

CABINET	AGENDA ITEM No. 10
19 JANUARY 2015	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr Marco Cereste, Leader of the Council and Cabinet Member for Growth, Strategic Planning, Housing, Economic Development and Business Engagement	
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STRATEGIC PARTNERSHIP BETWEEN PETERBOROUGH CITY COUNCIL AND AVIC INTERNATIONAL

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director, Resources	Deadline date :
That Cabinet approves:	
<p>1. That Council enters into a memorandum of understanding regarding a strategic partnership arrangement with AVIC International Corporation (UK) Limited.</p>	

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet from the Executive Director, Resources.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to seek approval to enter into a memorandum of understanding (MoU) regarding a strategic partnership arrangement (SPA) between Peterborough City Council and AVIC International Corporation (UK) Limited (AVIC).

2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.1 ‘to take collective responsibility for the delivery of all strategic Executive functions within the Council’s Major Policy and Budget Framework and lead the Council’s overall improvement programmes to deliver excellent services’.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO
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4. BACKGROUND INFORMATION

4.1 Overview

4.1.1 The Council has made significant progress in delivering its ambitious growth agenda through physical regeneration, investment in infrastructure and improvement in education skills. Peterborough is the fastest growing city by population, has the fastest digital network, the second fastest private sector jobs growth and is predicted by McKinsey to have the fastest growing economy from 2010 to 2025. Unemployment is at its lowest rate since 2002, with the JSA claimant count at 1.9%.

4.1.2 In support of its established priorities, the Council has been pursuing a range of innovative delivery solutions including the establishment of a new growth delivery vehicle, the Peterborough Investment Partnership LLP, and a range of energy initiatives including: collective switching, renewable energy generation, energy efficiency (both domestic and commercial) and the provision of domestic energy supply tariffs in Peterborough which it is anticipated will be one of the lowest in the UK.

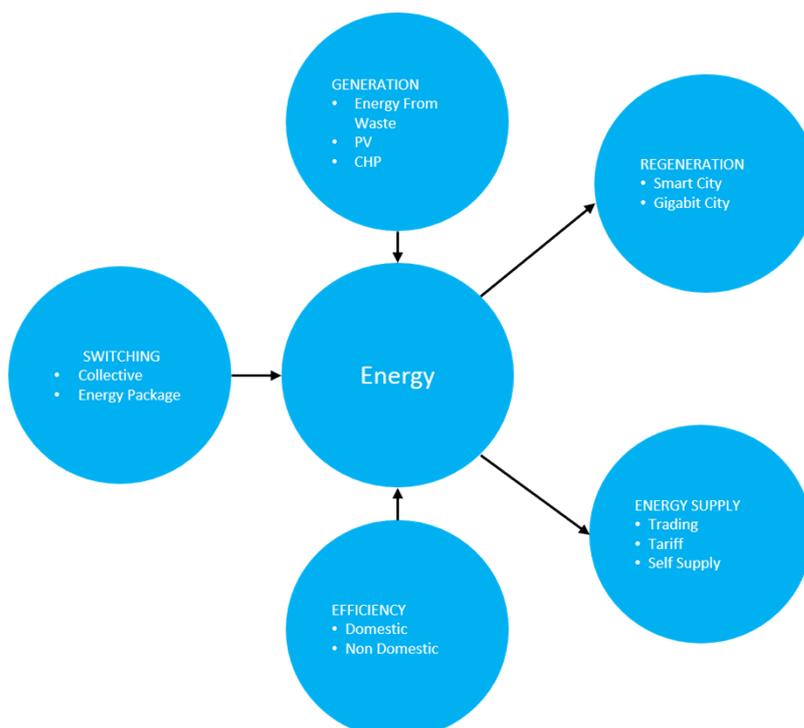
4.1.3 These initiatives aim to further the following strategic priorities which the Council has determined:

- Growth, regeneration and economic development of the city to bring new investment and jobs. Supporting people into work and off benefits is vital to the city's economy and to the wellbeing of the people concerned;
- Improving educational attainment and skills for all children and young people, allowing them to seize the opportunities offered by new jobs and our university provision, thereby keeping their talent and skills in the city;
- Pursuing the Environment Capital agenda to position Peterborough as a leading city in environmental matters, including reducing the city's carbon footprint.

4.1.4 Energy has a strong part to play in advancing these priorities and the Council's approach can be summarised as follows:

- Generation of renewable energy
- Reduction of energy consumption
- Enablement of regeneration
- Reduction of carbon
- Give financial benefits to the city
- Generate income and save money

This approach is set out in the diagram below:



4.1.5 This report seeks approval for the creation of a strategic partnership that will seek to add further value and accelerate the delivery of financial benefits to Peterborough.

4.2. AVIC INTERNATIONAL CORPORATION (UK) LTD

4.2.1 AVIC is a subsidiary of the Chinese State-owned company, AVIC International Corporation Holding Limited. The 2013 global turnover of AVIC International Corporation Holding Limited was £14.8 billion (¥146.5 billion (RMB))¹The main business of AVIC is development, investment and construction in the renewable energy and energy efficiency industries in the UK. AVIC anticipates that 5% of its global turnover will come from the UK over the next 5 years.

4.2.2 AVIC also represents the interests of a number of the state-owned companies of China in the UK. These include, but are not limited to the following:

- Shanghai Electric
- Huawei
- China Telecom
- Bank of China

4.2.3 As can be seen from the list, the organisations that AVIC represent cover significant areas of expertise that could bring tremendous benefits to the city.

4.3 WIDER CHINA AND UK COLLABORATION

4.3.1 On 17 June 2014 the Governments of the UK and the People's Republic of China issued a joint statement. This stated, at paragraph XII, that the UK and China both:

"Welcomed their strong cooperation on people-centred and holistic urbanisation. In particular, both sides agreed to increase policy exchange and technological collaboration on low carbon urban planning, air and water pollution control...Both sides welcomed the signing of the MOU on Strengthening Cooperation on Green and Low Carbon Urbanisation".

4.3.2 On 17 June 2014 the Governments of the UK and the People's Republic of China also issued the UK-China Joint Statement on Climate Change. A UK Government information note which explains the background to that statement, and outlines some of the specific areas of collaboration, states that new opportunities for collaboration between the People's Republic of China and the UK exist in renewable (and specifically solar) energy, and low carbon urbanisation.

4.3.3 The proposed strategic partnership between PCC and AVIC is aligned to the wider collaboration between the UK and the People's Republic of China that these statements envisage.

4.4 PRINCIPLES AND BENEFITS OF THE STRATEGIC PARTNERSHIP

4.4.1 The proposed Strategic Partnership Agreement (SPA) will be founded on the following principles:

- *Proven Delivery*: based on the transparent monitoring and measurement of performance. Performance will be evaluated by the number of megawatt-hours generated, the number of megawatt-hours saved, and the return generated on investment in relation to each project undertaken by the parties.
- *Commitment*: to the strategic partnership, achieved through strong leadership, enthusiasm and a determination to succeed.
- *Openness and Trust*: in relation to the parties' dealings with each other.

¹ <http://www.avic-intl.cn/category.aspx?NodeID=138>

4.4.2 The Council anticipates that the SPA will bring the following benefits to Peterborough:

- job creation;
- education and training in the latest renewable energy technology;
- supporting the development of an enhanced university/higher education offer in Peterborough through AVIC introducing its partners and other Chinese state owned companies and investors;
- a “one-stop” solution around regeneration and development towards a Smart City also once AVIC has an established market in the UK this will include providing a final fabrication facility for smart meters, solar panels and street lighting;
- access to a diversified business network at state and government level with China.

4.4.3 The Council understands that AVIC requires the following benefits to be achieved from the SPA:

- a pipeline of projects for which AVIC can supply to, provide investment in or act as developer;
- access to the wider public sector and local authority market in the UK;
- access to the acquisition of various developments across the UK;
- access to various major regeneration projects across Peterborough;
- a case study, in that Peterborough could be a reference point that AVIC could use to launch a major national campaign for renewable energy, energy efficiency and Smart City technology;
- a platform for income generation.

4.5 OBJECTIVES OF THE STRATEGIC PARTNERSHIP

4.5.1 The Council’s overarching objective of the SPA is to develop and implement a vision of the UK’s first truly Smart City and the continuing regeneration and growth of Peterborough. This will include, but not be limited to the following:

- improving the efficiency and performance of the Council’s services through investment into Peterborough’s energy, transport and information infrastructure for the benefit of the city’s businesses, residents and visitors;
- supporting the development of an enhanced university/higher education offer in Peterborough through AVIC introducing its partners and other Chinese state owned companies and investors; and
- contributing to the regeneration and growth of Peterborough.

4.5.2 In addition, the SPA will support the Council’s strategic priorities set out in 4.1 above and the approach to tackling the financial gap set out in the MTFP, including:

- Building a strong and healthy economy which provides jobs for our residents, helps to reduce dependency on welfare benefits, and enabling the Council to benefit financially from business rates and New Homes Bonus and reinvesting this to support the needs of our residents;
- Focusing on educational attainment in schools and developing university provision to give our young people and residents the skills to take up the new job opportunities;
- Income generating in new ways to make the Council less dependent on taxing its residents and on government funding and giving us the independence to support our residents and their needs.

4.5.3 AVIC’S overarching objective of the SPA is to invest in a pipeline of opportunities (first in Peterborough, and then more widely in the UK) that further its goal of acquiring 100 megawatts of renewable supply in the UK and achieving 5% of its global turnover from the UK over the next 5 years.

4.6 ACHIEVING THE OBJECTIVES

4.6.1 In order to achieve the objectives of the SPA the Council and AVIC intend to jointly investigate and, where such opportunities are of mutual benefit pursue the following commercial opportunities:

- the installation of solar PV canopies in certain car parks in Peterborough;
- the installation of light emitting diode (LED) street lighting technology in Peterborough;
- the installation of municipal Wi-Fi in Peterborough;
- the development of an integrated, technology enabled transport platform in Peterborough linking services such as CCTV, intelligent transport information and real time passenger information, for example;
- the development of ground and roof-mounted solar and other renewable generation opportunities; and
- the development of an infrastructure platform to enable future regeneration and growth in Peterborough.

4.6.2 The Council and AVIC acknowledge that the list of commercial opportunities identified in paragraph above is indicative only and is not exhaustive and that further commercial opportunities may be jointly investigated and pursued. It should be noted that none of the items will be pursued unless the appropriate business case and necessary approvals are put in place.

4.7 TIMESCALES FOR INITIAL ACTIONS

4.7.1 It is anticipated that the first two items listed in 4.6.1 will be the subject of additional reports to Cabinet in this municipal year:

- the installation of solar PV canopies in certain car parks in Peterborough;
- the installation of comprehensive light emitting diode ("LED") street lighting technology in Peterborough, complementing investment the Council has already made in phase one of its street light replacement programme.

4.7.2 In addition a report on the Smart city concept for the city will be brought forward to Cabinet.

5. CONSULTATION

5.1 Internal only at this stage. Individual projects will be subject to appropriate consultation. There is a need to continue close working with existing partners to ensure existing initiatives are integrated.

6. ANTICIPATED OUTCOMES

6.1 That Council enters into a memorandum of understanding regarding a strategic partnership arrangement with AVIC International Corporation (UK) Limited.

6.2 That the strategic partnership will support key Council strategic priorities set out in 4.1 above.

7. REASONS FOR RECOMMENDATIONS

7.1 To enable a memorandum of understanding regarding a strategic partnership arrangement to be entered into.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 To continue pursuing existing priorities without have an international partner in place. This would mean that the Council would not benefit from the expertise, experience and supply chain benefits of an international partner.
- 8.2 Pursue the additional projects anticipated by the strategic partnership separately. The Council would then incur additional expense in treating each project individually and in procuring individual solutions.

9. IMPLICATIONS

9.1 Financial:

- 9.1.1 There are no immediate financial implications arising from the MoU. The financial implications of the strategic partnership and its associated objectives will be considered on a case by case basis as the proposals develop.
- 9.1.2 In particular the first two schemes outlined in para 4.6.3 will require business cases, and for the financial implications to be included in the Cabinet reports. Similar arrangements will apply if further schemes, including those outlined in para 4.6.1, are brought forward.

9.2 Legal/ Procurement

- 9.2.1 There are no adverse procurement implications connected with the Council entering into the memorandum of understanding. As specific commercial opportunities are developed between the Council and Avic the Council will consider whether these raise any procurement risks on an individual basis.
- 9.2.2 The Council will enter into this partnership under the general power of competence under section 1 of the Localism Act 2011.

9.3 ICT/digital

- 9.3.1 ICT implications arising from the MoU and the strategic partnership and its associated objectives will be considered on a case by case basis as the proposals develop.

9.4 Property

- 9.4.1 The property implications of the strategic partnership and its associated objectives will be considered on a case by case basis as the proposals develop.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

Joint Statement from the Governments of The People's Republic of China and The United Kingdom of Great Britain and Northern Ireland dated 17 June 2014

UK-China Joint Statement on Climate Change dated 17 June 2014

Information Note in Relation to The UK-China Joint Statement on Climate Change