BUSINESS PLANNING

Plunkett Foundation

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An introduction to preparing a **business plan** for a rural **community business**

Contents

Introduction

If you are looking to set up a rural community business you are probably aware that, like all businesses, it will need and benefit from having a good business plan.

This guide is intended to help your group produce a business plan by explaining:

- why a plan is needed,
- how to tackle the planning process (in 10 steps),
- what to include in the written plan, and
- 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 rural community business, please see the accompanying publication: **How to set up a rural community business.**

This guide has been produced as part of Plunkett Foundation's support for rural communities looking to save or set up a service through community ownership.

This guide complements Plunkett's core advisory service; for further help and support on setting up a community business, or if you would like to find out more about the benefits of becoming a Plunkett member, please email **info@plunkett.co.uk** or call us on **01993 810730** or visit our website at **www.plunkett.co.uk**.

Plunkett would like to thank the **Esmée Fairbairn Foundation** for their support in helping rural communities access the resources and advice to help set up community businesses.

What is a business plan?

A business plan sets out how your group 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 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.

Where do we start?

You need to allow yourself enough time to develop the plan. The initial stages of outlining the plan and harnessing everyone's ideas will take a few days. Compiling the information, especially if you haven't started your market research yet, might take a good deal longer. The detailed financial forecasting has to wait until there is clarity about the way ahead, but in the initial stages there needs to be some "back of the envelope" figure-work going on!

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. There is a Business Planning Worksheet on which to record the results of these exercises.

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:

- From your steering group (or management committee), establish a business planning sub-group comprising three to five members, including a good writer and the Chairperson.
- For the sub-group, set out each person's role, how often it will meet, how it will communicate between meetings, and how it will report on its progress.
- The sub-group should create a decision-making framework i.e. list all areas that need decisions.
- Organise a workshop with all stakeholders 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 decision making, plus additional input where possible, e.g. statistics from local parish planning, district deprivation levels, community consultation and market research.
- 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

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Help and advice

Groups frequently work with an adviser to help them produce a business plan. Depending on the skill-sets within your steering group, you may decide it is best to seek substantial support with the business planning process, or you may simply ask an adviser to provide some feedback on a plan that your group has produced itself. Sometimes, if funded support is not available, a group may feel they need to directly employ an adviser or consultant to write or assist with the plan.

Key to the use of advisory support for business planning should be that everyone involved in setting up the community business thoroughly understands and feels 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 make sure you explore your options.

If you need to employ a consultant or an adviser yourselves, try to follow these good practice guidelines:

- Produce a concise written brief that sets out exactly what you want and over what timescale.
- Ask the adviser to furnish you with a written proposal of what he/she is going to provide against the brief and what this will cost.
- Ensure that the adviser that you hire has an established track record.
- Before you begin working together, establish a written agreement that sets out what is expected from each party. Make sure that there is regular monitoring of progress.
- Ensure that you have a clear end point to the advisory process, so that you do not become dependent on the adviser.

How far into the future should we plan?

The timeframe of the business plan is sometimes referred to as the 'planning horizon'. Typically, groups produce three-year business plans: 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, though, and the process will be more like short-term action planning. Some grant-funders and social lenders prefer to see five-year business plans and so it is important to establish the fund-raising context (i.e. check, if there are particular grants you are aiming for, what they expect to see) before starting the financial forecasts. If you wish to raise investment through community shares, for example, you probably need to plan ahead for more than three years to establish the time-frame for the potential withdrawal of those shares.

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.

What should we cover in our business planning?

There is no one 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.

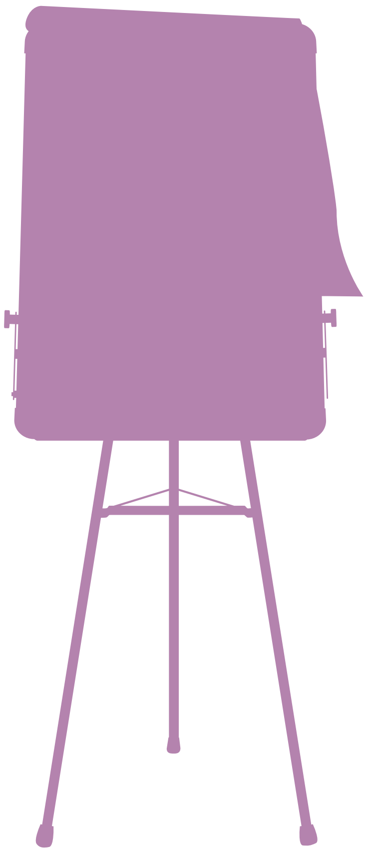
There are certain aspects that should always be included in a business plan:

1. **Your mission, aims and objectives:** what are you trying to achieve? What is the need you are hoping to meet?
2. **Your organisation:** who is involved in running it? What is the background to the group, its history and track record? How will the community business work? What does membership entail?
3. **Your products, services and activities:** exactly what are you going to do/produce/sell? How does it benefit the community?
4. **Your market and your strategy:** is it a sound business idea? Who is the target customer base 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? Where will this finance come from? How will you seek investment?
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:** what will success look like? 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? What are the liabilities of investors and members?
10. **Your budget:** Financial forecasts

These 10 areas are the essentials of any business plan, although it is useful to include (possibly as appendices):

- A detailed timeline to completing the project
- The biographies of your team members
- A list of the partners you are working with
- A review of the strategy and policy environment in which you are operating (e.g. any key strategies and policies at national/local level that might have an impact on your business).

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 compile the raw material for the document. Use the Business Planning Worksheet as you go, in order to keep most of the information for the plan in one place.



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 the **aims** flowing out of this mission are:

- ***To recruit and support a team of volunteers to run the community shop.***
- ***To offer part-time employment to individuals in the local community.***
- ***To create a community hub where local people can meet each other.***

As a general rule of thumb, keep 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. Thinking of your focus as a community business, one of your aims could be:

- ***To enhance community cohesion by offering membership and engaging local people in a community-owned business.***

You can now list your **objectives** that derive from each aim. This will give you a good focus on the project. 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.

There is a well-known acronym for setting good objectives - they should be **SMART**:

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.

Your **business targets** will flow naturally out of these objectives (see section 8 on *Targets, outputs, outcomes and impacts*). This exercise is crucial to how you will ultimately run your community business. You may not include all the detail compiled here in your written business plan but by clarifying your mission, aims and objectives at a very early stage in your planning process, you are laying down a very strong foundation. As a community business is fundamentally a social business, you are also preparing the way to prove your **social impact**.

2. The organisation and the membership

Spend a little time discussing these questions:

- Who will be involved with the community business and in what way will they contribute to its success?
- How does your group fit with the community it intends to serve?
- Who is taking on responsibilities within the business?
- How will it be run internally and what will the relationships be with the membership, customers, producers, suppliers, and any other group?
- Who are all the stakeholders in the business and what is their relationship to the business (a stakeholder is defined as anyone affected by the activities of the organisation)?
- Where will your membership be drawn from and what will entice people to join?

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 special. They may include your unique offer to the community, your funding and the skills of the steering group, management committee and/or staff team.

Weaknesses are the areas in which your business is not so well resourced. You can identify your weaknesses by looking at other organisations and 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.

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

3. Products, services and activities

What exactly are you going to do? Develop a list of your major product lines and services. This is an opportunity to pinpoint your USPs (Unique Selling Points) too. As a community business you will be more service-oriented than a private business and these services need to be defined and agreed.

In terms of the community business, think of all your likely members – they will form an important part of your customer base. What will they want the business to be offering? For example, if you are setting up a co-operative pub you might think of all the different demographic groups locally who will feel a sense of ownership, and meeting their needs will be at least as important as satisfying passing trade. Will your members want a gastro-pub? Possibly some of them will, but a proportion of them may wish to have a different type of offering, such as darts leagues or singalong evenings. Be realistic about how many concurrent services you can offer.

Develop a list that identifies the sorts of people you wish to reach out to with your activities and whether they are likely to use your business. Quite often it is not just local markets you will be catering for. For example, if you are setting up a community-owned farm or growing space you might wish to run care/support activities for people in the wider community with learning difficulties or medical conditions.

How will the business run day-to-day? This is where you need to develop an **operating plan**. Consider the activities likely to be run each day and who would be responsible for them.

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 marketing strategy

When deciding on your products, services and activities you are actually defining who you think your customers will be.

A key element of business planning is demonstrating that there is a market 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 and visit other community businesses with a similar business model as well as other local enterprises and, if possible, arrange visits to those that have "already done it". A brief description of what you have learnt from this type of investigation looks impressive in your business plan.

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 they would be willing to spend on average, how often and so on. 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.

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

Market research also gives you an opportunity for seeking investment and participation in the community business: when asking whether people would use it, you can also ask whether they wish to become members or volunteers and how much they would consider investing to cover set-up or acquisition costs.

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**).

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

There are also 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.

Marketing strategy

As an ongoing marketing approach you will need to target your products/services toward each segment of your identified market, as they will need to be reached by slightly different marketing approaches. Think ahead to how you will continue to reach your customers once the first enthusiasm has faded and how you will continue to engage members in particular.

Finally, define a plan to market and promote your community share offer if you intend to run one, covering communications, promotional activities and share application processes.

Market Research Action Plan				
Market research	**SMART Targets**	**Responsible**	**Timescale**	**Summary of findings**
Undertake community survey using handheld questionnaire	Survey at least 300 people	Project Volunteers	Jan to March	85% of respondents said they welcomed the idea of having a community café; 50% said they would use it at least once a week, while 25% said they would use it at least fortnightly (RESPONSE rate: 80%)
Undertake an online survey sharing the link on village websites and email groups	Survey accessible by 900 people	Project Volunteers	Jan to March	90% of respondents welcomed the idea of having a community café; 60% once a week; 28% fortnightly (RESPONSE rate: 20%)
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: Good quality coffee Range of snacks to cater for diversity of the community, including healthy lunches Link to social initiatives, e.g. bread-baking courses, knit-and-natter groups
Run pop-up café in village hall	Run this for 1 week	Project Volunteers	May to June	250 customers used pop-up @ an average unit spend of £3 = £750 in takings Cost of stock: £100 Operating costs: £150 Net profit = £500

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.

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.

Here is a template you might use to capture this analysis, with an example of a community shop assessing a supermarket competitor.

Competitor analysis		
Strengths	**Weaknesses**	**Competitive strategy**
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

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 resourcess.

There are three main types of resources for any business:

- **Human resources** – your community business may require paid staff as well as volunteers.
- **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 will be different to those at the start-up stage.

Costs at different stages

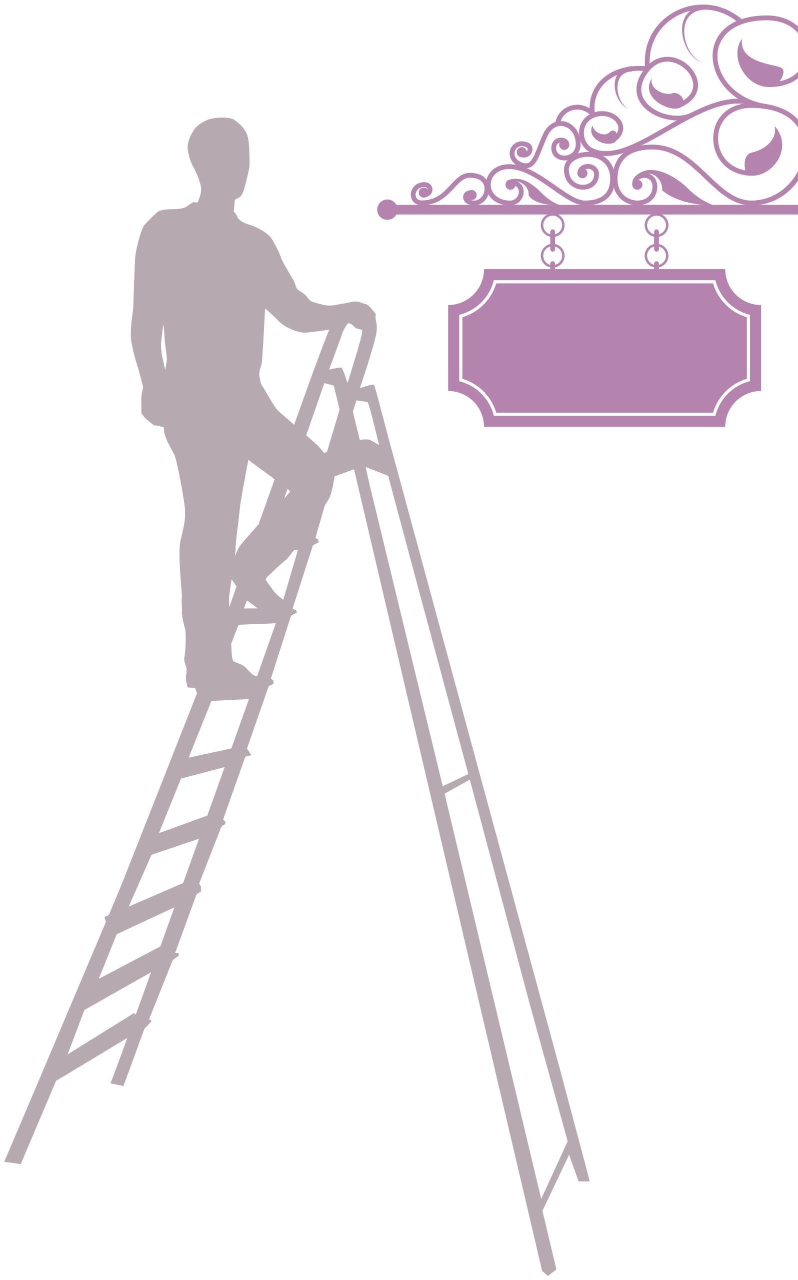
The initial costs of your project should be split into two key stages of business development:

(i) The **pre-start and start-up** phases (often referred to as the **feasibility phase**)

Pre-start costs are those incurred when you are assessing the feasibility of the entire project. There are bound to be professional costs involved in the pre-start phase that you must budget for, such as:

- Legal advice, e.g. giving advice regarding a lease
- Purchasing model rules and registering the community business
- Surveyor/architect costs e.g. in assessing suitability of a building or structure
- Consultancy costs associated with producing a business plan, e.g. an adviser or an accountant doing the financial modelling.

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 worth itemising them within your budget as “in-kind” investment.



Start-up costs are those that are incurred once you have decided to go ahead, but they will be once-only costs, and setting up your business will depend entirely on your finding the investment for this stage, whether you intend to buy and run a community pub, set up a community energy scheme or take over the lease on a local shop, and so on. These costs will include:

- Staff recruitment costs
- Deposit/advance rent payment
- Purchase and/or refurbishment of building
- Equipment purchase
- Raw materials/start-up stock purchase
- Fixtures & fittings
- Marketing & promotion.

The pre-start and start-up costs can be totalled as your overall set-up costs.

(ii) The **running costs** (or **implementation phase**)

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 terminology

There is some terminology it is worth being aware of when considering your different types of costs:

Fixed costs are those that are always there, regardless of the level of activity or sales. These costs will always apply regardless of the demand – such as a building and core staff.

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.

Direct costs are those that are directly associated with the delivery of activities, for example the cost of a barista to deliver the coffee or the costs of stock that will be sold.

Indirect costs are not directly linked to project delivery; for example the cost of a website for promoting your business.

7. Revenue forecasting

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 are setting up a community shop for example, and in your market research you asked about the amount that customers might spend a week at the shop and how many times they would visit you, you should have enough information to assess the number of customer visits you will receive each week (the *footfall*) e.g.:

650 visits per week at an average £4 per customer visit = £2,600 per week

By multiplying this by 50 weeks you can estimate that your *sales revenue* for Year 1 would be £130,000.

This sort of exercise gives you an easy starting point. You can also estimate your likely sales revenue by looking at the figures of similar businesses in a similar demographic area. Other community businesses are usually very happy to share their information.

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 that you make. Profit (or surplus) is the amount left from your revenue or turnover after you have considered your costs.

So, if your community business generated £100,000 in total 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 profit** would be £10,000, which means your net profit margin would be 10% (£10,000 profit divided by £100,000 turnover, expressed as a percentage).

Fairly obviously, if your total costs are greater than your total revenue, you will make a loss, rather than a profit. However, there may be circumstances where you have to accept this will be the situation for the first one or two years, in which case you need to make sure you have factored in these excess costs into your start-up budget.

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 or co-operative pub, 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%

Example (with more detail): A licensed community-run café, having carried out its market research, breaks its projected figures down as:

Sales revenue (Year 1)	
Food and beverages	£180,000
Alcohol	£60,000
Takeaways	£5,500
Total revenue	**£245,500**
Cost of sales	
Food and beverages	£45,000
Alcohol	£14,000
Takeaways	£2,600
Total cost of sales	**£61,600**
Gross profit	**£183,900**
Gross profit margin	**74.9%**

A café will generally have high gross profit margins but these are offset by the higher cost of staff as it is a labour-intensive business and so it would be good practice in this case to list café staff costs and other direct café costs next, followed by indirect costs (such as utilities, insurances and security).

Can you improve your profitability?

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 for your products or services?
- Can you supply the product/service 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/service or different ways to deliver it that can increase or reduce the cost of supply and/or the price you can charge?

Presentation of financial forecasting

Having worked out your community business's resource needs and costs, and your likely revenue, you have now become fully immersed in the world of financial forecasting!

In your business plan you need to give a brief narrative 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). This is in addition to the tables and spreadsheets covered below in section 10, The Budget.

This narrative is important – it will demonstrate your understanding of your financial situation and should include:

- how you have assessed your start-up capital costs, and
- how you intend to cover them, i.e. where the investment will come from (itemised as a mix of grants, loans, donations and equity e.g. community shares if you are setting up a society) and what terms apply to these sources (e.g. how many years and at what percentage interest, in the case of loans; what are the likely rates of interest and withdrawal terms, in the case of shares, etc.).

The narrative should also cover:

- what the financial performance will look like for the first three years – e.g. when the business may break even and then head into profit, and
- what assumptions these figures are based on (e.g. how many customers per month; average spend etc.).

8. Targets, outputs, outcomes and impacts

If you are setting up a community 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.

This section talks about two types of targets: your social impact targets, and your sales targets.

This all sounds rather confusing. But it is more than likely that you are setting up the business with a strong social mission, so many of the targets you set yourselves (and the impacts you subsequently measure) will be social in nature.

The monitoring of these impacts is known generally as **social impact measurement**. It is the non-financial way you will assess the success of your community business and can prove to members and funders that you are achieving what you promised them you would do.

Inevitably there is standard terminology and jargon that it helps to understand. Let us take an example, e.g. one of your aims (expressed in section 1, *Mission, Aims and Objectives*) was to recruit volunteers and one of your stated objectives was to recruit 10 volunteers per year. If this happens, it will be an **output**, and you can phrase it as a target e.g:

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 3 of these volunteers go on to work with other community-led projects and share their learnt skills.

This terminology is explained in the figure below:

The Flow of Results

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

Our example:

Activity - recruiting community volunteers

Output - 10 volunteers recruited

Outcome - 10 individuals acquire new skills

Impact - volunteers go on to work with other community-led projects, sharing their skills

You can use something like the following **Targets** table to set out your aims and objectives and how these then result in **outputs**, **outcomes** and **impacts**. In section 1 it was suggested that you concentrate on about three to five aims for your community business, so it shouldn't be a very time-consuming task to set targets for this number. Keep targets realistic!

The other form of target that you will need to set are **sales targets**. These come directly from the revenue forecasting you have been doing. For example, if you are setting up a community shop you may have estimated that your Year 1 turnover will be £175,000.

You can set targets based on this figure, e.g.:

- turnover of £3500 per week
- an average 125 customer visits per day
- an average spend of £4.

These targets will get you to £175,000 after a year and are easily measurable as the trading year goes on, as you will be checking these sorts of figures every week.

Use measures that are really straightforward to help you monitor progress as you go. **And celebrate small successes on the journey: it can be a great motivator for everyone!**

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	3 volunteers go on to work within other community-led projects

Maidenhead Advertiser

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.

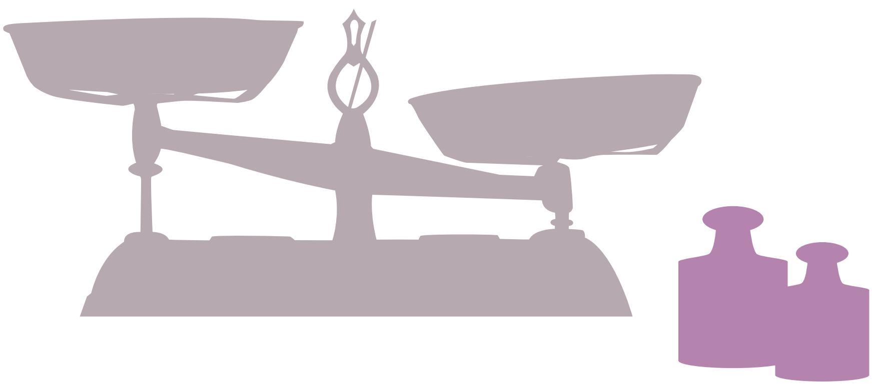
A narrative of the major risks and how you will mitigate them should be included in the main body of the business plan, while a more detailed **risk register** is useful as an appendix.

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**



Mitigating the risks

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, either by trying to reduce the probability of the risk occurring or by trying to minimise the impact of the risk, assuming it does occur.

Including a risk register in a business plan is not essential but can be useful as an appendix and of course it will be a document that those managing the community business can check against at regular intervals. Here is an example for a community bakery:

Risk Register						
Risk	**Consequence**	**Likelihood**	**Outcome**	**Impact**	**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

Every business plan should 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:

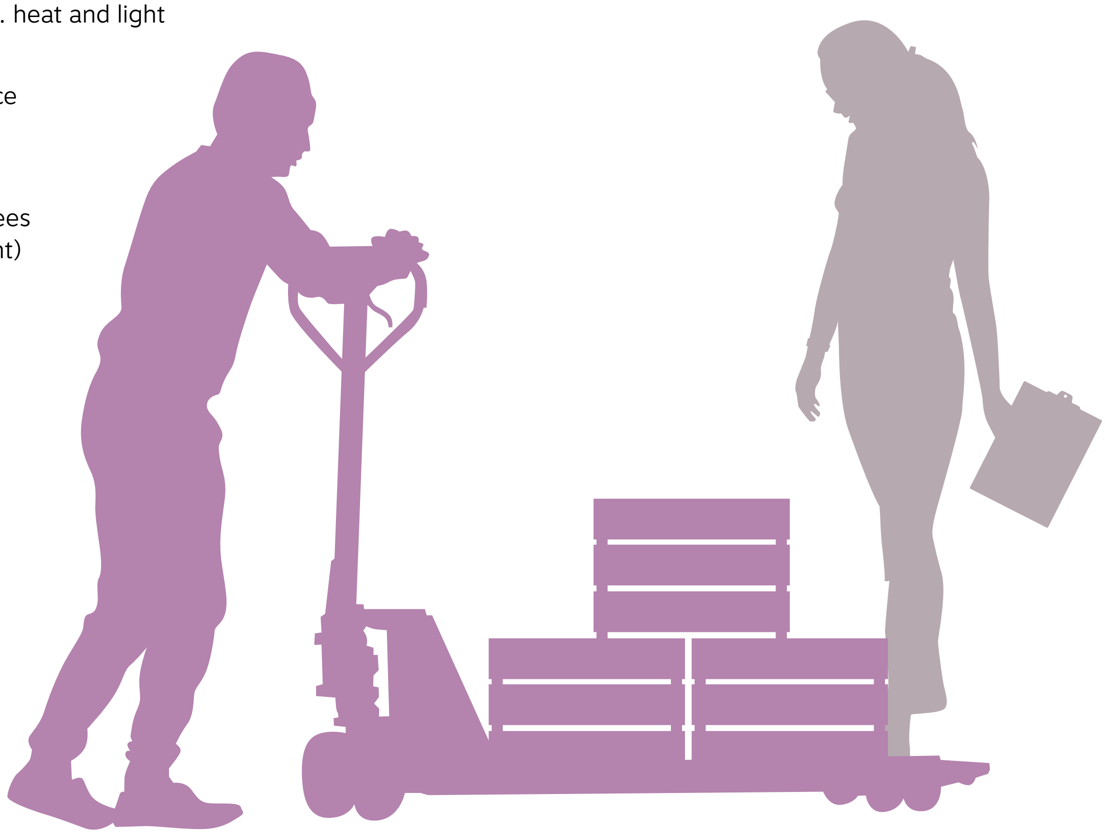
- **Raw materials & stock** – if you are running a community shop, for example, you will need to buy in supplies of food wholesale, in order then to sell on to customers.
- **Pay** – if you have a paid worker or workers, you need to factor in basic salary and associated on-costs (National Insurance and 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
- General overheads e.g. 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.

The first year's cash flow forecast will likely be different to subsequent years especially if there is a substantial acquisition or building project involved. This is the year that most investment will flow into the business's coffers as well and so the cash flow forecast can show you where you may need to juggle your outgoings to ensure you do not over-spend while waiting for a grant, for example.

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.



How to present your business plan

By now, you will have put together a lot of information (and if you have used the Worksheet it will all be recorded in one place) and in the process you will have learned a great deal about the community 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 community 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. Include the registered address and registration number of your community business (if you have these).

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:

- **What** are you planning?
- **Why** are you planning it?
- **Who** will benefit?
- **Who** is involved?
- **Where** is it to happen?
- **How** will you do it?
- **When** will it 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).

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 (ensure you give the names of all the steering group/management committee). Outline the management structure, including staff and volunteers. Explain in simple terms the legal structure of the community business, what it means to be a member, and who the community is that the business will serve. A brief description of the origins of the business is appropriate here.

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 SWOT analysis can be included here to show you have thought about the strength of your proposition.

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.

It also covers how you intend to carry out the marketing of your business in the short and long term (i.e. your marketing plan).

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. This is where you explain how you intend to cover the setting-up costs and where you intend to seek investment. If you plan to run a community share offer, explain the offer in simple terms and how the share capital will be treated.

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 that 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 and community consultation
- A risk register.

Contact Plunkett for further help, guidance and signposting on business planning for community business. Also, why not sign up to join our online community groups for pubs, shops or woodlands. Contact us on **01993 810730** or **info@plunkett.co.uk** for more information and templates.

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.

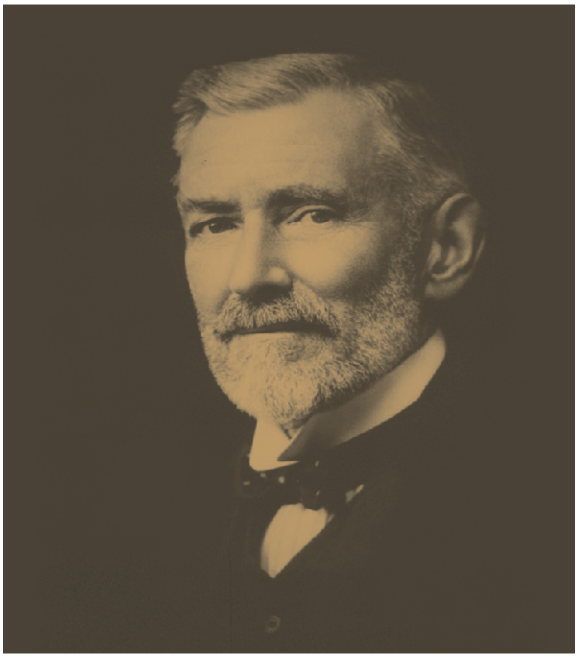
SMART objectives

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.

Plunkett Foundation



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coop People are stronger together

About the Plunkett Foundation

Established in 1919, Plunkett Foundation helps communities to take control of their challenges and overcome them through co-operation and collaboration. We support people, predominantly in rural areas, to set up and run community businesses; 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, cafés, pubs and land-based initiatives, and anything in between.

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

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