Business planning template

There is no single recipe for success when you are starting up in business – but one key ingredient for many successful start-up businesses is a well thought through business plan.

A good business plan should help you to:

1. Clarify and think through the ideas that you will already have about your business.
2. Identify the key strengths in your business idea, so you can build on these but also highlight important aspects that you might have missed or an area where you might need more help and advice.
3. Present your business idea to another person, this will be particularly important if you are hoping to obtain finance of any sort for your business. A good plan should help someone to quickly understand your business and re-assure them that your ideas are well thought through and the business is viable.
4. Check the progress of your business once it is up and running. If things aren't going as expected, a plan should help you identify and deal with any issues quickly.

The following pages contain our business plan template which we have tried to make brief but comprehensive. Completion of the plan itself shouldn't take too long, but you might find that it prompts you to do some more research, perhaps with your potential customers, before you launch your business. We have tried to make the plan useful for all types of businesses, but you might find some sections do not apply to you, in which case just miss them out. For example if you are setting up a consultancy business, the suppliers' section may not be relevant.

The final pages of the plan provide a framework for an action list – you should complete this as you work through your plan. Use your action list to record any ideas you have and capture any thoughts about things you have to do either before, or immediately after, you have started your business. This will help you make sure that your plan is a practical document that helps to get your business off to the best possible start.

Business plan – an outline

Executive summary

You may find it easier to complete this section last. It should contain a summary of the key points of your business plan and why you are confident your business will succeed. Some of the areas you might want to think about including are:

- What the business is.
- Who the key people are and what skills and experience they have.
- Why you think it will be successful.
- What product or service your business will be selling, and what your Unique Selling Point (USP) is.
- Some brief detail of the projected financial performance of the business and how it will be financed.

My business

Business name:

Address:

Postcode:

What am I doing?

Use this space to briefly describe your business. (For example, I am starting a new business selling ice creams or I am buying a franchise business selling sandwiches in Birmingham City Centre.)

What type of business will I set up as?

(For example, sole trader, limited company or partnership.)

What is my vision for this business – short and long term?

At the end of the first year my goals for this business are:

In 5 years' time my goals for this business are:

My product or service

My product or service is:

In this section provide a full description of the product or service that your business will be supplying.

The Unique Selling Point of my business is:

This is one of the most critical elements of your business plan. Put down what it is about your business that will attract customers away from whoever they buy from at the moment and then keep them loyal to your business.

The price of my product or service will be:

Outline here the prices you will charge and your pricing policy for your product or service and how this has been decided upon. How does this compare to your competitors? You should also detail whether you will be offering your customers credit terms, and if so what they are.

What I know about my prospective customers

In this section give details of any market research you have done and what you have learned from this. (For example, you might have sat outside the shop you are thinking of buying and counted that 300 people walk past it every day.)

I have carried out the following market research:

What I have learnt from this research is:

The types of customers I anticipate will buy my product or service are:

In this section add anything you know about the particular type(s) of customers who will be the primary buyers of your product or service. (For example, if you were setting up a day nursery, you might put working couples with young children living or working within 5 miles of Weston-super-Mare town centre.) Defining your customers like this can really help when you begin to think about how you are going to promote or advertise your business to these individuals.

Promoting or advertising my business

In this section list down the methods you will use to reach your potential customers and tell them about your business. (For example, you might take an advert in the local paper or do some leaflet drops. You might also want to include in this section details of anything special you are going to do to launch your business.)

Competitors

In this section list down who your key competitors are going to be and what their relative strengths and weaknesses are. You might find it easier to list specific competitors – or alternatively think about groups of competitors. (For example, if you were setting up a business to sell specialist running shoes, you might think about the local sports shop who you will be competing with, but also some of the Internet-based sport shoe companies.)

Competitor	Strengths	Weaknesses

Key people

Use this section to list the key people who are going to be involved with the business, including yourself. Also detail what particular skills and experience, which are relevant to the business, they have and what they will be responsible for.

Key person	Relevant skills and experience	Their responsibility in the business

Skill gaps in my business
List down here any key skills that will be required for your business which are not available at the current time. (For example, you might want to think about who will do the books, or take charge of marketing.) If there are gaps in the skills required to make your business successful detail how you are going to fill these, this might mean attending a training course or employing a part-time book-keeper.

Suppliers

In this section list down your key suppliers – if you have any. Who are they and why have you chosen them particularly? What credit terms are they prepared to offer you, and what other alternative suppliers do you have if a problem develops with the one you have chosen?

Supplier	Why did I choose them?	Credit terms offered	Alternative supplier if necessary

Premises and equipment

Where am I going to be working from?

Detail here the particular premises you will be working from and why you have chosen them. If you are buying or renting premises for this business, include details of how much you are paying, whether you will need to do any alteration work, and any other relevant details about the lease etc.

The equipment I will need:

List down here any equipment that you already have available, and any you will need to buy.

The set up costs of my business are:

Use this section to list down the initial costs of getting your business started, include the equipment you will need and the basic things you might need to run your business, perhaps a van and a PC. You may well need some additional working capital to enable you to buy stock and keep the business running until you begin to get paid. You can use the cash flow forecast, which forms part of this plan, to work out how much you might need.

Item to buy	How much?
Total:	

I am going to finance these costs by:

Use this section to list down the money you either have available or are looking to raise to get the business started. (For example, you might have £20,000 of savings to put in yourself but are also looking for a loan of £12,000 to put towards the cost of a van and the new PC your business needs.)

Source of funds	Amount	Repayment terms – if any

Forecast templates

This section provides you with templates for:

- cash flow forecast
- profit and loss forecast.

The two most important factors relating to forecasting are:

- ensure you complete them – they can appear off-putting to some people but do not underestimate their importance in helping to understand how your business will perform in the future
- make it as realistic as possible – there's no point in putting together an overly ambitious cash flow forecast and then discovering in six months' time that you are running out of working capital.

It's important to understand that cash and profit are two different things and your cash flow forecast can, and probably will, look quite different to your profit and loss forecast.

This is because a profit and loss forecast is based on the amount of overall sales and expenditure you make in a given period. In the case of our template this is a year but you can also break down a profit and loss forecast by month.

A cash flow forecast on the other hand is based on when you actually receive payment from your customers and when you pay for any expenditure.

This difference is particularly important if your business receives credit from suppliers and/or provides credit to customers.

Let's look at a specific example of a receipt:

- A customer placing an order with you in month one may not physically pay the money into your account until month two. While the invoice amount should be displayed in your profit and loss forecast as soon as the invoice is issued, you will need to factor the delay in payment into your cash flow forecast so that the receipt of payment appears in month two.

The following worked example should help you to complete a cash flow forecast for your new venture.

Cash flow forecast

This forecast is simply a record of when you expect to take money in and when you have to pay it out. It's important because you need to know if and when you'll be paying more out than you'll be taking in, so you don't have an unexpected cash crisis.

Below is an explanation of what you need to do to estimate your cash flow needs and some things you should think about.

Different months often produce different cash flows. It's particularly important to get this right if your business is affected by seasonal trends – increases and decreases in demand. For example, many landscape gardeners are far busier in the summer and this will clearly affect their spread of receipts and payments throughout any year. If your business is seasonal, you'll have to plan to have enough money to see you through the quieter periods.

Receipts

The forecast should cover everything relating to your sales. All incoming money should be included, be it from cash customers or credit customers. If you plan to sell any assets during this period, put them in. If you plan to put money into your business at any point, this should also be shown.

Payments

This covers everything relating to your expenditure. Where is your business incurring costs – paying suppliers, purchases, salaries (including your own), rent, heating and electricity and any other charges you may be liable for?

For both receipts and payments, enter the months you expect to receive or pay out the money for all these transactions. This is really important if:

- your suppliers offer you terms of payment (credit), and/or
- you choose to offer your customers terms of payment (credit).

If your business deals purely in cash sales and payments it should make your cash flow forecast simpler.

You're bound to be optimistic about your business prospects, but it's best to be slightly cautious when working out your receipts. That way, your business will be better prepared if the sales do not come in quite as quickly as first expected.

Try to complete as much of the cash flow forecast as you can. Make educated guesses. At this stage, anything is better than nothing.

Listed below are several notes which help to explain our worked example:

Note 1: The majority of customers are given 30 days' credit. Therefore, in the first month (January) no payment has been received from these customers. Instead, their payment appears in month 2 (February).

Note 2: This figure assumes that suppliers have insisted on cash payment for the first twelve months. Therefore all expenditure made in month one has been paid for in month one. This has implications for the amount of working capital required in the early months of this business. Particularly as the business has not received payment for a high proportion of the sales it made in month one (see Note 1).

Note 3: Tax may not be payable in the first year of business. However, provision should be made for payment the following year.

Note 4: If you are in any doubt, ask your accountant or other professional adviser to help with this estimate.

Worked example

Enter month	January		February	
	Budget	**Actual**	**Budget**	**Actual**
Receipts (Enter these in the month when you actually receive your money)				
Cash sales – excluding VAT	1,500		1,500	
Cash from debtors – excluding VAT	-		2,500	**Note 1**
Interest earned	-		-	
Loans and grants	-		-	
Capital introduced	-		-	
Other income	-		-	
A: Total receipts	1,500		4,000	
Payments (This shows when you have to pay for the goods you buy in rather than when you receive them)				
Payments for supplies bought on credit – excluding VAT	-		-	**Note 2**
Cash purchases – excluding VAT	600		600	
Salaries and wages of staff	833		833	
Drawings/salaries/dividends of owners	-		-	
PAYE/National Insurance payments	-		-	
Tax	-		-	**Note 3**
Rent	650		650	
Rates	-		-	
Water rates	-		-	
Heating, light and power	50		50	
Telecoms	40		40	
Postage and stationery	-		-	
Advertising	84		84	
Motor and travel expenses	-		-	
Repairs and renewals	-		-	
Professional fees	41		41	
Insurance	64		64	
General expenses	-		-	
Bank/Finance interest and charges	-		-	
HP and leasing payments	-		-	
Purchases of plant, equipment etc.	-		-	
Loan repayments	-		-	
B: Total payments	2,362		2,362	
C: VAT received in sales	-		-	**Note 4**
D: VAT paid in costs	263		263	**Note 4**
E: Net VAT payable – enter in month payable	-		-	**Note 4**
F: Total cash in (A + C)	1,500		4,000	
G: Total cash out (B + D + E)	2,625		2,625	
H: Net cash flow (F – G)	-1,125		1,375	
I: Opening bank balance	0		-1,125	
J: Closing bank balance (H + I)	-1,125		250	

Cash flow – sheet 1

Enter month												
	Budget	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**
Receipts												
Cash sales – excluding VAT												
Cash from debtors – excluding VAT												
Interest earned												
Loans and grants												
Capital introduced												
Other income												
A: Total receipts												

Payments												
Payments for supplies bought on credit – excluding VAT												
Cash purchases – excluding VAT												
Salaries and wages of staff												
Drawings/salaries/dividends of owners												
PAYE/National Insurance payments												
Tax												
Rent												
Rates												
Water rates												
Heating, light and power												
Telecoms												
Postage and stationery												
Advertising												
Motor and travel expenses												
Repairs and renewals												
Professional fees												
Insurance												
General expenses												
Bank/Finance interest and charges												
HP and leasing payments												
Purchases of plant, equipment etc.												
Loan repayments												
B: Total payments												

C: VAT received in sales												
D: VAT paid in costs												
E: Net VAT payable – enter in month payable												
F: Total cash in (A + C)												
G: Total cash out (B + D + E)												
H: Net cash flow (F – G)												
I: Opening bank balance												
J: Closing bank balance (H + I)												

Cash flow – sheet 2

Enter month												
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Receipts												
Cash sales – excluding VAT												
Cash from debtors – excluding VAT												
Interest earned												
Loans and grants												
Capital introduced												
Other income												
A: Total receipts												

Payments												
Payments for supplies bought on credit – excluding VAT												
Cash purchases – excluding VAT												
Salaries and wages of staff												
Drawings/salaries/dividends of owners												
PAYE/National Insurance payments												
Tax												
Rent												
Rates												
Water rates												
Heating, light and power												
Telecoms												
Postage and stationery												
Advertising												
Motor and travel expenses												
Repairs and renewals												
Professional fees												
Insurance												
General expenses												
Bank/Finance interest and charges												
HP and leasing payments												
Purchases of plant, equipment etc.												
Loan repayments												
B: Total payments												

C: VAT received in sales												
D: VAT paid in costs												
E: Net VAT payable – enter in month payable												

F: Total cash in (A + C)												
G: Total cash out (B + D + E)												
H: Net cash flow (F – G)												
I: Opening bank balance												
J: Closing bank balance (H + I)												

Annual profit and loss forecast

This is a simple way to show what your profit will be at the end of your first year. It's more than just how much money you have in your bank account at the end of each month – it's a way of seeing how successful you'll be.

Basically, you subtract your total outgoings from your total sales. Try to complete the profit forecast as it will help you to understand the viability of your business.

Income, costs and expenditure are entered as soon as you, or one of your suppliers, raise an invoice – you do not need to factor in when the actual money will be paid.

Let's look at a specific example of a cost:

A purchase you make in month 11 may not need to be paid until the first month of the following year. Nevertheless, as the supplier raises an invoice in month 11, and you have committed to spend the money the amount must appear in this year's profit and loss forecast.

The following worked example should help you to complete an annualised profit and loss forecast for your new venture.

Listed below are several notes which help to explain our worked example:

Note 1: Examples of other income include interest received on any credit balances, or profit from the sale of an asset, e.g. a vehicle.

Note 2: This should include your own salary as well as that of any employees, partners and directors.

Note 3: You'll need to assess the lifespan of cars, equipment, machinery etc and make a charge against profits to reflect their decreasing value. For any one piece of equipment the total depreciation over the years must at least equal its original value by the time it comes to be replaced. You may want to consult an accountant or other professional adviser to help with the calculation of depreciation.

Worked example

Income

A: Total income from sales	£90,000	
B: Other income	£	Note 1
C: Total business income (A+B)	£90,000	

Direct costs

Purchases	£48,500
Change in stock (opening stock – closing stock)	£1,000
Other direct costs	£10,500
	£
D: Total direct costs	£60,000
E: Gross profit (C–D)	£30,000

Expenditure

Employment costs	£10,000	Note 2
Mortgage interest/rent/lease of property	£7,800	
Rates	£	
Water rates	£	
Heating, lighting and power	£600	
Telecoms	£480	
Postage and stationery	£	
Advertising	£1,000	
Motor and travel expenses	£	
Repairs and renewals	£	
Professional fees	£500	
Insurance	£768	
General expenses	£	
Bank interest and charges	£	
Loan/HP interest	£	
Leasing payments	£	
Depreciation	£500	Note 3
Others	£	
	£	
	£	
	£	
	£	
F: Total expenses	£21,648	
Net profit (E–F)	£8,352	

Annual profit and loss forecast

Income

A: Total income from sales	£
B: Other income	£

C: Total business income (A + B)	£

Direct costs

Purchases	£
Change in stock (opening stock – closing stock)	£
Other direct costs	£
	£
D: Total direct costs	£

E: Gross profit (C – D)	£

Expenditure

Employment costs	£
Mortgage interest/rent/lease of property	£
Rates	£
Water rates	£
Heating, lighting and power	£
Telecoms	£
Postage and stationery	£
Advertising	£
Motor and travel expenses	£
Repairs and renewals	£
Professional fees	£
Insurance	£
General expenses	£
Bank interest and charges	£
Loan/HP interest	£
Leasing payments	£
Depreciation	£
Others	£
	£
	£
	£
	£
F: Total expenses	£

Net profit (E – F)	£

Action list

What needs to be done?	Who needs to do it?	When does it need to be done by?	Done ✓

What needs to be done?	Who needs to do it?	When does it need to be done by?	Done ✓