

~~E2B~~ EAST OF ENGLAND BROADBAND NETWORK
E2BN

FINANCIAL MEMORANDUM

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1. INTRODUCTION

1.1 This financial memorandum ("**Memorandum**") sets out the terms and conditions for payments by the members of the E2BE2BN("Members") to the E2BE2BN.

1.2 For the purposes of this Memorandum:

"**Action Plan**" means a plan provided for by clause 6.1 or clause 6.2 of this Memorandum;

"**Secretary of State**" means the Secretary of State for Education and Science;

"**month**" means calendar month;

"**financial year**" means the 12 month period from 1 April to 31 March;

"E2BE2BN" means the charitable body ~~by with that~~ that the -name East of England Broadband Network, trading as E2BN which is a company limited by guarantee and registered at Companies House number [] and with the charity commission number [] whose address is [];

"**Member**" means a member of E2BE2BN

"**Project Director**" means the senior full-time official of E2BE2BN nominated by the Members and approved by the directors of the E2BE2BN who has day to day responsibility for the work of the E2BE2BN under the direction of the directors of the E2BE2BN in accordance with policies approved by the Members and in furtherance of the E2BE2BN's published charitable objectives.;

"**Participating Authority**" means a local education authority that is a Member or has entered into a contract with the E2BE2BN for it to supply services to the local authority;

"**Participating Authority Officer**" means a person appointed by a Participating Authority to undertake the functions of such a person as set out in this Memorandum;

"Payment" means any sum paid or to be paid by any Participating Authority to the E2BE2BN in accordance with the terms of this Memorandum.

"Regional Broadband Network" means []

2. PURPOSE OF PAYMENTS

2.1 Any Payments will be paid pursuant to and in accordance with the statutes, regulations and standing orders that govern the conduct and finances of the Participating Authority making the Payment. Payments shall be subject to the conditions and requirements set out in this Memorandum and to such further conditions and requirements as the Secretary of State may from time to time specify.

2.2 The E2BE2BN's purposes include that it will help to create and will support the Regional Broadband Network and seek to support improvement in standards in the provision of education by use of information and communications technology in each Participating Authority by means of the Regional Broadband Network. No Payment shall be made except in respect of relevant expenditure incurred or to be incurred in pursuit of the E2BE2BN's charitable objects or any one of them, or in the exercise of its powers in furtherance of those objects. E2BE2BN shall use its best endeavours to ensure that any Payments are used only in accordance with the terms of this Memorandum.

3. RECOVERY OF PAYMENTS

3.1 If the E2BE2BN does not comply with any of the conditions and requirements referred to in paragraph 2.1 in respect of any Payment the relevant Participating Authority may by notice in writing require E2BE2BN to repay all or any part of the Payment paid to it under this Memorandum.

3.2 Where, in any one year it is anticipated that business or voluntary contributions in cash and in kind will fall below any level agreed with a Participating Authority, then that Participating Authority must be informed immediately.

4. ACCOUNTABILITY

4.1 **The role of the Participating Authority Officer**

Each Participating Authority Officer is accountable to their Participating Authority for the resources which their authority makes available to the ~~E2BE2BN~~. The Participating Authority Officer's responsibilities are to ensure that the conditions attaching to the Payments made by their Participating Authority conform with the terms under which it has been agreed that the Payments are to be made; to monitor compliance with those conditions by ~~E2BE2BN~~ and to be satisfied that the financial and other management controls applied by their Participating Authority are appropriate and sufficient to safeguard public funds, and more generally, that those controls being applied by ~~E2BE2BN~~ conform with the requirements both of propriety and of good financial management.

4.2 **The role of the Project Director**

4.2.1 ~~This clause makes no reference to the need to appoint such a person nor does it lay down the appointment process. It should also be clarified if this person is to be a Director in accordance with the Articles of Association, if not the title should not be project Director. The line of accountability indicates that this person should be employed by E2B, otherwise E2B has no line of financial accountability.~~The Project Director, as the designated senior official for the ~~E2BE2BN~~ shall be held formally responsible for all financial affairs and for the proper conduct of business. The Project Director will be personally responsible for ensuring regularity and propriety, and for the economic, efficient and effective use of resources (ie ensuring value for money), and administration of the affairs of ~~E2BE2BN~~ and the Regional Broadband Network. The Project Director will be specifically responsible for:

4.2.1.1 ensuring that the annual accounts are prepared;

4.2.1.2 observing the conditions laid down by the Participating Authorities for administering the Payments and their use;

4.2.1.3 safeguarding all public funds and assets in the charge of ~~E2BE2BN~~;

4.2.1.4 ensuring that public funds are applied only to the purposes for which they have been made, that proper financial procedures are followed,

that financial records are maintained suitable for the requirements of management [and the Participating Authorities](#);

4.2.1.5 ensuring that the [E2BE2BN](#) has sound financial and management systems as set out in Schedule 1 and keeps records, prepares accounts and has audits undertaken as required by statute and regulation, as set out in Schedule 2 and as otherwise reasonably decided upon by the Participating Authorities;

4.2.1.6 taking appropriate action if the [E2BE2BN](#) is contemplating a course of action involving a transaction which the Project Director considers would infringe the requirements of propriety or regularity (including the provisions of this Financial Memorandum, Action Plan, or other documents setting out the financial duties of the [E2BE2BN](#) or of any other rules governing the conduct of the [E2BE2BN](#)), or would not represent prudent or economical administration, or the efficient or effective furtherance of [E2BE2BN](#)'s charitable objects.

4.2.2 The Public Accounts Committee is entitled to call any person responsible for spending public money which has been the subject of a National Audit Office report. Accordingly, the Project Director, as [E2BE2BN](#)'s senior official, is liable to be summoned to appear before the Public Accounts Committee alongside the accounting officer of a Participating Authority when matters concerning the [E2BE2BN](#) are being discussed. The Project Director may also be required to appear before other parliamentary select committees.

5. FORECASTS OF EXPENDITURE IN THE FORTHCOMING FINANCIAL YEAR

5.1 [E2BE2BN](#) shall submit to each Participating Authority, each year, on such a date as may be agreed, a budget comprising a costed programme of activities and estimates of income and expenditure for the financial year beginning on 1 April in respect of the [E2BE2BN](#) and that authority. This budget shall be prepared in light of the Action Plan and shall be consistent with the Action Plan and any directions given by any Participating Authority. The [E2BE2BN](#) shall also submit, at a Participating Authority's discretion, forecasts of income and expenditure for subsequent financial

years in respect of the E2BE2BN and that authority. All submissions made under this paragraph shall be in such form and be accompanied by such supporting and explanatory information as the Members shall from time to time determine.

5.2 The forecasts shall distinguish between capital, programme and administrative expenditure. For this purpose, capital expenditure shall be taken to include expenditure on fixed assets, equipment or vehicles having a planned life of more than one year costing [£2,500] or more, or such other limit as may be determined by the Members from time to time.

5.3 E2BE2BN shall provide the Participating Authorities with revised forecasts of E2BE2BN income and expenditure and with outturn statements in such form, and at such times, as the Members may require.

5.4 E2BE2BN shall not be permitted to overspend. However, E2BE2BN shall notify the relevant Participating Authorities and the Members in writing immediately an under or overspend of £50, 000 or more of the resources available to it is identified [with proposals to rectify the situation if it is an overspend.](#)

6. ACTION PLAN

6.1 E2BE2BN shall submit to the Members, by a date agreed by them, a three year Action Plan setting out the E2BE2BN strategic objectives and plans for achieving these objectives. The E2BE2BN shall specify arrangements for monitoring and assessing the strategic objectives, including the setting of targets, budgets and performance measures. The Payments will be subject to the approval of the Action Plan by the Members.

6.2 In subsequent years E2BE2BN shall submit to the Members, by a date agreed with them, a revised Action Plan for the following three years detailing progress in achievement of objectives and setting out any revisions in its strategic objectives and plans for achieving these objectives. Payments will be subject to the approval of the revised Action Plan by the Members.

7. ASSESSMENT OF PAYMENTS

7.1 The amount of any Payment to be paid to E2BE2BN in any year will be decided by the Participating Authority that is to make the Payment in the light of its policies and

objectives, after considering estimates of income and expenditure, the activities to which this expenditure will be applied and the Action Plan and after taking account of E2BE2BN's general financial position, contractual commitments by the Participating Authority to make Payments and of other competing demands on education resources.

- 7.2 Each Participating Authority shall send to E2BE2BN as soon as possible in advance of each financial year a formal statement of the amount of Payments approved by the authority, together with a statement of any change in policy this reflects. The amount notified will have appropriate approvals, will represent a cash limit and will not be less than the sum of any Payments that the Participating Authority has agreed to pay under binding contracts with the E2BE2BN.
- 7.3 On being notified of the Payments that it is to receive and approval of the Action Plan by the Members E2BE2BN will ensure that the E2BE2BN annual budget for the year reflects the agreed objectives for the year and the financial implications for its activities or cost centres.
- 7.4 When, after consultation with E2BE2BN a Participating Authority requires E2BE2BN to provide any additional goods, services or supplies that Participating Authority shall make additional payments to E2BE2BN and that additional payment specifies that a stated amount of any Payment shall be applied to a stated purpose; that part of the Payment shall be payable only if the relevant expenditure is to be incurred.
- 7.5 Except with the Member's' prior written consent, E2BE2BN shall not budget for expenditure in any year in excess of expected income nor enter into commitments which are likely to have substantial implications for future levels of Payments, or for the period Payments may be required.
- 7.6 Payments will be made in accordance with relevant terms in any binding contract in respect of them or in the absence of such terms in quarterly instalments on evidence of need. Written financial returns covering Payments shall be submitted in the form, and at the time, prescribed by the Members. Payments that are in quarterly instalments shall be made no later than the 20th of the first month of each quarter, provided the quarterly financial return - and any supporting information is in accordance with the Participating Authorities' reasonable expectations.

7.7 Where business and voluntary contributions in cash and in kind exceed any level of matched grant funding agreed with a Participating Authority such receipts shall be used to finance additional expenditure in accordance with clause 2.2 of this Memorandum.

7.8 E2BE2BN shall collect income promptly and invoices should be paid in accordance with the terms of contracts or within 30 days if there is no specific term in the contract concerning the time within which payment should be made.

8. FINANCIAL MANAGEMENT

8.1 E2BE2BN shall:

8.1.1 introduce and maintain to the satisfaction of the Members an appropriate system of financial management. Guidelines issued by the Members are set out in Schedule 1 [and accounts and audit requirements in Schedule 2];

8.1.2 ensure that adequate inventory records are kept, providing detailed information in respect of the equipment and stocks, with material amounts properly disclosed in the accounts;

8.1.3 maintain a sound system of internal financial controls, including safeguards against fraud and theft;

8.1.4 comply with such other relevant guidelines on the administrative practices relating to the expenditure of public funds as are notified by the Members;

8.1.5 have regard to the guidance on the procurement of goods and services for which it receives Payments so as to secure best value for money. In particular contracts for works, equipment, stores and services awarded by E2BE2BN should be placed on a competitive basis unless there are good reasons to the contrary. Tendering procedures shall be in accordance with relevant EC Directives and domestic regulations in respect of procurement by public bodies and with any additional guidance issued by the Members or the Secretary of State;

8.1.6 have procedures which ensure that it does not act beyond its authority and that staff fully understand the limits of its and their delegated authority. ~~Do DLA have available procedures used by another similar type company?~~

8.1.6 E2BE2BN shall not make any advance, interim or deferred payments to contractors without the prior written consent of the Members.

9. SUBSIDIARY UNDERTAKINGS

E2BE2BN shall not establish any subsidiary undertaking without the prior consent of the all Members. Where a subsidiary undertaking is approved, the terms and conditions as set out in this financial memorandum should be applied in full to the subsidiary undertaking.

10. BORROWING

E2BE2BN may not borrow money from any source, charge any asset or security, nor may the E2BE2BN enter into a deferred purchase agreement or credit arrangement as defined under Local Government Housing Act 1989, statutory instruments made thereunder or other legislation having a similar effect for the purpose of the E2BE2BN or otherwise, nor may it incur any contingent liability eg by guarantee, indemnity or letter of comfort without the approval of the Members except in the normal course of business. The normal course of business is defined as being an unavoidable feature fulfilling the Action Plan furthering the Regional Broadband Network that E2BE2BN could reasonably have assumed that the Members accepted when they approved the Action Plan. It is not within the normal course of business to borrow money from a banker or other commercial, voluntary, public or other source.

11. DELEGATED AUTHORITIES

The Project Director has delegated authority to incur expenditure up to the limits set out in the Action Plan and as the directors of the E2BE2BN shall from time to time determine, subject to the objectives set out in the agreed Action Plan and any restrictions imposed by statute, by any term in any agreement or understanding with a Participating Authority or by this Memorandum.

12. LOSSES, GIFTS AND SPECIAL PAYMENTS

- 12.1 E2BE2BN may not write-off losses, make or sanction special payments and gifts (which include ex gratia payments) for or to any individual or legal person except as provided for in this clause 12. Losses may only be written off on the approval by the directors of the E2BE2BN Donations, special payments, ~~writing-off of losses~~ made by E2BE2BN to or for a maintained school or to a Participating Authority that are made as provided for and included in the Action Plan and are made on terms that seek to ensure that all the donations shall be used only for specific purposes that directly further the object of the E2BE2BN can be made on approval by the directors of the E2BE2BN. Gifts to staff and other gifts of similar character are subject to the requirements of charity law and may only be made on the express prior written consent of The Charity Commission.
- 12.2 E2BE2BN shall maintain a record of all losses written off and special payments made, including details of the circumstances of the event and stating the action taken to prevent a recurrence. All losses sustained or special payments made shall be suitably recorded in the statement of accounts for each financial year and shall be available to the Members and the Secretary of State on request. A record of gifts both given and received in respect of the E2BE2BN should also be kept. NO gifts of significant or material value shall be made except those donations permitted under the terms of clause 12.1 of this Memorandum.
- 12.3 All cases of fraud or theft or suspected fraud or theft must be immediately reported to the directors of the E2BE2BN and by them to the Members, investigated and a report made by the Project Director (or if in the circumstances the directors of the E2BE2BN consider it appropriate by some other person of their or the Members' choice) to the E2BE2BN and the Participating Authorities.
- 12.4 The E2BE2BN shall have a published policy concerning and procedure for whistle blowing by staff and others with an interest in the E2BE2BN and the work of the E2BE2BN that shall be approved by Members.

13. PURCHASE AND DISPOSAL OF ASSETS

13.1 All purchases and disposals of tangible or intangible assets with a value in excess of [£2,500] shall be detailed in the Action Plan. Payments can not be used for the acquisition of land and buildings.

13.2 E2BE2BN shall seek the Participating Authority's written consent if it proposes to dispose of, or change the use of, any asset which has been financed by that Participating Authority. Assets financed by a Participating Authority shall not be disposed of for less than the market value unless that Participating Authority's prior written consent to such disposal is obtained and the Participating Authority may require E2BE2BN to expend the net proceeds of any disposal of an asset financed by that Participating Authority, or the appropriate proportion thereof, on a purpose that furthers the charitable objects of the E2BE2BN and the policies and initiatives of that Participating Authority. For the purposes of this paragraph:

13.2.1 "asset" shall mean any property, real or personal, tangible or intangible.

13.2.2 an asset shall be considered to have been financed by a Participating Authority if it has been acquired wholly or partly using a Payment by that Participating Authority in accordance with this Memorandum, or if it has been developed or improved by the use of such Payment, and such Payment has not been required to be repaid under clause 19.

13.2.3 "the appropriate proportion " shall be the proportion represented by the amount of Payment used to acquire, develop or improve an asset in relation to the entire price paid for its acquisition, or its market value when its development or improvement have been completed. In general the proportion would be the total amount of the relevant Payments received in relation to the total of the amounts of other Payments from other Participating Authorities and specific business and voluntary sector contributions received in the year the asset was purchased or completed.

13.3 E2BE2BN shall record or maintain in its annual accounts details of the cost of assets acquired with the help of Payments, the amounts of the Payments from each Participating Authority and any disposal of such assets during the period covered by the accounts.

14. INSURANCE

The E2BE2BN shall, in respect of the Regional Broadband Network and its business more generally, insure against any significant risk, balancing risk against the requirement to achieve value for money.

15. BANKING ARRANGEMENTS

The Project Director is responsible for ensuring that E2BE2BN's banking arrangements safeguard public funds and are carried out efficiently, economically and effectively. E2BE2BN should therefore ensure that these arrangements are suitably structured, represent value for money and are reviewed at least every 2 years.

16. ACCOUNTS

16.1 E2BE2BN shall, as required by charity and company law and regulations, keep proper accounts and proper records in relation to the accounts, and shall prepare a report and statement of accounts for each financial year to 31 March which clearly and separately identify all income and expenditure [and accords with the requirements at Schedule 2].

16.2 E2BE2BN's accounts shall be audited by an independent accountant who is qualified under the Companies Act 1989 (Section 25) for appointment as a Company Auditor.

16.3 An auditor's report accompanying the accounts should, in addition to giving an opinion on the accounts say whether, in the auditor's opinion Payments have been properly applied in accordance with this Memorandum and the terms and conditions under which Payments have been approved by Participating Authorities.

16.4 E2BE2BN must use its best endeavours to ensure that its accounting systems and internal controls are adequate and effective and in line with the Members' requirements outlined in Schedule 1 to this Memorandum.

16.5 The directors of E2BE2BN shall approve and submit draft accounts to the Members and E2BE2BN's external auditors within five months of the end of the financial year to which the accounts relate.

16.6 E2BE2BN shall provide all the Participating Authorities with copies of their final signed annual accounts and report along with copies of the management letters

prepared by the auditors, any replies to them and any other relevant documents provided by the auditors, as soon as they are available and by 31 December at the latest.

- 16.7 The books and other documents and records, including the auditor's working papers, relating to E2BE2BN's accounts shall be open to inspection by the Secretary of State and by the Controller and Auditor General. The Controller and Auditor General may, pursuant to section 6 of the National Audit Act 1983, also carry out examinations into the economy, efficiency and effectiveness with which E2BE2BN has used public funds in discharging its E2BE2BN and other functions.

17. PERSONNEL MANAGEMENT

- 17.1 E2BE2BN shall, in respect of the E2BE2BN recruit staff only after fair and open competition and reward and promote them on their merits. Once staff are engaged the E2BE2BN shall ensure that any increase in salary shall be linked to a formal review and record of performance.
- 17.2 ~~The~~In determining terms and conditions of service, including any superannuation scheme and any compensation arrangements in respect of redundancy or other forms of compulsory retirement, E2BE2BN shall be guided where possible by knowledge of remuneration of individuals having similar responsibilities. E2BE2BN shall in particular take care must be taken to avoid incurring long-term liabilities or taking over accrued liabilities from previous employers, except where it is clearly appropriate to do so.

18. ACCESS BY MEMBERS

- 18.1 All records shall be open to inspection by the Members. If a Member's Participating Authority Officer or accounting officer should require a review of E2BE2BN or independent assurance on any issues, the Member's internal auditors may at the Member's cost undertake examinations of E2BE2BN internal controls and financial management arrangements.
- 18.2 E2BE2BN shall provide any Member with such information about the organisation, operation and financial control of its operation as that Member may reasonably require.

18.3 E2BE2BN shall at the Member's cost provide access to, and collaborate with any Member in the conduct of periodical financial reviews, including financial management surveys, and reviews of policy and practice and in so doing E2BE2BN shall not be required to expend any money or commit any resources other than those that are available as a consequence of additional pPayments by that Member that are not required to be spent on other purposes.

19. CESSATION OF THE E2BE2BN'S INVOLVEMENT IN THE REGIONAL BROADBAND NETWORK

At the cessation of the E2BE2BN's involvement in the Regional Broadband Network, copies of relevant accounting, asset and staff records are to be submitted to a Member chosen by the Participating Authorities. Early consultation with the Members is required to identify action to be taken with regard to assets purchased by E2BE2BN and liabilities that have accrued. Unspent Payments are to be returned to the relevant Participating Authorities.

20. REVISION

This Memorandum shall be reviewed at least every three years from the time it comes into effect. After consultation the Members may at any time revise, revoke or add to any of the terms and conditions in this Memorandum and the E2BE2BN may itself make representations to the Members for revision, revocation or addition at any time.

21. INTERPRETATION

Questions arising on the interpretation of the arrangements in this Memorandum shall be resolved by the Members after consultation with E2BE2BN.

22. EFFECTIVE DATE

The Participating Authority Officer and the Project Director sign below, and on a duplicate copy, their acceptance of the terms and conditions of this Memorandum, which are effective from the date of signing. This Memorandum shall be held by the E2BE2BN and the duplicate copy by the Participating Authority.

Signed with necessary authority for and on behalf of []

Signed for and on behalf of East of England Broadband Network. [~~Signed as a deed~~]

~~E2B must be a party to the agreement if the agreement is to be binding on E2B~~

SCHEDULE 1

Members' Guidelines for E2BE2BN Financial Systems

1. INTRODUCTION

- 1.1 The overall objective of a sound financial system is to ensure that there is regularity, propriety and value for money, with a system of controls which is tailored to the size and complexity of the organisation. E2BE2BN shall at all times comply fully with the provisions of the Local Authorities (Companies) Order 1995 (S.I. 1995 No. 849).
- 1.2 There are a number of "musts" which E2BE2BN will need to meet to demonstrate a sound financial framework. The musts have been reproduced below.
- 1.3 The "musts" fall under four main headings:
 - 1.3.1 Organisation and Responsibilities, concerning the overall environment of control within which the E2BE2BN should operate and the delegation of financial responsibilities;
 - 1.3.2 Financial Management, concerning the financial planning and monitoring of E2BE2BN activities;
 - 1.3.3 Internal Financial Control Systems, concerning the detailed procedures through which financial transactions are approved, processed and recorded; also the system of internal controls necessary in order to ensure that the forum's activities are accurately recorded, correctly classified and summarised in E2BE2BN accounting records;
 - 1.3.4 Compliance with Reporting Requirements, set out in Statutory Regulations, the Financial Memorandum and Accounts Direction.

2. ORGANISATION AND RESPONSIBILITIES

- 2.1 E2BE2BN must ensure that it has sound financial systems. E2BE2BN must be able to properly account for the use of its resources, demonstrate that resources have been used in accordance with the Action Plan, and demonstrate that proper regard has been given to ensuring value for money.

- 2.2 ~~One officer, normally the~~The Project Director, must take overall responsibility for the prudent and economical administration of the body (see Financial Memorandum clause 4.2.1).
- 2.3 ~~E2BE2BN must establish~~ Effective reporting arrangements ~~must be established~~ to ensure ~~E2BE2BN~~, Members and other Participating Authorities can fulfil their responsibilities for ensuring the effective operation of the ~~E2BE2BN~~ and for delivery against the Action Plan
- 2.4 ~~E2BE2BN~~, Members and staff must avoid, and demonstrate avoidance of, conflict between their personal and business interests.
- 2.5 ~~E2BE2BN~~ directors, the Project Director and staff must not use public monies or official business for personal benefit.

3. FINANCIAL MANAGEMENT

- 3.1 ~~E2BE2BN~~ must ensure that financial planning and management controls are appropriate and sufficient to safeguard public funds.
- 3.2 ~~E2BE2BN~~ must prepare a budget, based on the Action Plan that is approved by the directors of ~~E2BE2BN~~ and Members, Memorandum clause 5.1.;
- 3.3 ~~E2BE2BN must establish p~~Procedures ~~must be established~~ that all significant amendments to the budget or proposed amendments to the Action Plan are approved by the directors of ~~E2BE2BN~~ and notified to Members promptly.
- 3.4 ~~E2BE2BN~~ must be mindful that its role may be changed or ended if the Members so determine in all its activities and transactions, especially with regard to contracting for staff and services; Memorandum clause 19.
- 3.5 Where Payments are carried forward from year to year this must be linked to identified objectives and actions approved by the Participating Authority.
- 3.6 ~~E2BE2BN~~ must demonstrate the proper and effective use of public funds in purchasing and contracting, and have regard to value for money.

4 INTERNAL FINANCIAL CONTROLS

- 4.1 E2BE2BN must have a clear delegation of responsibilities with particular regard to proper segregation of duties, in particular E2BE2BN **must** ensure that no one individual is able to record and process or records and processes an entire transaction. This is of vital importance.
- 4.2 E2BE2BN **must** set appropriate delegated authorities and authorisation limits for spending funds.
- 4.3 The accounting system must retain sufficient evidence to enable E2BE2BN to produce timely information required for internal and external.
- 4.4 The Members' internal audit services and National Audit Office must have right of access to the E2BE2BN, its staff and accounting and other records.

5. COMPLIANCE WITH THE REPORTING REQUIREMENTS OF THE MEMBERS

- 5.1 The Members will specify returns which E2BE2BN must complete accurately, completely and in a timely way.
- 5.2 The financial returns must be signed by two representatives of E2BE2BN.
- 5.3 A value must be attributed to gifts in kind.
- 5.4 The final signed annual accounts and auditor's management letter must be submitted to the Members as soon as possible and by 31 December following the end of the financial year to which they relate at the latest; Memorandum clause 16.6.

SCHEDULE 2

Accounts Direction given by The Members

1. ~~E2BE2BN~~ shall prepare accounts for the financial year ended 31 March 2003 and subsequent financial years comprising:
 - 1.1 a "**Directors**" Report; (including a review of ~~E2BE2BN~~ activities);
 - 1.2 a statement of financial activity and an income and expenditure account;
 - 1.3 a balance sheet;
 - 1.4 a cash flow statement; and
 - 1.5 a statement of total recognised gains and losses;

including such notes as may be necessary for the purposes referred to in the following paragraphs.

2. The accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the end of the financial year and the accounts shall be audited and reported on by the auditor as provided for in the Memorandum..
3. Subject to the above requirements, the accounts shall be prepared and audited in accordance with:
 - 3.1 generally accepted accounting practice in the United Kingdom (UK GAAP), including the provisions of the Statement of Recommended Practice, Accounting by Charities 2000;
 - 3.2 [the disclosure and accounting requirements contained in "**The Fees and Charges Guide**" (in particular those relating to the need for appropriate segmental information for services or forms of service provided) and in other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;]
 - 3.3 The statement of financial activity, income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:

- 3.3.1 fixed assets at their value to the business; and
 - 3.3.2 stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.
 - 3.4 The value of contributions from business, both assets and services, should be brought into account at a reasonable estimate of their value to the ~~E2BE2BN~~, ie they should be valued at what it would have cost the ~~E2BE2BN~~ to have purchased the required asset or service itself.
 - 3.5 The accounts shall clearly and separately categorise and report all income and expenditure.
 - 3.6 [The accounts shall separately identify as restricted funds Payments received from each Participating Authorities for the purposes of the ~~E2BE2BN~~ and not spent at the accounting date.]
4. This direction and the Memorandum shall be reproduced as an appendix to the accounts.