

# Darlington Business Start Up Guide

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## Introduction

### Business Start Up Guide

Running your own business can be a most rewarding experience, but whatever line of business you are in, competition is tough. Enthusiasm and dedication alone will not guarantee success.

This guide has been produced by Darlington Borough Council to help people in Darlington who are considering starting their own business.

The following pages aim to provide a guide to help you through the steps of starting up your own business and to improve your chances of success.

Accessing good quality business advice at the start-up stage and as your business grows, will significantly increase the chances of the business surviving. This guide is part of that overall process.

It brings together all the elements of a comprehensive business plan – the key to raising finance and monitoring your business’s overall performance.

*Whilst every effort has been made to ensure the accuracy of the information contained in this guide Darlington Borough Council cannot accept responsibility for errors or omissions. The purpose of the Guide is to provide basic advice and information across a broad range of business sectors. It is not intended to be a complete manual on managing a business. With regard to specialist technical or legal issues, you are strongly advised to seek help and advice from a suitably qualified professional.*

# Researching your market

This section explains the fundamentals of market research, how to conduct your market research and why it is important to understand your market and make gathering information a way of life.

## Understanding your market

Market research forms the bedrock of your whole business plan. Many businesses are handicapped by the lack of information in the initial stages. Market research is an ongoing activity and information needs to be gathered and regularly updated in order to stay ahead of the competition.

It is crucial to separate pure market research from test marketing. Market research involves understanding how your sector works and where it fits into the market place. Test marketing involves gauging the likely response of buyers to your product or service.

## Desk research

Secondary data or second hand information. Useful sources of data include reference libraries, specialist directories and market survey reports (e.g. Mintel). Cobweb Information for instance, produce a range of free Business Information Fact sheets (BIFs) and Business Opportunity Profiles (BOPs), which are an invaluable source of information on a wide range of business sectors. You can also contact Darlington Council's Business Support Team for additional assistance at: [business.support@darlington.gov.uk](mailto:business.support@darlington.gov.uk)

## Field research

Primary data or first hand

information; there is no substitute for speaking to people directly by telephone or face to face. It can be done formally with questionnaires or via informal conversations.

When doing this form of research be aware of a few basic guidelines:

- Prepare yourself for the task ahead. Ensure that you are fully informed and give the impression that you have thought through some of the consequences of the business idea that you are considering.
- Prepare your approach or opening conversation - be friendly and don't be too pushy.
- Keep your questions short and simple and structure accordingly. Don't have too many questions.
- Plan your time, place and method of research carefully.
- Do not influence your respondent's answers with leading questions or comments.
- The use of closed questions (i.e. those that require just a 'yes' or 'no' answer) may be most suitable to assist in the analysis of your results.

## Market forces

Many factors can influence your market. A simple acronym to remember is PESTLE

**P**olitical – changes in the political landscape impact upon businesses e.g. backing a particular sector

**E**conomic – the state of the financial environment (interest rates, strength of the pound etc).

**S**ocial – societal changes, demographics, lifestyle etc.

**T**echnological – new advances in equipment, techniques and method.

**L**egal - the ever changing legal landscape can affect the way a business operates

**E**nvironmental – the environment can have an impact upon how a business trades e.g. carbon reduction strategies

### **Customers**

Prioritise which customers you are to sell to. Where will the best returns come from? You are unlikely to be able to target all your potential customers at one time, so choose the most profitable ones first.

Some issues to consider include defining your market, how are they serviced at the moment, what payment methods and terms would be acceptable, buying trends, who are the decision makers?

### **Competition**

Consider your competition. If there really is no one offering an equivalent product or service then what are the alternatives from the customers' point of view? Ask the question: 'why

does no one offer this product or service'? Is it because there simply isn't the demand? It is only by understanding your customers that you are able to identify the competition in the first instance.

Having done so, you must now list their strengths and weaknesses.

Crucially, remember to evaluate these from your customer's perspective. It is very tempting and dangerous to be subjective about your competition. You can now clarify your Unique Selling Point (USP) and confidently answer the basic customer questions:

What makes your business stand out from the competition? –  
Quality of service? 24-hour Call Out? Product Range? Accessibility? Specialist knowledge?

### **Suppliers**

You don't want to create a large demand for your product and then find that you are unable to source the raw materials required. Your suppliers are as important to you as your customers and can make or break a business. You should consider the following: How stable is your source of supply? What are the minimum order requirements? What credit terms are available? Are there any alternative suppliers?

# The Business Plan

This section sets out the key components of a business plan and how to write one.

The business plan should be the foundation of your business. It is vital that you set out how your business will operate. It will help focus your ideas and should be produced whether or not you intend to raise finance for your business. Having a well thought out business plan will make life much easier in the long run. Careful planning means that you are less likely to forget things, gives you targets to aim for and helps you measure your success. Remember, your business plan should be viewed as a living document, to be referred to on a regular basis – not stored in a filing cabinet once the business gets off the ground!

## Introduction

Briefly outline details of your business; its name, address, telephone/fax number, the name of the owners/partners and a brief outline of the product or service of the business.

## Management

Include CVs of the business partners, highlighting work experience and education. Emphasise the skills which are relevant to running the business. Are there any key personnel who are worthy of a mention?

## Objectives

How will you judge the success of your business in the short term (12 months); the medium term (2 years); and the long term (3 years+)?

## Legal Structure and Other Issues

How will your business be structured (e.g. Sole trader, Partnership, Limited Company etc)? Show what legislation is relevant to your business and how you will comply with it. Will the business be registered for VAT, pay National insurance or seek

exceptions? Are there any licences or insurance cover required (i.e. public liability, employers liability)? (Section 4)

## Premises

Where will your business be based? You may be operating the business from home or taking on business premises. Justify the decision you make, outlining costs and length of leases etc. (Section 5)

## Market / Marketing Plan

You must be able to show that there is a demand for your products and services i.e. that customers will want to buy from you. This is done by carrying out market research. (Section 2). You will also need to show how you will promote your product or service and the associated costs (Section 6).

## Pricing

How will you determine your pricing structure? Demonstrate how you have arrived at your chosen prices for your products or services. You must take into account VAT, if your sales are

above or expected to be above the annual threshold in the current tax year (This changes annually, therefore it is best to check on the HMRC website for the latest thresholds. You can find these on: [www.hmrc.gov.uk](http://www.hmrc.gov.uk)). If your costs are too high for the market, then you will have to find ways of lowering them. Know what your bottom line is as far as pricing is concerned, below which you are actually losing money on each sale made. Show how your process compares with your competitors. Remember that many new start businesses fail if they set out to compete on price alone – established competitors may simply lower their prices to a level that may not be sustainable by your business. In the short term, established businesses with a large customer base and cash reserves are capable of forcing out new entrants from their market. Customers may be prepared to pay for quality, rather than being tempted by ‘rock bottom’ prices.

### **Risk & Contingency for Risk**

What are the key areas of risk to the business? These may include such issues as a lack of suitable raw materials, transportation problems, or a failure for customers to pay up on time.

What will happen if risk occurs and what measures can be put in place to reduce the risk?

### **Financial Information**

This is arguably the most important section of the Business Plan (Section 7), because your business has to make money. This information will be used by potential funding providers to assess your business viability. You

will need to include the following:

**Assumptions** – Show how you have arrived at the figures in the profit and loss and cash flow forecasts e.g. how much you will sell and when – you may also make an assumption as to how long your customers will take to pay. If you are providing equipment you already own for use in the business, make this clear.

**Financial Requirements** – What is your personal survival budget? How much cash is needed to start the business and what will it be used for? What are your working capital (day to day) funding requirements i.e. stock, wages etc? (example templates are included at Appendices 1 and 2)

**Profit & Loss Forecast** – This summarises the sales and costs you expect to incur over a given period. Some businesses choose to show this information on a monthly basis, others on an annualised basis.

**Cashflow Forecast** – A month-by-month description of money coming into and going out of the business, which highlights any shortfalls in your funding provision. Used as a tool to show whether your business is properly financed and whether or not a bank loan or overdraft facility is needed. (A sample cashflow document is included at Appendix 3).

**Break-even Point** – What is the minimum level of sales required to begin to make a profit?

**Accounts** – If you are already in business, include your latest set of accounts.

(You can also seek further guidance from the Business Support team, who can provide advice and electronic templates)

**Additional Information**

Include relevant supporting material such as lease documents, letters of intent and photographs of your products.

If you wish to make use of a software based template these are available from most banks without charge.

# Legal Structure & Other Issues

This section provides an overview of the main issues that apply to running a business, explaining where to go for help.

This Section is not exhaustive and is purely an overview of some of the legal issues that a business must consider and comply with. You should always seek independent advice from your solicitor and accountant.

## Operating within the law

You should be aware of the law relating to running a business before you start trading. Firstly, you must decide on the legal structure of your business. Secondly, find out about the laws that relate to businesses in general and to your business in particular.

## Legal Structure

**Sole-traders** – individuals who set up in business. This form of business is perhaps the least regulated, as there is no requirement for sole traders to register their business or file audited accounts. You need however, to inform the Inland Revenue and DWP that you are self employed. The Inland Revenue will need to see accounts and if personal income tax is payable on profits. You will need to open a business bank account to keep your business and personal transactions separate. A sole trader is personally liable for all the business' debts.

**Partnerships** – In a partnership, two or more people own the business. Each partner is subject to income tax on his or her share of the profits. National Insurance contributions on earnings are also payable, as for a sole trader. You should consider making plans for the future of the partnership in the

event of the ill health or death of a partner. If a partner were to fall ill or die, could you afford to buy out his or her share? Normally the deceased partner's share of the business would form part of their Estate. Would you be prepared to run the business with your former partner's spouse – someone who may previously have had no involvement or experience of running the business? It may be prudent to consider engaging a solicitor to draw up a formal partnership agreement, which indicates the rights and responsibilities of each partner. Tax and National Insurance treatment for a partnership is similar to that of a sole-trader.

All partners are individually and collectively responsible for the total debts of the business.

**Limited Companies** – A limited company is a separate legal entity, which can sue and be sued. Set up costs for a limited company tends to be higher as you are required to meet certain legal requirements prior to commencement. Names and addresses of directors must be filed at Companies House, as must annual accounts and details of shareholders. A Limited company can be either formed through your solicitor or bought 'off the shelf' from a specialist consultancy. The profits of a limited company are

subject to Corporation Tax (current % rates can be found at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)). National Insurance contributions are paid on behalf of its employees. As a director, you are treated in the same way as your employees, and tax and National Insurance contributions are made from your salary under the Pay As You Earn (PAYE) scheme. The formation of a limited company may or may not have beneficial tax implications, and it is advisable to seek advice from your accountant in this respect. As a director, you are not personally liable for the debts of the business, unless you have pledged personal assets as security.

#### Limited Liability Partnerships

– This legal structure provides certain elements of both partnerships and limited companies. For further information it is recommended that you seek advice from your solicitor. It offers more protection for partners, unlike members of ordinary partnerships; the LLP is responsible for any debts it runs up, not the individual partners.

**Co-operatives** – A simple way for two or more people to go into businesses together as equals. A co-operative is not a separate legal structure. It is usually based on a company, but with special rules that give everyone who works for the business a share of ownership and a say in the business. It gives members the advantage of limited liability while also giving them the rights of employees on PAYE. Cooperatives can also be formed from existing businesses, for example through an employee buy-out.

#### HM Revenue & Customs

You must contact HM Revenue & Customs to let them know you have started trading, and the trading style you have adopted.

Telephone their information line on 0300 200 3504 or visit the website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk).

#### National Insurance

As a newly self-employed person you will be liable for Class 2 and probably Class 4 National Insurance contributions, details of which are given in an information pack. For queries or a National Insurance problem, ring 0300 200 3505. If you operate as a limited company, National Insurance contributions will be paid at the same time as your income tax through PAYE.

A Helpline is available for new employers on 0300 200 3211.

#### Corporation Tax

If you are running a limited company, Corporation Tax is levied on profits – which is your total sales, less allowable expenses, plus investment income. Your accountant will be able to advise on how to minimise the effects of Corporation Tax.

#### Capital Gains Tax (CGT)

This is the tax that you pay if you make a profit in excess of the threshold for the current tax year after allowing for inflation, when disposing of capital assets such as land, investments or property. You can offset capital losses against capital gains when calculating your tax liability.

### Excise Duty

Some goods and services are liable for excise duty. These include:

- Beer, wine or spirits
- Mineral oils
- Tobacco
- Betting, bingo, casinos, gaming machines, pool betting and lotteries.

For further information contact HMRC helpline on 0300 200 3700 or visit [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

### Value Added Tax (VAT)

If you expect your turnover to exceed the current HMRC threshold for the year, then you must register for VAT. If your business turnover is below the threshold you can voluntarily register so VAT can be reclaimed on purchases of equipment, goods and services etc. Log on to [www.gov.uk/business-tax/vat](http://www.gov.uk/business-tax/vat) for further details.

### Licensing

A surprising number of businesses require a licence to operate:

For cinemas, theatres, taxis, public & private entertainment, indoor sports venues, bingo, amusement venues offering prizes, game dealers, betting tracks, lotteries and premises classified as 'late-night refreshment houses', hotels, restaurants, abattoirs, hairdressers, mobile food sales, massage, skin piercing & tattooing, work involving asbestos, pet shops, boarding kennels - contact the Licensing Section, Darlington Borough Council – 01325 388 577 or e-mail [licensing@darlington.gov.uk](mailto:licensing@darlington.gov.uk).

### Health & Safety

Health and Safety legislation applies to employers and employees. Regard must also be paid to issues relating to the general public who may be affected by your work practices. Businesses employing more than five people must have a written statement of health and safety policy. Health and Safety legislation is enforced either by Darlington Borough Council or the Health and Safety Executive, for more information contact them on 0300 003 1747 or visit their website [www.hse.gov.uk](http://www.hse.gov.uk).

### Employment

If you employ people you have to do things such as provide a contract of employment and work to fair disciplinary procedures, employers' liability insurance, working hours, minimum wages, equal opportunities etc.

If you employ someone, you will also be responsible for taking tax and Class 1 National Insurance contributions from their pay and paying it to the HMRC. You will also be responsible for payment of Class 1 employer's National Insurance contributions. For more information on employing people, please visit [www.gov.uk/browse/employing-people](http://www.gov.uk/browse/employing-people)

### Insurance

There are certain minimum requirements that your business must have by law. If you employ people you must have Employers' Liability Insurance to insure your employees against risks caused by the nature of their employment. If you own cars you must have third party motor insurance. Your insurance broker will be

able to advise you about types of insurance for you or your business. Consider the following:

- **Public Liability Insurance** – protects your business if it is sued as a result of injury or damage to third parties or their property caused by you or your employees' negligence.
- **Product Liability Insurance** – should be considered if your products may cause injury or damage to third parties.
- **Fire Insurance** – where there are business assets such as property, machinery or stock. This policy would be advisable as would cover for explosions, floods etc.
- **Consequential Loss** – covers your business for loss of profits if you cannot trade for a period of time because of fire and flood.
- **Goods in Transit Insurance, Theft Insurance and Money Insurance** – protects cash or goods in transit or when on business premises.
- **Fidelity Guarantee Insurance** – protects against losses caused by dishonest employees.
- **Engineering insurance** – the Factories Act requires certain plant to be insured and checked by a 'competent' engineer. Certain plant may be vulnerable to breakdown or damage as well as being dangerous to third parties. These risks can be insured.
- **Personal Health and Sickness Insurance, and Permanent Health Insurance** – which pay your wage if you are unable to work.
- **Key Person Insurance** – Helps to protect from losses if a key employee in the business dies or

becomes seriously ill.

- **Professional Indemnity Insurance** – Covers your legal liability for professional errors and omissions whilst carrying out your business.
- **Share Protection** – can protect business continuity by providing funds to purchase the business interests of a deceased or seriously ill partner.

### Data Protection Act

The Data Protection Registrar governs the usage of the storage of personal details relating to individuals, stored on either computer or other non-written media such as CCTV recordings. You may need to register your business with the Data Protection Registrar. Call 0303 123 1113 for an information pack or visit their website [www.ico.org.uk](http://www.ico.org.uk)

### Intellectual Property

When you start a business, you should think about protecting the valuable assets you have in the name, brand or logo associated with your business or in the innovative product you may have developed. Intellectual property rights protect these assets; patents for inventions, registered trade marks for names, logos, slogans and brands and registered design right for the external appearance of a product. Patent and trade mark attorneys can advise you on the best way to prevent others copying what you have created.

For more information contact the Intellectual Property Office, the government department responsible for granting these rights, on 0300 300 2000 or [information@ipo.gov.uk](mailto:information@ipo.gov.uk) or visit <http://www.ipo.gov.uk>; and

local information and advice can be obtained from the Business & IP Centre at Newcastle at [www.bipcnewcastle.co.uk](http://www.bipcnewcastle.co.uk), email [bipcnewcastle@newcastle.gov.uk](mailto:bipcnewcastle@newcastle.gov.uk) or phone 0191 277 4100.

### **Legal Advice**

A solicitor can guide you through the laws that relate to running a business. You will be able to locate a solicitor by researching local legal firms using tools such as Yellow Pages and Google, or for further help, visit the Law society website at [www.lawsociety.org.uk](http://www.lawsociety.org.uk).

### **Environmental Health**

Please see the Environmental Health section contained within the main Business Information Guide. A copy of the guide is available in electronic format by e-mailing your request to: [business.support@darlington.gov.uk](mailto:business.support@darlington.gov.uk)

# Premises

This section will help you assess your requirements, advise you where to go to find the right premises and help you consider the pitfalls to be aware of before signing an agreement.

## Finding the right business base

Firstly, will it be possible to test your business idea from home for an initial period (thereby reducing cost)? The decision to move into commercial property is fraught with pitfalls. If moving into commercial premises is the right decision there are a number of important factors to be considered before making the move. After wages, premises costs are the highest overhead for most small businesses, so it's important that you make the right decision.

## What are your business requirements

- Can you test your business idea from home for an initial trial period (thereby reducing your costs)?
- What type of business will you be running? If you are involved in retailing, a shop or market stall should suffice. If you are involved in manufacturing, a factory unit would be most appropriate.
- How much can you afford to pay? Premises costs should be incorporated within your business plan and cashflow forecast.
- Is location important to your business? Will clients visit your premises? How convenient is the location for you personally? Having found what you deem to be suitable premises, are there any planning restrictions as to usage?
- What physical attributes are you looking for? Do you require

vehicular access? Consider the physical layout required. What services (e.g. water, three phase electricity etc.) are needed?

## Finding the right premises

Once you know your business requirements, you need to gather information about premises in your chosen location.

You can do this by:

Visiting Darlington Borough Council Vacant Sites and Premises Register, which is accessible through [www.darlington.gov.uk/business](http://www.darlington.gov.uk/business)

- Asking family, friends and other business people.
- Getting in touch with Commercial estate agents or property developers.
- Researching local newspapers

By gathering information from a wide variety of sources you will be well placed to make a shortlist of two or three of the best locations for your business.

## Signing the Contract

If you prefer to lease premises, most landlords will wish to let the premises on a formal basis. The lease agreement will cover such aspects as the length of your tenancy, together with terms and conditions, rights and responsibilities.

When viewing commercial property, you may want to ask some of the following questions.

- How much will the unit cost?  
Is a deposit required? Is there a break clause? (when the lease can be terminated by you). How often is the rent reviewed? How much are the rates? Are they included within the rent? Is a service charge included? What does this cover?
- What is the frequency of rent payment and how is it paid?
- Do you need to give notice in order to terminate the lease? What notice period does the landlord have to give if they want you to vacate?
- Where does the responsibility lie for the upkeep of the premises? Who covers the dilapidations (repairs etc.) upon vacation?

If you are seeking financial assistance towards the project, please ensure that you liaise with the relevant finance providers before signing the lease, as otherwise you may be precluded from obtaining assistance due to prior commitment.

With regard to the lease agreement you should always consult your solicitor prior to signing.

### **Working from home**

Many small businesses are started from home. Although it is a low cost option, home working demands a great deal of self discipline and motivation. Home workers may feel isolated and there is a danger that work can easily take over your home life.

Also, it is advisable to check with Darlington Council's Planning department to ensure that planning permission is not required. Check your tenancy agreement or the deeds of your

property to ensure that you are not prohibited from running a business from home. Your household insurance policy is unlikely to cover business equipment so contact your current insurer to get cover extended.

You may be liable for Capital Gains Tax on the sale of your home if you claim the cost of running part of it as a business expense.

The Valuation Office website at [www.voa.gov.uk](http://www.voa.gov.uk) is a useful source of information and advice providing detailed examples of the instances where Business Rates may be levied on a room in a house used as an office.

# Marketing

This section explains how using information about your market and targeting your marketing activities can provide an effective means of winning customers.

The Business Support Team have produced a more in depth guide to developing a marketing plan, including relevant templates – ‘Marketing Your Business’. This can be obtained by e-mailing the team and requesting one via: [business.support@darlington.gov.uk](mailto:business.support@darlington.gov.uk)

The following information outlines the basic marketing framework:

## Clear planning process

To get the most out of marketing, a clear planning process is worked through. It might look daunting to begin with, but you'll have a better chance of reaping the rewards!

Before you do anything, think about the big picture and what you want to achieve.

Then, ask a series of questions; where are we now? what's the market like? and, what's changing?

## Situation Analysis

There might be a lot going on in a wider context you need to be aware of – for example, are there any new laws or political issues that affect the line of work? How will the changing economy affect you? And, can you use new technology and be one step ahead of the rest? Market Opportunities and Threats can be identified here. To help you get these things down and develop your analysis, there's a template (at the back of this guide - see Appendix 4)

You'll also need to analyse closer to home. Who are your competitors? They'll be doing some things right, some things wrong – you can learn from both. Thinking about

yourself or your own business, what are your own strengths and weaknesses? – A SWOT analysis template is included at the back of this guide – see Appendix 5

## Objective setting - Where do you want to be?

Once you know what things are like out there, and where your strengths lie, the plans can move forward. This is where the main objectives are set. Thinking about the whole business, decide where you want it to go. Are you thinking big, with growth and sales increases in mind, or for services, how about reaching different people?

## Segmentation and targeting

Businesses can't grab all the market, as much as we might like to. So, you need to narrow it down and aim for the groups of people or businesses who you think will be your best and most profitable customers. Then, decide where you fit into the market. Imagine a chart showing product quality and cost, where will you be pitching yourself?

## The Marketing Mix – Your tactics

So, you know where you want to

be – you should now plan how you're going to get there. The real nitty-gritty of the marketing plan is worked through here. This part is more commonly known as the 4Ps, which has now grown to the 7Ps.

What is the **product** or service?  
What will the **price** be? Where will it be sold or distributed (**place**)?  
How will it be **promoted**? What **people** resources and training is needed? How will the **process** of providing the service work? And, how can the place where the customers use your service look its best? (the **physical evidence**).

### **Action Plan**

This is where you'll list the things you're going to do; when you're going to do them, how much they'll cost and what you expect them to achieve. A handy action plan template is included at the back of this guide – see Appendix 6

### **Measurement and control**

Once under way, remember to measure what you've done. It will be worth asking a sample of customers how they heard about you – then you can see how each promotion worked. What feedback have you received? Do you need to change anything? This part is vital – it will give you a head start when looking at future plans, where the process can start all over again.

# Finance

This section explains the importance of having adequate funding to support your business and how the Business Plan can play a central role in raising finance.

There are numerous sources of finance available to small businesses:

## Your own resources

Many people considering starting up in business use savings or redundancy monies to help to finance the initial stages of their business. Others rely on family members to lend them money, which can be a much cheaper form of borrowing than a commercial transaction. Funding the business from your own resources may mean that the business stands a greater chance of success, as you do not have the burden of loan repayments or costly interest charges.

## Banks/Commercial Finance

The banks are an important source of finance for many small businesses. When you start in business you will need a business bank account to keep your personal finances separate from your business finances. For new businesses most banks offer free banking facilities in the first year of trading.

Bank finance takes two main forms:

- Overdraft – a source of short term finance normally used for working capital purposes.
- Loans – longer-term finance with regular repayments, normally used for the purchase of capital equipment.

Banks are prudent lenders. In making your lending application you will need to demonstrate

that you have a viable business proposition and that you will be able to repay the money you borrow. Investing your own cash resources in the business, or offering tangible security (such as a charge over property) provides greater confidence to lenders that you believe in the business sufficiently to put your own money into it.

## Public finance schemes

For the most up to date information on public sector finance schemes please contact the Business Support team via email – [business.support@darlington.gov.uk](mailto:business.support@darlington.gov.uk)

## Factoring

Factoring and Invoice Discounting are financial services designed to improve the cashflow of healthy growing businesses. Advances are secured against sales invoices which will enable the business to free up management time and provide funding for growth.

## Asset Finance

Takes various forms and includes Hire Purchase (HP) or Lease Finance. Allows businesses to acquire or refinance plant and machinery (including vehicles) for most of its useful life, taking advantage of fixed interest rates.

## Crowdfunding

Crowdfunding is a way of raising finance by asking a large number of people for a small amount of money each; usually via the internet.

## Financial administration

Keeping financial records is not a favourite task for most business people, but it allows you to keep track of your business performance and the profit you are making. Book-keeping is essential and a legal requirement. As a bare minimum you should record the following:

- Sales invoices
- Purchase invoices
- Petty cash expenditure
- Tax returns
- VAT returns (if registered)
- Bank Statements

Every business registered for VAT has to keep its records according to guidelines laid down by HM Revenues and Customs (HMRC).

- HMRC require every business to keep proper records for the calculation of tax liabilities and for PAYE. If you fail to do so, you could end up paying much more tax than necessary.
- Records are required for year end accounts. If you have borrowings from a bank they will require these to see how your business is performing.
- You need regular information to ensure that margins are maintained and profits are on target. Accurate record keeping is essential to provide information for managing the business. If you have neither the skills nor the time to do your own books, consider employing the services of a book-keeper.

- Ensure that you retain historical financial information – you must retain your records for five years from the latest date for sending back your tax return.

Book-keeping is not complicated. Keeping records will enable you to manage your finances more effectively. Your bank or an accountant can recommend a bookkeeping system that is suitable for your business. If you are just starting up in business, remember to keep all the receipts associated with start-up costs particularly, as these will be required for any potential grant claim.

# Appendix 1 – Personal Survival Budget planner

<b>How much do you need to live on?</b>	<b>Monthly</b>	<b>Yearly</b>
Mortgage or rent	£	£
Council tax	£	£
Water rates, sewerage	£	£
Gas/Oil/Coal/Calor Gas	£	£
Electricity	£	£
Telephone	£	£
House insurance	£	£
Contents insurance	£	£
Life assurance	£	£
Pension	£	£
Housekeeping	£	£
• Food, cleaning	£	£
Clothes	£	£
<b>Vehicle Costs - if not charged to business</b>		
Road fund tax	£	£
Insurance	£	£
Repairs and renewals	£	£
MOT	£	£
Fuel	£	£
Travel expenses	£	£
Holidays and trips out	£	£
TV license	£	£
Newspapers and magazines	£	£
Entertainment, meals out, smoking	£	£
Subscriptions	£	£
Children's pocket money, school trips and schools dinners	£	£
Presents for birthdays, Christmas etc	£	£
Hire purchase payments	£	£

Credit or charge cards	£	£
Allowance for things needing replacement	£	£
Allowance for things needing repair	£	£
Repairs to house	£	£
Contingencies	£	£
SUB TOTAL (A)	£	£
<b>Less other household incomes</b>		
Partner's income	£	£
Insurance	£	£
Child allowance	£	£
Maintenance	£	£
Interest and dividends	£	£
SUB TOTAL (B)	£	£
TOTAL (C=A-B)	£	£

Take the monthly total (c) and enter this amount into the drawings line on the Cash flow chart each month.

# Appendix 2 - Business overheads

How much will your business spend be?	Monthly	Yearly
Business property rent and business rates	£	£
Business property light, heat, and power (e.g. electricity)	£	£
Depreciation	£	£
Employees' wages and employer's national insurance	£	£
Finance charges (e.g. bank charges and interest)	£	£
Insurance costs	£	£
Motor expenses (tax, fuel, maintenance)	£	£
Other travelling expenses	£	£
Post and carriage	£	£
Printing and stationery	£	£
Professional fees - e.g. solicitors and accountants	£	£
Repairs and maintenance	£	£
Telephone	£	£
Advertising	£	£
Consumables (e.g. replacing small tools)	£	£
Other expenses	£	£
<b>TOTAL</b>	£	£

## Start-up cost e.g. machinery, premises, stationery etc.

Description	Cost	Description	Cost
1.			
2.			
3.			
4.			
		<b>Total</b>	

# Appendix 3 - Cash flow forecast

Month	1	2	3	4	5
<b>RECEIPTS</b>					
Sales					
Internet Sales					
Capital Introduced					
Grants					
<b>TOTAL RECEIPTS</b>					
<b>OVERHEADS</b>					
Wages/subcontractors					
Drawings					
Loan repayments					
Insurance					
Nat Insurance class 2					
Stock/materials					
Rent/Rates					
Prof fees					
Telephone					
Stationery/postage					
Electricity					
Car petrol/tax/insurance					
Marketing/Advertising					
Website/IT					
Capital Equipment					
<b>TOTAL OVERHEADS</b>					
<b>NET CASH FLOW **</b>					
Opening Bank Balance					
<b>Closing Balance</b>					

\*\* Net cash flow = Total receipts - Total overheads



# Appendix 4

## External Factors – Business Opportunities and Threats

There are number of factors which impact on businesses, these can be summarised under the letters of the word ‘COMPLETED’.

The ‘COM’ parts relate to ‘internal environment’ - things which you have some control over, and the ‘LETED’ parts relate to the ‘external environment’ - things

you have little or no control over. Not all of these things below may affect your business, but you need to have a think about them. Please write brief notes in the relevant box to help with your analysis – these things should be your opportunities and threats. These factors will feed into the ‘OT’ part of a SWOT analysis.

<b>C</b>	<b>Competitors</b>	Main direct competitors to you – those that are doing or selling the same type of product or service. What are they doing? What are their prices? What are their strengths and weaknesses?
<b>O</b>	<b>Other Competitors</b>	Other businesses that are doing or selling things that are competing for your sales
<b>M</b>	<b>Market</b>	What’s the market like for your product or service? Is it expanding or declining?
<b>P</b>	<b>Political (issues)</b>	Are there any new political issues affecting your market or business? Think about regulations and trading policies.
<b>L</b>	<b>Legal</b>	Are there any new laws that might affect your business, and how you operate?
<b>E</b>	<b>Economic</b>	How is the economy affecting your business? E.g. tax changes? Are there any new grants or relief schemes that you could benefit from?
<b>T</b>	<b>Technological</b>	What developments in technology and communications are there, that you need to be aware of? New technology could help your business and save you money.
<b>E</b>	<b>Environmental</b>	Are there any environmental (green) issues to be aware of?
<b>D</b>	<b>Demographic</b>	Are there any particular groups of people who use your service or buy your products? E.g. particular age group; is this group increasing or declining? Also think about lifestyle trends and ethical issues.

# Appendix 5

## SWOT Analysis Template – Strengths, Weaknesses, Opportunities and Threats

The Strengths and Weaknesses relate to you and your business (internal); the Opportunities and Threats relate back to the wider environment (external factors). This tool can be used for analysis of a new business opportunity but can also be used for an individual.

### Criteria examples

- Capabilities
- Skills
- Experience, knowledge, data
- Price, value, quality

### Strengths

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

### Weaknesses

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

### Criteria examples

- Disadvantages of offer
- Financials
- Lack of accreditations
- Resources

### Criteria examples

- Market changes / developments
- Technology
- Demographic changes
- Competitor weaknesses

### Opportunities

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

### Threats

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

### Criteria examples

- Political effects
- Legal issues
- Economic issues
- IT developments
- Market demand

# Appendix 6

## Marketing Promotional Plan

Project / initiative	Method of delivery	Delivered by / suppliers	When / timescale	Cost	Objectives	Person responsible
(e.g.) Advertising - leaflets	2000 x A5 double sided colour leaflets	(Local design/print company)	January 2015	£200	Promote business to 500 homes in local area. Raise profile of business in local area. Enable information to be left at point of sale.	
Trade Event	Take an exhibitors stand	(Event organiser)	April 2015	£100	Showcase products/services to event attendees. Network with trade colleagues	

# Appendix 7

## Marketing Promotion Tasks Timetable & Milestones

Project	Task	Cost	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Complete	Notes
Advertising - Leaflets	Research suppliers															
	Leaflet design															
	Leaflet print															
	Leaflet distribution															
Website	Research suppliers															
	Produce copy and images															
	Input/upload information															
	Launch / event															
Trade Fair	Research local events															
	Book place / stand															
	Prepare information / material															
	Attend event															
	Total Cost:	£0														

# Further information

For details on local business support, including:

- local agencies
- business sites and premises
- funding opportunities
- skills and training
  - please contact Darlington Council's Business Support team on:  
Telephone - 01325 406301

Email – [business.support@darlington.gov.uk](mailto:business.support@darlington.gov.uk)

For further details on issues such as:

- tax and NI
- employing people
- equal opportunities
- and, further help with starting a business

Please visit the Government website - [www.gov.uk](http://www.gov.uk)

