

Why is an SPV the best model for delivery?

The following information addresses the questions around why a special purpose vehicle (SPV) is the best option to advance the CAM programme.

Why set up a company?

- It's an accepted and understood model. Government has experience with companies set up to deliver large infrastructure programmes, with examples like HS2, Crossrail and East West Rail Co., and an SPV will bring the right expertise to build Government confidence in the programme.
- Allows the right balance of leadership, expertise and dedicated resource. The SPV can provide critical leadership to guide the programme and manage relationships with key stakeholders through the programme lifecycle whilst ensuring the programme can be innovative, sustainable and coordinate with multiple stakeholders and delivery/sponsor entities.
- Builds in necessary oversight and assurance. The SPV will have an expert executive team to deliver the programme and have further oversight through a robust governance structure and CAM SPV board that can provide critical guidance and programme assurance, which is essential for a programme of this size and complexity.
- Provides the commercial environment to attract investment and promote to Government. The SPV will dedicate resource to bringing in private investment and credibly promoting the scheme to Government.
- Allows the CPCA to convert capital to revenue. The CPCA can make its investment go further through the use of this model, which will help in the early stages of the programme as it develops and works to attract additional investment.
- Ensures CPCA control while allowing investment to come forward. The CPCA will be the sole shareholder in the company and through an agreed governance structure, will retain some decision rights and strategic control over the programme, while allowing it to advance at pace, attract investment and meet the objectives outlined in the LTP.
- Provides the agility to evolve alongside the CAM programme lifecycle. Organisations that develop and deliver large scale infrastructure programmes must adapt capabilities as the programme progresses through the various stages of its lifecycle from strategy, through design, to construction and handover/operation.

Why now?

In delivery of large infrastructure programmes, there is no rule or agreed guidance on when a company should be set up and its accountabilities, because it should reflect the needs of the programme and where it is in its lifecycle. For East West Rail Co., a comparable case to the CAM, the company was set up to develop the programme business cases and apply for necessary consents, and was established three years prior to the selection of a preferred route option.

The CAM programme is even more unique in its desire to utilise innovative, green technology and bring a world-class system that is worthy and representative of the innovation of the Cambridgeshire region. To properly build a business case for the entire CAM scheme (which involves nine projects within the larger programme) and consider opportunities for innovation and how measure and mitigate risk associated with innovation, dedicated resource is required as soon as possible to allow the CAM to meet its objectives and deliver the required infrastructure backbone to support the economic growth of the region.

How will it be set up?

Recruitment of SPV resource will be planned around the requirements to deliver business cases and apply for consents and will be built up over time as the programme continues through its lifecycle. The development of a recruitment plan and operating model for the SPV will be critical next steps to ensure the company is agile and developed specifically to deliver the CAM. The SPV will need to begin recruitment as soon as possible to allow for enough time to find the right people and prepare them to deliver an integrated programme. Setting up the SPV will also include the creation of a governance structure, which will provide valuable guidance and assurance at this critical stage of the programme's development.

Alternatives to setting up a company

Several options to develop and deliver the CAM were considered by the Delivery Committee. The other options explored were: 1) an urban regeneration company; 2) a joint venture with a private company; 3) a private sector third party as the promoter of the CAM under a contractual arrangement with the CPCA; or 4) continue with the CPCA as the promoter of the CAM. Further detail on why these alternatives are not recommended can be found below.

- 1) Urban regeneration companies are generally not responsible for delivery projects, particularly programmes of this size and complexity. These companies are usually charged with coordinating the regeneration of a specific urban area, and would still require funding and resources from the CPCA, without having the necessary expertise to deliver the CAM.
- 2) A joint venture would require a very carefully crafted contractual arrangement with the CPCA to ensure the delivery of the CAM to meet its stated objectives. Such a structure could also create challenges for financing the programme and could limit or complicate opportunities for further private involvement in the CAM through public-private partnerships.
- 3) Similar to a joint venture, this mechanism to deliver the CAM provides the CPCA with the least amount of control or authority over the programme and challenges related to meeting stated objectives of the programme.
- 4) By continuing with limited client-side technical and delivery expertise, there is a risk associated with the lack of assurance over the delivery of a complex programme with multiple component projects, some of which are being delivered by a separate entity (GCP). With a team made up of consultants under limited client oversight, further risks arise with consultants reviewing and assuring their own work, and not properly capturing the objectives outlined by the client and key stakeholders. Now that the CAM is building to a more joined-up, integrated programme approach (versus focusing on the City Tunnel Section as a single,

independent project), the current resource is not sufficient to advance a programme of this size and complexity.

To build the necessary resource within the CPCA to deliver the CAM programme would require major revenue investment, which would likely be unaffordable, particularly as this function would need to evolve over time to provide the right capabilities over the course of the programme lifecycle. In other words, capabilities needs to evolve as the programme moves from: strategy, feasibility, preliminary design and consents; through detailed design and construction; followed by operation, maintenance and asset management. The CPCA is a lean authority, and to hire the staff required to deliver the CAM over the course of its lifecycle would be inefficient and not a proper use of revenue for the CPCA in the long term.