

Decision Pathway – Report Template



PURPOSE: Key decision

MEETING: Cabinet

DATE: 01 September 2020

TITLE	Approval of underwriting of Watershed Phase 1 redevelopment		
Ward(s)	Central		
Author: Jon Finch	Job title: Head of Culture and Creative Industries		
Cabinet lead: Cllr Craig Cheney	Executive Director lead: Stephen Peacock		
Proposal origin: <i>City Partner</i>			
Decision maker: Officer Decision forum: <i>Cabinet</i>			
Timescales: September 2020			
Purpose of Report: Watershed has submitted a formal business case to West of England Council Authority (WECA) as part of their capital expansion plans. The project is split into Phase 1 and Phase 2, where Phase 1 is expanding cultural cinema programme with a new Cinema 4 and café/bar space and Phase 2 will create a five-floor extension to W Shed which will extend into the space between Watershed and The Aquarium on Anchor Road with a new ground-floor foyer. Currently, WECA has funding under the Revolving Infrastructure Fund (RIF) to support Phase 1 of the project (£500,000). However RIF can only be accessed by Unitary Authorities, so the Council will need to be the grant recipient and underwrite the repayment. An appropriate agreement will be put in place to ensure that Watershed pays the Council back in full. This report is to secure permission for this to take place.			
Evidence Base: <ol style="list-style-type: none">1. 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.2. Watershed Arts Trust Limited is a tenant of the Council. The organisation pays a peppercorn lease for the use of the historic Grade II listed building at the entranceway to Bristol's Harbourside. Watershed is also a recipient of Cultural Investment Programme Funding (£54,000 in 2020/21) from the Council.3. Watershed wishes to undertake a significant capital development to meet increased demand and ensure its long term sustainability. The planned expansion is grounded in delivering increased public benefit and improved financial resilience. The re-development of E and W Sheds will take place in two Phases. Phase One is centred on E Shed and will remodel ground floor spaces within the existing building. Phase Two is the construction of a new building on the back of W Shed, which will create studios for start-up and micro enterprises and refurbish existing first floor spaces scheduled for 2021-2023.			

4. Watershed has submitted a full business case for WECA funding or Watershed Development project. The project consists of Phase 1 cinema and café expansion and Phase 2 building a future vision of Watershed. The funding request was £500,000 for Phase 1 and £5,000,000 for Phase 2.
5. For further detail the Phase 1 business case (as submitted to WECA) and the WECA full business case for the complete project are attached in Background Document 1.
6. The business case was reviewed by the WECA Joint Committee on 20 March 2020 with an immediate focus to provide funding for Phase 1. Watershed received conditional approval from WECA on 30 March 2020 for £500,000 for Phase 1 under the Revolving Infrastructure Fund (RIF).
7. One of the conditions on the WECA funding approval is for BCC to confirm arrangements for repayment of RIF as the funding can only be accessed by the Councils. As such, BCC would be the grant recipient on behalf of Watershed and underwrite the repayment.
8. Watershed has kept BCC regularly updated on project progress. The business case has been presented and discussed with Mike Jackson, Denise Murray, Stephen Peacock and Jon Finch.
9. As a result of the pandemic The Watershed building was closed to the public as of 2pm on Tuesday 16 March 2020. The closure – and the wider situation in the culture sector and the construction industry – will impact the Phase 1 work start date. Watershed remains committed to transform the building and operating model but a delay is the only viable option, until the circumstances become clearer. Watershed have informed WECA and all project funders of the pause on the project. Watershed have confirmed with WECA that the RIF grant is available for Watershed when they are ready to proceed with Phase 1, regardless of the unpredictable circumstances at the current time. An update on the Watershed financial position is provided in Appendix A.
10. As the funding support (and potential underwriting) is £500,000, this requires Cabinet approval.

Officer Recommendations:

That Cabinet

- Approves BCC acting as the Grant recipient and underwriting the repayment of £500,000 of RIF Funding from WECA on behalf of Watershed Arts Trust Limited for the Phase 1 Watershed Capital Development.
- Authorise the Executive Director Growth and Regeneration to enter into a grant agreement with WECA.
- Authorise the Executive Director Growth and Regeneration to enter into a grant agreement to transfer the grant to Watershed Arts Limited on confirmation that the necessary arrangements are in place to deliver the project .

Corporate Strategy alignment:

1. Wellbeing - Keep Bristol a leading cultural city, helping make culture, sport and play accessible to all.
2. Well Connected - Work with cultural partners to involve citizens in the 'Bristol' story, giving everyone in the city a stake in our long-term strategies and sense of connection.

City Benefits:

The project will:

1. Expand Watershed facilities to support the growth, inclusion, productivity and profile of Bristol's cultural and creative digital cluster.
2. Provide additional workspace for cultural and creative micro and start-up enterprises in the city.
3. Provide an inclusive hub for the talent that drives the cultural and creative digital ecosystem.
4. Increase the diversity of Bristol's cultural film programme and audiences.

Consultation Details: None

Background Documents:

See attachments:

- WECA Full Business Case Watershed Development V3.0 with Redactions

Revenue Cost	£ n/a	Source of Revenue Funding	
Capital Cost	£ n/a	Source of Capital Funding	n/a
One off cost <input checked="" type="checkbox"/>	Ongoing cost <input type="checkbox"/>	Saving Proposal <input type="checkbox"/>	Income generation proposal <input type="checkbox"/>

Required information to be completed by Financial/Legal/ICT/ HR partners:

Finance Advice: Watershed Arts Trust Limited is a tenant of the Council. The organisation pays a peppercorn lease for the use of the historic Grade II listed building at the entranceway to Bristol's Harbourside.

Watershed submitted a full business case for WECA funding or Watershed Development project as it intends to undertake a significant capital development to meet increased demand and ensure its long term sustainability. The project consists of Phase 1 cinema and café expansion and Phase 2 building a future vision of Watershed. The funding request was £500,000 for Phase 1 and £5,000,000 for Phase 2.

Watershed received conditional approval from WECA on 30 March 2020 for £500,000 for Phase 1 under the Revolving Infrastructure Fund (RIF). One of the conditions on the WECA funding approval was for BCC to confirm arrangements for repayment of RIF as the funding can only be accessed by the Councils. As such, BCC would be the grant recipient on behalf of Watershed and underwrite the repayment.

Watershed indicate that they will be paying back both the RIF as well as the bank in years 21/22 and 22/23 as per their Cash Flow forecast. This needs to be confirmed as part of any Legal agreement between the Council and Watershed.

This report seeks approval to the Council to act as the Grant recipient for £500,000 of RIF Funding from WECA on behalf of Watershed Arts Trust Limited for the Phase 1 Watershed Capital Development and underwrites the repayment. The Legal agreement need to be explicitly about Watershed's commitment to repay the grant, and outline a payment plan linked to its cash flow forecast and business plan.

Cabinet should note that Watershed is also a recipient of Cultural Investment Programme Funding (£54,000 in 2020/21) from the Council. Also, a Deed of Variation was completed on the Head lease 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. The valuation of this contribution by BCC is £500,000 against which Watershed intend to obtain a commercial loan against this contribution.

While Watershed has two distant phases of work, this report only relates to Phase 1 for which a conditional approval has been granted by WECA. Watershed has confirmed that Phase 1 is a standalone project, and that it is critical to their financial resiliency plan, regardless of Phase 2 going ahead or not. For the avoidance of doubt, it should be noted that the Councils support and underwriting the Phase 1 Grant does not constitute approval or support for the Phase 2 proposition.

Finance Business Partner: Kayode Olagundoye, Interim Finance Business Partner, Growth and Regeneration, 20/07/2020

2. Legal Advice: The intention is that the Council will receive the grant (on behalf of the Trust) and once the Trust is in a position to commence the works (and commission the necessary contracts) the Council pay the money over. This arrangement requires the Council to enter into any grant agreement with WECA, and potentially exposes it to the risk of repayment if the grant is not used in the manner provided etc. The risk can be mitigated by ensuring that the moneys are not passed on to the Trust until the Council is satisfied that the necessary arrangements are in place to

deliver the project. In addition the Trust will commit to reimburse the Council in the event of any repayment to WECA.		
Legal Team Leader: Eric Andrews, Team Leader, Legal Services 19 June 2020		
3. Implications on IT: No anticipated impact on IT Services		
IT Team Leader: Simon Oliver, Director: Digital Transformation, 24 June 2020		
4. HR Advice:		
HR Partner:		
4. Procurement Advice: Procurement will support this project to ensure compliance should procurement of any supplier / constructors be needed. A procurement officer will be appointed to the project for support		
Category Manager: Spencer Penny, Category Manager. Buildings, Structures & Highways, 25 June 2020		
5. Reputational narrative:		
PR officer:		
EDM Sign-off	Stephen Peacock	27/05/2020
Cabinet Member sign-off	Councillor Craig Cheney	01/06/2020
For Key Decisions - Mayor's Office sign-off	[name]	[date]

Appendix A – Further essential background / detail on the proposal	YES
Appendix B – Details of consultation carried out - internal and external	Choose an item.
Appendix C – Summary of any engagement with scrutiny	Choose an item.
Appendix D – Risk assessment	Choose an item.
Appendix E – Equalities screening / impact assessment of proposal	Choose an item.
Appendix F – Eco-impact screening/ impact assessment of	Choose an item.
Appendix G – Financial Advice	Choose an item.
Appendix H – Legal Advice	Choose an item.
Appendix I – Exempt Information	Choose an item.
Appendix J – HR advice	Choose an item.
Appendix K – ICT	Choose an item.
Appendix L – Procurement	Choose an item.