



locality.org.uk

Locality is the national network of ambitious and enterprising community-led organisations, working together to help neighbourhoods thrive

locality.org.uk  **@localitynews**

locality

Session Aims

- To **demystify** business planning for community asset projects
- Develop **confidence** and introduce approaches to test the viability of asset projects
- Develop understanding of the **key elements** of a business plan in relation to community asset projects
- To develop understanding of the importance of **financial planning** and introduce some practical approaches
- Brief funding overview

1. Business planning - starting off

WHERE
TO
START
?

Business plan *or*

Business planning?



In preparing for battle I have always found that plans are useless, but planning is indispensable.
Eisenhower, Dwight D.

What is the point of business planning?

help you **collectively** understand your organisation and where it's going

track progress

raise awareness & buy-in from others

Test ideas

move from a concept to **detail**

organise complex info

Failing to plan is planning to fail!!!

Business planning a community asset: part of an ongoing process/journey



DON'T TAKE YOUR EYE OFF THE REAL WORLD!

Challenges of business planning a community asset

“Known unknowns & unknown unknowns”

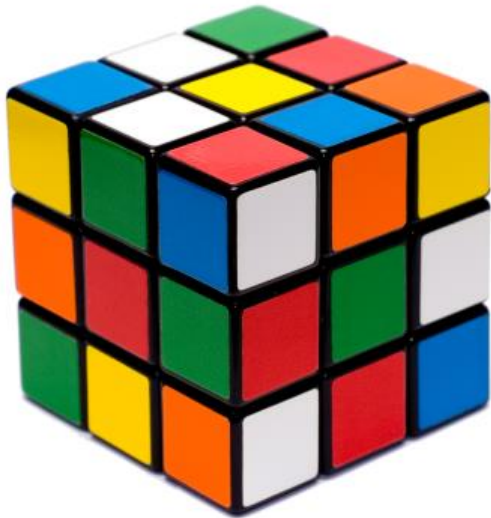
Building condition & refurb costs

Forecasting demand, occupancy & income

Running costs

Market rate

The building & the business - do they both stack up?



Common mistakes / things to avoid

- Paper overload
- No convincing case
- Not investable
- Lack of 'evidence' of need
- Poor financial forecasts



Common mistakes / things to avoid

- Don't know building condition
- Building too small?
- Assumptions
- Believing your own hype
- Nothing unique
- Taking your eye off the day job



Q. Why do you need to write a business plan?

- Plan out future direction
- Secure investment
- Convince stakeholders
- All of the above

Suggestions

- Decide **purpose** of business plan
 - What do you hope it will achieve?

Clarify and
guide
direction

Convince
council

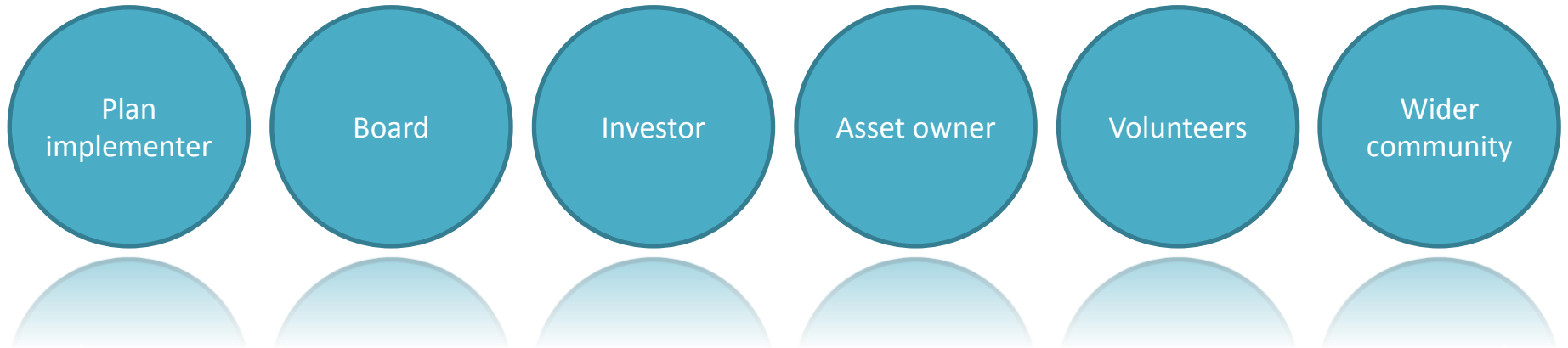
Secure
investment

Test /
demonstrate
viability

Attract
community
interest

Suggestions

- Consider audience
 - who will read it?
 - What are they looking for?



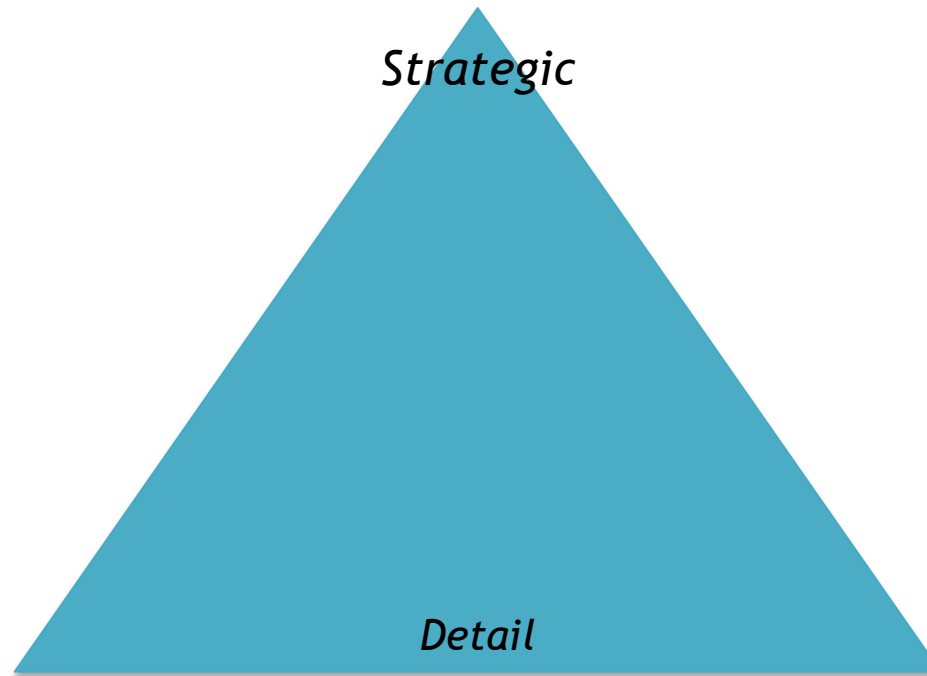
3 keys for the actual plan

- **Format**
 - Use different ones
- **Make it useful**
 - Living document
- **Make it convincing**
 - Base it on research
 - Solid figures
 - Don't leave questions unanswered



Shape of the Plan

1 page overview selling the vision



How you will do it

Strategic Plan 2015-2018

Our Vision is that we won't give up until everyone experiencing a mental health problem gets both support and respect.

Our Mission is to intervene early to improve wellbeing and provide advice and support to empower anyone experiencing a mental health problem. We campaign to improve services and reduce stigma and discrimination.



Hull and East
Yorkshire

Aim 1: Changing People's Lives

To empower and support individuals to make informed decisions that enable them to achieve their personal goals

To reduce reliance on mental health services and promote independent living

To enable individuals to move into mainstream employment, volunteering and learning

Aim 2: Changing Opinions

To influence policy makers to ensure mental health is a higher priority

To support individuals to ensure their voice is heard and they are able to influence the way services are provided

To ensure the general public has a better understanding of mental ill-health and how it can affect people

Aim 3: Helping More People

To develop new services for children, families, carers and older people

To develop additional housing provision

To develop a programme we offer to employers to support their employees

To extend our reach geographically to fill gaps in current provision

Aim 4: Organisational Excellence

To continually evaluate our work and develop methods to benchmark ourselves against other providers

To develop our capacity to deliver training and organise events

To ensure the team has the capacity to deliver quality and growth

To increase our non-statutory income

Our Values

We believe in providing care for people who come to us. We will accept them as individuals and respect their beliefs, needs and wishes

We will provide a **happy** and **empowering** environment in which to encourage recovery, well-being and progression

We will deliver our work in an organisation that is **professional** and **accountable** with an **enterprising** and **sustainable** business model

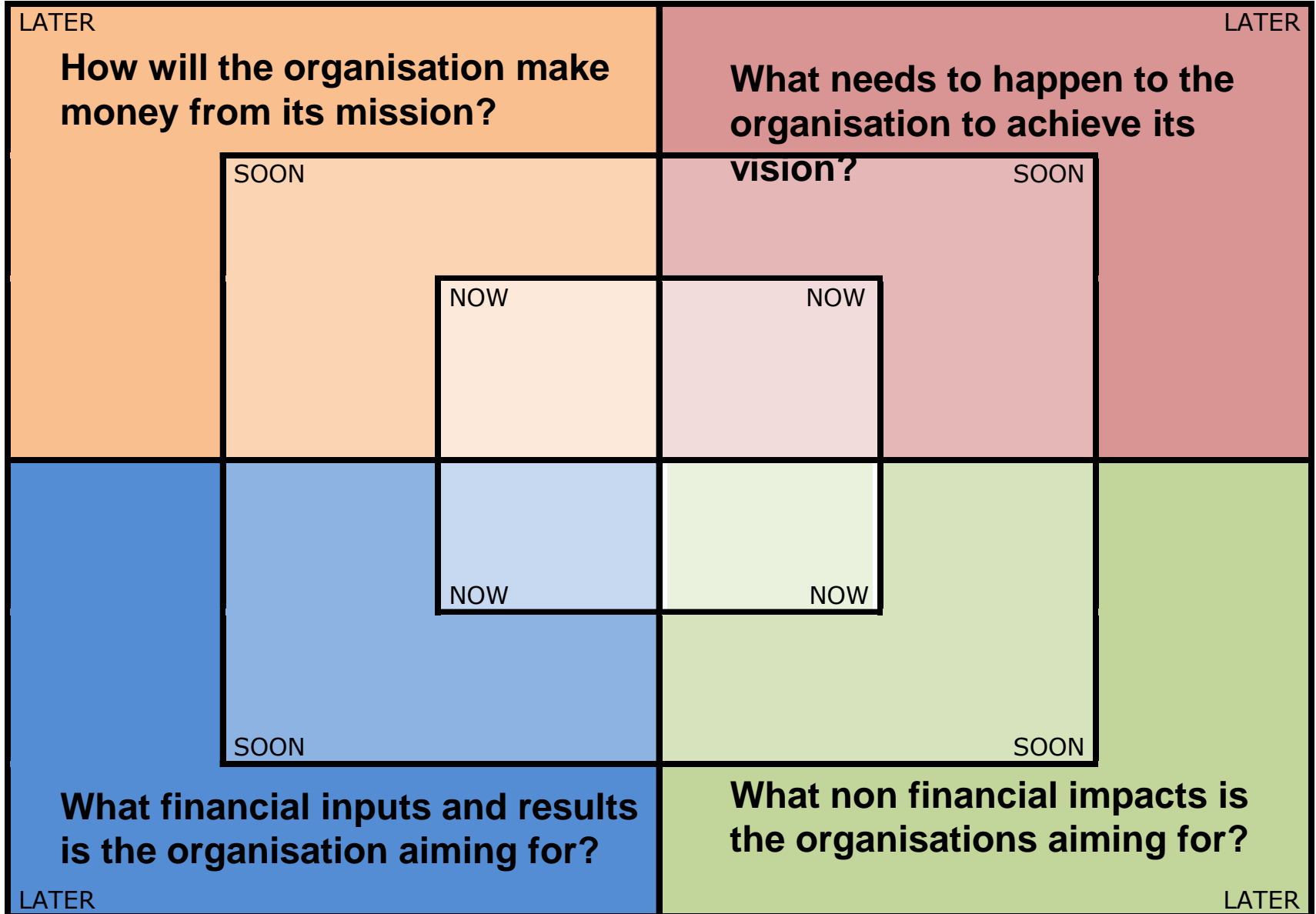
2. Business planning tools



BALANCED SCORE CARD

BUSINESS MODEL

ORGANISATIONAL DEVELOPMENT



FINANCIAL RETURN

SOCIAL RETURN

Anytown Trust (July 2009)

Community-based horticultural & café project working with people with learning disabilities and their families, seeking asset transfer to create organisational sustainability.

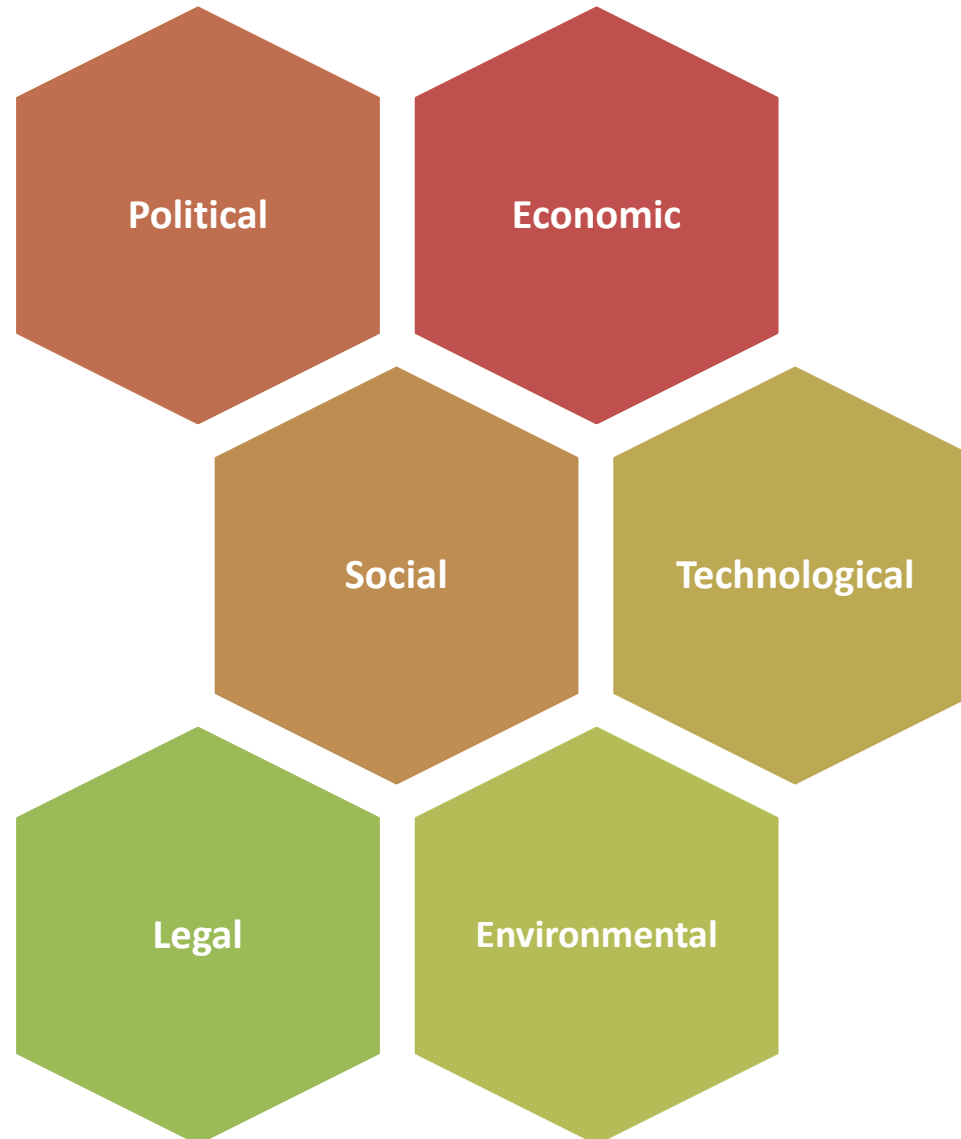
BUSINESS MODEL		ORGANISATIONAL DEVELOPMENT	
LATER (up to 5 years)		LATER	
Primary markets:	SOON (up to 2 years)	SOON	Legal form: No
<p>Turnover £350k Horticulture £90k (£10k earned, £80k grant) Room hire and conference £70k (£10k grant) Café £100k £10k grant) Office Rental £100k</p> <p>Earned income 70% Annual surplus £35k Net value of fixed assets £470k</p> <p>LATER</p>	<p>Turnover £200k Horticultural 70k (60k grant) Room Hire 50k (20k grant) Café Catering 80k (20k grant)</p> <p>Earned income 50% Annual surplus £20K Net value of fixed assets £500k</p> <p>SOON</p>	<p>Turnover £95k Horticulture 45k grant Room Hire 15k (10k earned) Café/catering 35k (25k earned) Earned income 35% Annual deficit £3k Net value of assets £0</p> <p>NOW</p>	
FINANCIAL RETURN			
Net value of fixed assets £470k	SOON	SOON	SOON
LATER		LATER	
FINANCIAL RETURN		SOCIAL RETURN	

Business planning tools – SWOT analysis



Business planning tools – PESTLE analysis

A means of considering the impact of external factors across 6 areas on your asset development



Analysing competitors

Market: *office space*

Customer's expected benefits	Key success factors
<i>Fast broadband</i>	<i>Location</i>
<i>High spec finish</i>	<i>Price</i>
<i>All inclusive rate</i>	<i>Flexible terms</i>

Competitor	Details, strengths & weaknesses	Threat <i>High, Medium, Low</i>	Our relative advantage
<i>A</i>	<i>Central location, lots of availability, high price, long terms</i>	<i>High</i>	<i>Price, Community on site cafe</i>
<i>B</i>	<i>Poor location, low quality finish, little spare capacity</i>	<i>Low</i>	<i>Location High quality finish</i>

Meanwhile... collect market intelligence

- ★ Market research
- ★ Community consultation
- ★ Testing the market
- ★ Local media / social media

Feasibility process

Research + analysis = compelling case

Don't pre-judge outcome

Optimistic v realistic v prudent



Feasibility process

Important early stage questions:

1. Is your project really needed?
2. Can your project be accomplished?
3. Is your project viable and sustainable long term?



Initial feasibility testing...

Land/Building Ownership

Stakeholders

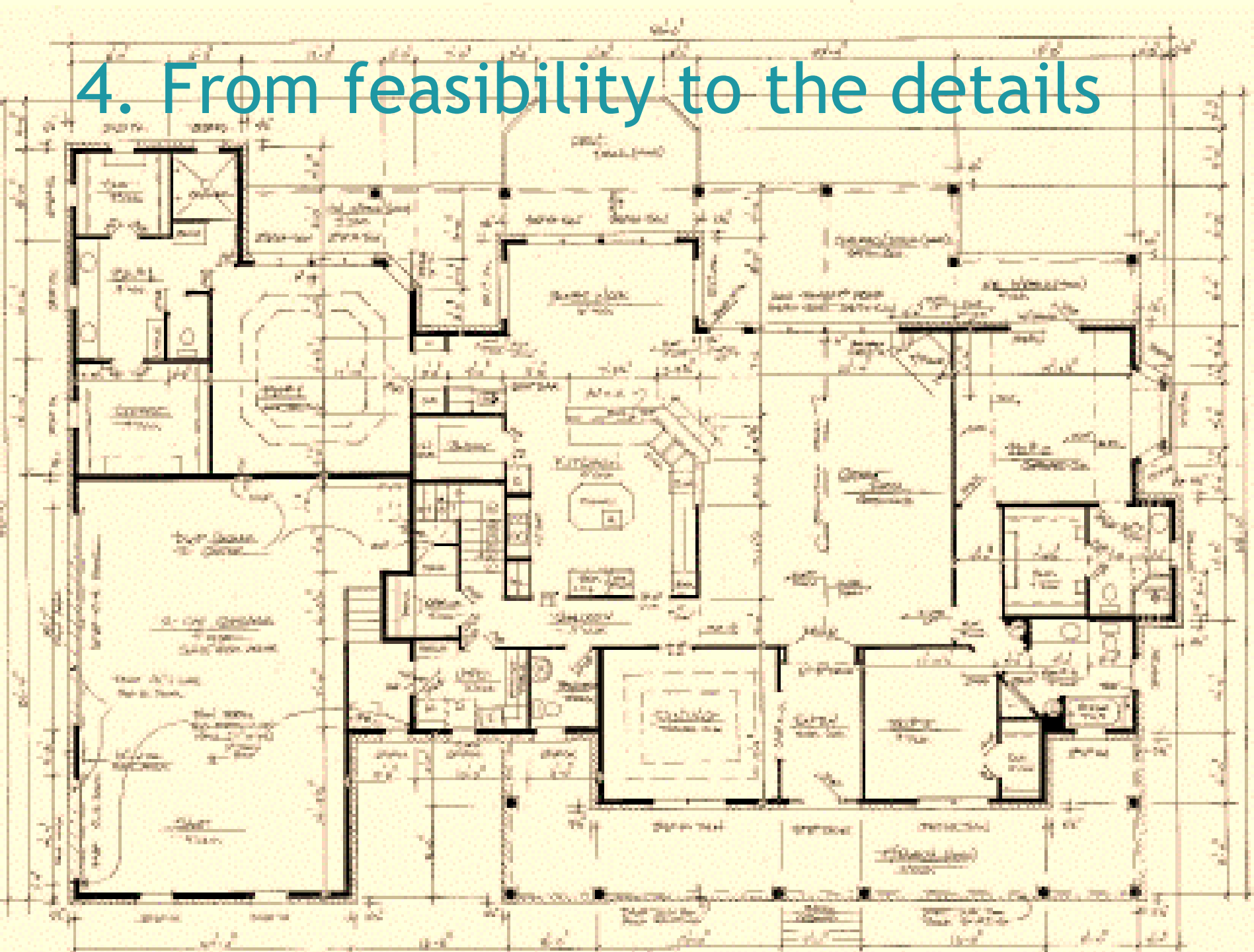
Technical

Capital Viability

Revenue Viability

Sustainability

4. From feasibility to the details



What is the overall model?

Examples

Enabler (more facilities management focused)

- predominantly focus on running a sustainable building
- Incubation of small groups, businesses
- Benefit of melting pot hosting various organisations delivering social outcomes

Deliverer

- As above but actively seek to deliver varied services as well

Risk spreading?

- Lots of tenants from different sectors
- Focus on one sector
- Anchor tenant

Income strategy

- An asset's income generating potential is crucial
- One area investors will scrutinise carefully
- Where will the ongoing income come from?
 - What and where is your market?
 - Especially crucial in less wealthy communities
 - *Paying customers* not just *consumers*



WHAT is needed in YOUR area?



How will you find out?



The building

developing the details

- What are your plans for the building?
 - New build, rebuild, remodel, minor alterations, repairs, no change?
- Does it meet current and future needs?
- How much ‘dead space’ is there?
- What are its running costs?



The building

developing the details

- What investment will it need?
- Timeline of critical developments?
- Drawings
- Planning consent
- Can you operate in the building during the work?



The vision - what is unique?

Defining your USP

- Location
- Facilities
- Building
- Tenants
- Sector focus
- Price
- Brand
- People involved
- *What else?*



Marketing & branding

- How will paying customers find about you?
- Why will they come through the door
 - The first time
 - And... repeatedly
- Connection to community engagement
- Different customers will require different strategies

What should a business plan include?

- It should include just 2 things...
 - what **you** need to make your case &
 - what the **reader** needs to see to be convinced
- It needs to be relevant for its purpose

Broad Brush Business Plan

Summary

Description of the project and its objectives

Description of management and governance processes

Market assessment

Estimate of capital costs

Estimate of fixed revenue costs

Estimate of variable revenue costs

Projection of capital funds

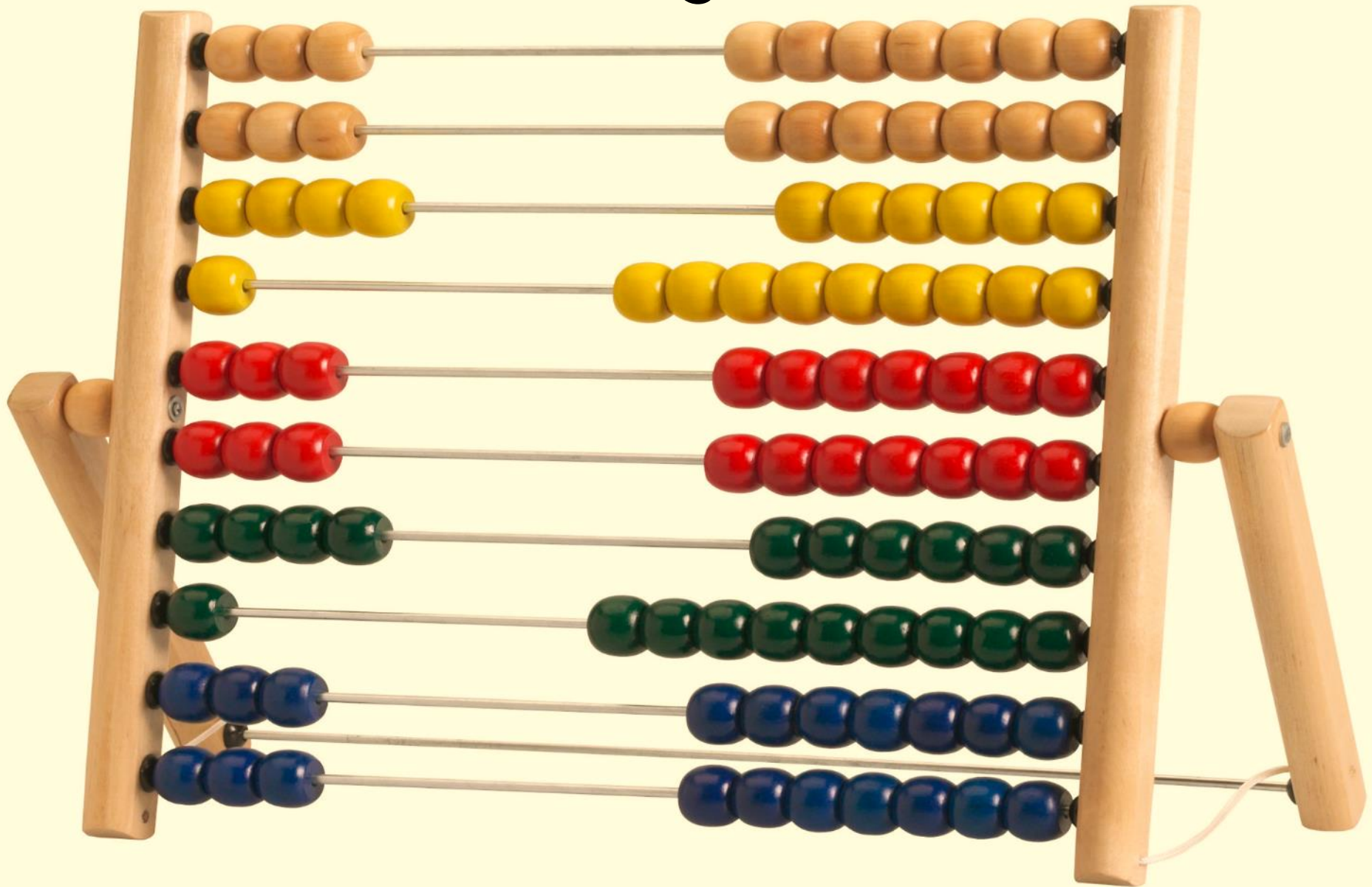
Projection of revenue income

A cash flow

Breakeven and sensitivity analysis

Risk Assessment

5. Financial forecasting and risks



Financial projections

- Capital investment needed
- Ongoing running costs
- Likely revenue streams
- Sinking fund
- Show patterns & direction – e.g. growth
- Yearly & monthly totals
- Cashflow forecast, inc year to year
- 3-5 years?
- Assumptions

✓ Revisit these regularly!

	April	May	June	July	August	September	October	November	December	January	February	March	Total
Income													
Structure													
Complimentary activities													
Book sales	48	48	48	48	48	48	48	48	48	48	48	48	576
Sponsorship	420	420	420	420	420	420	420	420	420	420	420	420	5040
Licence	480	480	480	480	480	480	480	480	480	480	480	480	5760
Catering	420	420	420	420	420	420	420	420	420	420	420	420	5040
Catering	480	480	480	480	480	480	480	480	480	480	480	480	5760
Total	1428	1428	1428	1428	1428	1428	1428	1428	1428	1428	1428	1428	17136
Expenditure													
Senior events	675	675	675	675	675	675	675	675	675	675	675	675	8100
Capital costs													
Lease													
Sponsorship													
Membership													
Total income	667	667	667	667	667	667	667	667	667	667	667	667	8004
Expenditure	62,953	62,974	62,979	62,975	62,972	62,968	62,962	62,956	62,950	62,944	62,938	62,932	755,885
Surplus / Deficit	-62,286	-62,307	-62,312	-62,307	-62,305	-62,300	-62,294	-62,288	-62,282	-62,276	-62,270	-62,264	-747,879

Costs

Potential **capital** costs

Land Acquisition and legal fees

Building control and planning application fees

Site Investigations

Ground works, building/construction work

Professional Fees

Furniture/equipment

Set up staffing/consultants

Equipment

VAT

Contingency

Costs

Potential **revenue** costs

Staff Salaries (including Employers National Insurance, pensions, holiday cover, recruitment, training, travel)

Insurance (Land/Buildings/public liability/employers liability/contents/consequential loss)

IT/phones/stationery

Consumables

Catering

Professional fees – Audit and legal

Repairs and renewals

Marketing/Letting (direct costs and sub contractors)

Utilities (e.g. gas, electric, water)

Security

Training

Administration/office costs/Bookkeeping

Rates

Loan repayments

Cyclical Maintenance (decoration etc)

Cleaning

VAT

Utility and fire compliance

Sinking Fund (reserved fund for future major works/improvements)

Promotion/publicity

Subscriptions

Income

Capital income	Revenue income
Sales	Rents
Grants	Fees
Loans	Charges
Equity	Grants
Share issue	Contracts
	Donations
	In-kind support

Why is cash-flow important?

- Often finances are tight when taking on or developing an asset
- You may not have developed all revenue streams for the asset yet
- There are likely to be significant capital costs to meet which will have implications on cash position
- Helps with planning & convincing investors
- ★ Review your financial systems & management accounts!

Funding

- What funding support do you need based on business planning?
- What are the priorities going forward?
- Who will be your bid writer/s?
- Do they have skills, critical friends?
- Getting started - Soup method?
- Can provide a funding sources info sheet

Securing Finance

- The Basics
- Finance Needs
- Types of Finance
- Pros and Cons

The Basics

- Full Cost Recovery
- Competent money management
- Understanding the business model and benchmarking
- Being real about risk
- Knowing the numbers
- The USP - Social Return on investment

Finance Needs

What Do You Want It For?



- **Development Finance** – grow change or die - (for R&D, new project development, investment readiness, future planning)



- **Capital development** – acquiring assets - for refurb, new build, equipment

- **Working Capital** –

- Early trading
- Monthly turnover



Types of Finance



1. **Grants**
2. **Equity** – selling part of the business as an investment to others e.g. joint ventures and community share issues
3. **Debt** – borrowing (serviced financially) Programme Related Investment (serviced with Social Returns) and Bonds
4. **Patient Capital** – loan/grant combinations

1. GRANTS

some capital funders

Funder	Fund	£	Notes
Big Lottery	<ul style="list-style-type: none"> Awards for All Reaching Communities Buildings 	Up to £10,000 Up to £500,000	For small refurbishments Area of high deprivation, postcode check
Arts Council	Capital Investment Fund	Small and large grants	Arts related activities
Heritage Lottery	<ul style="list-style-type: none"> Heritage Enterprise Fund Core Heritage Grants 	Up to £5m Over £100,000	Heritage/conservation area
ENTRUST	Landfill Communities fund	Up to £70,000	Community use, 10% match required
Power to Change	Initial Grants Programme	Up to £500,000	Capital & revenue mix for community

+ Check with local trusts and foundations, including Community Foundations



Need further help?

Support and advice on business planning from Locality, CAN, Gedling BC, others..... Pro Help etc