



TWICKENHAM RIVER CENTRE

SUMMARY BUSINESS PLAN

OCTOBER 2008



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EXECUTIVE SUMMARY

This report summarises the findings of the business plan for the River Centre project. The project started 2 years ago and is well into its development phase. The plan sets out the proposals for the River Centre building and the operations to be provided from the building.

A team of project staff and volunteer and *pro bono* supporters is delivering the development phase of work. A major grant from City Bridge Trust is in place and further funding will be raised from small-scale funding activities over the next 18 months, with larger grant applications after the receipt of planning permission.

The River Centre building will be provided by the developer and the fit out is to be funded by the project team. An outline specification for the fit out has been produced and costed at £750,000. The River Centre team has identified potential grant funders for the fit out and, although it is too early to submit bids, the process of developing good relationships with potential funders is under way through other project works.

The team is developing a programme of operations to be run from the River Centre. Some 17 revenue streams in seven main categories are being developed. The education sector provides by far the most revenue, with over 50% of the total. The partnership with Richmond Adult Community College is key to this, delivering a major environmental education programme to young people and adults.

The project team has already started developing and implementing the programme to be run from the River Centre so that there will be a thriving mix of activities provided on day one of opening.

The cash flow analysis shows the River Centre generating a surplus sufficient to develop a 1-year operating reserve by year 6 of operation and subsequently providing additional profits for re-investment in the sector. The risk analysis shows that the project proposals are sufficiently robust to withstand major periodic revenue failures or significant changes to revenues or costs over the long term.

The business plan indicates that the River Centre is a sound proposition from a financial perspective as well as a major potential asset for Twickenham. This

business plan continues as a working document and will be updated at regular intervals through the development and operational phases of the project.

The River Centre is due to open in 2011 and the project team will continue to develop and improve its plans for the River Centre as well as trialling and implementing the operations to be run from the River Centre over the next 3 years. The team welcomes comments, ideas and support from the public and other interested parties in this work.

Further information on the work of the Environment Trust can be found at www.environmenttrust.co.uk and the independent River Centre website is located at www.rivercentre.org.uk.

To contact the Environment Trust about this project, please call 020 8891 5455 or e-mail office@environmenttrust.co.uk

1. INTRODUCTION

This summary business plan is based on version 3 of the business plan for the Twickenham River Centre ('the River Centre'). The River Centre project was first developed by the Environment Trust for Richmond upon Thames ('the Environment Trust') in 2004 in response to the Twickenham Challenge – a public competition by the local council ('the council') in the London Borough of Richmond upon Thames ('the borough') to select a community-benefit building for the Twickenham riverside site. The Environment Trust won the Twickenham Challenge in 2006 and put together a team to deliver the River Centre project. The business plan has been drafted over the past 12 months by the core team, led by the River Centre building manager, and reviewed and developed by a wide group of external advisers and supporters, as well as council members and officers.

There is considerable public interest in the River Centre, and the River Centre team produces a regular newsletter in response to this. More information is posted on the Environment Trust's website at www.environmenttrust.co.uk and a dedicated website for the riverside development at www.rivercentre.org.uk.

This summary business plan provides the public with a more detailed explanation of the project and includes the main cost and revenue streams envisaged for the River Centre. The business planning details for the project are under constant review and development, and the full business plan will be subject to formal updates twice yearly during the development phase of the project and annually after the opening of the River Centre. This summary business plan should also be considered as a snapshot of the planning process and will be subject to review and development. Nevertheless, the main structure of the plan is considered robust and is likely to remain as the framework for the project. It is for this reason that it has been put into the public domain. The public will be kept informed of progress on the project through the websites, regular newsletters and annual updates of this summary business plan.

Summary totals are provided for each of the main project components in tables extracted from the main business plan. All project costs and revenues are provided

on an equivalent Q3 2008 basis. It is assumed for the purposes of the model that inflation will act equally on costs and revenues and it is therefore discounted.

2. THE RIVER CENTRE PROJECT TEAM

The Environment Trust is the lead organisation for the River Centre project. This charity, based in the borough, was founded in 1984 and has more than 280 members. The Environment Trust has an established record in the renovation and management of buildings and landscapes, linked to environmental benefit and education. In recent years, the environmental and educational focus has grown, particularly with the establishment of Richmond Environment Network, an umbrella organisation hosted by the Environment Trust (with BTCV and Thames Landscape Strategy as partners) and providing support to more than 60 local environmental, community and amenity groups across the borough.

The River Centre project has a core team of seven people within a wider management team of 20 and a further 10 external advisers. The core team is drawn largely from the local community and includes people with considerable expertise in the environment, education, building development, legal issues and financial planning. The wider team provides valuable experience from a wide range of comparable organisations such as the River & Rowing Museum at Henley, Ethical Property Foundation and Thames Explorer Trust.

The wider team includes four partner organisations that have participated in developing the concept of the River Centre and will share its occupancy and operation with the Environment Trust. These are BTCV, Richmond Environment Network, Help a Neighbour in Distress (HANDS) and Thames Landscape Strategy, all of which are well established groups delivering their own programmes of support to the local community and its environment.

There are a further 35 organisations with whom the Environment Trust has developed links to deliver programmes and, in some cases, operations from the River Centre. These include local charities and volunteer organisations such as Twickenham Yacht Club and the local sea scouts; nationally and internationally renowned and locally based organisations such as the Royal Botanical Gardens Kew, Royal Parks and the London Wetland Centre at

Barnes; and other national organisations such as the Royal National Lifeboat Institute and the Environment Agency.

Richmond Adult Community College ('RACC') is a key education partner in the project. An extensive programme of environmental learning for young people and adults is being developed in collaboration with RACC and other educational partners. The first programme was delivered this year and this will be ramped up over the next 3 years such that a vibrant programme of environmental education will be available when the River Centre is open. Kingston University is partnering the River Centre in sustainable building and a 3-year PhD project started in September this year, designed to develop the capacity of the River Centre for teaching sustainable construction.

The whole project is supported enthusiastically by Sir David Attenborough as Patron of the River Centre.

3. THE RIVER CENTRE AND THE WIDER RIVERSIDE SCHEME

The Twickenham riverside site is on the north bank of the River Thames and opposite Eel Pie Island. It has lain largely derelict since the closure of the Twickenham open-air swimming pool in 1980. Various previous schemes for the site have not met with public approval because the scale of development was considered too large for the site. The Twickenham Challenge in 2004 introduced the concept of a community-benefit building. In 2005 the council produced a formal brief for the site as part of the borough's unitary development plan (T1 Brief, Richmond UDP, 2005) to provide a mixed-use scheme including housing and public open space. These two components still comprise the basis for the current overall scheme.

This summer, the council produced a detailed development brief for the Twickenham riverside site, which includes the River Centre along with a central public open space, improved children's play area, removal of parking from the river frontage to the rear of the site and landscaping improvements to the river embankment, all to be delivered by a private developer and to be paid for from private housing on the north and west sides of the site.

A shortlist of five developer-led teams has been announced for the overall riverside project, and a competitive dialogue process has started, which will lead

to three of these teams submitting scheme proposals for a public exhibition in early 2009. The Environment Trust has produced an outline specification for the River Centre building and this has been provided to each of the developer teams and will be used as the basis for their schemes. The Environment Trust is an integral part of the council's team and will be closely involved in the dialogue with the developers and the decisions leading to the selection of the preferred development team. This team will then submit a planning application for the overall site, including the River Centre, in the normal way and this will be subject to full public scrutiny. If planning permission is granted, the River Centre is anticipated to be completed by summer 2011.

The developer will be responsible for building the River Centre, working to the specification provided by the Environment Trust. The Trust has overall responsibility for the River Centre project, raising funds to fit out the building, and delivering the programme of activities from the River Centre on completion. This summary business plan sets out the approach to the three main project components as follows:

- The development phase, leading up to the opening of the River Centre
- The fit out of the River Centre
- The operation of the River Centre, including the programme of activities

The requirements of each are summarised in this plan along with their costs and the approach to funding these costs. The operational phase is considered on a cash-flow basis over a 10-year operational period.

The Environment Trust's project team has visited many comparable community-based buildings and projects around the country and has met with a large number of local, regional and national organisations. The team has also discussed the project with several hundred members of the public, during a 5-day consultation in February 2008 and at a series of meetings and public events. The enthusiasm and ideas received from these meetings have helped immensely in the development of this project.

model will explain the workings of the tidal river. A camera obscura will show the views up and down the river from high above the River Centre. This will be a friendly and inviting place for the public of all ages to engage with the river in an entertaining and informative way.

Education space: a flexible space that can be set up as either a large lecture space or two classrooms. There will be a major programme of courses and events provided by the River Centre and its key education partners, such as RACC, Kingston University and Thames Landscape Strategy. Classes and courses for children and adults will be provided during the day and evening, along with community events and seminars. Delivery of this programme started this year, and it will be implemented in full over the next 3 years, such that a thriving community environmental education service will be operating by the time the River Centre opens in 2011.

Café/restaurant: a commercial venture operating on a 10-year lease and sharing the ethos of the River Centre. The Environment Trust will develop a specification for the restaurant operation and select the operator through a competitive process. The restaurant is currently envisaged to operate as a café during the day and a high-quality restaurant in the evening.

Office space: five environmental and related organisations, including the Environment Trust, will operate from an office on the first floor of the River Centre. This office will provide the engine room for managing the building and all of the projects and programmes run out of the River Centre.

Upper viewing and exhibition area: on the first floor, providing space for exhibitions, viewing the river and quiet contemplation.

The River Centre will help local people to understand and enjoy the Thames. It will help to re-invigorate the centre of Twickenham, creating a new community focus on the river and providing a beneficial impetus to the town. The River Centre will provide benefits to all residents of the borough, as well as neighbouring boroughs, both directly by the provision of a dynamic and informative community resource and indirectly through the benefits to the environment and sustainable living across the area by the initiatives developed and managed from the River Centre.

The development of a major new environmental education resource will be of particular value to the young people of the area, through educational training and

apprenticeships. A programme of courses is proposed, targeted at different age ranges and including full time education for 14–19-year-olds in land-based and environmental studies, national vocational qualifications and BTEC qualifications for young adults, support and training to people with special needs, and adult courses for career development and of general interest to the whole community. The engagement of people of all ages in river-based and environmental projects and activities will have significant benefits to our quality of life through active learning, exercise and improvements to our environment. The boathouse will support traditional river-related businesses, provide apprenticeships to local young people and enable a new river link between Twickenham and Richmond, Kew and Teddington.

The borough of Richmond is blessed with a combination of internationally recognised environmental organisations and wildlife sites along with a network of skilled volunteer and community organisations, unique in London and equivalent to the best to be found anywhere in the world. Richmond is the only London borough that the river flows through rather than beside, and the Thames is central to the life and character of the borough. The River Centre provides a major opportunity to link these assets together, share them with the public and develop a river-based environmental education centre that will be influential across the UK and wider world.

5. MANAGING THE RIVER CENTRE

Heads of terms have been drafted with the council for the delivery and operation of the River Centre. The council will retain ownership of the River Centre and provide a 35-year lease at a peppercorn rent to the Environment Trust. The developer will provide the building, and the Environment Trust will be responsible for fitting out the building. Specifications for both the building and the fit out have been produced as part of the overall development brief.

A separate organisation will be created to manage the River Centre, with a management board representing the Environment Trust, the other organisational partners, the general public and the council. The River Centre will employ a full-time centre manager, supported by a full-time administrator. A manager for the environmental education programme will also be appointed. Teaching staff and building support staff will be appointed on a contract basis. All of these roles are

supported by the revenues generated by the River Centre. A community education manager is also proposed, subject to grant funding.

The partner organisations operating from the River Centre will play an active role in managing the building and providing volunteer support for the help desks and other activities managed through the building. This will be in exchange for all of the benefits that the partners will gain from the public interaction with the building, such as increased publicity for their project work and access to volunteers.

Volunteers will be central to the operation of the River Centre and its project programmes. The Environment Trust and its partners already have many volunteer supporters and these will be increased through the projects and the educational work at the River Centre through the creation of volunteer officer positions and internships. The volunteer officer role is a popular option for new graduates and those looking for a change in career and provides practical experience and training, which generally leads to full-time employment in the sector. The intern option is particularly popular with students as a means of supplementing academic work with practical experience. These roles result in a more formalised agreement to provide training and support with qualifications in exchange for agreed time commitments and delivery of specified projects or activities.

Training and support of volunteers is integral to the operation of the Environment Trust and its partners. Formal training programmes are already provided for those volunteers who want to sign up to them and these will be expanded for the River Centre operations.

6. DEVELOPING THE RIVER CENTRE PROJECT (2006–2011)

The development phase of the project started in September 2006 when the Environment Trust was selected to deliver the public benefit for the riverside site, and this phase will continue until the building opens, scheduled for July 2011. In 2007, following receipt of a grant from City Bridges Trust, a River Centre building manager and an environmental education officer were appointed, both on a part-time basis.

During this phase, the River Centre team is developing the plans for the River Centre building, in liaison with the council and, in future, the developer. The River Centre team has already produced outline specifications for the building and its fit out. When

a developer is appointed, the developer's team will take the lead on the design of the building and the River Centre team will act as the client alongside the council, with a review and sign-off role during the planning and construction phases.

The River Centre team is also developing the activities to be delivered from the River Centre, so that a programme is up and running when the building is open. Last year, the environmental education officer started the Schools Environment Forum, in association with Richmond Environment Network, and this provides practical advice and support to every school in the borough about the environmental curriculum and how this can be applied through practical work in school grounds and elsewhere. Organic gardening schemes have been set up in various schools, along with new wildlife gardens, and school classes are getting out into the local environment to discover at first hand the nature around them and take part in practical work to improve their local green spaces. The education team is currently working closely with RACC and other educational partners to develop the programme of environmental education that will be delivered from the River Centre.

The third major task during the development phase is the creation of the structures and associated legal documentation for the operation of the River Centre. This includes the structure of the organisation to manage the River Centre itself as well as the legal agreements for the operation of the restaurant and the boathouse. It will be important to have a restaurateur and boathouse operator in place 1 year before the River Centre opens as they will be responsible for the fit out of their parts of the building.

The River Centre team consists of part-time paid and contract staff together with a large number of volunteers and organisations providing support on a *pro bono* basis. *Pro bono* support has been a major feature of the project to date and the project team has been very gratified by the willingness of individuals and commercial organisations to support the project without charge.

The costs and revenues to date, along with the total estimated costs and revenues until the completion of the project development phase in 2011, are summarised in Table 1.

Table 1. Project development costs and revenues

	Total	2007	2008	2009	2010	2011
Project development costs	–£256,700	–£7,800	–£30,900	–£59,400	–£86,900	–£71,700
Funds already raised	£101,713	£7,800	£30,900	£35,400	£27,573	£40
Anticipated funding streams	£160,500	£0	£2,000	£31,500	£62,000	£65,000
Annual balance		£0	£2,000	£7,500	£2,673	–£6,660
Cumulative balance		£0	£2,000	£9,500	£12,173	£5,513

The estimated total cost for the development phase of the project is £257,000. Around £92,000 funding has already been provided by a 3-year grant from the City Bridge Trust, which commenced in September 2007, and this is sufficient to cover the basic costs of the core team over the first 3 years of the development period. A further £10,000 has already been raised from local private donations and events to supplement this. There are significant additional costs for the development phase of the project in 2010 and 2011. For example, there will be a considerable requirement for legal advisory services. It is also proposed to employ a centre manager and an environmental education manager full time for 12 months before the opening of the River Centre to ensure that the fit out and the services provision are managed smoothly over this period.

The original plan had been to raise the additional project development funds from grant funding. However, two funding bids submitted earlier in 2008 were not successful, in large part because the project has no planning permission yet. Commercial funders have also indicated they would require planning permission in place before providing substantial funding. As a result, the strategy has been changed and funding will now be met by a combination of fundraising events and private support over the next 2 years, with grant funding and commercial support following later in 2010 and 2011, after receipt of planning. A programme of fundraising events has been put together and this will be managed by a dedicated fundraising team. Additional revenue will be provided from project-based and educational activities, the scope and scale of which will be increasing steadily as the River Centre opening date gets closer. The option of further *pro bono* support is also available to cover any shortfall in revenue.

7. FITTING OUT THE RIVER CENTRE (2010–2011)

The Environment Trust is responsible for fitting out the River Centre. The fit out costs for the building have been assessed as £750,000. The main costs are for the entrance and exhibition area, incorporating a camera obscura, aquarium and permanent models of how the river works. The specification for the entire building is for high-quality and durable natural materials.

The fit out for the restaurant is to be undertaken by the restaurant operator and is provided for by an amortised reduction in rent over the first 10-years of restaurant operation. This is standard practice for restaurants and is necessary in this case as the Environment Trust, as a registered charity, would not be able to raise funds for a commercial fit out.

The fit out for the remainder of the building will be provided by grant funding, supplemented by commercial and private support, particularly for high-profile components such as the aquarium and the education centre. The River Centre team has discussed the project with four major grant funders and each has indicated its interest in providing funding for the fit out. These funders each operate programmes capable of funding a significant part of the overall costs of the fit out. Preliminary registration work has been undertaken with each of these funders and full funding bids will be submitted on receipt of planning permission. In the meantime, the Environment Trust is developing a relationship with each organisation on related projects and this should stand the project in good stead when applications for the River Centre are submitted in due course.

The Environment Trust has identified five further potential grant funders and a number of potential commercial and private funders and these will be followed up in the next 12 months. The Environment Trust, through its Kingston University PhD project, will also be investigating the potential for separate grant funding to support sustainable features for the building over and above the requirements of the development brief.

Table 2 shows the anticipated annual costs for the fit out of the River Centre.

Table 2. Annual fit out costs

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
£0	£0	£5,000	£770,000	£35,000	£35,000	£35,000	£35,000	£35,000	£35,000	£35,000	£35,000	£35,000	£35,000

Most of these costs are due in the 12 months before the opening of the building, with some preliminary design costs in 2009. Ongoing costs associated with the restaurant fit out are also shown.

8. OPERATION OF THE RIVER CENTRE (2012–2021)

The operational costs and revenues of the River Centre are considered on a 10-year basis. Costs are summarised in Table 3 and revenues in Table 4. All costs and revenues are provided to a common Q3 2008 baseline and projected growths in both costs and revenues are assessed when appropriate on a compound basis.

Twenty-one cost streams have been identified and these are grouped into the six main categories shown in Table 3. Staffing costs comprise around 70% of the total costs of operating the building. Five full-time staff members are supported by contract teaching staff and consultant specialists in areas such as building maintenance, finance and legal support, as well as volunteers. Financial support is provided for training programmes for both the full-time staff and those volunteers signed up to support programmes. Further staff are added in years 5 and 10 as the operations from the River Centre expand. All staffing costs include an allowance for on-costs such as sick leave, holidays and National Insurance contributions. Further allowances have been made for marketing and materials.

Table 3. Operating costs for the River Centre over 10 years

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Staffing costs: operations	£80,000	£81,000	£82,200	£83,640	£120,368	£122,442	£124,930	£127,916	£131,499	£170,799
Staffing costs: education	£60,000	£60,500	£61,025	£61,576	£62,155	£62,763	£63,401	£64,701	£64,775	£65,513
RACC education programme	£60,000	£94,318	£98,534	£103,136	£108,160	£113,647	£119,642	£126,129	£133,352	£141,180
Services	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000
Maintenance	£40,000	£40,000	£40,000	£40,000	£40,000	£40,000	£40,000	£40,000	£40,000	£40,000
Expenses	£16,000	£17,350	£18,838	£20,479	£22,292	£24,297	£26,518	£28,980	£31,715	£34,754
Operating costs	£276,000	£313,168	£320,597	£328,831	£372,975	£383,149	£394,491	£407,160	£421,341	£472,246

Staff costs for the education programme are divided into two streams, with the core education programme to be delivered through school visits and community education programmes. The second stream is the programme of work to be delivered in partnership with RACC, with approximately one third of the total environmental education programme delivered by the River Centre team. This

partnership between community and education sector operations is in line with government requirements and expectations for future education provision.

Both areas of education are expected to be of equivalent size in year 1, but the RACC programme is projected to grow significantly over the 10-year modelled period. To some extent, the growth in services may be restricted by the size of the education space in the building. However, given that significant parts of the programme will be delivered from RACC's Clifden site and from field locations, there is considered to be scope for the expansion proposed for the River Centre operations.

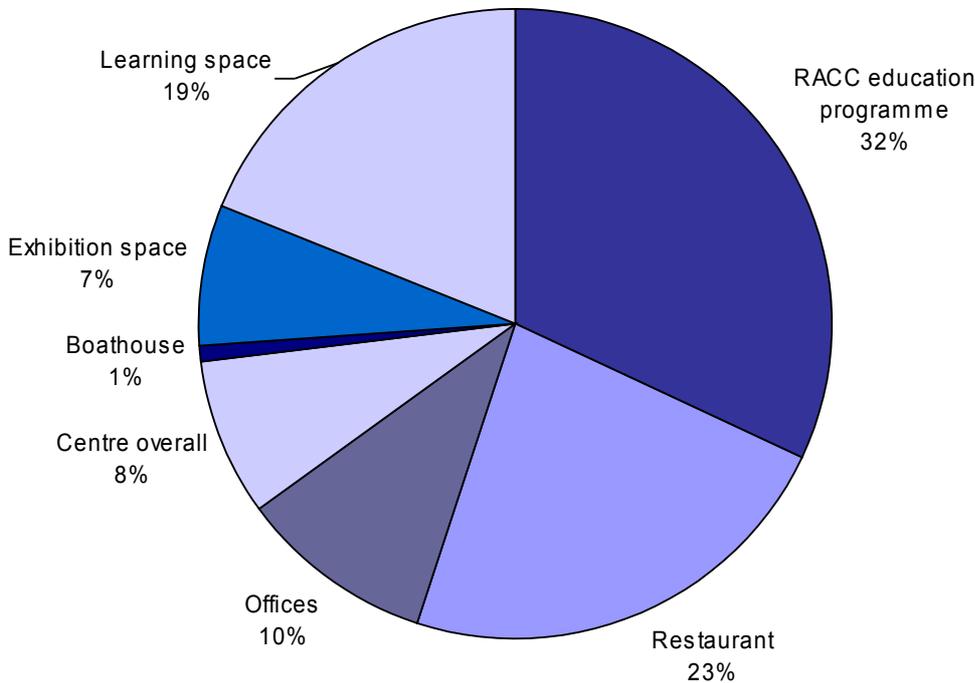
Services and maintenance costs are set at a constant level in real terms over the 10-year period of the model. In reality, maintenance costs can be anticipated to start at a level significantly below £40,000 in year 1 and rise from there, and a maintenance reserve will be operated in the early years of operation. The maintenance of the building structure will be provided by the council as freeholder.

Seventeen revenue streams are identified and gross revenues are presented in seven main categories in Table 4. The distribution between these categories over the 10-year model period is shown in Figure 2.

Table 4. Operating revenues for the River Centre over 10 years

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
River Centre overall	£23,000	£25,250	£27,813	£30,746	£34,120	£38,023	£42,561	£47,863	£54,092	£61,445
Boathouse	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000	£3,000
Exhibition space	£25,000	£26,500	£28,150	£29,965	£31,962	£34,158	£36,573	£39,231	£42,154	£45,369
Learning space	£70,000	£73,000	£76,275	£79,851	£83,758	£88,026	£92,690	£97,789	£103,364	£109,462
RACC education programmes	£80,000	£130,000	£136,500	£143,325	£150,491	£158,016	£165,917	£174,212	£182,923	£192,069
Restaurant	£97,000	£98,600	£100,280	£102,044	£103,896	£105,841	£107,883	£110,027	£112,279	£114,643
Offices	£37,750	£38,550	£39,510	£40,662	£42,044	£43,703	£45,694	£48,083	£50,949	£54,389
Operating income	£335,750	£394,900	£411,528	£429,593	£449,271	£470,767	£494,318	£520,205	£548,761	£580,377

Figure 2. Distribution of revenues into seven main revenue categories



The largest revenue is from the environmental education programme to be delivered in partnership with RACC, which provides around 32% of the total. The River Centre and RACC are partners to deliver environmental education including land-based environmental management diplomas to 14–19-year-olds, national vocational qualifications in conservation management for adults, apprenticeships for 16–25-year-olds in conservation management, a range of adult daytime and evening courses and supported learning for students with learning difficulties.

The first projects between the Environment Trust and RACC were completed earlier this year and the main environmental education programme will start in 2009, with the target to be teaching and training over 800 students per year by 2012. Around one third of this programme will be delivered by the River Centre team and its partners, and it will generate a vibrant environmental education centre as well as a valuable trained resource of talent and interest for the projects and activities managed by the River Centre. All student numbers and revenues have been provided by RACC.

The café/restaurant provides around 23% of the total revenue, with two thirds of this coming from day-to-day restaurant operations and the remainder from one-

off events, such as those associated with international rugby matches. On an average of 6 days each year, these RFU capacity events take over the centre of Twickenham and normal River Centre operations would in any case not be practical. Providing a marketed and ticketed facility linked to the RFU will give significant additional revenue on these days.

The restaurant revenues have been calculated with reference to an assessment by the council's consultants based on local restaurant rental revenues and advice from specialist restaurant consultants. Conservative figures have been used at this stage of the project. A separate detailed assessment of the potential revenues and costs for the restaurant will be undertaken and used as the basis for the appointment of the restaurateur through a competitive process.

The learning space provides a further 19% of the total revenue through visits from school groups and bookings for community and environmental events. Revenue data have been provided with reference to comparable operations in the borough and elsewhere. A community education manager is proposed to help manage this activity subject to a grant application. Grant providers welcome applications for this type of activity. This is the only one of the five full-time staff members supported by a grant. All other operating costs are covered by the revenues generated from the River Centre.

The offices generate around 10% of the total income. A large component of this revenue is provided in the form of a service charge related to the operating costs of the River Centre. The tenants will be the various project partners along with the River Centre team. Service charges will be equivalent to or lower in real terms than the overall supported rents and charges currently being paid by team members. A separate charge to the project partners has been agreed, based on a component of the project revenues generated by the partners and assessed on an equitable basis in relation to the value of the River Centre to their projects.

The River Centre generates a further 8% of the total revenue from centrally managed activities such as a 'Friends of the River Centre' group, an annual fundraising event and a limited amount of commercial sponsorship and private support. Assessments of these revenues have been produced with reference to existing revenue streams operated by the Environment Trust and its partners.

The main entrance and exhibition area generates around 7% of the total revenue; from space rental for exhibitions and information, a small shop selling goods compatible with the ethic of the building, and commercial or private support for maintenance of the aquarium. These revenues are based on data from comparable operations elsewhere. Projected revenues from the shop are low at present as this is not envisaged as being of a significant size.

The seventh and final revenue source is the boathouse and this contributes only around 1% of the total financial income. Far more importantly, the boathouse helps to create the ambience of the River Centre and the river frontage, and provides a creative and practical link to the river and the boating traditions of the area.

Table 5 presents an operating cash flow based on the costs and revenues forecast over the 10-year modelled period.

Table 5. Operational cash flow over 10 years

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Operating income (£K)	336	395	412	430	449	471	494	520	549	580
Operating costs (£K)	(276)	(313)	(321)	(329)	(373)	(383)	(394)	(407)	(421)	(472)
Annual balance (£K)	60	82	91	101	76	88	100	113	127	108
Cumulative balance (£K)	60	141	232	333	409	497	597	710	837	946
<i>Maximum reserve value (£K)</i>	336	395	412	430	449	471	494	520	549	580
Actual reserve value (£K)	60	141	232	333	409	471	494	520	549	580
Invested in projects (£K)	0	9	0	0	0	26	76	87	99	77

The operational cash flow shows a turnover of £336,000 in year 1, rising to £580,000 in year 10. There is a net operational revenue of between £60,000 and £100,000 per year over this period. The model incorporates an operational reserve and sets the maximum reserve as equivalent to the revenue from the previous year. This maximum is achieved in the sixth year of operation. In subsequent years there is an operational surplus available for investment.

This analysis includes the costs and revenues generated by the core activities managed by the River Centre only and does not take into account the ongoing project works managed and implemented by the Environment Trust and its partner organisations. These are anticipated to grow significantly as the activities of the River Centre grow. Taking these into account, it is expected that the total turnover generated by the River Centre will reach seven figures in the first 10 years of operation. More importantly, this level of operation and growth will

provide a major new asset for Twickenham and an environmental hub for the whole borough to be proud of.

9. RISK ANALYSIS

A SWOT analysis of the strengths, weaknesses, opportunities and threats for the River Centre project is provided below.

9.1 Strengths

1. The project team and its advisers have the appropriate mix of skills and contacts to deliver the project and are highly motivated to do so.
2. The purpose of the River Centre is to address issues that are of considerable importance (locally, nationally and internationally) and high on the agendas of politicians and the public.
3. The site has a high profile, ideal for its purpose, central within Twickenham and with good public transport links.
4. The current council administration is fully supportive of the project.
5. Local people and organisations are largely supportive of the project. The exhibition about the site in February 2008 revealed great support for the River Centre (with around 90% positive responses from the questionnaire) as well as a great desire to see something positive happen on the site.
6. The associated development is to provide the building at no cost to the project.
7. The wider site and river frontage are currently run down and will also benefit from investment under the project, providing an attractive and appropriate setting for the River Centre.
8. The River Centre project provides an opportunity to generate a vibrant and community-based spirit on the site, providing a valuable new community resource and having a beneficial impact on the rest of the town centre. This is recognised and welcomed by the local public and commercial sector.
9. There is a highly motivated and well established network of local organisations in place to provide the services from the River Centre.

10. The project team is well ahead of the programme: many of the key elements have been developed in outline already, 3 years before the River Centre is due to open. In addition, joint projects across many of the key areas such as environmental education and river heritage are already in progress. The Environment Trust and its partners are already working together in a single office and this experience is proving very helpful in developing joint working practices and new projects before the River Centre is open.
11. Grant funding has already been raised from City Bridge Trust to support the project development, and City Bridge Trust has praised the project and its approach highly.
12. The financial evaluation indicates that the River Centre is commercially viable and could also generate sufficient income to develop further innovative projects.
13. The business plan does not rely on borrowing and no grant funding is required to meet core operational costs.
14. There is a broad base of revenue streams and the revenue is not overly dependent on any one sector.
15. The River Centre has linked with a strong local educational partner (RACC) with which to deliver a broad environmental education programme. The Environment Trust is already working successfully with RACC. The environmental education programme will start next year and be largely in place by the time the River Centre opens. This programme will provide a base of education work for the River Centre as well as access to and development of students with a wide range of environmental skills and interests within the local community.
16. There is the opportunity for a similar link with Kingston University for the sustainable building sector. Other further-education establishments are also interested in linking with the River Centre.

9.2 Potential weaknesses (W1 to W3) and their evaluation (E1 to E3)

- W1 The site has been controversial for many years and there remains some local and political opposition to the current overall development. The

opposition is largely concerned with the loss of some of the site for private development and associated political concerns regarding the council's affordable housing strategy as it affects the site. Although these issues are not of direct relevance to the project, it has received some negative comments by association, from individuals concerned about these issues.

- E1 The controversial nature of this site has been evident for many years and the Environment Trust entered the Twickenham Challenge in 2004 in full knowledge of the previous inappropriate schemes for the site and the legacy of political controversy that these had created.

The Environment Trust, although not directly involved in the development plans for the rest of the riverside site, is both aware of the proposals for the overall site and comfortable with the principle of a cost-neutral scheme that funds the provision of increased and improved public open space as well as the River Centre building, through a minimum of enabling development.

The Environment Trust is operating on the principle that it will only continue with the River Centre project if the overall scheme provides a solution that it would find acceptable if it were not involved. This provides a clarity that it hopes the public at large will appreciate.

Local opposition is more than counterbalanced by the considerable enthusiasm from local public, community groups and educational organisations for the River Centre and the opportunity to breathe new life into the overall site. There is also considerable frustration with the many years of inactivity on the overall site and a desire to see something positive happen there.

The Environment Trust knows the local community and associated groups well and continues to engage with all those with concerns about the overall development as well as the River Centre component. This process is proving very helpful in identifying problems, risks and concerns with the River Centre project and in working with the public to identify appropriate amendments and solutions.

- W2 Funding of the development costs before planning is proving to be a challenge in the absence of grant funds.

E2 The funding of the development costs is most difficult over the first couple of years before the receipt of planning permission. The support of City Bridge Trust in providing initial funds of some £92,000 over the first 3 years has been crucial in ensuring that the basic costs of the project development are covered over this period.

A further £24,000 of costs has been identified for 2009 and before the anticipated date of a planning permission. A funding strategy has been identified for these costs, consisting of a combination of private funding, fundraising activities and project funding support.

The availability of high-calibre voluntary support in many of the key roles will help to withstand any shortfalls in development funding, providing key members of the core team on a partially or totally *pro bono* basis.

W3 The fit out of the River Centre is very dependent on grant funding. Grants are also proposed for the salary of the community environmental educator when the building is operational.

E3 The largest funding requirement is for the fit out costs and these would only be required once planning permission has been granted. Initial discussions with potential funders indicated that funds will be available for this part of the project. The Environment Trust is developing relationships with several of these funders through other projects to be run in the 2-year interim period. These relationships will help considerably when the time comes to submit funding bids for the fit out.

The additional options of private and commercial support for the fit out costs are being explored as a supplement to grant funding. The potential for these will only be clear after receipt of planning permission and the provision of more certainty in the project.

If funding is not available for all of the fit out components before opening, then funding priorities will be set for those components that are considered to be essential for the opening of the River Centre. The building will be designed so that other components can be slotted in later when funding becomes available. Funding for some of these later components may then also be possible from the River Centre's own revenue.

The lack of major assets means that the option of borrowing to supplement grant funding is not available at this stage, and this option is not in any case attractive to the Environment Trust. Borrowing would be an option to a limited extent after the receipt of planning permission, primarily against the value of the restaurant lease. This may be a useful source of relatively small amounts of short-term capital. This will only be explored as a last option, after robust examination through the business plan and in agreement with the council as freeholder.

9.3 Opportunities

1. The River Centre can exercise a beneficial influence on the local community, encouraging a more sustainable lifestyle and a better quality of life.
2. The focus on education can have a particular benefit on the young, with long-term benefits for the next generation as well as shorter-term benefits as the young take these messages back to their families.
3. The local environment can benefit considerably by the growth of community-led environmental management schemes, building on existing successes and the proximity of a large resource of specialist expertise (with partner organisations such as the Royal Botanic Gardens Kew, Royal Parks, Thames Landscape Strategy, London Wetland Centre at Barnes, National Physical Laboratory and Kingston University).
4. The growth in community activities and environmental education can benefit overall local community cohesion and civic pride as well as providing opportunities for potentially marginalised groups such as the unemployed, the academically less gifted, the elderly and those recovering from illness.
5. Richmond is an affluent borough with a large carbon footprint and a well informed and influential community. The River Centre will be the first community environmental resource of its kind in London. It can influence not only this borough but the rest of London. It may provide a useful model for more sustainable approaches to urban living that will be of value to comparable places in the UK and overseas. This would live up to the City Bridges Trust's observation that this is a flagship project with the potential for influencing approaches around the world.

9.4 Potential threats (T1 to T6) and their evaluation (E1 to E6)

- T1 Opposition to the overall riverside redevelopment scheme may lead to delays in the River Centre development, increased costs and reduced certainty for potential supporters.
- E1 Delays in the programme for the River Centre would be frustrating for the project team and may lead to some uncertainty in other partners. However, of even greater importance than developing the River Centre building is the development of the services to be provided out of it. The development of these services is much more in the control of the Environment Trust and its partner organisations. Moving forward with these projects and demonstrating through practical improvements on the ground the potential benefits of the River Centre project will help to energise the team and funders as well as potentially placating those currently opposing the development.
- T2 A change in council administration may lead to a change in priorities and less support for the River Centre.
- E2 The project timetable shows that the contracts with the developer for the provision of the River Centre will be signed well before the next council election (May 2010) and the building itself will be complete by mid 2011. The Twickenham Challenge, which set up the concept of a community benefit building for the site, and the site brief that determined the development principles for the site, were both developed by the previous administration. There is a significant amount of support, within that administration and from its supporters, for the River Centre project. The project team is confident that any new administration in 2010, on reviewing objectively the achievements of the voluntary and community sector in developing the River Centre, will put its energy and support behind the project.
- T3 A downturn in the economy changes the economic viability of the overall riverside development scheme.
- E3 There are clearly risks in any development scheme that the balance between building costs and revenues may change in the future. The council factored potential movements in house and building prices into its original calculations for the amount of enabling development and reviewed the

situation in September 2008. This review indicated that the scale of development put forward in the development brief remains appropriate and the project was given the go-ahead on this basis. The real answer to this risk will only come when the prospective developers come forward with their proposals for the site early in 2009, and the Environment Trust, the council and the public will then have an opportunity to judge for themselves.

T4 Rising costs of the London Olympics may result in reduced grant support for other London-based building developments in this period.

E4 This risk has been the subject of national press speculation over the past couple of years. The main impact is likely to be on the National Lottery grant system, a component of which will be allocated to the Olympics. However, recent information from the charitable sector indicates that west London projects of a relatively high profile, such as the River Centre, may actually be welcomed by the Lottery fund operators, not least as a means of countering these press and public concerns. In addition other major funders, such as the landfill grant organisations, are unaffected by the Olympics.

T5 The project fails to connect with the public imagination

E5 This risk, which could be termed the 'white elephant' risk, is a factor in all community building developments. The project team has visited a significant number of broadly comparable community buildings over the past couple of years, some of which may be described in these terms while others are major success stories, and the team is learning lessons from all of these visits.

The River Centre has many of the key requirements of a successful project – a good and easily accessible location, a committed project team with strong roots in the community, widespread public awareness and support, and a long lead time for developing the services to be offered from the building. In addition, the financial assessment indicates the long-term financial sustainability of the project.

Nevertheless, the project team remains aware of the overarching need for the project to fire the public's imagination and to be seen as a clear benefit to the local community. This will be a key focus of the activities being

developed both in the run-up to opening and during the River Centre's operation in the decades to come.

- T6 Operational costs turn out to be higher than anticipated or the revenue streams are not as valuable or reliable.
- E6 The figures provided for the operational costs and revenues for the River Centre are current best estimates or, in some of the key cases such as the restaurant revenue, conservative. The broad base of revenue streams provides a robustness against problems with one particular sector and the provision of a full year's turnover as an operational reserve by year 6 provides a buffer against a short term major failure of the River Centre's operations.

Nevertheless, there are clearly risks with any business plan evaluation and the operational model was used to carry out a risk analysis for two risk scenarios considering variations on this threat as follows:

- Failure of a key component of the River Centre, leading to a major reduction in revenue (of 40 per cent) for one year every third year
- The assessment of the revenue streams and costs being inaccurate; for example, additional costs arise or specific revenue streams are not viable – modelled as a revenue reduction of 20 per cent every year.

Considering the first risk scenario, the failure of a key component of the River Centre may be due to a number of causes, such as failure of the restaurant, the resignation of a key staff member, or other major problems outside of the River Centre's control.

It is important that the River Centre is sufficiently robust to survive periodic failures of this nature and this is the reason that an operational reserve is included in the model.

Table 6 provides the results from modelling this threat. It considers a 40% reduction in operational revenue every third year with the costs remaining the same. This is a severe level of revenue failure on a regular basis and is at the extreme end of expectations.

The analysis shows that the project is sufficiently robust to deal with this level of failure and continue to grow an operational reserve.

Table 6. Risk scenario with a 40% reduction in revenues every third year

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Operating income (£K)	336	395	247	430	449	282	494	520	329	580
Operating costs (£K)	-276	-313	-321	-329	-373	-383	-394	-407	-421	-472
Annual balance (£K)	60	82	-74	101	76	-101	100	113	-92	108
Cumulative balance (£K)	60	141	68	169	245	144	244	357	265	373
Maximum reserve value (£K)	336	395	247	430	449	282	494	520	265	373
Actual reserve value (£K)	60	141	68	169	245	144	244	357	265	373
Invested in projects (£K)	0	9	0	0	0	0	0	0	0	0

Considering the second risk scenario, major changes in one component of the River Centre costs or revenues may be due to the following causes:

- A significant additional cost is incurred in operating the River Centre. One such cost may be staffing if, for example, the operational requirements are underestimated or the availability of volunteers and interns is not as high as expected.
- One of the revenue streams cannot be implemented for some reason.
- One of the main revenue streams is not capable of providing the revenues forecast.

The costs and revenues in the business plan are current best estimates and more conservative values have been applied where significant uncertainty remains. Nevertheless, it is valuable to assess the robustness of the project to this risk.

Table 7 provides the results from modelling this threat as a 20% overall reduction in revenue over the full 10-year model period, with the costs remaining the same. This degree of revenue reduction is equivalent to a major failure in one revenue stream or equivalent to 50% more staff than currently specified.

Table 7. Risk scenario with a 20% reduction in revenues every year

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Operating income (£K)	269	316	329	344	359	377	395	416	439	464
Operating costs (£K)	-276	-313	-321	-329	-373	-383	-394	-407	-421	-472
Annual balance (£K)	-7	3	9	15	-14	-7	1	9	18	-8
Cumulative balance (£K)	-7	-5	4	19	5	-1	0	9	26	18
Maximum reserve value (£K)	269	316	329	344	359	377	395	416	439	464
Actual reserve value (£K)	-7	-5	4	10	5	-1	0	9	26	18
Invested in projects (£K)	0	9	0	0	0	0	0	0	0	0

The analysis shows that the project is just about robust enough to deal with this level of failure, although it is not possible to grow an operational reserve. In reality however, the cost base would be adjusted over the operating period to compensate at least in part for this reduced revenue.

In summary this analysis shows that the operational finances of the project are reasonably robust to these threats.

10. SUMMARY

This report summarises the findings of the business plan for the River Centre project. The project started 2 years ago and is well into its development phase. The plan sets out the proposals for the River Centre building and the operations to be provided from the building.

A team of project staff and volunteer and *pro bono* supporters is delivering the development phase of work. A major grant from City Bridge Trust is in place and further funding will be raised from small-scale funding activities over the next 18 months, with larger grant applications after the receipt of planning permission.

The River Centre building will be provided by the developer and the fit out is to be funded by the project team. An outline specification for the fit out has been produced and costed at £750,000. The River Centre team has identified potential grant funders for the fit out and, although it is too early to submit bids, the process of developing good relationships with potential funders is under way through other project works.

The team is developing a programme of operations to be run from the River Centre. Some 17 revenue streams in seven main categories are being developed. The education sector provides by far the most revenue, with over 50% of the total. The partnership with RACC is key to this, delivering a major environmental education programme to young people and adults.

The project team has already started developing and implementing the programme to be run from the River Centre so that there will be a thriving mix of activities provided on day one of opening.

The cash flow analysis shows the River Centre generating a surplus sufficient to develop a 1-year operating reserve by year 6 of operation and subsequently

providing additional profits for re-investment in the sector. The risk analysis shows that the project proposals are sufficiently robust to withstand major periodic revenue failures or significant changes to revenues or costs over the long term.

The business plan indicates that the River Centre is a sound proposition from a financial perspective as well as a major potential asset for Twickenham. This business plan continues as a working document and will be updated at regular intervals through the development and operational phases of the project.

The River Centre is due to open 2011 and the project team will continue to develop and improve its plans for the River Centre as well as trialling and implementing the operations to be run from the River Centre over the next 3 years. The team welcomes comments, ideas and support from the public and other interested parties in this work.

Further information on the work of the Environment Trust can be found at www.environmenttrust.co.uk and the independent River Centre website is located at www.rivercentre.org.uk.

To contact the Environment Trust about this project, please call 020 8891 5455 or e-mail office@environmenttrust.co.uk.