

Planning 2: Making a Business Plan

Spoted Sprints



Introductions

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The "Planning" Series

1: Strategy & Vision

5 September

2: Making a Business Plan

12 September

3: Practical Project Planning

19 September

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Today's Content

- 1. What does my Business Plan need to do?**
- 2. What should be in my business plan?**

But to start..

**Most people think of
what they have seen on
the Apprentice...**



[THE APPRENTICE - BBC - YouTube](#)

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What a Business Plan needs to do

In effect, a business plan details what you will be to implement your defined strategy and the outcomes that will be delivered, in particular financial

A **Business Plan** should:

- Be clearly linked to your **Strategy**
- Describe the **Operational and Financial Objectives** during the period (the same period as in your strategy)
- Be **balanced** between being **Realistic** and **Ambitious**
- Detail **Targets** against which progress can be monitored and measured
- Consider the **Key Risks** associated with both the predicted operational and financial outcomes, and describe how these might be mitigated

AN
OPERATIONAL
AND
FINANCIAL
PLAN

Objectives

Your Business Plan needs to define objectives (goals) that meet the SMART criteria, as detailed below.

S	SPECIFIC (Simple, Sensible, Significant)	What will you achieve? Leave no room for misinterpretation
M	MEASURABLE (Meaningful, Motivating)	What information will you use to determine if you have achieved it?
A	ACHIEVABLE (Agreed, Attainable)	Are you sure you can do this i.e. is it realistic?
R	RELEVANT (Reasonable, Resourced)	Is this aligned to what else you are doing? What difference will achieving this make
T	TIME-BOUND	What's the deadline for achieving this?

SMART Objective Example

You plan to write a book

Weak Version: I am going to write a book.

SMART Version:

- **Specific:** I'm going to write a 60,000-word sci-fi novel
- **Measurable:** I will finish writing 60,000 words in 6 months
- **Achievable:** I will write 2,500 words per week
- **Relevant:** I've always dreamed of becoming a professional writer
- **Time-bound:** I will start writing tomorrow on January 1st, and finish June 30th

"I am going to write a 60,000 word sci-fi novel by 30 June (starting on 1 January)"

www.oberlo.com

Some are hard to Measure!

In my experience, organisations often find it difficult to identify ways to appropriately measure outcomes, in particular where this relates to human behaviour/emotion

When considering how to **measure outcomes**, think about:

- Are there any single measures that are directly related to what the objective aims to achieve? If yes, how easy is it to capture the data to determine this?
- Are there other things that you are doing (or someone else is doing) that could have an impact on the measure?
- In all cases, what is the starting point so that you can track progress against (benchmarking)?

**e.g.
reduce social
isolation**

**increase
confidence in
using IT**

Why you might need one

If well produced, a comprehensive business plan presents an organisation in a professional manner, which can be useful with funders and customers

A Business Plan can be used to:

- Demonstrate to **potential funders** that your predicted outcomes are based on solid assumptions and that you have considered the main risks
- Clearly define all of the various **resources** that are required to deliver your services
- Assess a range of **potential scenarios**, and the **feasibility** of new ideas and projects
- Define clear targets to **demonstrate progress** to both internal and external stakeholders, and to trigger action if change is required
- Assess how costs might change over time and the impact this will have on **funding requirements**

Questions re what my business plan needs to do

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Today's Content

1. What does my Business Plan need to do?

2. What should be in my business plan?

Plan Content

The Sported Hub contains a guide and template for Business Plans

This training is broadly aligned but, for example, the template contains information that was covered in the previous Strategy session

[Business planning guide \(sported.org.uk\)](https://sported.org.uk)

[Business plan template \(sported.org.uk\)](https://sported.org.uk)

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Plan Content Suggestion

I have deliberately used terminology aligned to charities and other third sector organisations e.g. replacing words such as sales, revenue and marketing which I believe are more aligned to the corporate world

Executive Summary

Promotional Plan

Organisational Background

Income Plan

Summary of your Strategy

Financial Summary

Delivery plan (including people and partners)

Risk Assessment

Delivery Plan

The Delivery Plan is about what services you intend to deliver and how you intend to deliver these

The plan should detail each of the **Services** you intend to offer (and when if they start after the beginning of the plan), and for each:

- **Customer Group** – who will use the service and how many will use it (which may well vary over time)
- **Delivery Model** – do you intend to deliver the service yourself or are elements of the service will be delivered by a third-party partner (in which case name them)
- **People** – how many staff will be required, including details of roles (including any required skills) and any associated costs (e.g. recruitment and training) both for new and existing staff. Consider any specific roles required to overcome customer barriers
- **Premises** – where you intend to deliver the service from
- **Technology** – any specific technology you will require to deliver your services and any third parties that will supply/support these (in particular if not using off-the-shelf applications)

In addition, include an overall organisational chart.

Promotional Plan

You could have the best services available but unless potential customers know about them then no one will use them

This should be based around responses to questions such as:

- Which **channels** do you intend to use to promote your services?
- How do you intend to utilise **social media**, if appropriate for your customer groups?
- What **third parties** might direct potential customers to your services? how you will establish and maintain these relationships
- How will your promotional material be adapted to overcome any **barriers** that exist with your customer groups ?
- Who is going to be responsible for all of the promotional activity?

In a corporate situation, this would be referred to as a Marketing Plan

Income Plan

I have specifically pulled income out as for many charities being able to attract sustainable funding is the major challenge

Some funders also look for evidence of “matching funding” so this is very important

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The plan should describe which income sources will provide the funds you require e.g.:

- **Restricted Grant Funding** – which funders have you identified that provide funding for the type of services you offer, what funding levels do they offer, and how long will they fund for. If you have successful experience of being awarded funding from a funder then detail this, together with any view on repeat funding
- **Activity Fees/Donations** – details of income you expect to be generated from activities
- **Member Fees/Donations** – details of income you expect to be generated from regular payments from members
- **Other Donations and Unrestricted awards** – perhaps based on your experience to date
- **Gift Aid** – do you intend to claim this (only applicable on donations but could provide a 25% uplift on these) [Gift Aid - GOV.UK](https://www.gov.uk/guidance/gift-aid) (www.gov.uk)

Financial Plan

The Financial Plan brings everything together to demonstrate the financial outcomes you project that you will deliver.

If you are a charity and operate with a Reserves Policy, you will need to consider this as part of the projected cash flow

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The financial projections should cover the entire period of the plan; modelled on a monthly or quarterly basis.

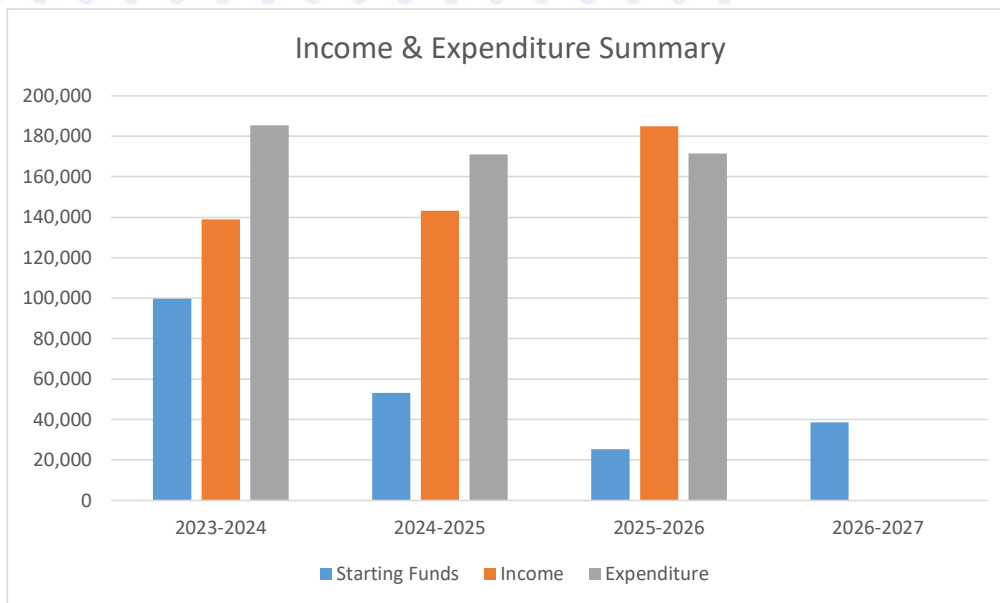
This projection should detail:

- The key assumptions behind the projection (e.g. customer numbers)
- The various income flows – where you have restricted grant funding you should show how this is used over time
- The main cost categories
- The annual surplus/deficit (aligned to your financial years) – BUT this can create some presentation challenges (see next slide)
- The cashflow position over time – split between restricted and unrestricted funds

How the financial plan is presented makes a huge difference

Financial Plan Presentation

Use diagrams if easy to understand, or present numbers within easy-to-read tables. Avoid “spurious” accuracy in presented numbers.



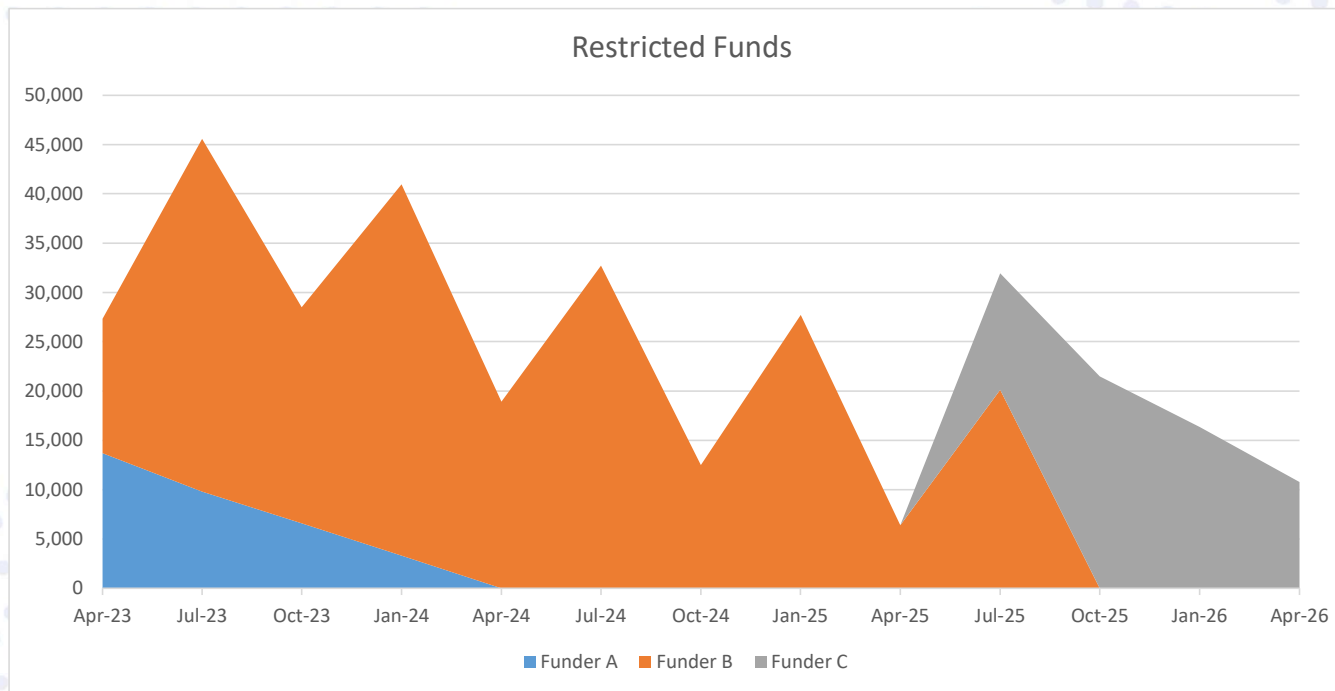
INCOME & EXPENDITURE SUMMARY			
Year	Starting Funds	Income	Expenditure
2023-2024	99,658	138,992	185,401
2024-2025	53,249	143,092	171,058
2025-2026	25,283	185,000	171,630
2026-2027	38,653		

FINANCIAL OUTCOME	
Year	Surplus/Deficit
2023-2024	-46,409
2024-2025	-27,966
2025-2026	13,370

The starting funds position for 2023-2024 included £57,733 of restricted funds to cover costs to be incurred during 2023-2024

Financial Plan Presentation

Diagrams only work if easy to understand without lots of commentary – see example below, which to me doesn't work!



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Risk Assessment

You need to consider events that might arise and prevent you from delivering as forecast e.g. lack of funding, new competitors, another pandemic.....

In my experience, this is best done through workshop sessions with the people that know your operation, where you should consider the following questions:

- What are the major **risks** that could prevent you from delivering as predicted?
- What would the **impact** of this risk be on your operation?
- What's the **probability** (likelihood) of this risk occurring?
- What pro-active steps could you take to **mitigate** the risk, to reduce either the impact or probability, or both?
- What is the **residual** risk?

A Risk Register is the best way of capturing and assessing these risks

Risk Register

Extract from Risk Register of small charity where I am a Trustee.

RISK DETAILS					ORIGINAL ASSESSMENT		
#	Category	Owner	Description	What this could look like	Impact (1-5)	Probability (1-5)	Overall
1	Financial	Trustee Board	Insufficient grant funding	Unable to attract sufficient funding for charity to continue as at present, leading to reduction in what we offer or closure	5	4	Medium/High
					MITIGATED ASSESSMENT		
Mitigating Actions					Impact (1-5)	Probability (1-5)	Overall
Consider all potential grant funders and ideally attract multi-year grants to provide a sustainable model. Alternatives could include significant fee increases for the PWS but this is not viable					5	3	Medium

Use **CATEGORIES** that mean something to your organisation.

In this example these were Financial, Governance, Operational, Reputational and Safeguarding

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This example uses a scale of 1 to 5 to assess both **IMPACT** and **PROBABILITY**. **Overall** score in this case is a multiplication of the two.

Sometimes 1 to 3 is just as useful, depends on how much differentiation you want between each risk

Typical Pitfalls

First impressions are vital - too often business plans contain obvious errors (grammatical or numerical)

- Grammatical errors, including spelling – these simply annoy the reader and (to me anyway) simply leads to them looking for more errors!
- Confusing language, in particular terminology that might not be understood by the reader
- Assumptions that are not clearly explained or lack credibility
- Numbers that don't stack up or have errors
- Insufficient coverage of the risk assessment or the assumed impact and probability don't appear credible

Hints

Be concise

Short sentences, with bullet points

No undefined TLAs

Diagrams (that can be understood)

Details can be in Appendices

Review and proof reading

Questions re what should be in my Business Plan

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Review

- 1. What my Business Plan needs to do**
- 2. What should be in my business plan**

Final Questions

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