THURROCK THAMES GATEWAY DEVELOPMENT CORPORATION

REPORT AND ACCOUNTS FOR THE PERIOD 1 APRIL 2012 TO 31 OCTOBER 2012

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Contents

General Information

This report covers the seven month dissolution phase of the Corporation following its operational closure on 31 March 2012 to its final dissolution on 31 October 2012.

The Chair's contract ended on 31 October 2012 when the Corporation was formally dissolved and ceased to exist. A formal Chair's Statement is not therefore included within the Report.

Board
William McKee (Chair) (to 31 October 2012)
William Samuel (Deputy Chair) (to 31 October 2012)
Sunny Crouch (to 31 July 2012)
Christopher Paveley (to 31 July 2012)
Phil Anderson (to 31 July 2012)
John Kent (to 31 July 2012)
Richard Reynolds (to 31 July 2012)

Chief Executive
Niall Lindsay (to 22 October 2012)

Accounting Officer
Niall Lindsay (to 17 October 2012)
David Rossington (from 17 October 2012)

Principal Office
Thurrock Thames Gateway Development Corporation
Department for Communities and Local Government
Eland House
Bressenden Place
London
SW1E 5DU

External Auditor
The Comptroller and Auditor General

Accounting Officer's Report

1. Statutory Background

The Corporation was established by Statutory Instrument (2003 No. 2896) on 29 October 2003 pursuant to the provisions of sections 134 and 135 of, and Schedule 26 to, the Local Government, Planning and Land Act 1980 to bring about the regeneration of Thurrock. The Thurrock Development Corporation (Area and Constitution) Order also determined the Corporation's operational boundary as being coterminous with that of Thurrock Council and the broad composition of the Corporation's Board (initially thirteen members including Chair and Deputy Chair). The Corporation became fully operational in October 2005 when it received its statutory planning powers and the first planning applications appeared before its Committee in January 2006.

On 31 March 2012, other than for the property, rights and liabilities retained for the purposes of winding up the Corporation, two Statutory Instruments transferred the property, rights and liabilities and planning functions of the Corporation to Thurrock Council – 'The Thurrock Development Corporation (Transfer of Property, Rights and Liabilities) Order 2012' (SI 534/2012) and 'The Urban Development Corporations (Planning Functions) Order 2012' (SI 535/2012).

On 3 April 2012 'The Thurrock Development Corporation (Dissolution) Order 2012' (SI 995/2012) came into force. This stated that the Corporation shall be dissolved on 31 October 2012. Any property, rights and liabilities remaining vested in the Corporation immediately before the dissolution date, and excepting those specifically excluded by the Order, transferred to Thurrock Council on 31 October 2012, when the Corporation was dissolved.

This is the final Report and Accounts for the Corporation covering the period from 1 April 2012 to 31 October 2012.

2. The Board

The Board had overall responsibility for the strategy for the Corporation and overseeing its implementation. It was chaired by William McKee and following the closure announcement in September 2010 was reduced from 13 to seven members, all of which were non-executive positions. From 1 August 2012, the Board was reduced to two members, the Chair, William McKee and the Deputy Chair, William Samuel. These two remaining members oversaw the Corporation's final affairs until its dissolution on 31 October 2012.

More details on the Board, its members and the committee structure are set out in the Governance Statement on page 16.

3. The Executive

The Executive was led by the Chief Executive, Niall Lindsay, who was made redundant with all remaining staff on 22 October 2012.

The Executive was responsible for delivering the strategy set by the Board.

Niall Lindsay was also designated as Accounting Officer up until 17 October 2012, at which point the designation was withdrawn. The Department for Communities and Local Government (DCLG), as sponsoring department, has taken over responsibility for preparation of the final Annual Report and Accounts and has additionally appointed David Rossington, DCLG Finance Director, as Accounting Officer with effect from 17 October 2012.

4. Conclusion

At the end of March 2012, the Corporation achieved the hand-over of its portfolio of projects to Thurrock Council. In so doing, the Corporation ensured that the necessary critical milestones had been attained on all of its projects to facilitate their safe delivery and anchor the Corporation's regeneration legacy. From 1 April onwards the Corporation concentrated on winding up its final affairs.

At the penultimate Board meeting on 4 October 2012, the NAO and the Corporation's internal audit raised concerns about expenditure on training which could be considered novel and contentious. At the final Board meeting on 15 October 2012, DCLG and the NAO raised serious concerns about the use of public money in the Corporation, with particular regard to the failure to issue redundancy notices to Corporation staff in a timely manner and therefore remove any requirement to make additional payments in respect of pay in lieu of notice, despite the date of dissolution of the Corporation being set out by the Order seven months before closure.

DCLG considered this to be a serious failing in the Chief Executive's responsibilities to safeguard public money, as set out in HM Treasury's *Managing Public Money,* and removed the Chief Executive's designation as Accounting Officer on 17 October 2012. Subsequently, DCLG's Director General Finance and Corporate Services commissioned an investigation into the use of public funds by the Corporation. The investigation was undertaken by the Department's Internal Audit division and its main conclusions were that:

- During the winding up period there had been serious control weaknesses in the Corporation leading to irregular payments in lieu of notice because of a failure to issue redundancy notices in good time.
- Expenditure on training and the purchase of software incurred in the period from April 2012 to closure was not in accordance with the Corporation's policy and was novel and contentious. Approval should have been sought from the Department to incur this expenditure but this was not done.

As recorded in the Certificate and Report of the Comptroller and Auditor General (pages 23-28) these failings have led to the qualification of the Corporation's Accounts for the period 1 April 2012 to 31 October 2012.

David Rossington
Accounting Officer (from 17 October 2012)
Finance Director, Department for Communities and Local Government
1 October 2013

Management Commentary

Overview

On 31 March 2012, other than for the property, rights and liabilities retained for the purposes of winding up the Corporation, the property, rights and liabilities and planning functions of the Corporation transferred to Thurrock Council. The net value of assets transferred to Thurrock Council on 31 March 2012 was £59,028,000 whilst staff numbers at the Corporation were reduced from 32 to eight (including two Board members). The Corporation was dissolved on 31 October 2012 and the retained property, rights and liabilities, equating to net liabilities of £796,603 were transferred to Thurrock Council. The remaining six staff were made redundant on 22 October 2012 and the two Board members' contracts came to an end on 31 October 2012.

These events had a significant impact on the Financial Statements for the period ending 31 October 2012.

Format of accounts

The accounts on pages 29 to 50 have been prepared in a form notified by the Secretary of State with the consent of HM Treasury in accordance with the Local Government, Planning and Land Act 1980.

Background information

As part of its broad delivery agenda for the Thames Gateway, the Government set out proposals in the Communities Plan (February 2003) to establish a development corporation in Thurrock, to oversee the regeneration and development of the borough. The Thurrock Development Corporation was established by Statutory Instrument (2003 No. 2896) on 29 October 2003, and became fully operational with Planning Powers transferred to it in October 2005.

The Thurrock Development Corporation (Transfer of Property, Rights and Liabilities) Order 2012 (SI 534/2012) and The Urban Development Corporations (Planning Functions) Order 2012 (SI 535/2012) transferred the property, rights and liabilities and planning functions to Thurrock Council on 31 March 2012. Dissolution of the Corporation took effect on 31 October 2012, under The Thurrock Development Corporation (Dissolution) Order 2012 (SI 995/2012).

Principal activities of the Corporation

The Corporation was a non-departmental public body, which was sponsored by the Department for Communities and Local Government (DCLG). The principal activities of the Corporation during the period from 1 April 2012 to 31 October 2012 were to wind up its affairs.

Changes in non-current assets

The movement in property, plant and equipment and intangible assets is shown in Notes 7 and 8 to the Accounts.

Research and development

During the period under review, the Development Corporation undertook no new research or development.

Reporting Periods

The final reporting period was the seven months ending 31 October 2012. The reporting period for 2011-12 was the year ending 31 March 2012. Thus, where prior period comparisons are given, there cannot be a direct comparison due to this difference in the length of the two reporting periods.

Resources and Results

The net position for the period to 31 October 2012 for the Corporation was a net income of £4,121,000 (2011-12: a net expenditure of £80,019,000) after interest receipts and tax. Gross expenditure by the Corporation for the period to 31 October 2012 totalled £620,000 (2011-12: £81,577,000).

All cash requirements in the year were met in full by grant in aid and the financial position of the Corporation for the period to 31 October 2012 was consistent with its approved revenue budget and capital programme for that period.

Pension scheme and pension liabilities

The Corporation offered membership of the Local Government Pension Scheme (LGPS) to all staff. More information on pensions and pension liabilities can be found in the Remuneration Report and in Note 4 to the Accounts.

Principal risks and uncertainties

The principal risks and uncertainties during the period ending 31 October 2012 arose because of the limited resources available to undertake the dissolution requirements of the Corporation by the end of October 2012. These principal risks were:

- ensuring that necessary works could be completed on schedule
- staff being available to carry out the necessary works to dissolve the Corporation; and
- effective governance and system of controls being compromised due to reduced workforce and Board composition.

The Corporation maintained a system of risk registers to record and manage the risks it faced during the period. Mitigation measures were put in place to reduce these key risks and, where the risks were still identified as significant, actions were identified to manage their impact. However, as set out in the Accounting Officer's introduction above, DCLG consider that there were serious failings in the responsibilities to safeguard public money as set out in HM Treasury's Managing Public Money.

Social and community issues

There were no material, social or community issues arising from the wind up of the Corporation's affairs.

Greening Government

The Corporation was exempted by the de minimis limit from reporting under the 'Greening Government' commitments and thus did not produce a sustainability report.

Charitable donations

During the period under review, the Corporation did not make or receive any charitable donations.

Board membership and responsibilities

Membership of the Corporation's Board is detailed under General Information on page 2, more details are provided in the Governance Statement on page 16. The Board's responsibilities are set out on page 15.

Employer responsibilities and employee relations

The Corporation aimed to be a responsible employer and to this end produced and distributed to all staff a guidance document (the Corporation's 'Employee Handbook') modelled on the terms and conditions of employment of other non-departmental public bodies and DCLG.

The Corporation was fully committed to a policy of equal opportunities in all respects of employment. The aim of the policy was to ensure that all job applicants and employees received fair treatment regardless of their age, gender, sexual orientation, race, nationality, ethnic origin, colour, creed, disability, mental status, trade union membership or religious or political beliefs.

Payment policies

The Corporation's policy was to pay a supplier within five working days of the submission date of a valid invoice unless the terms of contract stipulate otherwise. During the period under report, taking one month as a sample, the Corporation only partially met this five working day target (29% of invoices). The average time taken to pay was eight working days. The Corporation did not incur any interest charges with respect to late payments against submitted invoices (as defined by the Payment of Commercial Debts (Interest) Act 1988).

Environmental issues

There were no material environmental issues arising from the wind up of the Corporation's affairs.

Corporate governance

The Corporation had a full set of key corporate policies in place, including a Governance Statement that accords closely with the conclusions of the Independent Commission for Good Governance in Public Services as well as the relevant guidance of the Cabinet Office, HM Treasury and DCLG. The Corporation had an internal audit programme, which was provided under a service contract by the internal audit division of DCLG and carried out according to Government Internal Audit Standards. Progress on the internal audit programme was monitored regularly by the Audit Committee (from 1 August 2012 by the Board).

A Risk Management Strategy was developed and approved. A corporate risk register was maintained and formally reviewed on a monthly basis. In addition, individual risk registers were maintained for all projects incurring significant expenditure.

Further details on the Corporation's Corporate Governance can be found in the Governance Statement on page 16.

Key performance indicators

In previous periods the Corporation reported on key performance indicators (KPIs) established in the East of England Plan (the Regional Spatial Strategy), which has the plan period until 2021. This includes the target for 925 new homes and 1,300 new jobs per annum and the Corporation reported on its success in meeting these targets. However, with the transfer of the Corporation's property, rights and liabilities and planning functions to Thurrock Council on 31 March 2012, these KPIs were no longer relevant. There were no appropriate KPIs to report during the wind-up of the Corporation's affairs, other than the success of the Corporation in completing the wind-up by its dissolution date.

Staff sickness

The total number of sickness days taken by staff in the period 1 April 2012 to 31 October 2012 totalled 17 days, an average of 2.8 days per member of staff (4.7 days in 2011-12). On a pro-rata basis this would translate to 4.8 days in a full year.

The latest published national comparisons undertaken by XpertHR based on the calendar year 2011, showed an average of 6.4 days across all employers in the UK.

Personal data related incidents

There were no personal data related incidents in the period ended 31 October 2012 (nil in 2011-12).

Complaints to the Parliamentary Ombudsman

There were no complaints to the Parliamentary Ombudsman in the period ended 31 October 2012 (nil in 2011-12).

The Corporation had a policy and procedure for dealing with complaints. During the period ending 31 October 2012 no complaints were received (nil in 2011-12).

Register of interests

A Register of Interests was maintained by the Corporation which was open to the public and can be obtained from the Principal Office of DCLG.

Shortly in advance of closure the Chair and Chief Executive jointly set up a company to work in a similar field to the Corporation. The Company did not trade in the period before closure and so their roles with the company may not have been in conflict with their management and other responsibilities to the Corporation. However, the existence of the company was not reported in the Register of Interests. Other than this, there were no interests held by Board members that were in conflict with their management responsibilities.

Going concern

On 8 September 2010, Thames Gateway Minister, Bob Neill, announced plans to close the Corporation and to transfer its operations to Thurrock Council. To effect this transfer, two Statutory Instruments were approved by Parliament: The Thurrock Development Corporation (Transfer of Property, Rights and Liabilities) Order 2012 and The Urban Development Corporations (Planning Functions) Order 2012. These were laid before Parliament on Friday 2 March and came into force on 31 March 2012. A third Statutory Instrument came into force on 3 April 2012. This Statutory Instrument, The Thurrock Development Corporation (Dissolution) Order 2012, dissolved the Corporation at 31 October 2012. These meant that on 31 March 2012, other than the property, rights and liabilities retained for the purposes of winding up the Corporation, the property, rights and liabilities vested in the Corporation on the commencement date, along with the planning functions, transferred to Thurrock Council. Any property, rights and liabilities remaining vested in the Corporation immediately before the dissolution date were transferred to Thurrock Council on 31 October 2012, when the Corporation was abolished. Rights and liabilities in relation to the pension scheme transferred to the Department for Communities and Local Government at 31 October 2012.

As a result of the Corporation's abolition on 31 October 2012, the accounts for the period to that date have not been prepared on a going concern basis. However, given that most of the assets transferred to Thurrock Council at 31 March 2012, it was not considered necessary to make any adjustments to asset valuations in respect of the non-going concern basis of accounts preparation in the current period.

Disclosure

Niall Lindsay's designation as Accounting Officer was withdrawn on 17 October 2012 at which point DCLG appointed David Rossington, DCLG's Finance Director, as Accounting Officer and the Department assumed responsibility for the preparation of the Annual Report and Accounts.

Auditors

The Comptroller and Auditor General is the statutorily appointed auditor under the Government Resources and Accounts Act 2000.

The cost of work performed by the auditors in respect of the period ended 31 October 2012 is as follows:

Statutory Audit Fee £40,000 (2011-12: £53,700)

The Statutory Audit Fee for 2011-12 included a fee of £5,200 to cover assurance work on High House Production Park Ltd to 31 December 2011 in support of the 2011-12 audit of the TTGDC Group consolidation.

David Rossington
Accounting Officer (from 17 October 2012)
Finance Director, Department for Communities and Local Government
1 October 2013

Remuneration Report

Unaudited information

The remuneration of the Chair and Board was set by the Corporation's sponsor, DCLG. The terms and conditions of employment of the Chief Executive Officer and Directors were determined by the Board and subject to the approval of the Secretary of State for Communities and Local Government.

In reaching its determination the Board had regard to the following considerations:

- the need to recruit, retain and motivate suitably qualified people to exercise their different responsibilities;
- the regional/local labour market and its effect on the recruitment and retention of staff;
- Government policies for improving public services including the requirement to meet output targets for the delivery of the Corporation's objectives; and
- the funds available to the Corporation as outlined by the sponsor's resource allocations.

Board appointments were for a fixed term (until 31 July 2012 for five members, the remainder to 31 October 2012). Two members of the Board were Thurrock Councillors, the Leader of the Council and the Leader of the Opposition, and they served as ex-officio members of the Board. All the other members were recruited independently through DCLG by means of interview which assessed candidates' suitability for the post following public advertisement in accordance with commonly accepted best practice in Corporate Governance. In addition, Board members were appraised annually on their performance.

The Chief Executive and Directors were appointed on permanent contracts of employment. These contracts contained a performance element which was dependent upon the achievement of objectives set each year by the Chairman with advice, in the case of the Directors, from the Chief Executive.

Board members committed to devoting three days of their time per month with the exception of the Chair and Deputy Chair whose commitment was two days per week (one day a week from 1 August 2012). Most Board members significantly exceeded this commitment during the year.

Audited information

The following table shows the salaries of the members during the period under review. The Corporation paid benefits in kind to Board members during the period in respect of return journeys from their home to the Corporation's offices and for refreshments for Board and committee meetings. The total taxable benefit of these payments in the period ending 31 October 2012 amounted to £2,753 (£8,027 in 2011-12). Of this £2,753 total benefits in kind in the period ending 31 October 2012, £234 represented benefits in kind received by the Directors and other staff mainly from partaking of the refreshments supplied for Board and committee meetings. No Board member received any performance pay, bonus or other allowance during the year.

Audited information (continued)

Salary	Seven months ended 31 October 2012	2011-12
	Salary	**Salary**
Board Members:	£	£
W A McKee	22,411	48,897
W E Samuel	16,836	36,732
S J Crouch	4,121	12,364
G Hague	-	9,273*
J G Kent	4,121*	12,364
M J Leigh-Pollitt	-	12,364
C J Paveley	4,121*	12,364
R Reynolds	4,121*	12,364
P Anderson	4,121*	3,091*
Totals	**59,852**	**159,813**

Note (*): Members' salaries would have been £12,364 for the whole year (2011-12: £12,364). Where reduced amounts are shown the members concerned were not in post throughout the year and their salaries were earned pro-rata to this figure. The term of office for M J Leigh-Pollitt ended on 31 March 2012. The terms of office for all remaining members, except W A McKee and W E Samuel, ended on 31 July 2012. The terms of office for W A McKee and W E Samuel ended at the Corporation's dissolution, 31 October 2012.

No member of the Board accrued pension benefits during the year except the Chair. Employers' pension contributions of £3,384 were accrued during the period ending 31 October 2012 (2011-12: £7,383) and paid into a personal pension scheme in the name of the Chair. Personal pension schemes are defined contribution-type schemes which do not accrue liabilities in respect of future benefits payable to scheme members.

Salaries, bonuses and, where applicable, benefits in kind, paid to the Directors are shown in the following table. The Directors' bonus scheme provided for an unconsolidated payment of up to 10% of salary subject to the achievement of set objectives identified at the start of the year.

The Directors' contracts of employment provided for six months' notice by both employer and employee. The terms of any compensation for early termination of employment were determined by the Local Government Pension Scheme (LGPS) and depend upon the age and length of service of the employee at the point of termination.

Salary information

Directors:		Period ended 31 October 2012		Year ended 2011-12	
		Salary	**Bonuses**	**Salary**	**Bonuses**
		£'000	£'000	£'000	£'000
Niall Lindsay*	*Chief Executive Officer*	70-75	10-15	130-135	10-15
Sean O'Donnell*	*Director of Resources*	60-65	5-10	110-115	10-15
Peter Bassett	*Director of Planning*	-	-	110-115	10-15
Tom Gardiner**	*Director of Delivery*	5-10	-	105-110	10-15
Band of highest paid director's total remuneration (annualised)		135-140		140-145	
Median total remuneration		40-45		45-50	
Ratio		3.1		3.0	

In respect of benefits in kind, the Directors in the period ending 31 October 2012 received a proportion of a total of £234 (a proportion of £397 in 2011-12). The benefits in kind received by Directors and other staff were mainly from partaking of the refreshments supplied for Board and committee meetings. The salaries shown included a taxable £1,000 per annum travel allowance. The Directors' salaries were spot salaries, that is, they were fixed at a precise amount. They changed only for cost of living adjustments or if there was an overall salary review. Except for Directors, salaries rose by 1% in line with government policy (zero in 2011-12). The levels paid were consistent with the latest pay remit approved by DCLG. All Directors were on permanent contracts.

*At 22 October 2012, Niall Lindsay and Sean O'Donnell were made redundant. As compensation for early termination, Niall Lindsay received a redundancy payment of £70,226. Sean O'Donnell received a redundancy payment of £198,733.

Payments in lieu of notice (PILON) were made to all staff who were made redundant on 22 October 2012. However, DCLG deem these payments to be irregular and in conflict with the requirements of Managing Public Money and therefore, payments to Niall Lindsay of £63,732 and Sean O'Donnell of £54,512 are subject to recovery procedures and excluded from amounts reported above. These amounts included a 1% pay rise incorrectly awarded to senior managers (£1,170): these amounts have subsequently been repaid. Neither Niall Lindsay nor Sean O'Donnell received any other compensation. Amounts in respect of PILON for junior members of staff totalling £34,234, although deemed to be irregular, are not subject to recovery procedures. All amounts in this paragraph include National Insurance Contributions and PAYE deducted at source. Net amounts being reclaimed from Niall Lindsay and Sean O'Donnell are £30,591 and £26,166 respectively.

**At 30th April 2012, Tom Gardiner was made redundant. Tom Gardiner's compensation payments were accounted for in 2011-12.

Relationship between highest paid employee and the Corporation's median earnings

Reporting bodies are required to disclose the relationship between the remuneration of the most highly-paid director in their organisation and the median remuneration of the organisation's workforce.

The total annualised remuneration of the highest paid director in the Corporation for the period from 1 April 2012 to 31 October 2012 was in the band £135,000 to £140,000 (£140,000 to £145,000 in 2011-12). This was 3.1 times (3.0 times in 2011-12) the median remuneration of the workforce (after excluding the most highly-paid director), which was in the range £40,000 to £45,000 (£45,000 to £50,000 in 2011-12). In the period ending 31 October 2012 no employee received remuneration in excess of the highest-paid director (none in 2011-12).

Total remuneration included salary, benefits-in-kind and non-consolidated performance related pay. It did not include severance payments, employer pension contributions and the cash equivalent transfer value of pension. The reduction in median salary between 2011-12 and in the period ending 31 October 2012 was mainly due to a change in grade mix and the reduction in staff numbers from 32 to eight (including two executive directors).

Pension information

The Directors were entitled to join the LGPS along with all other members of staff on temporary and permanent contracts of employment. The LGPS is a funded 'final salary' pension scheme, meaning that the scheme's liabilities are backed by investment assets. The Corporation and its employees pay contributions into the fund at rates intended to meet the growth in pension liabilities over the longer term. The scheme is subjected to an independent, triennial valuation conducted by the scheme's actuaries. The main features of the scheme are outlined in Note 4 to the accounts.

The following table shows the accrued pension entitlements, Cash Equivalent Transfer Values and related information in respect of each of the Directors as at 31 October 2012. The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The figures shown represent the values that would be paid by the LGPS should the member leave and choose to transfer his or her accrued benefits into another pension scheme. The figures include amounts accrued as a result of the individual's total membership of the scheme, not just their service in the capacity to which the disclosure applies.

Senior officials' pension and benefits entitlements were as follows:

Officials	Accrued pension at pension age as at 31/10/2012 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/10/12	CETV at 31/03/12	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Niall Lindsay	15-20 plus lump sum of 15-20	0-2.5 plus lump sum of 0-2.5	252	239	2
Sean O'Donnell	55-60 plus lump sum of 135-140	2.5-5 plus lump sum of 10-15	1,194	1,203	(62)
Tom Gardiner	40-45 plus lump sum of 95-100	2.5-5 plus lump sum of 10-15	656	714	(69)

The real increase or decrease in the CETV figure represents the increase or decrease in the value of the CETV over the year after taking account of the effects of inflation, investment returns and contributions made by the member and by the employer.

The above figures for members' salaries, Directors' salaries and Directors' pensions have been audited.

David Rossington
Accounting Officer (from 17 October 2012)
Finance Director, Department for Communities and Local Government
1 October 2013

Statement of the Board's and Accounting Officer's Responsibilities

Under the Local Government, Planning and Land Act 1980, the Secretary of State with the consent of Treasury has directed Thurrock Thames Gateway Development Corporation to prepare for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. A copy of the Accounts Direction is provided in Appendix B on pages 51 and 52 of this document.

In preparing the accounts, the Board and Accounting Officer were required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government's Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare financial statements on a going concern basis, unless this is not appropriate.

The Department of Communities and Local Government (DCLG – the Corporation's sponsoring department) had appointed the Chief Executive as Accounting Officer of Thurrock Thames Gateway Development Corporation. The responsibilities of an Accounting Officer, including the responsibilities for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for the keeping of proper records and for safeguarding the Thurrock Thames Gateway Development Corporation's assets, are set out in Managing Public Money published by the HM Treasury.

The Board's functions ceased at the date the Corporation was dissolved, 31 October 2012.

Niall Lindsay's designation as Accounting Officer was withdrawn on 17 October 2012. David Rossington, DCLG's Finance Director, was appointed as Accounting Officer with effect from 17 October 2012 at which point DCLG assumed responsibility for preparation of the Annual Report and Accounts and for remaining actions to finalise the Development Corporation's financial affairs.

Governance Statement

1. Scope of Responsibility

During its existence, Thurrock Thames Gateway Development Corporation ('the Corporation') was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, the Corporation was responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

In addition, the designated Accounting Officer and Chief Executive of the Corporation until 22 October had responsibility for maintaining a sound system of internal control that supported the achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and assets for which he was personally responsible in accordance with the responsibilities assigned to him in Managing Public Money. The Accounting Officer of DCLG delegated to him the responsibility for management of the Corporation. He was accountable both to the Accounting Officer of DCLG and, in his Accounting Officer role, directly to Parliament.

The Chief Executive was made redundant along with the other remaining staff on 22 October 2012.

The Chief Executive's designation as Accounting Officer was withdrawn on 17 October 2012 at which point David Rossington, DCLG's Finance Director, was appointed as Accounting Officer.

2. The Governance Framework

The governance framework comprised the arrangements the Corporation had in place to ensure effective management and control of its key systems and processes. The governance framework formed part of the Corporation's overall assurance framework, which incorporated the Governance Documentation adopted by the Corporation, covering the principles of good governance set out by the Independent Commission for Good Governance in Public Services and informed by, and accorded with relevant HM Treasury and Cabinet Office guidance. The Corporation was satisfied it had complied, to the extent it was deemed relevant and practical, with both the HM Treasury and Cabinet 'Corporate Governance in Central Governments: Code of Good Practice' in respect of its application to Arms-Length Bodies and had considered this compliance using the relevant National Audit Office Compliance Checklist for Corporate Governance.

3. The Board, its committee structure, its attendance records and review of its performance

The Board of the Corporation comprised seven members (including Chair and Deputy Chair) up to 31 July 2012. From 1 August 2012 until its dissolution, the Board comprised two members (the Chair and Deputy Chair). All members, other than the ex-officio members, were selected through a competitive process supervised by the Office of the Commissioner for Public Appointments (OCPA) and appointed by the Secretary of State. Board members were collectively responsible for the conduct of all business undertaken by the Corporation. Consequently, in addition to the statutory powers and duties of the Corporation (which during the period were restricted to the winding up of the Corporation's affairs and preparation of final accounts), members as well as executives had both fiduciary duties and general duties of skill and care. This meant that they were not only responsible for the Board's strategic direction and policies but also for ensuring that it was properly and effectively managed. In particular, members along with Executives were responsible for the stewardship of the public funds entrusted to the Board. The Board operated an Audit Committee to oversee this key functional area. The Audit Committee was set up to meet quarterly and met in June 2012 as part of this cycle. With the reduction of Board members to two after 1 August 2012, the functions of the Audit Committee were absorbed by the Board. From 1 August 2012 until 31 October 2012 all meetings were those of the Board. The Board held six meetings in the period to 31 October 2012.

Member attendance at Board and Committees to 31 October 2012 is set out below:

Period ended 31 October 2012	**Board**	**Audit (to 31 July 2012)**
William McKee (Chair of Board) (to 31 October 2012)	6 out of 6	1 out of 1
William Samuel (Deputy Chair of Board) (to 31 October 2012)	5 out of 6	Not member
Sunny Crouch (to 31 July 2012)	2 out of 3	1 out of 1
Christopher Paveley (to 31 July 2012)	2 out of 3	Not member
Phil Anderson (to 31 July 2012)	3 out of 3	1 out of 1
John Kent (to 31 July 2012)	3 out of 3	0 out of 1
Richard Reynolds (to 31 July 2012)	2 out of 3	0 out of 1

The Board was reduced from seven to two members from 1 August 2012. This decision to reduce the number of Board members reflected the significantly reduced size of the Corporation, the scope of its operations and the remaining risks it faced until dissolution.

At the penultimate Board meeting on 4 October 2012, the NAO and the Corporation's internal audit raised concerns about expenditure on training which could be considered novel and contentious. At the final Board meeting on 15 October 2012, DCLG and the NAO raised serious concerns about the use of public money in the Corporation, with particular regard to the failure to issue redundancy notices to Corporation staff in a timely manner (and therefore remove any requirement to make additional payments in respect of payments in lieu of notice), despite the date of dissolution of the Corporation being set out by the Order seven months before closure. DCLG considered this to be a serious failing in the Chief Executive's responsibilities to safeguard public money, as set out in Managing Public Money, and removed the Chief Executive's designation as Accounting Officer on 17 October 2012. The Comptroller and Auditor General has qualified the Accounts on the basis of irregular expenditure in respect of payments in lieu of notice, training and other expenditure and this is the subject of his Report to Parliament on pages 25 to 28.

4. Quality of data used by the Board and its acceptability

The Board received regular reports at its cycle of meetings in the period to 31 October 2012.

- a Chief Executive's report providing details on any health and safety issues and an overview of progress in winding up its affairs,
- a set of detailed monthly management accounts,
- a detailed report on the Corporation current risk position, including mitigation measures and an updated corporate risk register, and

- detailed reports on the dissolution progress at project key milestones.

The Board was satisfied that it received adequate information on its key responsibilities to be assured that it was fully informed in making decisions and maintaining oversight of the Corporation's principal activities.

It is not clear whether the Board was aware of the failure to issue redundancy notices and the additional costs to the public which resulted.

5. Other Staff issues

During the final phase of the Corporation's life, it was considered that no further induction training was required. Instead, the Corporation had a policy, approved by the Board in 2010, of providing training relevant for onward career support to staff facing redundancy.

Between 1 April 2012 to 22 October 2012 £12,786 of training costs and costs of related software were incurred by the Corporation, which is considered either novel or contentious by nature or by timing. Managing Public Money clearly states that where expenditure is novel or contentious, approval should be sought from the sponsor department, who in turn should seek approval from HMT. In no case was approval sought from the Department.

Expenditure of £2,385 was incurred in relation to the relocation costs of an ex-member of staff. These costs are considered to be not in accordance with TTGDC's policy on the payment of relocation expenses.

6. Review of Corporate Governance during the period to 31 October 2012

The Corporate Governance arrangements during the period to 31 October 2012 concentrated on the management of the Corporation's closure and works related to its dissolution on 31 October 2012.

On 31 March 2012, the Corporation ceased operation and its Planning and Regeneration functions became part of Thurrock Council with the Council having its planning powers returned. From 1 April 2012, the Corporation's Closure Programme Board focused its attention on the dissolution of the organisation and the work related to it.

The Corporation managed the implementation of the dissolution plan by managing the process as a formal programme with appropriate governance structures. It:

- appointed a senior member of its staff to be the closure programme manager;
- identified the key work packages to be managed together with work stream leads;
- continued with a Closure Programme Board comprising the Executive Team and key workstream leads; and
- created a clear resourced and timetabled plan (including key dependencies) and a comprehensive risk register.

The Closure Programme Board met on a regular four-weekly cycle and reported regularly to the Corporation's Board. In addition, the Audit Committee reviewed the risk register at each of its meetings.

The sponsoring department, DCLG, created its own TTGDC Closure Board to work alongside the Corporation's internal team to ensure a well-managed closure of the Corporation. The DCLG Closure Board consisted of members of the Corporation, DCLG's finance, legal, internal audit and sponsorship teams, as well as representation from the National Audit Office as observers.

Later in the period, DCLG agreed extensions to the terms of office to 31 October 2012 for the Chair and Deputy Chair ensuring that Board oversight would be in place until the dissolution of the Corporation.

The Corporation was made aware of the date of dissolution by formal letter from DCLG on 6 February 2012 and the Dissolution Order came into force on 3 April 2012. However, having confirmed in January which staff would be made redundant, the Corporation failed to issue effective notice until October 2012, resulting in £151,308 of irregular payments in lieu of notice. Payments to senior staff totalling £117,074, including National Insurance and PAYE, but not including £1,170 already repaid, are subject to recovery procedures. Payments to junior staff totalling £34,234, whilst deemed to be irregular, are not subject to recovery procedures.

7. Management of risk

The Corporation's approach to risk management was to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it could, therefore, only provide reasonable and not absolute assurance of effectiveness. This approach was based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives; and
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Corporation agreed a risk management policy and strategy for identifying, mitigating and managing key risks. This included a corporate risk register with assigned responsibilities and a process of risk assessment for all projects that the Corporation undertakes. All reports to the Board and Audit Committee (Board only from 1 August 2012) required consideration of risk and indicate whether an assessment of risk had been undertaken.

8. Capacity to handle risk

The Accounting Officer had ultimate responsibility for the risk management process. All remaining projects to achieve dissolution included an individual project risk register. A template of this project risk register was produced and all appropriate staff members were trained and appraised of the requirement to complete this template which identifies the key risk headings that have to be considered. In addition, a risk register covering the whole Corporation was maintained and updated regularly by an appropriately qualified risk manager. All reports to the Board and Audit Committee required a statement of confirmation that a proper risk assessment had been undertaken. All staff members were aware of this requirement. At Board level responsibility for the risk management process, on an ongoing basis, was included within the terms of reference of both the Board and Audit Committee (Board only from 1 August 2012). The Corporate Risk Register was monitored monthly by the Board and the Audit Committee on a quarterly basis and the process for managing risk was reviewed annually.

9. The risk and control framework

The risk management policy and strategy, including the way in which risk (or change in risk) was identified, evaluated and controlled, was reviewed and audited by the Audit Committee. This role was included in the Audit Committee's terms of reference and formed a key part of the assurance framework for the Corporation. Internal Audit (a service provided by DCLG) undertook a programme of audits that were determined on the degree of perceived risk.

During the period ended 31 October 2012 two assignment reports were produced which gave an overall opinion in each of 'substantial assurance' for the agreed scope, which focussed on the adequacy and effectiveness of the key financial controls and governance arrangements in place and reviewed the risks associated with these key controls being adequately managed.

Both internal audit reports were considered by the Audit Committee (Board only from 1 August 2012) in the period ended 31 October 2012, and were as follows:

- Key Financial Controls and Governance – TTGDC Management letter IAS ML 01/12 dated 5 July 2012; and
- Key Financial Controls and Governance – TTGDC Management letter IAS ML 02/12 dated 20 September 2012.

The Corporation's Head of Internal Audit (HIA) produced a closure period audit report and opinion for the period ending 31 October 2012. Overall the HIA gave substantial assurance (amber/green) that TTGDC's risk management, control and governance arrangements were working effectively with some weaknesses. This was subject to resolution of the staff training issue identified in the IAS ML 02/12, as agreed at the Corporation's Board meeting on 4 October 2012 (and again on 15 October 2012). This opinion was confined to and derived from the findings and conclusions from the programme of the two IAS audits completed in the period ending 31 October 2012.

As a result of concerns raised by the NAO, the Corporation's internal auditors and by DCLG officials, the DCLG Director General Finance and Corporate Services commissioned an investigation into the use of public funds by the Corporation. The investigation has concluded and a report of its findings has been submitted to DCLG's management – see the Accounting Officer's Report on pages 3-4.

The risk and control framework which provided evidence to support this Governance Statement included:

- preparation of monthly management accounts for examination by the Executive Team. This ensured the Corporation's finances were within acceptable parameters and identified any areas of concern requiring attention. It was noted that these monthly management accounts were not completed for April and May;
- regular reporting of the Corporation's financial position to each meeting of the Board;
- a Governance Statement including a Code of Conduct and a Statement of Roles and Responsibilities was first approved by the Board in November 2005 and was regularly reviewed (latest review October 2010);
- a Board and Audit Committee that regularly monitored and reviewed the corporate risk register;
- an Audit Committee (from 1 August, Board only) that reported on its work to the Board including its review of the risk management process as well as receiving the reports of the internal auditors and overseeing their implementation;
- an internal audit function (provided by DCLG staff) which set its work programme based on an analysis of risks and which reports on its findings directly to the Audit Committee; and
- Boards for all major projects and programmes that manage and monitor project and programme risks.

10. Other key risks and events that were considered within the risk and control framework for the period ending 31 October 2012.

There were a number of other key risks and events that were relevant to the consideration of the Corporation's risk and control framework. These, and how the Corporation had dealt with them, had been identified as follows:

- A Closure Programme Board continued to manage the Corporation's dissolution and work had continued throughout the period via a number of different work packages. This Board was responsible for managing the risks associated with the programme.

- A key risk arising from the decision to dissolve the Corporation was the ability of its governance arrangements to function effectively during the remainder of its life. In particular to ensure adequate staffing resources to oversee work required until the Corporation ceased to exist as set out in The Thurrock Development Corporation (Dissolution) Order 2012. Board appointments were confirmed for the period to the end of July 2012 with the exception of the Chair and Deputy Chair who were retained until after the dissolution on 31 October 2012. DCLG funded in the period ending 31 October 2012 a skeleton staff complement to manage the dissolution of the Corporation.

The Corporation maintained a system of risk registers in order to record and manage the risks it faced. These ranged from individual project risk registers to a corporate risk register that considered the key risks faced by the organisation. These key corporate risks were identified and regularly reviewed by the Board and the Audit Committee. Mitigation measures were put in place to reduce these key corporate risks and, where the risks were still identified as significant, actions were identified to manage their impact. During the period ending 31 October 2012 the key risks identified were: ensuring that necessary works could be completed on schedule; staff being available to carry out works as a skeletal structure was left in place to dissolve the Corporation; and that effective governance and systems controls might be compromised.

11. Information risk

It is a requirement to report information risk related incidents to the Information Commissioner's Office and the Corporation took a serious approach to the way it handled the information that was generated and received by the organisation.

There were no information related incidents in the period ending 31 October 2012, including no protected personal data related incidents.

The Corporation was also required to report the number of protected personal data related incidents in the previous three years (2009-10, 2010-11 and 2011-12). The total number in this period was nil.

12. Review of effectiveness of risk management and internal control

As the Accounting Officer, designated with effect from 17 October 2012, I had responsibility for reviewing the Annual Report and Accounts and I have set out my view as follows:

The Board had responsibility for the Corporation's strategic and financial policies and oversaw the effective corporate governance of the Corporation. The Board were responsible for the oversight of all financial aspects of the Corporation's business including risk management and they regularly monitored the financial performance of the Corporation. The Board reviewed the Corporation's financial management arrangements including the corporate risk register.

The Head of Internal Audit of DCLG provided me with comments on the overall arrangements for gaining assurance through the assurance framework and on the controls reviewed as part of the internal audit work.

My review is also informed by the work of DCLG and the National Audit Office (NAO).

My view is that there was a significant failing in the internal control which resulted in novel and contentious expenditure being approved by the Corporation's management without due process and led to significant expenditure on payments in lieu of notice which could and should have been avoided to safeguard public money.

13. Significant control issues

In DCLG's view, there was a significant failure of senior management in the Corporation to abide by the guidance set out in Managing Public Money with regards to novel and contentious expenditure and safeguarding public money. This resulted in the Accounting Officer designation being removed from the Chief Executive on 17 October 2012.

DCLG's Finance Director was subsequently appointed as Accounting Officer with effect from 17 October 2012.

With the exception of commentary in respect of PILON, training and software costs, this Governance Statement and Annual Report was prepared in advance of closure by the Corporation. I have no reason to doubt the effectiveness of controls other than those specifically mentioned. Further investigations have not resulted in any additional concerns or doubts over the true and fair nature of the basis under which the accounts and disclosures have been prepared or the supporting documentation. DCLG has updated the accounts with amounts and disclosures to reflect the intention to recover PILON, training and software payments and also the final pension cessation valuation. The draft accounts prepared by the Corporation prior to dissolution had been the subject of preliminary audit processes.

David Rossington
Accounting Officer (from 17 October 2012)
Finance Director, Department for Communities and Local Government
1 October 2013

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Thurrock Thames Gateway Development Corporation (the Corporation) for the period ended 31 October 2012 under the Government Resources and Accounts Act 2000. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and auditor

As explained more fully in the Statement of Board and Accounting Officer's Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Corporation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion on regularity

The Thurrock Thames Gateway Development Corporation is required to comply with Parliamentary, departmental and other authorities, including the requirements of HM Treasury's 'Managing Public Money'. When expenditure is not in accordance with these authorities I consider it to be irregular. As detailed in my accompanying report, the Thurrock Thames Gateway Development Corporation incurred expenditure of £166,478, which I concluded was irregular. Of this, £151,308 relates to severance costs (payments in lieu of notice).

Qualified opinion on regularity

In my opinion, except for the matter referred to in the basis for qualified opinion paragraph, in all other material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Corporation's affairs as at 31 October 2012 and of its net expenditure for the period then ended; and
- the financial statements have been properly prepared in accordance with the Local Government, Planning and Land Act 1980 and Secretary of State directions issued thereunder with the consent of the Treasury.

Emphasis of Matter – Preparation on a basis other than Going Concern

I draw attention to the disclosures made in note 1 to the financial statements concerning the abolition of the Thurrock Thames Gateway Development Corporation which occurred on 31 October 2012. The Thurrock Thames Gateway Development Corporation is therefore not a going concern and the financial statements have been prepared on a basis other than going concern. My opinion is not qualified in this respect.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Local Government, Planning and Land Act 1980 with the consent of the Treasury; and
- the information given in the sections of the Annual Report entitled, "Accounting Officer's Report" and "Management Commentary" for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

4 October 2013

Report of the Comptroller and Auditor General

The Thurrock Thames Gateway Development Corporation financial statements for the period 1 April to 31 October 2012

Introduction

1. The Thurrock Thames Gateway Development Corporation (the Corporation) was established in 2004, as a non-departmental public body, sponsored by the Department for Communities and Local Government (the Department). The Corporation was empowered to drive economic growth in Thurrock. At 31 March 2012, it ceased operations and its previous planning authority functions transferred back to Thurrock Council, along with all development assets and liabilities and some associated staff. On 3 April 2012, Parliament put into force a Dissolution Order for the Corporation to be wound up on 31 October 2012, requiring that any remaining assets and liabilities would transfer to Thurrock Council at that date.
2. On the coming into force of the Dissolution Order, the Corporation ceased to act except for the purpose of preparing its final accounts and winding up its affairs. For this it continued to employ six staff, including the Chief Executive and Director of Resources. In addition, two Board Members were retained to oversee the governance of the Corporation during the winding up process. All executive staff were made redundant at 22 October 2012 and Board appointments ended at the point of dissolution on 31 October 2012.

Qualified Opinion on Regularity

3. The Corporation incurred expenditure of £166,478, which I concluded was irregular. Of this, £151,308 relates to severance costs (payments in lieu of notice), which I concluded did not have the requisite specific approval from the Department in advance of payment. In addition, other costs totalling £15,171 were either not in conformity with Managing Public Money, or the Corporation's own policies, and were, therefore, also irregular.

Purpose of Report

4. The purpose of this Report is to explain the background to the qualification of my audit opinion on regularity. I have also raised other matters, in respect of which I have not qualified my regularity opinion, relating to the Corporation's failure to have full regard to propriety and regularity of the public finances for which it was responsible, as set out in Managing Public Money issued by HM Treasury.

Explanation for Qualified Opinion on Regularity

Regularity and propriety of payments in lieu of notice

5. In closing the Corporation, formal notice of the termination of their employment was issued on 10 October 2012 to each of the six members of staff (including two members of senior staff), who remained in post until their redundancy date of 22 October 2012, less than two weeks later. The Corporation made payments in lieu of notice of £151,308 to the six remaining staff on 11 October 2012.
6. The Corporation's senior management did not act with proper regard for regularity and propriety in respect of these payments. The Corporation's Financial Memorandum, issued by the Department, required the Corporation to submit any proposals to make

payments for compensation for loss of office to the Department for approval. The payments did not conform to those requirements because the Corporation did not submit explicit proposals to make payments in lieu of notice to the relevant individuals to the Department. This expenditure is therefore irregular.

7. In terms of propriety, given that the certainty of closure by 31 October 2012 was set by the dissolution order which came into force on 3 April 2012, senior management breached their fiduciary duties by not issuing notice earlier which would have restricted the need for, or amounts of, payment in lieu of notice. The payments in lieu of notice were not a proper use of public funds as defined by the Treasury's Managing Public Money. The two senior staff were conflicted in this matter because they benefited from the payments that derived from the late issuing of notice. Each of the two senior staff authorised the other's payment.

8. The Department had clearly set out procedures, through a Financial Memorandum and budget approval letters sent to the Corporation, indicating the need for their approval for such payments. As soon as the Department became aware that payments, which did not carry full authority, were going to be made by the Corporation, the Department instructed the Corporation not to make those payments. However, by that time, the Corporation had already made the payments. The Department attempted to recover the monies immediately they had been made but have so far been unable to do so. Under the Dissolution Order, the assets and rights of the Corporation passed to Thurrock Council on dissolution. With the full support of the Department, the Council is now pursuing recovery action in respect of the payments in lieu of notice to the two senior staff.

Propriety and regularity of other expenditure

9. In the winding up period, the Corporation incurred other costs totalling £15,171 that in my view were not in conformity with Managing Public Money, and were not a proper use of public funds. I considered these costs, therefore, to be irregular.

10. Many public bodies assist staff to further their careers after redundancy by providing access to certain additional training and support. The Corporation provided such support. However, as part of this activity it incurred training related costs of £12,786 in respect of courses, conferences, accommodation, software and equipment for the six remaining staff and the Chair, which I considered could be deemed contentious, either by their nature or by their timing after closure of the Corporation. As such, the Corporation should have referred these proposals to the Department who may have needed to refer them to HM Treasury for approval. Payments for pottery, jewellery and patchwork quilting training, as well as the purchase of software retained by the Chief Executive on closure of the Corporation, were included within this expenditure.

11. My audit also found that the Corporation paid £2,385 in July 2012 for relocation costs for an ex-member of staff, which was not in accordance with the Corporation's relocation policy. I considered this expenditure to be outside the framework of authorities, and, therefore, irregular.

Other matters arising

The role of the Department, Accounting Officer and the Board

12. The Department put in place a Closure Board. The remit of the Closure Board was to provide assurance to the Department that the closure of the Corporation was on track to be delivered by the dissolution date, including data transfer, wind up activities and preparation of the final accounts. It was not intended to operate as a governance

board in the sense indicated by the Corporate Governance Code because two Corporation Board members were retained for that purpose (see below). The Closure Board consisted of staff from the Department, Internal Audit and the Corporation, with the NAO as an observer. The Closure Board met three times during the closure process, in May, July and October.

13. The Department: I recognise that the Department has to take risk-based decisions on where to direct its resources and that decisions on how much resource to devote to detailed scrutiny of arm's-length bodies is a matter of judgement. I also recognise that the Department acted as soon as it became aware of the problems: for example attempting to stop the PILON payments from being made, and then withdrawing Accounting Officer status from the then Chief Executive on 17 October 2012.

14. The Department initially sought to terminate the appointment of the entire Board at the end of their contractual term in July 2012. Following representations from the Corporation's Board, the Department recognised the risk profile associated with the administration of the closure and took action to extend the appointment of the Chair and Deputy Chair through to dissolution. In addition, while the Department had established appropriate procedures that required the Corporation to seek explicit approval from it for any payments of compensation to individuals being made redundant; it became aware of the situation too late to then enforce those procedures. This contributed to the late detection that payments in lieu of notice formed part of the redundancy packages. The Corporation's responsibilities under their Financial Memorandum were clear, and the responsibilities of the Accounting Officer, then the Chief Executive, are clearly set out in Managing Public Money.

15. However even though the Corporation's budget had reduced significantly from previous years, my judgement is that the Department underestimated the risk associated with closure and that more detailed scrutiny would have been appropriate. On the issue of serving notices to staff, and training costs: the Department should have been much more closely involved with the Corporation's activities during the closure period so it could manage the risk of management's failure to retain an appropriate set of internal controls over expenditure to better effect. The Department should have placed itself in a stronger position to ask appropriate questions about the types of activities within a closing organisation that are widely known to be potentially contentious or irregular, especially involving staff severance. It should have done more to make enquiries of the Corporation to assure itself that public funds were not being committed without due regard to propriety and regularity. The Department should have reconsidered its delegation arrangements for the Accounting Officer during the final winding up period, with a specific reminder about the requirements of Managing Public Money and giving examples of the types of expenditure that might be considered contentious or warrant specific departmental approval.

16. The Corporation and its Accounting Officer: In the circumstances of the winding up of the Corporation, it could have reasonably expected the remaining Board to extend their formal remit into closer examination of any transactions that, whilst technically within the Accounting Officer delegation from a monetary perspective, might have been considered to be contentious in any way. The onus for such referrals would have clearly lain with the Accounting Officer. The Corporation could have done more to protect public funds by putting in place a revised delegation process involving the Board. The Accounting Officer should have remained particularly alert to the requirements of Managing Public Money during the closure period. In doing so, the Accounting Officer should have realised that he was conflicted by not issuing earlier notice of termination because he stood to gain financially from that situation, and should have referred this to the Department. The Accounting Officer also breached the

Department's requirements for explicit approval to be given for payments of compensation to individuals being made redundant. My audit also found that in May 2012 the Accounting Officer set up a business in partnership with the Chair of the Corporation. Whilst I am satisfied that there were no related party transactions between this business and the Corporation, and the business did not appear to be operational before closure of the Corporation, it was wholly inappropriate, and against the agreed contractual arrangements for the Accounting Officer and the Chair, that this relationship was not formally declared by either party.

17. The Board: Having secured the additional governance period until the dissolution date, as those charged with governance for the Corporation during the closure period, the Board should have been proactive in ensuring that any activities that might be considered to be contentious or irregular were subject to proper scrutiny and approval. The Board should have ensured that the Corporation's management were acting with proper regard to Managing Public Money. As Chair of the Board, the Chair should have realised that setting up a business relationship with the Accounting Officer while the Corporation was still being wound up raised questions over the independence of both parties in the Corporation's framework of authorities.

Conclusion

18. I have concluded that total expenditure of £166,478 in respect of payments in lieu of notice and other costs do not conform with the authorities which govern them and are, therefore, irregular. While I recognise that, in total, the sums involved are not substantial, the sums are significant in the context of the final accounts for the Corporation. I have concluded that full and proper regard to propriety and regularity of the public finances for which the Corporation was responsible, was not taken by senior staff and the Board at the Corporation during the winding up of the Corporation and that the proper processes for authorisation of expenditure were not followed. In addition, I have concluded that the Department could have had better oversight of the Corporation during the closure period particularly regarding compensation for loss of office.

19. The Department is taking forward the lessons in respect of their programme of other closures. There are also wider lessons for other departments in terms of their oversight of closing bodies.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197, Buckingham Palace Road
Victoria
London
SW1W 9SP

4 October 2013

Statement of Comprehensive Net Income/Expenditure

	Note	Period ended 31/10/12 £'000	Year ended 31/03/12 £'000
Expenditure			
Staff costs	3	431	2,332
Pension deficit crystallisation	3	-	6,398
Grants in kind to Thurrock Council	5.1	-	59,028
Depreciation and Amortisation	5.2	25	121
Other expenditure	5.1	164	13,698
Total expenditure		**620**	**81,577**
Income			
Grants in kind - Thurrock Council	6.1	(797)	-
Operating income	6.2	(3)	(1,681)
Pension crystallisation income	3, 4, 6.3	(3,934)	-
Total income		**(4,734)**	**(1,681)**
Net (income)/expenditure for the period		**(4,114)**	**79,896**
Interest receivable		(7)	(7)
Net (income)/expenditure for the period after interest		**(4,121)**	**79,889**
Corporation tax	1.13	-	130
Net (income)/expenditure for the period after interest and tax		**(4,121)**	**80,019**
Other comprehensive income and expenditure			
Net gain on revaluation of Property, Plant and Equipment		-	(15)
Net gain on revaluation of Inventories		-	(385)
		-	(400)
Total comprehensive expenditure/(income) for the year		**(4,121)**	**79,619**

All activities above are derived from discontinuing operations for the Corporation.

The notes on pages 33 to 49 form part of the Financial Statements.

Statement of Financial Position

	Note	Period ended 31/10/12	Year ended 31/03/12
		£'000	**£'000**
Non-current assets			
Property, plant and equipment	7	-	11
Intangible assets	8	-	14
Total non-current assets		-	25
Current assets			
Trade and other receivables	10	3,949	189
Cash and cash equivalents	11	-	14,440
Total current assets		3,949	14,629
Total assets		**3,949**	**14,654**
Current liabilities			
Trade and other payables	12	3,949	13,921
Pension crystallisation liabilities		-	6,398
Total current liabilities		**3,949**	**20,319**
Total assets less total liabilities		**-**	**(5,665)**
Taxpayers' equity			
General reserve		-	(5,665)
Total taxpayers' equity		-	**(5,665)**

The notes on pages 33 to 49 form part of these Financial Statements.

David Rossington
Accounting Officer (from 17 October 2012)
Finance Director, Department for Communities and Local Government
1 October 2013

Statement of Cash Flows

	Note	Period ended 31/10/12	Year ended 31/03/12
		£'000	£'000
Net Income/(expenditure) for the period	SoCNE	**4,114**	**(79,896)**
Depreciation and amortisation	5.2, 7, 8	25	121
Changes in non-current assets and inventory		-	62,368
Change in receivables	10	(3,760)	1,309
Change in payables	12	(9,842)	6,157
Net change of receivables and payables to DCLG through reserves	SoCTE	(3,911)	-
Change in pension crystallisation liabilities	12	(6,398)	6,398
Provisions and other working capital movements		-	(6,594)
Tax paid		(130)	-
Net cash outflow from operating activities		**(19,902)**	**(10,137)**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	-	(152)
Proceeds on disposal of property, plant and equipment		-	3
Interest received	SoCNE	7	7
Net cash inflow from investing activities		**7**	**(142)**
Cash flows from financing activities			
Grant in aid received	SoCTE	6,398	12,307
Grant in aid refunded	SoCTE	(943)	-
Net cash inflow from investing activities		**5,455**	**12,307**
Net increase in cash and cash equivalents		**14,440**	**2,028**
Cash and cash equivalents at the beginning of the year	11	**(14,440)**	**12,412**
Cash and cash equivalents at the end of the year	11	**-**	**14,440**

The notes on pages 33 to 49 form part of these Financial Statements.

Statement of Changes in Taxpayers' Equity

	Note	Revaluation Reserve	Pensions Reserve	General Reserve	Total Taxpayers' Equity
		£'000	£'000	£'000	£'000
Balance at 31 March 2011		**3,570**	**(1,999)**	**58,077**	**59,648**
Changes in Taxpayers' Equity 2011-12					
Gains on revaluations of inventories		1,074	-	-	1,074
Gains on revaluations of land & buildings	7	15	-	-	15
Loss on revaluations of inventories		(689)	-	-	(689)
Current service cost		-	(394)	-	(394)
Employer contributions		-	3,906	-	3,906
Net return on assets		-	(1,238)	-	(1,238)
Actuarial loss		-	(275)	-	(275)
Net expenditure for the year	SoCNE	-	-	(80,019)	(80,019)
Total recognised income/(expense) for 2011-12		**3,970**	**-**	**(21,942)**	**(17,972)**
Grant in aid from sponsor department					
Capital		-	-	6,736	6,736
Revenue		-	-	5,571	5,571
Balance at 31 March 2012		**3,970**	**-**	**(9,635)**	**(5,665)**
Changes in taxpayers' equity for the period ended 31 October 2012					
Net income for the period	SoCNE	-	-	4,121	4,121
Movement in reserves	1.18	(3,970)	-	3,970	-
Recognition of (payable)/receivable to/from DCLG		-	-	(3,911)	(3,911)
Total recognised income/(expense) for the period		**-**	**-**	**(5,455)**	**(5,455)**
Other comprehensive income and expenditure					
Grant in aid from sponsor department		-	-	6,398	6,398
Repayment of grant in aid to sponsor department		-	-	(943)	(943)
Balance at 31 October 2012		**-**	**-**	**-**	**-**

The notes on pages 33 to 49 form part of these Financial Statements.

Notes to the Financial Statements

1 Accounting policies

1.1. Basis of presentation

These accounts have been prepared under the historical cost convention modified where material to account for the revaluation of non-current assets at their value to the business by reference to their current cost.

1.2. Going concern

On 8 September 2010, the then Thames Gateway Minister, Bob Neill, announced plans to close the Corporation and to transfer its operations to Thurrock Council. To effect this transfer, two Statutory Instruments were approved by Parliament: The Thurrock Development Corporation (Transfer of Property, Rights and Liabilities) Order 2012 and The Urban Development Corporations (Planning Functions) Order 2012. These were laid before Parliament on 2 March and came into force on 31 March 2012. A third Statutory Instrument came into force on 3 April 2012. This Statutory Instrument, The Thurrock Development Corporation (Dissolution) Order 2012, dissolved the Corporation at 31 October 2012. These meant that on 31 March 2012, other than the property, rights and liabilities retained for the purposes of winding up the Corporation, the property, rights and liabilities vested in the Corporation on the commencement date, along with the planning functions, transferred to Thurrock Council. Any property, rights and liabilities remaining vested in the Corporation immediately before the dissolution date was transferred to Thurrock Council on 31 October 2012, when the Corporation was abolished. Rights and liabilities in relation to the pension scheme transferred to the Department for Communities and Local Government at 31 October 2012.

As a result of the Corporation's abolition on 31 October 2012, the accounts for the period to that date have not been prepared on a going concern basis. However, given that most of the assets transferred to Thurrock Council at 31 March 2012, it was not considered necessary to make any adjustments to asset valuations in respect of the non-going concern basis of accounts preparation in the current period.

1.3. Transfer of property, rights and liabilities to Thurrock Council

As a result of the implementation of the Dissolution Order on 31 October 2012, any remaining assets and liabilities were transferred to Thurrock Council. Absorption accounting has been applied in accordance with HM Treasury requirements, and all assets and liabilities have been transferred at book value. The assets comprised furniture and equipment temporarily retained for the winding up of the Corporation and assets under construction. The liabilities comprised an obligation by the Corporation to transfer land to the equivalent value of £1,000,000 to Thurrock Council in respect of an historic land swap with High House Production Park Limited. There were also working capital transfers of relevant receivable and payable balances at closure. These asset and liability transfers were for nil consideration and were made by the Secretary of State under the Transfer Order using powers to transfer any part of the Corporation's undertaking to a local authority in s165 (a) of the Local Government, Land and Planning Act 1980. Details are in Appendix A.

1.4. Statement of compliance

The financial statements of the Corporation have been prepared in accordance with the Government Financial Reporting Manual (FReM) and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the public sector.

1.5. Property, plant and equipment

In adopting IAS16, Property, Plant and Equipment was valued at depreciated historical cost, which was used as a proxy for fair value. Where there was a material difference between depreciated historical cost and depreciated replacement cost the latter basis of valuation was incorporated in the accounts.

It was the Corporation's policy to capitalise individual items with a cost of £2,500 or more, and groups of items with a cost of £5,000 or more in aggregate. Individual items below this value were charged to the Statement of Comprehensive Net Income/ Expenditure during the period incurred.

1.6. Intangible assets

Intangible Assets were recognised as detailed below where expenditure of £2,500 or more was incurred and where it was probable that future economic benefits attributable to the asset will flow to the Corporation or for the benefit of the public good.

Acquired computer software licences were capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs were amortised using the straight line method over the estimated useful lives of the assets unless the term of the licence was shorter in which case they were amortised over the life of the lease.

Costs associated with maintaining computer software programmes were recognised as an expense as incurred. Costs that were directly associated with the production of identifiable and unique software products controlled by the Corporation, and that would probably generate benefits exceeding costs beyond one year, were recognised as Intangible assets.

Computer software development costs recognised as assets were amortised using the straight line method over the estimated useful lives of the assets.

1.7. Impairment of PPE

Assets still in use by the TTGDC beyond 31 March 2012 were impaired over the remaining life of the Corporation. This was the reporting period starting 1 April 2012 and ending with the Corporation's dissolution on 31 October 2012.

1.8. Depreciation

Depreciation was provided to write off the cost of Property, Plant & Equipment and Intangible Assets over their expected useful lives on a straight line basis at the following rates:

Leasehold Improvements – over the life of the lease

Fixtures & Fittings – 5 years

Office Equipment – 4 years

Information Technology Equipment, Software Licences and Development – 3 years

These depreciation policies were still valid for the residual assets transferred to Thurrock Council at 31 October 2012.

1.9. Government grants

The Corporation's activities were funded primarily by way of grant in aid provided by the Corporation's sponsor department, DCLG. In accordance with the FReM, grant in aid received was credited to the General Reserve. The total amount of grant in aid received in the year was £6,398,000, being grant in aid in respect of the pension crystallisation cost payable to Essex Council accrued in 2011-12 as well as other cash requirements. £12,307,000 was received in 2011-12 with £5,571,000 utilised on revenue expenditure and £6,736,000 utilised on capital projects. The Corporation refunded a total of £942,783 unutilised grant in aid to the DCLG in October 2012.

1.10. Employee benefits

Pension costs

Corporation staff were entitled to join the Local Government Pension Scheme (LGPS) which was administered on the Corporation's behalf by Essex County Council. The scheme is subjected to a triennial actuarial valuation. Pension costs were accounted for in accordance with the revised format of the Accounting Standard IAS 19 'Retirement Benefits' as disclosed in Note 4.

Other staff benefits

The Corporation operated a staff bonus scheme based upon performance objectives set for each period for individual members of staff. Bonuses were paid in arrears for performance already delivered and such bonuses were accrued at the period end.

The leave entitlement for all staff was 28 days and up to five days untaken could be carried forward to the following year. In exceptional circumstances, additional days could be carried forward with line manager approval. There was no accrued unpaid leave at 31 October 2012 (2011-12: nil).

1.11. Leases

The total cost of operating lease rentals was charged to the Statement of Comprehensive Net Income/Expenditure over the period of the lease on a straight line basis. All lease incentives were recognised as an integral part of the net consideration agreed for the use of the leased asset and were recognised over the whole of the lease term.

There were no finance leases.

1.12. Value added tax

None of the Corporation's activities in the period between 1 April 2012 and 31 October was VAT-recoverable because the Corporation deregistered for VAT following the cessation of its operations on 31 March 2012, However, with the approval of HMRC, a final VAT claim was made on 15 August 2012 covering taxable sales and purchases for the period up to 31 March 2012, albeit that the invoices might have been dated after the 31 March. The claim resulted in a refund of VAT. At the Corporation's dissolution, this VAT refund had yet to be received and was transferred to Thurrock Council at 31 October 2012 as per the Statutory Instrument (The Thurrock Development Corporation Dissolution Order 2012).

1.13. Corporation tax

Corporation Tax was provided in full on surpluses arising from the Corporation's trading activities. In the period from 1 April and ending on 31 October 2012 the Corporation had no trading activities and so no Corporation Tax was incurred.

1.14. Deferred taxation

Deferred taxation was provided for in full on timing differences which result in an obligation at the Statement of Financial Position date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Deferred tax assets were recognised to the extent that it was regarded as more likely than not that they would be recovered. Deferred tax assets and liabilities were not discounted.

1.15. Financial instruments

Financial assets and liabilities were valued in the Statement of Financial Position at fair value. This was usually the amount expected to be received or paid unless the terms of the contract made the use of such a basis of valuation misleading.

1.16. Interest Receivable

Interest receivable relates to bank interest earned on overnight and other short-term deposit accounts.

1.17. Changes to Accounting Policies

There are no changes effective in this financial period which are applicable to the Corporation.

1.18. 2011-12 Misstatement

Subsequent to the completion of the 2011-12 Accounts a misstatement was identified. This misstatement related to the Revaluation Reserve held by the Corporation in respect of development land assets. As the relevant assets had been transferred to Thurrock Council during 2011-12 the associated balances in the Revaluation Reserve should have been written out to the General Fund, rather than being retained as a Revaluation Reserve. The amount involved was £3,970,000. Although this omission was an error the Department does not consider it material since it did not impact on expenditure, income, assets or liabilities. Accordingly the results for 2011-12 have not been restated and the transfer between reserves has been shown in the period to 31 October 2012 in the Statement of Taxpayers' Equity.

2 Expenditure and income analysis

2.1 Analysis of net (income)/expenditure by segment

	Period ended 31/10/2012	Year ended 31/03/2012
	£'000	£'000
Gross expenditure	620	81,577
Income	(4,734)	(1,681)
Net (income) /expenditure	**(4,114)**	**79,896**
Total assets	**3,949**	**14,654**

Since the Corporation transferred its operations to Thurrock Council, the previous segments used in this note are no longer valid. All costs relate to the support function.

2.2 Analysis of income by segment

	Period ended 31/10/2012	Year ended 31/03/2012
	£'000	£'000
Planning fees income	-	(487)
Pension crystallisation income	(3,934)	-
Rental income and room hire	-	(981)
Grant income	-	(55)
Grant in kind - Thurrock Council	(797)	-
Miscellaneous income	(3)	(158)
Total income	**(4,734)**	**(1,681)**

3 Staff numbers and related costs

3.1 Staff costs

	Period ended 31/10/2012	Year ended 31/03/2012
	£'000	£'000
Wages, salaries & fees	353	1,886
Social security costs	42	230
Pension costs	36	216
Total	**431**	**2,332**
Pension deficit/(surplus) crystallisation	(3,934)	6,398

The Corporation did not employ any temporary staff in the period. There was no annual leave to accrue at its dissolution date of 31 October 2012 (2011-12: Nil).

No Loans were advanced to any employee during the period (2011-12 - nil). No staff costs were capitalised during the period (2011-12 - nil).

Salaries and Payables include an element of the full redundancy costs of staff made redundant during the period to 31 October 2012 that had not been accrued in 2011-12. This amounts to £36,836 out of the total redundancy costs paid in the period to 31 October 2012 of £250,095 (2011-12:£578,471).

3.2 Staff numbers

	Period ended 31/10/2012	**Year ended 31/03/2012**
	Permanent staff totals	totals
Executive	2	4
Executive support	1	4
Resources	3	7
Planning	-	10
Delivery	-	6
Marketing	-	1
Total	**6**	**32**
Board members*	2	8

* Board members' commitment was to work two days per week up to 31July 2012 and thereafter one day per week (Chair and Deputy Chair) or three days per month (other members). At the period end there were two members of the Board (2011-12: 8).

3.3 Reporting of compensation schemes – exit packages

One member of staff left under compulsory redundancy terms on 30 April 2012 and six on 22 October 2012. They received a total compensation payment of £250,095.

		Period ended 31/10/2012		**Year ended 31/03/2012**
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Total number of exit packages by cost band**
<£10,000	-	-	-	3
£10,000 - £25,000	4	-	4	1
£25,000 - £50,000	1	-	1	-
£50,000 - £100,000	1	-	1	-
£100,000- £150,000	-	-	-	1
£150,000- £200,000	1	-	1	-
Total number of exit packages	7	-	7	5
	£'000	£'000	£'000	£'000
Total resource cost	250	-	250	168

Redundancy and other departure costs were paid in accordance with the provisions of the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2006. This was a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of agreement.

Payments in Lieu of Notice (PILON) were made to all staff who were made redundant on 22 October 2012. Payments to Niall Lindsay and Sean O'Donnell totalling £118,244 are subject to recovery action (of which £1,170 has already been repaid) and are therefore excluded from all disclosures. These amounts include National Insurance Contributions and PAYE which were deducted at source and are being recovered separately. PILON payments totalling £34,234 – including NI and PAYE – made to junior staff will not be recovered.

4 Employee benefits

The Local Government Pension Scheme (LGPS) is a final salary pension scheme, meaning that benefits are normally based upon the salaries achieved in the last year of active service of members before retirement. In order to fund current and future benefits it was necessary to build a portfolio of investments and to compare investment performance over time with current and estimated future calls made upon those investments to ensure schemes remain fully funded throughout the lives of the membership.

The Corporation was a 'scheduled' ie admitted body to the Essex County Council LGPS, which administers the scheme on its behalf and appoints independent actuaries to calculate the required total contribution rates.

In the seven month period to 31 October employer's contributions amounting to £35,833 were made on behalf of participating employees at a contribution rate of 12.60% of gross salaries (2011-12: £205,945 at a contribution rate of 12.60%). Total pension costs charged to the Statement of Comprehensive Net Income/Expenditure amounted to £36,294 (2011-12:£213,329). This amount included £3,384 (2011-12: £7,383) paid into a defined contribution scheme on behalf of the Chair who was not eligible for entry to the LGPS.

Due to the cessation of the Corporation on the 31 October 2012 a final calculation was carried out by the actuary to assess the deficit, or surplus, attributable to the Corporation.

There are no active members left and so there are only former employees (i.e. deferred and pensioner members). The valuation was done on the premise that no other employer in the Fund was willing to take on, or underwrite liabilities and as such the funding position of the residual liability was calculated on a 'minimum risk' basis. This is similar to adopting a basis that would be used to secure the liabilities from an insurance company.

4.1 Early Retirement Strain Costs – Full Cessation

There are no active members as at 22 October 2012 who would be eligible for unreduced early retirement benefits if they were to be made redundant under a Full Cessation with the employer ceasing to exist.

4.2 Actuarial Assumptions

The following assumptions are as per the Actuaries' report issued through Essex County Council:

4.2.1 Future Price Inflation

The base assumption is the future level of price inflation. This is derived by considering the difference in yields from conventional and index linked gilts and then adjusting for an inflation risk premium. Future pension increases are to be based on CPI rather than RPI. At the 2010 actuarial valuation it was assumed that CPI will be 0.8% per annum below RPI (before any inflation premium adjustment). The same assumption has been made here in order to be consistent. The resulting CPI assumption is 2.2% at the date of valuation and 2.2% per annum on a smoothed basis.

4.2.2 Future Investment Returns/Discount Rate

To determine the value of accrued liabilities future payments to and from the Fund have to be discounted. There are a number of different approaches that can be adopted in deriving the discount rate to be used. FRS 17, for example, requires that the discount rate is related to yields from corporate bonds. In the view of the Actuaries the discount rate that is adopted should depend on the purpose of the valuation and the overall funding objectives.

Where the employer is ceasing to exist and no other employer is available to underwrite any shortfall in actual equity returns compared to what was anticipated, an appropriate approach to determine the value of liabilities on a “minimum risk” basis would be to use gilt yields at the valuation date as the discount rate.

The financial assumptions used for the full cessation valuation are as follows:

	Full Cessation 22 October 2012	**Year ending 31 March 2012**
RPI Inflation	2.7%	3.3%
Discounted Rate	3.1%	4.6%
CPI Inflation	2.2%	2.5%
Benefit Increases	2.2%	2.5%

4.2.3 Demographic/Statistical Assumptions

For the purpose of this valuation exercise it is appropriate to use the method and assumptions consistent with the 2010 actuarial valuation, updated where necessary to reflect market conditions. The financial assumptions used for calculations on an ongoing basis are consistent with the 2010 actuarial valuation.

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the Actuaries’ 2010 actuarial valuation report.

4.2.4 Results

The following table sets out the valuation results for the section of the Fund attributable to Thurrock Thames Gateway Development Corporation as at 22 October 2012 using the data under the full cessation scenario described above.

Scenario	**Full Cessation** **£000's**	**Year ending 31 March 2012** **£000's**
Active Members	-	
Deferred Members	2,209	
Pensioners	2,637	
Total	**4,845**	**8,749**
Assets	8,779	5,217
Surplus/(Deficit)	**3,934**	**(3,532)**
Funding Level	181%	60%

The surplus results from a significant payment of £6,398,000 made to the Fund in 2011-12 in anticipation of the Employer's eventual cessation. The excess of £3,934,000 has been treated as a receivable in these accounts which was transferred to the Department on closure; the amount has now been refunded to the Department.

5 Expenditure

5.1 Other expenditure including grants in kind

	Period ended 31/10/2012 £'000	**Year ended 31/03/2012** £'000
Grant in kind to Thurrock Council	**-**	**59,028**
Other Grants to public sector	**-**	**6,589**
Programme Expenditure		
Legal & professional	(14)	1,469
Premises / sites costs	74	441
Inventory impairment	-	4,100
Marketing costs	-	1
Public consultation	-	7
Subscriptions to partnership bodies	2	-
Total	**62**	**6,018**

The Thurrock Development Corporation (Transfer of Property, Rights and Liabilities) Order 2012 (Transfer Order) came into force on 31 March 2012. This meant at that date, substantially all of the Corporation's property, rights and liabilities transferred to Thurrock Council and were recorded as a grant in kind to Thurrock Council.

During the period no grants (2011-12: £6,589,000) were paid to third parties and there were no grant commitments not yet paid to third parties at 31 October 2012 (2011-12: Nil).

Programme expenditure comprises expenditure incurred directly in pursuit of the Corporation's objectives.

	Period ended 31/10/2012 £'000	Year ended 31/03/2012 £'000
Administrative Expenditure		
IT costs	20	143
Office costs	11	125
Professional costs	3	565
Staff training	7	50
Travel & subsistence	1	35
Auditor's remuneration:		
- Statutory accounts	40	54
Operating lease rentals:		
- Head office rent	20	56
- Vehicles	-	14
- office equipment	-	20
Total administration	**102**	**1,062**

	Period ended 31/10/2012 £'000	Year ended 31/03/2012 £'000
Loss on disposal of intangible assets	-	25
Gain on disposal of property, plant and equipment	-	(3)
Impairment on non-current assets	-	7
Total	**-**	**29**

	Period ended 31/10/2012 £'000	Year ended 31/03/2012 £'000
Total other expenditure	**164**	**13,698**

5.2 Depreciation and amortisation

	Period ended 31/10/2012 £'000	Year ended 31/03/2012 £'000
Depreciation on buildings	-	2
Depreciation on office equipment and fixtures and fittings	2	20
Depreciation on information technology	9	41
Amortisation intangible assets	14	58
Total depreciation and amortisation	**25**	**121**

6 Operating income

6.1 Grants in kind

	Period ended 31/10/2012	Year ended 31/03/2012
	£'000	£'000
Grant in kind - Thurrock Council	**797**	**-**

Between April 2012 and October 2012 amounts totalling £796,603 had been identified in the accounts as transferable from the Council (2011-12 expenditure of £59,028,000). These amounts were for non cash items and therefore did not impact on any cash amounts transferred from/to Thurrock Council in the period ended 31 October 2012. These non-cash items have been analysed in Appendix A to these accounts.

6.2 Other operating income

	Period ended 31/10/2012	Year ended 31/03/2012
	£'000	£'000
Planning fees income	-	487
Rent income & room hire	-	981
Grant income	-	55
Miscellaneous income	3	158
Total	**3**	**1,681**

6.3 Pension crystallisation income

£6,398,000 Pension crystallisation deficit was accrued in the year ended 31 March 2012. However, due to the final closure of the Corporation, another valuation was necessary to assess the deficit or surplus attributable to the Corporation at 22 October 2012. The valuation showed a surplus of £3,934,000 and this has been identified as income from pension crystallisation on the Statement of Comprehensive Income/Expenditure.

7 Property, plant and equipment

	Leasehold improvements	Information technology	Office equipment	Fixtures & Fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 April 2012	1	133	32	110	**276**
Additions	-	-	-	-	**-**
Disposals	-	-	-	-	**-**
Revaluation/(impairment)	-	-	-	-	**-**
At 31 October 2012	1	133	32	110	**276**
Accumulated Depreciation					
At 1 April 2012	1	124	32	108	**265**
Depreciation charge for the year	-	9	-	2	**11**
Disposals	-	-	-	-	**-**
Revaluation/(impairment)	-	-	-	-	**-**
At 31 October 2012	1	133	32	110	**276**
Carrying value at 31 October 2012	-	-	-	-	**-**

	Leasehold improvements	Information technology	Office equipment	Fixtures & fittings	Land & buildings	Payments on account and assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2011	1	333	50	198	475	4,075	5,132
Additions	-	-	-	-	-	152	152
Disposals	-	(195)	(18)	(87)	(490)	(4,227)	(5,017)
Revaluation/(impairment)	-	(5)	-	(1)	15	-	9
At 31 March 2012	1	133	32	110	-	-	**276**
Accumulated Depreciation							
At 1 April 2011	1	263	50	132	1	-	447
Depreciation charge for the year	-	41	-	20	2	-	63
Disposals	-	(180)	(18)	(44)	(3)	-	(245)
Revaluation/(impairment)	-	-	-	-	-	-	-
At 31 March 2012	1	124	32	108	**-**	**-**	**265**
Carrying value at 31 March 2012	-	9	-	2	**-**	**-**	**11**

8 Intangible assets

	Software licences £'000	Software development £'000	Total £'000
Cost or Valuation			
At 1 April 2012	108	71	**179**
Disposals	-	-	**-**
Revaluation/(impairment)	-	-	**-**
At 31 October 2012	108	71	**179**
Accumulated Amortisation			
At 1 April 2012	107	58	**165**
Amortisation charge for the year	1	13	**14**
Revaluation/(impairment)			**-**
At 31 October 2012	108	71	**179**
Carrying value at 31 October 2012	-	-	**-**
Cost or Valuation			
At 1 April 2011	232	114	**346**
Disposals	(123)	(43)	**(166)**
Impairment	(1)		**(1)**
At 31 March 2012	**108**	**71**	**179**
Accumulated Amortisation			
At 1 April 2011	178	70	**248**
Amortisation charge for the year	31	27	**58**
Disposals	(102)	(39)	**(141)**
Impairment	-	-	**-**
At 31 March 2012	107	58	**165**
Carrying value at 31 March 2012	**1**	**13**	**14**

9 Financial Instruments

Under Treasury Guidance, the provisions of IFRS 7, IAS 39 and IAS 32 were deemed to apply to the Corporation. Under those provisions disclosures were required in respect of the financial instruments (financial assets and financial liabilities) maintained by the Corporation, the risks associated with them and the Corporation's approach to that risk.

All Financial assets and liabilities were recognised and valued in the Statement of Financial Position at fair value. Except for short term receivables and payables the only financial instrument maintained by the Corporation was cash held on deposit and current account.

At the Statement of Financial Position date, cash balances were zero (2011-12: £14,440,000). The Corporation had no borrowings and relied primarily on departmental grants for its cash requirements, and was therefore not exposed to liquidity risks. All material assets and liabilities were denominated in Sterling, so it was not exposed to interest rate risk or currency risk.

10 Trade receivables and other current assets

	Period ended 31/10/2012 £'000	Year ended 31/03/2012 £'000
Amounts falling due within one year:		
Other receivables	3,949	189
Total	**3,949**	**189**

	Period ended 31/10/2012 £'000	Year ended 31/03/2012 £'000
Central Government	19	72
Local Authorities	3,928	-
Sub-total	**3,947**	**72**
Bodies external to Government	2	117
Total	**3,949**	**189**

Receivables totalling £204,397 were transferred to Thurrock Council at 31 October 2012. These are analysed in Appendix A on page 50.

There was an outstanding receivables balance of £3,949,000 at 31 October 2012. This figure includes pensions surplus of £3,928,000 (net of charges) and receivables for £2,000 to reflect recoveries from individuals for irregular payments relating to a 1% pay increase to executives which were subsequently repaid direct to the Department. In addition, a receivable has been recognised from DCLG in respect of professional fees of £18,844 included in the payable balance in Note 12. These receivables were transferred to DCLG on closure of the Corporation.

11 Cash and cash equivalents

	Period ended 31/10/2012 £'000	Year ended 31/03/2012 £'000
Balance at 1 April	14,440	14,160
Net change in cash and cash equivalent balances	(14,440)	280
Balance	**-**	**14,440**

	Period ended 31/10/2012 £'000	Year ended 31/03/2012 £'000
The following balances at the end of the period were held at:		
Commercial banks and cash in hand	-	12,692
Cash held with Solicitors and Managing Agents	-	1,748
Balance at the end of the period	**-**	**14,440**

Cash held by the Corporation at closure was returned to the Department as negative grant in aid.

12 Trade payables and other current liabilities

	Period ended 31/10/2012 £'000	Year ended 31/03/2012 £'000
Amounts falling due within one year		
Trade and other payables	3,949	11,818
Other tax & social security	-	130
Accruals	-	973
Intra-group grants payables	-	1,000
Pension liabilities	-	6,398
	3,949	**20,319**

	Period ended 31/10/2012 £'000	Year ended 31/03/2012 £'000
Central Government	3,949	119
Local Authorities	-	13,091
sub-total	**3,949**	**13,210**
Bodies external to Government	-	7,109
	3,949	**20,319**

The Corporation had liabilities of £1,000,000 to Thurrock Council in respect of land the Council had transferred to the High House Production Park Ltd. This liability was transferred to Thurrock Council at 31 October 2012 along with receivables of £61,678. These amounts are analysed in Appendix A on page 50.

There was an outstanding liability of £18,844 at 31 October 2012 made up of charges for external (£15,000) and internal (£3,844) audit. In addition a payable of £3,930,000 has been recognised to match the receivable shown in Note 10. On closure these payables were transferred to the Department and have subsequently been settled.

13 Capital commitments

There were no capital commitments at 31 October 2012 (2011-12: Nil).

14 Commitments under leases

<u>Operating leases</u>

Commitments under operating lease to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires:

	Period ended 31/10/2012 £'000	Year ended 31/03/2012 £'000
Not later than one year	-	20
Between 2 and 5 years	-	-
Later than 5 years	-	-
	-	**20**

Rental costs of operating leases were charged to the Statement of Comprehensive Net Income/Expenditure on a straight line basis over the term of the lease. In accordance with SIC 15 the rent incentive was treated as an integral part of the net consideration and was recognised over the lease term.

15 Other financial commitments

The Corporation entered into contracts (which are not leases or PFI contracts) for ICT and HR support. These contracts had terminated before the Corporation was dissolved at the end of October 2012.

	Period ended 31/10/2012 £'000	Year ended 31/03/2012 £'000
Not later than one year	-	47
Between 2 and 5 years	-	-
Later than 5 years	-	-
	-	**47**

In addition to the above, as the Corporation was dissolved at the end of October 2012 there were no non-cancellable contracts in respect of projects at 31 October 2012 (2011-12: Nil).

16 Contingent liabilities

No contingent liabilities were identified in the period ended 31 October 2012 (2011-12: Nil).

17 Related Party Transactions

The Corporation was a non-departmental government body sponsored by DCLG. DCLG is regarded as a related party, as are other entities that it sponsors.

As outlined in Note 4 to the accounts, the Corporation was a ‘scheduled’ (admitted) body to the Local Government Pension Scheme (LGPS). The LGPS exists for the benefit of its members and as such was deemed to be a related party under the terms of the Corporation’s accounts direction and IAS 24.

The High House Production Park Limited (HHPP) is a registered charity and was formerly set up as a subsidiary of the Thurrock Thames Gateway Development Corporation (the Corporation). High House Enterprises Limited (HHEL) was incorporated on 6 December 2011 and is a wholly owned subsidiary of HHPP. HHEL has Directors in common with HHPP and the Corporation. No transactions between the Corporation and these entities occurred during the period being reported.

During the year the following payments/(receipts) were made to or received from related parties:

Organisation	Amount Paid by the Corporation	Amount Accrued/ Provision	Period ended 31/10/2012 Total	Year ended 2011-12 Total	Nature of Transactions	Related Party Connection	Corporation Position
	£'000	£'000	£'000	£'000			
Department for Communities and Local Government	4	3,949	3,953	23	Internal Audit Costs and transfers on closure	Sponsor Dept	Sponsor Dept
Thurrock Council	3,379	-	3,379	60,396	Planning Expenditure, Capital grants (Projects), Office - Rates, Rent and Service Charges	Cllr John Kent; Cllr Gary Hague; Cllr Phil Anderson and Jason Oliver	Board Members and Staff Employees
Essex County Council	3	(3,928)	(3,925)	6,426	Pension Crystallisation Costs, LGPS Administration Charge, SLA Technical Work	Via Sponsor Dept	Pension Provider
Homes and Communities Agency	9	-	9	-	Project expenditure	Via Sponsor Dept	Project expenditure
Chelmsford Borough Council	-	-	-	10	Planning Expenditure	Via Sponsor Dept	Planning Expenditure
National Grid Gas PLC	-	-	-	2	Service to Disconnect Line	Via Sponsor Dept	Services
Montal Computer Services Ltd	4	-	4	68	IT Support Contract, Software Licences	Chris Paveley	Board Member
University of East London	-	-	-	19	Capital Grant	Sunny Crouch	Board Member
Total	3,399	21	3,420	66,944			

18 Events after the reporting period

In accordance with IAS 10 (Events after the Reporting Period), events after the Reporting Period are considered up to the date the accounts are authorised for issue. This is interpreted as the date of the Audit Certificate of the Comptroller and Auditor General.

A final cessation calculation was undertaken by the Essex County Council's actuary of the Corporation's final financial position in the Essex LGPS pension fund at the date (22 October 2012) the Corporation ceased its participation in the fund. This calculation resulted in a refund due to the Corporation of £3,934,000 which, at dissolution, had yet to be received. The refund is shown as a trade receivable in the Statement of Financial Position at 31 October 2012 and detailed in Note 4 and Note10 to the accounts. The amount was repaid, net of charges of £6,000, to the Department in May 2013.

As the Development Corporation had closed by the time the irregular expenditure was identified, legal action to recover the irregular payments made to senior staff is being taken by Thurrock Council as successor body. At the date of issue of these Accounts the action was incomplete.

Appendix A: Assets and Liabilities Transferred to Thurrock Council at 31 October 2012 under the Thurrock Development Corporation (Transfer of Property, Rights and Liabilities) Order 2012.

The following represent the transfer of assets and liabilities to the Thurrock Council in the period 1 April 2012 to 31 October 2012.

Transferred assets	**Value at date of transfer to Thurrock Council £**
Assets Under Construction - new buildings and infrastructure to accommodate relocated businesses at Hogg Lane, Grays	13,721
Rent receivables	38,493
VAT receivable	9,464
Receivables in respect of irregular expenditure	142,719
Total assets transferred	**204,397**
Transferred liabilities	
Trade payables	(1,000)
Land swap liability transferred to Thurrock Council	(1,000,000)
Total liabilities transferred	**(1,001,000)**
Grant In Kind - Thurrock Council	**(796,603)**

Appendix B: Accounts Direction

Thurrock Development Corporation Accounts Direction given by The Secretary Of State For Communities And Local Government with the Consent of the Treasury, in accordance with Paragraph 10(3) Of Schedule 31 to The Local Government, Planning And Land Act 1980

1. The accounts of Thurrock Thames Gateway Development Corporation (hereafter in this accounts direction referred to as “the Corporation”) shall give a true and fair view of the income and expenditure and cash flows for the period and the state of affairs at the period end. The end of the period will also represent the dissolution date of the corporation. Subject to this requirement, the accounts for the period ending 31 October 2012 shall be prepared in accordance with:-

    (a) the accounting and disclosure requirements given in the Government Financial Reporting Manual issued by the Treasury (“the FReM”) as amended or augmented from time to time, and subject to Schedule 1 of this direction;

    (b) any other relevant guidance that the Treasury may issue from time to time;

    (c) any other specific disclosure requirements of the Secretary of State;

insofar as these requirements are appropriate to the Corporation and are in force for the year for which the accounts are prepared, and except where agreed otherwise with the Secretary of State and the Treasury, in which case the exception shall be described in the notes to the accounts.

2. Schedule 1 to this direction gives clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards and also gives any exceptions to standard Treasury requirements.

3. This direction shall be reproduced as an appendix to the accounts.

4. This direction replaces all previously issued directions.

Signed by authority of the Secretary of State

An officer in the Department for Communities and Local Government
Date 26 September 2012

Appendix B

Accounts Direction – Schedule 1

Schedule 1

1. The accounts for the period ended 31 October 2012 shall be signed and dated by the Accounting Officer on behalf of the board members.

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