

**Alexandra Park & Palace Informal Joint Meeting of the
Statutory Advisory Committee and Consultative Committee
Alexandra Park and Palace Statutory Advisory Committee**

on 6 March 2012

Report Title: **Regeneration Programme Update**

Report of: **Mark Hopson, Head of Regeneration and Development, Alexandra Palace**

1. Purpose

1.1 To update and consult with the Committees on progress in relation to the regeneration programme at Alexandra Palace.

2. Recommendations

2.1 That the Committees note the content of the report.

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3. Executive Summary

3.1 This report summarises the work of the APPRWG since the last regeneration update to the Committees on the 10 January 2012.

- Primary market research has now concluded and all major operators have been engaged. The research reaffirms the market opportunity for live events and a strong interest for managing the live events operation at Alexandra Palace.
- A draft Conservation Management Plan (CMP) has been produced by Donald Insall Associates and will be made available for review throughout the public consultation period.
- Terry Farrell & Partners (TF&P) have been appointed to undertake the strategic spatial masterplanning work at the Palace. This work aims to translate much of the existing information and work completed to date into notional design concepts for the possible future use of the Palace. This will then form the basis of the forthcoming public consultation in May. An update on the emerging strategic options and designs will be given at the next meeting in May.
- A 10 year operational model and framework for the future APP business centred on a live entertainment anchor has been developed by Colliers. The model has been produced on the basis of existing market intelligence and projected revenue increases from a third party operator managing the live events business and

<p>sustained income streams from other uses, the funding model demonstrates that Alexandra Palace could become a financially sustainable proposition. Further analysis and sensitivity testing will be required to ensure assumptions made around emerging scenarios are credible and achievable.</p> <ul style="list-style-type: none"> - A number of funding options have been considered by Colliers to assess the type of financial strategy the Trust might need to adopt in order to realise the regeneration programme. Options primarily centre on a public loan via prudential borrowing arrangement with Haringey Council or private financing via a financial institution. Further cost benefit analysis will be required to assess the merits/risks of each option with both options requiring the consideration and approval of Haringey Council. - Provisional capital cost estimates have been developed by Colliers based on previous building surveys undertaken in 2006. Further work will now need to be commissioned to validate these costs in order to finalise the Business Plan and Funding Strategy. <p>3.2 Following the two recent applications for grant funding to assist with the development of a Conservation Management Plan (CMP) and Emergency Building Repairs, full confirmation has now been received from English Heritage acknowledging the award of grants in full.</p> <p>3.3 It is proposed that a full public consultation now takes place from 18th May for a period of <u>six weeks</u> to ensure that regeneration proposals are adequately developed, and to allow adequate time for all interested stakeholders to participate. A specialist consultation agency is being commissioned to assist with this work.</p> <p>3.4 Upcoming milestones for the regeneration programme include scoping and procuring the required services for stage 3, developing the draft spatial design concepts and preparation for a formal public consultation in May.</p>
<p>4. Reasons for any change in policy or for new policy development (if applicable)</p> <p>4.1 N/A</p>
<p>5. Local Government (Access to Information) Act 1985</p> <p>5.1 N/A</p>

6. Progress Update

- 6.1 Although the regeneration programme continues to progress in accordance with the current programmed milestones, there has been a delay in one strand of work that relates to the commissioning of the Spatial Masterplan which is slightly behind schedule.
- 6.2 Primary market research has now concluded and all major operators have been engaged. Overall, the research reaffirms the market opportunity for live events and a strong interest in operating the live events business at Alexandra Palace. Specifically, the research has revealed:
- that the main areas of interest in relation to operating live events would centre on the West Hall, Great Hall & supporting areas including access and egress points.
 - that the development opportunity for a Hotel and/or the interest in other activities on the site were unlikely to form part of the core package.

- that any agreement would be in the form of a management agreement (not a lease) which would likely be for a duration of 20-30 years.
- the theatre, BBC studios and use of the park (subject to licensing) could provide for additional opportunities but would be unlikely to form part of the core package.
- that the main live spaces and fabric of the building would need to be stabilised and 'fit for purpose' in relation to any negotiated management contract. This would be the undertaking of the Trust as Landlord.
- that operators would be interested in negotiating on ancillary uses connected to the core live entertainment space such as food and beverage and retail.

Spatial Masterplanning

- 6.3 Terry Farrell & Partners (TF&P) have been commissioned to deliver the strategic spatial masterplan for Palace.
- 6.4 Specifically, TF&P will build upon the significant work undertaken to date and translate this information in to credible design concepts that will form part of the planned public consultation in May. In particular, this work will begin to consider and spatially map out the potential uses for the Palace that could form part of the future offer. This includes the core 'Live Entertainment' spaces, hotel, ancillary catering and retail uses as well public and community spaces.
- 6.5 TF&P will work closely with the Trusts' management team and existing consultants to ensure that there is a coherent and comprehensive approach in the development of designs that bind in other strands of work such as the Conservation Management Plan, the emerging Business Plan and Funding Strategy.

Business plan and Funding Strategy

- 6.6 A 10 year operational model and framework for the future APP business centred on a live entertainment anchor has been developed by Colliers. The model is based on information from:
- Current APP business (income and costs)
 - Market research
 - Colliers' experience
 - Meetings with the Trust's Management team to review assumptions and scenarios.
- 6.7 However, this modelling includes projected income from areas such as the possible hotel on the Panorama Room site which may be less certain in the current climate. So a more prudent approach might be to assume more gradual reduction in the operating deficit and a lower overall borrowing and investment requirement.
- 6.8 On the basis of existing market intelligence and assuming the uplift in events that operators have indicated they might be able to achieve, the funding model demonstrates that AP could eventually and over time eliminate the deficit funding on the Palace and generate enough income to yield a significant borrowing package for investment in the building.
- 6.9 The model will require further development and sensitivity analysis to ensure that assumptions made around emerging scenarios are credible and achievable. Testing will also need to demonstrate that the business plan is robust enough to secure future finance and grants required to take forward the regeneration programme.

6.10 In developing the business plan model, a number of funding options have been considered by Colliers to assess the type of financial strategy the Trust might need to adopt in order to realise the regeneration programme. The funding options considered were:

- Public finance – by way of prudential borrowing via Haringey Council
- Private borrowing via financial institutions

6.11 The private options for borrowing have centred on a ‘forward funding’ arrangement whereby a lump sum loan is offered against the projected future income streams from business operations. Such an arrangement would require a long leasehold agreement over the site as security against any financial arrangement which would be likely to require Charity Commission consultation and approval.

6.12 The alternative option would be prudential borrowing from LBH. The arrangement costs for this option would probably be significantly lower than those for private finance. It should be noted that the prudential borrowing option would be subject to the approval from Haringey council which would be subject to availability, prioritisation of resources as well as the approval of the business case. There will need to be a further detailed review of the funding options as well as analysis by the Council’s Treasury team and their nominated external advisors.

Capital Costs

6.13 Provisional capital cost estimates have been developed by Colliers based on previous building surveys undertaken in 2006.

6.14 Further work will need to be commissioned to validate these estimates and detail the actual costs associated with repairing the main fabric of the building and ensuring that key commercial spaces are brought up to the required standard for operation by third parties. The detailed costings will further inform future iterations of the business plan and funding options so as to ensure the overall business strategy is robust and adequately evidenced based to secure future partners and finance.

6.15 Further update reports will be provided to the Committees as this is progressed.

7 Heritage Update

7.1 Following the two recent applications for grant funding to assist with the development of a Conservation Management Plan (CMP) and Emergency Building Repairs, formal confirmation has now been received from English Heritage acknowledging the award of grants in full.

7.2 Specialist Conservation Architects, Donald Insall Associates have been appointed as lead architects to deliver both of the English Heritage projects and are currently on site working to schedule.

7.3 A draft CMP has now been completed and will be made available for review and consultation throughout the public consultation period in May/June 2012.

8 Public Consultation

8.1 Since the last update report to the Trust Board legal advice has been sought on the approach the Trust should take in relation to holding a public consultation for the

regeneration proposals. Given the emerging work that would need to be included and the importance of consulting widely, the Regeneration Working Group recommends that formal public consultation is scheduled to begin on 18th May 2012 for 6 weeks so as to ensure regeneration proposals are adequately developed and prepared to allow for a thorough and meaningful consultation.

9 Communications Strategy

9.1 Further revisions have been made to the communications strategy and the timetable has been updated to reflect the changes in the programme related to the public consultation.

10 Summary of forthcoming regeneration milestones

10.1 Looking ahead, there are a number of key outputs planned in relation to the regeneration programme. Primarily, these include:

Professional services stage 3

10.2 Scoping the specialist professional services that will be required for the next stage of the regeneration programme. In particular, this will focus on finalising capital costs estimates for key areas of the building, finalising the business plan and funding strategy, procuring a commercial live entertainment operator and preparing a stage 1 funding bid to HLF. To achieve a successful outturn of this stage, specific professional services will need to be procured in February/March 2012 to ensure seamless continuity moving forward.

Public consultation

10.3 We are preparing for a formal public consultation in May 2012 which will invite views and comments from a broad audience of stakeholders on a draft regeneration strategy and notional design concepts.

10.4 A specialist consultation agency will be commissioned to oversee and manage the consultation process. This will ensure the Trusts' approach maximises the opportunity for engagement and ensures a good level of participation.

10.5 Consultation will likely be in the form of a public exhibition at the Palace which will be widely advertised and promoted.

Gateway Review

10.6 We will be preparing for an external gateway review that will audit and validate the programme management approach to date.

11 Programme Timescales

11.1 Final approval from Trust Board to proceed to an operator procurement phase is now expected to be requested at the July 2012 Board meeting.

11.2 Formal procurement of live events operator is now expected to commence in autumn 2012.

12 Recommendations

12.1 That the Committee notes the content of this report.

13 Legal Implications

13.1 The Council's Head of Services has no comment on this report.

13.2 The Trust's Solicitor's advice has been incorporated into this report.

14 Financial Implications

14.1 The Council's Chief Finance Officer notes the contents of the report.

15 Use of Appendices/Tables/Photographs

Appendix 1 – Conservation Management Plan Summary

Appendix 2 – Terry Farrell & Partners Background