



CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY BOARD	AGENDA ITEM No: 3.1
30 SEPTEMBER 2020	PUBLIC REPORT

CAMBRIDGESHIRE AUTONOMOUS METRO (CAM) SPECIAL PURPOSE VEHICLE: SHAREHOLDER AGREEMENT

1.0 PURPOSE

- 1.1. The CAM is the transport network that will enhance the opportunity for job and housing growth across Cambridgeshire. It is a trackless, ultra-light affordable system of mass rapid transit.
- 1.2. The CPCA is committed to delivering transport infrastructure that provides a quadruple benefit: it enables skilled staff to access work, fostering the region's life sciences and tech clusters which make this region the second largest net contributor to the UK economy, it underpins the 2050 zero carbon objective by shifting transport to more sustainable modes, it unlocks housing development at scale and it enhances the inward investment proposition for our region.
- 1.3. A company, OneCam Limited, also referred to as a special purpose vehicle (SPV) has been set up, as a necessary and best-practice step for delivering infrastructure of CAM's scale and scope. It is the means to provide dedicated resource and talent needed at each stage of the CAM lifecycle to build confidence among Government, investors and stakeholders.
- 1.4. This report provides an update on the progress of the company's establishment, and seeks authority to enter into the Shareholder and SPV Agreement. This agreement sets out the relationship between the Combined Authority and the SPV. Approval is also sought to a Service Level Agreement under which the Combined Authority will provide a number of support services to the SPV.
- 1.5. The report also outlines the recommendation from the recruitment panel for the Chair to the SPV, and seeks approval to appoint the preferred candidate, Lord Robert Mair.

<u>DECISION REQUIRED</u>	
Lead Member:	Mayor
Lead Officer:	Kim Sawyer, Chief Executive
Forward Plan Ref: KD2020/057	Key Decision: Yes

	Voting arrangements
<p>The Combined Authority Board is recommended to:</p> <ul style="list-style-type: none"> (a) Agree to enter into a Shareholder and SPV Agreement on the Heads of Terms accompanying this report (b) Approve the appointment of Lord Robert Mair as Chair of the SPV (c) Agree the annual remuneration for the role of Chair as £80,000. (d) Agree to enter into a Service Level Agreement between the Combined Authority and SPV, to provide the SPV with operational resources and support (e) Approve the drawdown of £2,706,905 for the Delivery and Strategy Writing and a further £1,516,823 for Client Side Advisory from the Medium Term Financial Plan. 	<p>Simple majority of all Members</p>

2.0 SPV INCORPORATION

- 2.1. The SPV has been incorporated, with the name “One CAM Limited”, and with interim directors appointed. Incorporation is the first step in establishing an operational company, and work will continue to capitalise the company, to obtain a bank account, and to put support and consultancy arrangements in place.
- 2.2. Arrangements will also be made for the first meeting of the SPV Board, with Chair attending.

3.0 SHAREHOLDER AND SPV AGREEMENT

- 3.1. It is recommended that an agreement is entered into between the Combined Authority and the SPV, the *Shareholder and SPV Agreement*, to provide for a reservation of certain matters to the Combined Authority, giving the Combined Authority a retention of control over the strategic direction of the SPV, and to enable the Combined Authority to monitor its performance in delivering to that strategy.

- 3.2. Accordingly, the Combined Authority will retain control of a range of fundamental matters, including the approval of the SPV's Business Plan (the revised draft of which is at Appendix 1), which will be maintained, developed, and delivered by the SPV. The SPV will, subject to the key controls described, progress and deliver the CAM programme.
- 3.3. The Heads of Terms at appendix 2, comprise the conditions and key content of a Shareholder and SPV Agreement which will be prepared and executed between the SPV and the Combined Authority.

4.0 SLA BETWEEN THE COMBINED AUTHORITY AND SPV

- 4.1. Operational capacity for the SPV will be developed over time, and it will have freedom to procure its own supply chain. However, in its first phase of activity corporate resources, ranging from financial services, payroll, human resources advice and support, and legal advice, will be provided by the Combined Authority.
- 4.2. The rules on state aid, require that the SPV meets its operational costs, and in order to ensure that this requirement is met, and that the parties have a transparent and measurable basis for this, an agreement will be entered into. The costs of the services will be reflected in the Business Plan and budget of the SPV, and recorded in an SLA between the Combined Authority and the SPV.

5.0 SPV RECRUITMENT UPDATE

Chair Appointee

- 5.1. One CAM Limited will operate under the rules relating to companies and is a shareholding company. The CPCA is the sole shareholder of One CAM Limited. The company will have a Board of non-executive directors led by an independent Chair. Interviews for the position of Chair of the board took place on 17 September 2020.
- 5.2. The interview panel resolved to recommend Lord Robert Mair CBE as the preferred candidate for the role of Chair of the SPV Board. It is recommended that the appointment be on a three year term to be confirmed annually by the Combined Authority Board. There is no restriction on the Chair being appointed for consecutive terms of office with appointment subject to the approval of the CPCA Board.
- 5.3. The CV of Lord Robert Mair CBE is at appendix 3 to this report.

Chair Remuneration

- 5.4. It is recommended that the annual remuneration for the role of Chair be £80,000. This sum is comparable to analogous roles for the role of Chair in this

sector and is recommended as representing a competitive rate which represents value for money.

Non-Executive Director Recruitment

- 5.5. A similar recruitment exercise for the appointment of other non-executive board members is underway. The Chair will be invited to chair the recruitment panel for the non-executive directors, together with the Mayor and the current executive directors of One Cam Limited. A shortlist of candidates will be agreed from the applications received and those candidates will be scheduled for interviews by the end of October. Formal recommendations for appointment of non-executive directors will be made to the CPCA Board in November.

Board Remuneration

- 5.6. Board remuneration for non-executive directors will be based upon the experience and expertise of the applicants and discussed during the course of the recruitment exercise. Recommendations for the remuneration of non-executive directors will be made at the time of appointment by the Combined Authority Board in November.

SPV Leadership Recruitment

- 5.7. Recruitment for senior officers to One CAM Limited will initially take place for three positions: CEX, Director of Strategy and Sponsorship, and an Executive Assistant.

Chief Executive

- 5.8. Global search firm Redgrave is currently progressing discussions with interested and capable candidates for the Chief Executive role through phone and face-to-face conversations. The role is advertised on Times Online and there are currently six stand-out candidates with more applications still coming in.
- 5.9. Suitability, availability, and salary expectations are the main considerations during this process, with focus on candidates demonstrating sector experience, understanding of UK governance and regulation, ability to engage and manage stakeholder relationships.
- 5.10. A shortlist of up to five candidates will be finalised by 25 September. Ongoing actions include:
- (a) agreeing the interview panel;
 - (b) confirming the interview timetable;
 - (c) developing the interview questionnaire; and

- (d) determining the start date for the role.

Director of Strategy and Sponsorship

- 5.11. Redgrave has started discussions with potential candidates, with four candidates being approached currently. A similar shortlist and interview process will be taken to fill this role as was outlined above for the Chief Executive role. The role is being advertised on Times Online and the Combined Authority website.

Executive Assistant

- 5.12. This role will be recruited to support the CEX and Directors with considerations to be made around the timing of the recruitment to match the start dates of the Executive Leadership team.

6.0 CAM DELIVERY STRATEGY DEVELOPMENT

- 6.1. A key role for One CAM Limited is to determine the necessary steps to provide the project with the greatest opportunity for successful delivery of the project. A 4-week diagnostic review has been completed evaluating key programme decisions taken to date and existing strategies that have been developed and implemented to advance the CAM programme.
- 6.2. The key findings of the diagnostic review were as follows:
 - (a) A compelling, overarching strategy for a single scheme is required that involves delivering the transport infrastructure in tandem with housing and economic development objectives providing a clear understanding of capital costs, in order to develop a clear business case. This also allows for key innovation measures to develop a transport system which takes account of current technological and ecological advances;
 - (b) Alignment is required between Combined Authority and the GCP, which is the delivery organisations for the greater Cambridge area, ensuring there is an integrated transport programme and constructed scheme for a single network; and,
 - (c) A deliverable funding and financing strategy is required, which enables cross-subsidy between route sections. As Central Government sources will likely provide a significant portion of funding, securing its buy-in is recommended as a priority. To maximise property-related revenue contributions, the programme needs to be treated as a single scheme and value capture mechanisms implemented early. Technical solutions and route options may need to be revisited to work within the deliverable funding envelope and optimise programme cost/benefits.
- 6.3. The comprehensive Delivery Strategy will provide optimal sequencing of activity for technical options analysis, business case approvals, site allocation, land

assembly and associated statutory processes across the scheme to maximise deliverability of CAM.

6.4. The Combined Authority Board and the Transport & Infrastructure Committee will receive future reports on the proposals for

- (a) definition and agreement on a 'One CAM' integrated approach; and,
- (b) an integrated CAM OBC and FBC.

6.5. To facilitate this process and the development of an outline Integrated Programme Strategy a budget of £2,706,905 is required in order to:

- (a) define an optimal programme structure, phasing, decision points and milestones that enable effective and timely delivery of CAM in line with the CAM vision, mission and objectives;
- (b) ensure a CAM scheme which maximises value for money, with a coherent, defensible business case which passes Central Government and key stakeholder scrutiny;
- (c) provide a consistent and coordinated approach is used to engage a diverse and broad range of key stakeholders to build consensus among all parties; and,
- (d) ensure integration with existing infrastructure / transport schemes and land use to provide maximum cost benefit and affordability.

6.6. As the CPCA is building up internal resource to support the CAM programme while the SPV is established and recruits its key leadership roles, the Deloitte Client Side Advisory team will continue to support the CPCA in advancing the CAM programme during this interim period. This team will be focused on overseeing and coordinating all Deloitte workstreams across the CAM Programme, while setting up the programme for transition from the CPCA to the SPV. The scope of this team will be to:

- (a) Oversee and coordinate all Deloitte workstreams on the CAM and related programmes including the Garden Villages, CAM procurement, CAM delivery strategy and CAM funding bids;
- (b) Continue to support the CAM programme team in its engagement with key stakeholders (TAC and Finance Advisory Committees) and public messaging;
- (c) Support the CAM programme team to prepare for the procurement of an integrated programme Outline Business Case; and,
- (d) Support interim CPCA resources in management of the programme, including briefing papers as required.

6.7. This team, including Programme Management support, will continue to provide strategic oversight for the CAM programme as well as operational support while the SPV is established and staffed, or while the CPCA recruits for more internal resource.

6.8. To facilitate the above client side advisory a budget of £1,516,823 is required.

7.0 RESTRICTED PROCESS TO PROCURE CAM CONCEPTUAL DESIGN

7.1. Following the report of the Technical Advisory Committee the CPCA has begun a restricted process to procure a Conceptual Design vehicle and system for the CAM. A PIN has been published and an informational webinar held for interested suppliers on 18 September 2020.

7.2. The Conceptual Design will propose solutions must achieve the objectives of the CAM and comply with known constraints as detailed in the CAM Specification. The procurement is important to establish a new concept for the CAM, which in turn will deliver a more affordable, zero carbon system.

7.3. Suppliers will need to evidence how and why their proposed solutions achieve the CAM Specification and the benefit that would be derived from running the process were developed, and the most suitable goods/services to achieve those were determined. These principles are:

- (a) Identifying the opportunity for innovation – Understand where can new innovative approaches be taken in the design, construction and operation of CAM;
- (b) Inform the Business Case – Provide evidence as to the potential solutions and benefits, as well as further understanding the risks and challenges to be overcome;
- (c) Harness Local Skills & Knowledge – Leverage a local understanding to ensure designs suit Cambridgeshire's historic environment, and make use of the unique hub of skills the city offers; and,
- (d) Inform Delivery Model – Help to inform the approach to delivery, for example packaging of works and services contracts.
- (e) Stimulate the Market – Attract and inform suppliers ahead of the delivery of CAM.

7.4. A Stage Gate procurement, whereby three suppliers will be selected to work with the CPCA to develop the conceptual design will lead to this process stimulating the market, receiving the markets view of options to innovate, help to inform the business case through a spectrum of options; and help the CPCA

to test its specification and inform its delivery model ahead of the main procurement.

- 7.5. The cost of the exercise will be £700,000 and will be paid for by the SPV.
- 7.6. The procurement will take place from October to December and move to conceptual design in January 2021. The aim is for final conceptual designs to be reported to the CPCA Board in March 2021.

8.0 FINANCIAL APPROVALS

- 8.1. The Board is asked to approve the drawdown of £2,706,905 for the Delivery and Strategy Writing and a further £1,516,823 for Client Side Advisory in 2020/21 from corresponding balances currently shown as 'subject to approval' in the Medium Term Financial Plan.

9.0 LEGAL IMPLICATIONS

- 10.1 Legal implications are contained within the body of this report.

10.0 APPENDICES

- 10.1. Appendix 1 – SPV Draft Business Plan
- 10.2. Appendix 2 - Heads of Terms – Shareholder and SPV Agreement
- 10.3. Appendix 3 – CV Lord Robert Mair CBE