BUSINESS PLANNING

Plunkett Foundation

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FOOD FOR GOOD IN YOUR URBAN COMMUNITY

An introduction to business plans for groups setting up a community food business

Contents

Front cover image: Vibol Moeung

Introduction

If you are looking to set up a community food business, you may be aware that all businesses need and benefit from having a good business plan.

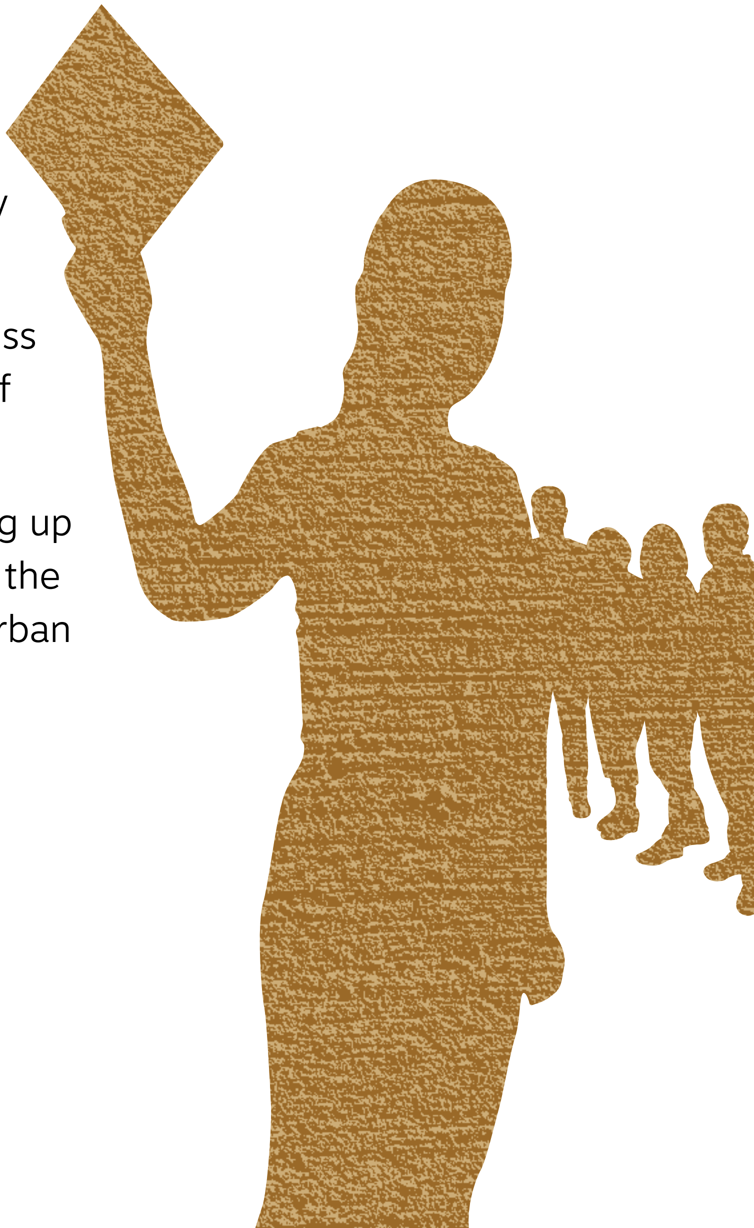
This guide is intended to help you produce a business plan by explaining

- why a plan is needed
- how to tackle the planning
- what to include in the plan, and finally
- how to present it.

The guide also includes useful tools such as templates for presenting your project's financial forecasts, which are your predictions as to how much money will be raised and spent, and when.

Inevitably some jargon is used in business planning, so there is a handy glossary of terms at the end of this guide.

For further help and advice about setting up a community food business, please see the accompanying Food For Good in your urban community: How to set-up guide.



What is a business plan?

A business plan sets out how you will go about running a specific activity, or a series of activities, over a defined period of time. Essentially, it explains the aims of your business and critically, how you will reach these aims.

You might be setting up and running what might be considered a relatively small community food business, but this doesn't mean that you don't need to produce a business plan. Simply put, it will be a document that explains who you are, what you want to do, why you want to do it, where you want to be after a certain amount of time, what you will need in order to get there, who you hope to benefit, and what success will look like.

Why do we need a business plan?

Producing a business plan enables your steering group or management committee to generate a collective understanding of your business idea, how you can articulate it, and how you will deliver it to 'your market'.

Writing a business plan involves forecasting what can happen within the environment in which you are operating, so it encourages you to consider how you might need to adapt to changing circumstances, protect yourself against risks, and take advantage of any opportunities that arise. A business plan is therefore key in demonstrating the viability of what is being proposed, which is why funders or investors will typically ask for a business plan before they decide whether to support you.

In addition to helping you to demonstrate the viability of your idea and support your pitch to funders and investors, business planning helps the different people (stakeholders) involved in your group to unite around your business idea and crucially, provides you with a route map to your ultimate destination and a series of benchmarks by which to measure your progress along the way. Therefore, the importance of effective business planning cannot be overstated: if you *fail to plan*, you could be *planning to fail*.

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Where do we start?

Your group needs to allow itself enough time to develop the plan so set aside a good 2 or 3 days to work through the initial stages of planning (although compiling the information, especially if you haven't started your market research yet, will take a good deal longer).

Work together as a group, using this guide, to go through the key components of the plan. One useful way of working is to run a workshop with all group members, using a flipchart to capture everyone's ideas and thoughts.

Having a single individual with overall responsibility for drafting the content of the plan should ensure that the resulting document is coherent and focused, so ensure that someone with good writing skills is nominated to write the actual plan.

It is important to keep revisiting the plan at different stages in its development, to ensure that it continues to reflect the full range of views within your group. So be prepared to spend time on the review stages. Each draft will need to be reviewed by as many of your group members as possible.

Here is an example of a business planning framework adopted by a community-based organisation with a small staff team:

- From your steering group (or management committee), establish a business planning sub-group comprising three to five members, including a good writer and the Project Manager or Chairperson).
- Produce terms of reference for the sub-group setting out the roles within the group, how often it will meet, how it will communicate between meetings, and how it will report on its progress.
- Organise a workshop for the whole group to discuss and make decisions on the key aspects of your business plan.
- Produce a first draft document (using a shared online document if preferred) based on material generated as a result of the workshop and any meetings, plus additional input where necessary.
- Present the first draft to the full steering group or management committee and ask for feedback.
- Make essential changes and revisions.
- Produce the final plan that reflects the revisions.
- Present the Executive Summary (always written last!) of the final version to the full steering group or management committee.

Working with an adviser

Often groups decide to work with an adviser to help them produce a business plan. This can mean employing the adviser to write the plan for the group, or simply asking the adviser to provide some feedback on a plan that the group has produced itself.

Key to the use of advisory support for business planning should be that the stakeholders thoroughly understand and feel ownership over the resulting document.

As long as this balance is maintained, a good adviser can bring a level of expertise and specialist know-how to the planning process that the group may otherwise not have.

Many charitable organisations can provide fully-funded advisory support for community businesses, so you should explore your options.

If you do decide to hire a consultant or an adviser, try to follow these good practice guidelines:

- Produce a concise written brief that sets out exactly what you want and over what timescale.
- Ask three or four advisers to furnish you with a written proposal of what he/she is going to provide against the brief and what this will cost. Asking around will ensure that you end up with good value for money.
- Ensure that the adviser that you hire has an established track record: ask for a CV and two current references.
- Before you begin working together, establish a written agreement that sets out what is expected from each party. You could ask the adviser to draft this if you are not sure how to go about it.
- Over the advisory period, make sure that there are regular review points so that you can monitor progress.
- Ensure that you have a clear end point to the advisory process, so that you do not become dependent on the adviser.

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How far into the future should we be planning?

The timeframe of the business plan is sometimes referred to as the 'planning horizon'. Typically, groups produce three-year business plans as anything longer can become speculative, as it is difficult to forecast into the long term with any degree of certainty.

Anything less than three years, and the process will be more like short-term action planning. However, some funders prefer to see five-year business plans and so it is important to establish the fund-raising context of your plan-writing before starting: if you wish to raise investment through community shares, for example, in which case you probably need to plan ahead for more than three years.

Bear in mind that having produced a three or five year business plan, you will need to refresh it annually and ultimately develop a new one at the end of the period. Revisiting the plan every year will show you how well you have forecasted and where you need to adapt your plans for the future.

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What should a business plan include?

There is no set way of structuring a business plan or of compiling its contents, nor any standard benchmark on how many pages it should be in length. However, you should always try to make it as concise and succinct as possible.

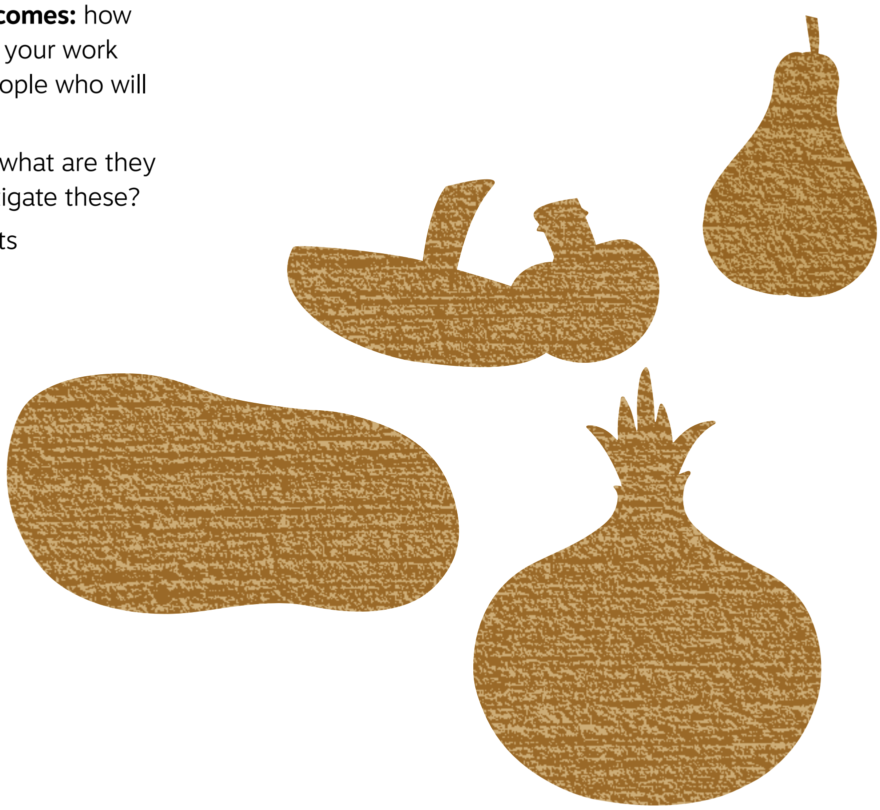
There are certain aspects that should always be included in a business plan:

1. **Your mission, aims and objectives:** what are you trying to achieve?
2. **Your organisation:** who is involved and is it a sound business idea?
3. **Your products, services and activities:** exactly what are you going to do and sell?
4. **Your market and your strategy:** who will you be targeting and what evidence do you have that you can succeed in this market?
5. **Your competitors:** who are they and what are their strengths and weaknesses in comparison to your model?
6. **The resources you need to start the business:** how many people will you need? What sort of facilities might you need? How much will it cost?
7. **Your revenue:** how much of your product or service do you intend to sell? What is your estimated income? Will you make a profit?
8. **Your targets, outputs and outcomes:** how will you measure the results of your work (for example the number of people who will benefit)?
9. **The risks that you are facing:** what are they and how will you control or mitigate these?
10. **Your budget:** Financial forecasts

These 10 areas are the essentials of any business plan, although you might also want to include:

- The biographies of your team members
- A brief overview of the background to the group, its history and track record
- A list of the partners you are working with
- A review of the strategy and policy environment in which you are operating (this could refer to any key strategies and policies at a national or local level that might have an impact on your business or group, such as the strategy of your local Health & Wellbeing Board)

Now let's look in more detail at each of the 10 essential components in turn. This exercise is designed to build the foundations of the business plan – it is the **business planning process**. The written plan might cover things rather differently but first you need to understand your business fully and draw up the raw material for the document.



1. Mission, aims and objectives

You need as a group to clearly identify your mission, aims and objectives – in other words, to specifically define what the business intends to achieve and how it will go about it. By doing this, you are also describing the ethos and underpinning principles of your organisation in a way that other people can easily understand.

This involves deciding exactly:

- **why** your group or business exists (its **mission**);
- **what** the group is trying to achieve (its **aims**); and more specifically
- **how** the group or business will do things (its **objectives**).

By way of example, the **mission** of a community owned shop might be:

To make affordable, good quality food easily available to the local community.

Put simply, this is why it exists.

Let's imagine that an **aim** flowing out of this mission is:

To recruit and support a team of volunteers to run the community shop.

Just to note, as a general rule of thumb, it would be good for you to limit the number of aims to between three and five - too many aims and your project will come across as disparate or unwieldy, too few and the project may appear too narrow in focus.

You then need to list your **objectives** that derive from each **aim**.

Make sure that your objectives are always **'SMART'**, that is:

Specific - worded precisely and simply so that everyone can understand.

Measurable - objectives need to be written in terms that can be counted or measured: if you can't quantify an objective, how do you know if you have achieved it?

Achievable -set objectives that you know you can achieve and then once achieved, you can set yourself a new objective. This breaks your journey down into small, manageable steps.

Realistic - linked to achievability, objectives always need to be realistic.

Time-related - set a definite deadline for each objective.

For example, objectives to achieve the aim of recruiting and supporting a team of volunteers might read something like:

- Run at least 4 community networking events each year to promote volunteering opportunities
- Recruit at least 10 volunteers each year
- Offer 5 days of induction and training for each volunteer
- Provide each volunteer with a monthly supervisory support session

Targets will flow naturally out of these objectives (see section 8 on *Targets, outputs, outcomes and impacts*).

2. The organisation

Who will be involved with the business and in what way will they contribute to its success? How does your group relate to the community it intends to serve? Who has power and responsibility within the business? How will it be run – by a few self-selecting entrepreneurs or will it be run by its customers, its workers, or other people with a trading relationship?

Determine who all the stakeholders are in the business and what their relationship is to the business (a **stakeholder** is defined as anyone affected by the activities of the organisation).

Also examine whether you have the right people with the right skill sets in your steering group. This exercise will help you define and describe your governance structure and business model.

It is well worth producing a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis. Strengths and Weaknesses are *internal* to your group or business, while Opportunities and Threats are *external*.

Strengths are the things that make your group or the business special. They may include your offer to the community, your funding and the skills of the steering group or management committee, and staff team.

Weaknesses are the areas in which your business is not so well resourced. A group can become aware of its weaknesses by looking at other organisations and 'benchmarking' (comparing/contrasting) their strengths against your own. Weaknesses might include underdeveloped business skills, lack of access to funding, location, lack of publicity and so on.

Opportunities relate to factors outside the business that can allow the group or business to develop. This might include the prospect of partnering up with another organisation to jointly provide services or the launch of a new funding programme.

Threats are the opposite of opportunities and refer to the negative pressures in the outside world that endanger your business's future. Threats might include lack of demand for your business or new competitors.

List and rank factors in the four boxes below (it's good to work on this as a group).

Strengths Internal factors that offer an advantage	**Weaknesses** Internal factors that present a disadvantage
Opportunities External factors that require action to bring benefits	**Threats** External factors that may damage the business if no action is taken

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3. Products, services and activities

What exactly are you going to do? And who will be your customers? You should briefly describe your products and services: what sort of food will be on offer? Will it include fresh fruit and vegetables, frozen foods? This is an opportunity to describe your USPs (Unique Selling Points) too.

If your community food business is linked into a wider scheme, then specify what this involves. For example, you might be proposing to offer training in healthy cooking, using food supplied by the community shop. In this case you will need to state what the training consists of, the skills that the trainer will have, and whether it leads to accreditation.

Develop a list that identifies the sorts of people you wish to reach out to with your services, and how you intend to reach the different demographic groups in your community. This can be described as your **community engagement plan**.

In addition to *what* you are going to do, make sure you establish *when* you are going to do it! A brief description of the timeline is always useful and a detailed timeline can be put into the appendices, or in a section of its own towards the end of the plan.

4. Markets and strategy

Who will be your customers and how will you reach them? A key element of business planning is demonstrating that there is a market (that is, customers) for the proposed business. You need to be clear that not only can you provide the product or service, but that you can prove the demand for it. Does the community actually want this enterprise, and are they likely to engage with it in the way that you wish?

To demonstrate a need within your community for such a business it is worth seeing whether other similar enterprises have been successful in the same sort of environment. Contact other local businesses, groups and organisations, and if possible arrange visits to those that have "already done it".

To establish the demand there will be for your products and services, and the likely revenue you can earn from them, you will need solid data. This will involve market research on how many local people are likely to use your business, what sort of products they might be looking for, how much would they be willing to spend on average, how often and so on.

Your market research can be conducted through a combination of meetings, interviews, online surveys, hard-copy questionnaires and focus group exercises (this is called **primary research**). As well as considering the likely uptake for your products and services, segment your likely customers by the type of product/service you intend to offer: for example if you were offering special offers at lunchtime, which demographic group you would be aiming for, and why.

Below is a **Market Research Action Plan** template that you might use, in the context of a community shop.

The results of your market research will be an important part of your business plan, because it will answer the question "Will it fly?"

There are existing sources of information or data that can back up your case (known as secondary research), such as:

- Census data
- Index of Multiple Deprivation (IMD) data, demonstrating income levels within the community
- Previous local surveys

Part of your analysis of the probable success of the business will involve describing how you intend to target your products/services toward each segment of your identified market. Make sure you consider a marketing strategy for each group of potential customers, as they will need to be reached by slightly different marketing approaches.

Market Research Action Plan

Market research	SMART Targets	Rresponsible	Timescale	Summary of findings
Undertake community survey using handheld questionnaire	Survey at least 500 people	Project Volunteers	Jan to March	85% of respondents said they welcomed the idea of having a community shop; 50% said they would use it at least once a week, while 25% said they would use it at least fortnightly
Facilitate focus groups	3 focus groups of 6-8 participants (targeted according to age groups)	Project Volunteers	April to June	Key messages re 'buying criteria' are: Low cost food Range of foods to cater for cultural diversity of the community Link to other food-related initiatives, e.g. training in cookery, development of local community garden that can grow food for sale at the shop
Run pop-up shop at local community centre	Run this for 1 week	Project Volunteers	May to June	250 customers used pop-up shop @ an average unit spend of £5 = £1250 in takings Cost of stock: £750 Operating costs: £150 Net profit = £350

5. Competitor analysis

Your business plan should contain a competitor analysis. This involves identifying all of your key competitors, reviewing their strengths and weaknesses, and exploring how you will relate to them.

Here is a template you might use to capture this analysis:

Listing your competition, and how you are likely to set yourself apart and succeed against that competition, is a crucial element in building your business identity.

Competitor analysis				
Competitor	**Product summary**	**Strengths**	**Weaknesses**	**Competitive strategy**
Local supermarket	Broad range of low cost products	Economies of scale Strong supplier relationships Low cost	Does not offer locally-sourced food Does not link food retail to wider social offer Travel time and cost for local people (not within walking distance)	Compete on the basis of: Sourcing local food Linking food retail to wider social offer (e.g. training in healthy cooking) Use a volunteer workforce to achieve comparable unit pricing

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6. Resources and costs

Once you have worked out what products and services you intend to deliver and how you wish to deliver them (your **strategy**), you will be in a position to identify the resources you need, and subsequently to cost those resources.

There are three main types of resources for any business:

- **Human resources** – your community food business may require paid staff as well as volunteers who perform certain functions without a salary.
- **Physical resources** – these might include a building from which to operate, equipment or machinery.
- **Financial resources** – your group will need access to cash to pay for the first two types of resources.

To manage your resources efficiently, consider the mix of people and skills you will need to manage and lead the organisation, and how they will work together effectively. You will also need to be prudent and realistic when it comes to costing out physical resources, and remember that your resource needs when up and running may be different to those at the start-up stage.

Costs at different stages

Once you have worked out what the business's resource needs are, you can begin to cost your business plan: this will form part of your financial forecasting and budgeting (see section 10, *The Budget*).

Costs should be split into two key stages of business development:

(i) Pre-start and start-up

This refers to costs needed to help set up the business, for example the cost associated with producing a business plan if you are hiring someone to help you, the cost of legal advice for setting up the business or legal structure, and recruitment costs if you need to recruit any staff.

Even if some of these costs are offset by being sourced through charitable organisations or by individuals giving their services pro bono (free of charge), it is best to itemise them within the budget and show their source and monetary value, e.g. what the legal costs might have been if not donated.

This shows that you have managed to attract 'in-kind' investment (non-cash-based), which will give (cash-based) investors such as banks, grant-funders or shareholders confidence in your business and therefore helps to unlock their financial support.

(ii) Implementation

These are the costs of running the business once it has been set up, such as rent and utilities, staff wages, expenses for volunteers and so on.

Understanding how costs work

As well as helping you produce the budget for your business, it is useful for your group to understand how costs work. Every community food business needs to cover its costs so that it can break even, and then, after that, make a profit.

The terminology here may be unfamiliar but it is worth dividing your costs into different types.

First, you need to differentiate between what are called 'fixed' and 'variable' costs.

Fixed costs are those that are always there, regardless of the level of activity or sales. A good way of grasping the notion of fixed costs is to think of the costs which will always apply regardless of the demand – such as a building and core staff. For example, if you are offering training courses in healthy cooking, for one local person to benefit from this training the fixed costs will be a building, a trainer to work with him/her, and so on.

Variable costs change or vary with the level of activity. For example, as demand for your business grows, the stock, staffing and services may also need to grow.

You also have to consider the difference between direct and indirect costs.

Direct costs are those that are directly associated with the delivery of activities, for example the cost of a sessional trainer involved in delivering healthy cookery training within a community food hub. In contrast, **indirect costs** are not directly linked to project delivery; for example the cost of a manager who ensures that the hub building is running smoothly so that training sessions can take place.

7. Revenue forecasting

In your business plan you will need to give a brief description of your current financial position, and what your financial position is likely to be at the end of each succeeding year (at the end of Years 1, 2 and 3 for a three-year plan, for example).

You have already looked at your costs, and now you need to look at your income. At the start-up stage, you will probably have some grant, loan or investment funding. Going forward, your income will derive from sales of products and services and this is where you have to make some **assumptions**, as you haven't started selling yet!

When starting a business you have to base your assumptions of its likely financial success on some facts, although occasionally that can seem very difficult. By carrying out market research you will have produced some figures which can be used as a forecast of **sales revenue**, that is, the income that the business receives from selling goods or services.

If you want to sell fruit and vegetable boxes to local people, and in your market research you asked about the number and size of boxes that customers might purchase a week from you, then the results would allow you to assume that you can sell, for example, 30 small boxes, 15 medium sized boxes and 5 large boxes each week.

If the small box is priced at £10, the medium at £12 and the large at £15, then this would equate to:

30 x small boxes @ £10	**£300**
15 x medium boxes @ £12	**£180**
5 x box boxes @ £15	**£75**
Total	**£555 (a week)**

This sort of exercise gives you an easy starting point.

To produce a **revenue forecast** for the business plan your group needs to work out how much income it will be able to attract over the period of time covered in the plan (such as three or five years).

There is a simple equation to work this out:

Unit price x volume of sales = total sales revenue

For example, if a community food hub includes a community café that sells healthy snacks, and the market research revealed that the anticipated customer spend would be £5 per snack, and they expected to sell 20 snacks a day, 6 days per week for 50 weeks of the year, then the gross sales revenue will be:

£5 unit price x 120 units sold (20/day x 6 days) x 50 weeks = £30,000 sales revenue per annum.

Profitability

The sales revenue you generate is also called your *turnover*. Bear in mind, though, that the level of turnover is not an indicator of financial health. What is more important is the net profit or surplus that you make. Profit/surplus is the amount left from your revenue or turnover after you have considered your costs.

So, if your community food hub generated £100,000 in total sales revenue/turnover over the year and the total associated costs *including* all overheads such as staff, transport, equipment, loan repayments and utilities were £90,000, the net surplus would be £10,000.

This could be further expressed as the net profit margin, which is the ratio of your profit to your turnover. In other words, on a surplus of £10,000 against an overall turnover of £100,000, your net profit margin would be 10% (£10,000 profit divided by £100,000 turnover, expressed as a percentage).

If your total costs are greater than your total revenue, you will make a loss, rather than a profit.

An important way of assessing profitability is to look at the **gross profit margin** – this is a measure that is critical to the success of the business and should be measured regularly. The gross profit margin is a financial calculation that tells you a lot about a business's overall financial health. It reveals how much money is left over for operations (e.g. salaries and overheads), facilities, expansion, debt repayment, distributions to shareholders and other miscellaneous expenses.

The gross profit margin is worked out as:

(revenue from sales minus cost of goods sold) divided by revenue from sales

The cost of goods sold in a community shop, for example, would be the amount that is paid for the stock. In a growing business it is not quite as straightforward but might include the cost of seed, cost of packaging and any other costs that are crucial to having a product for sale.

Example: A community shop sells £100,000 of stock, which cost £70,000 to buy from wholesalers and other suppliers. The gross profit margin would be:

(£100,000 - £70,000) = £30,000 divided by £100,000 = 30%

When working on your revenue forecast, you can check whether you can improve profitability by asking:

- What is the optimum price that you can charge?
- Can you supply the product at a cost sufficiently lower than the price to make a profit?
- Have you included in the cost of supply everything like growing, making, promoting and delivering your product?
- Are there alternative specifications for the product that can increase or reduce the cost of supply and/or the price you can charge?

8. Targets, outputs, outcomes and impacts

If you are setting up a business then it goes without saying that you want to make an impact! You want good outcomes! But how will you measure your success?

In section 1 we talked about your mission, your aims and your objectives. Taking this one step further, you can establish targets from your objectives.

For example, if an aim is to recruit volunteers and one objective is to recruit 10 volunteers per year, then you can define this as:

*Our **target output** for volunteers recruited annually is 10.*

Outputs lead to certain **outcomes**, and outcomes in turn culminate in **impacts**. In the case above, the **outcome** of 10 community volunteers being recruited is that 10 local people acquire new skills and experience, while the ultimate **impact** might be that five of these volunteers go on to set up other food projects within the community.

Activities - the actual work your group delivers

Outputs - the immediate result of your activities

Outcomes – the second level results that flow out of the outputs

Impacts - the ultimate changes that are brought about

Example:

Activity - recruit community volunteers

Output - 10 volunteers recruited

Outcome - 10 individuals acquire new skills

Impact - volunteers go on to set up other food projects within the community

You might alternatively use something like the following **Targets** table to set out your aims and objectives and how these then result in **outputs**, **outcomes** and **impacts**.

Targets				
Aim	**Objective**	**Output**	**Outcome**	**Impact**
To recruit and support a team of volunteers to run the community shop	To recruit at least 10 community shop volunteers each year	Minimum 10 volunteers	10 volunteers acquire new skills and experience	5 volunteers go on to set up other food projects within the community

Clearly these are forecasts, but you need to make them as realistic as possible. Try to set yourself challenging, yet achievable targets and build into your plans the time to monitor progress as a regular routine. This kind of target-setting, and the subsequent monitoring of the impacts, is known generally as **impact measurement**.

Impact measurement is important in the context of your overall mission, and if you are setting up the business with a strong social mission then many of the targets you set and the impacts you measure will be social in nature.

Another form of target that you will need to set are **sales targets**. For example, if you want to sell fruit and vegetable boxes to local people, then you might set a target that you will sell 30 small boxes, 15 medium sized boxes and 5 large boxes each week.

Use measures that are really straightforward to help you monitor progress as you go: e.g. sales turnover, number of customers, gross margin percentage.

Celebrate small successes on the journey: it can be a great motivator for everyone!

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9. Risk analysis

All businesses carry risks, so you need to be prepared by asking: What could go wrong on the way? Assess every aspect of your idea for risk. Typical areas of vulnerability to think about are People, Operations, Reputation, Procedures, Project, Financial, Technical, Natural, Political, Social.

Think about the consequences of each risk and then assess the likelihood of it happening. Be realistic and honest with yourselves – a flip chart would be handy while doing this exercise.

A narrative of the risks and how you will mitigate them should be included in the main body of the business plan, while a more detailed **risk register** is useful as an appendix.

Your **risk analysis** can build on your SWOT analysis (from Section 2), drawing on the highlighted weaknesses and threats to identify risks.

For example, if one of your identified weaknesses is underdeveloped business skills within the management committee and one of your threats is a new competitor opening up, these could be combined into a risk such as: our underdeveloped business skills will mean that we are out-manoeuvred by competitors.

You should then analyse each of the identified risks in terms of likelihood - how *likely* is it that the risk will occur - and impact - if the risk did occur, what would its *impact* be on the business. You can score both the likelihood and the impact as High, Medium or Low and develop a simple matrix for this to give an overall score (which you can rank in more detail if you wish):

Risk Analysis		**Impact**		
		Low	Medium	High
Likelihood	High	**Medium**	**High**	**Critical**
	Medium	**Low**	**Medium**	**High**
	Low	**Low**	**Low**	**Medium**

Mitigation of risk

Once you have scored the risks as Low, Medium or High, you need to consider the measures you would put in place to control the risk. These can be either preventative measures (i.e. trying to reduce down the probability of the risk occurring) or curative measures (i.e. trying to minimise the impact of the risk, assuming it does occur).

Responsibilities

It is useful to agree at the outset who will be nominated for leading on the mitigating actions.

Risk Register

Once you have listed your risks and their consequences you can create a risk register to demonstrate:

- the risks
- their consequences
- likelihood of them happening
- their likely impact
- their risk level (likelihood x impact)
- mitigating actions, also called control measures
- the nominated person responsible for leading on the control measures

Below is an example for a community bakery:

Risk Register						
Risk	**Consequence**	**Likelihood**	**Impact**	**Risk Level**	**Mitigation**	**Nominated Responsibility**
Locals do not support the community bakery	Downturn in footfall to the bakery	**Low**	**High**	**Medium**	Offer a loyalty scheme to retain existing customers Review and revitalise our marketing campaign Maximise revenue through wider food hub offer (e.g. charged for training in healthy cooking) in order to offset any short-term downturn in bakery trading income	Manager & Community Engagement Volunteers

10. The budget

Typically a business plan will include a detailed financial forecast, frequently presented as a table in an appendix. Known as the budget, this forecast covers all income and expenditure for the number of years the business plan covers.

We have already looked at expenditure in section 6, *Resources and costs*, and income in section 7, *Revenue forecasting*.

The budget will need these calculations but in more detail. For example, spend should be broken down into three costs:

- **Raw materials & stock** – if you are running a community shop, for example, you will need to buy in supplies of food wholesale, in order then to sell on to customers.
- **Pay** – if you have a paid worker or workers, you need to factor in basic salary and associated on-costs (National Insurance and pension contributions). You should also include volunteer expenses here.
- **General running** – You need to calculate the general costs associated with running the business, such as:
- Staff/volunteer training
- Office costs e.g. stationery, postage, photocopying, telephone, internet
- Overheads i.e. heat and light
- Rent (if applicable)
- Equipment maintenance
- Marketing/promotion
- Insurance
- External professional fees (e.g. cost of accountant)

Your business plan should also include a **cash-flow forecast** which shows the flow of money coming into and going out of your business over a defined period (if you produce a three year business plan, then the cash-flow forecast should cover three years).

Cash-flow is a key part of financial sustainability. Businesses can be highly profitable, and yet struggle because their cash-flow position is poor, as they are spending on resources upfront but being paid in arrears for their services.

As you will also need to include a **balance sheet** for every year that the plan covers, you may need to seek professional support and be sure to budget for the cost of that advice in your plan.

A template Financial Forecast can be downloaded at www.plunkett.co.uk

Presenting the Business Plan

By now, you will have put together a lot of information and in the process you will have learned a great deal about the community food business you are setting up. It is now time to put the finishing touches to the plan to make it presentable to other people, so that they can understand it as well as you do! This involves making it easy to read, ensuring that the contents are backed up by any relevant supporting documents and that it resembles an official document.

Cover page

The cover page states the name of the group/business, the fact that the document is a business plan, and gives the month and year of publication. It also states the business plan timeframe.

Table of contents

This page appears after the cover page and should list in order the sections of the business plan, starting with the executive summary. Page numbers should be included.

Executive Summary

The executive summary is the first item readers will see after the table of contents. It needs to excite the readers so they will continue to read your plan. Keep it short, ideally no more than two pages and preferably one if at all possible. The executive summary should present the highlights of the plan and the following questions offer you some guidance:

- Who are you?
- What are you planning?
- Why are you planning it?
- How will you do it?
- When will you do it?
- What will happen?

This forms the introduction to all of the material you have created while working through the ten key areas described in this guide. You can use any heading you like for these different sections or merge a couple of sections together if you prefer (this is not intended as a template but is a reminder of what must be included to make a good plan).

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Vibol Moeung

The Vision

This section covers your mission, aims and objectives. A good vision should be inspiring and compelling. It should outline the social impact and benefits you wish to bring to people and demonstrate your motivation and aims for the business.

The Organisation

This covers your organisational structure and the skill sets and experience of the people involved in running it, including staff and volunteers. The SWOT analysis can be included here to show you have thought about the strength of your proposition.

The Business

This covers your products, services and activities. It includes a brief description of operations - how the business will actually run, who looks after what, how you will deliver your products and services to your community.

The Market

This covers the market research you have done, to show that you have established the demand and that you have a strategy to meet that demand.

The Competition

This shows that you have analysed the competition in your chosen marketplace.

The Costs

This covers the resources you need to set up and demonstrates you have considered all the costs involved in the business going forward.

The Income

This covers your revenue predictions and shows that you have worked out that the business can be profitable.

The Impact

This summarises your overall targets for the business, its outputs, outcomes and its social impacts. It demonstrates what you will regard as success and describes how you will measure it.

The Risks

A realistic appraisal of the risks facing the business and how you intend to mitigate them.

Appendices

These should include detailed financial forecasts (the **Budget**), including: income and expenditure forecasts, cash-flow forecasts and projected balance sheets for the years of the plan.

You can also include any information that you have compiled supports the narrative within the main body of the plan, such as:

- Short biographies or CVs of the main people involved in the group/business
- A timeline covering the various stages of developing the business
- Detailed results of your market research
- A risk register.

Glossary

Here's a list of some of the key terms you may come across when you are writing your business plan.

Cash-flow forecasting

This shows the flow of money coming into the business (income) and money going out of it (expenditure) over a defined period.

Fixed and variable costs

Fixed costs do not change with the level of output e.g. rental of a telephone line. Variable costs do vary with level of output e.g. telephone charges for the duration of the call.

Financial forecasting

A key part of business planning is financial forecasting. This involves projecting how much your activities will cost and what income you will be able to attract through selling goods and services, and through securing grants and donations.

Net Profit and Net Profit Margin

Net profit is the money you make once you have deducted all of your costs, including general overheads, from your total revenue. The Net Profit Margin is the net profit divided by total sales, expressed as a percentage.

Gross Profit and Gross Profit Margin

Gross profit is the money you make once you have deducted just your cost of sales from your revenue (and before you look at overheads). The Gross Profit Margin is the gross profit divided by total sales, expressed as a percentage.

Planning horizon

The time span of the business plan (commonly three years).

Primary research and secondary research

Primary research involves generating data/information directly through means such as surveys. Secondary research requires examining data/information that already exists and someone else has produced, i.e. census data.

Sales revenue

The income the business receives from selling goods or services.

SMART objectives

These describe how you are going to deliver your project in a Specific, Measurable, Achievable, Realistic and Timed manner.

Turnover

The total income or revenue the business generates each year from the sale of goods and services.

About Our Urban Shop

Our Urban Shop was a unique pilot project that aimed to help urban communities in the UK overcome the issues of buying good food locally.

Led by the Plunkett Foundation and delivered in partnership with Locality, the pilot was funded by the Esmée Fairbairn Foundation to help urban communities access the support and resources to set up community-owned shops.

Find out more

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www.plunkett.co.uk

Phone: 01993 810 730

Email: info@plunkett.co.uk

Locality

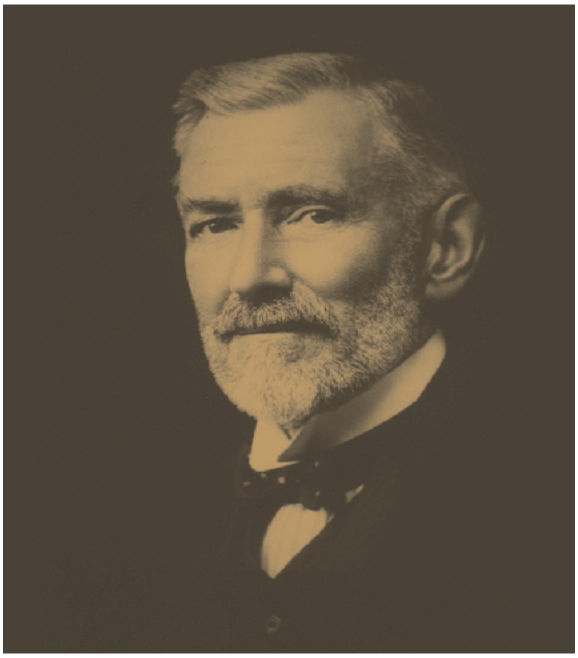
www.locality.org.uk

Phone: 0345 458 8336

Email: info@locality.org.uk

Esmée Fairbairn Foundation

www.esmeefairbairnfoundation.org



About the Plunkett Foundation

Established in 1919, Plunkett Foundation helps communities to take control of their challenges and overcome them through co-operation. We support people, predominantly in rural areas, to set up and run community co-operatives; enterprises that are owned and run democratically by large numbers of people in their community. They help people to tackle a range of issues such as isolation, loneliness and poverty, and come in many forms including shops, cafes, pubs and land-based initiatives, and anything in between.

If you share our values, ask us about becoming a member

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People are stronger together