

Business Plan for seeking investment

For use with Financial
Projections Package



This business plan format has been designed to reflect the information required when applying for a loan and has involved input from a range of social investors, intermediaries and social enterprises. The intention is to help investees move through the process more smoothly and reduce the workload created in the application process by ensuring that your business plan contains the majority of information required for a loan application.

By considering the requirements of different lenders, we aimed to produce a document that will have relevance to most social investors.

This is a template, not all of it will be relevant to everyone, but it offers guidance and prompts to produce a strong, investment focussed plan. Your finished plan should be appropriate to the business you are running and the support you require. Plans are judged on content, not weight.

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1. Executive Summary

This section should give a concise overview of your plan, explaining your organisation simply, specifically covering who you are, what you do and what your futures plans are. You should also explain what additional outcomes and social impact will be created as you carry out your plans.

For example “We are Rocking Horse Nursery, a company and registered charity, providing 30 childcare places in a community setting in Durham. We have been running for 5 years and want to raise £200,000 to buy the property we work from. In doing so, we will reduce our outgoings, establish an asset base and be able to roll out plans to expand to a 50 place nursery.”

2. Background to Company

- What is the name of your organisation?
- What is your registered address and if different, what is your operational address?
- What parts of the country do you operate in?
- What is your legal structure, when was it established and what are the associated registration numbers (company, charity, CBS etc.)?

3. Mission and Objectives

- What is your purpose as an organisation? You may wish to refer back to your constitution.
- Do you exist to serve a particular geographic area or community of need?
e.g. Grimsby or single parents.
- What social impact do you currently create?
- If you have a mission statement or Theory of Change, this is a good place to include it.
(See tools section for theory of change)

4. Trading History

- Briefly explain how you have reached the current point in time.
- What did your organisation look like when it was created and what does it look like now? For example, have you moved from being primarily grant funded to building trading income? Have your activities or areas of operation diversified? Have you expanded or perhaps contracted?

An investor will ask to see your last two or three sets of audited accounts, if you have them. They will expect to see some of the narrative here reflected in the numbers in your accounts.

5. Current Business Model

- Where do you stand now as an organisation?
- What are your current activities?
- What resources do you possess? (e.g. staff, equipment, buildings)
- Where does your funding come from and are the sources stable?
- What is the mix of grant, trading and contract income in the organisation?

Using a tool such as a balanced scorecard may help you to plot the previous section, this section and the next section of the plan. (See tools section)

6. New Plans/Business Proposition

Outline your future plans.

- What are you going to keep doing, start doing and stop doing?
- What will need to change in your organisation in terms of staff, resources, skills and expertise in order to realise your plans? Please be as specific as you can.
- How will your organisation, your stakeholders and your clients benefit from your plans?

- How much investment are you looking for?
- What, specifically, will you use it for?
- Over what period of time would you like to repay the money?
- What, if any, security could you offer on the loan and what other funders will be involved?

7. Management and Organisational Structure

An investor will want to know how decisions are made in your organisation, who makes which decisions and if there are external influences on what you do (e.g. advisors, mentors, stake holders).

Outline in as much detail as you think is appropriate:

7.1 Leadership

Who are the managers in the organisation, what are their responsibilities and what are their relevant skills and qualifications?

What experience do they have of running similar businesses?

7.2 Governance

Who are your directors/trustees/committee members and what are their skills and qualifications? How often do they meet, do they have any sub-groups and what decisions do they make? What financial and management information is shared with them and how often is it shared?

If relevant who are the nominated or regulated individuals?

7.3 Skills

What is the mix of skills and experience in the wider staff team? If you work in a regulated environment, how do you maintain the required levels of staff skills and qualifications?

7.4 Compliance

Are there professional or regulatory standards that you must meet to run the business (e.g. Care Quality Commission, Homes and Communities Agency)? For example, this might be training, advice, financial services or health and safety considerations. Who awards your accreditation, how often do you need to prove compliance and how do you manage this?

What other quality standards do you hold? E.g. Matrix, IIP, ISO, Fair Trade Mark, Social Enterprise Mark.

7.5 Audit

What are your processes for internal and external audit? This might be completed by accountants, a finance manager or responsible person in a care setting for example.

How often are policies and procedures reviewed?

7.6 Advisors (Financial, Legal)

Who do you take advice from? Your answer should include regular legal and financial advisers and any specific advice required to carry out your future plans. This may include an architect, quantity surveyor, business advisor or marketing expert for example.

Who are your bankers?

8. Running the Business

This section considers the day to day operation of the business and helps an investor to understand how you do what you do and who you work with to achieve your goals.

8.1 Production

What are your products and services and how are they made and delivered?
E.g. a starting point might be “we make and sell fair trade chocolate in a rented production kitchen, employing the long term unemployed.”

8.2 Staff

Give an overview of the staff team, possibly in a diagram, but making sure to show how the team interacts and why this structure is important to running the business. How many staff do you have? Are they full or part time? What are the contract terms for your staff (fixed term, zero hours, full/part time split)? Are you reliant on volunteer labour?

8.3 Premises

Describe the premises you work from and explain why they are suitable for your business. Do you own or lease the building and has it been valued recently? If you lease premises what are the terms and conditions of the lease and who is your landlord?

Do the premises require adaption or development to be fit for purpose?

8.4 Suppliers and Partnerships

Who are your main suppliers and partners, how do you select them and what value do they bring to your business? Are you reliant on regular subcontractors and how do you secure the supply of services?

e.g. If you are you part of a consortium what value do they bring and what agreements do you have in place to ensure service delivery? For example, if you are in the food business where do you source your ingredients and what commercial agreements do you have in place?

8.5 Funders

What will your future income streams be? How are they divided between grant, contract, sales and borrowing?

What, if any, conditions are attached to those income streams?

Is your income seasonal or performance related?

Do you have any existing debt?

9. Market Analysis

It is really important that an investor understands what you do, the market place for your product or service and how you plan to keep selling successfully. In this section, you should set out the need and demand for your service.

9.1 Product/Service

Simply, state what it is that you offer, who buys it and why they buy it? You may have to do this separately for different products or services. Who are your typical customers and do you have specific target markets?

9.2 Competitors

Who are your competitors? This might be for similar services such as another café, another supplier on a framework agreement or a company competing for the disposable income of a customer.

9.3 Unique Selling Point

What makes you different from your competitors, why is this relevant to your customers and how will this help you win their business?

9.4 Marketing/Route to Market

How do you reach your customers, is it by social media, email, word of mouth, advertising or on the radio? Are they the right ways to reach your customers currently and in the future?

What are the costs of reaching your customers?

10. Finance

The effective flow of money in and out of a business is vital to survival and growth. Provide a summary of historic financials and comment on any unusual or exceptional items.

The finance section is also a good point to reiterate what you need from an investor and then to demonstrate how that investment will affect the future of your business. Any investor will want to know:

10.1 Background financials

- What has happened in the business up until now?
- What sources of income have you received?
- How profitable have you been and where do you currently stand financially?

In order to better understand your business, investors will ask for your management accounts and your audited accounts, including Profit & Loss and Balance Sheet. If available they will probably want to see account for the last 3 years, so they can spot any trends in the business.

You may wish to seek input from your finance manager or accountant.

10.2 The Future

In order to understand your financial future, an investor will ask for 3-5 years of cash flow forecasts, sales projections and an understanding of profit margins. This will show how money will move in and out of the business in the future, where your income will be sourced from, what your costs will be and what role investment will play in moving you forward?

All projections are built on assumptions, e.g. how much of your product or service you will sell, what the cost of sales will be, when your customers will pay. You should ensure that you clearly explain all the assumptions that underpin your forecasts. Please see the Profit and Loss/cash flow tool which accompanies this business plan guide.

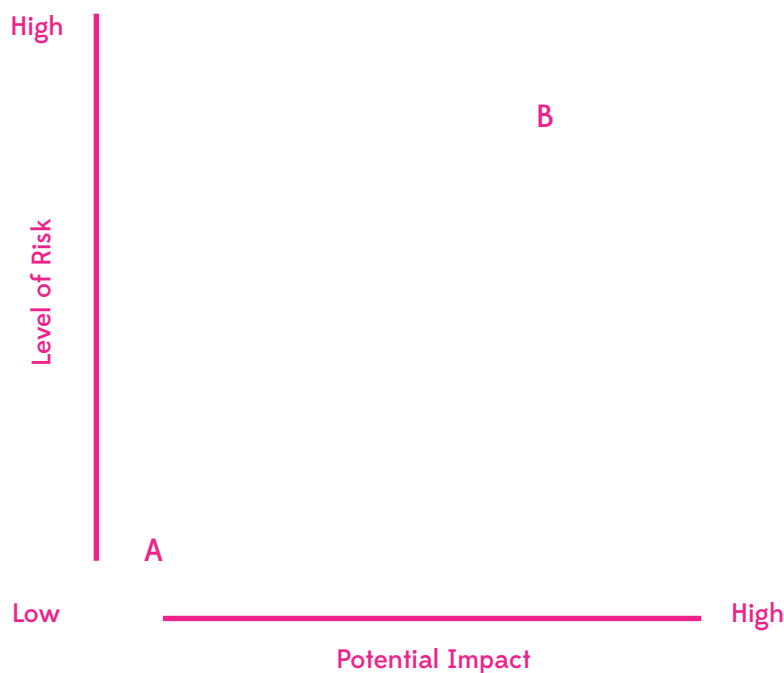
11. Risks and Risk Management

All businesses face risks. They might be operational, financial, reputational or legal.

Whilst investors will have some experience of most business sectors, it is important to be clear about the risks your business faces, what the potential impact of those risks are, how you will monitor and address risks within the business and what changes may occur as a result.

A good starting point is a PESTLE analysis which considers political, economic, social, technological, legal and environmental risks. (See tools section)

A simple way of undertaking initial risk analysis is to set each activity, product or service in the right place on the chart below. For example item A shows low levels of risk and low impact if things go wrong, however item B shows high levels of risk and impact. This means that item B might be an unattractive option or simply means it will require more detailed and active risk management.



Following initial analysis it is advisable to undertake a more detailed risk assessment that identifies the risk, potential impact, the likelihood of problems and importantly what you will do to manage the situation.

Risk	Impact	Type	Likelihood	Mitigation
No customers	High	Performance	Low	Marketing campaign
Poor service	Medium	Reputation	Low	Staff training
Some non-payment	Low	Financial	High	Good credit control

Conclusion

All business plans are slightly different, hopefully, this document will give you a good start in making yours fit for purpose. Your plan should evolve with your business and its' scale and detail reflect the relative complexity of your organisation and ambitions.

Tools

1. Theory of Change

A theory of change, in its simplest form, is a summary of actions that you will take because you expect them to result in defined outcomes within the context of your environment. For example because of 1. We will do 2. Which we expect to result in 3, giving the final outcome 4.

In this model, 1 represents the issue you are wishing to address, for example homelessness, 2 represents the specific actions you will take, for example buying houses and making them available to homeless people. Point 3 would be the impact of your actions, for example due to now being in stable accommodation, tenants felt better able to engage with health, education or employment services. Finally the outcome would be increased employment, reduced need to draw on public services and a better quality of life for the individuals concerned.

2. PESTLE

Any business will have opportunities that can be created by things such as government policy or market failure for example. Describe the key influences on your business environment and how they create opportunities for you. Give a broad policy description, state the relevance to your business and give links to any other section of the plan.

Describe the key external influences over your business using the headings Political, Economic, Social Technical, Legal and Environmental.

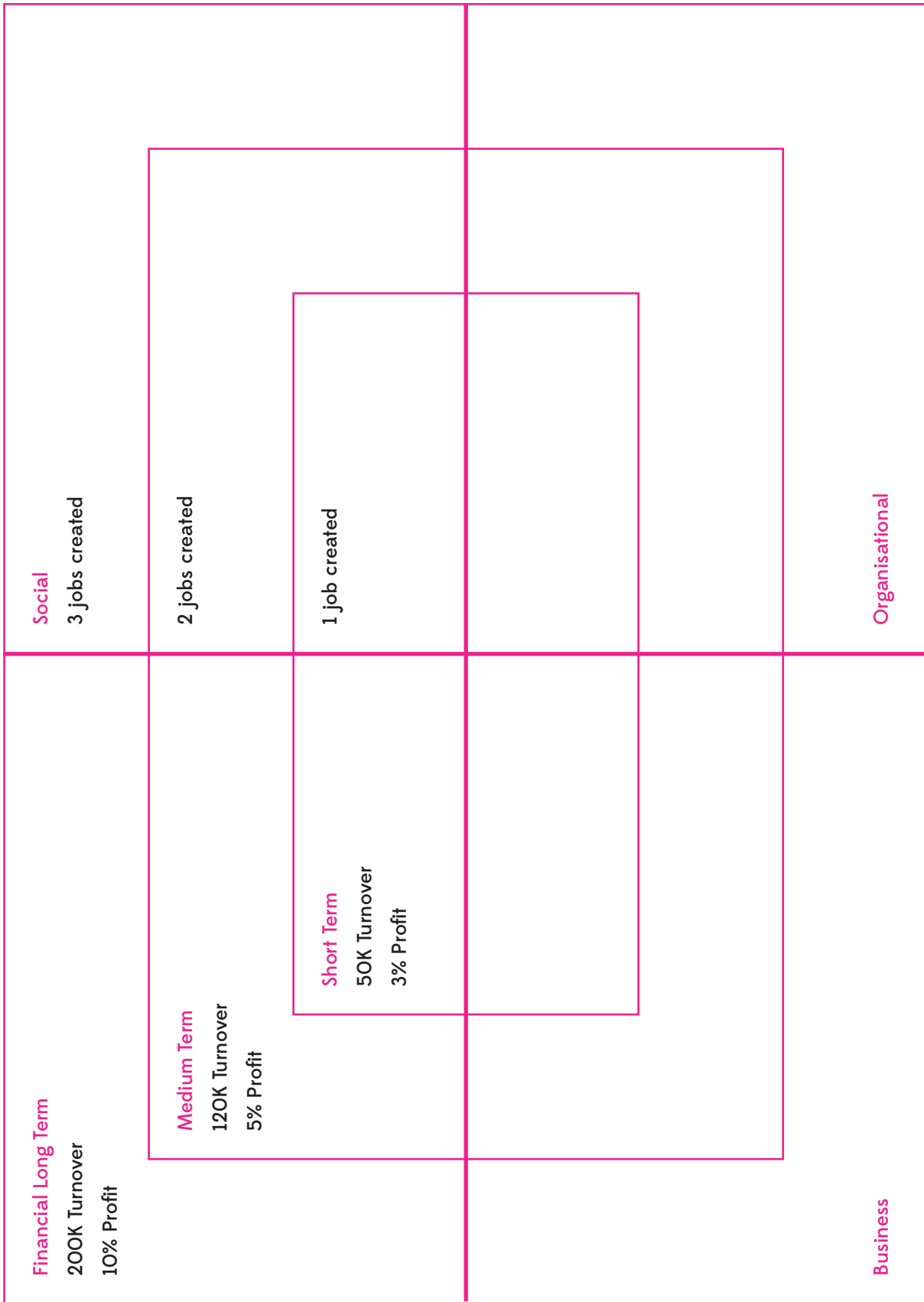
3. Balanced Scorecard

A Balanced Scorecard is a simple way to present the rounded characteristics of a business over time and how the financial, social, organisational and business model inter-relate and change.

As a Social Business, your financial and social targets will be inextricably linked and require equal consideration. The business model and organisational features will reflect the route by which the financial and social targets will be achieved. In this way we would expect to see changes in one area reflected in the others.

If your business is a new one, we would not expect high levels of social impact in the early stages of operation.

When completing the scorecard try to use summary bullet points and really focus on the core information. This will make the information much clearer and enable you to contain a little more within the template.



Change Type	Nature of Change	Impact Implication	Market Driver	Key Success Factors	Strategy Response
Political					
Economic					
Social					
Technological					
Legal					
Environmental					

Product

- What does the customer want from the business?
- What features does it have to meet these needs?
- How and where will the customer use it?
- What does it look like?
- What size(s), colour(s), should it be?
- What is it called?
- How is it branded?
- How is it differentiated versus your competitors?

Price

- What is the value of the product or service to the buyer?
- Are there established price points for products or services in this area?
- Is the customer price sensitive?
- What discounts should be offered to trade customers?
- How will your price compare with your competitors?

Target Market

Place

- Where do buyers look for your product or service?
- If they look in a store, what kind?
- How can you access the right distribution channels?
- Do you need to use a sales force?
- What do your competitors do, and how can you learn from that and/or differentiate?

Promotion

- Where and when can you get across your marketing messages to your target market?
- Will you reach your audience by advertising in the press, or on TV, or radio, or on billboards?
- When is the best time to promote?
- How do your competitors do their promotions? And how does that influence your choice of promotional activity?