

# Voluntary Action Merthyr Tydfil

Your local county voluntary council



VOLUNTARY ACTION  
MERTHYR TYDFIL  
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## 2. Running your organisation

### 2.2 The Business Plan

#### What is a business plan?

The idea of 'business planning' is an import into the voluntary sector from the world of commercial enterprise. There are still some trustees who balk at the suggestion that what they are doing has any connection with business. If the term 'business' is offensive, call them 'development plans' instead. But don't ignore the enormous benefits that producing a business plan can bring you. In many cases nowadays you won't be awarded grant funding without one.

#### What are business plans for?

Business plans are far more than documents which can support grant applications. Good quality plans are multipurpose tools which can:

- help organisations to define their objectives in detail;
- encourage them to gather fresh knowledge about their service users and clients;
- provide a detailed blueprint for developing projects and activities, and the means to monitor progress;
- provide valuable written information about your work and objectives for new trustees and employees, and for outside advisors;
- help to promote your activities with certain groups in the community – e.g. individual local authority members and officers and business people;
- actually be the bid for grants which you submit to funders.

#### Benefits of the planning process

More than this, many of the benefits of business plans lie in the *process* of planning. You should try to see them not as an extra chore, but as a tool with the power to:

- encourage you to review your organisation's objectives together;
- encourage teamwork among members of your group;
- force you to test the likely sustainability of your future plans with hard financial details;
- help you to understand your proposed developments and new activity in detail;
- highlight your weaknesses and alert you to future dangers;
- clarify the way you will manage and staff your activities;
- give you the means to monitor actual progress.

And, surprise surprise, most of this planning activity is exactly what you need anyway to produce well-rounded and persuasive grant applications.

## **The business plan format**

There is no ideal model for a business plan for a voluntary organisation (though the kind of flimsy models you'll find on offer in high street banks should be avoided like the plague). The following outline plan at the end of this section can be adapted to meet the needs of individual voluntary organisations by leaving out sections which definitely do not apply to you.

*It assumes that the plan is the central part of a grant request – because plans are almost always used this way sooner or later.*

## **Outline for a business plan**

### **1. A cover**

Include your name and logo, the name of the funder it is addressed to, and the date. Number different drafts sequentially to keep track.

### **2. Introduction**

A brief description of the project or development; the total funding required, prospective sources, and a statement of the amount being applied for from this funder.

### **3. Background**

What you do, your objectives (and charitable objects), the origins and development of your organisation, your constitutional arrangements.

### **4. Personnel**

List the names of the current trustees and the manager with their roles and experience (include key staff job descriptions in an appendix).

### **5. The need or 'market'**

Provide details of the current and proposed users of your service, how you have identified and evaluated the need (with objective quantified information on this need and with anecdotal evidence), and the 'competition' *i.e.* anyone else offering similar services (describe any feasibility study work or market research you have carried out, but present the full results in an appendix).

### **6. The development proposal**

The services which you want to provide or develop, your targets, who and where your users will be, any special regulations you will have to meet, and potential problems which you have evaluated *etc.*

### **7. Promotion**

How potential users and purchasers will hear about your service.

## **8. Charges**

Describe how you have fixed your charges, if any, and how they compare with similar services elsewhere (include any detailed calculations in an appendix).

## **9. Staffing and volunteering**

Describe paid posts and volunteer involvement, skills required, recruitment issues, induction and training.

## **10. Management**

Who makes overall policy and who takes day to day decisions, and existing and proposed line management and communication arrangements; procedures for target setting, management reporting, monitoring, staff supervision and appraisals, management of financial arrangements (a management chart may help).

## **11. Premises, equipment and other issues**

The ownership and/or tenancy terms, lease or purchase cost, and suitability of premises, adaptations and conversion costs, transport facilities etc.

## **12. Training and support**

The help you have had and will continue to receive to develop the project, the capacity of your group, and management skills, training plans.

## **13. The beneficiaries**

The groups of people who receive benefit from your activities, (e.g. service users and clients, volunteers), how they benefit and how you will record and measure whether you are achieving these benefits.

## **14. Accountability**

How you will evaluate your progress and achievements; how you will communicate with and involve the community, users, partners, funders etc.

## **15. Budget/cash flow forecast**

For the forthcoming three years.

## **16. Analysis of the financial arrangements**

A detailed description and overall assessment of the financial implications of your proposals, explaining each item which appears under the income and expenditure headings in your cash flow forecast; sources of funding and prospects for sustainability.

## **17. Project timetable**

A timetable showing the key stages in achieving each of your main objectives.

## **18. Strengths and weaknesses**

A description of the strengths and weaknesses of your organisation and project and how you will deal with the weaknesses.

## **19. Summary of grant request**

The total amount of grant aid needed from all sources, the sources explored and funding secured, particularly matching funding; future funding needs and possible sources.

### **How a cash flow forecast works**

Whenever your finances are complicated or the timing of income or expenditure is difficult to predict, you need a cash flow forecast instead of a simple budget to help you predict whether you will have enough money to pay your way each month. The key features of the cash flow are:

- Income is identified when it is actually likely to be received, not when it is due.
- Expenditure is identified when you pay it out (e.g. after a period of credit) not necessarily when it is incurred.
- The forecast includes a running balance figure for each month to tell you how much you can expect to have in the bank at the end of the month.
- This gives you advance warning of any likely dip in your bank balance which could cause problems – before you start spending on anything. If necessary you can readjust your plans to avoid or cope with any projected cash shortage. If you use a computer spreadsheet programme (e.g. MS Excel) you can easily use the same approach if you suddenly find yourself on the verge of a possible cash flow crisis. Just bring all your actual income and expenditure up to date, and re-enter expected future receipts and outgoings as accurately as you can at the times they are likely to take place. (The result will tell you whether you need to start delaying non-urgent expenditure, chasing debtors, asking the bank for an overdraft etc.)

### **Measuring Social Value**

Demos has produced a lengthy but useful overview of measuring social value. It identifies six elements which together would constitute a SROI (social return on investment) calculation.

These are:

1. Outputs (eg 200 hours of training to 500 people)
2. Outcomes (eg 20 found employment as a result of the training)
3. Wider impact (eg office reduces energy use by 5%)
4. Stakeholder Participation (eg have outcomes been measured by consulting the stakeholders)
5. Measuring Distance Travelled (eg year on year comparisons we increased number of people finding work by 12% more than last year)
6. Finance Values (eg financial value of activity increase in employment has resulted in a £20,000 reduction in welfare benefits)

The report then applies this to many third sector and other organizations and finds that very few do all six.

The report is available here:

[www.demos.co.uk/files/Measuring\\_social\\_value\\_-\\_web.pdf](http://www.demos.co.uk/files/Measuring_social_value_-_web.pdf)

## Further information

Charity Commission for England and Wales

Tel: 0845 3000 218

<https://www.gov.uk/government/organisations/charity-commission>

VolResource

[www.volresource.org.uk](http://www.volresource.org.uk)

## Disclaimer

The information provided in this sheet is intended for guidance only. It is not a substitute for professional advice and we cannot accept any responsibility for loss occasioned as a result of any person acting or refraining from acting upon it.

## For further information contact

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