

## **Financial Planning and Control**

The finance section of the business plan is the key to monitoring business performance on an ongoing basis.

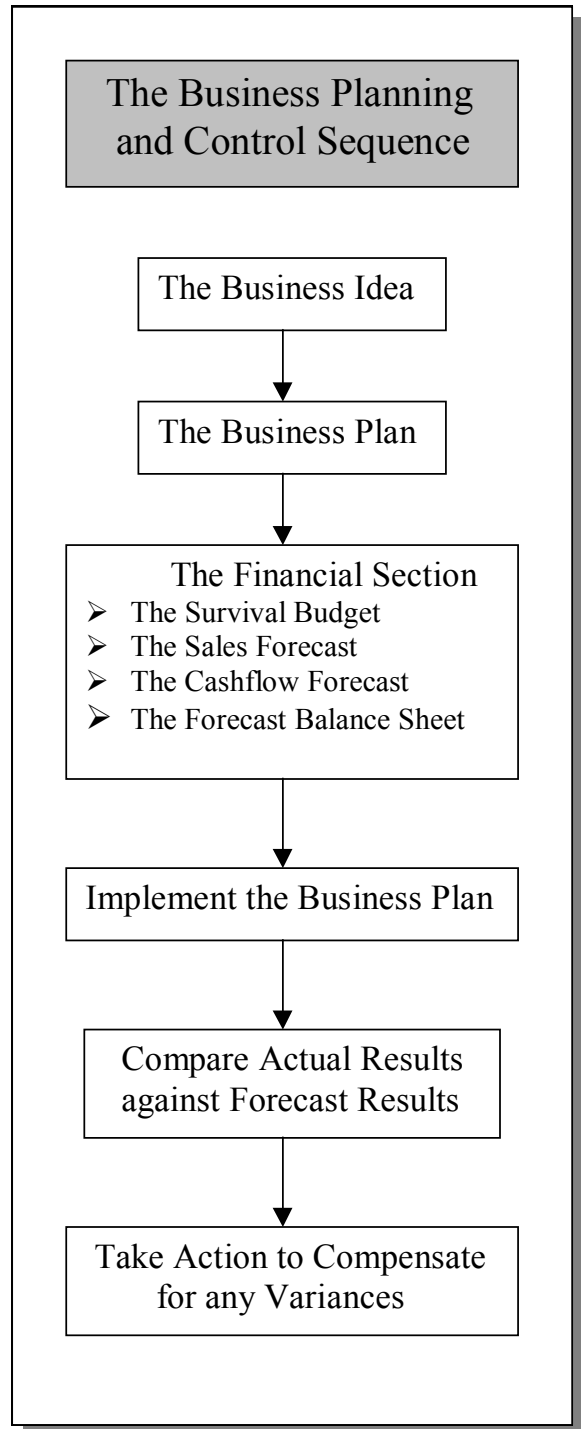
Although you will make many assumptions, it will still give you a set of figures to compare your performance with.

More importantly, it will warn you when to take action to keep your business on track. The finance section is also essential if you are planning to borrow any money, particularly from banks.

### Important Note

It is not possible to work through the financial sections one at a time. All the sections are inter-dependant and changes in one will affect others.

It will be necessary to move backward and forward between different sections as you gather information and make calculations.



## **Survival Budgets**

### **What is a Survival Budget?**

When starting a business it is necessary to calculate how much money you require to live on.

Your survival budget is the amount of money you have to take out of the business to fund your domestic circumstances. It is the minimum amount of money you need to live on. It does not include any business expenses or overheads.

When you start a business you need a business bank account and a personal bank account. It is usual to create a monthly standing order from the business account to your personal account for the amount of your survival budget.

If you form a limited company you will pay yourself under the PAYE system for the amount of your survival budget.

### **Calculating your Survival Budget**

1. Make a list of headings for all the personal expenses you have had in the last year.
2. Using bank statements and bills you have received, write down next to each heading how much you have spent on that item during the last year.
3. Add together the amounts written down under each heading to give a total for each one for the year.
4. Add all the totals together to give you the amount of money which the business must generate to enable you to live in the same way as you have been doing.
5. Divide this by 12 to give you your monthly survival budget.

### Points to note

- You will have to make an allowance in your calculations to compensate for any increases in your cost of living over the next year.
- It is quite likely that a new business will not generate enough profits to meet your survival budget at first.
- Your survival budget is the minimum you need to maintain your current standard of living.
- You may wish to:-
  - a) lower your standard of living to enable you to get your business off the ground,  
or
  - b) increase your standard of living to justify the extra work you will be doing working for yourself.

Exercise 1. Calculate your Survival Budget.

Use the template to help you calculate your survival budget.

You can photo copy it, or use the original. Whichever you do, it is better to complete it in pencil first, this will enable you to easily make alterations.

Delete headings which do not apply to you.

Add other headings as necessary.

If you prefer, use it as a template to create your own survival budget on a computer spreadsheet.

Remember! Do not include business overheads.

## Survival Budget Template

Estimated Expenditure	£	p
Mortgage or rent		
Council tax, water rates		
Gas, oil & coal		
Electricity		
Food & general housekeeping		
Delivered goods e.g. milk		
Clothing		
Telephone		
TV Licence		
Hire charges (TV Video etc.)		
Satellite/internet charges		
Entertainment (meals & drinks etc.)		
Subscriptions to Associations, Journals		
Newspapers & magazines		
Car - tax & insurance		
Car - running expenses		
Car - Service & maintenance		
Children's pocket money		
Holidays & trips out		
Christmas & birthday presents		
Property & contents insurance		
Life assurance & pensions		
Savings plans		
H.P. payments		
Court orders & maintenance		
Others		
Contingencies		
Sub-total - Expenditure (A)	<b>£</b>	<b>p</b>
<b>Estimated Income</b>	<b>£</b>	<b>p</b>
Income from partner/family		
Other income		
Sub-total - Income (B)		
<b>Total Survival Income (A minus B)</b>		

## **Start-up Costs**

### **Imagine that you are going to start trading today!**

You will need to make a list absolutely everything that you will need and what it will cost.

Have a brainstorming session with a few friends. (See the Planning to Succeed module) Get a large sheet of paper and write down everything you can think of. Have fun. Imagine there are no restrictions and you can have anything you want. Use the following categories to help structure your list.

### **Capital Items**

These are usually large expensive items such as computers, vehicles, plant and machinery. They are usually depreciated over several years.



Exercise 2. What capital items will you need?

### **Resources**

Resources are tools, equipment, office equipment, stationary, stock, vehicles, professional services, sub-contractors, transport.