

Report Title: West Yard Storage Project

Report of: Emma Dagnes, Deputy Chief Executive, Alexandra Park and Palace

1. Purpose

1.1 To provide the Trust Board with details of a proposed new project – West Yard Storage Project outlining the principles behind the project, the work completed so far and the developing business case and design solutions.

2. Recommendations

2.1 To note the contents of this report and also the SAC-CC comments regarding the seeking of Planning Permission and Listed Building Consent as considered at their meeting on the 5 April 2016..

2.2 To permit the Chief Executive to work with Haringey Council through its project approvals and business case procedure to seek a £2.5m loan to finance the West Yard Storage Project.

2.3 To delegate to the Chief Executive, in consultation with the Trust Chair, the finalisation of the Business Case for the Project.

2.4 To utilise the same governance arrangements to oversee and monitor this Project as approved by the Trustees at their meeting of the 18 April 2015.

2.5 To receive an updated report at a specially convened meeting in due course to appoint the contractor to complete the design and build contract for the West Yard Storage Project.

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3. Executive Summary

3.1 The East Wing Restoration Project takes ownership in September 2016 of spaces which

are currently used to house event infrastructure. Failure to find an appropriate new home for this critical infrastructure will significantly impact the gross margin and ability for the sales team to win and retain clients therefore limiting the gift aid to the Trust.

3.2 Following investigations it was identified that there were no appropriate spaces within the Palace itself to house infrastructure of this magnitude. Therefore attention was focused on the opportunity to build a new storage facility in the West Yard adjacent to the West Hall and Great Hall

3.3 The Surveyor to the Fabric, Purcell, was initially commissioned by APPCT to undertake a feasibility study and prepare concept designs for a building to provide storage for the displaced event infrastructure create an opportunity for commercial space, provides a long term structural support solution to the North Wall and to bring the derelict North West Tower back into use.

3.4 Initial funding for the survey work was approved by the Board last year and has progressed into the design concept stage in advance of more detailed designs. An application for planning and listed building consent is to be made in April 2016. The current proposals will provide a piled foundation for a steel frame to support the North Wall in lieu of the old scaffold shoring structure and for the first two levels at the West Yard level to be utilised for storage. The next level up would provide a multi-functional commercial space possibly with a roof top terrace. The structure would also connect to the North West Tower via a new glass structure. During the Project fabric repairs would also be identified and undertaken to further preserve and extend the use of the Palace in accordance with the Fabric Management Plan.

4. Local Government (Access to Information) Act 1985

N/A

5. Background

- 5.1 As previously highlighted to the Board the East Wing Restoration Project funded by the HLF and Haringey Council will progressively occupy and displace large areas currently used for servicing the events business.

The most significant of these occupations is the spaces behind the theatre known currently as Area 7 which will become dressing rooms and facility space for the Theatre. Area 7 is at ground level and links directly to the Great Hall. It houses all the infrastructure for the events business including but not limited to rostra for the main stage, 2000 chairs housed in 45 made to measure cages, 10 cages for tables of various sizes and event signage.

- 5.2 Alternative locations for storage have been investigated and though it may seem that Alexandra Palace would have significant amounts of space available assessment has to be against appropriate space for storing infrastructure of this magnitude and the logistics of moving such equipment on a regular basis. Examples of requirements that the storage space would need to provide are:

- ground level access to the Great Hall and West Hall

- minimum 400 square metres and minimum height 6.5m
- ease of access for forklifts
- ability to support the weight of infrastructure

5.3 Following the study of areas currently within Alexandra Palace it was concluded that there was no space that met the specified criteria. Therefore attention turned to creating a new storage unit.

5.4 The location identified for development is the space currently occupied by portacabins (used for event security and offices) in the West Yard in front of the North Wall. Following approval from the Board, surveys were undertaken to establish whether this space would be appropriate for a building with the primary purpose of storing heavy event infrastructure.

Following positive indications that a building would be possible APPCT commissioned the Surveyor of the Fabric, Purcell, to carry out a feasibility study, and prepare concept designs of a building to provide storage for the displaced infrastructure, but also provides a multifunctional commercial space, long term support to the North Wall allowing the removal of the raked scaffold shores and incorporated the North West Tower, bringing derelict space back into use.

5.5 Once the feasibility study and concept designs were completed they were tested against the draft business case to assess whether the project would be affordable. The project is indicating a cost plan (paragraph 7.2) for £2.5m against the timescales indicated below at paragraph 9.1.

As part of the draft business case an assessment was made to evaluate the impact on the business should the infrastructure be stored off site (not within the perimeter of the Palace itself). The findings were clear that an off-site solution would have a significant impact on the gross margin of APTL limiting its ability to continue gift aiding its profits at levels seen in recent years, impacting on the Trust ability to meet its charitable purposes.

However, and more significantly, the assessment identified that the organisation would struggle to win and retain business as the increased cost to clients, slower turnaround time and loss of flexibility would make the venue uncompetitive. The draft business case demonstrates the return on investment and affordability of the project later in this Report at paragraph 10.

5.6 An ancillary benefit to this project is the opportunity to use the frame of the proposed steel structure to re-support the North Wall currently restrained to the south face by a series of scaffold buttresses which were erected during the 1980's. Though currently deemed stable the buttressing can't continue to be "the long term solution" Using the building as the stabiliser will allow for the scaffold buttressing to be removed and to improve the Yard's appearance.

Some of the portacabins are at the end of their useful life and will be removed as part of the Project. Others, currently used for event security will be relocated to more appropriate areas of the Palace.

- 5.7 The SACC are considering a similar report in respect of seeking planning permission and Listed Building Consent for this Project and their observations will be made known to the Board.

6. Principal Proposal

- 6.1 The proposal will provide a 3 storey steel structure with the basement level and ground floor providing storage space for event infrastructure and the levels above offering opportunity for multifunctional commercial use such as function rooms with a roof terrace or office space will also be considered as part of the full business case.

The project offers the opportunity to restore the North West Tower and connect it to the new building as well as much needed external restoration repairs both to the Tower and the North Wall.

- 6.2 The Surveyor to the Fabric now working under Kier Construction Limited developed the project brief and objectives to a stage where a planning application can be made. In developing early construction options they have developed the elevations and massing of the structure providing the structural solution to support the North Wall and resolve other known site constraints, such as the 1940's underpinning of the Wall.
- 6.3 The current proposal will provide a six level (approximately 3 storey) steel structure with a multifunction space (currently shown as a function space for planning permissions and roof terrace on the upper levels above the storage units. The structure will require piled foundations and works sequenced to support the North Wall and still provide operational access to the Great and West Halls.
- 6.4 This Project will also enable the opportunity to reform openings to 3 no. windows on the North Wall Elevation. Works to reform openings to the North West Tower are also planned as well as external restoration repairs to both the North Wall and the North West Tower (to meet the requirements of the Fabric Maintenance Plan). The new structure will be connected to the North West Tower with an enclosed glass entrance lobby providing an attractive entrance to the function rooms above. There is also opportunity to re-form openings on the existing Tower. The Project also provides future capability to reconnect the North and West Yard via a platform lift.
- 6.5 Security, separation and external treatments of the project area is currently being discussed as the operational and commercial aspects move into more detailed design. A reduced number of the portacabins will be relocated to the North Yard. This will provide more effective operational arrangements for security. Additional office space will be found within existing accommodation in the Palace.
- 6.6 An initial pre-application meeting was held with London Borough of Haringey on the 18 March 2016. The proposals received a positive response.

Particularly the boldness of the new building, the pedestrian linkages, the opportunity to preserve the North Wall in a more structured way and the clearance of the West Yard of the portable buildings. The SACC are considering the Project at their meeting on the 5 April 2016.

- 6.7 Purcell will be assisting with a Heritage Statement for the Proposal when the planning and listed building applications are submitted later in the month.
- 6.8 Concept drawings for the proposal can be found attached to this report under Appendix 1. The new building life will be in excess of 60 years.

7. Objectives and Costs

7.1 The Objectives for this Project are:

1. Re-provide event infrastructure storage lost through the East Wing Restoration Project to Area 7
2. Re-stabilise the North Wall using a more efficient method than the existing scaffold rakes.
3. Replace poor condition portable units in the West Yard
4. Open up the opportunity to restore and re-use the North West Tower
5. Provide a new commercial facility to generate revenue and profit to service the capital cost and repayments on a loan.

7.2 A summary breakdown of costs which are still in final development are:

Pre- Construction (Design, Surveys and Reports)	£70,000
Other Surveys	£20,000
Groundworks	£425,000
Structure – Building and Fit Out	£1,220,000
Externals	£30,000
Risk Item - Allowance	£80,000
Contingency	£250,000
Contractors Costs	£250,000
Fees	£35,000
Client Costs	£120,000
Total	£2,500,000

8. Procurement and Funding

8.1 Early consideration was given to a traditional design and development route using an architect and then engaging a contractor to build to the prescribed specification, drawings and employers requirements. However, the need to deliver this Project within a prescribed timescale given the occupation of Area 7 by the East Wing Restoration Contractor necessitated a different approach to reduce design, procurement and project team assembly timescales.

- 8.2 After consideration of available public sector and EU compliant frameworks, the Scape Single Supplier Minor Works Design and Build Framework was found to be the more efficient and provided a speedier route to market, the ability to use known partners, such as Purcell's, and the opportunity to deal with contracts on a staged basis, i.e. the current appointment with Kier Construction Limited is under a Project Order for design development, site surveys and investigations as part of the pre-construction phase. There are a number of 'gateways' through to construction and should we be unable to proceed further with the design and build we are only exposed to the level of the Project Order placed.
- 8.3 The Project Orders will be issued within current approved budget of £100,000 for all necessary works to complete the pre-construction phase. In order to move to the construction phase and finalise matters to enable works on site to commence additional borrowed funds will be required.
- 8.4 In this report the APPCT Board are recommended to permit the Chief Executive to work with Haringey Council through their business case approval process to Cabinet on 14 June 2016 and to permit the Trust to seek to borrow £2.5m. Based on current loan rates the annual repayments would be under £100,000 over a 60 year repayment period.

9. Milestones

9.1 The Provisional Project Programme is

Completion of feasibility, surveys and developed design	March/April 2016
Consideration by APPCT Board	12 April 2016
Complete Final Design	April/May/June 2016
Seek Planning permission	April 2016
Planning Consent	June/July 2016
Start on Site	July 2016
Completion on site	January 2017
Final fit out complete	February 2017

*This is subject to further clarification by Kier Construction.

10. Business Case

- 10.1 A draft business case has been prepared in conjunction with a review of event infrastructure space within the Palace and taking account of the multi-functional space use. It is currently being updated with sensitivity analysis around the assumptions for use, the options and payback periods so a final judgement can be made against the more unpalatable option shown in 10.2 below.
- 10.2 The annual cost of offsite storage of event infrastructure and logistics to move to and from the Palace for events is estimated at £150,000 p.a. The further risk to the APTL's business gross margin from its inability to win and retain business because of this constraint is a further £150,000 for year one and will

rise in subsequent years. Therefore the risk of off-site storage could be as much as £300,000 per annum and rising in subsequent years.

10.3 The two principal options for the multifunctional space above the storage unit and in the Tower is for functions and office. For functions the space compares with the Londesborough Room and as an event space would work for weddings, conferences or meetings, diners or to support other events. The second option would be for office based accommodation, although the fit out could assume both. The funding for this as well as the storage is based on a Public Works Loan Board via Haringey Council for £2.5m with annual payments. The range of which is shown in paragraph 10 below.

10.4 The draft business case indicates that for a function and event space the new building will provide profits each year which after year one will cover the cost of the loan. Year 1 will show a loss of under £20,000 which is lower than the off-site solution as described in 10.2. The office based solution would not cover the loan repayments and be a further loss year on year. The final decision will be based on a full assessment and sensitivity analysis, the ability for the Trust to fund the ongoing loan commitment and a value for money assessment, which will also meet Haringey Council's approach to project funding.

10.5 The final Business Case will take account of a £2.5m loan repayments balanced against the optimum building life and ability of the Trust to service the loan. The current loan rate over a number of payment periods is

Loan Rate	3.32%			
Period – years	25	35	45	60
Payment per Annum	£150k,000	£122k	£110k	£100k
Total repayment	£3.8m	£4.3.	£4.9	£5.8m

Note: To provide context for the trustees, the Ice Rink Investment in 2011 was for £2.66m over a twelve year period at an interest rate of 3.5%.

10.6 Even if the planners would allow a basic structure to house the storage of the event infrastructure in the West Yard the cost of the groundworks, basic structural frame and coverings would be approximately £1.9m with interest payments over 60 years of £75,000 pa.

10.7 For expediency and in order to complete the business case within the timescales required around Trust meetings, design development with the designer and contractor and to timescales to complete a Project the Board are being asked to delegate the conclusion of this document to the Trust Chief Executive in consultation with the Trust Chair

10.8 The main risks are shown in 11.2 below.

11. Risks

- 11.1 A Risk Analysis has been completed as part of the draft business case and a Construction based Risk Register is being prepared for this Project by the Contractor Team.
- 11.2 The main business risks with not proceeding with the Project are:
- a. No on-site Storage leading to higher revenue implications from off-site storage of event infrastructure and loss of new and existing clients
 - b. Offsite storage with consequential logistical issues
 - c. Higher management event infrastructure control costs
 - d. Loan repayments could become unaffordable if APTL does not maintain its current trading performance.
 - e. Delayed decision over the project leading to delayed delivery and temporary off site solution having to be found (not budgeted for)
 - f. Wrong assumptions for costs, profit and loss for function space
 - g. Planning permission and listed building consent not approved.
- 11.3 The main construction risks are:
- a. Ground Conditions
 - b. Unforeseen Asbestos and unknown utilities
 - c. Capacity of existing Services
 - d. Ecology and archaeological requirements
 - e. Planning and Listed Building Consent
 - f. Space limitations for works and maintaining operation access
 - g. Vulnerability of North Wall and sequential removal of the wall shoring structure
 - h. Not completing and making available the storage space by the timewhen East Wing Restoration Contractor requires access to Area 7 (rear of Theatre) – currently early 2017
 - i. London construction inflation.

12. Governance

- 12.1 While the APPCT Board are the primary overseeing and decision making body for the project, the project's day to day governance requires additional oversight. While it would be perfectly possible to separate the staff and consultants' management of the project from the decision making role of the Board, it would be beneficial for the management of the project to bring the strategic influence of the Board into the closer governance of the project.
- 12.2 We propose a governance structure similar to that for the HLF East Wing Regeneration Project (and approved by the Board on the 18 April 2015) which allows proper oversight of the project with decision making at the appropriate levels. The current Programme Board, which is an informal sub-group of the Trustee Board, has formal decision making powers and meets monthly. This Programme Board gives direction to APP staff to deliver the Project. It would be prudent to use the same Programme Board, to oversee this Project as well through the receipt of regular monthly reports, risk register and cost plans.

- 12.3 In addition, and to monitor costs and changes, the newly formed Project Cost Control Panel for the East Wing Restoration Project will be utilised.

13. Legal Implications

The Council's Assistant Director of Corporate Governance has been consulted in the preparation of this report, and confirms there are no legal implications of the Board approving the recommendations in the report. Should the project move to the construction phase, legal advice should be sought at that stage.

14. Financial Implications

- 14.1 The Council's Chief Financial Officer has been consulted in the preparation of this report, and has the following comments:
- 14.2 The business case will need to demonstrate that the repayments and other costs are affordable to the Trust over the lifetime of the loan which would support a decision to increase the Council's borrowing level.
- 14.3 As was the case for the Ice Rink loan a formal agreement would need to be drawn up between the Council and the Trust which would set out the terms and conditions in support of the loan. In particular the interest rate used would relate to the prevailing long term rate at the point that agreement was reached. The indicative rate used in this report does provide a reasonable reflection of the likely financial impact faced by the trust given the recent stability in long term borrowing rates.
- 14.4 The Trust will also need to consider the on-going maintenance needs of the new building and any other costs associated with the proposed activities that are set out in this report; the Trust will need to ensure that these costs are affordable and the Business Case is the mechanism for demonstrating that these issues have been fully considered.

15. Use of Appendices

- Appendix 1 – Proposed Short Section
- Appendix 2 – Proposed Site Plan
- Appendix 3 – Proposed North Elevation
- Appendix 4 – Approach Sketch