



Strategic Capital Board Terms of Reference

November 2024

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1.0 Introduction

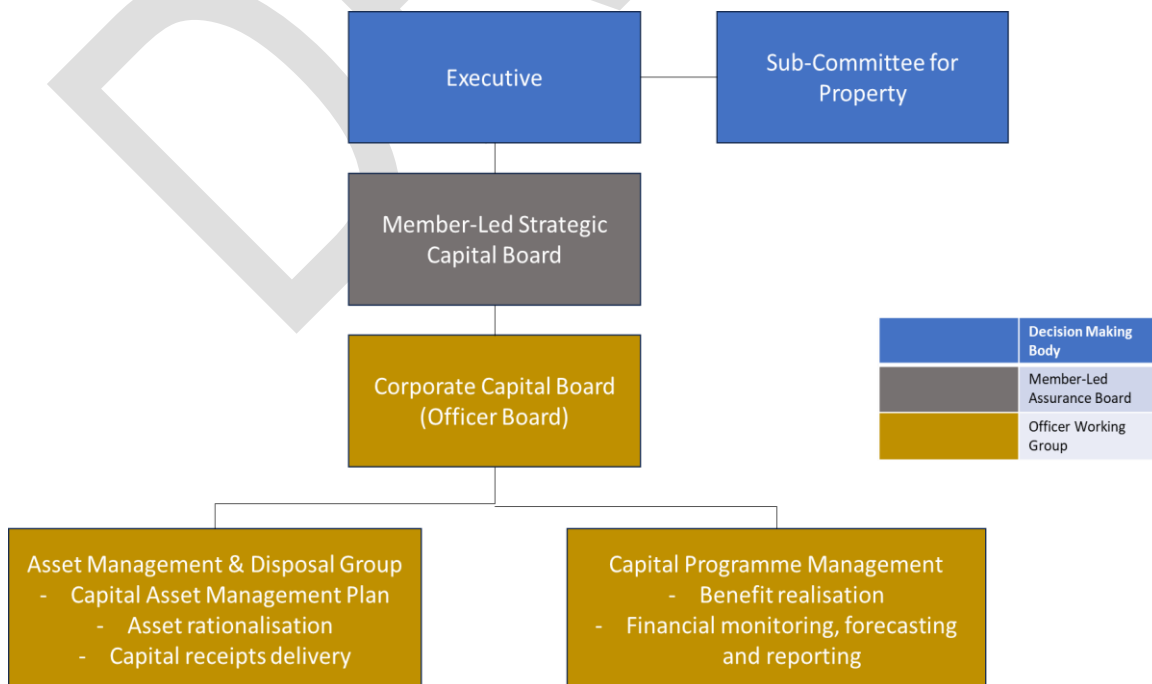
This document sets out the Terms of Reference for the Board put in place to govern the Capital Programme at Middlesbrough Council. The principles set out within this document are based on the [Capital Strategy 2024/25](#), approved by Council on 8 March 2024.

The Capital Strategy has been established to ensure that:

- Capital investment is targeted towards supporting the Council’s corporate objectives.
- Capital investment is prudent, sustainable, affordable and provides value for money.
- Capital investment complements revenue spend on services.
- The stewardship of assets is properly considered within in capital planning process.
- Members and Senior Officers have a common understanding of the long-term context in which investment decision are made and all the financial risks to which the Council is exposed.
- Capital projects are delivered on time and within budget.
- There is improved transparency at programme level along with a clear process for Member engagement.
- The Council is seen as an exemplar of good practice in its capital planning.

The Capital Strategy clearly defines how capital investment and funding will be managed across the Council. A reminder of the principles of how the capital programme will be managed are set out in Annex A.

The initial structure of the Capital Boards and an overview of the reporting regime is set out below.



Alongside this document, work is continuing to review and improve the Council's financial management arrangements. As a result, the development of the governance structures and processes put into place to manage the Capital Programme across the organisation are likely to require refinement over time to ensure that new ways of working are embedded within the normal operation of Council activities.

2.0 Terms of Reference

Strategic Capital Board Terms of Reference

Roles and responsibilities of the Strategic Capital Board

The role of the Strategic Capital Board (SCB) is to provide strategic oversight of the Governance and Control Framework established to manage the Capital Programme.

The Board will also oversee the delivery of the actions and recommendations set out in plans relating to capital. The Board represents the interests of the residents of Middlesbrough and for ensuring that the Capital Programme delivers the outcomes of the Council Plan.

The Capital Strategy is approved annually by full Council at budget setting and sets out the criteria for accepting capital projects into the Capital Programme. The 2024/25 Capital Strategy was approved on 8 March, 2024. The SCB is not responsible for making decisions on individual projects or programmes, although it will consider the draft capital proposals put forward by Directorates to develop a comprehensive and affordable plan that will be put forward by Executive for consideration by Council. Directors will oversee their departmental capital requirements via their departmental management teams and remain responsible for the operational delivery of projects in their Directorates.

The Board ensures there is effective communication between Members and Officers on the management and financing of the Capital Programme. The Board also provides an opportunity to ensure coordinated communications with key stakeholders as appropriate.

Membership of the Strategic Capital Board

The members of the Strategic Capital Board (SCB) are:

Name	Role	Responsibility
Nicky Walker	Executive Member for Finance and Governance	Chair
Theo Furness	Executive Member for Regeneration	Member of the Board (vice chair)
Peter Gavigan	Executive Member for Environment	Member of the Board

Supported by core team:

Debbie Middleton	Director of Finance (s151)	Chair of Corporate Capital Board
Richard Horniman	Director of Regeneration	Lead representative for delivery of Capital Programme
Andrew Humble	Deputy S151 Officer and Head of Financial Planning	Lead on capital programme planning, monitoring and forecasting
TBC	Capital Accountant	Support to the Board

Other Councillors, Directors or Heads of Service may be invited to attend Board meetings, as required by the Chair.

The quorum for any meeting of the Board is three Members and must include the Chair or a nominated representative of the Chair.

Members of the Board may participate via Teams.

Ethical leadership

Members of the Board are exemplars of the Council's values, acting with integrity, fairness and in the interest of the Council and on behalf of citizens.

How the Board works and remit of the Board

The Board will provide constructive challenge to the reports of the Corporate Capital Board (CCB) and relevant Senior Officers. The Board examines issues and solutions through different lenses to confirm decisions made are in the long-term interests of local residents. To be consistent and aligned to the Council's strategic goals, the SCB balances economic value with risk and reward, broader values, and competing stakeholder interests. It then makes recommendations on how to balance these factors in particular circumstances of each issue.

The Board acts as a critical friend to the CCB, providing recommendations on how well proposals or outcomes align with the Council Plan and meet the needs of the local area. As part of this role, the Board reviews information provided by Officers to monitor progress of projects and programmes included in the Capital Programme, in line with the Capital Strategy. The SCB also reviews proposals for the development of the draft Capital Programme to be considered and adopted by Executive for recommendation to Council by 11 March each year. The SCB considers proposals by the CCB to accept new externally funded projects into the Capital Programme during the year and make recommendations to the Executive based on the implications for the Capital Programme.

This role requires that the SCB:

- Review the recommendations for projects and programmes to be included in the Capital Programme as part of the annual budget development and review cycle,

- providing feedback on how well the recommendations support the outcomes in the Council Plan
- Scrutinise the processes of approval and monitoring projects and the overall programme to ensure these are fairly and consistently applied, in line with the Governance and Control Framework
 - Identify and assess the risks that the projects and programmes individually and collectively have on the Council's strategy, aims and operations, providing recommendations on how to mitigate and manage the level of risk.
 - Ensure that project proposals for the annual Capital Programme:
 - Consider whole life cost implications, including those arising from ongoing maintenance requirements, both capital and revenue.
 - Demonstrate how investment will play a part in the managing the medium to long term demand for Council Services.
 - Demonstrate how the investment made will maximise benefits for the Council across a range of its priorities and objectives.
 - Are realistic and deliverable, so that projects accepted into the Capital Programme can be implemented in accordance with the timescales indicated by the phasing of the project within the multi-year programme.
 - To review variation requests/ approvals agreed for existing projects in the Capital Programme and ensure any amendments follow the Council's Scheme of Delegation.
 - Review recommendations made by the CCB for any ad hoc projects outside of the annual cycle and consider whether to endorse the recommendation. If a project is endorsed, the same processes outlined for the annual approval cycle will apply, albeit with different timescales. This will ensure all projects are subject to the same rigorous review and approval process.
 - Hold Senior Officers accountable for the timely and accurate sharing of information on projects and programmes to ensure informed decision-making when managing risks, issues, change and outcomes. including reference to the relevant prudential indicators sets as part of the capital and treasury management strategies each year.

Hold the Director of Finance accountable for ensuring that the capital programme remains financially sustainable in the medium and long term.

Encourage the Council to focus on continuous improvement and promote best practice when delivering projects, identifying where barriers exist and ensuring opportunities are taken to drive up the standard of project and programme delivery across the organisation.

Ensure benefits remain visible for review after projects and programmes have been handed over/ closed down, into a Business-as-Usual operation, using this information to assess the success of projects and inform future investment decisions.

For the avoidance of doubt, the Capital Board is not a decision-making Board. Decisions will be made in accordance with the constitution of the Council.

Reporting arrangements

The Board will receive reports from the CCB on a quarterly basis for programme monitoring and reporting purposes and as required during the budget development period. The number of projects and programmes within the Capital Programme is significant and therefore the premise of the reports to Boards is based on exception reporting. This process is likely to evolve as it is embedded across the organisation and one of the key considerations that is yet to be confirmed is the prioritisation process that identifies which projects are reported up to the Board. This will be agreed by the Board and in consultation with the CCB.

At this stage, the assumption is that project and programme reports will be collated into an overall performance dashboard comprising delivery against programme milestones, risk and financial performance that provides key information for the SCB. From this dashboard, the SCB will have access to more detailed project and programme reports.

The dashboard will provide information on:

- The financial position of the Capital Programme overall, and the sustainability of the Programme going forward.
- The progress of key projects within the Capital Programme (to be agreed) against milestones, financial forecasts, and deliverability of benefits.
- Any risks or issues that are likely to have (or are having) a significant impact on any of the projects in the Capital Programme, with proposals made to the SCB on how to best to mitigate or manage these.
- Any amendments that are proposed or have already been made to the Capital Programme, outside of the annual process of establishing and approving the Capital Programme, and the reasons for these changes.
- Any changes that were not approved and the reasons why.
- An update on the implementation of the Portfolio and Project Management (PPM) approach and how effective this is in supporting the Governance and Control Framework.

Any issues that may impact on the reputation of the Council or the ability to deliver the Council Plan.

Lessons that have been identified that may improve or impact on the delivery of future schemes.

Relationship with other programme management and monitoring arrangements

Some governance arrangements for capital projects are already in place, with meetings which exist to manage and monitor several capital programmes and projects (variously called 'Boards', 'Steering Groups' etc). Some are member-led, others led by officers. The Capital SCB does not replace these, however, there is a recognition that it is the primary route through which any changes to the Capital Programme (particularly those involving significant change in capital spend) will be brought forward to decision in accordance with the Council's governance processes. Over time, as the Board's role is established the role of existing governance arrangements and the relationship between them will be reviewed and revised appropriately.

Frequency of meetings

The SCB will meet routinely on a quarterly basis in line with the budget monitoring timetable. This may be more frequent during budget development periods depending on the needs of the members.

Conflicts of interest of individual Board members

If a member of the Board finds themselves with a conflict of interest, they shall immediately disclose this to the Chair.

Support Arrangements

The Board will be supported by the Programme Management Office. The Programme Manager will be responsible for:

- Scheduling the meetings
- Preparing and submitting the agenda and ensuring a minute taker is available. Circulating the minutes and actions within five working days of the Board meeting
- Collating and submitting reports on behalf of the Capital Programme Officers Group.
- Additional support or papers from other departments or services will be provided as and when required, coordinated by the Programme Manager.

Financial Recovery and Sustainability

The Council continues its financial recovery journey following the removal of its Best Value notice in September 2024. Its progress in addressing 11 Statutory recommendations issued by the former external auditor EY in August 2023 is key to achieving the financial recovery and securing financial sustainability of the Council in the medium to long term.

The establishment of robust arrangements for planning, managing, monitoring and reporting capital investment are fundamental to ensuring that the Council achieves good value for money in its use of resources and long-term affordability of its capital

investment plans. The SCB will ensure that outcomes are delivered within the agreed budgets and timescales.

This process is in the early stages and the cycle for reviewing individual project information at the SCB will be established over the course of Q3 and Q4 of 2024/25 based upon monitoring activity relevant to the current programme and financial year. The CCB is expected to meet monthly initially to establish proposed arrangements for reporting of operational and financial performance to provide overview and insight to the SCB.

The role of the SCB will initially be to:

- Review the quarterly budget monitoring report in the context of the approved MTFP.
- Consider draft prioritised proposals for capital investment in line with the framework set out in the approved Capital Strategy.

Version control

Version	0.5
Date updated	30 October 2024
Author	Debbie Middleton
Approved by	

3.0 Principles of the Capital Strategy

The principles of the Capital Strategy are:

- Current approved (or committed) schemes will be supported subject to sufficient resources being identified to enable them to proceed or complete up to the approved level of funding available.
- All schemes will be subject to a strict objective prioritisation process, which will include a robust business case including whole life costing (see below). Further details of this are set out in the capital strategy appendix to the budget setting report.
- All schemes must align to the annual PWLB criteria (i.e. not debt for yield) irrelevant of the schemes funding envelope. If this is not complied with the Council's access to government borrowing may be restricted. Historic debt for yield schemes will be revisited in the light of emerging CIPFA/ MHCLG guidance.
- Capital receipts are a central resource and not generally linked to specific schemes including assets identified for disposal as part of the Asset Rationalisation Programme. Permissible exceptions are:
 - School sites ring-fenced by the Secretary of State for education purposes.
 - Commitments of capital receipts from prior decisions (including repayment of outstanding debt).
 - Capital receipts required for transformation purposes in line with the FUoCR strategy.
- Only secured capital receipts will be considered in decisions to fund capital schemes (i.e. no capital receipt-funded scheme to commence until sufficient receipts are banked).
- Revenue implications of schemes are fully reflected in the MTFP and assessed as affordable within the revenue budget made available for capital financing costs.
- The capital budget approved by Full Council is a control total and no further schemes will be included in the programme unless existing schemes are removed or delayed – unless the schemes are fully funded by external resources.
- The Council will consider the removal of ring-fencing from certain grant allocations to assist in the achievement of the Council's priorities and objectives.
- All uncommitted non ring-fenced capital funding will be reviewed by the Director of Finance.

4.0 Prioritisation criteria

Projects will be prioritised within affordable resources as follows:

- Funding Exceptional Financial Support to enable a lawful and balanced revenue budget to be set in 2024/25.
- Meeting statutory duties for example health and safety requirements.
- In flight schemes that cannot be stopped or de-scoped.

- Funding transformation that will deliver ongoing revenue expenditure savings on the basis of invest to save, for which an appropriate rate of return will be determined within the transformation programme.
- Partially externally funded schemes that require council to match resources where there is a robust business case that meets Council Plan objectives and is approved in accordance with constitutional delegations.
- Repayment of borrowing to reduce revenue capital financing costs.
- Capitalisation required to comply with relevant accounting standards, such as finance leases, financial instruments etc.
- Projects where the primary purpose is to generate a surplus will not be permitted under any circumstance due to capital financing restrictions. The judgement of the Section 151 officer is final in determining if a proposal breaches this criterion.

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