




# West of England Full Business Case Watershed Development

*Growing the cultural and creative digital ecosystem*



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## Executive Summary

*"Watershed feels like a home for all"*

*Sammy Payne, Open Bionics*

Created in 1982 as Britain's first Media Centre, Watershed has continually grown, building a reputation for inclusive talent development, diverse cultural cinema, and creative technologies innovation. Over the past twenty years Watershed has created a unique position as both a regional cultural and creative hub and an international exemplar of cultural and creative technology innovation.

Watershed is a showcasing and collaboration platform for the West of England creative cluster, a hub for the Bristol + Bath R&D Cluster programme (in partnership with the four West of England universities), and delivery agent of Film Hub South West.

We play a leadership role in city place-making, and in ensuring the continued vibrancy of the Bristol Harbourside through an inclusive cultural programme and careful management of historic assets - E & W Sheds.

Our proposal builds on Watershed's sustained growth in talent development, combining the innovation strengths of Pervasive Media Studio with a diverse cultural programme and deep community engagement. The project is structured in two complementary phases so that Watershed is able to continuously deliver on these public benefits and build on demand throughout the process. The two Phases will be delivered as discrete projects each delivering distinct but synergistic public value.

Phase 1 (E Shed) will focus on expanding into the unit adjacent to our Box Office to create a new 36-seat capacity Cinema 4 and ground floor café with covered outdoor seating. Phase 2 (W Shed) will create a five-floor extension to W Shed which will extend into the dead space between Watershed and The Aquarium on Anchor Road with a new ground-floor foyer. The extension will provide grow-on workspace to meet demand from the community of artists, technologists, partnerships and micro companies, including those emerging from our innovation programmes during the vulnerable early stages of growth.

The focus of Watershed's development plan is on creating high quality facilities for audiences and extending talent and enterprise development to meet growing demand - ensuring we continue to play a sustainable role in developing the cultural and creative digital ecosystem.

Our proposal aligns with regional and national strategies and developments including WECA Local Industrial Strategy in fostering cross-sectoral innovation through to commercialisation, delivering the West of England Employment and Skills Plan, and leveraging the creative growth cluster in the West of England. Additionally, Watershed, as a co-leader in the Creative Workforce for the Future program,

champions inclusive talent development by providing greater access to young people from a BAME and/or socio-economic disadvantaged background in the creative industry through paid placements.

Watershed is seeking £5.5 million in funding from WECA to support our expansion and ensure Watershed continues to achieve demonstrable social, cultural and economic benefits across the region. Specifically, the 2020/2021 ask is for £500,000 for Phase 1 (E Shed) expansion. An independent economic appraisal shows that the project will deliver net additional GVA of £26.5 million and a benefit:cost ratio of 4.8, with Phase 1 (E Shed) delivering net additional GVA of £2.9 million and a benefit:cost ratio of 5.9.

Furthermore, our financial model shows that the proposed capital investment will help Watershed improve group operating surplus, increasing Watershed's sustainability and improving resilience. The improved operating surplus will enable Watershed to create a stronger cultural offer, repay borrowings, and increase investment in talent development, inclusion and cultural diversity.

WECA's contribution to this project will safeguard long term viability and enable growth of West of England's unique blend of innovation and creativity.

For further information, please contact Clare Reddington, CEO, Watershed, 0774 8616411, [clare.reddington@watershed.co.uk](mailto:clare.reddington@watershed.co.uk)

## 1 Strategic Case

### 1.1 State Aid Considerations

Watershed has sought advice from TLT Solicitors regarding state aid considerations. This is to ensure state aid rules have been fully considered and our proposal is in compliance with EU competition rules. TLT's analysis confirms that our proposal is in compliance with EU competition rules.

The funds sought from WECA are compatible with Article 53 of the General Block Exemption Regulation (GBER) for State Aid. The following specific elements of Article 53 comply with, and demonstrate that thresholds for aid intensity will not be exceeded:

- Allowance for aid to be granted for the following cultural purposes and activities (at paragraph 2a):  
The aid shall be granted for the following cultural purposes and activities:  
“(a) museums, archives, libraries, artistic and cultural centres or spaces, theatres, opera houses, concert halls, other live performance organisations, film heritage institutions and other similar artistic and cultural infrastructures, organisations and institutions;”
- The assistance that is sought will be considered “investment aid” which is permissible under paragraph 3. Grant funding can only be available to meet those “eligible costs” described in paragraph 4: “the investment cost in tangible and intangible assets, including:  
(a) costs for the construction, upgrade, acquisition, conservation or improvement of infrastructure, if at least 80% of either the time or the space capacity per year is used for cultural purposes”. Watershed analysis confirms that this criterion is fulfilled.
- At paragraph 6:  
“For investment aid, the aid amount shall not exceed the difference between the eligible costs and the operating profit of the investment. The operating profit shall be deducted from the eligible costs ex ante, on the basis of reasonable projections, or through a claw-back mechanism. The operator of the infrastructure is allowed to keep a reasonable profit over the relevant period.”  
Watershed projections indicate that any operating profit will be within the GBER FAQs (Paragraph 235) definition of “reasonable profit”. As a charitable organisation, Watershed currently aims to generate a surplus of 1-2% of turnover in order to maintain our current programmes. For 2019/2020, we are budgeted at REDACTED surplus which is below our targeted surplus (REDACTED of income). WECA's contribution to Watershed will enable an expanded model that allows Watershed to generate a pre-investment surplus of approximately 4% once fully operational. This surplus projection would allow Watershed to achieve its long-term strategic commitments including invest in real living wage for Watershed staff, replenish our reserves and be in a more resilient financial position given a volatile public funding environment.

The above state aid advice holds true for Phase 1 alone.

## 1.2 Project Description

Watershed is both regional cultural and creative hub, and international exemplar of cultural and creative technology innovation. Watershed provides a showcasing and collaboration platform for the West of England creative cluster, the hub for the Bristol + Bath R&D Cluster programme in partnership with the four West of England universities, and the lead for Film Hub South West. Watershed plays a leadership role in place making and in ensuring the continued vibrancy of the Bristol Harbourside through our inclusive cultural programme and inclusive management of historic assets - E & W Sheds.

Our proposal builds on Watershed's sustained growth in talent development centred in Pervasive Media Studio, diverse cultural programme, community cultivation and innovation programmes. In the past 20 years, our annual cinema audience has doubled (80,000 to 160,000), the number of artists we support on an annual basis has tripled (50 to over 150) and the range of films has grown from 33 to 66 producing countries.

The project is structured in two complementary phases so that Watershed is able to continue to deliver on these public benefits and demand throughout the process.

**Phase 1 (E Shed)** will focus on expanding into the unit adjacent to our Box Office to create a new ground floor 36-seat capacity Cinema 4 and new ground floor café with covered outdoor seating, increasing our dockside frontage by a factor of three and thus Watershed's visibility and access. This space was occupied by Watershed tenant Destination Bristol to which we have taken back the space for expansion. A new ramped entrance with powered doors will be added and the first-floor cinema toilets will be remodelled and extended to provide more capacity for our growing audience, with gender neutral cubicles, a dedicated baby changing area and increased provision for disabled people. Detailed plans of Phase 1 is available in Appendix 1 and a fly through of the space can be found on our website: <https://www.watershed.co.uk/news/update-on-our-building-plans>

**Phase 2 (W Shed)** will create a five-floor extension to W Shed which will extend into the dead space between Watershed and The Aquarium on Anchor Road with a new ground-floor foyer. The extension will provide grow-on workspace to meet demand from the community of artists, technologists, partnerships and micro companies, including those emerging from our innovation programmes during the vulnerable stages of growth. The first-floor events and festivals suite will be remodelled to create more capacity and flexibility. Through our expansion and attention to our community and environment, the public realm on Anchor Road will be significantly improved.

Please see Watershed's Pre Application to Bristol City Council for plans and elevations, specifically page 38 for Phase 1 (E Shed) and page 39 onwards for Phase 2 (W Shed)

<https://www.watershed.co.uk/sites/default/files/Watershed-Pre-app-Document-2018-compressed.pdf>

### 1.3 Project Objectives and Case for Change

The expansion of our harbourside home is crucial in meeting demand for our inclusive cultural programme, creative technology innovation, and cross-sector collaboration. It will increase the growth, productivity and profile of the West of England cultural and creative digital cluster as well as making Watershed a more robust and self-sustaining organisation.

The planned developments of E&W Sheds will:

1. Expand Watershed facilities to support the growth, inclusion, productivity and profile of the West of England cultural and creative digital cluster. Watershed holds the unique position of being at the cross section of art, culture, technology, digital media and science. It is this uniqueness that makes Watershed a key node in the cultural and creative ecosystem and allows us to be the collaborative lead across multiple thriving industries in Bristol, nationally and internationally.
2. Make Watershed a more robust and self-sustaining organisation. Financial resilience is a key strategic imperative for the organisation in order to ensure Watershed continues to thrive and serve its creative and cultural communities. Expansion would allow for increased accessibility and visibility, and additional income streams in order to minimise the impact of a volatile external environment.
3. Increase the diversity of our cultural film programme and audiences. Film is increasingly the international cultural medium through which diverse cultures can share their experience and identity. However non-English language films record only 2% of UK box office. Watershed is one of very few places in the UK outside London where audiences can engage with the expanding diversity of world cinema in depth all year round.
4. Provide vital workspace for cultural and creative micro and start-up enterprises. Watershed's Pervasive Media Studio is an invention space for artists, technologists and academics to collaborate through open innovation and test ideas and value propositions that balance social and commercial impact. It actively promotes the intersection of art, science and technology through a curated programme grounded in a collaborative, engaged and generous ethos. DCMS estimates that almost 95% of creative industries businesses are micro-businesses with 33% of the creative workers in the sector being self-employed, Watershed has supported, hosted and championed independent creatives and micro companies for over 20 years and is in a unique position in the city to address growing demand for curated and produced workspace for this specific group. Watershed is effectively providing a workspace for community practice and conversations.
5. Provide an inclusive hub for the talent that drives the cultural and creative digital ecosystem. This is an integrated investment to create stronger engagement with diverse communities by creating opportunities and stronger pathways that link value chains and run through exhibition, talent development, incubation, innovation, and sustainability.
6. Further establishes Watershed as a central Bristol meeting place. Watershed is the meeting place of choice for a range of businesses, from banks and technology sector leaders to community organisations. In addition to Watershed's public programme audiences, Watershed conferencing hosts approximately 660 events per year, with 26,400 people in attendance and approximately 44% from outside of Bristol.

7. Improve and sustain public use of and access to the historic Grade-II listed dockside sheds and revitalise the public realm on Anchor Road, a key city-centre thoroughfare for tourists and residents which is currently unattractive and hard to navigate.

The Phase 1 (E Shed) objectives are:

1. Expand Watershed facilities to support growth, inclusion, productivity and profile for the West of England cultural and creative digital cluster.
2. Make Watershed a more robust and self-sustaining organisation.
3. Increase the diversity of our cultural film programme and audiences.
4. Provide an inclusive hub for talent that drives the cultural and creative digital ecosystem.
5. Further established Watershed as a central Bristol meeting place.
6. Improve and sustain public use of and access to the historic Grade II listed dockside sheds and revitalise the public realm on Anchor Road.

## 1.4 Rationale for Public Intervention

The investment is grounded in delivering increased public benefit contributing to Inclusive Growth, Placemaking, and Cultural Engagement. Watershed is a trusted incubator of new talent, ideas and enterprises working in collaboration with universities and the creative digital cluster. It fills an anchor role in the cultural and creative digital ecosystem nurturing the distinctive cross sector collaboration that is so vital to the West of England economy. The 2018 REACT report (an evaluation of our £5M collaborative cluster support programme) highlights this:

“By playing the ‘connector’ role Watershed has developed to be a public facing cultural and creative economy hub for the Bristol city region with strong networks amplified through the cultural programme. It is the open cultural approach combined with wide public engagement and a strong showcasing ethos which has enabled Watershed to leverage its arts profile to become a trusted connector for the Bristol city region.”

**Phase 1 (E Shed)** expansion will enable Watershed to meet demand for cultural cinema whilst transforming the visitor experience and improving visibility, accessibility and financial resilience. Our plans expand programme choice and audience access to cultural cinema. Film is increasingly the international cultural medium through which diverse cultures can share their experience and identity. However non-English language films record only 2% of UK box office. Watershed is one of very few places in the UK outside London where audiences can engage with the expanding diversity of world cinema in-depth all year round. Watershed’s cultural cinema allows for inclusive cultural engagement; our programming provides the opportunity for everyone to engage in cultural ideas and discussions. This is evident in the diverse films curated and shown, cultural events hosted and produced by Watershed, monthly Deaf Conversations, and Relaxed Screenings. As such, it is the few cultural places that readily accepts and actively engages with the Bristol and international community.

In **Phase 2 (W Shed)** expansion, affordable space for independent creative talent to work and collaborate in the heart of the city is a key part of inclusive growth:



- The Pervasive Media Studio curates a community of practice that mixes cultural and commercial entities to bring benefit to both.
- We support very early stage ideas (which often wouldn't find support elsewhere). We help them refine and test their value proposition, and where they might find a customer or client. By gathering together people working at similar stages of development we create critical mass and short cut learning.
- The demographic of the Pervasive Media Studio is substantially more diverse in terms of gender, ethnicity and disability than other media and technology communities. This is achieved through active approaches, tailored schemes and producer support.
- Our community is made up of many micro companies and SMEs who use the profile and reach of Watershed to build their own brands.
- The creative technology community is largely engaged in the experience economy. This type of mixed-mode innovation needs a mix of skill sets - our cross-sector community is fertile place for collaboration and peer support.
- Watershed's audience acts as a community of early adopters. This kind of user testing is cost-prohibitive for small companies.
- Watershed provides long term community support through curation and programme production within the West of England creative economy to start, grow, and sustain a business. Rather than a coworking space, it is uniquely a creative community workspace where creatives, academics, and technologists are encouraged to openly and collaboratively discuss, share and build ideas that could contribute to resolving social problems or improving wellbeing.

Watershed has acted as the guardian of the public space on the harbourside. Our proposal will boost the vibrancy of the area through an extended ground floor in E&W Sheds, new Harbourside seating area and a new entrance on Anchor Road. The public realm will be improved, the historic E&W Sheds will be conserved and inclusive Place Making will be enhanced.

## **1.5 Strategic Fit**

Created in 1982 as Britain's first Media Centre, Watershed has continually grown, building a reputation for inclusive talent development, diverse cultural cinema, and creative technologies innovation. Over the past twenty years, cultural cinema audiences have doubled, while the number of artists and creatives we work with each year have tripled. Audiences and artists have diversified, our work with young people continues to expand, and we have projects and collaborations across the globe. Watershed is an incubator of new talent, ideas and enterprises working in collaboration with universities and our creative cluster.

The focus of Watershed's development plan is on creating high quality facilities for audiences, extended talent and enterprise development to meet growing demand so that we play a stronger sustainable role in developing the cultural and creative digital ecosystem, with broader access for diverse talent to participate in that ecosystem.

Our proposal aligns with regional and national strategies and developments including:

- WECA Local Industrial Strategy
  - Watershed plans are aligned with West of England Local Industrial Strategy (LIS) particularly in fostering cross-sectoral innovation through to commercialisation, delivering the West of England Employment and Skills Plan, and leveraging the creative growth cluster in the West of England. Watershed is a key collaborative innovation hub and an international cultural asset. By increasing capacity Watershed will be equipped to continue to anchor cluster growth, develop diverse talent and to grow international profile.
  - The LIS highlights “The combination of innovation assets, research intensive industry, supply-chains, a diverse population and cultural assets set the region apart and create a blend of innovation and creativity that is unique to the West of England.” Watershed is a microcosm of this very ecosystem enabling cross-sectoral growth between creative, cultural and digital industries through inclusive, open and innovative community workspace and programmes.
  - Watershed development will amplify the placemaking impact which is highlighted in the LIS “The West of England is a vibrant, diverse and creative region. It includes the two thriving cities of Bristol and Bath along with diverse towns and communities. As a whole, it is well-recognised as a national and international cultural and tourist hot spot, with a vibrant mix of urban, rural and coastal areas providing an exceptionally diverse cultural ecology. Quality of place is crucial to economic performance as well as social cohesion and well-being... The attractiveness of the region as a place to live, work and study means people are attracted and remain. The region is renowned for its highly networked, collaborative, open and ‘edgy’ culture. The combination of innovation assets, research intensive industry, supply-chains, a diverse population and cultural assets set the region apart and create a blend of innovation and creativity that is unique to the West of England. “
  - Growth of media and digital technology industries in Bristol is evident particularly with Channel 4’s decision to choose Bristol as one of its Creative Hubs. In its decision, Channel 4 highlighted Bristol as having a thriving digital technology and production sector which feeds directly into its strategy to diversify its talents in the industry.
  - Watershed is a co-leader in the Creative Workforce for the Future program funded by WECA and European Social Fund. The program’s objective is directly aligned with Watershed’s values of inclusivity by providing greater access to 12 18-30 year olds from a BAME and/or socio-economic disadvantaged background in the creative industry through paid placements.
  - Expansion of Watershed will create the capacity to deliver on the objectives of the Local Industrial Strategy
- Industrial Strategy Creative Sector Deal
  - The creative industries are an undoubted strength of our economy. Indeed, they are at the heart of the nation’s competitive advantage.

- Cultural and creative investment can drive economic growth by making places attractive locations to live and work.
- Place matters particularly to creative businesses because the industry is characterised by a large proportion of SME's and micro-businesses.
- In Bristol, a globally significant, high-growth creative cluster has developed out of anchor institutions including co-working spaces, serviced creative hubs and cultural organisations at the Harbourside.
- The Southwest Creative Technology Network and the Bristol+Bath Creative R+D
  - Watershed is an integral partner and collaborator of the combined £12M+ programs with the West of England universities and creative industry to expand the creative technology innovation cluster. Working in partnership, Watershed is playing a leadership role in making the West of England a global leader in collaborative innovation at the intersection of culture, creativity and technology.
    - The Southwest Creative Technology Network is a three-year project to drive digital innovation in the South West. Supported by a £6.5m grant from Research England, and led by the University of the West of England (UWE), with Watershed in partnership with Kaleider in Exeter and Bath Spa University, the University of Plymouth and Falmouth University.
    - Bristol+Bath Creative R+D is a multi-million-pound investment from the Arts and Humanities Research Council's Creative Industries Clusters Programme, to support, connect and amplify the globally significant strengths of the region. The B+B Creative R+D programme combines the very best research from University of the West of England, University of Bristol, Bath Spa University and the University of Bath, with the reach and community of Watershed, and an abundance of companies working across design, broadcast, performance, technology, publishing and more.
- Arts Council England SW Corporate Plan
  - The project will champion the South West as a capital of innovation in arts technology. Arts Council England is committed to working with partners including UWE and funded organisations like Watershed to invest in strengthening infrastructure. Watershed is a National Portfolio Organisation.

## 1.6 Options Appraisal

Watershed has been phenomenally successful but for the past five years the organisation has been severely challenged by its buildings. In assessing options it is important to understand the history of Watershed development in the context of the Bristol creative digital ecosystem.

2005 – redevelopment of existing space to create Cinema 3 and Waterside events suite enabling more intensive use of existing space to meet growing demand.

2007 – purchase headlease on E+W Sheds to exert some control on the mix of uses to make Harbourside a destination which is accessible and welcoming for all – residents and visitors, young and old - plus open up the potential for expansion as leases come vacant.

2008 - demand growth indicates more space is required sooner than expected - investigate feasibility of re-developing recently closed IMAX - not practical due to highly be-spoke construction of the IMAX brick rotunda.

2008 – to meet immediate demand open Pervasive Media Studio offsite in 3,000 sq ft at the Leadworks as a dedicated creative technology R&D collaboration space funded by HP and SWRDA

### **Option 1**

2010/11 - explore potential to occupy another nearby but larger building to meet continuing demand growth. Burgess Salmon move to Temple Quarter creates opportunity to re-develop Narrow Quay House which is opposite Watershed across the dock. SETSquared are also looking for new space and we form a collaboration to explore this option combine Pervasive Media Studio and SETSquared. This becomes known as Creative Harbour. Through this process we develop greater understanding of the power and importance of highly visible innovation hubs. However the cost of refurbishing Narrow Quay is considerable and we are unable to configure finance before a commercial deal is concluded. However this Creative Harbour work formed the basis of Engine Shed and Nick Sturge credited Watershed with the ideas that underpinned the Engine Shed approach. Watershed and Engine Shed continue a close working relationship working across respective strengths in creative and technology sectors.

2011 – expand Pervasive Media Studio to 5,000 sq ft with move into W Shed as lease end makes space available – this leads to exponential growth of creative technologies innovation and talent development due to the realisation of synergies between the offerings of Watershed - this provides the foundation for REACT funded by AHRC.

### **Option 2**

2012 - explore potential to move to the Temple Quarter EZ either as part of the Creative Harbour concept or as a new Watershed. Concluded that a move from the current site would lose the cultural capital built over 30 years, reduce accessibility for all parts of the community by moving away from the Centre transport hub, damage the continuing development of Harbourside as a mixed public realm and potentially interrupt the always open offer that Watershed has sustained for 30 years. There is no doubt that Watershed is a cultural icon in the city and that it should remain at the dockside location with which it is so strongly identified.

2013 - new enterprises regularly spin out from the Pervasive Media Studio including Bristol Games Hub which could not be accommodated at Watershed. It is now evident that the Hub model is extremely powerful - it amplifies activity and investment, creates opportunities for growth, attracts diverse talent to drive inclusion, and raises profile of the cluster to attract investment - it relies on concentration on one site creating the proximity for open innovation and showcasing.

*'Watershed is a prime example of a highly connected, flexible, porous piece of cultural and creative infrastructure. Watershed is more than just an arts cinema. It is at once a cultural centre, a business broker, a social networker, a research and innovation facility, a café/bar, and a cultural tourist attraction. This is because it has developed organically over the years to become totally embedded in place.'* UK Creative Economy Programme

### **Option 3**

2013 - commissioned architects to explore potential and feasibility for expansion on the existing site testing different approaches - reported in 2016. Please refer to Appendix 2 for detail.

### **Option 4**

Consideration of a Do Nothing option. This would fail to meet demand growth with negative impact on both Watershed and the wider cluster. It would be in direct opposition to the local and regional strategy in terms of cultural and innovation growth and would be detrimental to the financial health of the organisation. Over the past 20 years, Watershed has sustained continued growth and demand in its support and care of its creative and cultural communities. The Pervasive Media Studio is an acknowledged global leader and innovator. Demand from artists to engage with our community far outstrips capacity with residency opportunities oversubscribed by 45 applications for every New Talent/ Artist residency. This disparity between demand and capacity is evident in our offer to young people with 30 applications for each opportunity. The most recently advertised opportunity for £15,000 Fellowships in Immersion as part of the South West Creative Technology Network attracted 400 applications for 24 Fellowships.

Cultural cinema is also experiencing innovation and change in the patterns of production, distribution and exhibition. As digital technology has swept through the value chain we need to respond to and take advantage of the potential for increased audience choice. There is significant unmet demand due to taking a film off after a short run or not showing a film at all due to shortage of screens. We constantly evaluate our market and participate in national research and industry discussion: in Manchester audiences increased by 25% as 3 screen Cornerhouse became 5 screen HOME, driven by increased choice, not seating capacity, as total seat numbers did not increase. Detailed analysis of Watershed box office data reveals 50 films which achieved 60% or more box office on the final showing. Sixteen of these films were between 90% and 100% full on the final showing. This is an average of one film every week which came off when it was playing to good audiences. The fourth screen will significantly increase choice and audience plus add 32 seats to give us extra capacity.

### **Selected Option as set out in this FBC**

The options were considered in-depth as detailed in the options analysis and feasibility report (Appendix 2). To summarise, the options considered by Watershed include:

- Option 1 - Annexing adjacent or nearby buildings
- Option 2 - Relocating to another part of the city
- Option 3 – Redeveloping the existing Watershed buildings
- Option 4 – 'Do Nothing'

In terms of Option 1, occupying separate buildings constrains the cross-fertilisation of ideas and does not allow the collaborative working that much of Watershed's activities are built on and which underpins the distinctive contribution.

The alternative of Option 2 - relocating across the city – carries the danger of Watershed losing its identity, apart from the cost this would involve. It is seen as a higher cost/risk solution. This alternative of moving across the city carries with it the danger of Watershed losing its identity. It is very closely associated with its central dockside location.

As outlined in option 4, Watershed feels that consideration of a 'Do Nothing' option would be counter to the local and regional strategy in terms of promoting cultural and creative innovation within the WofE economy. It would also risk gradual undermining of Watershed sustainability and investment into its future.

Our extensive development of options over recent years indicates that the best option for both cluster development and Watershed sustainability is to expand the range and density of activity on the current site leveraging established hub strengths and profile.

Funding for Phase 1 (E Shed), apart from WECA funding, includes Watershed reserve, trusts and foundations, general fundraising and commercial loan. Watershed is pursuing a long term commercial loan in order to capitalise on Bristol City Council rent concession. A commercial loan for a full amount would introduce undue long-term risk should interest rates rise in future years. Furthermore, the financial resilience resulting from Phase 1 is planned to be responsibly used not just for financing this investment but to also support ongoing operations and programme investments. A larger commercial loan would hinder planned ongoing investments. Expert consultation on fundraising for Phase 1 highlights that our funding expectations are realistic and financially feasible. Please see section 3 Financial Case for further funding details.

## **1.7 Environmental Sustainability Considerations**

Our ambitious plans for ensuring we improve the environmental sustainability of the whole venue are at the core of our design approach. This will serve as a best practice case study for others wishing to pursue similar goals in complex city centre environments. We will ensure our planned new expansion is BREEAM (Building Research Establishment Environmental Assessment Method) standard excellent and represents industry best practice. As with everything Watershed engages with, we will share knowledge, methodology and practice to spread benefit as widely as possible. Watershed occupies a building which was designed for 19th century goods transit but through being re-purposed it has a useful future way beyond its original design life. The works will enable us to make essential improvements to the public enjoyment and use of the building creating greater financial resilience which will unlock future funding for conservation and repair to ensure that we can continue to offer public enjoyment of this historic building 7 days a week. Key areas of conservation and sustainability include energy reduction through the use of LED light system and more efficient equipment for the café/bar, energy generation through solar panels, creating an insulating buffer zone at rear of the building to reduce energy loss through the single brick façade and developing natural ventilation through roof terminals. Sustainable design principles are also included in the new build expansion

such as natural ventilation to align with low energy ethos and a material strategy that complements our sustainability strategy and reflects our history at the Harbourside. For further details of the energy strategy and the environmental sustainability considerations for this project, please refer to <https://www.watershed.co.uk/sites/default/files/Watershed-Pre-app-Document-2018-compressed.pdf>

Watershed has recently declared a climate and ecological emergency together with Colston Hall, Bristol Old Vic, We the Curious, BCC, WECA and University of Bristol to align with Bristol's ambition to be carbon neutral by 2030. The declaration commits Watershed to environmental and sustainability actions towards the carbon neutral and encourages our audiences and collaborators to do the same. Watershed has a cross-organisational working group to explore improvements to sustainability from every angle and actively seeks programme work to present, debate and discuss climate breakdown. Our environmental policy can be found at: <https://www.watershed.co.uk/news/culture-declares-a-climate-and-ecological-emergency>

## **1.8 Equality and Diversity Impact Assessment**

Watershed seeks to be inclusive across all areas of our business. By producing authentic, welcoming spaces and engaged programmes, we strive to reflect, include and champion audiences and artists from all backgrounds. Our emphasis on interdisciplinarity, accessibility and open innovation ensures that diversity is the driving force behind our work and is a core objective of our proposed expansion. Our commitment goes beyond growing diversity and focuses on building inclusion of minority and excluded groups. This thinking applies to our programmes, audiences, participants and staffing. Our commitment to inclusion, equality and diversity is evidenced in our policies and working groups including Watershed's Ethics Policy, the Employee Handbook, Inclusion and Equality Policy, the Dignity & Respect at Work Policy and the Safeguarding Children, Young People & Adults at Risk Policy published here: <https://www.watershed.co.uk/policies>. Watershed is rated Strong for diversity by Arts Council England and is considered by peers, participants and funders as an industry leader in inclusive practices.

Watershed's inclusion, equality and diversity work is aligned to the WECA LEP's priority of Inclusive Growth in the following ways:

- We have a cross-cutting organisation inclusion group with dedicated staff members developing objectives and actions to enable an inclusive working environment. Watershed is regularly approached to share our methodology to ensuring that everyone can access and benefit from our inclusive cultural programme.
- The Pervasive Media Studio runs a micro residency and bursary scheme for emerging BAME artists and is an Unlimited Ally to ensure that development opportunities are accessible to deaf and disabled artists. (Unlimited is an arts commissioning programme that allows disabled artists to bring their work to UK and international audiences – Watershed is part of its Unlimited Ally network in support of their work.) BAME Studio residents have increased by 107% in the last year and deaf and disabled artists are now 10%, both within 1% of reaching the demographics of Bristol.

- Watershed runs an online magazine called RIFE made by and for 15-24 year olds. We offer six-month paid internships which give young people the opportunity to learn how the sector works and how to create and publish content. The key focus of RIFE is to champion and support of young people's voices, especially those from backgrounds under-represented in the media.
- Watershed is a co-leader in the Creative Workforce for the Future programme funded by WECA and European Social Fund. The objectives of the programme are to provide greater access to 18-30 year olds from a BAME and/or socio-economic disadvantaged background in the creative industry through paid placements, and to support the creative industry to learn and understand ways to promote and enable an inclusive creative digital workforce.

By investing in Watershed, WECA would be supporting an organisation that has championed equal and inclusive placemaking through our diverse cultural programme. Completing **Phase 1 (E Shed)** will amplify the equality and diversity benefits already generated as the expanded space results in further audience engagement and breadth of our cultural programme. Examples of benefits include:

- Watershed leads the British Film Institute (BFI)'s Film Hub South West as one of eight regional Film Hubs which make up the BFI's Film Audience Network developing audiences and film-making talent. This includes producing Beyond Boundaries which provides funding to help take cinema to diverse audiences through initiatives like Come the Revolution, a Black programming collective. In 2018/19, we ran 3,688 screenings of which 1,790 had descriptive subtitles and/or audio description.
- We host monthly Deaf Conversations for deaf and hearing audiences and 50% of Watershed Front of House staff are confident in basic British Sign Language.
- Working with Studio resident Rachel Meseguer, we recently launched Horizontal Cinema which allows those with invisible disabilities such as Chronic Fatigue Syndrome to watch our screenings in the way most comfortable to them, e.g. on a yoga matt with cushions.
- We operate an inclusive pricing structure with no booking fees and heavily discounted concessions on all screenings and associated talks. Last year, 58% of all our tickets were concessionary with 26% given to young people aged under 25 or students and 25% to those over 60. Our audience demographics now closely represent that of the Bristol population:
  - 47% identify as male, 52% female and 1% other compared to 50/50 of the Bristol population.
  - 15% identify as BAME compared to 16% of the Bristol population.
  - 13% are 16-24 years old compared to 15% of the Bristol population.

Phase 1 (E Shed) provides an additional space to increase the accessibility of the above benefits. Its presence on the main walkway of Harbourside will allow audiences to be more engaged with our diverse cultural conversations. We are anticipating the following increased benefits:

- Our overall cinema admissions will increase from 154,000 to 180,000 per annum as a result of the new Cinema 4 and E Shed re-development.
- The new screen capacity will enable us to continue to grow our audiences from underrepresented groups. Based on current audience demographic data this would represent



an additional 3,900 admissions for young people aged under 24 and 2,400 admissions for people with disability.

- These additional beneficiaries are calculated on existing audience demographic data - the figures for young people are likely to increase due to additional late-night screenings and events within the new model.
- Increased screen capacity will also have a significant impact on the number of emerging filmmakers and producers we can support and the number of Festivals partnerships we can facilitate.
- Increased flexibility to move film content across screens will also support our forthcoming plans to move to subtitles on demand for all deaf or hard of hearing audiences that wish to experience a film in this way.

## 2 Economic Case

The project is structured in two complementary phases so that Watershed is able to continuously deliver on our public benefits and build on demand throughout the process. The two Phases will be delivered as discrete projects each delivering distinct but synergistic public value.

Watershed hosts a community of cultural and creative people. The public facing cultural cinema, events and conferencing activities attract large numbers of people for cultural, leisure and business purposes. The Studio workspaces are used by a diverse community of creatives and technologists who are developing ideas and businesses. As such the population occupying the building is highly dynamic and constantly changing. It is this coming together of different populations which makes Watershed such a powerful agent in supporting inclusive growth in the cultural, creative and digital economy.

Expansion of Watershed will enable expanded services to meet the demand from a growing population and creative digital economy. Watershed supports employment in a number of ways - direct employment, providing workspace for micro enterprises, and training. These support mechanisms are linked to create pathways for sustainable talent development. At present Watershed directly employs 101 FTE and is host to a creative community of 165 artists, creatives, technologists and researchers. Our space reflects the nature of the services offered and the range of activities it supports, including extended operation hours, 24-hr access to workspace and flexible desk arrangements.

The re-developed Watershed building will provide additional space for the full range of activities including a significant increase in dynamic workspace for independent cultural and creative producers primarily freelance and micro enterprises. Our 2018/2019 numbers estimated that the expansion would support Watershed's current employees and community, required additional Watershed employees for the expanded operation and two new floors of Watershed Studios workspace for creative digital cluster development. Recognising that the Watershed model is unique, we have tested our estimated outputs against a more conventional model by commissioning an independent Economic Appraisal utilising quantitative methodologies, industry standard benchmarks and 2019/2020 data.

The economic assessment for Watershed capital expansion has been produced for Watershed by Moor Economics Ltd, chiefly by Shane Vallance, Economic Consultant. The assessment is based on authoritative data, methodological and research sources, and the expertise and experience in regional economics and development of the author. It has been accomplished in consultation with Watershed, and the independent appraisal further supports the envisaged economic benefit as highlighted in our outline business case.

Please see full economic case analysis in Appendix 3.

## 2.1 Economic Appraisal

The economic study conducted, on a quantitative basis, supports the redevelopment of the facilities allowing Watershed to expand its current cultural and creative offering, and importantly to provide additional facilities to growing the cultural and creative businesses within Bristol.

It was highlighted in the study that the project has the potential to make significant returns for the West of England economy, but understandably, these benefits will build over time. It is anticipated that the benefits will mature over the 10-year appraisal period used in the economic study. The project is expected to return a positive Net Present Value (NPV) (from a societal perspective) against the WECA investment in Year 2025/26, effectively Year 3 of operations – based on our central scenario. Given the redevelopment requires a significant amount of upfront capital investment, this profile of ‘positive return’ is to be expected.

### Gross Impact – Watershed Development (overall project)

<u>Gross impact</u> Discounted 5-year (2027/28) Watershed Development return (Gross Value Added)	<u>Gross impact</u> Discounted 10-year (2032/33) Watershed Development return (Gross Value Added)
£20.0mn	£40.6mn

Even on this relatively narrow measurement of potential benefits to be delivered by the project, on a *gross* basis we estimate the Watershed Development project could generate a benefit:cost ratio of 7.4 over a 10-year period when set against potential local investment support through the West of England Combined Authority, or 4.8 on a net additional basis (see below table). Split by each phase, the equivalent benefit:cost ratios would equate to a range of 7.2-9.0 (gross), or 4.7-5.9 (net additional). This does not include the short-term stimulus provided by the construction of a significant capital development. We have estimated that this could *directly* support c73 employment years of construction activity employment and c£2.9mn of direct GVA – although being a short-term stimulus.

The consideration of the net additional impact also considers the potential for some market displacement, even though the programme offered by Watershed is developed to be different and complementary to that offered elsewhere. The focus for **Phase 1 (E Shed)** is to strengthen the financial robustness of the Watershed Group and to widen further the cultural and creative offering within the city. Nevertheless, we have assumed that some market displacement will occur for both phases.

As detailed in section 1, the proposed redevelopment will be delivered through two phases designed to minimise disruption to public service which will continue throughout the works. Each phase will deliver economic benefits through specific linked ‘mechanisms’. As well as providing direct benefits to Watershed, **Phase 1 (E Shed)** has the potential to attract more people into the city centre, spending money in other surrounding businesses. However, the estimates of the additional benefits associated with **Phase 1 (E Shed)** are relatively conservative in the economic case as the regular Watershed

cinema audience primarily lives in Bristol and the wider WECA area. However, Watershed also acts as a major venue for events and attendee data for these events show that they draw in a considerable amount of people from outside the West of England region. Given that the redevelopment will enhance the capacity and capability of Watershed to hold such events, the potential to draw visitors into Bristol is expected to increase.

**Gross Impact – Phase 1 (E Shed)**

<u>Gross impact</u>	<u>Gross impact</u>
<b>Discounted 5-year (2027/28) Watershed Development return (Gross Value Added)</b>	<b>Discounted 10-year (2032/33) Watershed Development return (Gross Value Added)</b>
£2.5mn	£4.5mn

The benefits encapsulated in **Phase 1 (E Shed)** include the external benefits to other city centre businesses (through the ability of the Watershed to attract people into the city centre to stay and spend – principally through enhanced events space.

In terms of events, the Watershed holds a wide variety of events. These events attract a large number of people, many of which travel into the city. The assumption here differs in the respect that many of these people will specifically travel to Bristol to attend such events, and many of which will involve at least one overnight stay .

Therefore, the combined impact of the new cinema and events capability has the potential to support c£150,000 GVA in the wider city economy per year. We assume that this impact is consistent over the 10-year period. It is important to reiterate that this does not include the impact on the watershed itself i.e. on its own finances and revenue flows. These benefits are estimates of impact to other businesses in the city.

It also includes the additional staff that the Watershed will employ as a direct consequence of the enhanced facilities, and their associated Gross Value Added. The enhanced capacity delivered through Phase 1 (E Shed) will be a small increase in the number of staff directly employed by the Watershed. The projections relate to an additional requirement for 6.9 FTE. The additional direct staff employed by Watershed, we estimate the direct impact in terms of GVA to be c£385,000 per year. This is based on an estimate of GVA per FTE (using the Watershed financial statements as a source for these estimates) of c£55,000. This is based on all Watershed employees and will therefore differ on an employee-by-employee basis. Again, we assume this impact is consistent over the 10-year period i.e. we do not account for any subsequent growth.

Presenting this in a different way, capturing the estimates as *'net additional'*, impact still shows the potential for this project to deliver significant economic returns to the local economy. It is important to note that the potential benefits that are associated with the expansion of the Watershed's ability to host events (therefore drawing in visitors from elsewhere) are attributed to **Phase 1 (E Shed)** in the

modelling. In practical terms, this enhancement will be delivered across both phases. As a consequence, the benefits associated with **Phase 1 (E Shed)** are muted very slightly, with the benefits associated with Phase 2 (W Shed) slightly heightened. A majority of the benefits are associated with Phase 1 as this would be a new event space enabling Watershed to remodel event space scheduling. However, if the project viewed as a whole, the benefits are attributed to both phases.

**Net Additional Impact - Watershed Development (overall project)**

<u>Net additional impact</u>	<u>Net additional impact</u>
<b>Discounted 5-year (2027/28) Watershed Development return (Gross Value Added)</b>	<b>Discounted 10-year (2032/33) Watershed Development return (Gross Value Added)</b>
£13.1mn	£26.5mn

**Net Additional Impact - Phase 1 (E Shed)**

<u>Net additional impact</u>	<u>Net additional impact</u>
<b>Discounted 5-year (2027/28) Watershed Development return (Gross Value Added)</b>	<b>Discounted 10-year (2032/33) Watershed Development return (Gross Value Added)</b>
£1.6mn	£2.9mn

The below table shows the profile of benefit:cost ratio (BCR) (excluding the construction impact) for the whole project and specifically **Phase 1 (E Shed)**. It is important to note that this has been set against the proposed local WECA funding only, not the whole project cost. Therefore, this BCR should only be viewed as the return against the local investment support. Given that ongoing running costs will be met through the commercial model put in place by Watershed, then no consideration of additional revenue funding support has been factored in.

**Benefit:Cost ratio – WECA investment**

	<b>Yr 1</b>	<b>Yr 2</b>	<b>Yr 3</b>	<b>Yr 4</b>	<b>Yr 5</b>	<b>Yr 6</b>	<b>Yr 7</b>	<b>Yr 8</b>	<b>Yr 9</b>	<b>Yr 10</b>
	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>	<b>30/31</b>	<b>31/32</b>	<b>32/33</b>
Net additional impact (BCR) – whole project	0.2	0.7	1.2	1.8	2.4	2.9	3.5	3.9	4.4	4.8

<b>Net additional impact (BCR) – Phase 1 (E Shed)</b>	<b>0.7</b>	<b>1.4</b>	<b>2.0</b>	<b>2.6</b>	<b>3.2</b>	<b>3.8</b>	<b>4.4</b>	<b>4.9</b>	<b>5.4</b>	<b>5.9</b>
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We have assumed that the benefits of the enhanced facilities in **Phase 1 (E Shed)** will be immediate (given the Watershed’s reputation in delivering these services) and the new staff directly employed will be required to be in place quickly as the enhanced facilities come ‘online’.

Again, it is important to reiterate that in reality – due to the intertwined relationship of the two phases – that some of the economic benefits will build iteratively over time as each element is developed. For example, the events space will also be enhanced through physical development in the proposed Phase 2 (W Shed). As a consequence, it is difficult to separate some (although not all) of the benefits between the two phases.

**Phase 2**

Phase 2 (W Shed) has the potential to deliver significant direct and indirect economic benefits through the provision of community workspace for the thriving cultural and creative business community within Bristol. The method used in estimating the economic impact for Phase 2 (W Shed) has been based on an ‘employment density’ approach, utilising the space breakdowns within the project design to understand the potential number of jobs that could be supported and the ‘value’ that those jobs provide. This methodology is a recognised approach in such schemes.

**Gross Impact – Phase 2 (W Shed)**

<u>Gross impact</u>	<u>Gross impact</u>
<b>Discounted 5-year (2027/28) Watershed Development return (Gross Value Added)</b>	<b>Discounted 10-year (2032/33) Watershed Development return (Gross Value Added)</b>
£17.6mn	£36.0mn

**Net Additional Impact - Phase 2 (W Shed)**

<u>Net additional impact</u>	<u>Net additional impact</u>
<b>Discounted 5-year (2027/28) Watershed Development return (Gross Value Added)</b>	<b>Discounted 10-year (2032/33) Watershed Development return (Gross Value Added)</b>
£11.4mn	£23.5

**Benefit:Cost ratio – WECA investment**

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
Net additional impact (BCR) – whole project	0.2	0.7	1.2	1.8	2.4	2.9	3.5	3.9	4.4	4.8
Net additional impact (BCR) – Phase 2 (W Shed)	0.2	0.6	1.1	1.7	2.3	2.9	3.4	3.8	4.3	4.7

The slower build-up of benefits associated with Phase 2 (W Shed) reflects the underlying the assumption that the occupancy of the studio space will develop over the first few years. Again, it is important to reiterate that in reality – due to the intertwined relationship of the two phases – that some of the economic benefits will build iteratively over time as each element is developed. For example, the events space will also be enhanced through physical development in the proposed Phase 2 (W Shed). As a consequence, it is difficult to separate some (although not all) of the benefits between the two phases.

During the construction phase, there is the potential to generate a significant short-term stimulus to the local economy given that the overall construction cost of circa £7.3mn will sustain a large amount of construction jobs. Using the West of England appraisal guidance, the study estimates this will *directly* support c73 employment years of construction employment and c£2.9mn of direct GVA as a short-term stimulus in the local economy. This excludes any indirect impact in the supply chain.

The project also has the potential to support further indirect impacts through ‘multiplier effects’ in the local economy, and these are also set as wider benefits. In addition to this, it is important to note that many of the residents of the Pervasive Media Studio who use the workspace at the Watershed also support a wider number of jobs at other sites across the city. Therefore, the ‘enabling’ aspect of the project is strong. These are partially ‘offset’ in this economic assessment by consideration of the additionality of the project, recognising that expansion at Watershed may have some impact on other providers within the city. However, the project has been designed to provide complementarity and the proposition is to support and amplify the cultural and creative ecosystem in the West of England. It has been noted in the economic study that it doesn’t attempt to quantify other important factors such

as the role of redevelopment as a catalyst for further investment in the Harbourside area and/or the social impacts that are delivered through Watershed’s community engagement programme. The study does recognise these elements being important to the project’s objectives and are described in other sections of this business case.

## 2.2 Value for Money Statement

<i>Total project cost</i>	REDACTED
<i>Grant sought (EDF/LGF/RIF)</i>	£5,500,000
<i>Net Quantified Benefits</i>	Net additional impact GVA of £26.5 million (discounted 10 years)
<i>VfM indicator</i>	Net additional impact benefit to cost ratio of 4.8 in Year 10 of operations. Please see economic case for further details

The Value for Money statement is set out for each phase – illustrating that they individually have the potential to generate significant returns against proposed WECA investment. However, it is Watershed’s view that the potential for economic impact increases if the whole project is brought forward as a coherent and coordinated package of improvements.

### Phase 1 (E Shed)

<i>Phase 1 (E Shed) project cost</i>	REDACTED
<i>Grant sought (EDF/LGF/RIF)</i>	£500,000
<i>Net Quantified Benefits</i>	Net additional impact GVA of £2.9 million (discounted 10 years)
<i>VfM indicator</i>	Net additional impact benefit to cost ratio of 5.9 in Year 10 of operations. Please see economic case for further details

### Phase 2 (W Shed)

<i>Phase 2 (W Shed) project cost</i>	REDACTED
<i>Grant sought (EDF/LGF/RIF)</i>	£5,000,000
<i>Net Quantified Benefits</i>	Net additional impact GVA of £23.5 million (discounted 10 years)
<i>VfM indicator</i>	Net additional impact benefit to cost ratio of 4.7 in Year 10 of operations. Please see economic case for further details

All assumptions made in the economic study is detailed in the full economic report (Appendix 3).



## 3 Financial Case

### 3.1 Chief Financial Officer sign off

The LEP Board  
West England Combined Authorities  
3 Rivergate, Temple Quay  
Bristol, BS1 6EW

2 January 2020

#### **RE: Watershed Development Full Business Case**

To Whom It May Concern,

As Head of Finance at Watershed, I can confirm that I have approved the final full business case for submission to the West of England Investment Board.

Since its establishment in 1982, Watershed as a charitable organisation has championed engagement, imagination and ingenuity, working locally, nationally and globally from our home in the harbourside of Bristol, UK. The Watershed development investment is grounded in delivering increased public benefit contributing to inclusive growth, placemaking, and cultural engagement. Our plan furthers the organisation's ability as a trusted incubator of new talent, ideas and enterprises working in collaboration and uniquely at the cross section of art and culture, media, education, social sciences, and creative and digital technologies. It fills an anchor role in the cultural and creative digital ecosystem nurturing the distinctive cross sector collaboration that is so vital to the West of England economy.

Sitting on this project's Capital Committee, Board of Trustees and the Finance sub-group, I am confident that all appropriate due diligence and financial approvals are in place to deliver good value for money. Planning is in place to ensure the capital project budget is controlled, Watershed continues to deliver on its existing programmes and appropriate sources of funds are available to support this endeavour. As such, the importance of a £5.5 million contribution from LEP is significant and will substantially fulfil our funding requirements to ensure Watershed continues to achieve demonstrable social and cultural benefits across the region.

By provision of this letter, I can confirm that:

- I have approved the final Full Business Case for submission to the West of England Combined Authority and LEP.

- All relevant financial approvals are in place within Watershed to deliver the project as set out in the Full Business Case.
- All appropriate financial due diligence has been undertaken by Watershed in respect of the Full Business Case.
- I am responsible and accountable for ensuring that the project delivers good value for money in the use of public resources.
- I have reviewed and endorse the value for money statement within the business case.

I look forward to the West of England Combined Authority Joint Committee decision.

Yours Sincerely,

Jill Stokes  
 Head of Finance

## 3.2 Scheme Cost

### Capital Scheme Costs

<b>Cost Heading</b>	<b>Total projected eligible expenditure</b>	<b>Phase 1 projected eligible expenditure</b>	<b>Phase 2 projected eligible expenditure</b>	<b>Total amount to be claimed</b>	<b>Phase 1 amount to be claimed</b>	<b>Phase 2 amount to be claimed</b>
Scheme development costs completed	REDACTED					
Construction contract costs	REDACTED	REDACTED	REDACTED		REDACTED	
Fees, Surveys, Permissions, Building Regs etc	REDACTED	REDACTED	REDACTED			
Other Fees/consultancy/legal	REDACTED	REDACTED	REDACTED			
Fit out/other refurbishment costs (outside main contract)	REDACTED	REDACTED	REDACTED			
Watershed contingency/disruption	REDACTED	REDACTED	REDACTED			
New head lease	REDACTED					
<b>Total project costs</b>	REDACTED	REDACTED	REDACTED			
<b>Total amount to be claimed</b>				<b>£ 5,500,000</b>	<b>£500,000</b>	<b>£ 5,000,000</b>

The above costs are exclusive of VAT.

For a more detailed budget breakdown of costs and expenditure incurred to date please refer to the budget attached in Appendix 4.

The budget has been put together by Watershed's cost consultant/quantity surveyor, MDA, with input from Watershed for costings relating to items which will be outside of the main construction contract i.e. furnishings, equipment, Watershed project team. Phase 1 (E Shed) design team appointments have already been contracted.

### **3.3 Spend Profile and Funding Sources**

#### ***Capital Spend (£000s)***

Table REDACTED

It is understood that match funding would need to be secured before the project could be fully approved. Funding updates will be provided to WECA as they are finalised and secured.

\*\*Total funding requirements are slightly higher than current project budget to ensure sufficient funding to cover all costs. Fundraising plans are higher than budgets to allow for any unexpected changes or costs.

## 4 Commercial Case

### 4.1 Procurement

Procurement for Watershed expansion has been reviewed and managed based on the specific requirements for the two phases. **Phase 1 (E Shed)** is primarily a refurbishment of an existing space and includes a new cinema 4 and café/bar and Phase 2 (W Shed) is a refurbishment and new build to provide the Watershed creative space expansion. We have outlined the procurement approaches for the two phases separately as follows:

#### **Phase 1 (E Shed) Cinema 4 and café/bar expansion**

We received the planning and listed building consents for Phase 1 on 24 July 2019. The total estimated budget for Phase 1 is REDACTED with REDACTED design and construction costs which is below the OJEU threshold requirement for procurement of both the design team and contractors. The design team was appointed to work on the scheme in 2012 and are now completing RIBA Stage 4 which will be approved by our Capital Committee in Q1 2020. We plan to procure the contractors through invitation to tender and have identified 10 contractors in the region who have expressed interest to date. We are currently putting together the tender documents and will invite contractors to tender for the works with the appointment to be made in Q1 2020 and construction on site to start in Q2 2020.

#### **Phase 2 (W Shed) Watershed creative space expansion**

Whilst there is still uncertainty over BREXIT and its impact on procurement, it is assumed that OJEU procedures and rules remain applicable for the second phase of the project at a total estimated budget of REDACTED with approximately REDACTED for design fees and construction costs.

The outline designs for Phase 2 were developed by Childs Sulzmann Architects and following initial discussions with Bristol City Council Officers and Historic England, a pre-application was submitted to Bristol City Council (BCC) in late 2018. BCC is supportive of Watershed's expansion plans and keen to work in partnership with Watershed and design team but highlighted areas that will need further consideration as part of the next stage of the scheme's development. Watershed's Capital Committee decided that a planning consultant was needed to help us work with BCC Planners to ensure a positive outcome. Avison Young Planning Consultants were appointed and are now working with Watershed and BCC Planners. Recommendations from Avison Young are due at the end of January 2020.

Watershed will need to procure a design team and contractor and will go through the OJEU process using one of the frameworks early in 2020. We have researched and identified a number of frameworks and have discussed the services provided with three framework service providers: Pagabo, Bloom and CSJ. We are currently in the process of evaluating frameworks to be presented to Watershed Capital Committee for a decision in early 2020. The preferred procurement route at present is a Design and Build contract, a two-stage approach with the Design team novated to the appointed Contractor.

## 4.2 Operation and Financial Viability

The project is structured in two complementary phases so that Watershed is able to continuously deliver on our public benefits and build on demand throughout the process. The two Phases will be delivered as discrete projects each delivering distinct but synergistic public value.

Watershed's financial model draws on a wide range of income streams and is designed to provide the flexibility and resilience needed to respond quickly to opportunities and to mitigate the impact of downturn in an area of operation. This has enabled the organisation to maintain its programming and financial margins whilst achieving growth over the past 20 years. Equally, Watershed's reserves have been built through investment in increasingly intensive use of the premises, developing partnerships (particularly in the Higher Education sector), maximising income streams and becoming increasingly efficient.

Capital expansion will sustain Watershed as a viable organisation with the capacity to serve the growing West of England population and economy. In the short term, we have continued our full arts programmes despite funding cuts which have affected all arts organisations. Although we are projecting a slightly positive surplus in 2019/2020 performance (see Appendix 5), funding volatility has put pressure on our reserves which have been used to underwrite programmes.

Watershed's financial modelling for the full project shows that the capital investment will deliver a net group P&L benefit in the region of REDACTED per annum (Appendix 5). This will increase Watershed's sustainability and improve resilience. It will create a stronger cultural offer and enable Watershed to build reserves to ensure we have the capacity to manage unforeseen financial circumstances, mitigate risk and make strategic investments in our future. Increasing self-generated revenue will reduce reliance on public funds and create more flexible income streams to invest in creative programmes and leverage available public funding. Income projections for the new model are prudent and there is scope for improvement. Our projections show additional gross revenue of REDACTED with associated costs of REDACTED giving REDACTED increased annual net surplus. The budget model is presented as a comparison with our forecast position for 2019/20 and shows gross income increasing from REDACTED to REDACTED. For further comparison our actual gross operating income in 2018/19 was REDACTED. A sensitivity analysis of the financial model indicates that a reduction of 25% in new revenue will result in a reduced net gain of REDACTED.

### **Phase 1 (E Shed) operation and financial viability**

Throughout the expansion process, Watershed will continue regular operations with no closure and minimal disruptions. The complementary phasing of the project allows us to continuously build on demand and public benefit. Watershed has extensive experience of re-developing and refurbishing E&W Sheds. This includes a major capital project creating a new cinema 3, refurbishing cinemas 1 and 2, installing a public lift, re-developing the events and office facilities (within existing spaces) and building an extension to the Link area and balcony to increase café/bar capacity. The building remained open throughout the development to maintain maximum public benefit. Based on our

experience in continuing our operations during capital improvements, our cinema programme along with our café/bar and event facilities will be operating as usual with minimal disruption. Income will continue to be generated from these activities and, assuming Phase 1 is in operation as of November 2020, our planning forecasts that a full year operation of Cinema 4 and ground floor cafe would lead to net gain of REDACTED to support our ongoing cultural and creative programmes while we continue with Phase 2 (W Shed). **Phase 1 (E Shed) full business case** in Appendix 6 demonstrates that Phase 1 (E Shed) is viable as a standalone project. We anticipate for 2020/21, Phase 1 would provide a net gain of REDACTED which jumps to REDACTED in its first year being fully operational and further increases to REDACTED in its second year of full operation (details in pages 20-22 in Appendix 6).

### 4.3 Social Value Act

Planning and development of Watershed expansion is done in accordance to the principles and values that underpin all of Watershed's work and engagement with our audience, artists, creatives and community. Watershed's published Values position the organisation as Inclusive, Open and Honest, Make Things Happen, Entrepreneurial and Celebratory. Our approach to the expansion process will mirror these Values. Watershed will ensure that all procurement and suppliers are aligned to the Environmental and Inclusion and Equalities policy of the organisation. For details of Watershed's policies: <https://www.watershed.co.uk/policies>

The principles of social value are important to Watershed and our decision to increase our capacity is anchored in the ethos of increasing inclusivity and engagement with Bristol and international communities through our collaborative innovative creative studio and diverse cultural cinema programmes. Our results to date highlight our commitment to the principles including 36,000 young people engaged with our programme, 153 artists and creatives as residents in Pervasive Media Studio and 450,000 visitors to our building. Future benefits based on the expansion include:

- Creating visibility and accessibility for the cultural innovation cluster
- Co-locate new Studios with the Pervasive Media Studio creating vital affordable workspace for 100+ creatives in start-up and micro enterprises
- Increase capacity to develop diverse young talent
- Improve workshop/event/conference rooms for community and sector development
- Add Cinema 4 to extend the diversity of world cultural cinema and grow audiences
- Improve the public realm to Anchor Road
- Sustain public use of and access to the historic dockside sheds
- Achieve BREEAM standard excellent and represent industry best practices with our new building.
- Watershed Arts Trust is a company limited by guarantee and a registered charity (charity number 284188). We are also a social enterprise. Watershed is the first arts organisation in the South West to be awarded the 'Social Enterprise Mark', a label that lets people know that Watershed is creating a social benefit for Bristol and beyond.

## **5 Management Case**

### **5.1 Promoter and Delivery Arrangements**

The project is structured in two complementary phases so that Watershed is able to continuously deliver on our public benefits and build on demand throughout the process. The two Phases will be delivered as discrete projects each delivering distinct but synergistic public value.

Watershed is recognised for its internationally distinctive programme of invention and talent development, as a leading centre for film culture (lead for Film Hub South West) and as Bristol's city centre cultural meeting and debating place of choice. Watershed delivers a diverse programme of films, events, festivals, artists' commissions, workshops and conferences, placing audiences and participation at the heart of the organisation whilst responding to changing cultures, audience expectations and operating environments.

In the last four years, we have cemented our reputation as a leading cultural centre and key creative hub in the West of England innovation cluster, delivering inclusive innovation and sustainable development. In 2019, Wired magazine named Watershed's Pervasive Media Studio as one of UK's top ten co-working spaces. Alongside the four West of England universities, we lead the £6M AHRC investment in the Bristol + Bath R&D Cluster and the Southwest Creative Technology Network. The Pervasive Media Studio, run in partnership with the Universities of the West of England and Bristol, is ten years old, set up to develop talent and ideas in the cultural and creative economy through the use of new technologies. As the head leaseholder on the E and W Sheds, Watershed plays a significant role in making the Bristol Harbourside the asset it is today. Our ownership of the capital expansion will ensure the Harbourside continues to be inclusive, innovative and accessible.

To deliver on Phase 1 (E Shed) and Phase 2 (W Shed), Watershed's CEO, Clare Reddington, will oversee management of the capital project and will report regularly to the Board of Trustees. She will be supported by Watershed's Executive team, Capital Committee and Project team. Watershed has also appointed a Project Director, Sarah Smith, to represent Watershed to ensure the successful development and delivery of Phase 1 (E Shed). She reports to the CEO and works closely with her and the Executive team as the client representative with the Project team (see detail in 5.2).

### **5.2 Project Governance and Delivery**

Project governance consists of the Watershed Executive team, Board of Trustees, Capital Committee and Project team.

All Executive team members are involved in Watershed development project. In particular, the key Executive team responsible for this project are:

1. Clare Reddington, CEO: Clare is responsible for the complete oversight and management of the full project. She is also leading Phase 2 expansion of the creative cultural cluster.

2. James Taljaard, Head of Commercial Operations: James is leading **Phase 1 (E Shed)** development of commercial trading operations and Cinema 4.
3. Jill Stokes, Head of Finance: Jill is responsible for the capital project finances including development of the financial business case, budget and spend tracking.
4. Anne Wong-Erven, General Manager: Anne ensures that Watershed has the resources and capacity to achieve its plans, including this capital project. She works closely with all teams to enable delivery.

Watershed's Board of Trustees meets quarterly to review performance against agreed targets and approves Watershed's long-term strategy, business plan and budgets. James Touzel leads the Board as Chair since 2015. Progress of Watershed capital development is reviewed at each Board meeting with a focus on milestone achievements against project plan, risk mitigation and register review, and next stage development plan.

The Board of Trustees has specifically appointed a Capital Committee to ensure the detail development and smooth delivery of the capital plan. Watershed's Capital Committee meets bi-monthly and is attended by the CEO and Project Director. A progress report is submitted to the Watershed Board Meeting.

The Capital Committee members are:

1. Sue Cooper, Chair: Sue worked with charities and social enterprises at Triodos Bank UK for 18 years and was the CEO of a similar organisation in New Zealand. After returning to the UK, she set up a social investment programme for an endowed charitable foundation and now works as a consultant and non-executive director in Bristol. Sue is also a member of Watershed Board of Trustees.
2. Lisa Gardner: Lisa has been Director of Finance and Operations at Above & Beyond since 2014 and was Finance Director of both Aardman Animations for 12 years and Business West Bristol. Lisa is also a member of Watershed Board of Trustees.
3. Bill Marshall: Bill is Pro Vice-Chancellor Emeritus at the University of the West of England. He was UWE's Commercial Director and Director of Finance for over 25 years and oversaw the £300m campus re-development including the Future Space University Enterprise zone and Bush House with the Arnolfini. He has raised finance of £150m, is a university governor, trustee of several charities, on the Bristol Property Board and the owner of a property consultancy company.
4. Steve Evans: Steve has been a senior local government director for 28 years and worked for the unitary authority of South Gloucestershire for 22 years. Steve was Director of Environment and Communities for the past seven years, leading strategically on planning, housing, transport, waste, environmental health and community and cultural services. He also acted as lead negotiator with government in order to bring forward the establishment of the West of England Combined Authority, was chair of the West of England Directors board and has been involved with major projects including the Metrobus (circa £220m).
5. Gavin Bridge: Gavin is Executive Director of Cubex, an award-winning property developer shaping spaces across the South, South West and South Wales. Gavin is also the Chair of the South West Board of LandAid and the Founder of East Street Mews, a ground-breaking initiative which creates affordable housing for young homeless people in Bristol.



Prior to submission of the pre-application, Watershed had committed to a full due diligence process involving options appraisal, pre-application designs, development, and feasibility testing. The following project team has been involved with the Watershed development from the start and are instrumental in delivering **Phase 1 (E Shed)**:

1. Sarah Smith, elev8 Ltd., Project Director: Sarah is Director at elev8, a project management company focused on delivering capital projects within the arts and culture sector. Sarah has worked on capital projects for Bristol Old Vic, Tobacco Factory Theatres and Colston Hall.
2. Childs Sulzmann Architects: Childs Sulzmann, established in 1994, serve a national client portfolio from offices in Bristol and Cardiff. The practice has a reputation for good design and delivering creative solutions in challenging spaces and is particularly recognised for its work in creative and workplace environments, with heritage buildings and in the education and hospitality sectors. Childs & Sulzmann were the architects for Watershed’s last refurbishment in 2003-2005 and were retained to advise on its continuing conservation and development.
3. Arup, Engineers: Arup is an independent firm of designers, planners, engineers, consultants and technical specialists and are the creative force behind many of the world’s most innovative buildings and civil engineering projects. The Bristol office, opened in 1974, is supported by a network of over 100 offices in 38 countries and has been involved in landmark Bristol projects including Aardman Animation’s HQ, the Colston Hall re-development and City Hall refurbishment.
4. MDA Consulting, Project and Cost Management: MDA provides professional services to the property and construction industries and takes prides in its culture of innovation and collaboration.

The main contractors for **Phase 1 (E Shed)** will be chosen following the tender process that will be met in Q1 2020. We are at present putting together the tender documents for the contractor and will be inviting ten contractors to tender.

The appropriate OJEU process will follow for Phase 2 (W Shed) and in determining the designers and contractors, procurement for these services will completed through a framework. Phase 2 (W Shed) is in the detailed development planning stage and we aim to secure planning permissions for Phase 2 (W Shed) in late 2020. We are in the process of determining the appropriate framework and a decision will be made in Q1 2020. The preferred procurement route at present is a Design and Build contract, a two-stage approach with the Design team novated to the appointed Contractor.

### 5.3 Programme Plan

Please see Appendix 7: Capital Development Projected Timeline.

Milestone completion dates	Baseline
Proposal for expansion	2018
Pre-application submission	November 2018
Public consultation	January – March 2019
Phase 1 full planning application and listed building consent obtained	July 2019
Phase 1 RIBA stage 4 approval	January 2020
Phase 1 contractor tender	February 2020

Phase 1 contractor appointed	April 2020
Phase 1 construction start on site	May 2020
Phase 1 construction completion	October 2020
Phase 1 operational	November 2020
Phase 2 pre-application feedback review and planning consultant appointed	September – December 2019
Phase 2 design team tender through framework	June 2020
Phase 2 designers appointed	September 2020
Phase 2 RIBA stage 2-3 plans completed	December 2020
Phase 2 planning application approval	Q2 2021
Phase 2 Detailed plans	Jan - Sep 2021
Phase 2 contractor procurement	Sept - Dec 2021
Phase 2 contractor appointed	Sept - Dec 2021
Phase 2 construction start on site	January 2022
Phase 2 construction completion	March 2023
Phase 2 operational (fully)	Q3 2023

## 5.4 Risks, Constraints and Dependencies

For detailed risks, constraints and dependencies, we have included the Phase 1 and 2 risk registers in Appendix 8. Progression in mitigating and managing risks is completed by the Project Director. The risk registers are regularly updated and presented to Capital Committee and Board for discussion and to determine effectiveness of project progression. Based on the risk registers, the focus has been on Phase 2 planning application and building design and capital fundraising strategy. With regards to securing planning permissions and building design, Watershed has appointed Avison Young in developing a planning strategy to address feedback from pre-application. This will be imminently completed for further discussions with Bristol City Planners. Watershed’s capital fundraising strategy has also benefited with the appointment of Lauren Scholey to develop capital fundraising strategy. Lauren is experienced in fundraising, having most recently been the Executive Director with Tobacco Factory Theatres. The fundraising strategy will be presented at the Watershed Board February 2020 meeting.

## 5.5 Land Acquisition, Planning and Other Consents

Watershed owns the head-lease to Grade II E & W Sheds which runs for 125 years from 1993. This was purchased in 2007 from the developer who had originally developed the Sheds in 1982. The freeholder is Bristol City Council. A Deed of Variation has been completed with Bristol City Council which has changed the rental payable on the current head-lease to peppercorn for the remaining 99 years of the lease, creating a saving of REDACTED per annum in effect as of 1 April 2019.

Watershed and BCC have additionally agreed the draft of a new 125-year lease at peppercorn with provision for the proposed extension. Watershed has approached the Charity Commission to authorise

the transactions necessary to execute this new lease by an order pursuant to s117(1) of the Charities Act 2011.

Both of the above lease transactions are significant contributions in kind from Bristol City Council.

The project feasibility study and design to RIBA Stage 1 were completed in 2016, supported by funding from Bristol City Council. We continued to develop our plans and investigated potential funding opportunities in 2017/18. In 2018/19, plans were further progressed with a positive response to the submission of a planning pre-application. As part of the new 125-year lease and in mitigating risk to the build in Phase 2, Watershed is progressing in securing the necessary land required for expansion from We the Curious. An agreement in principle with We the Curious and Bristol City Council (freeholder) is in place for Watershed to acquire the area towards Anchor Road.

#### **Phase 1 (E Shed):**

Full planning permission and listed buildings consent were granted on 25th July 2019 and since then the design team have been working up detailed designs to RIBA Stage 4. This is completed with review and approval of plans from Capital Committee in Q1 2020.

#### **Phase 2 (W Shed):**

Design development has progressed beyond RIBA Stage 2 and a Pre-Application has been made. Formal feedback indicates that the ambition to expand Watershed is supported but further design development is needed to the extension element to fully address conservation issues. Solutions have been proposed and have support from BCC Conservation/Planning and Historic England. Furthermore, Watershed has appointed Avison Young as planning consultant to further develop Phase 2 design strategy to meet the requirements for a full submission. Watershed aims to secure planning permissions for Phase 2 by Q1 2021.

## **5.6 Service Diversions**

Service diversion requirements for the two phases differ as Phase 1 is primarily a refurbishment of an existing space while Phase 2 consists of a refurbishment and new build. Specifically for **Phase 1 (E Shed)**, as it is refurbishment of an existing space, no service diversions are expected during this phase of work. However, due diligence has been taken to determine the impact and mitigations that would be required over the entirety of the project.

It has been necessary, in order to prove the feasibility of this strategy, to clarify the ownership of the area and any legal constraints on the development. As discussed above, an agreement in principle has been made with We the Curious and Bristol City Council to acquire the necessary rights over the site as detailed in section 5.5.

In addition to the land itself there are a number of underground utilities and services which carry associated legal restrictions. Consulting engineers ARUP were commissioned to survey and identify all

the underground services in the area. The utilities identified include; telecoms, power and data, street lighting cables, gas, water, sewage and HV electricity cables. The design was completed to ensure minimal intervention and to avoid most utilities except for wastewater and electricity supply which are known quantities.

The design delivers an improved streetscape with active frontage leading to a positive impact on Canon's Road/Anchor Road, with benefits including:

1. Continuous paving treatment along the edge of road
2. Green belt in landscaping to soften and shield entrance to building from Anchor Road
3. Overhang on building creates covered entrance
4. External and internal bike parking
5. Disabled parking with direct access to the building.

## 5.7 Engagement and Consultation

Our principles of open access, cultural diversity and innovation, place audiences and participation at the heart of the organisation and enable us to respond to cultural change, audience expectations and operating environments. This is highlighted in our continuous consultation with the public, artists and creatives through public surveys completed twice a year and annual Pervasive Media Studio impact survey. In considering our future direction and options, Watershed commissioned Dr. Tom Fleming in 2016 to complete conversations with 40 stakeholders to understand Watershed's strengths and potential role in the future. This formed the beginning of an ongoing process of critical reflection and knowledge for regeneration. Critically, the report demonstrated the importance of Watershed's multifaceted role:

"Watershed is brilliantly positioned in a special building to the heart of a transformed city centre. Its role in the waterside regeneration should not be under-estimated. But it is also a vital hub and anchor for the city's creative economy – co-locating artists and creatives and operating as a social space anchored by a critical and diverse programme of cinema and events."

It is important to us with the expansion and development, Watershed continues to champion engagement and the space remains accessible. Significant effort has been made to include the widest set of stakeholders in the development process including:

- Completing an in-depth feasibility and options study with Childs Sulzmann into the extent of alterations necessary to expand the work of the organisation, make it more visible and accessible to the public and to build a significant level of economic and environmental resilience into the business model. As part of the study, a workshop was held at Watershed with a consulting team representing a range of expertise in architecture, structural engineering, environmental engineering, heritage and urban planning. The purpose of the workshop was to explore all the boundaries and constraints on development and find innovative resolutions. The consulting team was involved at the start so that any development Watershed considers is realistic and feasible.

- Following the submission of the Pre-Application, Watershed began a period of discussion and exploration with stakeholders, public, artists, industry, neighbours and partners. We consulted with conservation and planning groups and hosted three public events to gather feedback. Conservation and planning groups include Civic Society, historic England, Guild of Guardians and BCC Planning, Conservation, Design, Landscaping, Sustainability and Highways. The three public events were open forums to test our thinking and help us further develop our plans. The period of exploration ran until March 2019 and following an evaluation period and supportive and enthusiastic feedback, we communicated the findings and our progression plans: <https://www.watershed.co.uk/news/update-on-our-expansion-plans>
- As highlighted in section 5.2 Project Governance and Delivery, Watershed Capital Committee consists of experts in finance, property development, capital projects and public planning. This is to ensure proper guidance and planning are made throughout the process.

## 5.8 Project Assurance

All necessary project assurance measures have been implemented in order to deliver on the strategic expansion of Watershed. The Board of Trustees are fully informed of developments and demands of the project. The risk registers and budgets are thoroughly reviewed at the Board meetings for forward planning and mitigation. As highlighted under project governance, a separate Capital Committee has been appointed to thoroughly review project details and authorise key decisions with vital external experts relevant to capital development and expansion. As such, Watershed has effectively incorporated a wide range of expertise and perspectives to ensure successful development and for all views to be considered. Contracting specialist project consultants, particularly a dedicated project director, also allows for complete focus to this strategic initiative. In preparing our business case, Watershed has also commissioned Moor Economics to test the robustness of our economic case. The results from the economic impact test has been vetted by the Executive Team and the financial business case approved by the Capital Committee and Board. As evidenced in the previous section on engagement and consultation, Watershed's actions are fully informed by the diverse views of our community and the results are published for public feedback.

## 5.9 Monitoring and Evaluation

### Scheme: Watershed Development Phase 1 (E Shed)

#### 1. Scheme background and context

- Provide a short description of the scheme, including costs, the delivery timeframe and an explanation of the wider delivery context.
- A summary of the key milestones should be provided with expected and actual completion dates. (indicative 250 words)

Watershed is both regional cultural and creative hub, and international exemplar of cultural and creative technology innovation. Watershed provides a showcasing and collaboration platform for the West of England creative cluster and plays a leadership role in place making and in ensuring the continued vibrancy of the Bristol Harbourside.

Our proposal builds on Watershed’s sustained growth in talent development, community cultivation and creative innovation. The project is structured in two complementary phases so that Watershed is able to continue to deliver on public benefits and demand throughout the process. Phase 1 (E Shed) will focus on expanding into the unit adjacent to our Box Office to create new ground floor presence with a maximum 36-seat capacity Cinema 4 and café with covered outdoor seating. A new ramped entrance with powered doors will be added and the first-floor cinema toilets will be remodelled and extended to provide more capacity for our growing audience, with gender neutral cubicles, a dedicated baby changing area and increased provision for disabled people.

The total project budget is REDACTED with Phase 1 (E Shed) being REDACTED. Planning and development of the project including options analysis and feasibility study began in 2013. Anticipated construction start date for Phase 1 is April 2020. Watershed will be open to the public during the project duration.

Milestone completion dates	Baseline	Actual completion
Proposal for expansion	2018	mm/yyyy
Pre-application submission	November 2018	November 2018
Public consultation	January – March 2019	January – March 2019
Phase 1 full planning application and listed building consent obtained	July 2019	July 2019
Phase 1 RIBA stage 4 approval	January 2020	January 2020
Phase 1 contractor tender	February 2020	
Phase 1 contractor appointed	April 2020	

Phase 1 construction start on site	May 2020	
Phase 1 construction completion	October 2020	
Phase 1 operational	November 2020	

**2. Logic Model**

- Complete a logic model to reflect the project scope i.e. all the activities covered by the investment. Ensure also that there is a clear progression between the steps in your logic model.
- State assumptions between the investment and the predicted outcomes and impacts.
- For outcomes relating to direct jobs creation, please provide an annual profile of jobs created and clearly state the time period over which net additional jobs and GVA will be created.
- Please define the impact area of the intervention ie West of England or other geographical scale. (indicative 350 words)

Logic Model

Context and Rationale					
The investment is grounded in delivering increased public benefit contributing to Inclusive Growth, Placemaking, and Cultural Engagement. Watershed is a trusted incubator of new talent, ideas and enterprises working in collaboration with universities and the creative digital cluster. It fills an anchor role in the cultural and creative digital ecosystem nurturing the distinctive cross sector collaboration that is so vital to the West of England economy. Watershed plans are aligned with West of England Local Industrial Strategy (LIS) particularly in fostering cross-sectoral innovation through to commercialisation, delivering the West of England Employment and Skills Plan, and leveraging the creative growth cluster in the West of England. Watershed is a key collaborative innovation hub and an international cultural asset. By increasing capacity Watershed will be equipped to continue to anchor cluster growth, develop diverse talent and to grow international profile.					
Objectives	Resources/ Input	Activities	Outputs	Direct & Indirect Outcomes	Impact
<p>The aims/ objectives of the scheme are: (Ensure that <u>all aims/objectives are SMART</u>)</p> <ol style="list-style-type: none"> <li>Expand Watershed facilities to support growth, inclusion, productivity and profile for the West of England cultural and creative digital cluster.</li> <li>Make Watershed a more robust and self-sustaining organisation.</li> <li>Increase the diversity of our cultural film programme and audiences.</li> <li>Provide an inclusive hub for talent that drives the cultural and creative digital ecosystem.</li> <li>Further established Watershed as a central Bristol meeting place.</li> <li>Improve and sustain public use of and access to the historic Grade II listed dockside sheds and revitalise the public realm on Anchor Road.</li> </ol>	<p>In order to achieve the set of activities to fulfil these aims/ objectives we need the following: (Resources should not be limited to money e.g. grant, match funding, in-kind, project team, specialist support, etc. The inputs define the scope of the project being considered in the logic model )</p> <p>£500,000 contribution from WECA to Phase 1 (E Shed) refurbishment.</p> <p>Additional funding through grants, foundations, commercial lenders and individual donors of £1 million for Phase 1 (E Shed).</p> <p>A skilled team of in house and external consultants to manage capital development while staying open to the public.</p>	<p>In order to address the aims and objectives we will accomplish the following activities: (What will the money be used for? e.g. construction, project management, equipment/fit out, etc):</p> <p>Phase 1: refurbishment and repurposing of existing Watershed space to expand and refurbish cultural cinema provision and visitor facilities.</p> <p>Fit out in Phase 1 with equipment and resource requirements.</p> <p>Project design, management and delivery.</p>	<p>We expect that, once accomplished these activities will produce the following deliverables: (Provide measurable outputs e.g. length of new road/cycle path, m<sup>2</sup> of space constructed/refurbished, number of businesses supported, learners engaged, etc)</p> <ul style="list-style-type: none"> <li>Conversion of part E Shed ground floor with 176 m2 new Cinema 4 and visitor facilities to expand cultural diversity and grow inclusive audience.</li> <li>Provide the necessary resources and equipment requirements to grow cultural and creative programmes. This includes cinema and foodservice equipment.</li> <li>Watershed continues to be a central meeting place for cultural and creative events and conversations.</li> <li>On time project delivery and to budget.</li> <li>All required stakeholder permissions obtained i.e. permits and planning permissions.</li> <li>Effective fundraising plans to obtain the necessary funding for project completion. Clear communication to all stakeholders including public consultations.</li> </ul>	<p>We expect that if accomplished these outputs will lead to the following <u>change</u> e.g. new products or services, skills, behaviour, new business/contracts, etc: (Ensure that <u>all outcomes are SMART and relevant</u> to the aims/objectives to allow for <u>attribution</u>; distinguish between direct and indirect outcomes)</p> <ul style="list-style-type: none"> <li>Increased public benefit through Place Making, Inclusion, Innovation and Talent Development building a stronger and more visible hub for the West of England cultural and creative digital cluster attracting and supporting more diversity of new talent into the cluster.</li> <li>Deeper collaboration with funding partners including British Film Institute to support open innovation in the West of England cultural and creative digital cluster.</li> <li>The audience and users of Watershed reflect the diversity of the West of England population.</li> </ul>	<p>We expect that if accomplished these activities will lead to the following changes in service, organisation or community: (quantitative economic impacts e.g. indirect jobs and/or GVA to be <u>cross-referenced</u> with FBC as appropriate)</p> <p>£4.5 million gross GVA and £2.9 million net additional GVA in the West of England (over 10-year timeframe from fully operational)</p> <p>Benefit-cost ratio against WECA investment at 5.9 net additional impact</p> <p>Support of 107 FTE jobs in the West of England (existing FTEs in Watershed plus 6.9 FTE based on expansion)</p> <p>Achieve annual surplus of £98,000 once Phase 1 fully operational</p>



### 3. Evaluation design and methodologies

- Describe your key evaluation questions e.g what do you want to find out?
- Referring back to the outcomes and impacts stated in the logic model (section 2), describe your evaluation methodology (ie. process, outcome or impact, or a combination).
- Identify your audiences and evaluation stakeholders, and what their evaluation needs may be.
- Are the scheme beneficiaries easily identifiable and accessible?

(indicative 300 words)

The key evaluation questions have been designed to align with the interests of key stakeholders for the project.

Key project questions include:

1. Has the project been delivered to time and budget?
2. What is the value for money of the project?
3. What is the public benefit?
4. What is the scale of economic impact for the local and national economy?
5. What wider social and cultural benefits have been achieved?
6. Has the project delivered a positive environmental impact, i.e. through sustainable practices and energy consumption?
7. Does the expansion enable Watershed to further our work and ethos? For example, in the programmes and people we invest in.
8. Does the expansion also enable the creative and digital cluster to grow and further regional ambitions and strategy?
9. What is the quality and the physical outcome of the finished project and how does it continue to contribute to Bristol Harbourside?
10. Are we able to complete the expansion with minimal disturbance to current operations?

There is a diverse range of stakeholders for the evaluation of the project, including Watershed governance, Watershed staff, the audience and general public, residents, programme partners, donors and funders, collaborators and creative/digital clusters etc. We have identified the stakeholders and their evaluation needs have been considered and incorporated into our process:

- Watershed governance consisting of Capital Committee, Finance Sub-Group and Board require project progress, financial and budget evaluation and risk mitigation.
- Regular progress updates are provided to Watershed staff with key subject matter experts involved in the development of the expansion. For example, cinema and projection team are directly involved in Cinema 4.
- With Watershed being central to the Bristol community, our audience and general public are key stakeholders. Watershed will continue to provide project progress updates via our website and obtain feedback from public forums. Additionally, we welcome questions and have invited public interest groups for further discussion. They are interested in the quality and physical outcome of the space and impact to existing space and Harbourside.
- For our residents and programme partners, minimal disturbance to the space and programmes as we make the expansion along with project progress updates. It is also making assurances that the expansion will further amplify programmes and work we invest in.

- There is a variety of funders and donors in contributing to this project – private and public. Contributors including BCC, trusts and foundations, Arts Council England, all have stringent levels of monitoring. Interested evaluation measures may include use of the funds, value for money and key economic outcomes of the project including the GVA of the investment to the local and national economy. The fundraising team is continuously ensuring all reporting needs are met once funding confirmations are made.
- The LEP is a key stakeholder for the evaluation of the project and will require reports in years 1 and 3 post project completion. It is anticipated that Watershed will need to report on key delivery metrics to be identified once full business case has been approved.

In order to answer the key evaluation questions, and to meet the needs of the various stakeholders for the project, the evaluation methodology will be a combination of process, outcome and impact/economic evaluation. It is designed to measure the different aspects captured within the logic model:

- Process evaluation will be undertaken to check project delivery against expected timeframes and budgets. The key input metrics captured within the logic model will be monitored and assessed on an ongoing basis through project delivery and post completion. Learnings throughout the process will be discussed in Capital Committee so that we remain flexible during the process and adapt when necessary to improve outcome.
- Outcome and impact evaluation will be made according to the metrics in the logic model and as outlined in section 4.3. Reporting timeline will be dependent on specific metric and funding requirements; however, a full evaluation and impact report will be completed once project is complete and published.
- Additionally, wider benefits will be assessed in qualitative terms. We expect to undertake a wide range of qualitative evaluation of our audiences, and of the population of the West of England, to obtain evidence about their experiences of the project. We have established regular communication methods with funders and audiences and are able to send surveys, set up focus groups, or share data, easily and quickly. Our regular reporting structure would remain and any existing operations will continue to provide these measurements. Any existing metrics would include the new expansion.

#### **4. Data requirements**

##### **4.1 For schemes fully or part-funded via the Local Growth Fund only**

- *Relevant performance indicators will be provided for each scheme when a draft logic model is shared at, or prior to, submission of a Full Business Case for approval.*

To be provided with the relevant performance indicators based on review of this full business case and the scheme for funding.

#### **4.2 Data collection methods**

- *Provide an overview of the data collection approaches including timing and frequency of data collection.*
- *Describe links with other monitoring activities where relevant.*
- *Where appropriate, provide maps showing the spatial coverage of the data collection.*

*(indicative 250 words)*

To evaluate the projects' intended outputs, outcomes and impacts there is a significant amount of data that is required at different times throughout development, construction and when fully operational. The data, and frequency of collection is dependent on specific reporting requirements. This is outlined by metric in section 4.3. Watershed is experienced in data collection and reporting with a Data team in place (see Resources and Governance). Regular reporting on finance metrics and impact is integrated in our processes due to our governance and responsibility to collaborators such as higher education partners, British Film Institute and as a National Portfolio Organisation with Arts Council England.

### 4.3 Data collection and establishing the baseline

- Refer to the scheme logic model to help structure the baseline data collection and reporting activities.

<b>Metric (inc. Target)</b>	<b>Unit</b>	<b>Frequency</b>	<b>Data source (&amp; Responsibility)</b>	<b>Baseline date</b>	<b>Reporting to?</b>
<b>Inputs</b>					
£500,000 contribution from WECA to Phase 1 refurbishment.	£500,000 - WECA	TBD Funding structure	Grant claims - Finance	FBC at full approval	Y1 and Y3 report  LEP executive summary
Additional funding through grants, foundations, commercial lenders and individual donors of £1.6 million.	Fundraising tracker	Ongoing for project team Quarterly reporting	Capital project fundraising team, Finance team	Ongoing	Capital Committee, Board, Project governance
New head lease arrangements with BCC to enable the new build extension to W Shed.	REDACTED - BCC	By project milestone deadline	Signed lease	Completed lease by H1 2020	Watershed Executive team, Board
A skilled team of in house and external consultants to manage capital development while staying open to the public.	Based on contract	As required	Supplier invoices – Finance team	Ongoing	Capital Committee, Project governance, Executive Committee
<b>Outputs</b>					
Conversion of part E Shed ground floor with 176 m2 new Cinema 4 and visitor facilities to expand cultural diversity and grow inclusive audience.	m <sup>2</sup>	Annual	Detailed design plans – main building contractor, designer	April 2020	Capital Committee, Project governance, Executive Committee, Board
<b>Outcomes and impacts</b>					
Support of 107 FTE jobs in the West of England	# FTEs	Annual	Direct FTE numbers – Human Resources  Estimates of indirect jobs created – Economic Consultant	April 2020	Impact report post project completion Yr 1 and Yr 3 evaluation report LEP executive summary

£4.5 million gross GVA and £2.9 million net additional GVA in the West of England (over 10-year timeframe from fully operational)	Annual gross and net additional GVA £	Annual  Forecast to 10 years based on annual outcome	Economic impact study follow up – Economic Consultant	January 2020	Impact report post project completion Yr 1 and Yr 3 evaluation report LEP executive summary
Benefit-cost ratio against WECA investment at 5.9 net additional impact	Annual net additional GVA £ against WECA investment awarded	Annual  Forecast to 10 years based on annual outcome	Economic impact study follow up – Economic Consultant	January 2020	Impact report post project completion Yr 1 and Yr 3 evaluation report LEP executive summary
Annual surplus of REDACTED in Yr 1 of Phase 1 fully operational	Monthly and quarterly profit and loss tracking	Quarterly financial statements with full year forecast  Annual actual outcome	Financial reports – Head of Finance	2019/2020 performance	Internal quarterly performance  Annual report  LEP executive summary
Increase in audience attendance	Number of audience attendance	Monthly	Internal and funding reporting – Head of Data	2019/2020 performance	Executive Committee  Funding partners
Increase in Trading income directly attributed to increase in events	Monthly and quarterly profit and loss tracking	Monthly and annual actual outcome against budget	Financial reports – Head of Finance	2019/2020 performance	Internal monthly and quarterly performance  Annual report

### 5. Delivery plan

- *Provide a project plan and timeframe for data collection and reporting of monitoring and evaluation findings (ie. when key activities will take place, including baseline work, interim and final findings). (indicative 250 words)*

Watershed currently has a rigorous process for data collection due to the requirements from existing funders and based on our governance structure. As such, data as such audience attendance, residents' participation and contribution and financial metrics are continuously collected, monitored and analysed for reporting. Data used in the daily operation of Watershed will expand to include the new buildings. Specific data such as GVA and value for money would be completed once project is fully operational and forecasted to 10 years for comparison. Results would be published in the Yr1 and Yr3 report as part of the full impact evaluation. This will be undertaken by an external consultant to ensure it is independent, objective and not subject to bias.

Baseline data would be considered 2019/2020 financial year. Inputs will be monitored closely to ensure that the project is being delivered on budget. Upon completion a full process evaluation will be conducted to assess project delivery, including reviewing expenditure against the plans and to reflect on learnings. Monitoring of key metrics will be conducted on an ongoing basis to ensure that annual target figures are on track to be achieved. Monitoring timeframes will be dependent on reporting requirements.

## 6. Resourcing and Governance

- *Provide details of the monitoring and evaluation budget, including details of source and what costs/activities this will pay for.*
- *Clarify procedures for risk management and any quality checking.*
- *Describe opportunities for different stakeholders to input into the scheme evaluation process.*
- *Provide a named contact responsible for delivering the plan, including name, address, telephone and email. (indicative 250 words)*

Due to funding arrangements, and as a charitable organisation with experience in working with major partners, trusts and foundations, a large part of the monitoring and evaluation is already built into Watershed's project process. Watershed regularly surveys, compiles, analyses and reports on metrics as required by two of our major partners, British Film Institute (BFI) and Arts Council of England (ACE). Watershed's regular reporting include financial metrics and performance to budget, audience diversity, cinema metrics (i.e. tickets, capacity, concessions, admissions, cinema programme diversity, etc.), Pervasive Media Studio residents' contribution, and programme specific delivery results.

Our monitoring and evaluation group is led by our Data team and Layla Barron. Layla is Head of Data and has over 15 years' experience of working with and implementing systems in cultural venues. As Head of Data, Layla work across all areas of the organisation and focuses on the strategic development of Watershed's organisational systems and workflows to maximise efficiency, flexibility, and the organisation's ability to effectively collaborate with both internal and external stakeholders. Layla and the Data team is ensuring that the monitoring and evaluation systems and processes are in place for this project in addition to the regular evaluation mechanisms in place. Our regular evaluation metrics will include the new expansion once fully operational.

Additionally, the governance structure we have ensures stakeholders have visibility and input into the decision making process throughout the project, including monitoring and evaluation. All project progress and decisions are presented to and collaborated with the Capital Committee. This is further discussed at the Board for decisions that require Board sign off. Financial project monitoring occurs with operational financial review and is governed by the Capital Committee, Finance Sub-Group and Board.

The named evaluation contact for the project is Clare Reddington, CEO, Watershed, 0774 8616411, 1 Canons Road, Harbourside, Bristol BS1 5TX, [clare.reddington@watershed.co.uk](mailto:clare.reddington@watershed.co.uk)

## 7. Dissemination

- *Provide details of how the findings from the evaluation will be used. What will the evaluation inform and who will be the audience?*
- *Please provide details of how the findings from the evaluation will be communicated to key stakeholders and lessons disseminated.*

*(indicative 250 words)*

The findings would inform Watershed learnings in processes, outcomes and impact for future decisions including:

- Refurbishment or new build capital projects in future expansion and planning
- Future project planning including process, timelines, budget and team structure
- Short-term and long-term operational decisions impacting Watershed and its funders
- Processes, methodologies and decision matrix for long-term strategic planning
- Financial modelling and budget.

Stakeholders the evaluation would inform apart from Watershed include:

- West of England Combined Authority and Local Enterprise Partnership
- Bristol City Council
- Trusts and Foundations
- Individual donors and Watershed's audience
- Watershed's partners and collaborators including British Film Institute
- Other arts, creative, media and innovation enterprises

Based on our governance, findings and evaluation will be disseminated immediately to the project's Capital Committee and Watershed's Board of Trustees as they will be involved throughout the development and thereafter. Reports will also be provided to all of our major funding partners (i.e. WECA, BFI, trusts and foundations) based on specific requirements and on agreed timelines. As with all of our projects, Watershed is a leader in being open in our learnings and communications and publish impact and outcome of key projects. A final impact and evaluation impact would be published on our website for the public to question, learn and feedback. We would be happy for our stakeholders and partners to use the report. Watershed is also open to consultation of similar projects.