

Starting a Business The No Nonsense Guide
Module 3: Planning
your business



What you will learn and understand as a result of working through this module

This module takes you through the steps you need to take to put together a practical plan for setting up and running your business. It covers:

- the business plan and why it's so useful
- choosing the type of business (sole trader, partnership, limited company and so on)
- what you can call your business
- your aims for your business
- how you're going to run the business
- your responsibilities in law.

A realistic, working business plan is essential when you're setting up in business. Doing the groundwork will help to make your business sound.

How to use this module

This is a self-help module, with both reference information and worksheet material to help guide you through starting a successful business.

You will find icons throughout the module to help guide you:



Tips for how to maximise your business



Colour-coded links to other modules



Links to the Business Link website



ACT An action plan at the end of this module to help you plan your activity for starting up.

> Worksheets with links to the business plan in module 6.



Links to the essential business plan



Links to the comprehensive business plan

Module 3: Planning your business

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Starting a Business - The No Nonsense Guide is produced by Business Link as part of its Starting a Business service. Business Link provides impartial advice and information to help you start, grow and succeed in business. Help and support is also available online, through local workshops and over the telephone.

Visit businesslink.gov.uk or call 0845 600 9 006, for further details.



business plan: what it is and why it's

3.1 The business plan: what it is and why it's needed

One of the most important things you should do when setting up a new business is prepare a business plan. This is a document that sets out what you aim to do in your business and how you'll do it.

The business plan has four main purposes:

- to enable you to develop your vision about your business
- to make sure you've thought of everything
- to help you raise start-up finance if you need it
- to compare your actual progress with what you'd planned at the outset.

Your business plan is also a living document that will help you guide your business growth and development in the future.

A business plan should give you pride and confidence in your business, and at the same time it should encourage realism because it helps you to focus on important issues that will ultimately affect your livelihood and future.

Who needs to see your business plan?

Your business plan is evidence that you have given careful thought to your business. It shows you're being professional and businesslike in your approach. Psychologically, it's an important statement of your commitment.



You may be asked for a copy of your business plan by your own bank (or any other bank you want to borrow money from), external investors, business grant providers, potential partners, or anyone interested in buying your business.

Get started with your business plan

Writing your business plan doesn't have to be complicated. It's the story of how you intend to run your business, showing the route you're going to take on the way to your destination.

In this module, you'll have the opportunity of filling in all the parts of your business plan that relate to how you intend to set up and run your business.

Worksheet: Key personnel - Details of owner(s) Write in the details of your key personnel. This is information about you and any
of your business partners and their relevant experience and skills.
Name
Position/main responsibilities
Experience and knowledge of our industry
Previous employment
Frevious employment
Key skills
ney skills
Academic/professional qualifications/training

BP6.3

3.2 Why do you want to set up a business?

Most people have the aim of being more independent and earning a good income, but there could be other reasons behind your decision.

- do you want to build up your business with a view to selling it in a few years' time?
- is the new business to provide your main income, or just to top it up?
- do you want members of your family to work with you?

The goals for your business

Your goals will influence how you plan your business. For example, if you want to sell your business on, you'll want to build it up and maximise its value quickly. Banks or investors will want to see your goals written into your business plan if you're applying for finance.

Find out more



For more information see

Module 2: Is starting a business
right for you?

Worksheet: Identifying your goals
1.What do you want to achieve in your first year of business? Think about: How many key customers do you hope to have?
How will your business have grown?
Will you need staff?
What will your premises requirements be?
Where do you see the business being financially?

2. Think about your longer term objectives: Where do you see your business in 3-5 years' time?
What are the possible trends that will affect your market, customers and competition eg the introduction of new technology, or new products?
What will be the effect of those changes on your business? (eg staffing, location, premises, and financing requirements.)

3.3 What type of business?

When setting up your business, you need to decide what type of business it will be. Every business has a legal status (the way it's viewed in law) and there are four main types, with a fifth for those businesses that are run for social purposes only:

Sole trader: This is a business fully owned by one person – the proprietor. If you're a sole trader the liability lies with you, and your personal savings and assets could be at risk if your business fails.

On the plus side, it's quick and easy to set up and you only need to keep minimum records. Unless your earnings are high, your total tax payments may be lower than if you formed a limited company.

Partnership: Partnerships, except for professional partnerships such as accountants and solicitors, cannot normally have more than 20 partners. Any profit is normally divided equally between the partners. However, as with sole traders, partners are regarded as liable and their assets may be seized to pay off debts.

The good things about being a partnership are that you pool your skills and you may have more initial capital. You may also be able to raise money by introducing new partners.

Limited Liability Partnership (LLP):

In a Limited Liability Partnership, the partners are not personally liable for

the debts of the business and the LLP has the same organisational flexibility of a partnership. The partners are taxed in the same way as a partnership, and tax is charged on all the profits whether or not they're distributed to the members.

Limited company: With a limited company, it can be easier to raise large sums of money for the business or to sell part of it. The main advantage of trading as a company is limited liability: the liability is limited to the initial cost of the shares. You can keep your personal wages low to help the business' cashflow and minimise income tax as you go along and you can take other money you need as dividends or bonuses when the business can afford it.

Social enterprises: A social enterprise is a business with primarily social purposes. Any profits are largely reinvested in the business or in the community, rather than given to shareholders and owners.

There are many different types of social enterprises, including community development trusts, housing associations, worker-owned co-operatives and leisure centres and Community Interest Companies (CICs).

Find out more

Legal structures: the basics businesslink.gov.uk/startstructure

Once you have decided on your business type what actions do you need to do to get your business legally set up?

3.4 Naming your business

Choosing a name for your business is a creative and enjoyable process. It's also one that you need to get right. Customers will often form their first impressions from your business name and first impressions count.

Remember that your business name will be the cornerstone of your brand. It should work well and be clear wherever you use it - on the phone, in your logo, signage, stationary, advertisements, website, uniforms and any other media you plan to use to reach the target market. Remember to check whether it has already been registered as a trade mark. Once you have chosen your business name and checked that nobody else is using it, you might want to register it and protect it.

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Find out more

Company name and trade mark checker: businesslink.gov.uk/namecheck

After you have come up with a name, what are your next steps, eg check whether the name is already in use and register the domain name URL?



Here's how I chose the name for my business



Name: Nick Jenkins Company: Moonpig

Managing director Nick Jenkins founded Moonpig, a London-based company selling personalised greeting cards over the Internet.

What I did

"I wanted business to spread by word-of-mouth so it was important my company's name was both catchy and memorable. I decided it had to be only two syllables so that people wouldn't forget it, and phonetic so that they wouldn't misspell it.

Moonpig is fun and cheeky. Most of our cards are humour based and Moonpig encapsulates that.

"The name also had to be easily represented in graphical format. Once you've seen our logo you never forget it. I commissioned a cartoonist to design the moonpig. The whole branding exercise cost £200 and three days' work, but it has been far more effective than we could ever have expected."

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3.5 How will you run your business?

Before you start up, you will need to make certain practical decisions about the running of your business (your operations). Once you have made those decisions, you should write them into your business plan.

Below are some of the key considerations you will need to make:

Staff: What staff will you need, if any? Will they be full-time, part-time, casual or temporary? What will they do? How much will you pay them?

Premises: Working from home suits many people, but others will need separate premises.

You may know already where you'll be working from but, if you don't, draw up a list of what you need from your premises to help you decide.

After drawing up your list of requirements, you may decide that working from home could suit you. However, there are important legal and practical issues you need to take into account.

Suppliers: Your suppliers will be contributors to your success. Almost every business is dependent to a greater or lesser degree on its suppliers. Ideally you should look to create a strong 'win-win' relationship with your key suppliers, in particular where they also share in your success. If you sell more, they sell more.



You need to decide who they'll be and what you should do if something goes wrong, for example if they don't deliver on time or if they should cease trading.

Equipment/resources: Every business needs resources – this could be equipment for manufacturing your product, IT equipment for running your business or promotional material such as leaflets.

Distribution: What products and materials, or staff, will you need to move from place to place? How often will you have to do this, and how much will it cost? Could you use the Internet to do this?

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Find out more

Starting a business from home: businesslink.gov.uk/homestartup

Choosing the right suppliers: businesslink.gov.uk/startsuppliers

Capacity planning

As part of the planning process, you should think about how much time and resources are needed to deliver your product/service. The advantages of working this out are:

- you can be sure you'll be able to meet any changes in demand for your product/service
- your resources people and equipment won't be under-utilised.

Think about:

- what's the maximum amount of work you could complete in a given period of time?
- at what point should you increase capacity, by how much and how you can do this?

Planning your capacity efficiently will help you keep your costs down and your profitability up.

Operational risks

Looking back on your operations, can you identify any problems that could come up, such as what you'd do if your staff or suppliers let you down? What would be your solution to each problem?

Worksheet: Key business decisions

1. Deciding on staff

Additional staff you will need to run your business.

Role (What will they be doing? How many staff in each role?)	Total cost (salary, National Insurance Contributions (NIC) etc)	What experience do they need to have?	What specialist skills and/or qualifications do they need to have?

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Supplier	What you'll buy from them	Number of days' credit
our key suppliers and thei	r credit terms:	
B. Finding the right suppli Write down the names of young the number of days' cr	our suppliers, what you'll be bu	lying from them
Premises required in the f	uture (if different):	Cost £
Premises required at start	-up stage:	Cost £

4. Getting the equipment you need

Assess what resources you'll need at different points in your business development. You may already own some items. Explain where the money will come from and how much they'll cost.

Things you need to buy or lease (including IT, office furniture, telephones, company vehicles and any other equipment you'll need for your business).

Resource	When needed	How funded	Cost
			B

5. Distribution

Product/item to transport	How often	Special requirements	Cost

6. Operational risks

Problem	Solution
Staff	
Suppliers	

BP6.19

Here's how I ensured that my home was safe for use as a workplace

Name: Sarah Seisay Company: Urban Kids

Sarah Seisay runs Urban Kids, a childminding and mobile crèche service based in West London. When setting up the childminding side of the business from her home in 2002, Sarah discovered she had to make various changes to ensure the safety of her clients' children. Here she explains how she met the requirements and how it felt to turn her personal space into her business workspace.

What I did

"When I first decided to set up a childminding business from home I wasn't sure what the health and safety requirements were. I went to my local Children's Information Service in Westminster who sent me on a course. While there I discovered that I needed to fill in a form for OFSTED and they would then send someone to inspect my home and make recommendations about where things should be changed."

"After the inspection, which took around two hours, I was sent a letter stating what changes I needed to make. These were things like installing stair gates, putting locks on the bottom cupboards in the kitchen, using plastic covers for electrical sockets and covering the hobs on top of the oven. Although it makes perfect sense for the business, some of the changes aren't ideal when you want your personal space to look a certain way.



"Once I had the letter from OFSTED, I was able to get a £600 grant from the council to buy the things I needed because my postcode comes under what is classed by Government as a deprived area."

What I'd do differently

"If I could do anything differently I would have perhaps decided exactly which parts of my home would be used for the business and what I would reserve as my personal space. This minimises the rooms that have to be inspected by OFSTED and also limits the disruption to your living area."

3.6 Your responsibilities

When you're a business owner, you'll have a number of responsibilities that you don't have to concern yourself with when you're an employee. Among other things, you have to keep accounts, be personally responsible for paying your income tax and National Insurance Contributions (NIC), take out insurances, and take account of laws and regulations relating to employment, health and safety and the environment.

You may also have to apply for planning permission if, for example, you change how a building is used and, depending on what your business is, you may have to apply for a licence.

Income tax, National Insurance and VAT

How you pay tax will be different, depending on whether you're a sole trader, a partnership, or a limited company.

VAT is a tax charged to customers on the sale of goods and services, and you must register your business for VAT if its turnover in any period of up to 12 months is more than the current registration threshold.

Insurance

You must have employer's liability insurance if you employ staff. Most businesses also have public liability insurance and may also need product liability insurance. If you have a vehicle you'll need motor insurance.

There are also a number of non-compulsory insurances, including theft, fire and special perils, goods in transit and specialist insurances depending on the nature of your business.

This could include cover for computers, deterioration of frozen foods, agricultural activities, professional indemnity and others.

Employing people

There are many Acts of Parliament that include regulations in the area of employment law. One of the most important responsibilities you have is to give every employee a written statement showing the main terms and conditions of their employment. You must do this within eight weeks of their start date.

Employment law also covers a variety of issues including redundancy, unfair dismissal, discrimination, the minimum wage and notice of termination.

Health and safety

All businesses come under the jurisdiction of the Health and Safety Executive. Some businesses will need to register with their local authority. Check to see if this applies to you. If you have five employees or more, you must have a written health and safety policy. If you have commercial premises, you'll also need an asbestos survey to comply with legal requirements.

3.6
Your responsibilities

The environment

Every business is legally responsible for the waste it produces and you could have to pay fines of several thousand pounds if yours causes any environmental damage. Store your waste safely and securely in suitable sacks, containers or skips. Make sure that whoever collects and disposes of it is doing so properly – and that they are legally registered.

Here's how my business approaches health and safety issues



Name: Phil Andrews Company: The Industry Exchange

Phil Andrews is managing director of The Industry Exchange, a company that brings business people together. He makes health and safety a priority because it helps protect his five employees.

What I did

"We sat down as a group and talked through our working day - what we do, how we operate, how we get where we are going. We then carried out a risk assessment of all these activities. The main issue was the organisation of the office, because we all spend a lot of time there.

"We ended up with a health and safety statement that we keep on the wall and states things such as: 'I will ensure the office environment is kept safe for myself and my colleagues', with sub-heads such as, 'responsible use of leads, wires and cables'."

Planning permission and licences

If you undertake building work or change how your premises are used, you'll need to obtain planning permission under building regulations. You might require planning permission to use your home as a business premises if this fundamentally alters how the building is used or affects the nature of the surrounding area (eg a marked rise in traffic or noise which could disturb your neighbours).

Some businesses (eg taxi companies, hotels, hairdressers, premises selling food or alcohol) require a licence from a local authority. Childminders and daycare nurseries must register with the Office for Standards in Education.

Data protection

Information that your business holds about living individuals is protected under the current Data Protection Act. It covers any data that is:

- processed by automatic equipment
- recorded in order to be processed by automatic equipment
- recorded as part of any filing system, including a manual one.



The Business Link site can help with these items

Beginner's guide to tax and accounts: businesslink.gov.uk/starttax

Business insurance: the basics: businesslink.gov.uk/startinsurance

Taking on a new employee: businesslink.gov.uk/startemployee

Your responsibilities for health and safety: businesslink.gov.uk/ starthealthsafety

Your responsibilities for the environment - an overview:

businesslink.gov.uk/startenvironment

Planning permission and building

regulations:
businesslink.gov.uk

businesslink.gov.uk/ startplanningpermission

Your type of business:

businesslink.gov.uk/yourtypeofbusiness

Comply with data protection legislation: businesslink.gov.uk/startdataprotect

VAT rates, threshholds, fuel scales and exchange rates:

businesslink.gov.uk/startVAT

Worksheet: Legal requirements	
1. Insurance Write down the insurances that you'll need when you start yo	ur business.
2. Legal requirements Write down any legal requirements – regulations, licences or your business.	standards – that apply to
3. You'll meet your legal and insurance requirements by:	

BP6.8

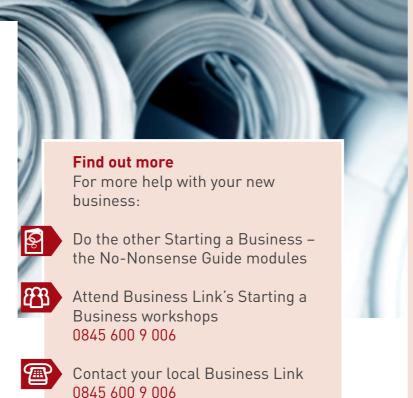
3.7 Summarising the business plan

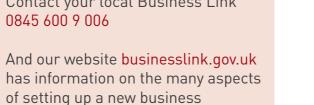
Working through this module you should now be able to complete some key details about your business such as its name, location, status and what it will do.

The summary contains only the key points of your whole business proposal. When writing your executive summary, imagine that you're explaining your ideas to someone who's important to your business but only has time to read one to two pages. It highlights the most important points, summing up seven areas:

- the aim of the business
- the product/service, and its benefits to the target customer
- the market opportunity
- who will run the business
- any track record to date
- financial forecasts

• funding needs.





Worksheet: Your business details Now that you have had time to consider the type of company you want, you're ready to write the business details element of your business plan eq your contact details, legal status and what your business does. Name and address of your business: Telephone number: Legal status (eg sole trader, limited company, partnership, limited liability partnership, social enterprise): What your business will do:

Vrite one to tw				
the aim of the	business			
_				
the product/s	ervice, and its bene	efits to the target o	ustomer	
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• who will run the busine	SS		
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any track record to date			
• financial forecasts			
• funding needs			

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Here's how having an up-to-date business plan helped my business

Name: Darren Jones Company: AKC Home Support Services

Although writing their business plan was one of the first things Darren and his wife Sharron did when launching their care business, Darren admits he originally saw it as a bit of a chore. Now, he takes a different view, believing it has helped the business stay on track and true to its goals.

What I did Write the plan

"When we started the firm I knew we needed a business plan but saw it more as a document for everyone else than something to help us. If I started another business tomorrow I would write one much more willingly as it helps you secure finance and keeps you focused on your goals.

"We got help from our local enterprise centre, looked at examples from other businesses and a template from the bank. We mixed and matched bits from these sources because not everything applied to us. For example, because we were going into a new market we couldn't write about our competitors but needed information about the market for care services."



Use the plan

"We purchased a residential unit four years ago and our business plan definitely helped us demonstrate why the bank should lend us the money. Without it being put down on paper I don't think it would have sounded like a very viable suggestion."

Review the plan

"We used our business plan to set out the financial and strategic goals we wanted to achieve in the short and long-term. We review it annually now unless there's a significant shift in our market and then we use it to immediately re-evaluate our goals.

"Our business plan has also helped us to avoid expanding too quickly. Early on, we were offered work in another county. This seemed great but when we looked at our business plan - and particularly our cashflow forecasts - we realised it was important to establish a firm base in one county before taking on work in another otherwise we would overstretch ourselves."

3.8 Action plan

By working through this module you've taken an important step in deciding whether starting a business is right for you.

Take a few minutes now to write down any additional actions you want to take to move your business idea forward.

ACT

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	What needs to be done	By whom	Date	•
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Starting a Business – The No Nonsense Guide is divided into six easy-to-follow modules. Work through it at your own pace or dip in and out, depending upon your areas of interest. Step-by-step, this invaluable resource will guide you towards your goal and help you succeed in business.



Module 1: Overview summarises the basic steps you'll need to take in order to set up your own business



Module 4: Finding and keeping customers covers researching the market,

covers researching the market getting your business offer right and successful selling to customers



Module 2: Is starting a business right for you?

contains information and exercises to help you decide whether running your own business will suit you



Module 5: Managing money explains the key skills needed to organise your business finances and how to apply for funding



Module 3: Planning your business

will help you to plan the practical and legal aspects of your business



Module 6: Your business plan enables you to develop a business plan to use yourself or to help raise finance

As well as this guide, Business Link offers the following support:



Workshops to help you decide whether starting a business is right for you and explain what you need to know to make your business a success



Help and advice over the telephone. Call **0845 600 9 006** to talk to a local Business Link adviser.



Practical guides and online tools on our website. Visit **businesslink.gov.uk**

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