



Guiding You Towards a Brighter Future

# *A Brief Guide to Starting Your Own Business*

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# **A BRIEF GUIDE TO STARTING YOUR OWN BUSINESS**

Introduction

Have you got what it takes?

Who can help?

Market Research

The Structure of Your Business

Legal Matters

Keeping Accounts

Your Workplace

Overheads

Raising Finance

Advertising and Marketing

Your Business Plan

Preparing a Cash Flow Forecast

## **SECTION 1**

### **INTRODUCTION**

The following guidelines are to assist you in considering starting a business. Since there is no such thing as a “typical” small business, it can only provide a brief introduction to the essential steps that are necessary to enable you to create a solid foundation for your new business.

## **SECTION 2**

### **HAVE YOU GOT WHAT IT TAKES?**

Before embarking on your enterprise, take a long hard look at yourself and ask the question “**HAVE I GOT WHAT IT TAKES?**”

Are you: Outgoing? Determined? Creative? Energetic?  
Self Confident? Motivated? Resilient? Independent?

Ask yourself what management skills you and other key personnel have.

- Define your roles in the business
- Assess your strengths. How will you cope with any shortcomings? How will you cover the key areas of sales, marketing, production, finance and administration?

Are you totally committed to the business?

- How much time and money has each of you invested? What share of the business does each investment represent?
- What will your salaries and benefits be?

What have you done in the past?

- What experience have you of the trade into which you are going?
- Have you any specialist skills which is relevant to the business and can be used to its advantage?
- What are your qualifications?
- Do you have a CV?

How many staff do you require now and/or during the early stages of your business development?

Can you guarantee the support of your immediate family?

## **SECTION 3**

### **WHO CAN HELP?**

- ❑ Talk to people you know who run their own business
- ❑ Talk to your Bank
- ❑ Discuss the idea with a Business Adviser at *Sirius*, your local Enterprise Agency. [see list of agencies in section 10]

***The following sections are issues that you need to assess and include in a Written Business Plan, as detailed in Section 12.***

## **SECTION 4**

### **MARKET RESEARCH**

This is one of the most critical elements in any Business Start-up. You need to know that there is, in fact, a real demand for your goods or service. Remember, no demand = no customers = no money = no business!

Your research should identify :

- ❑ Potential market size and projected share
- ❑ Is the market growing, static, seasonal, or is it declining?
- ❑ Who are your customers?
- ❑ What competition is there?
  - What are their strengths and weaknesses?
  - What are their prices? How will yours compare?
- ❑ What advantages do these competitors have over you?
- ❑ What is your unique selling proposition (USP)? For example, are your prices better, or your products more fashionable? Are you in a good location? Are you flexible?
- ❑ Test Marketing Is it possible to test your product or service in a small way before launching fully into business? (This is not always possible, but can sometimes be conducted among family and friends).
- ❑ Why are the premises you are going into empty? What trade was there before?

## SECTION 5

### THE STRUCTURE OF YOUR BUSINESS.

This section covers three of the basic business formats available.

- Sole Trader
- Partnership
- Limited Company

Each has its own advantages, including the way in which the business is taxed and pays National Insurance.

#### □ Sole Trader

This is the simplest way in business, with the individual either working alone or employing people if necessary

##### Advantages

Minimal formality and bureaucracy. Simple. All you need to do is advise the Inland Revenue, National Insurance, and if applicable, VAT authorities.

Cash flow advantage as drawings are not subject to PAYE.

Financial information about your company remains confidential as your accounts are not available to the general public or competitors.

##### Disadvantages

Unlimited financial liability as you are personally responsible for all the debts of the business. This means any claims against your business may have to be met from your personal assets. **You are the business and the business is you.**

It is often argued that prospective customers are more reassured or impressed with a business that is Limited. In some cases this may be so, but by itself it is usually not a strong enough argument for becoming a Limited Company.

#### □ Partnership

Similar to form as a sole trader, but where there is a minimum of two people owning and controlling the business, and taking a share in the profits or losses made by it. This need not be on an equal basis.

##### Advantages

Shared responsibility, workload and decision making.

Pooling of skills and resources

Minimal formality and bureaucracy

### Disadvantages

Disagreement over the way in which the business is run. Partners are therefore advised to choose each other with great care.

Partners are **jointly and individually liable for all debts of the business, even if they are incurred without the knowledge of the other(s).**

Lack of flexibility. If a partner resigns or dies, the partnership ceases to exist and must be re-formed if the business is to continue. A partner withdrawing their share of the business may force it to be wound up.

It is strongly advised that a formal partnership agreement be drawn up by a solicitor to avoid misunderstanding and difficulties that may arise at some future date.

### Limited Company

A Limited Company is a legal entity in its own right allowing the separation of the private assets and liabilities from those of the company.

#### Advantages

- Limited liability. As the name suggests, your liability is limited to the nominal amount of your share in the company with your personal assets protected should the company go into liquidation, provided you have not given any personal guarantees and the company has been operated properly.
- Credibility. Many large customers prefer to deal with limited companies
- Tax advantages when profits are high.
- Continuity of existence should a director or shareholder leave the business, as the company is a legal entity in its own right.

#### Disadvantages

- Setting up costs and time. There is a great deal of formality involved in forming a limited company. A 'ready made' company can be bought 'off the shelf', but often changes may need to be made.
- The need to comply with company laws and regulations, including the submission of Annual Reports to Companies House This involves filing a copy of accounts which are then available for public information. A company secretary must be appointed, and board meetings and shareholder meetings must be held regularly which must be minuted.
- In the early days of this business, your total tax and NI contributions may be greater than in an equivalent size sole trader or partnership business.
- Company directors can now be held personally liable for the business liabilities in certain circumstances, notably those involving wrongful trading, - trading when liabilities exceed the assets, or fraudulent trading.

## **SECTION 6**

### **LEGAL MATTERS**

#### Registering the Business

If you intend to become a **Sole Trader** or **Partnership**, you can register the company name for a small fee plus VAT to :

The Business Names Register plc (B.N.R),  
Somerset House,  
Temple Street,  
BIRMINGHAM  
B2 5DN

Tel: 0121 643 0227

The B.N.R. will fully research, register and protect your business name.

Anyone can trade under his/her own name, but if you use a business name it is necessary to check that the title is not already in use. Failure to do so could result in possible legal action and loss of profits.

#### How to check a Business Name

The reference section of a library will be able to provide you with directories, Yellow Pages etc. They can also run a check of **Limited Companies**. You can look up names on the website: [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

Having assured yourself that no one else is using your title, you must then have it printed on all your business stationery together with your name and the names of any partners if applicable, plus a business or other address in Great Britain.

You must also display the business name together with the names and addresses of proprietors in your business premises.

### **DATA PROTECTION ACT (1998)**

You must notify the Data Protection Commissioner if you store personal data about your staff, customers and/or suppliers. **Penalties are stiff if you fail to comply**. An annual fee of £35 is payable.

Those concerned only with their personal or household affairs are exempt from the Act. However, for guidance contact the notification help line: 01625 545740 or Email: [mail@notification.demon.co.uk](mailto:mail@notification.demon.co.uk) Internet: [www.dataprotection.gov.uk](http://www.dataprotection.gov.uk)

Post: Office of the Data Protection Commissioner  
Wycliffe House,  
Water Lane  
Wilmslow, Cheshire.  
SK9 5AF



## LOCAL AUTHORITY LEGISLATION

Generally speaking, no licence or authority is required for the establishment of a shop, although where a 'change of use' is involved, advice must be sought from the Planning Department of your Council offices. The application may take several weeks to process and a fee will be charged.

It is also worth checking that the building is not on the list of 'Listed Buildings', as new shop signs and advertisements will also require planning permission.

- Shop premises must comply with the Offices, Shops and Railway Premises Act (1963), as amended by the Health and Safety at Work Act (1974). If employees other than the proprietor's immediate family work on the premises, registration with your local Environmental Health Department is required. The local authority employs shop inspectors to ensure that regulated hours of shop openings are enforced. In some cases your business may require a licence or registration with Social Services or Environmental Health. Reference libraries hold copies of all Licensing Acts, or visit the Government website at:

[www.open.gov.uk](http://www.open.gov.uk)

**Penalties for not registering for a licence are enforced.**

## EMPLOYING STAFF

If you employ anyone else in your business, whether full time, part time, casual, or outworkers, be sure you have understood your responsibilities as an employer. Your business advisory agency or *Sirius* can provide information for further sources of advice or help. You may have to operate P.A.Y.E

## KNOW YOUR LEGAL DUTIES

If you have people working for you, or you are a supplier of goods or services, there are laws protecting those whom you might affect.

Find out about the occupational safety laws which apply to you. Free leaflets are available by ringing the Health & Safety Executive Help Line.

- The Health and Safety At Work Act requires you to ensure – so far as it is reasonably practical- the health and safety of yourself and others who may be affected by what you do or fail to do. This Act applies to all work premises and activities.
- Legislation relating to : Protective Clothing & Equipment, Accident & Emergencies, General Working Environment, Safe Use of Chemicals, Noise & Vibration ,Machinery Safety, Dangerous Substances, Fire/Explosion, Basic Food Hygiene Certification ,and more....
- TRAIN YOURSELF. When you walk around your premises, look for things that are unsafe. Learn to identify hazards and ways of dealing with them. Take advice from your insurance company, local inspector, and for health problems, the Employment Medical Advisory Service.

## **SECTION 7**

### **KEEPING ACCOUNTS**

Every business, however small, must keep books. If it is a **Limited Company**, the bookkeeping must fulfil the requirements of the Companies Act.

Your accounting year need not necessarily run from January 1<sup>st</sup> to December 31<sup>st</sup>, nor need it coincide with the start and end of the tax year.

Before you start your business it is strongly recommended that you contact an accountant for guidance on the relevant bookkeeping systems and how to keep your books. Towards the end of your trading year you will be able to discuss in detail your business expenses, capital allowances, stock adjustments etc., before submitting your final accounts to the Inland Revenue.

When selecting an accountant, it is advisable to obtain an estimate of the charges involved.

### **INCOME TAX**

- Inform the local Inspector of Taxes as soon as you become self-employed. Obtain from him a copy of the starter pack named STARTING YOUR OWN BUSINESS. You can also get this information from the government website at: [www.hmrc.gov.uk](http://www.hmrc.gov.uk) This will tell you in plain language all the details of assessment and business taxation.

- As business taxation is in general paid in arrears (unlike PAYE), special provisions apply to start up. The rules for how a business is taxed in its early years create a situation in which your tax liability may vary according to exactly when you earn your profits and when you set your accounting dates.

By choosing the best accounting date, you may be able to save yourself a lot of tax. This can be particularly relevant because of the special arrangements, which may apply.

Each individual's tax situation is different, so it is important to consult an accountant.

- Tax is normally payable in equal instalments in January and July each year. The introduction of Self Assessment means more stringent regulations regarding late submission of returns. **If these are not submitted by January 31<sup>st</sup> following the end of the tax year, fines will be imposed.**

Study the information leaflets supplied from your Tax Office.

Sirius can arrange a confidential one-to-one chat at our office with a representative from the Inland Revenue to discuss any aspect of your tax queries

## **NATIONAL INSURANCE**

- If you are Self Employed you are liable to pay a flat rate Class 2 National Insurance Contribution – unless you obtain exemption because of low earnings.
  - You may also be liable to pay an additional Class 4 Contribution, based on your taxable profits.
  - Payments of the Class 2 Contribution can be made by monthly Direct Debit, or by payment of a quarterly account from the DSS. Any Class 4 Contributions will be calculated by the Inland Revenue and added to your tax liability, payable at the same time as your tax.
  - If you expect your net earnings from self employment in a given tax year to be less than the limit set for that year, you can apply for exemption from liability for Class 2 Contributions for that year. Leaflets are available which explain how your earnings are calculated for exemption purposes, but an application can only be backdated 13 weeks.
  - If you work for an employer and are also self employed, you may be liable to pay Class 2 Contributions as well as Class 1
  - Payment of your Class 4 and Class 2 Contributions may be deferred until your true liability has been worked out (after the end of the year)
- Contact your local office for further details**

## **VALUE ADDED TAX (VAT)**

VAT is a tax levied on most goods and services, although certain items are zero rated, and others are exempt, meaning they are outside the scope of the tax.

Once a business, whose activities attract VAT, reaches a certain level of turnover in a given period, it must become VAT registered.

This registration is through HM Revenue and Customs VAT office. When registered, the business must charge VAT at the appropriate rate on all its vat able sales (known as Outputs). At the same time it may then recover all VAT paid to its suppliers (known as Inputs). The net difference between the Outputs VAT and the Input VAT is either paid to Customs and Excise, or reclaimed from them. Submitting a VAT return is normally every 3 months.

If your turnover is below the registration limit, you may still register voluntarily. It is advisable to consult the VAT office before making the decision to register voluntarily.

**Seek advice from your accountant, or book an appointment at Sirius.**

**For more information regarding your VAT commitments, contact Jo McLaughlin from the Enterprise Support Team on: 0114 207 5092 or use the National Helpline 8am – 8pm on: 0845 010 9000**

## **BUSINESS INSURANCE**

It is recommended that competitive quotations be obtained, preferably from B.I.B.A. brokers who can usually offer a 'package deal' to cover all aspects of your trade. It may be possible to pay by instalments

### **Compulsory Insurance**

Employers Liability  
Motor Insurance  
Engineering Plant and Special Risks

- **Recommended Insurance**

Fire, Theft and Accidental Damage  
Business Interruption  
Public Liability  
Products Liability  
Money  
Goods In Transit  
Professional Indemnity  
Key Person Insurance  
Loan Protection  
Pensions  
Share Protection (Partnerships and Limited Companies)

## **SECTION 8**

### **YOUR WORKPLACE**

#### **□ Working from Home**

##### Advantages

The overhead costs, such as rent, rates, phone, are considerably lower at home than a rented premises. This is helpful when launching a business when it is important to keep costs down. If the business goes well, then expansion to other premises can follow.

##### • Disadvantages

You may need Planning Permission.

There may be implications for your insurance and mortgage.

Disruption to your home and family

Disruption to neighbours from suppliers and customers (noise, parking etc)

You will find yourself 'just doing a little bit more' and never getting away from work

#### **□ Commercial Premises**

There are a number of important factors to be considered before you make the decision to move into commercial premises.

After wages, premises costs are the highest overhead for most small businesses.

Decide upon the type of premises you require.

Retail space

Market stall

Factory space

Small workshop in managed workspaces

Office space in managed business centre/serviced office accommodation

- Decide whether you require a short-term licence agreement or lease  
Often the length of the lease is as important as the cost. You may prefer to pay a slightly higher rent for a lease that does not commit you for too long a period.

- Consider :  
Location  
Access hours  
Security  
Provision of services (water, electricity, parking etc)

How much you can afford to pay? Build the cost of your premises into your business plan and cash flow forecast.

## Costs

### Legal Fees

The cost of drawing up and checking a lease.

**You are strongly advised to take professional advice.**

### Advance Rent

Three months rent in advance is often required

### Planning Fees

If Planning Permission or Change of Use is required, a fee will be charged

### Rates

Check the actual commercial rates that will be payable. This can be spread over the year by Direct Debit.

### Installation Costs

Gas, electricity, water installation may incur costs. British Gas/Transco will charge you for a new gas meter, or moving an existing one. The Electricity Board may require a deposit from a new business. Installing a phone system and the line rental on your phones will be charged at the higher business rates

### Insurance

What annual premiums are your responsibility? [see section 6]

- Alterations

Alterations and improvements to the property will usually have to be met by you

Before taking the property, check you can meet any costs necessary to comply with Health & Safety, Environmental Health and Fire regulations [see section 6]

## **SECTION 9**

### **OVERHEADS**

No matter where you decide to start up your business, be sure to give careful consideration to your overheads.

Staff wages and administration costs

- Rent and Rates
- Equipment – possibly second-hand or leasing?
- Lighting and heating – will you need phase 3 electricity?
- Security – Steel shutters, burglar alarms?
- Advertising and promotion – local newspaper advertising rates? Quotes from printers and leaflet distributors
- Telephone/Fax and postage
- Transport – commercial vehicle? Fuel costs?
- Display material – fascia board, vehicle sign-writing?

There will be other costs. When making your calculations, overestimate costs to cover any forgotten items

## **SECTION 10**

### **RAISING FINANCE**

In addition to any capital you may have yourself, you will probably have to organise additional finance.

Possible sources of such finance include:

#### **High Street Banks**

You will need to satisfy the bank that the business proposition is viable. Hence the need for a well presented Business Plan, Profit & Loss and Cash flow forecasts [see section 13] All the banks now offer a 'Starting your Own Business' pack, which includes a template for all the above.

The bank will normally require some form of security.

A fixed term bank loan is much cheaper than an overdraft

Enquire also about the 'Small Firms Guarantee Scheme'

#### **Sirius**

'Soft' loans for start-up and expansion, up to one third of your project costs

Tel : 01482 890146

Email : [info@sirius-hull.co.uk](mailto:info@sirius-hull.co.uk)

- **The Prince's Trust**

Young entrepreneurs, aged between 18 and 30 can apply for funding.

The Trust provides loans of up to £5,000 per business for capital equipment or working capital, with a very reasonable repayment scheme

Contact :

Head Office: The Prince's Trust  
1<sup>st</sup> Floor  
King Charles II House  
Headlands Road,  
PONTEFRACT  
WF8 1DD

Hull Office: The Princes Trust  
Suite 230a  
Queens House  
Paragon Street  
Hull  
HU1 3NQ

Tel : 01977 698000

(Gren Clarke – for Hull Area) 07506 711642

Email : [busyork@princes-trust.org.uk](mailto:busyork@princes-trust.org.uk)

Website: [www.princes-trust.org.uk](http://www.princes-trust.org.uk)

- **Royal British Legion**

Unemployed ex-servicemen and women can apply for a loan with which to start a business

Contact :

The Royal British Legion (Hull & North Humberside)  
44 Beverley Road  
HULL. HU3 1YE



## GRANTS AND INCENTIVES

There are a surprising number of schemes available in the 'Hull Travel to Work Area' which may provide assistance to you.

- **Regular Forces Employment Association (RFEA)**

Provides financial assistance for ex-forces personnel starting up a business  
Tel : 01482 329655

- **New Deal**

If you engage a full time employee aged between 18 – 24 into a 'new deal' job, you may receive financial help towards their training for 6 months, Ask Sirius for a leaflet or look at [www.newdeal.gov.uk](http://www.newdeal.gov.uk) for more information.

Tel : 01482 596912

- **The Acorn Fund**

Advice and some access to financial aid in Hull. Postcodes HU1 – HU9.  
Capital projects only. Not retail.

Shine Knowledge & Innovation Park, Suite 1, St Mark St, Hull. HU8 7FB  
or Hull & Humber Chamber of Commerce Tel: 01482 324976

- **Business Link Yorkshire**

One call will give you access to a full range of business support services tailored to your needs. Contact: Chamber of Commerce, Beverley Road, Hull, HU3 1YE

Tel : 08456 048048 Website : [www.businesslinkyorkshire.co.uk](http://www.businesslinkyorkshire.co.uk)

- **Hull Joblink**

Provide business development grants towards the purchase of fixed assets, and training new employees

Tel : 01482 601888

- **PROBE (HULL) Ltd**

Various grant aid, advice and training for residents in the HU9 area thinking of starting up, or for existing businesses in Hull interested in employing residents of the HU9 area.

Tel: 01482 782400

Steve Altoft, Employment House 406 Southcoates Lane Hull. HU9 3TR

- **East Riding of Yorkshire Council**

Youth business support for the East Riding.

Tel: 01482 391694 Contact: Ros Bratton

Website: [www.eastriding.gov.uk](http://www.eastriding.gov.uk)

Email: [ros.bratton@eastriding.gov.uk](mailto:ros.bratton@eastriding.gov.uk)

▪ **The University of Hull Business Support Team**

The Support Team works closely with experienced partners from the Public Sector in order to make available to local businesses the wide-ranging and high-level expertise that only a 'top twenty' university can offer.

Contact: 01482 466655

[www.hull.ac.uk/logistics](http://www.hull.ac.uk/logistics)

Other useful websites are as follows :

<a href="http://www.pne.org">www.pne.org</a>	[Project North East, has details for the Yorkshire region]
<a href="http://www.nfea.com">www.nfea.com</a>	[Yorkshire/Humber Ass. of Local Enterprise Agencies]
<a href="http://www.fsb.org.uk">www.fsb.org.uk</a>	[Federation of Small Businesses]
<a href="http://www.primeinitiative.org.uk">www.primeinitiative.org.uk</a>	[support for 50+ year olds]
<a href="http://www.princes-trust.org">www.princes-trust.org</a>	[support for 14-30 year olds]
<a href="http://www.shell-livewire.org">www.shell-livewire.org</a>	[support for young persons]
<a href="http://www.fastlinksolutions.co.uk">www.fastlinksolutions.co.uk</a>	
<a href="http://www.businessonline.org.uk">www.businessonline.org.uk</a>	
<a href="http://www.clearlybusiness.co.uk">www.clearlybusiness.co.uk</a>	<a href="http://www.smallbusinessadvice.org.uk">www.smallbusinessadvice.org.uk</a>
<a href="http://www.j4b.co.uk">www.j4b.co.uk</a>	<a href="http://www.yorkshire-enterprise.co.uk">www.yorkshire-enterprise.co.uk</a>
<a href="http://www.smallbusiness.co.uk">www.smallbusiness.co.uk</a>	<a href="http://www.bizwise.co.uk">www.bizwise.co.uk</a>
<a href="http://www.everywoman.co.uk">www.everywoman.co.uk</a>	<a href="http://www.ukcorporator.com">www.ukcorporator.com</a>
<a href="http://www.busygirl.com">www.busygirl.com</a>	<a href="http://www.grantnet.com">www.grantnet.com</a>
<a href="http://www.sbs.gov.uk">www.sbs.gov.uk</a>	
<a href="http://www.berr.gov.uk">www.berr.gov.uk</a>	
<a href="http://www.homebusiness.org.uk">www.homebusiness.org.uk</a>	
<a href="http://www.yorkshire-forward.com">www.yorkshire-forward.com</a>	
<a href="http://www.fraudadvisorypanel.org">www.fraudadvisorypanel.org</a>	

## **SECTION 11**

### **ADVERTISING AND MARKETING**

Advertising costs money, but your potential customers must be aware that you are there. Before placing adverts, ask yourself if the business will benefit from this type of publicity.

- Who are you trying to reach?
- What are you trying to say? Describe clearly your product or service
- Monitor the results of your adverts
- Is a series of small ads more effective than a 'one off ' large display?
- Does your advertisement comply with the Advertising Standards?

Advertisements do not actually sell goods or services, but they do attract the attention and interest of your customers. You must be prepared to respond correctly to the interest generated.

Questions to ask yourself should include :

- Can you cope with the possible number of enquiries or orders?
- Is the phone number you quote always answered during trading hours?
- Is the phone answered by someone with sufficient knowledge to deal with the enquiry?

If you are selling to industry or commerce, you could consider advertising by :

- E-commerce / Internet  
Your own website with links to other business or information service sites in the area is now a common method.

Generate an article and photograph in your local paper. If it has a business section, invite a reporter to your premises and get interviewed!

- Trade Exhibitions / Craft Shows / Country Fairs / Local Markets
- Yellow Pages / Local Business Directory
- Leaflets distribution - local
- Mail shots – regional / national

## **SECTION 12**

### **WHAT IS A BUSINESS PLAN?**

A Business Plan is a comprehensive description of a business and its plan for a medium term future.

It explains what the business does or will do, and outlines who will buy the product or service, and why.

It includes financial forecasts and the finance required by the business.

### **WHY WRITE A BUSINESS PLAN?**

To enable you to plan the development of your business effectively, and also to use it as a tool in monitoring your progress

To secure financial backing for your business or business idea

### **WHO SHOULD WRITE A BUSINESS PLAN?**

It is vital that you undertake the research and compilation of the plan yourself

Ultimately, you must have an intimate knowledge of how your business works, what it needs to succeed, and a knowledge of the market. You must be able to present the plan to a lender or investor.

### **CONTENTS OF YOUR BUSINESS PLAN**

- a) One page Summary
- b) Background – Business/Personal history
- c) The Proposal
- d) Financial Requirement and Security/Guarantee
- e) Risks
- f) Opportunities
- g) SWOT analysis
- h) Market analysis/research
- i) Marketing Plan
- j) Strategy
- k) Timescales and Planning
- l) Cashflow Forecasts and Projections
- m) Appendices. These should include:  
Statements of Assets and Liabilities from all applicants, C.Vs from all applicants, any Certified Accounts, Property Details, Certificate of Incorporation, Memorandum & Articles of Association, any price lists, brochures, business cards press cuttings

***The following shows in more detail what each section should include :***

**a) One page summary**

A brief summary of the business activity, product or service and to whom it will be sold.

**b) Background – business / personal**

Describe the events leading to your decision to start up a new business  
Names and ages of Partners/Directors  
Describe your, and your key business colleague's previous experience and qualities. This will let the potential funder know that you have the skills to deliver the product or service, and more importantly, to manage the business effectively. Training may be required in bookkeeping or marketing. Full C.Vs of owners and key management should be placed in the appendix

**c) The Proposal**

This section should summarise the nature and extent of the operating facilities and procedures, emphasising those areas that will be crucial to your future success

A summary of your proposal with sufficient detail for the funder to understand the need for finance.

Include a detailed description of products or services (brochures to be placed in the appendix).

Include details of your premises: location, size, costs, freehold or leasehold or license (copies of documents to be placed in the appendix)

List the equipment required to provide the product or service

Detail operating licence or planning permission required

Detail any other legal requirements

**d) Financial Requirement and Security**

The total amount of funding required for the project to proceed, Security on the loan in the form of e.g. house, plant & machinery, guarantee or debenture

**e) Risks**

**f) Opportunities**

**g) Swot Analysis**

The SWOT analysis means: Strengths, Weaknesses, Opportunities and Threats to the business' marketing activities from current and future environment.

**h) Market Analysis / Research**

Describe the market you are aiming to sell to. Whether informal or formal, your market research will have helped you draw up a profile of your ideal customer. This may include: potential customers, who they are, how often do they buy, how much do they buy, and the results of your research. Include your competitors within your target sector. Analyse their strengths and weaknesses.

### **i) Marketing plan**

Indicate your short term objectives and strategies for achieving them. i.e. turnover, profit margins, new markets. Then indicate your long term objectives and strategies for achieving them. i.e. growth, development

### **j) Strategy**

A description of existing markets encompassing potential and existing competition Describe your marketing methods and indicate how you intend to reach potential customers, For instance :

What particular benefit will your products/service provide target customers?

Will you provide any guarantees or after sales service?

Other benefits you may offer could :

Supplying the product in different sizes and colours

Different levels of service

Have you a Unique Selling Proposition (USP)?

### **k) Timescale and Planning**

List your time-table for implementing your strategies, both short and long term. The SWOT analysis should help you prioritise. Actions should be time-tabled for with consideration, in order that the business remains viable, and able to respond to changes in the market.

### **l) Cash flow forecasts and projections**

Personal Survival Budget. Lists monthly expenditure of living costs including rent/mortgage, gas/electricity, clothing, food, entertainment etc

Profit and Loss Forecast Lists likely business expenses including your own drawings and analyses each of them. [i.e. if calculated on a monthly basis, multiply by 12 to reach your annual forecast].

Estimate the level of sales. It may be easier to start from a daily or weekly view, then build in our estimates. Include a breakdown of your sales forecast in an appendix.

You will need to have a clear understanding of the basis on which you have estimated future sales, and you will have to justify these figures when you seek funding.

### **m) Appendices**

Number each appendix separately :

C.V.s of owners / managers and directors

Market research questionnaires

Orders of letters of intent from potential customers

Copies of planning permissions, licences and other legal documents

Deed of Partnership or Certificate of Incorporation (where applicable)

List of Shareholders (where applicable)

## **SECTION 13**

### **PREPARING A CASH FLOW FORECAST**

*( See layout example on Page 24/25 )*

Your cash flow forecast will show you the actual movements of cash in and out of your business. For example, you may make £5,000 worth of sales in your second month, but payment may not arrive until 30-60 days later. In the meantime, you may have to meet regular payments for materials, wages, rent, insurance, utilities, and your drawings if you are a Sole Trader or Partnership.

Your initial cash flow forecast will show if you need to borrow money to cover a shortfall in the early months. Once you start trading, you can update the forecast with actual figures and use it to look ahead.

Sales, profit and cash – these are three areas of the business that need to be carefully managed and monitored if you want to succeed. Be sure your sales levels are on target, and are able to deliver profit.

### **WORKING CAPITAL**

Working capital is a term used to describe the short-term financial resources used by your business for everyday trading purposes.

- Debtors – the money owed to you by customers
- Creditors – the money you owe to suppliers for purchases and stock
- Stock – the value of materials you have purchased for immediate resale or to manufacture into finished articles
- Cash or Overdraft – the money you hold as cash or in a bank account

### **DISCLAIMER**

***This guide to Starting Your Own Business was prepared from information available from various organisations in good faith. We cannot accept any responsibility for changes that may have occurred.***

***May 2008***

<b>Cash flow forecast for year ending :</b>				
<b>Business Name :</b>				
<b>Prepared by :</b>				
	<b>Month 1</b>	<b>Month 2</b>	<b>Month 3</b>	<b>Month 4</b>
<b>Income</b>				
Turnover (Sales)				
Other Income				
Your Cash Input				
Grants				
Sirius Loan				
Other Loans				
VAT Claims				
<b>Total Income</b>				
.....				
<b>Expenditure</b>				
Purchases - Machinery				
Purchases - Equipment				
Purchases - General				
Rent On Premises				
Rates On Premises				
Maintenance				
Gas/Electricity Usage				
Telephone/Broadband Charges				
Insurances (Vehicle/Property/Liability)				
Fuel Cost & Road Tax				
Professional Fees				
General Expenses				
Wages (For Others, Not Yourself)				
PAYE/National Insurance Contribution				
Advertising & Promotion				
Postage & Stationery				
Audit & Legal Costs				
HP - Capital				
HP - Interest				
Bank Overdraft Charges				
Bank Charges				
Loan Repayments				
Sirius Loan Repayments				
Capital Expenditure				
Drawings				
VAT Payments				
<b>Total Expenditure</b>				
.....				
<b>Cash Inflow/Outflow</b>				
<b>Opening Balance</b>				
<b>Closing Balance</b>				





