



# **Management Committee Training**

**2005**

**Business Plans**



# Business Plans

**“An organisation’s key planning document charting the current position and future direction. It maps the financial, operational, marketing and organisational strategies that will enable the organisation to achieve its goals”**

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# HOW TO WRITE A SUCCESSFUL BUSINESS PLAN

*A Step by Step guide on what to include*

Every organisation's Business Plan is slightly different. Sections may be called by different names and put in a different order. However it is generally accepted that most *successful* business plans will include the following;

## 1. Front Cover

Most importantly this should include the title, date and duration of the plan e.g. 2005 - 2008.

It should display your organisation's Name, Address, Telephone, Fax number, Email address and Website (if you have one).

It might also be good to add your logo, an eye-catching picture of your service in action or some of your guests.

## 2. Contents Page

It is important to have your Business Plan clearly laid out in sections that will address the different issues. Therefore it is also important to include a contents page with headings and page numbers that will guide the reader quickly to a particular topic.

## 3. Executive Summary

Although generally placed at the front of the business plan, this is the last thing you will write and is a summary of your business plan in a maximum of two pages. It is likely to be the first thing interested parties will read (to see if it is worth reading the whole plan). It should explain in a way that informs and interests the reader - *who* you are, *what* you are trying to achieve and *how* you intend to go about it. It should include the key points from every section of your plan.

## 4. Mission Statement

This section should encompass a series of short statements on the following:

Vision – What you ultimately hope to achieve

Mission - The overall purpose of your activities

Values – The basic beliefs you share.

*See Housing Justice example*

## 5. Overview of Context

### ***Background information***

This section should include all relevant background information on your organisation. It should explain who you are, how, when and why you came about and the services you currently offer. This is also the section where you will need to state your organisation's legal status and any partnerships or arrangements you have with other local organisations or businesses.

Although it is not essential some organisations would also include details on the internal management structure (diagram), roles of key individuals and staffing policies and procedures, as some funders do require this information. Any related documents, such as job descriptions or equal opportunities policies can be included in the Appendices at the end.

### ***Analysis***

Here you need to analyse what is happening inside and outside your organisation. In the business world certain analyses tools are used to do this. (*See Index of Jargon handout*).

Undertaking a SWOT analysis means looking at the Strengths and Weaknesses of your Organisation (internal) and the Opportunities and Threats that face it in the future (external).

Carrying out a STEEPLE (or PEST) analysis means considering the wider environment in which your organisation operates. Like the SWOT analysis this sets the background for the rest of your plan and assures those reading it that you have considered everything that might affect the future.

## 6. Strategic Direction

This section should focus on the future of your organisation, what you aim to continue to do and what you hope to achieve. You should ask yourself: "Where do we want to be?". To do this you must set out your *aims* and *objectives* keeping in mind your mission statement and your guests' needs.

Aims = Broad Goals

Objectives = Specific and measurable (SMART) goals. Keep in mind what the outputs will be.

*See enclosed example.*

## 7. Risk Assessment

At this point you should do a risk identification and assessment. This should show that you have undertaken a methodical review of the risks that may face your organisation over the life of the plan, have taken in account the likelihood of them happening, their possible impact and have formed a contingency plan for dealing with such events should they occur.

*See Further Resources Section for links to official guidelines*

## 8. Financial Statements

All business plans must contain a budget in the form of a spreadsheet. Some funders may also require cashflow projections.

Budgets = seek to give an overall picture of the levels of income and expenditure that are expected over the year. They do not seek to project the actual timing of when money will flow in and out of your organisation. Cashflows = aim to ensure that there will be enough money to pay for the goods and services you will require at the times at which you will need them, resulting in a realistic projection of what money and assets your organisation will have month by month through out the year. Some funders may also require a worst case scenario should uncertain sources fail to be secured, and a best case scenario.

You should also indicate in this section numerical details which will need to be taken into account in your budget such as the number of staff you employ or the number of guests you expect to use your service.

You will also need to include any assumptions you have made in the creation of these spreadsheets, such as the rate of inflation.

## 9. Appendices

Include here any documents that are too detailed to go in the main body of the text, such as; leaflets, forms, questionnaires, job descriptions, policies and procedures.

## Putting your plan into practice

You should include a timeline of key tasks and activities and/or a work plan for the first year of your proposal (see *worksheet 1*). You should also explain how you will monitor and review your plan and who will be responsible for doing this.

## ADDITIONAL PLANS

### ***Fundraising Plan***

This should include details of how much money you will need to raise, and how you intend to go about it. Who have you previously applied to? Would they be willing to reconsider renewed applications? Consider the specific emphasis of any new projects/ strategic directions you are considering. Do your research! Is there anyone new who you could apply to?

### ***Marketing Plan (Where appropriate)***

How will your service users hear about your project? What do you provide for them that others do not? How can you raise the profile of your project and how do you intend to do this? What will you need to spend on leafleting and how often? Your plan will need consider all these areas and demonstrate that your objectives can be realistically achieved within the budget that you are proposing.

## MORE DETAILED ADVICE ON BUDGETS AND CASH FLOWS (With thanks to Future Builders for this information)

### **BUDGETS**

- Make them as accurate as possible; check what the actual figures are. Do not *guess* what will you spend on salaries, utilities etc – look at what you have paid previously – or what other people are paying for similar posts.
- Don't forget to include other staff costs such as National Insurance, pensions, expenses etc if they are relevant.
- Include an allowance for inflation each year (eg. 1.5%) – this will affect the costs of employing staff as well as many other items of expenditure. It is unrealistic to expect to pay the same year-on-year – and your staff may be unlikely to continue to work without an increase in their salaries.
- Make certain you include everything! A budget should contain all the costs of running your organisation – from rent to rates and from the cost of supplies to utility bills.
- If you are producing a budget on a spreadsheet and feel the sheet is getting too detailed, think about creating a series of sheets all linking to an overall summary spreadsheet. For example, you might have one for the costs of running your premises (containing items such as heat, light, rates etc) and then have the total of this sheet going forward to your overall summary spreadsheet.

- When you think your budget is complete, sit back and review it carefully. Does the overall picture seem to reflect your experience of the way the organisation has run over the last few years? Does it 'feel' right to you? It is common at this stage to find that some areas have been omitted or even over budgeted and this 'reality check' is a good way of finding such errors.

## CASH FLOW

- The essential difference between budgets and cashflows is best demonstrated by an example. Suppose your organisation has a post funded by a grant from the local authority. The person filling the post works full time, 12 months of the year, but the Local Authority pays the grant in quarterly instalments and 3 months in arrears.
- A month by month budget would usually show the expenditure on the person's salary as spread evenly over 12 months and would normally show the income spread over 12 months as well. This reflects the way the organisation thinks about employing staff - they are paid every month so it is normal to match up the income and expenditure in a similar fashion.
- However, that is far from what would actually happen in cash terms - the cashflow would show the actual situation – so the payment for April, May and June would come in a single lump sum payment – in September - even though the salary *payment* has to go out each month! This could give you a real problem of paying the salary costs for up to six months before receiving any grant towards those costs.
- If this pattern were repeated across a number of budget areas, such cashflow variations could make a significant difference to the amount of cash (often called 'working capital') you would need to keep your organisation's finances in a healthy condition.
- You therefore need to bear this in mind when creating your cashflow – make sure it reflects when the money will actually arrive and when it will leave your account to pay your bills.
- It is nearly always easier to construct your budget first and then build your cashflow from that; once you know *how much* you need to raise or spend then you can think about *when* it is likely to arrive or leave.
- You must include both opening and closing cash balances in your cashflow – since a cashflow seeks to reflect the amount of cash in your business, you must know how much you started, and will finish, the year with.
- The opening balance (the amount of cash your organisation had prior to the start of the cashflow) must link either to the figure in your last set of audited accounts or to the last set of management accounts produced in your organisation.

*See Further Resources page to download a Cash flow template*

## INDEX OF BUSINESS JARGON

### *Analysis – Step 6*

#### **SWOT**

This is a well know marketing tool, used in the preliminary stage of a business plan to assess your organisation's current situation. You should consider your internal and external:

**S**trengths  
**W**eaknesses  
**O**pportunities  
**T**hreats

#### **STEEPLE (aka PEST)**

The following are all factors you will need to consider in analysing the *External environment*. How will these issues impact upon your organisation, the services you offer and the objectives you are trying to achieve?

**S**ocial  
**T**echnological  
**E**conomic  
**E**nvironmental  
**P**olitical  
**L**egislative  
**E**thical

### *Objectives – Step 7*

#### **SMART**

Another well known planning tool, utilised in setting useful *objectives* or targets, which can easily be evaluated. Your objectives must be:

**S**pecific  
**M**easurable  
**A**greed  
**R**ealistic  
**T**imed

## FURTHER RESOURCES

### Internal Environment

- OSW Good Practice Guide. Includes details of how to go about implementing Equality and Diversity policies, visit: <http://www.osw.org.uk/about/documents.asp>

### Strategic Planning

- For free guidance on strategic planning and how to write a mission statement visit (this is an American site): [http://www.allianceonline.org/FAQ/strategic\\_planning/what\\_s\\_in\\_mission\\_statement.faq](http://www.allianceonline.org/FAQ/strategic_planning/what_s_in_mission_statement.faq)

### Risk Assessment

- "Tools for tomorrow—a practical guide to strategic planning for voluntary organisations". Available for £24.50 from the NCVO website. Visit: <http://www.ncvo-vol.org.uk>
- The Charity Commission has also published guidelines, Visit: <http://www.charity-commission.gov.uk/investigations/charrisk.asp>

### Budgets and Cash Flows

- Download a free cash flow template, visit: <http://www.futurebuilders-england.org.uk/makingapplication/content.asp?Alias=3.4%20making-an-application>

## WORKSHEET LIST

- Worksheet 1 - Timetable for writing your Business Plan
- Worksheet 2 – Vision, Mission and Values
- Worksheet 3 – SWOT Analysis

## EXAMPLES LIST (Only available in hard copy)

- Housing Justice Vision, Mission and Values
- Aims/ Objectives example (UNLEASH, 2002)
- Cash flow projection example
- Work Plan example (Edinburgh Cyrenians)
- Funding Strategy (UNLEASH 2002)
- Cat Chat Business Plan
- Chapter 18 'How to implement Strategy' from 'Planning and Managing Change', 1986, The Open University.
- Chapter 5 'The Plan' from "Planning Good Relations", 1991, The Open University.

# WORKSHEET 1

## *Writing your Business Plan Timetable*

Writing a successful business plan involves a collaborative process and the input of many different individuals. Therefore a high degree of organisation is needed, and to manage this a timetable should be drawn up of when the necessary meetings will take place and when the different sections of the business plan will need to be finished. Below is a list of the basic tasks that need to be completed and a basic timetable structure for planning when these will take place.

### CHECKLIST – TASKS TO DO:

1. Nominate a Champion for the Business Plan. This person is responsible for seeing through the process and making sure the timetable is adhered to.
2. Organise an initial meeting with trustees, staff and regular volunteers. At this meeting you should agree upon Vision, Mission and Values statements and write these up. As these will inform your aims and objectives it is not strictly necessary for staff and volunteers to attend other meetings.
3. The current situation: ask yourself 'where are we now?'. To help you access your organisation as it is at the moment, use the analysis tools SWOT and STEEPLE. These should be written up for evaluative purposes.
4. Strategic direction: ask yourself 'where do we want to be?'. First discuss your broad aims then consider how these could be put into measurable, time framed (SMART) objectives.
5. Set deadlines for writing up sections (Steps) 4-7 of the Business Plan.
6. Assign someone (preferably the treasurer) with the responsibility of producing a budget for the length of your plan, as well as someone else to write the fundraising and marketing plans. Set deadlines for these and circulate for approval.
7. Pull together all the different sections in the finished Business Plan including front cover, contents page and executive summary and circulate for final approval from the trustees.
8. Set a date to review the plan and make any necessary changes.

*This is just an example. You will probably have to amend this list of tasks or add your own*



## WORKSHEET 2

### Vision, Mission and Values

#### VISION

The vision gives the ultimate goal of what the future would look like if the organisation achieves everything it wishes to.

**Our Vision:**

#### MISSION

The Mission is the overall purpose of the organisation.

**Our Mission:**

#### VALUES

The basic beliefs all those involved in the organisation share.  
All activities have to reflect your values.

**Our values are:**

# WORKSHEET 3

## Undertaking a SWOT analysis

**Strengths**

**Weaknesses**

**Opportunities**

**Threats**