


Alexandra Palace & Park Board	on 16 February 2012
Report Title: <b>Regeneration Working Group Update</b>	
Report of: Mark Hopson, Head of Regeneration & Development, Alexandra Park & Palace	
<p><b>1. Purpose</b></p> <p>1.1 To report back on overall progress made by the Alexandra Park &amp; Palace Regeneration Working Group (APPRWG) since the last Board meeting on the 29 November 2011 and the main activities in relation to Stage 2 - Concept Planning.</p> <p>1.2 To update the Board on the most recent discussions with English Heritage in relation to submitted funding bids.</p> <p>1.3 To update the Board on the emerging business plan and financial strategy for the regeneration programme. A full report will be brought to the next Trust Board meeting on the 3 April prior to public consultation.</p> <p>1.4 To update the Board on the Trusts' approach to public consultation.</p> <p>1.5 To note the required timescale extension for stage 2 of the regeneration programme, and the implications of this on the wider programme.</p> <p>1.6 To outline forthcoming key regeneration activity.</p>	
<p><b>2. Recommendations</b></p> <p>2.1 That the Board notes and approves the on-going regeneration related work since the last update on the 29 November 2011.</p> <p>2.2 That the Board notes and approves the emerging business plan and financial strategies outlined and specifically the detail of the information relating to potential funding models.</p> <p>2.3 That the Board considers and approves the approach to public consultation in May 2012.</p> <p>2.4 That the Board notes the forthcoming regeneration milestones.</p> <p>2.5 That the Board formally advises the Council of the emerging issues in particular the potential funding options.</p>	
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### **3. Executive Summary**

3.1 This report summarises the work of the APPRWG since the last regeneration update to Board on the 29 November 2011.

3.2 The following summarises the key areas of activity since the last Trust Board update:

- 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.
- Work has commenced to appoint a spatial masterplanning agency which will be responsible for preparing strategic design concepts for the Palace. This work will translate much of the existing information and work completed to date into notional design concepts for the possible future use of the Palace. This work will form the basis of the forthcoming public consultation in May. A presentation on emerging options and progress will be made to the Trust Board at the next meeting on April 3.
- 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 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.
- 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. Further cost benefit analysis will be required to assess the merits/risks of the options and the appropriate considerations with the 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.

3.3 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.

3.4 It is proposed that a full public consultation now takes place from the 18<sup>th</sup> May for a period of six weeks 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.

3.5 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.

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

N/A

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

APPB 29 November 2011: Regeneration Update Report

## **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 Work has commenced to commission a spatial masterplanning agency which will be responsible for preparing strategic design concepts for the Palace.
- 6.4 Specifically, the masterplanning agency will need to 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 The appointed agency 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.
- 6.6 A full presentation of the emerging design options will be made at the next Trust Board meeting on the 3 April.

### **Business plan and Funding Strategy**

- 6.7 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
- 6.8 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.
- 6.9 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.
- 6.10 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.
- 6.11 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 have been:
- Public finance – by way of prudential borrowing via Haringey Council
  - Private borrowing via financial institutions
- 6.12 The private sector 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 separate consultation, Council and Charity Commission approval.
- 6.13 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 approval from Haringey Council which would depend on availability, and prioritisation of resources as well as approval of the business case. There would 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.
- 6.14 A further update will be provided at the next Trust Board meeting in April. For the present Trust Board members are asked to agree that discussions proceed to allow a full evaluation of the financing options to take place. The results of this evaluation would be incorporated in the paper submitted to the Trust Board on April 3 prior to full public consultation.

### **Capital costs**

- 6.15 Provisional capital cost estimates have been developed by Colliers based on previous building surveys undertaken in 2006.
- 6.16 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 Board as this is progressed.

## **7 English 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.

## **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.

8.2 A presentation will be made at the next Trust Board on April 3 to sign off key regeneration messages, questions and design concepts.

## **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 outcome 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.

- 10.3 A specialist consultation agency will be commissioned in order 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.
- 10.4 Consultation will likely be in the form of a public exhibition at the Palace which will be widely advertised and promoted.

### **Gateway Review**

- 10.5 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 Consultation**

- 12.1 There has been no specific consultation in relation to this report.

### **13 Recommendations**

- 13.1 That the Board notes the on-going regeneration related work since the last update on the 29 November 2012.
- 13.2 That the Board notes the emerging business plan and financial strategies outlined and specifically the detail of the information relating to potential funding models.
- 13.3 That the Board considers and approves the approach to public consultation in May 2012.
- 13.4 That the Board notes the forthcoming regeneration milestones
- 13.5 That the Board formally advises the Council of the emerging issues in particular the potential funding options.

### **14 Financial Implications**

- 14.1 The Director of Finance notes the contents of this report.

### **15 Legal Comments**

- 15.1 The Council's Head of Legal Services has no comment on this report
- 15.2 The Trust's solicitor's advice has been taken into account in the preparation of this report.

### **16 Financial Comments**

- 16.1 The LBH CFO notes the contents of this report.

### **17 Use of Appendices/Tables/Photographs**

N/A