



**Alexandra Park and Palace
Charitable Trust**

DRAFT
**Dilapidations & Backlog
of Maintenance.**
2011/12 Application for Funding

**Business Case
For Capital Bid**

28th September 2010

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1 Project definition

1.1 Description

Alexandra Palace is a versatile exhibition, conference and banqueting venue hosting a wide range of commercial events. Since the formation of the Alexandra Palace Trading Ltd (APTL) in 1999 a wide client base has been developed, although when compared to many of its competitors (e.g. O2 Arena, Earls Court and NEC) the site is lacking in many areas. The site is very tired, dilapidated and very much dependant on its Victorian heritage plus the loyalty of its previous clients for its business.

Since the site does not generate a profit, capital reserves cannot be set aside for investment in new and replacement fabric and infrastructure. The site is totally dependent on grants and aids from whatever sources that may be available. (e.g. Lottery, English Heritage, Haringey Council). In the current economic climate these are in short supply. During the Pre-Business Planning Review process in 2009 the Council granted the sum of £500k for 2010/11 with a further sum of £500k agreed on an indicative basis for 2011/12. This paper is submitted in support of the Trust's request for the release of the second tranche of capital monies for 2011/12.

This paper does not address the long term investment requirement of Alexandra Palace. It only addresses the "steady state" investment needed to keep the site operational and to avoid site closure.

During 2010/11 the £500k capital monies granted under the previous round of bids has been allocated to undertake the following:-

External Building Dilapidations (Budget Spend 2010/11: £130k)

A detailed survey of the external fabric of the palace has been completed and has identified that the sum of £428k needs to be invested over the next 10 years to address the poor state of the fabric; with much of this expenditure within the first 2 to 3 years. This will provide a minimal investment on the structure to keep it safe and water proof; these monies will not address the severe fabric dilapidations in areas of the East Wings (e.g. Theatre). Urgent immediate works were identified along the South facing Panorama area and £130k is currently being targeted at structural repairs and making safe of this area

Fire Alarm Upgrade/Replacement (Budget Spend 2010/11 £50k)

A detailed report has been commissioned to look at the condition of the fire and evacuation systems across the Palace. This has confirmed that the current systems are obsolete and have reached the end of their working life. It has also identified that the voice evacuation system is non-compliant and in need of replacement since it is basically a public address system. (i.e. Not installed to fire regulation standards). To replace the complete system will cost in the order of £450k.

During 2010/11 monies have been targeted at critical areas (i.e. pump house, Ice rink) where system problems need to be urgently addressed.

External Hydrant Main (Budget Spend 2010/11 £5,000)

An internal inspection, leakage and mapping survey has been undertaken of the fire hydrant main supplying Alexandra Palace. This has identified that the internals of the pipe work has large amounts of corrosion build up in places and there may be some underground leakages. During 2010 we have already had two major failures of the pipe work, which support the case that replacement of this main will be required as soon as possible.

Internal Dilapidations (Budget Spend 2010/11 £100k)

High priority work which deliver the best “Returns on the Investment” have been agreed with APTL. These areas have been surveyed and costed. (i.e Palm Court Entrance, Londesborough room, Phoenix Toilets, Palace Suite and Palm Court meeting rooms). A sum of £100k is being contracted to complete these works over the coming months

Theatre. (Budget Spend 2010/11 £50,000)

A Structural Engineering report has been commissioned and the report has confirmed that the internal structure is in a very poor condition and the building is unsafe for general use or public access. The key findings are:-

- Lime mortar deterioration in the walls
- Roof structure problems with roof trusses detached in places and rafter splitting due to deflection.
- Differential settlement of the structure (i.e. ridge of roof undulates)
- Dry rot in parts of the wooden structure
- Plaster on walls detached and in danger of collapse
- Plaster lath ceiling collapsing in places.

Discussions are currently in progress with English Heritage to see if funding can be secured to help address some of the key issues. The Trust is working with the “Friends of the Theatre” to develop a medium term strategy for this area.

Upgrade of the Data/Comms Infrastructure (Spend 2010/11 £50k)

The data and communications cabling systems have been replaced and upgraded across the Palace. This has improved the speed of the system and introduced the network into new areas such as the Palm Court Suite. The investment of £50k has now provided a platform on which a new telephone system and other IT equipment can be installed.

Infrastructure Works (Spend 2011/11 £125k)

The sum of £125k has been targeted at a number of infrastructure projects (i.e. improving site signage, security barriers, IT hardware to support the operation of the business.

Buildings Services (Revenue and Maintenance Expenditure 2010/11 only)

Due to lack of available monies during 2010/11 no works have been undertaken on the building services infrastructure services. All these services are now 20 to 25 years old and will need investment in the near future. In particular the area of telephones, security and energy use reduction need priority attention

While the £500k capital investment has been important to Alexandra Place during 2010/11 there is an urgent need to continue with the investment across future years to safeguard the asset and ensure business continuity.

1.2 Objectives

The objectives of this Business Case are to identify the requirement for a continued capital investment programme to:-

- Ensure that Alexandra Palace provides a safe, compliant and fit for purpose facility for people using the site.
- Reduce the risk of catastrophic failure of the building and service with the consequential income loss from the inability for APTL to trade.
- Address the dilapidations and degradation of the facilities to a point where it can no longer be commercially viable to operate.
- Address sustainability issues during the programme of investment to deliver improved energy efficiency and reduce AP impact on the environment.

1.3 Customer Quality Expectations

a) Compliant, Safe & Fit for Purpose

- Demonstrated through audit, documentation and procedures that the site meets full legislative compliance and good practice.

b) Reliability of Facilities.

- Reduced reactive maintenance
- Less equipment down time and failures
- Improved environmental conditions.

c) Customer Perception

- Improved aesthetic of the facility.
- More repeat business
- Quality of amenities improved

b) Sustainability

- Reduction in the carbon footprint of the site

1.4 Scope

This business case reviews the options available to APPCT to generate a capital investment programme to safeguard the operation of the business to ensure that the facilities are safe, compliant and fit for purpose.

1.5 Exclusions

This business case will not address the long term future of the site. It will concentrate on the task of ensuring the site is safe, legislatively compliant and fit for purpose for people to use (i.e. Minimal Capital Expenditure Option). To fully address the issues of redundant space and the full dilapidations would require a capital investment 10 times the magnitude that this business case describes.

1.6 Relationship with other events

This programme of works would be integrated with the APPCT revenue and maintenance programme to ensure that monies are not wasted. Close working relationships with APTL would also ensure that monies were allocated to those areas which would ensure compliance, service reliability and value for money return.

2 Costs and benefits

2.1 Options

Option 1: Do Nothing (Not considered an option)

During 2010/11 the Interim General Managers team has used the £500k investment to tackle important areas of non-compliance, dilapidation and support the business of APTL as detailed in section (1.1) above. Opportunity has also been taken to review the requirement for continued capital investment programme and to carry detailed feasibility studies into the following areas:-

- External building fabric condition
- Fire and evacuation systems
- Fire hydrant main
- Internal dilapidations
- Data and communications
- Security systems
- External services
- Carbon reduction.

Appendix 1 shows a “10 year Minimal Capital Investment Plan” which seeks to address high priority areas of non-compliance, service reliability and customer perception. The table shows that a continued capital investment programmes will be required over the next 10 years and that the £500k second tranche of capital monies for 2011/12 is essential to support this programme.

The option to do nothing is therefore high risk which could affect the ability to trade and operate the site.

Option 2: Moth Ball the Site (Possible Option)

Under the Alexandra Park and Palace (Public Purposes) Act 1990 there is a duty to make the site “*available for the free use and recreation of the public forever*”. To moth ball the site (i.e. in part or full) would be controversial and could result in another legal challenge against the Trustee and the London Borough of Haringey..

There is no doubt that unless further capital monies are targeted into AP, loss of some or all the facilities is likely to take place. (e.g. lack of adequate fire evacuation and protection systems).

This is considered to be the “last resort option.”

Option 3: Grant & Sponsorship (Possible Option)

Historically this option has been used to secure some monies to address specific issues on the site. However in today’s economic climate these monies are in short supply and in many cases are linked to a requirement to secure matched funding. Since AP does not generate a profit and there is no capital budget for investment this option is not considered viable to fully address the issues described.

Interim monies are also required to generate sufficient information to submit any such formal bids.

This option could only be pursued in parallel with a successful bid such as this business case.

Option 4: Long Term Lease of the Site (Not considered an option)

The option to commercially lease the entire building has already been pursued by Haringey Council with the plan to authorise a 125 year lease to Firoka being legally challenged and upheld in October 2007.

This is not considered an option at this time.

Option 5: Continued Capital Support from the Council (Preferred Option)

Unless capital monies continue to be invested into the building and infrastructure services the site will become non-viable to operate within the next few years. Further monies are therefore required to continue with addressing the external fabric condition, fire monitoring and protection systems, plus addressing the decay and dilapidations of the internal building fabric.

The Trustees are currently working on the “Governance and Future Vision of Alexandra Palace”. At some time in the future a way of injecting some £40 to £50 million will need to be identified if the site is to remain viable facility. However in the short term a minimal investment programme of £500k per annum is required to tackle the high priority issues and to keep the site operational

At this time the only viable option is to seek capital monies is through Haringey Council, through the Pre-Business Planning Review process

This would be the preferred option

2.2 Benefits

This investment would help to safe-guard the asset and prevent further deterioration while the Trustees fully address the long term vision for the site.

2.3 Project budget

The Business Case supports the case for the release of the second tranche of capital funding of £0.5million through the London Borough of Haringey which was approved in principle by Cabinet for 2010/11

2.4 Time commitments

Similar to 2010/11 a professional team would be engaged to oversee the delivery of the works. This would include the role of a CDM Coordinator which will be required as some of the project would come under the Construction Design and Management Regulations and a part time Project Manager to coordinate the project on behalf of APPCT.

It is estimated that the main input will be required from the General Managers FM Team typically 1 to 2 days per week throughout the project to review progress and support the design stages.

2.5 Cost benefit analysis

Cost savings will result from reduced reactive maintenance following investments. However, the major benefit of this investment is the protection of the licence fee and gift aid generated by APTL (£150k and £400k respectively in 2009/10), together with other Trust income generated on the site of circa £226k.

3 risk log

3.1 Risk Log (To be finalised)

Risk	Risk Owner	Impact (H/M/L)	Probability (H/M/L)	Proximity (MM/YY)	Mitigation Plan Summary to Reduce Impact

4 Comments

4.1 Financial

It is proposed to engage the Pre-Business Planning Review process taking place within the London Borough of Haringey to secure the capital funding in 20011/12. This will require the basic submission to be sent by the 30th September registering our outline requirement for the funding. Final decision will not be announced until February 2011.

4.2 Legal

It is proposed to have a member of LBOH Legal Department and LBOH Construction Procurement Department as part of the client team to ensure that legislative and good practice takes place.

4.3 Equalities

The Equal Opportunities policies will be embedded into the tender specification and contractor's policies and procedures will be reviewed during the pre-qualification stages for compliance with APPCT standards.

5 Authority to proceed

5.1 *Sign-Off*

Sign-off _____ Project Sponsor

Sign-off _____ Finance

Appendix 1A – Budget Pro Forma

Project Name:	Dilapidations & Backlog of Maintenance
Project Sponsor:	Andrew Gill
Business Case Last Reviewed:	September 2010

A) Cost-Benefit Analysis

Financial Costs		Financial Benefits	
External Expertise	£	Cashable Efficiency	
Internal Resource	£	Profitability	
Accommodation	£		
IT	£		
Change Management	£		
Other Capital	£		
Total	£ 500,000	Total	
		Net savings	

B) Funding / Investment Appraisal

Funding Streams				
	LBOH Council Funding		External Funding	
	Revenue Funds	Capital Budget	Revenue Funds	Capital Budget
Year 1	£ Nil	£500,000	£ Nil	£ Nil
Year 2	£ Nil	TBA	£ Nil	£ Nil
Year 3	£ Nil	TBA	£ Nil	£ Nil
Total Value	£ Nil	£500,000	£ Nil	£ Nil

Investment Appraisal			
	Year 1	Year 2	Year 3
Financial Costs	£500,000		
Financial Benefits*	£0	£0	£0
Net	£500,000		

*The key financial benefit associated with the investment is the continued operation of the Trading company, which has delivered a gift aid payment to the Trust of £400,000 in 2009/10 and £468,234 in 2008/09, thereby offsetting the Trust's deficit funding requirement from the Council.

Appendix 1B – Non-financial benefits

Benefit	Type	Measures	
		Existing Base Line	Target
Performance: Quality and reliable facilities	People Through Doors	Existing Base Line	10% increase
Customer Perception: Provide an improved leisure experience to our customers	Customer Surveys	Existing Base Line	Target a 10% improvement in level of customer satisfaction.
Reduce reactive maintenance.	Reduced down time and maintenance.	Existing base Line	Target a 10% reduction in reactive maintenance
Safety and compliance	Documentation	Existing base Line	100% compliance by audit

Appendix 1C 10 Year Minimal Option CAPEX Plan

10 Year Minimal Option CAPEX Plan

Area	Priority	Item	2011/12	2012/14	2014/16	2016 Onwards	Total	Return on the Investment
			Yr 1	Yr 2-3	Yr 4-5	Yr 6-10		
External Fabric (Costed by NPS Framework Consultancy)	P1	Elevations - South	£122,455.00	£67,513.00	£5,850.00	£21,493.00	£217,311.00	To keep AP safe and fit for purpose to keep trading
	P1	Elevations - West	£22,496.00	£12,286.00	£8,714.00	£0.00	£43,496.00	
	P1	Elevations - North	£25,000.00	£36,400.00	£20,270.00	£750.00	£82,420.00	
	P1	Elevations - East	£13,260.00	£12,914.00	£2,057.00	£0.00	£28,231.00	
	P1	Elevations - Roof Level	£6,795.00	£19,550.00	£1,450.00	£0.00	£27,795.00	
			Moneys in 2010/11	£100,000.00				
Sub Total Wall Elevations:-			£90,006.00	£148,663.00	£38,341.00	£22,243.00	£299,253.00	
Roof Areas (Costed by NPS Framework Consultancy)	P1	RE10 Fire escape corroded and timber supports rotten	£4,000.00				£4,000.00	To keep AP safe and fit for purpose to keep trading
	P1	RE01 and RE03 EOL Temp covering 330m2 x £95	£31,494.00				£31,494.00	
	P1	RW06 Missing glazed panel damaging steel structure below	£1,500.00				£1,500.00	
	P1	RW10 - Renew mineral felt to North slope over loading bay 280m2 x £140		£39,200.00			£39,200.00	
	P1	RW12 and RW03 multiple splits to asphalt. Decothane allowed and multiple services on roof 450m2 x £60		£27,000.00			£27,000.00	
	P1	High level glazed roofs - regular inspections and specialist replacement of any cracked panes. Provisional sum estimates required	£4,000.00				£4,000.00	
	P1	Other roof repairs	£2,000.00	£20,000.00			£22,000.00	
Sub Total Roof Areas:-			£42,994.00	£86,200.00	£0.00	£0.00	£129,194.00	
Grand Total Fabric:-			£133,000.00	£234,863.00	£38,341.00	£22,243.00	£428,447.00	
Fire and Evacuation System (Costed by NPS Framework Consultancy)	P1	Replacement of the obsolete and faulty fire alarm systems. Replacement of non-compliant public alarm evacuation system	£225,000.00	£225,000.00	£0.00	£0.00	£450,000.00	To keep AP safe & fit for purpose to operate
Hydrant Main (Provisional Sum)	P1	Replacement/lining of 10" Underground Hydrant main due to continuing problems of pipe fractures	£0.00	£100,000.00	£0.00	£0.00	£100,000.00	To keep AP safe & fit for purpose to operate
Internal Dilapidations (Provisional Sums)	P2	Capital investment into minor works on the internal building infrastructure	£0.00	£200,000.00	£400,000.00	£1,000,000.00	£1,600,000.00	To support APTL to keep trading
	P1	Cleaning, repair and re-certification of Great Hall roof fabric	£0.00	£250,000.00	£0.00	£0.00	£250,000.00	
	P3	Theatre protection, repairs and/or refurbishments	£0.00	£0.00	£250,000.00	£750,000.00	£1,000,000.00	To protect/use the asset (Assumed 50% of costs with matched funding)
Data/Comms Communication Systems (Tendered costs)	P1	Replacement of the telephone system	£12,000.00	£24,000.00	£24,000.00	£0.00	£60,000.00	To support APTL to keep trading
	P2	Upgrade and replacement of IT services	£10,000.00	£20,000.00	£0.00	£0.00	£30,000.00	
Security Systems (Provisional Sum)	P1	Replacement and upgrade of the CCTV camera systems						To provide security of AP to meet recognise standards & Codes of Practice
	P1	Installation of security barriers/bollards to restrict close vehicular access to buildings	£55,000.00	£55,000.00	TBA	TBA	TBA	
	P1	Replacement and upgrade of the Janus door access/security system						
External Services (Provisional Sums)	P1	Repair/lining of faulty underground foul water drainage systems	£25,000.00	£0.00	£0.00	£0.00	£25,000.00	To keep AP safe & fit for purpose to operate
	P1	Repair/replacement of the underground power supplies to the external lighting systems	£40,000.00	£0.00	£0.00	£0.00	£40,000.00	
	P2	Repairs to footpaths and private road systems within the Alexandra Park & Palace estate.	£0.00	£0.00	£200,000.00	£200,000.00	£400,000.00	To keep AP safe & fit for purpose to operate
Carbon Reduction (Provisional Sums)	P3	Replacement/Decentralisation of Central Boiler systems at Alexandra Place; Feasibility study & provisional sum	£0.00	£0.00	£5,000.00	£500,000.00	£505,000.00	Potential payback 5 to 10 years
	P3	Power Factor Correction/voltage optimisation to improve energy efficiency	£0.00	£0.00	£50,000.00	£0.00	£50,000.00	Payback 10 years
Grand Total:-			£500,000.00	£1,108,863.00	£967,341.00	£2,472,243.00	£4,938,447.00	
CAPEX Potential Budget:-			£500,000.00	TBA	TBA	TBA	£500,000.00	

Area	Priority	Item	Commentary on the Proposed Investment
External Fabric (Costed by NPS Framework Consultancy)	P1	Elevations - South	NPS a Framework Consultant through Haringey Council has been contracted to inspect all the external building fabric. From this work a detailed Asset Management Plan has been developed and the works costed. This represents the minimal capital plan to ensure the external fabric dilapidation is arrested.
	P1	Elevations - West	
	P1	Elevations - North	
	P1	Elevations - East	
	P1	Elevations - Roof Level	
Roof Areas (Costed by NPS Framework Consultancy)	P1	R-E10 Fire escape corroded and timber supports rotten	NPS a Framework Consultant through Haringey Council has been contracted to inspect all the external building fabric. From this work a detailed Asset Management Plan has been developed and the works costed. This represents the minimal capital plan to ensure the external fabric dilapidation is arrested.
	P1	R-E01 and R-E03 EOL Temp covering 330m2 x £95	
	P1	R-W06 Missing glazed panel damaging steel structure below	
	P1	R-W10 - Renew mineral felt to North slope over loading bay 280m2 x £140	
	P1	R-W12 and R-W03 multiple splits to asphalt. Decothane allowed and multiple services on roof 450m2 x £60	
	P1	High level glazed roofs - regular inspections and specialist replacement of ant cracked panes. Provisional sum estimates required	
	P1	Other roof repairs	
Fire and Evacuation System (Costed by NPS Framework Consultancy)	P1	Replacement of the obsolete and faulty fire alarm systems. Replacement of non-compliant public alarm evacuation system	NPS a Framework Consultant through Haringey Council has been contracted to inspect and report on the fire and evacuation systems at Alexandra Palace.
Hydrant Main (Provisional Sum)	P1	Replacement/lining of 10" Underground Hydrant main due to continuing problems of pipe fractures	A contract has been placed with a pipeline expert "Germanischer Lloyd Industrial Services" to carry out internal inspections and leakage detection of the underground hydrant main. Indications are that the internal condition of the pipe work is poor in some areas and there may be underground leakage which is currently un-detected.
Internal Dilapidations (Provisional Sums)	P2	Capital investment into minor works on the internal building infrastructure	The internal fabric is dilapidated and the continued use of the facility for events requires a continued programme of refurbishment. The roof decorative fabric ceiling within the Great Hall is in poor condition and in need of cleaning/refurbishment. NPS have undertaken a detailed study of the Theatre and identified that it is a poor condition,
	P1	Cleaning, repair and re-certification of Great Hall roof fabric	
	P3	Theatre protection, repairs and/or refurbishments	
Data/Comms Communication Systems (Tendered costs)	P1	Replacement of the telephone system	The existing telephone system is obsolete and un-reliable. A replacement system has recently been tendered
	P2	Upgrade and replacement of IT services	The existing IT systems are poorly integrated and in need of upgrading
Security Systems (Provisional Sum)	P1	Replacement and upgrade of the CCTV camera systems	Increasing security risks and threats of terrorism require security systems to be continually reviewed and improved. The systems at Alexandra Palace need investment.
	P1	Installation of security barriers/bollards to restrict close vehicular access to buildings	
	P1	Replacement and upgrade of the Janus door access/security system	
External Services (Provisional Sums)	P1	Repair/lining of faulty underground foul water drainage systems	Part of the underground foul water drainage system is faulty and needs refurbishment
	P1	Repair/replacement of the underground power supplies to the external lighting systems	The power supplies to the street lighting along Alexandra Palace Way and some areas of the Park have failed and need repair/refurbishment
	P2	Repairs to footpaths and private road systems within the Alexandra Park & Palace estate.	To repair/replace broken footpaths slabs, carry our repairs and replacement of road surfaces along Alexandra Place Way.
Carbon Reduction (Provisional Sums)	P3	Replacement/Decentralisation of Central Boiler systems at Alexandra Place; Feasibility study & provisional sum	The Display Energy Certificate for Alexandra Palace shows that it has a performance rating "G" which is the lowest rating.
	P3	Power Factor Correction/voltage optimisation to improve energy efficiency	

