

Starting a Business

Module 3: Planning your business

The Starting a Business Guide is designed in six modules so that you can select the ones that are right for you:

1. Overview

A summary of the material in other modules giving you the basic steps you'll need to take in order to set up your own business.

2. Is starting a business right for you?

Information and activities to help you decide whether running your own business will suit you.

3. Planning your business

Planning the practical and legal aspects of your business.

4. Finding and keeping customers

Researching the market, getting your business offer right and successfully selling to customers.

5. Managing money

The key skills needed to organise your business finances and how to apply for funding.

6. Your business plan

Collate the information that you wrote in the worksheets into an essential or comprehensive business plan.

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

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

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

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

How to use this module

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

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

- Tips for how to maximise your business
- An action plan at the end of this module to help you plan your activity for starting up.

Module 3: Planning your business

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

Why do you want to set up a business?

What type of business?

Naming your business

How will you run your business?

Your responsibilities

Summarising the business plan

Action plan

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

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

The business plan has four main purposes:

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

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

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

Who needs to see your business plan?

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

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

Get started with your business plan

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

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

Worksheet: Key personnel - Details of owner(s)

Write in the details of your key personnel. This is information about you and any of your business partners and their relevant experience and skills.

Name

Position/main responsibilities

Experience and knowledge of our industry

Previous employment

Key skills

Academic/professional qualifications/training

Why do you want to set up a business?

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

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

The goals for your business

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

Find out more

For more information see Module 2: Is starting a business right for you?

Worksheet: Identifying your goals

1. What do you want to achieve in your first year of business?

Think about:

- How many key customers do you hope to have?
- How will your business have grown?
- Will you need staff?
- What will your premises requirements be?
- Where do you see the business being financially?

2. Think about your longer-term objectives:

- Where do you see your business in 3-5 years' time?

- What are the possible trends that will affect your market, customers and competition? (e.g. the introduction of new technology, or new products)

- What will be the effect of those changes on your business? (e.g. staffing, location, premises, and financing requirements.)

What type of business?

When setting up your business, you need to decide what type of business it will be.

Every business has a legal status (the way it's viewed in law) and there are four main types, with a fifth for those businesses that are run for social purposes only:

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

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

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

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

Limited Liability Partnership (LLP): In a Limited Liability Partnership, the partners are not personally liable for the debts of the business and the LLP has the same organisational flexibility of a partnership. The partners are taxed in the same way as a partnership, and tax is charged on all the profits whether or not they're distributed to the members.

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

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

There are many different types of social enterprises, including community development

trusts, housing associations, worker-owned co-operatives and leisure centres and Community Interest Companies (CICs).

Find out more

Legal structures: the basics <https://companieshouse.blog.gov.uk/2018/07/18/choosing-the-right-business-structure/>

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

Naming your business

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

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

Find out more

Company name and trade mark checker: <https://beta.companieshouse.gov.uk/company-name-availability>

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

Case Study: [Here's how I chose the name for my business](#)

Name:

Company:

What I did:

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

How will you run your business?

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

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

Staff: What staff will you need, if any?

Will they be full-time, part-time, casual or temporary? What will they do? How much will you pay them?

Premises: Working from home suits many people, but others will need separate premises. You may know already where you'll be working from but, if you don't, draw up a list of what you need from your premises to help you decide.

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

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

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

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

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

Find out more

Starting a business from home:

Choosing the right suppliers:

Capacity planning

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

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

Think about:

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

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

Operational risks

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

Worksheet: Key business decisions

1. Deciding on staff:

Additional staff you will need to run your business.

Role (What will they be doing? How many staff in each role?)

Total cost (salary, National Insurance Contributions (NIC) etc)

What experience do they need to have?

What specialist skills and/or qualifications do they need to have?

2. Finding the right premises

Where will you be running your business from and what will be the cost?

Premises required at start-up stage:

Cost £

Premises required in the future (if different):

Cost £

3. Finding the right suppliers

Write down the names of your suppliers, what you'll be buying from them and the number of days' credit.

Your key suppliers and their credit terms:

Supplier	What you'll buy from them	Number of days' credit

4. Getting the equipment you need

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

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

Resource	When needed	How funded	Cost

5. Distribution

Product/item to transport	How often	Special requirements	Cost

6. Operational risks

Problem	Solution
Staff	
Suppliers	
Customers	
Competitors	

Your responsibilities

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

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

Income tax, National Insurance and VAT

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

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

Insurance

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

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

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

Employing people

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

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

Health and safety

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

The environment

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

Planning permission and licences

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

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

Data protection

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

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

Case Study

Here's how my business approaches health and safety issues

Name:

Company:

What I did:

The Launchpad can help with these items:

- Your type of business
- Beginner's guide to tax and accounts
- Business insurance: the basics
- Taking on a new employee
- Your responsibilities for health and safety
- Your responsibilities for the environment - an overview
- Planning permission and building regulations
- Comply with data protection legislation
- VAT rates, thresholds, fuel scales and exchange rates

Worksheet: Legal requirements

1. Insurance

Write down the insurances that you'll need when you start your business.

2. Legal requirements

Write down any legal requirements – regulations, licences or standards – that apply to your business.

3. You'll meet your legal and insurance requirements by:

Summarising the business plan

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

Now that you have had time to consider the type of company you want, you're ready to write the business details element of your business plan e.g. your contact details, legal status and what your business does.

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

Worksheet: Your business details

Name and address of your business:

Telephone number:

Legal status (e.g. sole trader, limited company, partnership, limited liability partnership, social enterprise):

What your business will do:

Worksheet: Executive summary

Write one to two lines for each bullet point summarising your business plan.

- the aim of the business
- the product/service, and its benefits to the target customer
- the market opportunity

- who will run the business
- any track record to date
- financial forecasts
- funding needs

Case Study

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

Name:

Company:

What I did:

Action plan

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

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

	What needs to be done	By whom	Date
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			