



Cambridgeshire Autonomous Metro

Workstream 1. - Creating Governance Structures

Governance Structures – Final Report

For Discussion: 25 June 2020

Contents

1. Governance Structures: Background	3
2. Governance Structures: Overview	5
3. Appendix: Committee Draft Terms of Reference	10

Governance Structures: Background

Cambridgeshire Autonomous Metro (CAM)

The Cambridgeshire and Peterborough Combined Authority (CPCA) is the Transport Authority responsible for transport planning and public transport. It brings together the councils of the area and is led by the elected mayor.

The vision is for an expansive metro-style network that seamlessly connects regional settlements, major city fringe employment sites and key satellite growth areas across the region with key railway stations and Cambridge city centre, helping to nurture and sustain long-term regional economic growth. CAM is currently expected to use a technologically advanced, sustainable, highly flexible trackless electric vehicle.

The CAM network will comprise both tunnelled and surface elements and will be delivered over the next decade:

- The City Tunnel Section, which is the subject of this consultation, will include new underground tunnels and stations under the city of Cambridge, with planned major interchange hubs at the city centre and at Cambridge railway station;
- Four regional routes will connect St Neots, Alconbury, Mildenhall and Haverhill with the city of Cambridge and, through the central tunnelled section, with each other.

Development of the Special Purpose Vehicle (SPV)

Based on the recommendations of the Delivery Sub-Group, the CPCA CEO commissioned Deloitte to provide an initial organisational design and governance structure to prepare for the establishment of an SPV to be responsible for delivering the CAM and apply for funding should this direction be agreed. A visioning exercise was undertaken to clearly articulate the purpose of the SPV, agreeing that, fundamentally:

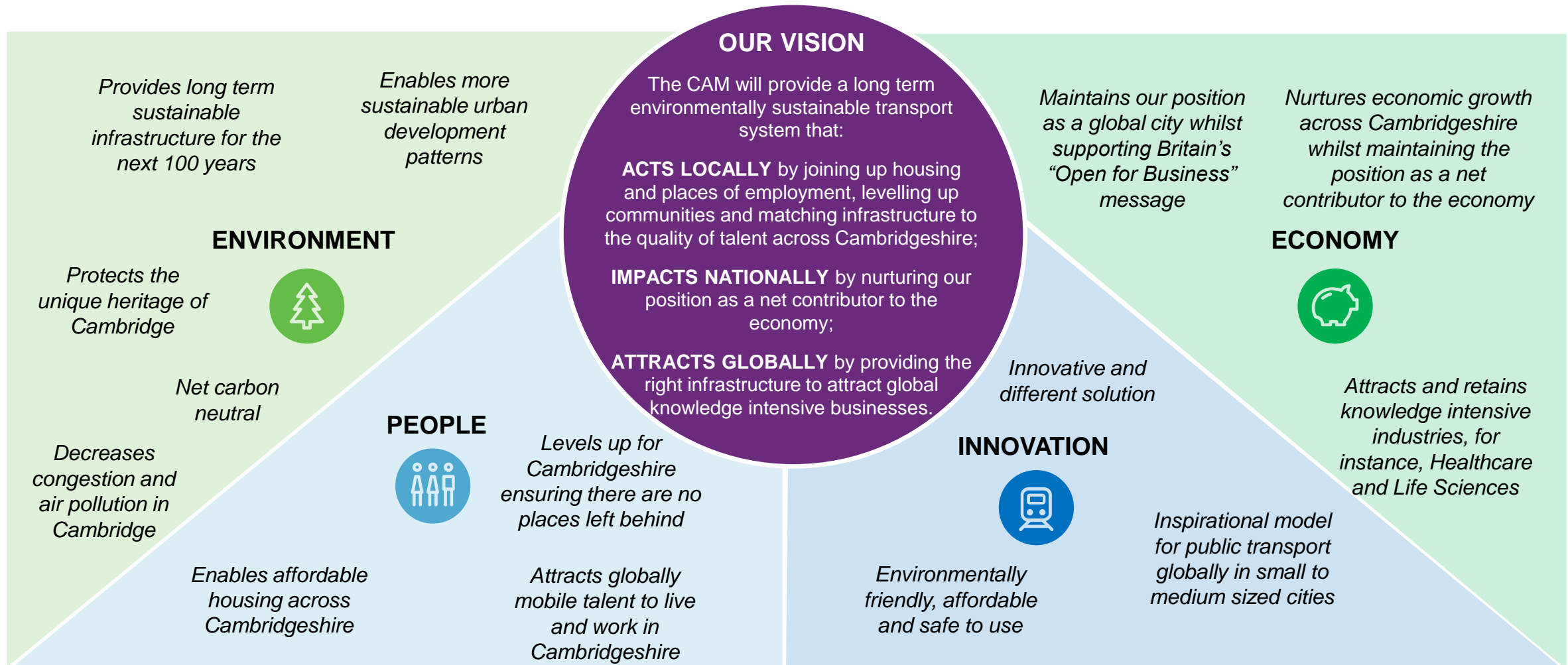
The CAM will provide a long term environmentally sustainable transport system that:

- *Acts Locally by joining up housing and places of employment, levelling up communities and matching infrastructure to the quality of talent across Cambridgeshire;*
- *Impacts Nationally by nurturing our position as a net contributor to the economy;*
- *Attracts Globally by providing the right infrastructure to attract global knowledge intensive businesses.*

This vision statement and goals, shown overleaf on page 4, forms the basis of the SPV design, determining its key accountabilities and the focus of the SPV governance structures.

Governance Structures: Background

Prior to establishing an SPV, the following outline of the CAM programme vision was developed and broken down into the four key themes of environment, people, innovation and economy



Governance Structures: Overview

Proposed governance structure

Based on the SPV and CPCA accountabilities outlined within the organisational design work, and through discussion with key individuals either at CPCA or who have been involved with the CAM programme to date, a governance structure has been drafted for the SPV. This follows leading practice and aligns the governance with the goals of the SPV, ensuring a golden thread running through the organisation which enables the Board and its committees to be focused on strategic delivery and the associated risks. These structures assume that the SPV is responsible for managing delivery of the City Tunnel section and the four Regional Routes only.

Ownership

It is anticipated that the SPV will be a private company limited by shares (given it ultimately is anticipated to have commercial function, HM Treasury Guidance requires public sector companies to be established in such terms), with Articles of Association which shall establish the working and governance of the SPV. During the initial stage of its life cycle, the SPV will be wholly owned by the CPCA. The governance structure will provide sufficient rigour for the period which the SPV remains under the control of the CPCA. Whilst established as a public sector controlled company, it is the intention of the CPCA that this will have a strong commercial and corporate sector facing approach from the outset.

We have created a governance structure diagram, on page 6, with each component part described below together with the diagram number references.

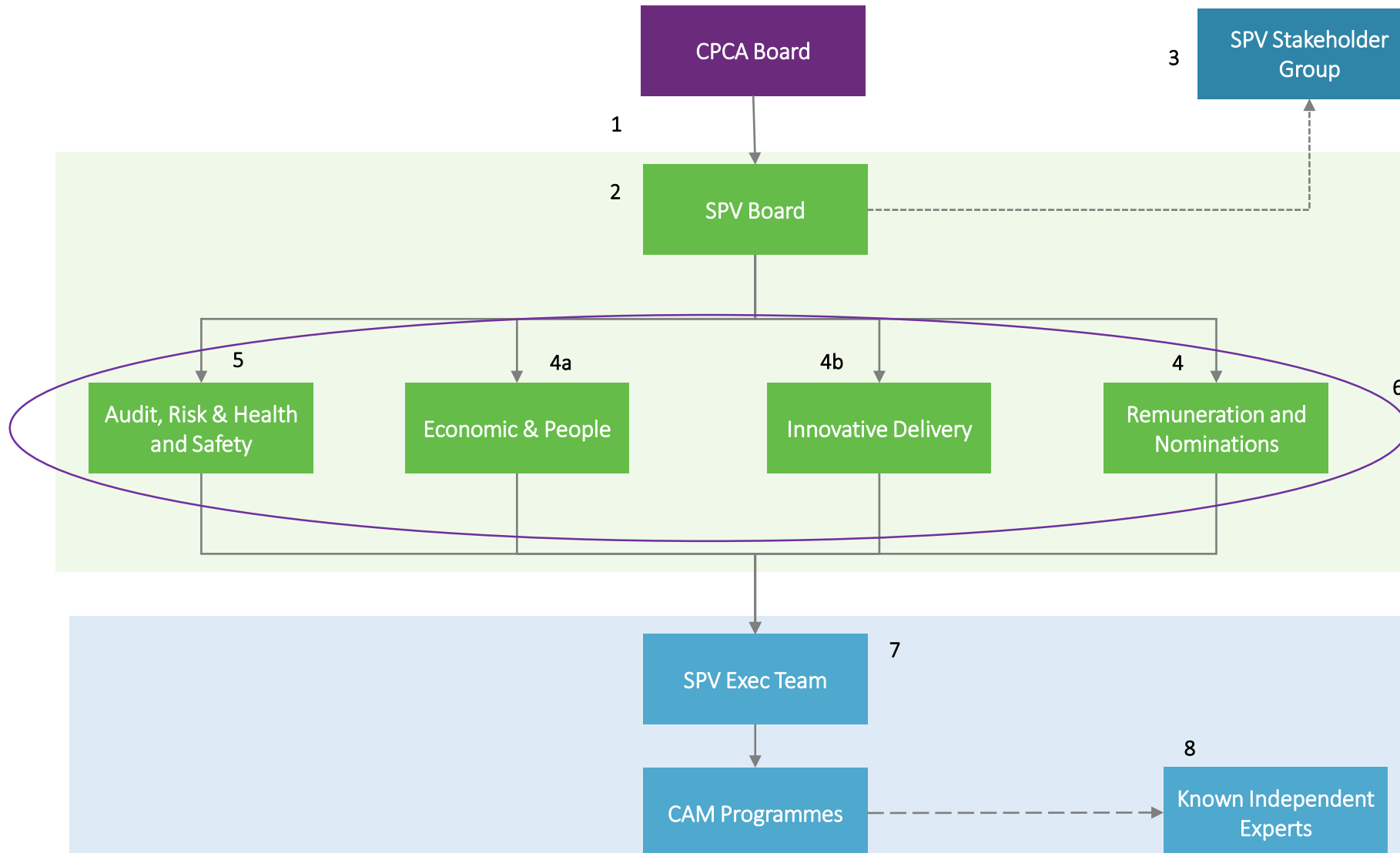
Decision-making (1)

As the SPV develops the funding strategy for CAM (and external partners are identified), subject always to procurement and state aid analysis, the SPV will need to establish a contractual governance mechanism through an Investment and Shareholders' Agreement (ISA) to govern the relationship, decision-making and approvals between the SPV and the CPCA. It is envisaged that the CPCA will need to retain certain decision-making powers in accordance with its statutory function, CPCA Committee terms of reference, and potentially the Consenting Strategy. The decision as to whether this is addressed in the ISA or separately retained oversight powers by the CPCA will be developed as part of the Consenting Strategy. Although not an exhaustive list, we would expect at least the following powers to be reserved and included within the ISA, with full Board approval required for any of these matters :

- Approval of the annual business plan
- Amendments to Articles of Association
- Limit on external borrowing
- Payment of dividends
- Company structure
- Matters relating to cessation
- Appointment/removal of Directors
- Remuneration of any Director
- Remuneration of any employee exceeding £100,000
- Establishing or amending profit-sharing, share option, bonus or other incentives of any nature for Directors and employees.

Governance Structures: Overview (continued)

Proposed governance structure diagram



Focus of Board and Committees is assurance over the CAM programme.

Focus of the Executive Team and the CAM programme is delivery of the programme.

Governance Structures: Overview (continued)

SPV Board (2)

The SPV Board would have no political representation, and include an independent Chair, six independent Non-Executive Directors (NEDs) and the following SPV Executive Directors (EDs): CEO, Strategy and Sponsorship Director, Delivery Director, Engineering Director, and, the Chief Finance Officer. The independent Chair will be appointed by the CPCA based on relevant skills and experiences.

As the SPV will initially be wholly owned by the CPCA, there will be one shareholder representative director from the CPCA officer group, and the Mayor as an observer (to prevent conflicts of interest). As an observer there will be no expectation of taking part in, or commenting on, discussions unless specifically invited to by the SPV Chair.

All members of the SPV Board will be appointed based on the skills and experiences deemed necessary to drive the strategic vision of the CAM programme.

SPV Stakeholder Group (3)

The SPV Stakeholder Group is a forum for information sharing and engagement by the SPV in line with its stakeholder engagement strategy. It is not part of the decision-making structures. A programme of bi-yearly meetings and regular update newsletters would keep members informed. Membership of this group would likely include members of the current CAM Partnership Board and other interested stakeholders. It is anticipated that members of the Stakeholder Group will include those local organisations with transport powers and authorities.

SPV Board Committees (4, 4a, 4b, 5, 6)

The SPV Board Committee structure is aligned to the CAM vision and strategic priorities (Environmental; People; Innovative; and Economic). This follows leading practice and aligns the governance with the goals of the SPV, enabling the Board and its committees to be focused on strategic delivery and the associated risks.

The proposal is to have four Board Committees: Audit, Risk and Health & Safety; Economic and People; Innovation Delivery; and Remuneration and Nominations. These are assurance based committees with Non Executive Director chair and membership, supported by key Executive Directors.

This overall approach creates a clear assurance and escalation framework in place, with the Board having overall responsibility for the SPV and is tasked with ensuring that there is assurance on controls and the effective delivery of the CAM project. The Board Committees will seek assurance on strategic goals, strategic risks and overall performance.

Governance Structures: Overview (continued)

Each Board Committee will have a SPV NED Chair with NED membership and ED attendance, and will meet every other month, timed to occur before the Audit, Risk & Health and Safety Committee to allow any risks identified to be escalated to this Committee. The SPV Chair would attend these committees on a rolling basis rather than being a member of any, in line with leading practice. The Remuneration and Nominations Committee will meet at least annually.

The ***Remuneration and Nominations Committee (4)*** will be responsible, amongst other elements, for determining the future skillset requirements of board members. Membership will include all of the NEDs, and the Shareholder Director. Future membership will be influenced by funding sources so the SPV Board will need to consider the level of involvement of additional shareholders dependent on the level of funding or investment.

The ***Economics and People Committee (4a)*** will be responsible for assurance that the CAM project is having the economic impact intended, and delivering the people benefits; all though a lens of the environmental impact (6) within the Terms of Reference. There would be three SPV NED members of the committee, one of whom would be the Committee Chair, with the following EDs in attendance: Strategy and Sponsorship Director, Delivery Director and Chief Finance Officer.

The ***Innovative Delivery Committee (4b)*** will be responsible for assurance over the delivery of the CAM and potential technical innovation used. All though a lens of the environmental impact (6) embedded via TOR. Membership would comprise of three SPV NEDs, with one being the Committee Chair, with the following EDs in attendance: Strategy and Sponsorship Director, Delivery Director and Engineering Director.

The ***Audit, Risk and Health and Safety Committee (5)*** will be responsible for fulfilling statutory obligations and oversight of risk. This will be chaired by an SPV NED, and membership will include the other Committee Chairs to facilitate information sharing, with ED attendance (Chief Finance Officer and Delivery Director). We would expect the Committee to sit 3 times a year, after the other two Committees. The SPV Chair would not be a member of the Committee or an attendee.

The ***environmental aims (6)*** are not specifically represented by a Committee of the SPV Board due to being intertwined in all aspects of the project and instead are referenced in the Terms of Reference and focus of each Committee.

Governance Structures: Overview (continued)

SPV Executive Team (7)

The SPV Executive Team would meet regularly with the CEO and receive updates from the CAM programmes. We would expect this to be all EDs (CEO, Strategy and Sponsorship Director, Delivery Director, Engineering Director, and Chief Finance Officer), with the Head of Health and Safety and Head of Stakeholder Engagement & Communications in attendance. This element of the governance structure focuses on the delivery aspects of the strategy (rather than the Board Committees who focus on assurance).

Known, Independent Experts (8)

It may be beneficial to have access to known, independent experts e.g. members of the current CAM Technical Advisory Committee, to leverage into specific programmes at a delivery level to bring expertise and support.

The Board may feel that it is appropriate to co-opt a known, independent expert to join one of the Board Committees particularly if there is a skills and experiences gap in the current Board membership. It is anticipated, however, that the SPV will gain more benefit from utilising the skills and experiences of known, independent experts within the operational, Executive Director-led groups.

Appendix: Committee Draft Terms of Reference

We have written draft terms of reference for all Committees of the SPV board. These are based on leading practice and can be further tailored by the SPV Board once appointed.