

Report Title: **Investment Considerations for 2010/11**

Report of: **Andrew Gill, Interim General Manager, Alexandra Palace & Park Charitable Trust**

**1. Purpose**

- 1.1 To update the Board on the progress with the Ice Rink replacement.
- 1.2 To seek approval for the priorities for capital and revenue spends on dilapidations and maintenance repairs

**2. Recommendations**

- 2.1 The Board is asked to note the progress report on the Ice Rink replacement project.
- 2.2 The Board is asked to approve the capital budget for the proposed work priorities identified against the £500k granted by Haringey Council during 2010/11.
- 2.3 The Board are asked to approve the proposed revenue work priorities against the Trust's Security and Maintenance budget.
- 2.4 The Board is asked to note that it will receive updates on the matters covered by this report at future Board meetings.

Report Authorised by: **Andrew Gill, Interim General Manager**



Contact Officer: John Barnett, **Interim Facilities Management Consultant, Alexandra Palace & Park, Alexandra Palace Way, Wood Green N22 7AY Tel No. 020 8365 4334**

**3. Executive Summary**

- 3.1 The contract for the replacement Ice Rink has been awarded to Lengard Ltd and at the time of writing this report the project is proceeding on budget and to programme. The scheduled completion date is 15<sup>th</sup> October 2010.
- 3.2 A capital dilapidation budget of £500,000 and an R&M Security & Maintenance budget of £1,237,295 has been allocated for 2010/11. The truncated Project Initiation Document (PID) at appendix 1 summaries the work priorities which are targeted at addressing areas of legislative compliance, significant Health and Safety impacts and the site's operability and upkeep.

**4. Reasons for any change in policy or for new policy development (if applicable)**

4.1 N/A

## **5. Local Government (Access to Information) Act 1985**

5.1 No specific background papers were used in compiling this report.

## **6 Description**

### **6.1 Ice Rink Replacement**

The sum of £2.0 million has been secured from Haringey Council via prudential borrowing to replace the Ice Rink.

- 6.1.1 To minimise the loss of revenue to APTL and the Trust during the 6 months construction period the replacement has been scheduled across the summer low season of the Ice Rink.
- 6.1.2 A professional project team working in conjunction with Haringey Council has been mobilised for the contract and a Design and Build contract has been tendered under the Haringey Council Framework Agreement for the Provision of Major Works Construction Services value in the range £1,000,000 to £3,499,000.
- 6.1.3 At a special Board meeting on the 4<sup>th</sup> May 2010 approval was given to award the contract to Lengard Ltd on the basis that the tender represented the overall best value to Alexandra Palace and was within the allocated cost plan for this element of the project (£1.7m).
- 6.1.4 A letter of intent was issued to Lengard on the 6<sup>th</sup> May 2010 and the contract documentation was completed on the 14<sup>th</sup> May 2010.
- 6.1.5 The Ice Rink was closed to the public on 5<sup>th</sup> May 2010 and the facility decommissioned over the following days. Bore holes into the ground have been completed and the depth of ice penetration and soil condition analysed, which have shown no areas for concern to date.
- 6.1.6 A bid has been submitted to Haringey Council's Sustainable Investment Funding (SIF) programme for a low emissivity ceiling for the ice rink at a cost of £51,461. This sum would be repaid to Haringey Council from the resulting energy cost savings over a five year period.
- 6.1.7 The site was handed over to Lengard on the 12<sup>th</sup> May 2010 and the project has commenced.
- 6.1.8 At the time of writing this report this project is currently on budget and on programme with a scheduled completion for the 15<sup>th</sup> October 2010. There is a Project Board meeting scheduled for 27 May 2010 and the Interim General Manager will verbally update the Board members should there be any significant change to the status of the project.

## 6.2 CAPEX and R&M Budget 2010/11

6.2.1 Alexandra Park and Palace Charitable Trust (APPCT) has been allocated a CAPEX dilapidation budget for 2010/11 of £500,000 and an R&M Security and Maintenance budget of £1,2377,295.

6.2.2 The £500,000 capital grant represents only half of the requested sum for 2010/11 has been realigned on the basis of the priority of the compliance and dilapidation works defined within the original bid paper. These are as follows:-

- External Hydrant Main £20,000  
The proposed installation of a plastic liner into the 250mm ductile has been deferred from this financial year. Following modifications to the pressure control systems and repairs the existing system has proved more reliable. It is now intended to commission a report and to get more detailed recommendations on the options we have available in the long term.
- Fire Alarm Upgrade/Replacement £100,000  
Commissioning a project to upgrade and replace the existing obsolete and unreliable fire system over the next two years starting with high risk areas.
- External Building Dilapidations £130,000  
Commissioning a contract through the LBOH Minor Works Framework Contracts to commence works on the external brickwork condition on the Palm Court and Ice Rink entrances and the South side of the Palace this financial year.
- Theatre £50,000  
Commissioning a structural engineering and building surveyor's report/estimate for the area to identify staged cost options to:-
  - Make safe and protect the structure
  - Make it a useable facility
  - To develop an analysis of a Return on Investment (ROI) for the facility
- The objective is to develop a project proposal which can be used to seek other streams of funding and clearly identify the staged options that are available for the Theatre.
- Internal Dilapidation Works £100,000  
Commissioning a contract through the LBOH Minor Works Framework Contracts to address internal dilapidation on the building fabric to safeguard the asset and to support the operation of APTL. A list of work priorities has been agreed with APTL and these monies will initially address the Priority 1 areas. For example the Palm Court

Entrance, Londesborough room, Phoenix Toilets, Place Suite and Palm Court meeting rooms will all have some refurbishments works taking place.

- Upgrade of the Data/Comms Cabling Infrastructure £50k  
Commissioning a contract to rewire the data/comms infrastructure to address obsolescence, dilapidations and speed of the system. These works were urgently required to provide a platform on which further technical improvements can then be added. (e.g. new telephone system, EPOS etc). These works were approved by the IGM using his procurement authority and are nearing completion.
- Contingency Fund £50k  
Alexandra Place does not have yearly allocated Capital Budget from which to invest (e.g. replacement computer for staff). A £50k capital fund has therefore been allocated to address these unforeseen capital purchases.

6.2.3 The £1,237,295 R&M Security and Maintenance budget will fund Site Security, Planned and Reactive Maintenance and a proportion of the utility costs of the site. The term contracts with Europa and Integral are in place until the 31<sup>st</sup> October 2010, after which the new Integrated Facilities Management contract will be in place at which time the cost plans will be reviewed. The current cost plan is as follows:-

- Site Security with term contractor £ 432,708  
Provision of 24/7 site security team across AP
- Planned Maintenance with term contractor £331,389  
Provision of planned maintenance support to AP but with the Ice Rink elements removed during the construction programme
- Reactive Maintenance £270,900  
Provision of reactive maintenance support to the buildings and landlord services across the site.
- Equipment Maintenance £116,380  
Provision for the planned and reactive repairs to equipment at AP (i.e. not landlord services e.g. boilers)
- Balance of Budget: Funding a proportion of the utility costs of the site

6.2.4 The above sums do not include variable repairs and maintenance budgets for the park, winter maintenance, roads and park security, which were included in the Budget Report approved by the Board at its meeting on 2 March 2010.

6.2.5 A truncated version of the Project Initiation Document (PID) is appended to reassure Board members that the Trust has a robust

project management process in place, which is subject to scrutiny by internal stakeholders. The appendices have been removed from the PID as they contain significant detail, which is available to Board members on request from the Interim General Manager.

6.2.6 The Interim General Manager has proposed that there should be a memorandum of understanding between the Trust and APTL that effectively 'ring-fences' the additional profit from the ice rink to enable the £2.05m capital and interest to be repaid to the Council over a ten year period. The Board is asked to approve this approach and, if so, the Interim General Manager will report back to the Board on this in due course.

## **7. Consultation**

- 7.1 The development and allocation of capital and revenue expenditure has been fully discussed with APTL management. Progress on capital and major revenue works is reviewed on a monthly basis at Facilities Meetings between senior management of the Trust and APTL. A list of Priority 1 and Priority 2 dilapidation works have been agreed and monies are being targeted towards these areas as funds allow.
- 7.2 The Board of APTL at their next meeting in June 2010 will be apprised of the investment priorities identified in this report and will be invited to comment further on the Priority 1 and 2 dilapidation works with a view to maximising the return on investment for the business.

## **8. Legal and Financial Comments**

- 8.1 At the time of writing, the ice rink replacement project is currently progressing on budget.
- 8.2 The proposed capital works are within the £500k capital grant allocation from LB Haringey. The grant will be treated as restricted capital funding and the relevant depreciation charged to the fund over the useful economic life of the assets.
- 8.3 The proposed R&M Budget Programme is in line with the revenue budget allocation awarded by LB Haringey for 2010/11 and the revenue budget approved by the Board at its meeting of 2 March 2010.
- 8.4 The project is expected to pay back the initial loan plus interest within a ten year period. The final terms of the prudential borrowing (interest rate and repayment period) have yet to be agreed with Haringey Council. Based on the prevailing Public Works Loan Board interest rate, interest has been calculated at £470k over the ten year repayment period.
- 8.5 The Interim General Manager has proposed that there should be a memorandum of understanding between the Trust and APTL that effectively

'ring-fences' the additional income from the ice rink so that profit derived appears in the gift aid payment and consequently reduces the deficit funding by Haringey Council.

8.6 The final terms of the prudential borrowing (interest rate and repayment period) have yet to be agreed with Haringey Council. It is expected that the interest payable will in the region of £470K.

8.3 Haringey Council's Chief Financial officer comments:

The report is noted and confirmation that the capital sums of £500k for building works and the £2 million for the ice rink redevelopment are available. The governance arrangements that are in place for the management of these projects is noted and follows the Council's good practice. The Council has a senior finance officer as a member of the Ice Rink project board. The trust should ensure that it reports to the board on a regular basis on progress against milestones and spend on both projects.

8.4 The Trust's solicitor's advice has been taken into account in preparing this report.

8.5 Haringey Council's Legal Services have also been consulted on the report and have no comment to add.

## **9. Equalities Implications**

9.1 There are no perceived equalities implications in this report.

## **10. Use of Appendices / Tables / Photographs**

Appendix 1:-

- Truncated Project Initiation Document for the CAPEX and R&M Budget Programme for 2010/11.