900 per day plus a bonus of £150 per day which equates to an annual package of between £167,400 and £195,300 depending on level of bonus paid. Agent’s fees are also paid on a per diem basis. In addition travel and subsistence expenses are paid to the individual.

It is proposed to offer the CEO the following package:
£140,000 basic
10% max bonus scheme
20% of base pay paid in cash to represent contribution to pension scheme
Normal SLC benefits eg holiday
Travel and living expenses up to £550 per week paid against actual receipts.

The nature of the contract with the individual will be similar to his interim contract, provided that the HMRC concession can be extended for a further 2 year term, and will include payment of agent's fees in the same way as currently. Under this arrangement SLC will not be responsible for PAYE nor NI contributions. Should the revenue’s concession not be extended then a "standard" 2 year employment contract will be offered. In the latter case, living expenses would need to be grossed up for tax.

The justification for paying living expenses relates to the need to recruit an individual who has the skills and experience to succeed in the role which is Glasgow based. Unfortunately there were no suitable candidates residing in the area and the first and second choices for this role are both England based. Normally one would consider paying relocation costs, however given the uncertainty surrounding the role and the future of SLC this is not a realistic option, hence the proposal of a two year assignment supported by living costs. The proposed sum £550 per week covers travel costs between home and office and return, including one airfare per week and travel to and from airports which typically costs £300 per week, plus £250 pw towards accommodation in the Glasgow area. Clearly other travel costs would be covered by the normal business expense policy.

The 2010/11 performance has been a significant improvement over 2009/10 and in the proposed candidate has demonstrated that he has the leadership and intellectual skills to turn around the SLC whilst also undertaking any changes which might be required following the Government’s ongoing reviews. The level of package reflects the need to employ someone of this calibre particularly during this period of change and ambiguity.

The package is less than indicated by survey data provided by Hay who undertook a study earlier in 2010 on behalf of the SLC Remuneration Committee. This suggests a package of c£174k excluding pension contributions and other benefits, comparing the role with public sector CEO at median. This proposal recognises the need to take account of the individual’s requirements and market worth, particularly with the combination of public and private sector experience which he has, and to ensure that he feels sufficiently valued.

Sally C Smedley
Chair of Remuneration Committee, SLC

1 December 2010
From: Howard Orme  
Sent: 01 December 2010 17:12  
To: SALLY SMEDLEY  
Cc: Ed Smith; Hipkins Michael (HEFSFL); [S40(2) (personal information)]  
Subject: RE: Proposed SLC CEO package  

Thanks  

Will put it into our approval process asap  

H  

From: [S40(2) (personal information)]  
Sent: 15 December 2010 12:13  
To: Martin Boyle; John Neill; Steve Nicholls  
Cc: Michael Hipkins; Madeleine Durie; [S40(2) (personal information)]; Chris Andrew  
Subject: Confidential: SLC CEO Appointment  
Attachments: Letter from Ed Smith to David Willetts 151010.pdf  

Dear All,  

Please see attached letter from SLC Chair Ed Smith seeking approval to appoint Ed Lester as SLC Chief Executive. I would be grateful if you could please bring this to the attention of your Ministers.  

Chris Andrew has asked me to forward this on his behalf as he is in London today and this is being dealt with in the strictest confidence at the SLC.  

As advised previously, it is not our intention for David Willetts to write to Ministers in the Devolved Administrations prior to approving the appointment (assuming it is approved), which remains subject to various clearances across Government. Following receipt of these clearances and confirmation from Scottish Ministers that they are content, David Willetts will write to Ed Smith, copied to counterparts in the DAs. I would be grateful if you could please provide up to date contact details for your Ministers' offices.  

Recognising the limited time available, if Ministers in Wales and Northern Ireland have views on this appointment I would be grateful if they could bring them to the attention of David Willetts at the earliest opportunity, letting me know if they are intending to do so.  

Kind regards,  

[S40(2) (personal information)]
Private & Confidential
David Willetts MP
Minister of State for Universities and Science
Department for Business Innovation & Skills
1 Victoria Street
London
SW1H OET

15 December 2010

Dear David

Appointment of Chief Executive Officer

At a special meeting of the Company’s Remuneration Committee on Monday, 13 December, it was agreed that a proposal should go forward to the next Main Board meeting on Tuesday, 21 December, recommending that Ed Lester should be appointed as Chief Executive Officer for the Company for a two year fixed term period with effect from that date. I am therefore writing to you on this matter to seek your approval to his appointment in advance of the Board meeting, and have also copied this letter to the Devolved Administrations for information. Approval is being sought in parallel from Scottish Ministers by Scottish officials.

I understand that this proposal is also subject to clearance from HM Treasury on the terms of his appointment, which your officials are working to gain as quickly as possible. The terms that have been proposed are a base salary of £140,000 per annum with a maximum 10% bonus, an additional 20% of base pay paid in cash to represent a contribution to his pension arrangements, travel and living expenses of up to £550 per week to be paid against actual receipts, and normal SLC holiday benefits. The Company’s Remuneration Committee have agreed that these terms are appropriate and indeed represent good value when compared to the relevant market comparators. I am also aware that the package has been approved by your Department’s Partner Organisations Remuneration Committee.

You will wish to note that it has provisionally been agreed with Ed Lester that the contract arrangement that was agreed by the Department prior to his appointment as Interim Chief Executive should be extended for this two year term, subject to ratification with HMRC on the extension of their current concession, with payment of agency fees along the lines of the existing agreement. If this ratification is not forthcoming, then a standard employment contract will be agreed, with a finder’s fee then becoming payable to the agency.

I look forward to receiving your response to this request for approval.

Yours sincerely

Ed Smith
Chairman

Student Loans Company Limited 100 Bothwell Street, Glasgow G2 7JD
Tel: 0141 306 2000 Fax: 0141 306 2005 www.slc.co.uk
VAT Reg No. 556 4352 32 Registered in England No. 2401034 Registered office: 21 St. Thomas Street, Bristol BS1 6JS
Calls may be recorded for training purposes and fact verification
From: Chris Andrew  
Sent: 17 December 2010 09:14  
To: S40(2) [personal information]  
Subject: RE: Confidential: SLC CEO Appointment

[S40(2) (personal information)]

Not too much has been invoiced on travel and accommodation to date, I think that Penna are saving it for one big invoice for the period to 3rd December.

From what I have been able to see, the apartment costs are £490 including VAT for seven days (say £500 a week). Flights are more complicated, since he has tended to booked his own flight up at the start of the week, and we have tended to book his flight / train (south via Darlington) towards the end of the week, but you can probably work on roughly £200 per week. This gives an overall cost of up to say £700 a week.

Happy for you to use this as a working figure, but it may not be wholly accurate.

Chris

Chris Andrew  
Company Secretary
From: [S40(2) (personal information)]
To: Chris Andrew
Cc: Michael Hipkins
Date: 20/12/2010 12:22
Subject: Re: Our conversation

Chris,

I just left a message with [S40(2) (personal information)]. This is moving now within central Government but Gus O'Donnell has asked for an urgent clarification prior to this being put to the CST.

Gus has asked us to set out:

1. why we are not proposing to put Ed Lester on the SLC payroll (i.e. to extend the HMRC concession and whereby the SLC will not be responsible for PAYE nor NI contributions)

2. what the cost difference to the Exchequer is of paying Ed Lester in this way, compared with him being on the SLC payroll.

Happy to discuss further, but grateful if you could please provide the answer asap to ensure that we maintain the momentum with this.

Many thanks,

[S40(2) (personal information)]

From: Chris Andrew
Sent: 20 December 2010 16:03
To: [S40(2) (personal information)]
Cc: Michael Hipkins; Ed Smith; SALLY SMEDLEY
Subject: Fw: Re our conversation

[S40(2) (personal information)]

Our response is below, based on my discussions today with Sally Smedley.

This is the best that we can do in the time available. It is still going through a final QA process, so I will give you any revisions before 5pm tonight. If you don't hear from me, you can assume that these figures are good to go. I must emphasise that I have had to get some fairly rapid input from one or two individuals within SLC, without being able to explain the context for the questions, so that there is a chance that there may be one or two inaccuracies in the figures, but hopefully nothing material.
Happy for you to reformat the figures into a table, which I didn't manage to do in the time available. If you spot any errors in the arithmetic, please let me know asap. All figures rounded to nearest £100 where applicable.

Please let me know if you need anything else.

Chris

Chris Andrew
Company Secretary

Overall Notes:
It is assumed that the bonus rate, expenses payable and pension contribution would all be the same irrespective of the two alternatives below.
We have assumed that the existing terms for the agency would be applicable, as we currently have no other basis to go on. The figures below assume that a full bonus would be payable, although in practice this would be subject to an evaluation of Ed's performance.

Summary

The terms that have been agreed for Ed Lester are in line with the basis on which he joined the Company in May 2010, as negotiated by BIS at the time, and these terms represent the basis on which he is prepared to accept the two year fixed term appointment, subject to ratification by HMRC.

1. Through agency:

Salary £140,000 + up to 10% bonus = up to £154,000 Contribution to personal pension £140,000 x 20% = £28,000 Expenses £550 x 50 = £28,000 Agency fee (Salary of £140,000 plus pension contribution of £28,000) £168,000 x 17% + bonus of up to £14,000 x 50% = £35,600 Irrecoverable VAT on all agency invoices (£245,600 x 20%) less 90% recoverable VAT = £4,900

One year's total cost through agency = £250,500

Total agency cost for two years = £501,000

Total agency cost for two years - £501,000

2. Through payroll:

Salary £140,000 + up to max 10% bonus = up to £154,000 National Insurance at 11% employers contribution = £17,000 Contribution to personal pension £140,000 x 20% = £28,000 Expenses £550 x 50 = £28,000 Grossed up payment to cover taxable benefit for rental on accommodation (approx, based on property valued at £200,000) = £16,500 Grossed up payment to cover taxable benefit for air fares (approx) = £8,500
One year's total cost through payroll = £252,000

Two years total cost through payroll = £504,000

Plus one-off payment (finder’s fee) to the agency (based on the agreement with the agency negotiated by BIS, this is 33% of total year one remuneration package) = £83,200 Plus Irrecoverable VAT on finder's fee (£83,200 x 20%) less 90% recoverable VAT = £1,700

Total payroll cost for two years = £588,900

From: [S40(2) (personal information)]
Sent: 20 December 2010 16:39
To: Chris Andrew
Cc: Michael Hipkins; Ed Smith; SALLY SMEDLEY
Subject: RE: Re our conversation

Attachments: SLC CEO comparative cost to exchequer.doc

Chris,

Thanks for this. Please see attached document where I have tried to set out this information more clearly for the Cabinet Office.

Please let me know if you have any comments on this by 5pm as you suggested.

I will then send this over to the Cabinet Office to share with the Cabinet Secretary and the CST.

Regards,

[S40(2) (personal information)]
Proposed remuneration package for the SLC Chief Executive:
Comparative costs of being paid via an agency and via SLC payroll

The terms that have been agreed for Mr Lester are in line with the basis on which he joined the SLC in May 2010, as negotiated by BIS at the time. These terms represent the basis on which he is prepared to accept a two year fixed term appointment, subject to ratification by HMRC. Should Mr Lester be asked to be paid on the SLC payroll, it is understood that Mr Lester would likely seek to reopen negotiations on his remuneration.

Notes:
It is assumed that the bonus rate, expenses payable and pension contribution would be the same irrespective of the two alternatives below.
The figures below assume that a full bonus would be payable, although in practice this would be subject to an evaluation of Ed's performance.
We have assumed that the existing terms for the agency would be applicable, as we currently have no other basis to go on, though SLC would seek to renegotiate these. All figures are rounded to nearest £100 where applicable.

<table>
<thead>
<tr>
<th>Agency</th>
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<th>Payroll</th>
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<tbody>
<tr>
<td>Base Salary</td>
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<td>Base Salary</td>
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</tr>
<tr>
<td>Bonus (up to 10%)</td>
<td>Up to £14,000</td>
<td>Bonus (up to 10%)</td>
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<tr>
<td>National Insurance – Employer contribution</td>
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<td>National Insurance – Employer contribution</td>
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</tr>
<tr>
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<tr>
<td>Expenses (£550 per week x 50)</td>
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<td>Expenses (£550 per week x 50)</td>
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</tr>
<tr>
<td>Grossed up payment to cover taxable benefit for rental on accommodation (approx, based on property valued at £200,000) and for air fares (approx)</td>
<td>N/A</td>
<td>Grossed up payment to cover taxable benefit for rental on accommodation (approx, based on property valued at £200,000) and for air fares (approx)</td>
<td>£25,000</td>
</tr>
<tr>
<td>Agency fee</td>
<td>Up to £35,600 (17% of base salary and pension contribution plus 50% of bonus)</td>
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<td>Up to £83,200 (One-off finder's fee of up to 33% of total year one remuneration package)</td>
</tr>
<tr>
<td>Irrecoverable VAT on agency invoices</td>
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<tr>
<td>Total cost for two years</td>
<td>£501,000</td>
<td>Total cost for two years</td>
<td>£588,900</td>
</tr>
</tbody>
</table>
From: Chris Andrew
Sent: 20 December 2010 17:05
To: [S40(2) (personal information)]
Cc: Michael Hipkins; Ed Smith; SALLY SMEDLEY
Subject: Fw: Re our conversation

[S40(2) (personal information)]

Suggested changes to the notes:

Notes:
1. For comparison purposes the tables below show base salary, bonus and pensions contributions, however, in reality in the ‘Agency’ case these are commuted to a daily rate.
2. The figures below assume that a full bonus would be payable, although in practice this would be subject to an evaluation of Ed’s performance.
3. We have assumed that the existing terms for the agency would be applicable, as we currently have no other basis to go on, though SLC would seek to renegotiate these. We cannot guarantee that they will not be higher than indicated until negotiations have taken place.
4. All figures are rounded to nearest £100 where applicable.

Thanks for this,

Chris

Chris Andrew
Company Secretary

From: [S40(2) (personal information)]
To: Chris Andrew
Date: 21/12/2010 10:48 GMT
Subject: FW: Re our conversation

Chris,

I have spoken with the Cabinet Office this morning who have confirmed that Gus O’Donnell is now content and that this is being sent to the CST this morning.

One query which David anticipates is what happens if the HMRC does not extend their concession for a further two years? I am aware that you are in the Board meeting this morning but if there is anything you can set in train to help prepare an answer in case it is needed would be much appreciated.

[S40(2) (personal information)]
From: Chris Andrew [mailto:chris_andrew@slc.co.uk]
Sent: 21 December 2010 13:36
To: [S40(2) (personal information)]
Subject: Re: Re our conversation

We would need to renegotiate the position with Ed, to discuss the terms on which he would join the payroll, since HMRC approval is required for the current agency route to work. As shown yesterday, this option is expected to be more expensive overall, and we don't yet know what terms Ed would accept on this basis.

Chris

From: [S40(2) (personal information)]
To: Chris Andrew
Date: 21/12/2010 13:37 GMT
Subject: RE: Re our conversation

Chris,

Thanks for this. Has HMRC been approached yet?

[S40(2) (personal information)]

From: Chris Andrew
Sent: 21 December 2010 13:39
To: [S40(2) (personal information)]
Subject: Re: Re our conversation

No, we are waiting for approval before notifying HMRC of the extension to the current arrangement. Sally will advise when this should go ahead, as she will for the negotiation with the agency, which is also on hold pending the approval.

Chris
From: [S40(2) (personal information)]
To: Chris Andrew
Sent: 22 December 2010 16:43
Subject: RE:

Chris,

It looks like they have dropped the MP expenses bit - hope to confirm shortly.

[S40(2) (personal information)]

From: Chris Andrew
Sent: 22 December 2010 16:54
To: [S40(2) (personal information)]
Subject: Re:

That sounds hopeful.

Re the living expenses piece, there might be something here in case we need it:

7.28 Where an MP necessarily stays overnight neither in the London Area nor their constituency, for reasons derived from their Parliamentary functions, they may also claim Travel and Subsistence Expenses for expenditure incurred in purchasing food and non-alcoholic drinks.

7.29 Expenditure under paragraph 7.28 is limited to £25 for each night.

Combined with travel (approx £200) and accommodation £190 (£9,500 / 50), this gets us close to the £550 in any case. It is certainly starting to get there.

I am leaving shortly, but will be in sharp tomorrow morning to pick up anything else, and can also check email later this evening.

Chris

Chris Andrew
Company Secretary
From: [S40(2) (personal information)]
Sent: 22 December 2010 18:06
To: Chris Andrew
Subject: RE:

Chris,

I tried to call. I now have it in writing that the package has been approved with a cap of £28,000 on the expenses. Mike has spoken with Ed Smith to confirm this.

I have prepared a draft letter for David Willetts to send to Ed Smith, after which the SLC will be free to make its announcement. BIS press office have an agreed press release that can be shared with SLC once you are content.

I am intending not to be in the office tomorrow, but can be contacted on the number below if needed.

Regards,

[S40(2) (personal information)]
Mr Ed Smith  
Chairman, Student Loans Company Limited  
100 Bothwell Street  
Glasgow  
G2 7JD

23 December 2010

Dear Ed,

Student Loans Company

I am pleased to approve your appointment of Ed Lester as Chief Executive Officer (CEO) of the Student Loans Company Limited (SLC). This decision has been made jointly with Scottish Ministers. This letter is copied to Ministers in the Devolved Administrations.

The terms of the appointment that you proposed in your letter of 15th December 2010 have been agreed by the Chief Secretary to the Treasury, with a fixed cap of £28,000 for travel and living costs.

It is important that the SLC Board now moves quickly to put in place a permanent leadership team to provide the Company with stability going forward. I look forward to working with both you and Ed.

[Signature]

THE RT HON DAVID WILLETTS MP  
Minister for Universities and Science
Dear [Name],

Mr Edward P Lester

Further to your letter dated the 12 January 2011, as previously confirmed in the email to you on the 25 February, I can confirm that there is no requirement for SLC to operate PAYE or account for NIC on the payments made to Penne in respect of Mr Lesters services in the period 1 February 2011 to 31 January 2013.

Please accept my apologies for the delay in finalising the position and for any inconvenience caused.

To help us improve customer service, please quote our reference number [Redacted] and provide a daytime telephone number in any correspondence.

Yours sincerely,

[Signature]

HM Inspector of Taxes