



# Social enterprise business planning toolkit



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# Introduction: writing your business plan



## Why do you need a business plan?

Starting and growing a social enterprise is similar to going on an inspiring but challenging journey. You wouldn't start such a journey without thinking about where you want to get to and how you are going to get there. This means that you must first be clear about why you want to become a social entrepreneur, whether you have what it takes, and what you want to achieve.

Before embarking on your journey, you need to have an understanding of how much it will cost, how long it will take and who you might travel with. You should also consider contingencies in case things go wrong. This may be why you are looking to develop a business plan: you want to have a robust strategy for your enterprise and need to be able to demonstrate this to others.

But you may also think that social entrepreneurship is about passion, determination and vision; that opportunities and challenges will present themselves along the way and you will be able to adapt and react instinctively. You may feel that things are bound to change as you grow your social enterprise, or that your idea is still evolving. So is planning really that necessary? The simple answer is: yes.

Developing a business plan is about understanding your idea and your market inside out as much as it is about writing things down. Planning is an ongoing process about constantly anticipating, reviewing, adapting, and reacting to your environment. All these factors make business planning more important for the survival of your enterprise.

## What can a business plan do for you?

It is essential that the person or team responsible for managing and growing the enterprise is heavily involved in writing the business plan. Managing an organisation is tightly linked to its strategy - you cannot do one without the other.

The process of developing the plan is incredibly useful and will assist you with:

- clarifying what it is you want to do and why you are a social enterprise
- developing a better understanding of your organisation
- ensuring you understand and are up-to-date with your market
- creating a strong commitment with your stakeholders

A business plan is effectively your map for achieving your vision. It provides the link between your strategy and your required actions. An effective business plan provides an operational framework that makes sure decisions about products, services, customers and human and financial resources allow you to deliver your vision and mission.

## What you need to do before writing the business plan

If you are developing a business plan for the first time or starting a new social enterprise, there are a few important things you should consider.

Firstly, make sure you have the right mind-set to set up and run a social enterprise and you understand what it involves. To give you an idea, read our guide about [Becoming a social entrepreneur](#).

You should reassess your enterprise idea honestly and objectively to make sure it has business potential. Our guide on [First steps](#) will help you go through this process.

You should also start thinking about the different types of [Legal structures](#) that are available to social enterprises and what each option involves. This is important whether or not you have already registered your company. The decision about your legal structure must be informed by your business planning process and by the operational, managerial and financial implications that come with different legal structures. Therefore, it is important that you develop a robust strategy before making the final decision about your legal structure. Before settling on the legal structure you should consider your short-term requirements, but also consider what you are looking to achieve in the next few years.

If you are a charity looking to set up a social enterprise, please read our guide on [Charity trading](#) for information on what you can and cannot do as a charity.

Whether you are a start-up or an existing organisation, you should have carried out your market research and developed an understanding of what you are going to sell or provide to your market. You cannot write a business plan without defining your products and services and being positive about what your enterprise does.

On the other hand, the strategy surrounding the business plan is a work in progress. As you write the business plan, some things will change, others will be clarified. A business plan is going to be an ongoing process that you review regularly and adapt to new opportunities, threats or other changes, so do not worry if things evolve as you go along.

## What can a business plan be used for?

### Internally

- For the founder of a social enterprise to articulate what it is they want to achieve. It allows thinking to be focused. The plan then acts as a checklist or guide against which to measure future activity.
- For the employees of a social enterprise to get motivated and buy-in to the future strategy of the enterprise. It also acts as a guideline against which activities and implementation are undertaken.
- For internal stakeholders such as investors, trustees or board members to create or reinforce confidence in the management and the proposed strategy.
- As a resource to refer to or use when making funding applications.
- Within larger organisations as a document to convince budget holders to support and fund your department or project. The internal budget holders could be senior managers or trustees.
- To identify risks and allow you to create strategies to prevent or minimise the risks.
- To help you plan, deliver, measure and communicate the benefits, outcomes and social or environmental impact that your enterprise has created or contributed to.

### Externally

- The funding or finance requirement is probably the greatest driver for people preparing business plans.
- It is also a requirement by commercial lenders (e.g. banks) and investors to understand the enterprise and the logic supporting the request for finance.
- Though grant funders tend not to ask for business plans the funding application is effectively a synopsis of the business plan to justify the grant requested.
- For potential partners and collaborators to better understand you and your enterprise and why it would be worthwhile engaging with you.
- For influencers and networkers that could potentially promote you to other supporters, partners and funders.

## Things to keep in mind

- Your business plan is a communication tool for you and for your enterprise. It may have a very broad readership of people internal and external to your organisation. You need to be clear and concise. Any assumptions you are making about your business, your market, your operations, etc must be reported.
- Do not assume the reader of your plan knows anything about your enterprise or your market beyond what you have included in your plan. Many plans confuse their readers because the author is so familiar with the content that they take for granted everyone else is in the same position. Ask other people to give feedback about your plan.
- A business plan may be the only document or information that an external reader, for example a lender, investor or customer, has seen about you. Their decision to support you or work with you will be based on it. They will be judging the enterprise and your management ability on this one document.

### Things you should do



- Include a table of contents and page numbers.
- Try to keep the plan to fewer than 20 pages (not including the appendices).
- Use bullet points and numbered lists instead of long paragraphs, or to clarify specific points.
- If possible include diagrams, graphs and photographs.
- Get someone who knows a little about your enterprise and your market to critically read your plan, and make the required changes.
- Keep to the point and ensure what you are writing is relevant for the particular section.

### Things you should not do



- Do not confuse the reader.
- Avoid long sentences.
- Don't use technical words and unnecessary jargon. If you have to use a technical term, define it.
- Avoid acronyms (initials) but if you have to, define the initials and their meaning.

### Final tips



Feeling daunted by the task of writing your entire business plan? Don't think you have the time to complete the plan? At the very least try to ensure you cover all the main elements of your strategy. For example, write a few bullet points under each section of the business planning toolkit. Once you have achieved this, it will be easier to see the whole picture, realise what you need to work on and start to fill in the gaps.

Another tip many entrepreneurs find helpful, especially at the early stages when many variables are likely to change, is to present your business plan as a PowerPoint document. This can be easier to review, more achievable and faster to complete. However, bear in mind that you will only be able to produce a robust business plan if you have got all the basics right and done your research. Avoid the pitfall of developing a business plan which is full of jargon or too technical for people. Use plain language. Keep to the essential details so people don't fall asleep while reading your document!



## Section 1: executive summary



Your executive summary may be the only part of the business plan that people might read. They will only read further if what they read in the executive summary is compelling and interesting.

Many lenders, investors and other stakeholders receive thousands of business plans annually, so they do not have the time or patience to read each one thoroughly. The filtering mechanism for them is therefore the executive summary. Non-funders will also only be interested in the rest of the plan if you can catch their imagination at the start.

The executive summary is presented just after the table of contents. Keep the summary short – try not to extend it beyond two pages. It should briefly highlight the sections of the business plan. It needs to inspire the reader to continue with the rest of the plan.

For this reason it should be written last, once you have completed every other section of the business plan and you are satisfied with them.

You can make your summary exciting without too much exaggeration; you can make your organisation sound wonderful but keep it believable. The rest of the plan by contrast is likely to be factual and not as exciting.

The summary should convey information that is already in your business plan so it is fine to repeat yourself. Ensure you:

- introduce your social enterprise (include key facts as discussed in Section 2)
- provide an outline of your main products or services
- describe your social and environmental impact
- explain what the business plan is for (as outlined in Section 3)
- set out the timeframe (usually between three to five years)
- explain your social impact
- summarise your financial forecasts

Make sure if you update or change the plan you also update the summary. Too often points in the summary do not match information in the plan – this will make you look careless and make a funder wary of entrusting you with funds.

Do not use jargon or acronyms, remember the reader may not be familiar with you, your sector or your market.

Finally, ask someone else unfamiliar with your organisation to read your executive summary. Find out from them if they can understand it and check that it makes them want to read the rest of the business plan.



## Section 2: about your organisation



This section immediately follows your executive summary and is where you should provide a brief introduction to your social enterprise, what you do and who you are.

Whether you are using this business plan as an internal or external document, you should assume that the reader is not familiar with the work you do or the sector you work in.

Bear in mind that there will be opportunities in other sections to give a fuller account of your organisation so you need only provide simple descriptions at this stage.



Providing a clear and succinct introduction to your social enterprise will be highly beneficial when it comes to marketing your enterprise.

Key information you must provide:

- Key facts about your organisation
- What you do
- Personal and organisational history



To help you start, think about a few things that you would want to know about someone else's enterprise. Consider a number of different perspectives: an investor or bank manager, a potential customer and a new team member.

### 2.1 Key facts about your organisation

Start by setting out key facts about your enterprise:

- name of the enterprise
- current legal structure (mention any plans to change this in the future)
- date of registration with Company's House (if applicable)
- how long you have been trading for (i.e. how long you have been in operation)
- trading address

If you are still deciding on your legal structure and need further guidance on this, read our [guides on legal structures](#).

**1 - Key facts – enter the details below**

## 2.2 What you do

In this section you should give an overview of what your enterprise does and introduce your products and services for the first time.

- Define the sector or industry you operate in (e.g. manufacturing, fashion, professional services, recycling, health etc), including points such as:
  - Are you also specialised within this sector?
  - Is there anything important or particularly interesting that you should mention?
  - Is your sector particularly competitive or innovative? Is it undergoing significant changes?
- Introduce your main products and/or services:
  - What is your product or service? What does it do?
  - Does it have a name? A Trade Mark?
  - Is it new? Is it already available on the market or still in development?

Your products and services should be at the core of your organisation: they are what you 'sell' to the market and the main (and sometimes the only) way you generate income.

If your products and services are still in development, you should be able to provide a simple description – always avoid technical descriptions and jargon. Read our guides for further guidance on [defining your products and services](#).



If there are no products or services, there is no enterprise.

If you are not able to answer this question, it may be too early in the development of your enterprise idea to write a business plan. Think carefully about whether you have something to sell at this stage.

### 2 - What you do – enter the details below.

- What sector do you operate in?
- What products and services does your enterprise provide?

## 2.3 Personal and organisational history

This section is about you, your team, and your achievements so far. It should give people a sense of direction about you and your business.

You should use this as an opportunity to:

- Showcase the backgrounds, strengths, skills and experiences you and your team bring to the enterprise. Explain how these will help make your business a success.
- Discuss your personal history, the motivations behind your social enterprise idea and how it came about:
  - engage your audience by communicating your passion
  - put the company in context by introducing the reasons why you started it
- Present your organisation's progress by showcasing your enterprise's track record and accomplishments so far. This will demonstrate your credibility and potential for success:
  - refer to successes in terms of existing support for your idea, sales, contracts, partnerships, benefits created or initial social outcomes etc.



If you are not yet trading, it doesn't mean you haven't achieved anything! Talk about other positive developments such as a successful pilot project, initial discussions with potential customers, supporting evidence from people in the sector, articles in the media or anything else that supports your business idea.

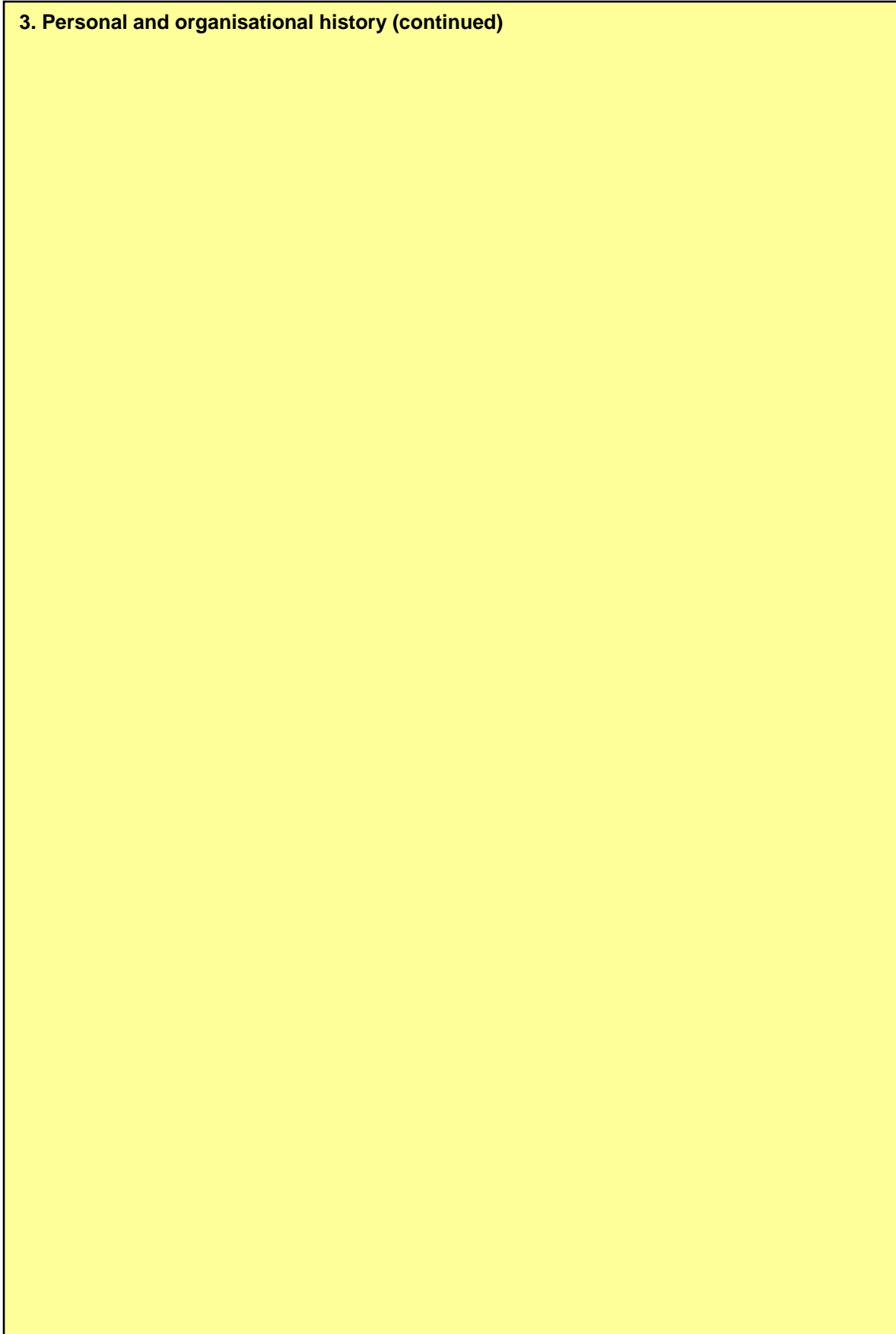
Read our guide for further information on presenting your [personal and organisation history](#).

### 3. Personal and organisational history – enter the details below

- What is your team's background? What relevant skills and experiences do you/ they bring to the table?
- What are your (or the founders') personal motivations for starting this social enterprise?
- What progress or achievements have you made so far (as an idea, an enterprise, a team)?



**3. Personal and organisational history (continued)**



This section is where the business planning starts. Although the entire business plan is meant to reflect your strategy, this section is an opportunity to be specific. Your strategy should summarise what it is you want to do and how you are going to do this.

The main focus of this section is to show that you have a vision for your social enterprise and that you can think strategically about making it happen.



Before writing, you should already have a clear idea of what you want to achieve, how you are going to get there over time and how your products or services fit with your overall strategy.

The information that you provide should include:

- your vision, mission and values
- your aims and objectives
- the purpose of your business plan
- SWOT and PESTLE: your strategy in context

There are many ways to present your social enterprise strategy. An inspiring way to start is by outlining your vision, mission and the values at the core of your enterprise idea.

### 3.1 Vision, mission and values

The vision and mission are short, inspirational statements to communicate to your team and your stakeholders 'why' you are doing it, and 'how' you will achieve it.

- Your **vision** should remain the guiding principle for which your social enterprise has been established. It should be simple, memorable and inspirational, and reflect the change you want to see in the world.
- Your **mission** is a practical statement stating how and what you are going to do to deliver your vision. Your mission may change with time but your vision should remain the same.
- Your **values** are an opportunity to communicate the ethical principles and beliefs that you and your organisation adhere by.

#### For example...

'Our vision is to ensure that all the children in the UK have the best chances to improve their lives.'

'Our mission is to create specialised youth initiatives providing excellent learning opportunities and a supportive environment for children of all abilities.'



Many social enterprises choose to make their vision and mission public (on their website or marketing material). This can help inspire people and communicate your passion and drive for creating change.

Read our guide on [defining your vision, mission and values](#) for further information.

**Vision, mission and values** – enter the details below

- Your vision: what change do you want to see in the world?
- Your mission: how are you going to make this change happen?
- Your values: what ethical principles does your organisation stand for?

## 3.2 Setting your aims and objectives

Your aims and objectives define where you want to be as an organisation and the steps you need to take to get there. They help ensure clarity internally between your team, your board and your volunteers as well as with your partners, investors or other relevant stakeholders.

- Your **aim** should be a short but general statement about what you want your social enterprise to achieve in the long term. You should focus on strategic aims for the whole organisation.
- Your organisational **objectives** should be very specific statements that define the practical steps you will take in the short to medium term to help you achieve your aim.

### For example...

'Our aim is to expand our organisation by running financially sustainable youth centres in every region of the UK.'

'Our objectives are:

- to partner with existing community centres where we can run initiatives for young people
- to build and open three new youth centres within the next five years
- to acquire sufficient funding to recruit a team of experts to manage our initiatives.'



Vision and mission are easily confused with aims and objectives. It is recommended that you distinguish between them in your strategy. To help with this, think about your vision and mission as your (external) social or environmental impact aspirations. Your (internal) business or organisational goals should then be the focus of your aims and objectives.



Get your team involved. Engaging the people you work with when defining your aims and objectives will ensure there is 'buy-in', i.e. that everyone is working towards the same goals.

For further help with setting your aims and objectives, read our guide on [setting aims and objectives](#).

### Setting your aims and objectives – enter the details below

- Your aim: what do you want your enterprise to achieve in the long-term?
- Your objectives: what is your enterprise going to do in practice in order to meet this aim?

### 3.3 The purpose of your business plan

Now that you have outlined where you want to be and how you will get there, it is important to show how your business plan fits in with the whole strategy.

There are multiple reasons why you would write a business plan. But they all have two purposes in common:

- to outline a three to five year strategy
- to be used as supporting documents both internally and externally

You need to think about what you are supporting, and over what timeframe. You should use this section as an opportunity to summarise what you are trying to demonstrate in your business plan.



Be clear about what you are arguing for and what your intentions are. It will provide you and your readers with a sense of direction, and will make writing and reading through the plan a much more effective and purposeful exercise.

#### Here are some examples of the purpose of a business plan:

- To support the feasibility of your idea and its potential to generate income and create social benefits, and to help:
  - access funding to run a pilot project
  - expand your track record
  - get initial feedback from beneficiaries
- To outline your enterprise's strategy for the next three years, showing how you will:
  - grow from a one person initiative to a fully operating social enterprise with at least three employees
  - support 100 unemployed young people through training
  - generate sales of £[xxxxxx] in the third year
- To communicate that you are looking to raise finance in the form of an initial investment or a loan of £ [xxxxxx] in order to:
  - acquire the equipment you need
  - meet growing demands from existing customers
  - develop the capacity to bid for contracts
  - increase the amount of recycled computers in your borough by 20%

#### The purpose of this business plan - enter the details below

- What are the timeframes of this business plan and why?
- What is this business plan demonstrating about your enterprise?
- What do you expect from the reader?

**The purpose of this business plan (continued)**

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### 3.4 SWOT and PESTLE: your strategy in context

The SWOT and PESTLE are analytic tools you can use to look at your strategy.

These strategic tools allow you to take a step back and look at your social enterprise and how it fits into the wider context, step-by-step.

With the SWOT tool you can look at what you are good at (your strengths), what needs improving (your weaknesses), and the other things happening outside of your organisation that are worth keeping in mind (opportunities and threats).

Although these concepts are introduced in this section, elements of your findings will be reflected throughout your business plan. It is therefore recommended that you carry out these exercises before you start writing, and complete them with anything you have missed out as you go along.

You can include your SWOT and PESTLE analysis either as part of the business plan or as an appendix, the latter being the usual option.

#### Strengths, Weaknesses, Opportunities and Threats (SWOT) tool

<b>Focus</b>	<b>Positives</b>	<b>Negatives</b>
<b>Internal focus</b>	<b><i>Strengths: ...</i></b>	<b><i>Weaknesses: ...</i></b>
<b>External focus</b>	<b><i>Opportunities: ...</i></b>	<b><i>Threats: ...</i></b>

With the PESTLE tool, you can have a more in-depth look at external factors that may have an effect on your business, your market, or any other part of your strategy. For example, the economy might be in a recession, there may be high level of social need amongst your beneficiaries or new recycling laws may have been introduced that will affect the way you run your business.

**Political (P), Economic (E), Social (S), Technological (T), Legal (L) and Environmental (E) factors:**

<b>Political</b>	<b>Economic</b>
<b>Social</b>	<b>Technological</b>
<b>Legal</b>	<b>Environmental</b>



Both tools are extremely useful to get a snapshot of your environment, but remember that the picture will change over time. Your strengths and weaknesses, for instance, will change as your business progresses and the political landscape will constantly evolve.

For further information on developing your own SWOT and PESTLE analysis, please read our guide to [SWOT and PESTLE strategic analysis tools](#).





## Section 4: Marketing



This section focuses on findings from your market research and how this can support your marketing strategy. Marketing is what you do to get people interested in your products and services. It is critical to the success of today's social enterprises.

A good marketing section in your business plan will show that you have developed an in-depth understanding of your market. It will also support the idea that there is a viable market for your products and services, and outline your marketing and communications strategy.

This section is not about presenting everything you know about your market, but should be about selecting relevant information to demonstrate the potential of your idea.

The basic marketing information you are expected to provide should cover the following:

- Your market
- Marketing and communications strategy
- Routes to market



Bring your business plan to life by making good use of pictures, graphs or charts of your research or your products and services.

### 4.1 Your market

Use this section to present the research you have carried out about your market and your main stakeholders. Stakeholders are the people affecting, affected by, or connected to your social enterprise. Identify and provide information on the individuals, groups or organisations you want to reach.

Explain the size of the market and whether it is growing. For example, a large market offers opportunities but also means you are likely to have more competitors. On the other hand, a small but growing market allows you to capture market share and there may be less competition.

When writing, demonstrate you have an in-depth understanding of the needs you intend to meet. Specifically, you should discuss:

- Your **customers** - the people or organisations that purchase (and pay for) your products or services. The purchase may be for themselves or others.
- Your **beneficiaries or end users** - the people or organisations that use your products or services and directly benefit from them.
- **Key influencers** - the people or organisations that can influence your customers' buying decisions. Leveraging their support will help increase your profile and your legitimacy.

Remember that the end users are not your customers unless they too have bought and used your product or service.

**For example...**

**Customer or beneficiary:** if your enterprise provides employability training to young unemployed people but your services are commissioned and paid for by the Local Authority, then your beneficiaries are the young people that receive the training, and your customer is the Local Authority.

**Customer and beneficiary:** if your Local Authority has contracted you to deliver training to its own staff members, your customer and beneficiary are the same organisation.

**Key influencers:** if a customer is interested in purchasing your training services, a key influencer could be a councillor who has heard how good your training was from local beneficiaries. This councillor is a key influencer on the customer's decision to use your services. Key influencers help reduce the perceived risk of purchasing services from you because their opinion is trusted and respected.

For further information on researching your market, read our guide to [market research](#).

**Your market – enter the details below**

- How would you describe your market and what does this mean for your enterprise? (small, mature, expanding, stagnant)
- Who are your customers? What characteristics and needs do they have? How many potential customers do you have? Where are they located? Can you provide any useful statistics about them? Give some examples of existing or potential customers.
- Who are your beneficiaries: what characteristics and needs do they have? How many potential beneficiaries do you have? Where are they? Give examples of existing or potential beneficiaries.
- Who are your key influencers? What do they do? Where do they work? What are they interested in? What customers can they influence?

**Your market continued**

## 4.2 Your marketing and communications strategy

You now need to show that you can define **what** you sell, and explain **how** your products and services meet your customers' needs and **why** they will buy from you.

Your marketing strategy will help set out where you are in the market, where you want to be and how you will get there.



Understand what benefits matter to which customers. This will be highly beneficial when it comes to selling.

You should be able to provide the following information:

- **Your product and service definition:** explain their features, specifications and qualities.
- **Key benefits** to your customers and beneficiaries: explain how your products and services meet the needs you have identified in your market. Do you have a unique selling point or convincing reason why people should buy from you?
- **Your position in the market:** who are your competitors, how do you compare to them? Can you create superior value for your customers through a competitive advantage?
- **Marketing channels** and the marketing and communications plan: what are the key messages you want to promote? How will you reach your target market?



You will find it easier to complete this section if you have already developed a marketing strategy and/or a marketing and communications plan. If so, you can add these to your appendices to complement this section.



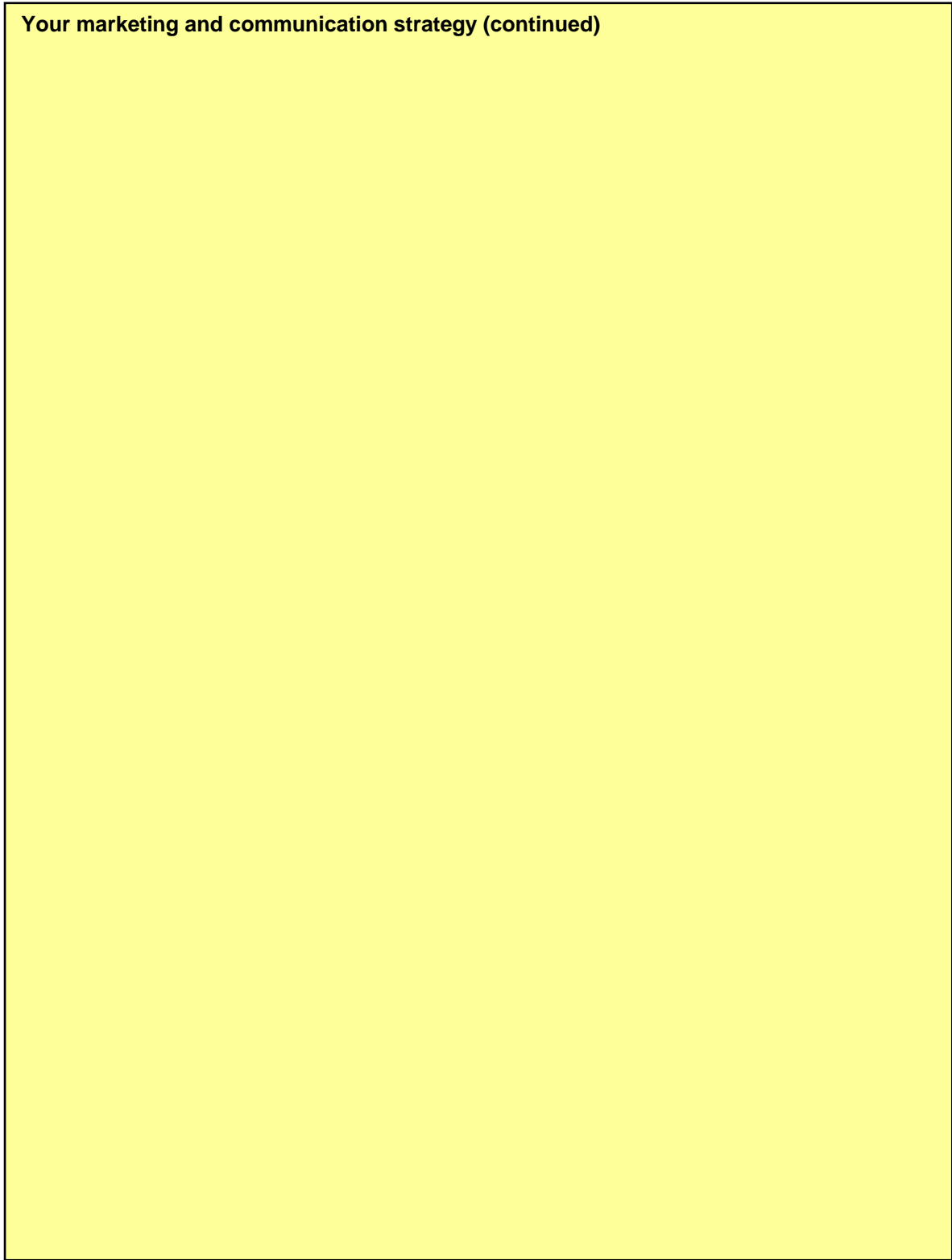
Being a social enterprise is often an advantage to your business; it may also be a reason customers choose to buy from you. However, not everyone may care about your social or environmental impact. Do not rely on this fact alone to sell your products and services.

For further information on developing an effective marketing and communications strategy, read our guides to [developing an effective marketing strategy](#) and the [Marketing and Communications plan](#).

### Your marketing and communication strategy – enter the details below

- What are your main products and services and their features?
- What are the key benefits to your customers and beneficiaries?
- Where do you stand in the market and in comparison to your competitors?
- How are you going to communicate key messages? What marketing channels (website, banners, advertising, events, etc) will you use?
- What networks or media will help you establish a positive connection with your market?

**Your marketing and communication strategy (continued)**



### 4.3 Routes to market: how and where to sell

To complete this section, you should now provide some details about how and where you will sell your products and services.

Your routes to market will depend on the nature of your business and how you want to be positioned in the market.

The main options for enterprises that are service providers include:

- selling services directly to customers
- using specialised agencies or intermediaries (usually for a commission or for a fee)

The main options for enterprises making goods or products are:

- selling directly through setting up your own shop (this can be an expensive and risky way to start)
- selling products through wholesalers or distributors (if you have enough volume)
- selling products directly to retailers (not always easy to get a foot in the door)
- selling at events, hiring space in markets or trade fairs (flexible option but no ongoing presence)

For all enterprises:

- taking part in the commissioning and tendering process to access contract opportunities
- delivering products and services in collaboration or partnership with other organisations



Bear in mind that every decision is a trade-off. You might sell more by using an intermediary, but every additional step in the supply chain will make your products more expensive to the end user and/or reduce the margin you can make.

Each route to market will have different financial implications so consider your costing and pricing strategy and your financial forecasts.

Initially you may not be able to sell your products or services exactly the way you want to. For example, it may take time to get your products on the shelves of luxury retailers. However, this is not a problem - use the business plan to show future plans and any anticipated changes in your routes to market over time.



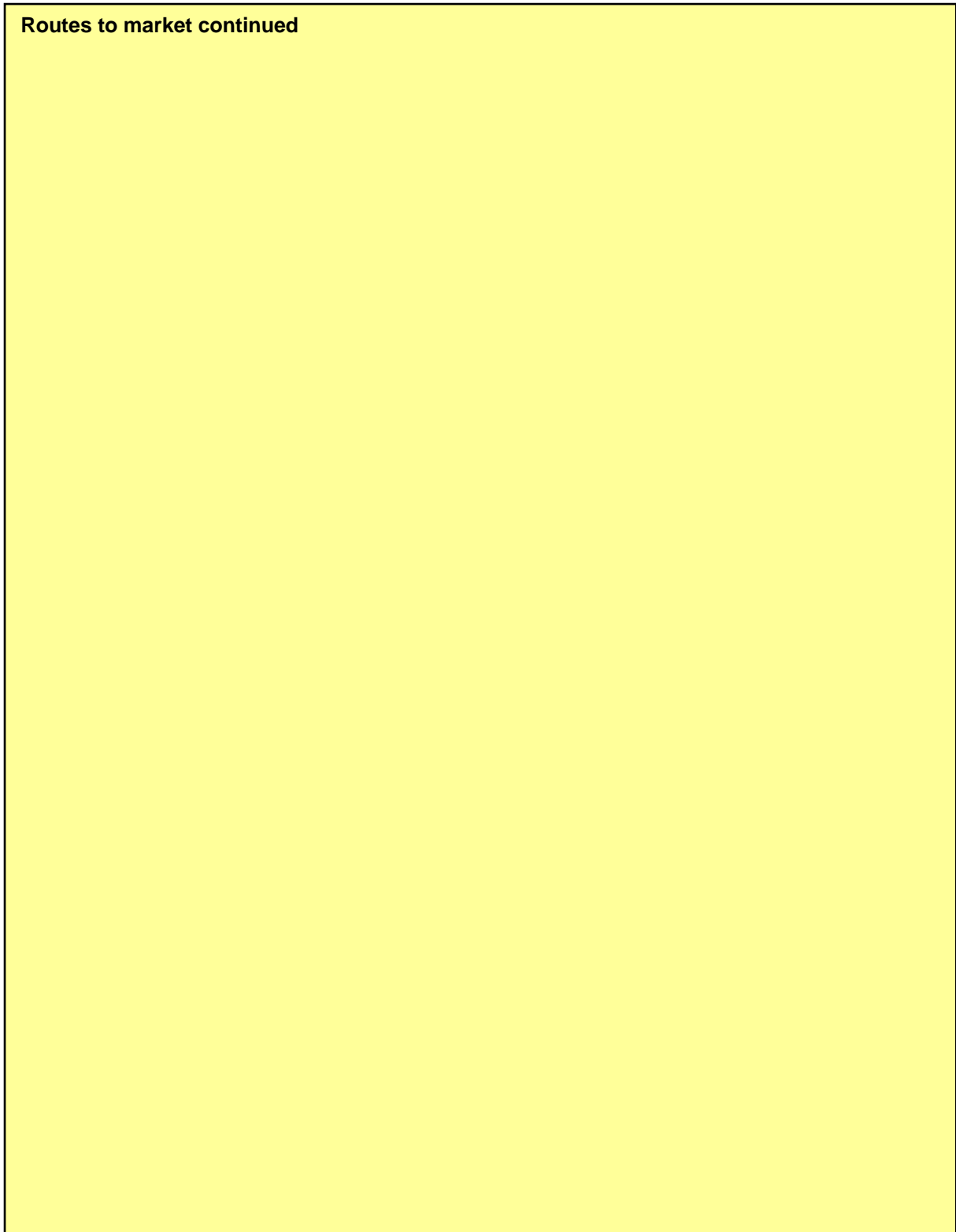
Try to also demonstrate the reasons behind your choices: decisions should be aligned to the rest of your strategy and where you want to be positioned in the market.

For further information, read our guide on [how to sell](#).

**Routes to market** – enter the details below

- Where will you sell your products and services?
- Who will buy them directly from you?
- How will these routes to market change or evolve over time?

**Routes to market continued**





## Section 5: Operations and delivery



This section focuses on the practical aspects of delivering your products and services. Funders need reassurance that you understand what is required to deliver your service or product and meet your strategic aims.

Your operations include activities, processes and resources that are required to develop, produce and deliver your work. Delivery involves how you will manage resources and activities in order to deliver on time and on budget.

Be clear about what you already have in place, what is in process and what still remains to be implemented before you can start trading. Remember that your strategy takes place over time and few enterprises will already have everything in place.

Elements that should be covered in this section:

- Premises and office space
- Equipment and resources
- Legal requirements and quality standards
- Suppliers and partners
- Collaboration and partnerships
- Managing risk

### 5.1 Premises and office space

Outline your current and future requirements with regards to office space or premises. Try to be specific with the amount of space and the type of location you have or need and how you intend to get it. If the location of your offices is important because it gives you easier access to stakeholders for example, then you should state this in the business plan.

#### For example...

- If your enterprise makes chocolates, you will need an office and an appropriate space, such as a kitchen, to carry out your operations.
- If you are a training organisation, you may only need to hire external training venues as required.
- If you are opening a nursery, you will need a safe and accessible space for the children.

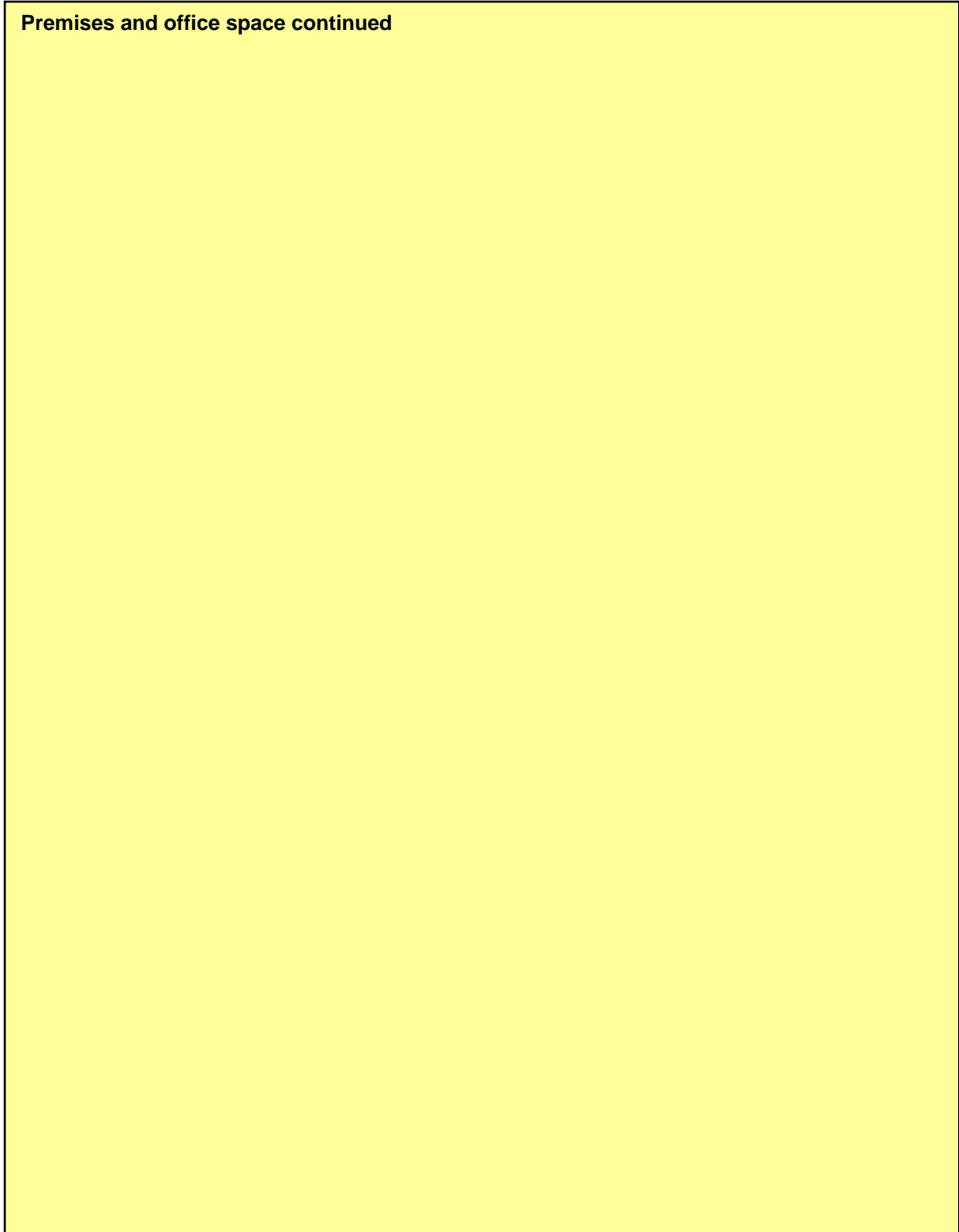
Consider what would work best for your enterprise. For some organisations having premises can be costly and is not always strategically viable. For others, it may be absolutely necessary.

#### Premises and office space – enter the details below

- Where is your enterprise currently based?
- What are your office space requirements now and in the future in order to deliver your products and services?



**Premises and office space continued**



## 5.2 Furniture, equipment and other resources

You should have defined your products and services in the marketing section of your business plan. Think carefully about each of them and about what equipment and resources are required.

Most organisations require basic equipment such as computers, printers, phones, office stationery, desks and chairs.

As a service provider, you may need additional equipment such as a photocopier machine or lockable cabinets. Examples of enterprise-specific equipment or resources include massage tables and essential oils for a provider of holistic therapies or cameras and projectors for a PR and events company.

If your enterprise is making goods or products you may need specialist equipment. For example, a catering company will need a fully fitted kitchen and perhaps industrial dishwashers, ovens and cooking utensils. A manufacturing company may need an assembly line, robot operated equipment and cooling or rinsing tanks.

You should provide a comprehensive list of the furniture, equipment and resources you require and specify which ones you already have and which ones you still have to purchase/borrow or hire. This information will also be reflected in your financial forecast.

### **Furniture, equipment and other resources – enter the details below**

- What equipment and resources do you require in order to deliver your products and services?
- Which do you already have and which do you need to rent or buy?

### 5.3 Legal requirements and quality standards

There are a wide range of legislation and regulations that may impact on the operations of your social enterprise and on your ability to deliver your services or products legally. There are also industry specific guidelines or certifications and quality standards that you may have to meet.

#### Legal requirements

You should show that you have carefully researched your legal requirements by outlining them in your plan. Explain whether you are meeting these requirements and if you are in the process of getting some of the accreditations, certification or approvals needed.

Investigate general as well as industry specific regulations. Be aware of any changes or updates with regards to:

- legal and financial regulations
- health and safety regulations
- environmental regulations
- human resource policies

Given the importance of compliance, as well as the potential ramifications of failing to comply, it is better to aim for best practice over and above the minimum standards required by legislation.

For further information on the legal requirements you need to consider, please read our guide on [complying with legal requirements](#).

#### Quality standards

Consider the quality of your services and products. Quality standards are formal management systems or standards that can be used to strengthen your organisation.

Social enterprises will often face demands from potential customers or will need to demonstrate to stakeholders such as funders or beneficiaries that:

- they meet the needs and demands of their clients/users/beneficiaries, and they are satisfied with the quality of services offered
- they provide customers and beneficiaries with efficient, well run and consistent services
- they can manage resources effectively and ethically

#### For example ...

Local authorities and other public sector organisations are often charged with achieving 'best value.' They will be interested to know how your social enterprise can help them meet this objective. Best value does not mean the cheapest.

It means that suppliers are selected on the basis of key factors such as cost, quality and reliability. Working with quality standards or demonstrating how your organisation is constantly improving its performance can help convince local authorities that you offer them 'best value'.

Social enterprises may also face competition from other organisations offering similar services or products. They may be in competition for grants, contracts or for clients. Working to a quality standard is one way that your social enterprise can remain competitive.

To help you with this, there are organisations that set standards for what quality means for your enterprise, or a certain aspect of it (e.g. staff, customer service), including:

- PQASSO
- Investors in People
- EFQM Excellence Model
- Quality Mark
- Customer First
- Environmental accreditations

These are all examples of 'off-the-shelf' quality standards or systems. You need to decide which are the most relevant for your organisation.

For further information on quality standards please read our guide on [working with quality standards](#).

**Legal requirements and quality standards – enter the details below**

- What legal requirements or accreditation must your enterprise have met before operating? Are those in place or being met?
- Are you planning to work with any quality standards? Have you already implemented any quality system(s)? Which one(s)?
- Do you have any environmental accreditation or a policy to operate in an environmentally sustainable way?

## 5.4 Suppliers

Suppliers are the individuals or organisations that deliver materials, goods, or services to your enterprise. All enterprises use suppliers, including those who acquire the equipment and resources discussed above.

This section of the business plan demonstrates:

- you have investigated and identified appropriate suppliers
- you can provide financial, ethical and operational reasons for your selection
- you can manage your suppliers/supply line so that your operations run smoothly
- you are able to access and pay for what you need to keep your enterprise going

Things to think about when selecting suppliers include:

- quality
- affordability and value for money
- payment terms
- flexibility (i.e. when and how often they can deliver)

Understanding your supply chain is important in ensuring the materials, resources or services you are purchasing from your suppliers meet your own ethical standards.

For further information read our guide on [understanding and managing suppliers](#).

**Suppliers** – enter the details below

- Who are (or who will be) your main suppliers?
- How are they selected? Can you afford them?
- Do they meet your own standards? Do they have similar values?

## 5.5 Collaborations and partnerships

Collaboration is about two or more organisations working together towards a common goal or on the same project. It is a flexible option through which many social enterprises share resources, funding or the management of projects or services. It can last for the duration of an event or a project, or even lead to a long term partnership.

A partnership is a more systematic and official approach to collaboration, usually tied by a contract or legal agreement. It involves sharing responsibilities, risks and rewards with your partners and is therefore a more formal way to collaborate.

An increasing number of social enterprises are looking for collaborations and partnerships. This is because it can be difficult to access grants or funding for projects alone, and also because of increased pressure to achieve value for money and efficiency which can be done by sharing resources.

In some cases, the ability to work across a range of beneficiaries or locations will be a requirement to get a contract or funding, and will require small organisations to work together to meet such criteria.

Your business plan should identify any existing (or potential) collaborations or partnerships, including who you are working with and why. What does your social enterprise want to achieve in the short, medium and long term through collaboration and partnerships?

Collaboration can help your social enterprise:

- secure funding or sustain the enterprise financially
- increase your capacity to deliver existing or future projects
- augment your chances of getting a contract or access new opportunities or markets
- reach more potential beneficiaries (e.g. geographically)
- improve your social/environmental impact

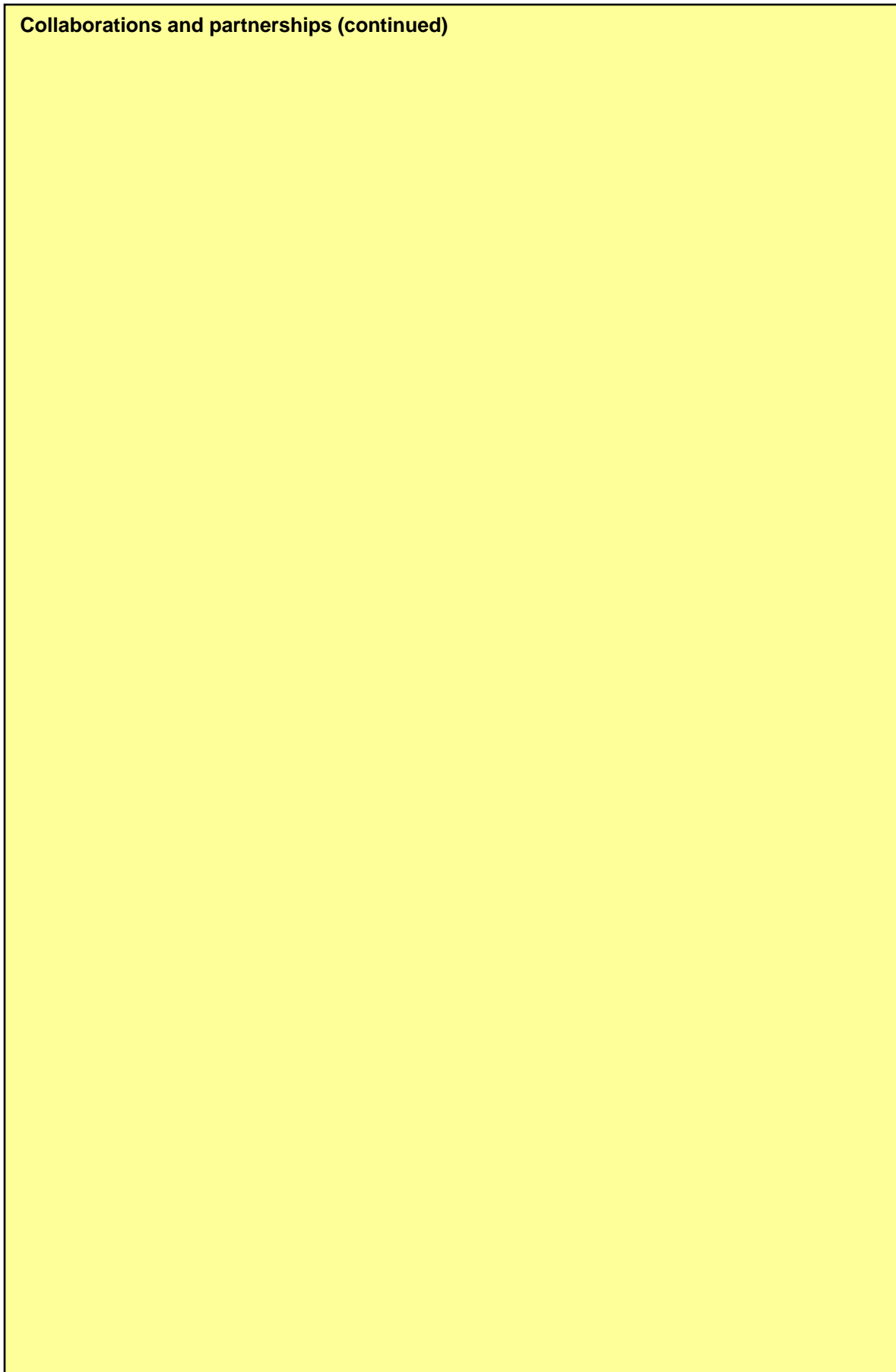
Successful collaborations need to be planned, managed and reviewed in order to remain effective. Be creative in how you develop your partnerships. Be clear about what you think you want out of a potential collaboration, what you can offer, and then source the right kind of partner or opportunity. You may manage to get free office space in a larger organisation if they want to support your values and work, or if you can offer marketing and PR exposure in return.

For further information read our guide on [collaborations and partnerships](#).

**Collaborations and partnerships** – enter the details below

- Who are (or who will be) your main collaborators or partners?
- What do you want to achieve through these collaborations?
- How will you work together and ensure that you are collaborating successfully?

**Collaborations and partnerships (continued)**



## 5.6 Managing risks

This final section is about reflecting back on all the aspects of your enterprise which involve risk and showing that:

- you have identified the main risks involved
- you can manage risk

Risks are threats, events, issues or anything else that, if materialised, could affect your business negatively. Risks can cost you money or cause your objectives or projects to fail, to be less successful, delayed, or more difficult to achieve.

There are many sorts of risks, for example:

- financial risks, such as running out of money or not being able to repay a loan
- legal issues, such as a potential lawsuit over intellectual property
- operational risks, such as accidents in the workplace
- human resources risks, such as the loss of key staff members
- environmental risks, such as natural disasters

Managing risks is about foreseeing what might go wrong and having a plan B. It is also about using tools to identify, assess and prioritise risks so that you can manage them effectively and control their probability or their impact on your enterprise.

In this section specify the main risks to your organisation and the actions being taken to ensure your operations continue smoothly.

If you have carried out a full risk analysis, you can present it in the form of a risk matrix and/or risk register in your appendices.

For further information on how to manage risks and develop a risk matrix, read our guide on [managing risks](#).

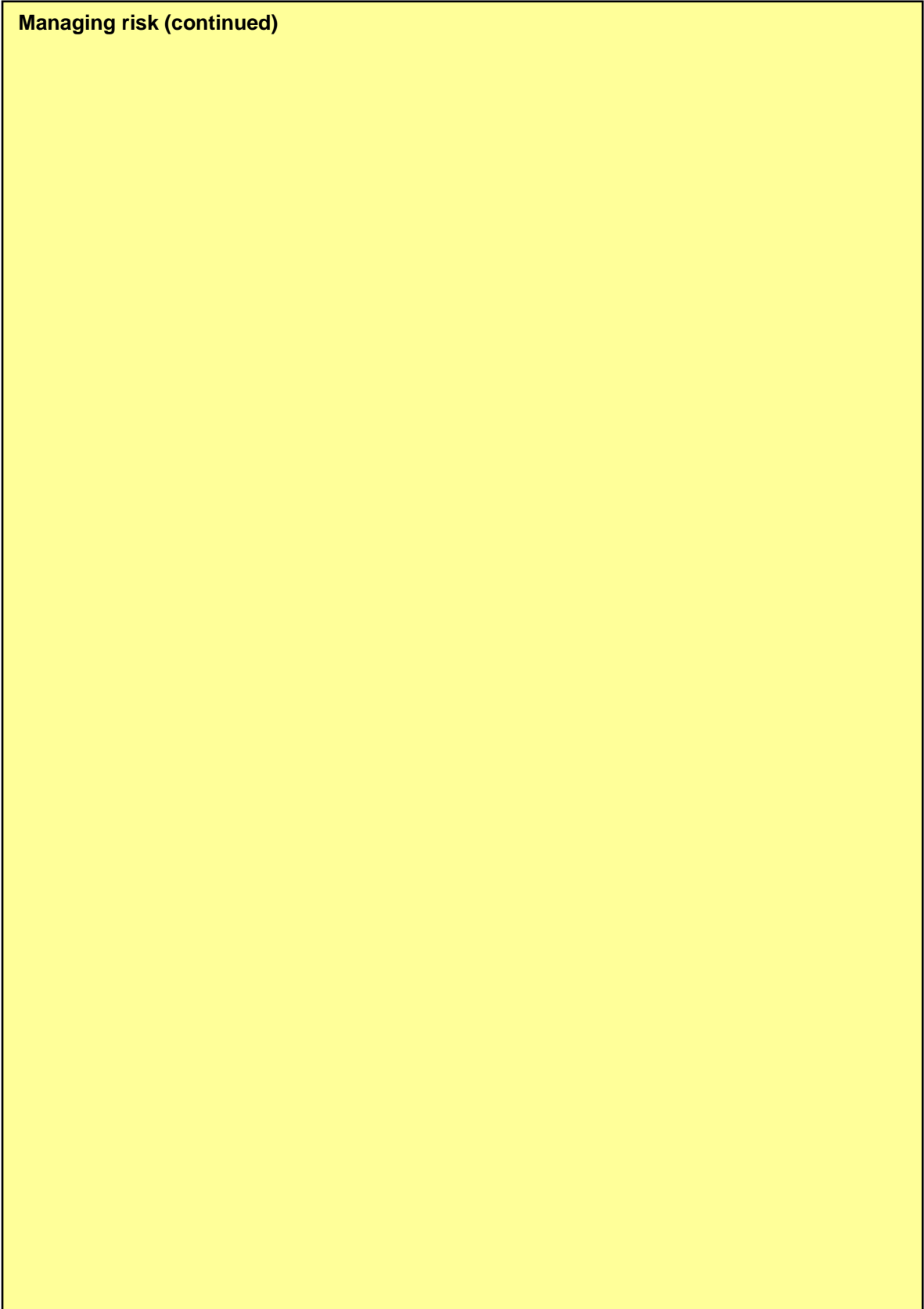
**Managing risk** – enter the details below

- What are the main risks to your organisation?
- What actions did you/can you put in place to manage these risks?

Include your risk matrix as an appendix.



**Managing risk (continued)**





## Section 6: Measuring what matters



What probably motivated you to set up a social enterprise in the first place is the positive change that you want to create. This change could be social, economic and/or environmental. The change is referred to here as 'social' impact'.

Your impact should be at the heart of what you do – this is why a section on 'Measuring what matters' has been included in this framework. It is an opportunity to monitor, evaluate and capture the full value of the impact of your social enterprise activities.

A starting point is to identify the stakeholders relevant to your social impact, i.e. the ones that benefit from your activities. Describe what you set out to change or improve for these stakeholders. Show how you will know that you are creating this change - outline your monitoring and evaluation procedures. Finally, your business plan should also demonstrate your achievements or progress on social impact.

This section should cover the following:

- Relevant stakeholders (who matters)
- What you set out to change or improve (what matters)
- Measuring change: monitoring and evaluation
- Communicating the Impact

### 6.1 Relevant stakeholders (who matters)

You should have already clarified who your stakeholders are in the marketing section, (i.e. the people or things affecting, affected by, or connected to your social enterprise), particularly your customers and beneficiaries. This section is about the stakeholders your social enterprise is assisting, or whose lives you intend to improve.

To help you define who matters:

- Think back to your vision and mission statements. Who or what do they relate to?
- Reflect on your customers and particularly your beneficiaries or user groups.
- Remember that you may have an impact on one or more groups of stakeholders.

#### **For example...**

Your social enterprise provides employability training and support to young people in London. They are the people whose lives you want to change and who are relevant for the purpose of your social impact.

You may be able to define them further, e.g. they are young people not in education, employment or training, between the ages of 16 and 19.

If you are successful at enabling these young people in getting the skills and support they require to find work, you may also be impacting on many other related stakeholders, such as their family, friends and community. You may also have an indirect impact on helping the young peoples' employers and even the wider economy. So they too are relevant stakeholders.

**Relevant stakeholders (who matters)** – enter the details below

- Who matters to your organisation as defined in your vision and mission?
- Who else are you supporting or helping through your social enterprise activities?

## 6.2 What you set out to change or improve (what matters)

Now that you have identified the stakeholders benefiting from your activities, you need to specify what it is you are changing or improving for these stakeholders in the short and long term.

It is not enough to say that your social enterprise has 'trained 100 young people' or 'recycled 150 computers'. These statements tell you that something has taken place, but they don't tell you the full story.

When discussing your impact, you should also include what your stakeholders think or say about the changes that are important to them.

### For example...

What has changed through our employability training is:

- the young people's self-confidence has improved
- they are better able to manage their stress during interviews
- they have secured job placements
- six months later, their economic situation has improved
- the young people and their families' wellbeing has improved

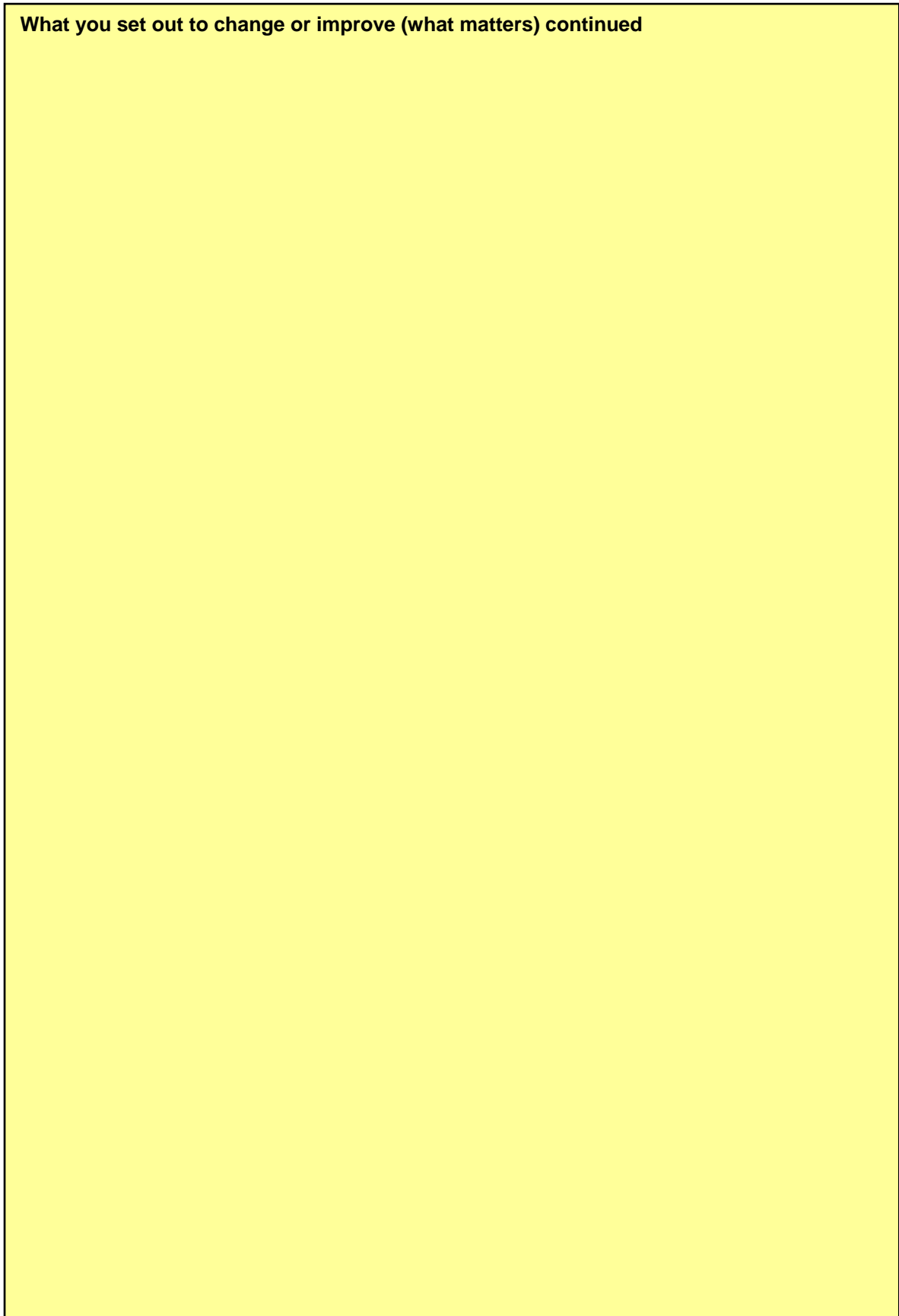
Keep in mind that the work your social enterprise does may also have positive impacts on others, such as the local community, the local authority, the government and the NHS.

For further information on and examples of understanding and measuring social impact, read our guide to [understanding and measuring your social impact](#).

### What you set out to change or improve (what matters) – enter the details below

- What is your social enterprise looking to improve or change?
- What positive changes happen as a result of your activities now and in the future?
- What do your stakeholders tell you about the changes that matter to them?

**What you set out to change or improve (what matters) continued**



## 6.3 Measuring change – monitoring and evaluation

This is about what really matters to you! Creating positive change is probably what got you started on this journey. It's important that you measure your impact so that you can explain how much positive change has happened as a result of your work.

This section should explain how you monitor and evaluate your projects and activities, or how you intend to do so if you haven't already started.

**Monitoring** is about regularly collecting and recording information (data) in order to check progress against plans or to help you answer questions about what has taken place.

**Evaluation** is about looking at and analysing the changes that you have made. It builds on your monitoring and provides an assessment of the effectiveness and impact of a particular activity, project or service within your enterprise. It also involves getting feedback from stakeholders, carrying out surveys and case studies to help you capture the changes that you are creating.

You also need **indicators**, or 'ways of knowing' that you have succeeded in meeting your goals. One way to do this is to ask the relevant stakeholders. But there are also many other tools available for measuring social impact, such as Social Return on Investment (SROI), Social Accounting, etc.

### For example...

**Monitoring** - you can explain that you monitor the attendance levels of young people at your training sessions and monitor their feedback forms.

**Evaluation** - you can evaluate whether 'the young people's wellbeing is improving' and whether they are 'better citizens' as a result of your training.

**Indicators** – you can know whether you are achieving this by looking at:

- the young people reporting that they are feeling happier
- the young people reporting improvement in mental or physical health
- the young people that are no longer in debt
- the police reports that indicate reductions in incidences of crime or anti-social behaviour amongst the young people
- the young people's employers that are reporting a good work ethic

You will not be able to measure and evaluate everything: this takes time and resources. There are also various constraints on what you can measure. Do however assess what you can measure, even if the outcomes of your work seem long term or hard to quantify.

For further information on monitoring and evaluation, read our guide to [effective monitoring and evaluation](#).

### Measuring change – monitoring and evaluation – enter the details below

- What monitoring and evaluation processes do you have in place?
- How do you know what changes you are creating?
- What indicators do you use to track and measure progress around your social impact?

**Measuring change – monitoring and evaluation (continued)**



## 6.4 Communicating impact

This section is an opportunity for you to demonstrate your achievements in terms of social, economic and environmental impact, and to explain how you will communicate this impact.

Monitoring, evaluating and communicating your impact are crucial if you are looking for funding or investment and this is something that grant-making trusts and social lenders will want to see. Communicating your impact should also be part of your marketing strategy as it can help generate publicity and enhance your credibility.

- If you are still at a start-up stage, you may not be able to demonstrate your track record as you probably haven't created change yet.
  - You can use research carried out and conversations with relevant stakeholders to show your organisation's potential for social impact.
  - Present the monitoring and evaluation information you have gathered from an initial pilot project or similar work you have done before.
  - Provide supporting statements from potential customers, beneficiaries or key influencers.
- If you have already carried out some projects or have started to deliver products or services, you will be able to use your monitoring and evaluation information to communicate your ability to create positive change.
- You can communicate how many beneficiaries you have supported so far and the changes you have created as a result.
  - For example, 'we have trained 100 young people in the past year; 80% of them are more confident or healthier; 55% of young people are more secure financially'.
  - You can add case studies about specific beneficiaries to help put your work in context.
  - You can also include interesting findings, such as 'we also found that others in the young people's network of friends and family were more likely to attend employability training.'

When communicating your impact to your stakeholders, whether this is through an annual report, on your website or through your marketing, make sure that you clearly explain how your activities have led to this social or environmental impact. Support your claims with evidence from your indicators.



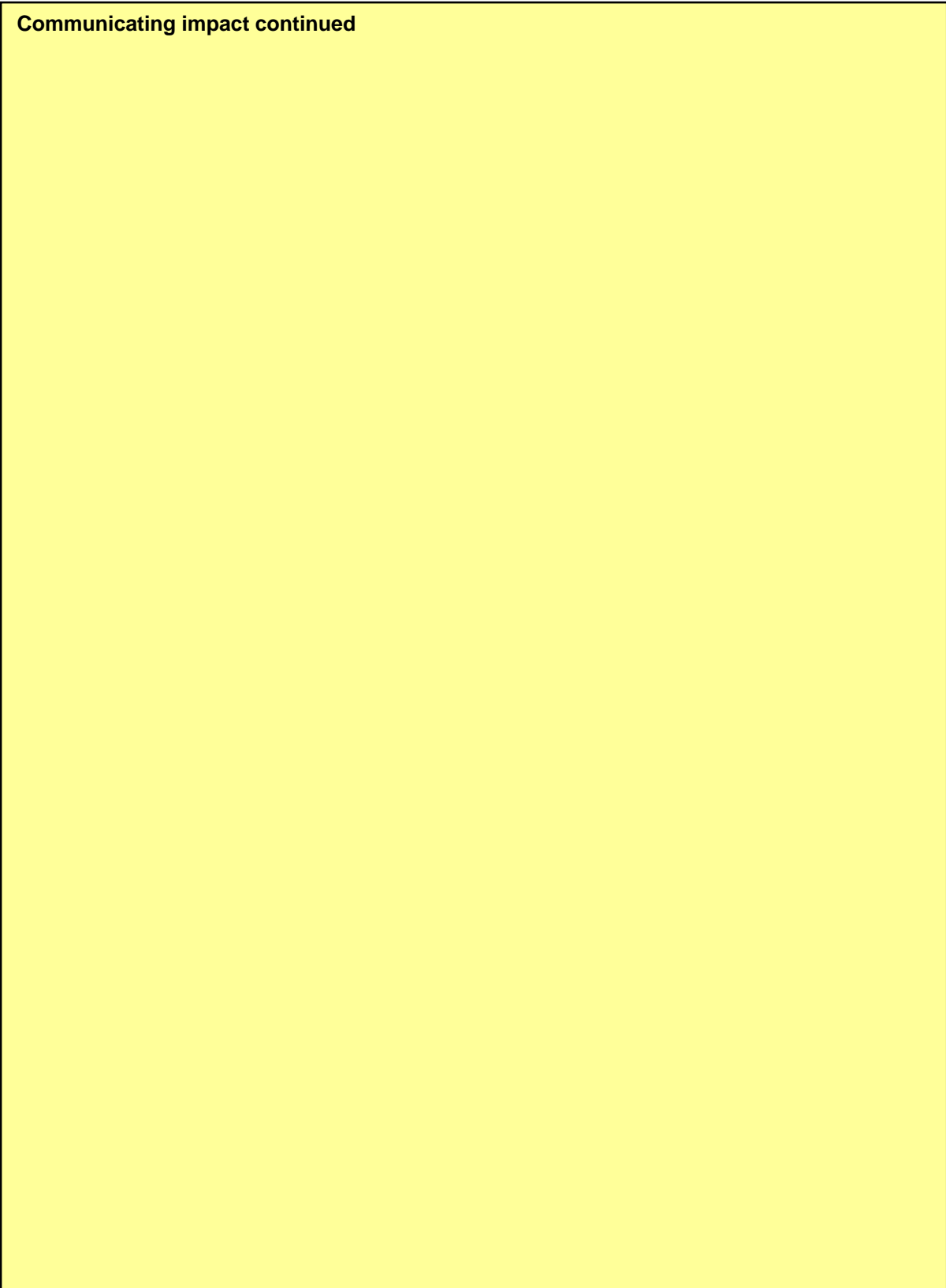
Organisations that communicate what their impact is and give people the full story of what they are changing in the world are often the ones that people tend to remember – so keep your stakeholders informed about progress!

### **Communicating impact** – enter the details below

- What have you achieved so far in terms of social, economic or environmental impact?
- How and where will this be communicated?



**Communicating impact continued**





## Section 7: Management and personnel



Your business plan must show that you have a strong management team and that your organisation deserves backing. A strong management team means that you have the required skills and experience to deliver the strategy and objectives that you have outlined in the plan.

For many start ups the management team may be non-existent – the “team” may just be you!

No one expects you to have your team in place right at the start. What is expected from you is that you have considered what is required to get you started, that you know how to cope with changes and/or growth and that you are aware of what is required to deliver your strategy.

Here are the main elements of a management and personal section:

- Management team
- Governance
- The Team
- HR Policies
- Training and development

### 7.1 Management team

Explain who the current management team is (name, job title, responsibilities and experience):

- When you have a large team, only list the directors and the most senior managers.
- When your team is small, you may need to list all of the team members.
- When it is just you, explain your experience and what you intend to do to increase capacity as the enterprise grows.

Include an organisational chart - it enhances the descriptions. You can provide a current chart and a forecasted chart for what you expect the organisation to look like in three to five years.

In terms of experience keep it short, one or two paragraphs at the most. You can also refer the reader to the appendices where you can insert CVs.



Show that you have a number of people with the right skills and experience who are willing to join the team once you are funded or have started growing. This will reassure the reader that you know what skills you need and are already lining them up to meet your strategic objectives.

Ensure that the responsibilities for the management team and reporting lines are explained and how often the directors will meet. This could also be explained in the Governance section, see below.

When approaching funders or lenders you will be required to state the directors' earnings. This may be done separately if it is sensitive information.

#### Advisers or advisory committee

If you haven't got the ideal management team, consider creating a body of advisers. The advisory board can give you practical help and considerable credibility. Many people with skills and experience

are happy to act as advisers and mentors but would be reluctant to become directors of a new enterprise.

Think about your requirements and approach a number of people who could join the advisory board. Ensure you can use their names and credentials in your business plan.



These advisers can also help you with contacts and networks to support and grow your enterprise.

### **Management team**

- Who makes up your management team?
- How will this team change over time? How does this fit with your strategy?
- Do you have any advisors?

Insert organisational chart and any CVs in the appendices

## 7.2 Governance

Governance is about having the right policies, procedures and balances in place.

For social enterprises, it is better that there are people involved (other than the founder) who have senior management responsibility. They are there to question and challenge you and to look after the interests of the enterprise. Directors fulfil this role within companies, and trustees within charities.

It is worthwhile having one or two directors who act 'like trustees.' Not involved in the day-to-day activities, they would meet with you regularly to help your enterprise meet its strategic objectives and your social and financial aims. Directors such as this are often known as non-executive directors. Many do this on an unpaid basis, however once the enterprise grows they may require payment.

Having non-executive directors on your board will also strengthen your chances when applying for public funds or applying for contracts, as they will give the funder comfort that the enterprise is not being over reliant on one individual.

### Trustees

If your social enterprise is a charity you will need to have a trustee board as well as a management team. Trustees are responsible for the governance of the organisation. As with the advisers, they should bring skills and contacts to the table.

List the trustees, their particular responsibilities plus their experience as you have done for the management team.

For further information, read our guide on [Board, governance and trustees](#).

### Governance

- What governance procedures do you have in place?
- Who is responsible for governance? Why can they be trusted to act responsibly?
- Do you have (or intend to have) non-executive directors?
- If you are also a charity, who are your trustees?

### 7.3 The team

Without detailing individual team members, include the numbers and functions/responsibilities of the employees of your enterprise. Again, these can be explained on an organisational chart.

Mention a little bit about senior employees or those with particular skills.

If you receive support from volunteers or interns, state this as well. Explain how they are managed, who they report to and why you use them. Interns and volunteers can complement the existing team and help with capacity issues.

#### **The team**

- Who are your team members?
- How do you see your team growing over time in order to deliver your strategy?
- Do you have (or intend to have) interns or volunteers?

Refer to an organisational chart and any CVs in the Appendices.

## 7.4 HR policies

Employers are expected to comply with employment legislation which can be quite onerous. Social enterprises are expected to be even more compliant and ethical.

You should state in your business plan that you are compliant with all current legislation, and demonstrate that you offer additional benefits or support to your employees.

You should have in place an:

- Equality and Diversity policy.
- Volunteering policy.
- Health and Safety policy.
- Contracts with your employees and contractors or associates.

You should also state if you have any additional human resources policies. For instance, you may recruit long-term unemployed, or people with physical or mental disabilities. In that case, a Vulnerable Persons policy may be required.

If your enterprise works with children you should have a Child Protection Policy in place, and all staff and in some cases board members will require enhanced CRB checks.

For further information, read our guide on [developing HR policies](#).

### HR Policies

- What HR policies do you have in place?

You can include existing policies in the Appendices

## 7.5 Training and development

Training allows you to demonstrate that you are able to cope with your existing team and meet new challenges as you grow and develop your enterprise.

Employees also expect training as part of the employment package and this is certainly the case within social enterprises.

Disclose what your training and development policies are in this section of your business plan. Training should also be linked into the enterprise strategy – so show that staff development not only benefits the employee but benefits the enterprise by meeting strategic objectives. This can be illustrated by giving some examples of what training has been delivered and how this has benefited the individuals and the enterprise.

If you or your senior team benefit from using mentors or coaches this should also be stated. This again shows that you are constantly improving the quality of your management.

### **Training and Development**

- How do you support your team's development?
- How does this training support your strategy?
- Do you use mentors or coaches?

You can include a training plan in the appendices.

This final section of the business plan is about translating every aspect of your strategy into financial terms and looking at whether and how your social enterprise can be viable financially.

Entrepreneurs sometimes feel overwhelmed with the financial element of their business plan and never get around to completing their financial forecasts. Others believe that they just need funding to kick start their projects and that the organisation will be able to generate income and grow organically after that.



Most successful entrepreneurs appreciate the importance of robust financial management. They know that they are very unlikely to raise finance, or even grow a financially sustainable enterprise without being able to understand or demonstrate essential things, such as:

- how much money or funding is needed initially to start the enterprise
- how much does it cost to run your organisation over time
- how much cash flow is needed to cover your costs each month
- how do you cost and price your products and services
- how much income will the business generate
- how will you be profitable and sustainable in the long term

The main headings you can use to provide all the information required in your financial section are:

- Financial management.
- Income generation and expenditure.
- Financial sustainability.

Remember, even if your business plan is only to be used internally, your organisation needs to know that your strategy is realistic and that you will not run out of funds. If you are looking for a loan or equity finance, then this section is also crucial to attract potential funders who will examine your financials in detail.



It is worth spending some time to get financials that are realistic, flexible and reflect your enterprise. There will inevitably be some estimation involved. That is fine as long as you have done your research and can support your assumptions.

If you are not familiar with finance, try to get support from somebody else who can help. You can also look at our [Finance](#) guides, which explain the basics of each topic discussed below.

### 8.1 Financial management

This is about giving the reader confidence that you are able to manage any funding or finance that becomes available to you and demonstrating that you have the right skills and systems in place to manage the money coming in and out of the enterprise.

You may be denied funding even if funders like your idea and it has the potential to generate income and social or environmental impact if you lack sufficiently robust financial management and control.



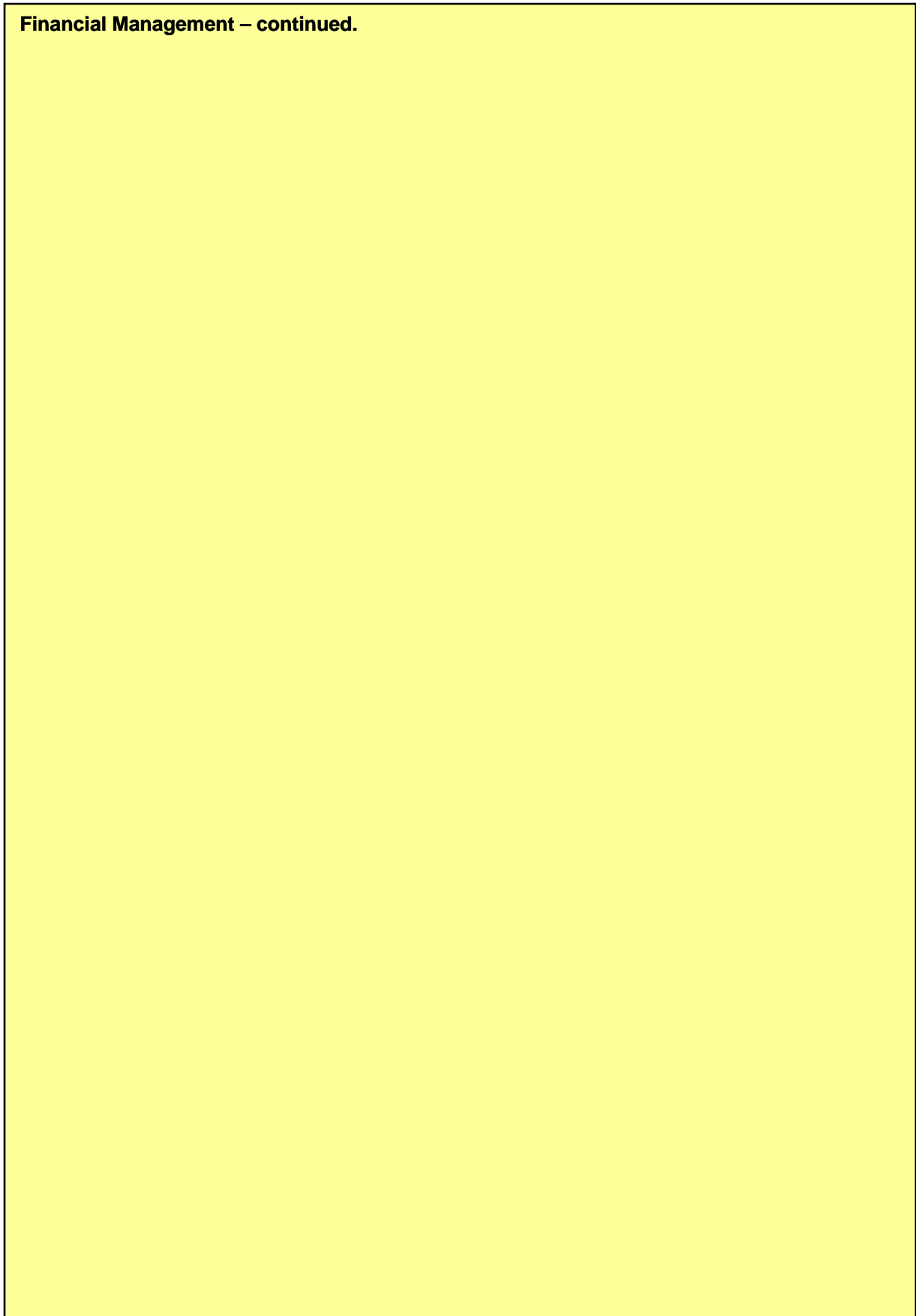
Remember, you want to keep the information brief and you can include any financial spreadsheets or tables in your appendices.

- Set out what accounting system you have in place or intend to have in place, for example:
  - the accounting software being used (many start-ups use bespoke excel spreadsheets)
  - whether you have a bookkeeper or accountant or do this yourself
- State who will be responsible for managing and monitoring your financial systems and controls:
  - cross reference the individual to the management section of the business plan
  - explain what the reporting lines are and how regularly the financial information is reviewed by the board, the directors and/or yourself
  - what action is taken as a result of the monitoring?
  - if you are the only person involved, you should say how you will go about reviewing and monitoring your financial information
- Ensure that your management and systems will be able to cope with any proposed growth in the business (volume of sales, complexity of transactions, etc).
- If you have historic accounts, you can place them in the appendices. You can also include extracts in this section to demonstrate the strengths of your organisation, its growth in the past and that you are prepared and can manage growth into the future.

**Financial Management – enter details below.**

- What accounting system does the enterprise use? Do you use accountants or do it yourself?
- Who is responsible for managing your financial systems?
- Can your existing systems cope with increasing complexity or growth?
- Do you have accounts from previous years of trading?

**Financial Management – continued.**



## 8.2 Income generation and expenditure

### Income Generation

This is where you set out the different types of income that you anticipate the enterprise will generate over a set period. Use the same timeframes you have used throughout the rest of the business plan.

A social enterprise's income traditionally comes from:

- selling your products or services (trading)
- contracts from public and private sector
- receiving grant funding, loans or investment
- sponsorship money, donations or in-kind support etc.

### Expenditure

When explaining your income generation, you also need to show a clear understanding of the costs associated with running your organisation.

Costs can include:

- capital costs such as equipment, purchasing premises
- overhead costs such as salaries and rent
- variable costs involved in producing and delivering your products and services such as temporary staff, materials, equipment hire, temporary venue hire, travel or stationary

### Profit Forecast (sometimes called Income or Revenue Forecast)

The anticipated income and expenditure are detailed in a profit forecast, usually over a period of three or five years. You can include the full profit forecast as an appendix to your business plan. Within this section, it is necessary only to have a summary of the main elements of your profit forecast.

You want to show that your enterprise is generating income and is able to cover its costs. You should also show how your revenue and profit grows over the years. Ideally, you would be able to demonstrate an upward trend in the amount of money you are able to generate.

Some enterprises will take longer to reach their break even point, i.e. to generate enough income to cover the cost of providing their service or product. If this is your case, try to explain why and state when you think your enterprise will break even.

The profit forecast requires considerable thought and sufficient time should be allocated in preparing this. If needed, get the assistance of someone who is good at preparing financial forecasts.



By demonstrating that you are able to generate enough income, anticipate and control your costs, you can convincingly argue that your strategy is financially possible. It is also the only way you will be able to survive and deliver the desired social or environmental impact.

### Assumptions

You must also explain how you have come to anticipate future changes in income and the associated costs. These are the assumptions that your financial forecasts are based on. As a rule it is best that your expenditure (costs) is exaggerated and your income is underestimated.

Try to ensure that you have considered what you would do if in reality the income was different from what you anticipated. Be consistent with what you have stated in other sections of the business plan.

### **Loans and investments**

If your forecasts are based on the fact that you will access money from loans or investment, you should try to anticipate the terms (or repayment) of that funding.

For example:

- Interest payments and loan repayments should be built into the forecast if you anticipate loan funding.
- If you are looking for investment, and if the investors expect a return in the form of a dividend, then the forecasts should show that you make a profit and that you commence paying the investor a dividend at some point.

### **Cash Flow**

Even if your social enterprise is profitable, it doesn't mean that you will always have enough cash in the bank to cover your costs. You need to show how you will manage the cash movements within the enterprise by using a cash flow forecast.

This allows you to demonstrate the amount of funding that you are looking for and how that will contribute to creating the anticipated changes in your organisation or project.

### **Balance Sheet**

Lenders such as banks or investors will also be interested in seeing the anticipated balance sheet for your enterprise. Balance sheets are seen as a snapshot of a company's financial condition at a specific point in time and include your assets, liabilities and ownership equity. These should also be summarised in this section.

#### **Summary of information to provide:**

- Three or five year Profit Forecast (also called income or revenue forecast).
- Cash Flow forecast.
- Balance Sheet forecast.
- Summary of your main assumptions.
- Reference these to the relevant Appendices.

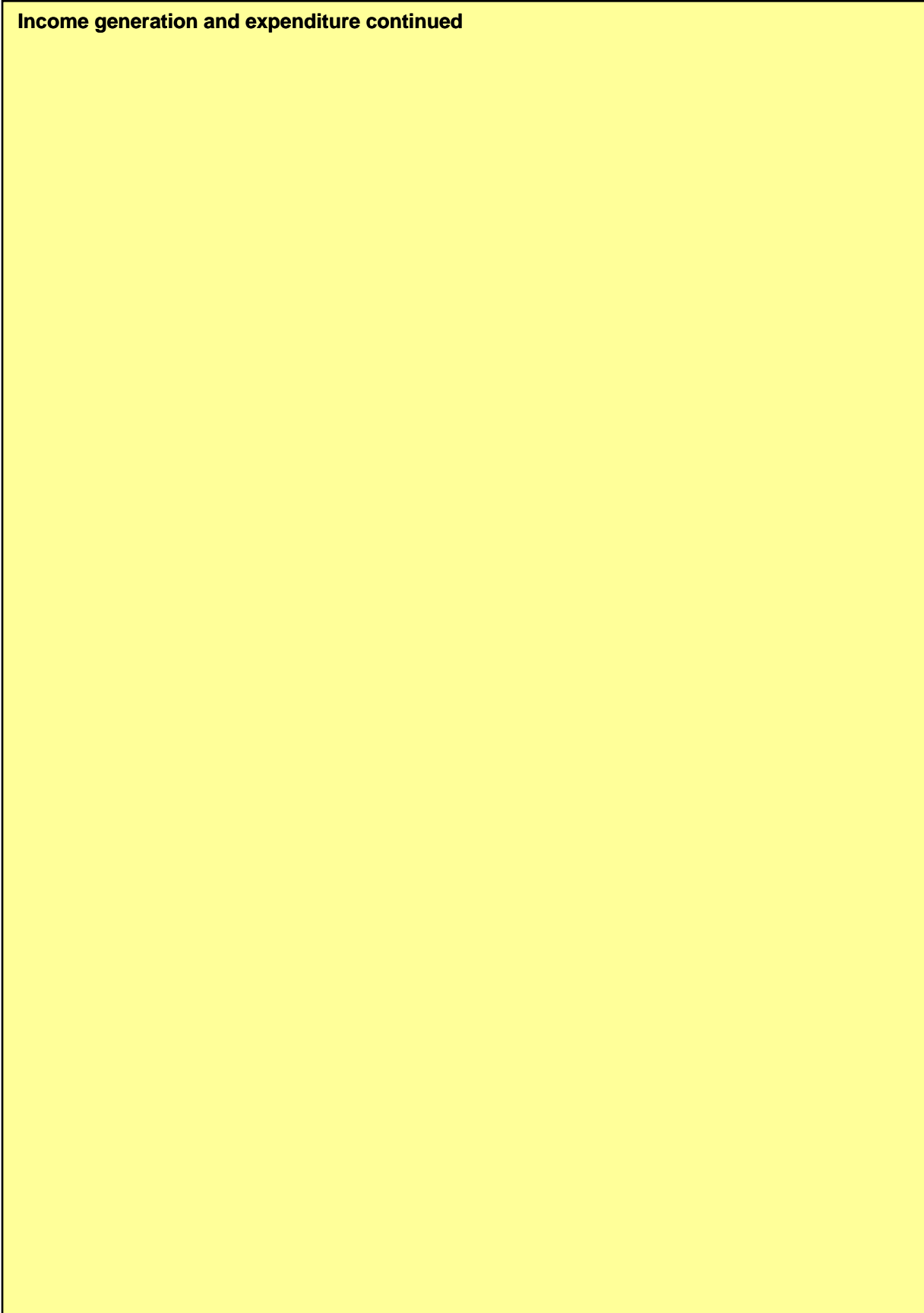
For more in-depth information on preparing your financial forecasts, read our guides on [Profit forecasts](#), [Cash flow forecasts](#), [Balance Sheets](#) and [Developing assumptions for financial forecasts](#).

#### **Income generation and expenditure**

- How much income will you generate over the next three to five years?
- How much will it cost to run your organisation as planned?
- Will you have enough cash to run your business?
- Are you planning on receiving loans or investment? Where from? How will those be repaid?
- When do you expect to break even? Are you anticipating any profits or surplus? How much?

Include all forecasts to support your financial section.

**Income generation and expenditure continued**



## 8.3 Financial sustainability

The forecasts detailed in the section above should show that your organisation will be financially sustainable, and how. However, this is not just about your ability to generate revenues and cover costs.



It is also about showing that your strategy is flexible and does not depend on one or two factors that may change over time. As such, it is important to show that you will have diversified sources of income, and that your enterprise will become less, not more, dependent on specific grants, clients or contracts.

### Trading and contracts

With regards to trading, although you may only have one or two customers initially, you should not rely on a limited number of customers or contracts in the long term. One of your customers may go out of business, decide not to renew a contract or start using another supplier, putting your enterprise at risk financially.

Trading successfully requires the costing and pricing of your products and services to be appropriate, accurate and in line with your overall strategy. Your prices also need to complement your marketing strategy and where you want to be positioned in the market.

To be financially sustainable, you will need to fully recover these costs, but also have enough left to cover contingencies and investment in future products and services. Make sure your financial forecasts reflect this.

### Grant funding

Grants given to support some of your projects or to help you grow cannot be guaranteed in the future and are therefore not sustainable. Grant funding should complement your revenue, not be your main source of income.

Although grants are very beneficial to support social and environmental initiatives, remember that funders do not always help you fully recover your costs, let alone make a surplus or profit. The ability to make a surplus is crucial in helping your enterprise invest in future growth.

If however, you are a charity or an organisation that is slowly building up non-grant income, you will need to show that you are thinking beyond the immediate grant awards. Your strategy in the long term should allow you to become financially sustainable even though this may well happen beyond the time scale of the business plan and the financial forecasts.



In this case, you should also include a fundraising strategy in your business plan, and explain who will be responsible for this and how it will be implemented. Demonstrate that you are seeking a diverse range of income/ funding sources and that you understand the procedures, timescales and likely sources for future funding.

### Loans and investments

Finally, growth which is financed by loans or investment has a level of risk – you must be able to meet the payment terms that you agreed to and have a robust strategy in place if business slows down. You must also show that your future sustainability is not dependent on only one source of finance.

For more information read our guides on sources of [funding and finance for social enterprise](#), and [developing a diversified funding strategy](#).

**Financial sustainability – enter details below**

- How sustainable is your strategy?
- Does the price of your products or services contribute to the long term sustainability of your enterprise?
- Is your trading profitable and do you have enough different customers or contracts?
- How much do you depend on grant funding? Who funds you and for how long? How reliable is this funding?
- Can you fully recover your costs?
- Do you have alternatives to loans or investment if needed? How sure are you that you can cover the cost of such finance?



## Section 9: Appendices



Appendices are included at the end of the business plan and are used for reference. Refer to all appendices by number. This will make it easier for readers to retrieve information.

For example, 'An organisational chart is presented in Appendix 2'.

Appendices are useful if you want to include information that is formatted differently to the rest of your business plan (i.e. not text), such as tables, financial forecasts and feedback forms.

They also ensure the continuity of your business plan. Sometimes including tables or graphs within the text can support your argument, other times it may not be necessary and could distract the reader. In this case, it is best to use an appendix – the reader can then choose the best moment to refer to them.

Though the use of appendices allows you to keep the main part of the business plan short and easily readable, use them in moderation. Only include documents your readers will be interested to see. They should have a valid reason for being included, otherwise, you risk creating a lengthy, daunting business plan.

### **What to include:**

There are a number of documents that you can and should include, depending on the context. They have all been discussed in the business planning framework and are listed below:

- Your memorandum and articles of association or constitution.
- CVs (if you feel it is relevant and complements your description in the business plan).
- Organisational chart.
- SWOT and PESTLE analyses.
- Market research data (if relevant)
- Marketing collateral, press cuttings (e.g. articles in the media).
- Recommendations, letters of support or information about awards that support your organisation's ability to deliver your business plan.
- Risk matrix.
- Relevant policies.
- Training plan.
- Financial forecasts (three or five year profit forecast, cash flow forecast, balance sheet forecast and summary of your main assumptions).