



# Trading for success

A practical guide to marketing and financial  
management for community food enterprises



# Preface

**In a changing world, many social enterprises need to develop their trading activity in order to survive and continue to deliver their core services.**

This brief guide aims to demystify the twin challenges of marketing and financial management – how to make money, and how to manage it! It follows on from a series of workshops delivered in 2011 by two consultants to the Specialist Enterprise Support team, as part of the Making Local Food Work programme funded by Big Lottery Fund.

Whilst the programme and the workshops were designed primarily for community food enterprises, the approach and guidance offered could be applied to any social business.

All businesses need to be clear about the basics:

- What is distinctive about the product or service you can offer?
- How your product or service matches the customer's needs?
- Whether the enterprise can be financially viable?
- How to find and keep customers, and deliver your products or services efficiently?
- How to keep adapting and innovating to meet new challenges?

Once sales are made and the money begins to flow in, the business needs to ensure that costs are controlled and overheads are in balance with income; insufficient cashflow is spotted in advance with regular financial reviews; and that all Management Committee members are well enough informed to make appropriate decisions.

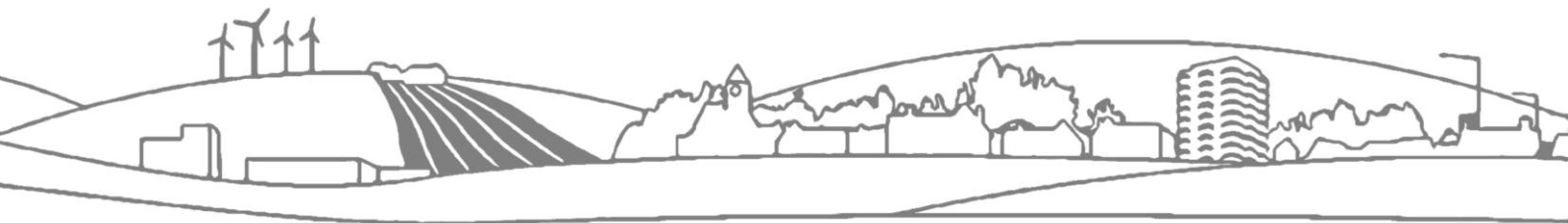
Whilst delivering the workshops, we heard the word 'fear' several times when people were explaining their current levels of understanding about how to grow and manage new business. Our aim is to make marketing and financial management fun and approachable, and show that it's not rocket science.



In our consultancy work we are impressed by the creativity and passion in the social and micro business sector. By focusing that energy wisely, working with the inherent strengths of community-based enterprise, and matching clear business minded decision-making with a good idea, we think that success is more likely!

You are not on your own – right now there are hundreds of like-minded passionate people out there all navigating the same path, and our experience is that most are willing to share their knowledge. By working together we become stronger. So, here's to sharing some of our know-how, and links to other sources of help and inspiration!

**The Specialist Enterprise Support team**  
*April 2012*



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# 1

## Your business objectives

### 1.1 Social enterprise in a changing world

These are challenging and exciting times for community businesses.

Challenging, because these enterprises are often more complex to run than 'for-private-profit' businesses for several reasons. Where the primary motivation is the social outcome, there can be a cultural clash with the need for the business to make a profit or surplus. In addition, the people involved may be starting out with community-focused skills rather than business skills.



In parallel, recession has made it more difficult to sell some types of services and products, particularly in sectors where there is high price sensitivity or where customers perceive the offer to be a luxury.

It's an exciting time for exactly the same reason, as recession has created gaps in the market which 'for-private-profit' businesses have left behind. There is a wave of energy and interest in communities 'doing it for themselves'. Where a business is intimately connected with its local community and grows in response to their real interests and needs, its chances of success are much higher. A new spirit of collaboration between producers, enterprises and their customers is opening up fertile ground for those who can cultivate it.

The good news is that it's not hard to run an efficient, profitable business. This guide offers emerging social entrepreneurs a set of practical tools which will help realise business goals for success.

### 1.2 Trading for a purpose

Whilst this guide will focus on specific aspects of business management, it's worth re-stating that **any business must be clear where it's going.**

The mission statement, vision or guiding idea, must be like a flag on a mountain. Don't divert from the path that leads towards it. Each step matters and should get you closer.



When it comes to trading, your purpose and approach towards it must be clear. Either it's to meet that purpose *directly*, for example to make fresh food available to more people, or it's to create profit which can be used to meet that objective *indirectly*. We've seen energy and egos lead to mission drift; managers getting a buzz from their bottom line or pet project, and wandering off the path!



### 1.3 Why business planning matters

Business plans are often created for a specific purpose, such as applying for funding, then forgotten. Your business plan is for you, not just for your funder, it's a tool to help you understand what you're trying to do and how. For this reason, we prefer to focus on the planning rather than the plan, expressing the need for an on-going process of setting goals, checking progress and adjusting.

You might stumble on a successful way forward, but the chances are you'll stumble off again, and more to the point you won't know why. So read up on setting a vision and working towards it (see Resources) and 'if at first you DO succeed, try something harder' (Ann Landers).

#### Unicorn Grocery, Manchester

This urban wholefood store, run as a worker's co-operative, recognised as far back as 2007 that a recession was on its way.

Consequently they re-planned their business to offer a budget range of produce alongside the 'deli' items, competing on price with the supermarkets, to keep the shop accessible to those on all budgets. As a result, it grew 10% even in the worst of the recession.



### 1.4 Worksheet – are you clear about your business objectives and how you'll achieve them?

**Answer the following questions:**

#### 1. Where are you now?

- At what point are you in the process of business development: idea – verifying the idea – planning – piloting – trading – changing? and what is the risk of investment in time and resources?
- Where has the idea for the next move come from?
  - Yourself – if so, make sure you check out the idea with critical friends and mentors
  - You and professional colleagues – is it a top down idea in which case get the view of the intended beneficiaries?
  - From beneficiaries – are they staying involved?
- Find out how to do a SWOT analysis – looking at the strengths and weakness in the internal environment, and opportunities and threats from outside. Against each point, note what action you will take.

#### 2. Where are you going – and what is the vision or mission statement?

- Can you describe the unique, distinct, essence of the business in ten seconds – the elevator pitch? If not, define it, practice it and ask for feedback.
- Who/what will benefit and how do you know? (e.g. economy, health, community, environment). Identify the quantity and quality of outcomes from delivering your new product or service.

#### 3. What do you need to do to get there?

- What evidence do you have that your product or service is needed? (see market research section – if this involved risking your own money, would you do it?)
- Are there any alternatives on the market? (see the competition section)
- Who needs to be involved – and how will the 'people spec' change as the business develops?
- What resources do you need and when?:
  - money – cash and credit (see cashflow section)
  - people – employed, self employed, volunteers, help from others, new skills
  - land and buildings – buy, rent, borrow, donated, asset transfer
  - equipment – buy, hire-purchase, rent, borrow, new or used
  - stock or 'raw' materials
- Do you have confidence in the money management? (see finance section)
- Check if incorporation as a company is right for you – in most cases, when trading, incorporation is recommended





# 2

## Does anybody want what you're offering?

### 2.1 Who are your customers?

There can be confusion over what 'marketing' means – it's not just about promotion, which is the end stage of marketing. In essence it's about understanding **who** you can sell your product or service to, **why** they would buy it, and **where** you'll make that sale.

In planning this, think like your customer. Two commonly used phrases express how one should model one's business:

- **See your enterprise from the customer's point of view.**
- **Understand how your product or service meets your customers' needs, whilst allowing you to make a profit.**

### Riverside Market Garden

This new community-owned horticulture enterprise near Cardiff started selling veg boxes in 2010. There was a high turnover of customers, so something was wrong. By talking to the customers at the drop off points, it became clear that the 'generous' portions of greens (which the managers thought would be a selling point) were impossible for a family to consume, embarrassing the customers who threw much of it away.

Restaurants, who the enterprise assumed would be difficult to work with, have turned out to be keen customers who will pay good prices for the right product.



You need to identify who your potential customer is, their lifestyle, where they live and their values and interests. You can do this in a number of ways:

- Based on your own knowledge – but be aware this can be limited or partial.
- Informed opinions of people you trust – but not just those who say your idea is great, remember to seek out friends who will challenge you.
- Published market research – tends to give good information on national trends, but is less informed about local issues.
- Surveys at targeted locations – for example, taking a stand at a relevant event, and maybe offering a prize draw to those you talk to.
- Focus groups – for example, getting a group of 10 people in a room for 90 minutes, selected to represent a cross section of your target customers, to gather their views of what matters to them – you may need to pay them to take part.
- On-line surveys<sup>43</sup> – ideally by getting existing networks or groups to ask their members to participate (see Resources).

Find out all you can about your potential customers and group them into 'segments'. For each of these groups you might need a different set of products delivered in a different way, with appropriate pricing and promotional strategies. To segment your customers you need to know:

- Location – where do your customers live and work and where might they buy your product?
- Demographic profile – their age, gender, ethnicity, social class?
- Specific issues or interests – e.g. diet/exercise



- What motivates them – what are their values and attitudes?
- Work and lifestyle – what do they do and where?
- Which media do they prefer to use?
- Which networks and social groups do they support or communicate with?
- How important to them is price – as well as quality and uniqueness of product?

It can be useful to think about each segment by creating an imaginary person. For example, if 'Jane' is a commuting professional who is probably cash-rich but time-poor, you'll understand that she rates convenience highly, so you need to be sure that your ordering and delivery systems will meet her expectations. If you want to keep her as a customer beyond the trial period, your products and customer service will have to match her needs.

When Divine Chocolate first entered the market Fairtrade was in its infancy and Divine was unique as a 100% Fairtrade brand. Over the years the market has changed dramatically and Divine has evolved

its proposition to be distinctive in the mainstream premium market. Importantly the brand puts chocolate taste and quality first – not even Fairtrade activists will buy chocolate they don't like. The unique story of the company is that it is 45% owned by the farmers of Kuapa Kokoo. This adds value and increases brand loyalty – even in times of recession.



## 2.2 Hold on to your customers

As your enterprise develops, you will need to *keep* in contact with your customers. Their on-going feedback is gold-dust and you will benefit by building your connection to them. Here are some simple ways to do this:

- Questionnaire at point of sale – for example, if selling in a shop, ask the shopkeeper for a special place to hold the questionnaires.
- Manned stand – perhaps in a shop where you offer samples and speak to people.
- Reply card with the product – put a simple set of questions in the box, or as part of the packaging.
- On-line feedback – create a simple response form on your website<sup>45</sup> (see Resources).
- Follow up responses – with phone calls, if time and resources allow.
- Create an annual on-line feedback survey for loyal customers or members<sup>43</sup> (see Resources).
- Social media – see section 3 on 'Selling Your Wares'.

As you build your customer base, keep a database of contact information. This can be on a simple spreadsheet, or if numbers are large and your business is getting more complex, you might consider customer management software<sup>36, 37</sup> (see Resources). You can get caught up with time-consuming paper chasing and phone calls if your systems are not up to the job.



Once you have some customers make sure you keep them! It's much easier to retain a customer than create a new one. To do this you might consider the following strategies:

- Sell them more of the same product or service.
- Sell them new or additional products or services.

Then consider the following tactics:

- Set up standing orders or direct debits for repeat orders.
- Invite your customers to recommend a friend.
- Establish loyalty schemes – but beware of giving discounts unless it's necessary.
- Appropriate gifts – for example, if you have a wine business, a wine rack or corkscrew.
- Newsletters – ideally by email<sup>41</sup> (see Resources).
- Hosting events for your customers or members.
- Offering credit or flexible payment terms.

If your business is geographically focused, you could build a loyal group of customers who might meet to socialise together or help in the business. This could include:

- Organised visits and events at your site – especially if it's an attractive location for a family day out.
- Creating a social media group – for example with Facebook (see more on Social Media below).
- Inviting people to volunteer – which offers new skills and even work experience.

## 2.3 Is there a gap in the market for you?

You may have what you think is a great idea for trading, but you need to find out if you're right. You can do this in two ways.

First, just try it! If you can pilot something in a low cost, low risk way, you'll find out lots about how you need to adjust your products and service offer. For example you could:

Many coffee chains now offer a loyalty card, stamped each time you buy. This simple promotion offers the customer a free sixth or tenth coffee. We all love a bargain! Not only does it mean we are likely to return but their card reminds you of their brand each time you open your wallet.



- Start by renting premises and equipment.
- Trial your products with family and friends – but ask for honest feedback not acclaim!
- Take a stand at relevant events – offering samples in exchange for public feedback, on the day or by email via your website.
- Demonstrate or pilot your products or services to people in your industry, for example with shopkeepers who might stock your product or organisations who might buy your services.

However, if you need to invest time or money, get it right first time by using market research. Review the competition and judge whether you can fill a niche or compete with others successfully by asking yourself:

- Can you match or improve on what they do? Remember they may have much bigger budgets for marketing and economies of scale.
- Can you do something different? Learn from others' successes and mistakes, they may have been doing it longer, or tried your idea and found it didn't work.





- How can you differentiate yourself from your competitors?
- What do you have that they don't? Focus on building on the strengths and differences of your offer.
- What resources do you have that the competition may not? Remember in the community enterprise sector, the goodwill of the community may be the one thing that others can never get.

Competitors may have a good business model and an established customer base which you would struggle to compete with. Under these circumstances consider working in partnership for mutual benefit – perhaps you could be a supplier or service provider to them. Collaboration is the new rock 'n roll!



Manchester Veg People is a unique co-operative of organic growers, buyers (restaurants and caterers) and workers. The model is based on fairness, with prices based on costs of production and the risks of food production being shared, creating relationships of trust and understanding between members.

## 2.4 Worksheet – Defining Your Marketplace

**Answer the following questions based on evidence from your market research:**

**1. Your customers** – define your market segments and their different groups of target buyers.

For each one identify the following:

- Location** – where do your customers live and work and where might they buy your product?
- Demographic profile** – their age, gender, ethnicity, social class.
- Specific issues or interests** – for example, diet or exercise.
- What motivates them** – what are their values and attitudes?
- Work and lifestyle** – what do they do and where?
- Which media** do they prefer to use?
- Which networks and social groups** – do they support or frequent?
- How important to them is price** as well as quality and uniqueness of product?

Give each type of customer a **name** – when considering changes ask if 'Jane' would like it?

**2. Customer management** – how will you keep your customers happy?

- How many customers and prospects do you expect to handle?
- How long will this take you to manage by phone and email each week?
- Do you need a software solution to help you?
- What more can you offer your customers?
- How can you build loyalty in ways which minimise costs?
- How can you gather feedback on how to improve your products and services?

**3. The competition** – and your unique selling points:

- Who else competes in the same product/service area as you?
- What are the best things about their offers?
- How do they fail to meet your target customer's needs?
- What can you do better or differently?
- Is there an opportunity for collaboration?



# 3

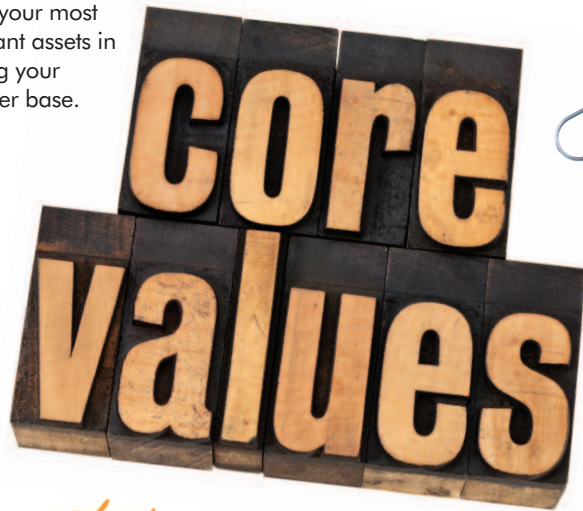
## Selling your wares

### 3.1 Branding – communicating what makes you special

In what ways are your products or services unique and distinctive from competitors? Identify how your offer is special:

- Nature of the product – its quality, value, service or innovation?
- Customer service convenience and aftercare?
- Your enterprise's 'personality' and customer friendliness?
- Your values and objectives – often strong in the community enterprise sector, but no excuse for inferior products and services!
- People involved – local champions or heroes?

When you're clear about this, you're close to creating a brand. Your **brand** is the sum of the **values and promises** you make to the customer – it's about everything you do. The **identity** you create is one of your most important assets in building your customer base.



When preparing promotional material of any kind, from the design of your logo to informal flyers, you need to set a brief to whoever is producing it which makes clear: who you are trying to talk to, what message you want to make, the 'tone of voice', and what action you want the reader to take.

Whatever you create, make it **easy** for people to take the action you desire, make it **personal** by targeting the right message to the right people, and make it seem **normal** rather than expecting a radical change of behaviour.



**Country Markets** developed a new set of marketing materials and branding guidance for their members, to facilitate selling produce to shops and through other outlets. The members have access to a toolkit with flyers and posters as well as label templates they can personalise that meet legal requirements and conform to the overall branding.

Select which methods you will use to communicate your identity and brand:

- Nature of your product or service.
- 'Visible' signs – including logos, packaging and graphics.
- 'Invisible' elements – for example, your approach to re-cycling or sustainable sourcing of inputs.
- How you interact with people – customer services and care.
- Telling your story – always make it personal.



**Logos** are an expression of the brand. Keep them simple and make sure they help communicate the 'personality' of the business.

Riverford runs the UK's biggest veg box delivery business. Working through local franchisees and regional farm groups they can target most areas of the country. Their communication

style is distinct; it has a friendly, informal feel, through media such as the recipes and stories they include in the boxes, reinforcing their brand values and building loyalty every time.

The logo for Riverford organic farms features the brand name in a bold, sans-serif font, with 'Riverford' on the top line and 'organic farms' in a smaller font below it. The text is white and is set against a solid green, rounded rectangular background. A silver paperclip is attached to the bottom right corner of the logo.

**Riverford**  
organic farms

### 3.2 Promotion and sales

Once you have identified your customers, where they are, and what matters to them, **you need to secure and grow sales by promoting your business.**

First you need to decide how many customers you are seeking and what conversion rate to sales you expect. This will depend on your type of trading and sales methods. For example, you might only need 5 customers if you sell wholesale, so go and meet them personally and you might get a 100% take up. In contrast, if you sell products on-line, you might need 500 hits on your website to sell just one item. **Your promotional strategy needs to fit your business model.**

Larger companies invest a lot of money in attracting new customers. They consider the *lifetime value* of the customer to the business, which can outweigh the profit expected from that customer in the first year. However, if budgets are tight, you can do this in a number of ways, for example:

- **Introductory offers** – you could offer a free sample, trial or an extra product after the customer has bought several times.
- **Time-limited offers** – a reduced price or 2 for 1 offer for a defined period.
- **Competitions** – gather customer information and offer a prize which is in itself a promotion.
- **Credit** – allowing people to buy now and pay later.
- **Recommend a friend** – ask your customers to help you, with or without an incentive.
- **Free media coverage** – see PR section for ideas.

You may find organisations who can give you access to large numbers of potential customers. For example, Autoglass offered a deal to insurance companies to fix their clients' windcreens, in return the insurance companies then recommended Autoglass – doing their promotion for free! What networks or organisations would do the same for you?



In designing your promotional materials, consider that in making choices, customers may look for three things, which might inform what you try to communicate:

- **Features** – the nature and quality of the product or service.
- **Benefits** – how the product or service will improve their life.
- **Proof** – evidence that it works and testimonials from trusted sources.



### 3.3 Building your customer community

We've talked about the benefits of retaining existing customers. Also, it's useful to review which products and services you can sell easily, and in contrast what is likely to be a hard sell. The matrix below will help you to answer these questions:

**new  
customer**



worth trying –  
your track record  
should allow you  
to get the  
confidence of the  
new customer



the most  
difficult sell – the  
customer does  
not know you and  
they may not  
know the value  
of your product

**old  
customer**



the simplest  
sell – this is  
what you're  
doing already

worth trying  
– the customer  
has confidence in  
you and may be  
open to buying  
something else

**old  
product**

**new  
product**





**Look for Local** is a marketing initiative run under the Making Local Food Work programme which helps retailers promote their local food offer. This defines local food as being grown, made or raised within 30 miles or within the county. It applies to both primary products (meat, vegetables, eggs and milk) and added value products (bread, cakes, preserves, butter and pies).



To succeed, promotional campaigns require repeated time and effort, as people usually notice you only when they have heard about your product or service several times, in several ways. There is a natural progression in this process as follows:

- **Non-awareness** – potential customers might be happy with their existing provider or you might not have tried to attract their interest.
- ↓
- **Awareness** – begin building customer interest by associating their needs with your product.
- ↓
- **Interest** – from what you know about your potential customer's motivations, identify what messages you need to promote.
- ↓
- **Evaluation** – how are you addressing the customer's evaluation of product features, benefits and proof?
- ↓
- **Trial** – a critical point, where you need to reinforce your key messages and remind your customer what they have bought, its benefits and values.
- ↓
- **Repeat purchase** – continue to promote your product or service and gather feedback to identify key factors which deliver customer satisfaction.

Be alert to the reverse process where a customer becomes dissatisfied and is lost forever. Be realistic about retaining your customers – in some sectors there is a large turnover with new ones coming on board and existing ones being lost on a regular basis.

You will need to find a number of ways to promote yourself, increase public awareness and raise customers interest. The key to success is to keep trying new approaches, perhaps consecutively, for example:

- **Email networks** – invite friends, partners and customers to send information and news about you and your products or services to their contact groups.
- **Directories** – identify popular and relevant listings which are read by your target customers.
- **Flyers and posters** – distribute in popular places, or consider door to door leafleting. Remember that people tend to read headlines and postscripts first.
- **Signboard** – consider A-boards and banners with changing and eye catching messages.
- **Freebies** – hand out free samples at well chosen and popular locations.
- **Co-marketing** – collaborate on joint promotions with an established company who targets the same kinds of customers.
- **PR** – see below for ideas.

Signs, for shops, farmers' markets and local events can be quite simple and low cost, yet incredibly effective. You might also consider blackboards with waterproof pens so that signs can be changed regularly to advertise new offers to passers by.



Make sure you develop good relations with local media – editorial coverage is better than advertising and costs you nothing. Here are some things to do:

- **Charm them** – if you're a bakery, bake them a cake!
- **Write good press releases** – send them whenever you've something interesting to say, remember to include real quotes, your key messages, and contact details such as the website.
- **Pictures** – have a selection of good high resolution images to send out with your news and press releases.
- **Speak at events** – such as conferences and fairs, and remember to tell the press about it.
- **Write features and news articles** – for specialist or local magazines.
- **Media profile** – offer to be a guest on local radio or TV.
- **Competitions and awards** – organize and promote through the local media.
- **Campaigns** – raise your profile or go on a march!
- **Portfolio of personal stories** – Find and promote real life stories linked to your business. Which headline grabs your attention better: *'community enterprise publishes social benefit monitoring results'* OR *'pensioner proposes over bowl of soup at community café'*?

### Getting sales

The culmination of your promotional activity is getting sales. Make sure that you have developed and refined the product that you sell so that it really meets the customer's needs, and that you continue to do so as you get feedback. Create administration systems which make it easy for you to track who bought what and when; and identify what else you might be able to sell them in the future.

## 3.4 Online and social media

Websites are a significant marketing tool and it is easy to get a professional looking site for little money or for free, for example using Wordpress<sup>33</sup>. While basic website design can be simple, you might need IT help to add important functionality, for example:

- **Contact list management** – collecting names of customers, supporters, friends and relations who sign in to receive your newsletters and promotions.
- **E-commerce** – selling online.
- **Blogs and Twitter** – keeping your on-line presence refreshed and up to date.



For those considering **e-commerce**, there are a number of stages of development you can consider, depending on budget, IT skills and the functionality you need. At the simplest level, other organisations can offer you an online presence for a small fee or commission, such as the BigBarn Marketplace<sup>35</sup>, where you can upload and amend products and prices through a simple online interface, as well as benefit from their directory service. Next up would be a simple Paypal system, which will give you 'buy-now' buttons to embed in to your website (needs a little IT skill). After that, a fully functional system requires quite a lot of work and expense; you need the shopping cart software, a company to handle the credit card transactions, and a 'merchant' account with a bank. There are many options, and comparison sites can guide you to the best option for your particular needs.

This brings us on to **social media**. A quiet revolution has happened in the past few years and anyone who needs to spread the word needs to take part, as people talk to people, not to brands. Social media platforms allow customers to do most of the talking, generating either positive comment which helps build your trading community, or questions and criticism which offers important feedback on which to act quickly. Plan to give more than you get.





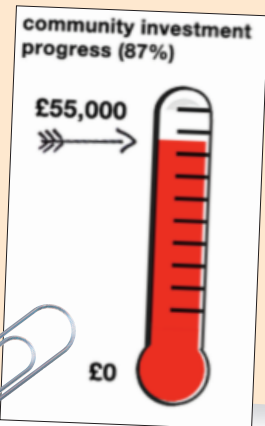
An important approach is to recognise the 'social' aspect of social media; don't just use it to push sales promotions; encourage dialogue, ask questions, and answer queries. This is the fundamental point of difference from websites, which tend to offer a one-way conversation. The object is to build trust. Use real names, and create a relevant 'talking' style which matches your brand. With most media, large networks of contacts can emerge depending on who you 'follow' and who follows you; so choose who you follow carefully as the people in this wider community will define your own values.

A key question is how much time should be committed to social media interaction; it can be easy to spend a lot of time following conversations! With social media you need to know if it's working for you. Other than quantifying the activity you generate, you should try to track its effectiveness. This is most easily done by creating links in your messages to your own website, where you might hold a full news article or even sell something online. Using Google Analytics, which is a free tool, you can see how people have arrived at a particular page.

Cultivate, a co-operative aiming to produce and deliver food direct to members in Oxford, used a mix of communication media at the outset of its development, to raise interest and offer its community shares. They initially ran an online survey to inform and engage people; then built a website, which is continually updated, and includes a blog about activities, a publicity page for re-posting news articles, a mailing list signup page, and an investment signup page; and they connect with people through a regular e-newsletter, a Facebook page and a Twitter stream. They have been using the analytics tools to gain a better understanding of what is effective and where they can engage people better.

Social media has been essential in spreading the word and allowing a wider range of people to find out about Cultivate and become more involved. It has been especially helpful through the share offer, allowing them to remind people without putting pressure on them, and providing multiple links to an 'invest page' in a variety of places.

The image on their website keeps people updated with their investment target.



Here is a quick run-down of some of the most relevant applications:

### Twitter<sup>31</sup>

Very useful for sending short messages, updates or images that can be delivered direct to people's phones. Followers can copy it or 're-tweet' to their friends. This can escalate so that one message is seen by thousands. Learn about using 'hashtags' so people identify you and your subject area.

With Twitter in particular, where interactions can be fast and furious, be careful who you choose to write your tweets; whoever handles your social media needs to know your business backwards, must use good Twitter etiquette, and must be geared to listening more than talking.

### Facebook<sup>28</sup>

Business **pages** or **groups** on Facebook are a great place to get your community of customers and supporters to interact with each other and with you. Facebook has 30 million users in the UK! It's easy to brand your pages, add supporting pages and plug-ins which help people interact with you. Facebook provides a portal for e-commerce and, for some businesses, *this is their website*.

Facebook **Groups** are typically used as gathering places for people who share a common interest, support a common cause, or participated in some program or event together. However, they allow less functionality and are only visible to Facebook members.

Facebook **Pages** can be created by any person or business. One of the biggest differences from a group is that you don't become a "member"; rather, you are a "fan" of the page. However, you can't send invitations to large groups of people like you can with a group, and messages appear less prominently on people's own Facebook page.

Soon after publishing your page, you'll be able to access 'Insights' – data about how your business page is being used. This may give you good ideas about what your fans are really interested to hear about.

### Linked-In<sup>30</sup>

Professional networks where you can interact and ask questions of people with common interests. It can be useful to join Groups where conversations take place between self-defined communities of interest. With Linked In you build a detailed personal profile, a kind of online CV, which needs careful work to make sure this supports confidence in your business. You can also ask friends and colleagues for testimonials or recommendations, which get posted on to your profile.

### You Tube<sup>29, 32, 34</sup>

A very easy way to store videos, which you can then embed into your website. You can also create your own 'channel' on You Tube, which acts as a sister online presence to your website, and should be branded to match it. If you want people to find you, by them looking for something on a search, make sure you use 'tags' which help this process point the user to your content. You Tube also has analytics data which helps you understand the viewer's real area of interest. Vimeo is another video storage provider; and Flickr is useful for storing and sharing images.

### Blogs

This is a kind of diary of notes and observations. Make sure your content is really what your audience cares about, not you! Wordpress was set up primarily to handle blogs, which can feed in to your website.

Finally, people can spend a lot of time and money trying to get good Google ratings through 'search engine optimisation'. Before going down this route ask yourself how much it matters to you to attract interest from web searches – emailing flyers or local leafletting might be the most effective type of marketing if you are a locally-focused enterprise.





Whole Foods Market, USA, is an ethically-driven enterprise running natural and organic supermarkets, and run a highly successful social media programme. In the first year alone, they gained a million Twitter followers. The Whole Foods Market team say it's a great way to communicate with customers; partly to let them know more about what happens behind the scenes, like their Local Producer Loan programmes, but mostly as a way to directly respond to people who have questions.



### 3.5 Worksheet – getting sales

**Answer the following questions:**

#### 1) Your promotional targets

- How many customers do you need, spending how much?
- Are these customers in a local area, or widely distributed?
- What hit rate or conversion rate to sales do you expect?
- What turnover of customers is likely, ie how many might you lose each year?
- How often will you need to run promotions and how much time and cost will this take?
- When enquiries and sales come in, do you have an efficient system in place to respond and record what happens?

#### 2. Your media for promotion

- Are you clear who your target segments are?
- What media do they use, and what networks are they part of?
- What are the most effective ways for you to reach the numbers of people you must promote to?
- Where are you on the old customer/new customer/old product/new product matrix?

#### 3. Your key messages

- Are you going to focus on product features, or benefits to the customer?
- How can you get their trust and confidence?
- Does your branding match what this promotion offers?
- How can you keep your promotions fresh and topical?

#### 4. PR

- Do you have a good personal story, about you or your customers?
- Do you have anything newsworthy to talk about?
- How can you get local and specialist media to support you?
- Is it worth investing in advertising?

#### 5. Website and social media

- How good is your website – is it clear to visitors how to navigate and use it?
- Have you considered using on-line services or website plug-ins to improve the customer experience and to generate your on-line community?
- What social media will work for you?
- Who will keep on top of social media interactions?
- How will you track the success of your social media?



# 4

## Follow the money

The history of business failures tells us that it is the lack of money that hurts most. Where the trading activity is not covering costs, the enterprise eventually runs out of money. Where an enterprise does not have enough money to buy the stock or equipment necessary to sustain profitable trading activity it fails. Community enterprises are not immune to these challenges. It is hard to avoid a requirement for money – it really does make the world go round!

### 4.1 The key reporting documents

It is critical that the leaders of an enterprise understand its finances: they should not leave this to their accountant! There are established tools and systems that make this easy. The basic reports used are: the Balance Sheet, Cash Flow Statement and Profit and Loss Account. These models, when kept up to date, help everyone make informed decisions.

We have included a set of sample accounts in the appendix with more explanatory notes. In summary, the three documents are characterised as follows:

#### Balance Sheet

The purpose of the Balance Sheet is to set out the financial position of the organisation at a particular point in time – it is a snapshot of the business' overall worth.

A Balance Sheet shows how the business is funded and how the funds are being used, as well as the assets and the claims against the business.

In accounting practice, the claims on the business (liabilities) are deducted from the total assets to give 'Net assets'.

The balance sheet can provide useful insights into the financial position of a business. An example is liquidity, which indicates the



ability of the business to meet its short-term obligations from its liquid (cash or near cash) assets. Low liquidity may present a problem and should be reviewed by the Management Committee.

#### Cash Flow Statement

The Cash Flow statement is a summary of the cash receipts and payments over the trading period, in other words, the actual money that comes in and goes out, and should be reconcilable with the bank account. It is an historic analysis of cash movements in the business, which includes VAT.

#### Profit & Loss Account

The Profit & Loss Account, sometimes known as the income statement, shows the total revenue generated from trading activities minus the total expenses incurred in generating that revenue. The figures here relate only to the trading activity of the business. We do not include capital income or investment. VAT is also not shown, whether charged or paid, as this is not your money.



There are two distinct calculations of profit:

- **Gross profit** – the total amount of profit on all sales and other income after deduction of the Direct costs of buying or making the item that was sold. Where labour inputs vary in direct proportion to the income, these may also be included in the Direct costs deducted.
- **Net profit** – the net figure after the other costs (the Overheads) have been deducted from the Gross profit. Overheads include staff, rent and other costs which are needed to run the business, and are much less reactive to sales volume. This figure is before the deduction of any Corporation Tax and is commonly known as 'the bottom line'.

Capital cost items, such as a new fridge, are covered by allocating an annual cost, which reflects the cost of having that asset, so it 'shares' the cost over the lifetime of the item. This is known as depreciation (See the Appendix for more information).

## 4.2 Planning and forecasting – your budget

Setting a budget is one of the most important activities in any business. Where there is a plan to develop an enterprise further or start a new one, your budget tells your story in numbers!

A budget will help you to control and manage finances. You can check that the money needed to fund the enterprise will be available when required and it will help you make informed decisions, a critical point for your Management Committee. In addition, being able to review your budget will help you assess progress being made against your business targets.

Business plans are more compelling when people consider their budget as a **planned outcome** rather than an aspiration. It is the commitment to the figures that makes the difference – the more effort that goes into the careful consideration of the figures, the better prospects of achieving the plan.

Most organisations create a budget for a trading year with a breakdown by month. For business planning purposes you may wish to look three or five years ahead.

Think about who is involved in preparation of the budget. The



involvement of people with practical trading experience will keep it real and help with getting their buy-in later on. Don't leave it to a single individual or someone outside the Management Committee group. The budget should be fully understood by the organisation's leadership and management, they should feel ownership of it and it should be consistent with the vision and strategy of the organisation – it should tell your story, the same story, in numbers!

### Preparing a budget

When preparing a budget, the first consideration is to make sure it supports the strategic direction of the enterprise and provides a robust foundation for the business plan. Typically, an enterprise will use the Profit and Loss Account as a starting point upon which to build a budget. Unlike the historic record above, we are looking ahead and fill the document with the outcomes we expect.

Start with sales revenue and assess how much you think you can sell and at what price. Your trading history and experience is a good starting point for the sales figures. However, it is important to consider potential risks that might impact on future sales such as the threat from new competitors. Next look at costs - what will it cost to supply the product or service to customers, including every element of cost up to the point the product or service is delivered to the customer. For example, a vegetable box scheme has costs of processing the order, packing, delivery and collecting payment from customers and of course, delivery. The enterprise continues to incur costs up to the very point where the box is handed over on the customer's doorstep.





Be realistic about costs and comprehensive in identifying all the costs which your activity generates. For example, in our vegetable box example there may be a small number of customers who refuse to pay for their delivery. In business this cost is known as Bad debts and businesses make allowance for it in their budget.

Also consider areas where you have to spend money to achieve the things you are planning. For example, any capital investment in new equipment such as a fridge or revenue costs such as printing promotional leaflets.

The important thing is that your budget identifies ALL the investment required to achieve your plan, as well as the sources of money that will be used to fund the expenditure.



### Profit and reserves

A Reserve is a pot of money in place to fund future investment or the possible impact of a 'rainy day'. In the absence of a generous donor, most enterprises have to generate reserve funds from their trading activities and they need to have a plan in place to make a profit to achieve it.

There is no magic formula for the right level of reserves. The Management Committee could decide to use a percentage of turnover or a fixed amount as a target level and agree to build it up over a period of years. The important thing is that the Reserve policy is agreed by the Committee because it may require a profit target and this will impact on pricing strategy, cost control and other areas of the day-to-day business.

### Cash flow forecast

The Profit and loss account will tell you if the revenue from the trading activity will more than cover its costs. The next question is whether there will be the money available when it is needed to finance expenditure on things such as stock and any investment items. A Cash flow forecast will do this.

RCMA runs the five farmers' markets in Cardiff, and other food and health projects. Its new cashflow model predicts how small changes in stall numbers, labour costs or other variables can make the difference between a profitable year and a loss making year. This has informed decisions about stall fees, and lets stallholders understand the pricing policy.





A Cash Flow Forecast is an analysis of the money that will flow in and out of the business, where it will come from and go to and when it will happen.

**A rolling Cash flow forecast is a useful tool to help monitor the performance of the business. It is essential if you are planning any significant change or investment.**

From a Cash Flow Forecast you will get an indication if, for example there will be sufficient money to pay a large bill due on a specific date. If the forecast identifies a shortfall the advance warning gives the business an opportunity to find a solution. This could be achieved by rescheduling payments, bringing in capital or approaching the bank for an overdraft facility.

A Profit and Loss Account and Cash Flow Forecast are the twin pillars of a thorough budgeting process. They are essential if you are preparing an application for a bank loan or grant.

### 4.3 The flow of money

#### Book-keeping

This is the administrative function of recording financial transactions and the foundation upon which all financial reporting and management activity is based. At a basic level there are four records that help: Cash Book, Sales Ledger, Purchase Ledger and Wages Book. Where registered, a separate VAT account may be required too. Good organisation of the paperwork and timely action is key to making the process efficient and hopefully as painless as possible! Generally, community enterprises either assign the task to a specific volunteer or pay a professional book-keeper to do the job.

There is enough to do when running an enterprise without the distraction of forgotten payments and administrative confusion. Regular book-keeping will help avoid these pitfalls.

### 4.4 Keeping in touch with the figures

You've got a great business plan in place and the journey has started but how do you check that things are going to plan and what information do you need to make decisions? Here are a few tips:

- Don't make assumptions about how things are going!
- Seek insight rather than information. Develop trading and market measures that are relevant to you, for example, a comparison with targets in the budget. Look at things regularly as a routine, say weekly or monthly and involve others. For example, set up a regular financial reporting template for review at Management Committee meetings.
- Don't be intimidated by all the numbers – there are a few figures that are really important so look at these first. (See our Example Accounts in the Appendix).



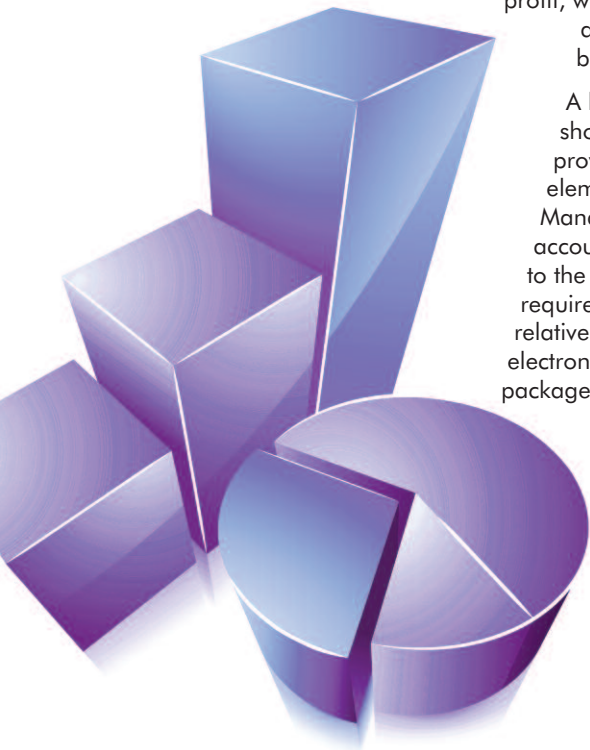
## Management accounts

This is a term to describe a set of financial statements that are considered sufficient to help the Management Committee understand the trading position of the business. There are no rules on what format is used but the important point is that they provide sufficient insight for informed decision making and future planning.

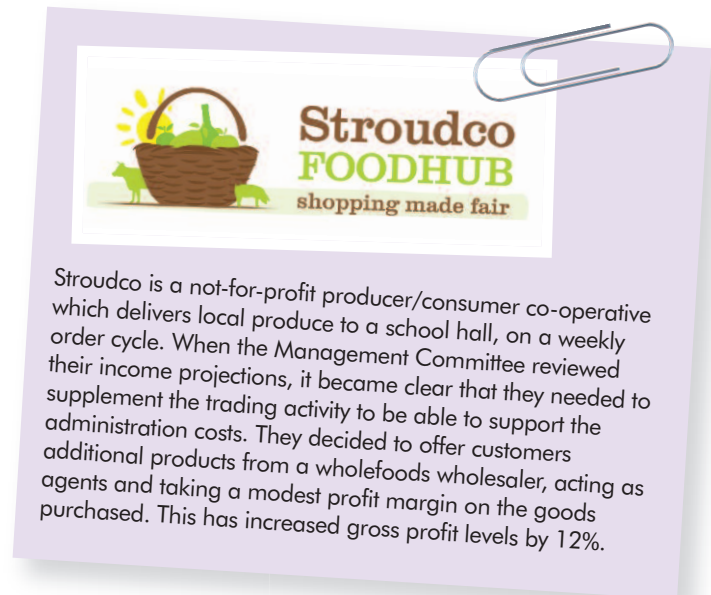
Typically, Management accounts are prepared monthly and include a comparison of performance indicators against the original budget. Spreadsheets are ideal for the presentation of this information. The following areas are likely to be interest on a

monthly basis: sales turnover, gross profit, wages, cash flow and the bank balance.

A book-keeper should be able to provide the financial elements of Management accounts information to the specification required, this is relatively easy if an electronic accounting package is used.



The Cash Flow Forecast and Management accounts will provide good information about the trading position of the business and its viability. However, it is good practice to monitor key numbers more frequently, often on a weekly basis, to review how the business is developing. Simple easy-to-calculate performance measures can show how the business is performing over time. The indicators you choose need to mean something to you – for example, a farmers' market might choose stall numbers as its key indicator. Simple graphs can be useful to show how these numbers vary each month and how they compare to the previous year.



## 4.5 Funding the business

Generally, it is easier to spend money than it is to make it so it is important for community enterprises to preserve the cash they hold.

### Making cash a priority

For most businesses, having enough money in the right place at the right time is a priority and like anything else in business, it doesn't happen by accident. Taking the time to look ahead will give you information to judge the general financial health of the business and help you make better decisions. A Cash Flow Forecast serves this purpose.

Forewarned is forearmed and any potential funder is likely to view the advance planning favourably. For example, where a business is making an investment in new equipment, the forecast may be helpful in planning when the item should be purchased.

However, what are your options when you need additional money to fund growth or deal with an unexpected development? A good starting point is to consider the opportunities that your customers and suppliers present.

Could you put a customer arrangement in place to increase cash in the business, for example some community shops operate a reverse credit scheme where customers pay a regular amount into an account and draw from this when they visit the shop.

Could you change the time when suppliers are paid to delay the flow of money out of the business? What about leasing an item of equipment rather than purchasing it? The extra cost over a period of time may well be more than compensated for by the availability of cash in the enterprise.

### Funding options

If, having exhausted other options, the organisation has to look externally for funding, there are a number of options to consider: loans, shares, grants and donations (see Resources).

### Loans

Your enterprise may be able to borrow from a bank or community lender such as Triodos and Co-operative and Community Finance. If your Parish Council is involved in your enterprise, the Public Works Loan Fund may present an opportunity (see Resources).

It is important to consider the lender's interests when preparing for and submitting a loan application. Their top priority will be to establish whether they will get their money back. The lender will appraise both your budget, typically for the next three to five years, as well as the people involved in managing the enterprise. A good mix of skills and experience on a Management Committee will help increase confidence for the lender and hopefully influence the success of your loan application.

You may also be able to raise or borrow money from people with an interest in the community enterprise. It might be the 'great and the good' in your local area or the wider community. Where individuals are lending money, it is important to be clear with them about risk, the repayment period and any interest paid. Unicorn Grocery in Manchester, for example, made great use of loans from community members to finance expansion and to help buy land for vegetable growing.

### Shares

In the community enterprise sector, there is increasing interest in community shares, which is a way to raise finance in certain types of company.

There is no legal definition of community shares. However the term is now recognised as referring to a unique form of share capital called 'Withdrawable' shares, which can only be issued by Industrial & Provident Societies (IPS).

There are rules and restrictions on what you can and cannot do with community shares: for more information visit the Community Shares website<sup>20</sup>.



## Grants

Your enterprise and its activities may be eligible for grant funding from private or public funds such as Esmée Fairbairn, Tudor Trust and the Big Lottery Fund (see Resources). Grants may be available from EU funds such as the Leader programme and Rural Development Programme for England (RDPE). Your Local Authority or Local Enterprise Partnership (LEP) may have people who manage these programmes and support applicants.

It is important to consider the grant funder's interests when preparing for and submitting a grant application. Their priority will be to establish whether the outputs and outcomes of your enterprise fit with the purpose of the grant programme. These outputs and outcomes might be economic, social, environmental or a combination of all three. In addition, just like a lender, grant funders will appraise your budget, typically for the next three to five years, as well as the people involved in the enterprise. The same good mix of skills and experience of an effective Management Committee is just as important to grant funders as it is to lenders.

Assume that you are in a competitive situation with other attractive applications vying for a limited pot of money. You need to make a compelling business case which highlights ALL the values and benefits of your community project to succeed.

## Donations

Most community enterprises receive donations in some form and these often make the difference between starting up or not. It might be small or larger amounts of money – or the provision of supplies, equipment, furniture or even premises at a peppercorn rent or reduced cost for a period of time.

These forms of giving are a great strength and opportunity for community enterprises. Often when people see things happening they wish to play a part in something positive. Getting this wider community engagement can in turn fuel enthusiasm and dynamism within the enterprise.

The message is don't hide away and don't be shy! When the time

is right, tell people what you intend to do and how it will contribute to the community. Tell them about the things they can do to help make it happen and the things that are getting in the way. You may be surprised by their generosity!

## 4.6 Pricing and margin

Pricing is an important area that influences the profitability of a business and sometimes it can be a challenge for community enterprises. Often people underestimate the value of their service to customers or overreact to a concern by an individual customer and so lose opportunities to make a greater profit margin.

Make margin where you can. Your objective should be to find the optimum, rather than the maximum, price for you and your customer on every product or service you sell.

### Pricing strategy

A pricing strategy can provide a framework for individual pricing decisions. To develop a pricing strategy you need to know the answers to some fundamental questions:



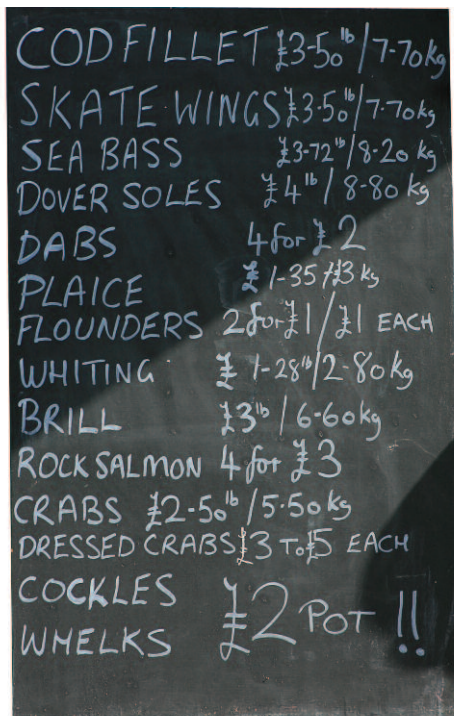


### ■ What is your product or service?

What value do you provide to your customer? For example, a customer in a box scheme is not just buying the vegetables – there is the delivery service, the story behind your produce and of course, the quality of the product. These elements present value to the customer which should be reflected in the price.

### ■ What is the role of price in what you do?

How does price fit with the overall strategy of the enterprise? For some businesses being cheapest in the market place may be essential to their business strategy and price plays the leading role in what they do. However, for community enterprises the focus may be more about retaining a service in the community with less importance placed on lowest price.



The diagram below illustrates the spread of options available when setting a price for an individual product or service. At the lowest extreme is the cost of supply – to sell below this price level would be irrational unless it is part of a strategy to promote your business, or to provide a subsidised community service.

### Your pricing policy

Different approaches to setting a price

- Value to the customer
- What the market will bear
- Competitor price
- Cost of supply plus
- Cost of supply



At the other end of the range is the value of the product or service to your customer. In the case of our vegetable box the delivery may save the customer two hours and a 20 mile round car trip, worth up to £10 on transport alone. Why not try to capture a share of this customer benefit through your pricing?

In practice most businesses choose a point somewhere between the two extremes – they focus upon what the market will bear and competitors' pricing.

There is a lot to be gained from optimising pricing so don't be afraid to test different prices. Start off with a higher price as it is easier to reduce prices later than to increase them if necessary. If an individual customer reacts negatively to a price level, don't immediately reduce the price for everyone, instead consider an alternative product or service specification to meet their specific needs. This is what the supermarkets do with their range of different product variants at different prices. If making a surplus is critical to the long term sustainability of your enterprise, pursue higher rather than lower prices and take margin where you can.



### Cost control

Margin is the difference between the price the customer pays, and the cost incurred to make that sale, and both present opportunities to improve profitability. It is easier to spend money than earn it so cost control is an important discipline.

Some costs can be reduced or eliminated for community enterprises thanks to the generous gift of volunteer time, equipment or facilities. However, some costs are unavoidable and it is important that management ensures that these costs are both 'best value' and controlled.

### Cost of goods

You may be able to save some money by shopping around and it is good practice to review supply arrangements from time to time. However, there may be a trade off between cheapest and best value. Consider whether the service from the supplier will meet your specification and delivery requirements.



### Notional value for volunteer labour

If you have volunteer labour it is worth considering the value of this to the enterprise, particularly if it might not continue and then has to be paid for. In some cases the inclusion of a nominal or 'in kind' cost for volunteer labour will provide a more realistic cost base when setting prices. The same applies for other gifts such as a favourable rent arrangement.

For example, in a community café, including a notional cost for volunteer staff may help to ensure that the menu price more closely reflects the value of the service. For some enterprises this may be a worthwhile exercise to help get the pricing right and help the café to make some profit.



## 4.7 Your legal and tax obligations

As a trading organisation there are legal requirements and other obligations relating to finance that the Management Committee of a community enterprise must ensure are addressed. The following apply to most organisations:

### Provide timely and accurate annual reports

Depending on the type of organisation, there is a requirement to submit an annual return to the organisation that controls the sector. For example, an Industrial and Provident Society (IPS) has to submit a Mutual Societies Annual Return (AR30) to provide financial data and information about the Management Committee.

Although there may not be a requirement for submission of audited accounts, it is good practice to have them audited on a voluntary basis.

### Value Added Tax (VAT)

Value Added Tax (VAT) is a tax on the value a business adds through its business activities. Some products and services are exempt, for example postage, whilst others have different rates applied depending on government policy. The standard rate is currently 20% but some products are 'zero rated' such as books, children's clothes and a wide range of foods. However, not all foods are zero rated if they are considered to be luxury items by HMRC, for example some biscuits are zero rated whilst others have 20% applied.

**How does it work?** As a trading business you act as an 'agent' for HMRC collecting VAT from your customers, just as your suppliers collect VAT from you. If your turnover is more than a certain amount (currently £77,000) over a twelve-month period, you are obliged to register.

There are different ways of calculating the VAT owing, as well as how it is repaid depending on the type of enterprise you are, for example in retailing. The standard approach to the administration is straight forward although you have to have all your records prepared and spend time on the calculations. On a quarterly basis you add up any VAT you have charged customers and separately,

that which you have paid to suppliers, then deduct one from the other. If you have taken in more in VAT than you paid out, you send the difference to HMRC. If the opposite is the case you can recover the difference from HMRC.

**Why register for VAT?** It is common for enterprises to assume that VAT is not relevant to them if they do not charge VAT and they are not close to the turnover threshold. Also, concerns about the administration workload may make it unattractive. However, the opportunity to recover the VAT paid out on inputs like utility bills or more significantly on capital investment at start-up or expansion may make VAT registration worthwhile.

For more information visit the HMRC website<sup>6</sup> or speak to an accountant about the best approach for your enterprise.

### Corporation tax

If you are making a profit, you should assume that it will be subject to Corporation Tax, whether your organisation is incorporated or unincorporated. Occasionally we come across enterprises that have been offered a favourable agreement by HMRC for a period of time. Every situation is different so we recommend that you speak to an accountant or tax specialist about your particular enterprise.

For more information visit the HMRC website or speak to an accountant.



## PAYE/NI deductions for employees

As an employer the enterprise has an obligation to pay staff in a timely and accurate manner. Under the PAYE system, the employer acts as an agent of HMRC, calculating and collecting National Insurance (NI) and income tax for each employee. The business is required to pass the NI and tax retained to HMRC on a regular basis, usually quarterly. Remember that depending on the wage rate level there may be an employers NI contribution in addition to that retained from the employee.

## Record-keeping

Enterprises are required to keep the documents which form the basis of the information used in a tax return for six years in some cases. Consideration should be given to how and where documents are stored so that they are easily accessible if required. Check what you need to keep and for how long you need to keep it with your accountant or HMRC.

## 4.8 Getting organised

Experience has shown that community enterprises operate most smoothly when there are clearly defined responsibilities and reporting lines on financial matters. In general, the following approach works well:

- The Management Committee is responsible for the strategic direction of the organisation and the objectives and targets in the budget. It is also responsible for oversight of the financial performance and solvency of the organisation i.e. that there is enough money to pay its bills.

- The Manager is responsible for the financial performance of the enterprise – they should have objectives and targets related to profit and other financial measures.
- The Book-keeper is responsible for paperwork, day to day transactions and payroll as well as the preparation of management accounts information for the Manager and Management Committee.
- There are established and clear written policies and procedures in place that can be understood by anyone involved in financial activity.

## Policies, procedures and people

Policies and procedures should be thoroughly understood by and transferable between people involved in the enterprise. When organising volunteers it may help to:

- Embed activities into a regular routine.
- Give individuals 'ownership' of specific activities.

New volunteers should receive a formal induction covering the basic finance and other procedures in the enterprise.





## 4.9 Worksheet – Financial Healthcheck

### Answer the following questions:

- 1. The key reporting documents** – are the decision makers in your enterprise familiar with the basic financial reporting tools and do they understand the financial situation at your enterprise?
  - a) Have all Management Committee members had a copy of the key reporting documents?
  - b) Do all Management Committee members understand the reports and what they tell you about the enterprise?
- 2. Planning and forecasting – your budget** – is there a budgeting process that culminates with a budget that is understood and supported by the Management Committee and anyone else involved in managing the company?
  - a) Do you have an up-to-date business plan?
  - b) Is there a budget in place for the current year?
  - c) Is there a budget for the medium term, say the next three years? If so, is it consistent with the Business plan?
  - d) Are all Management Committee members familiar with the budget? Have they approved it?
  - e) Do you have a target for profit achievement?
  - f) Do you have a policy on reserves?
  - g) Do you prepare a Cash Flow Forecast?
- 3. Keeping in touch with the figures** – is there effective overview of the financial aspects of the enterprise?
  - a) Are your book-keeping arrangements suitable for your financial management and planning needs?
  - b) Do Management Committee members and management have sufficient information and insight to make decisions?
  - c) If not, what additional information and insight would be useful?
- 4. Funding the business** – is the availability of cash a priority in the enterprise, what options are considered if there is a need for external funding?
  - a) Do you put sufficient emphasis on managing cash in the business? Is it a consideration when making decisions?
  - b) Are there opportunities to work with customers in a way which could improve the cash situation, for example through setting up standing orders, reverse credit, deposits?
  - c) Are there opportunities to work with suppliers in a way which could improve the cash situation, for example, through extended payment terms, sale or return?
  - d) If external funding is required, do you consider all the options available e.g. loan, equity, grants and donations?
  - e) Are you familiar with the range of grant programmes available to your enterprise?
- 5. Pricing and margin** – is there a framework for the decisions that are made when setting prices? Are prices optimal for you and your customers?
  - a) Do you have a pricing strategy that provides a framework for decision making?
  - b) Is there clarity on the product and/or service you provide and the value it adds for the customer? Does your pricing reflect this?
  - c) What is the role of price in what you do? Does your pricing reflect this?
  - d) Do you review supplier costs on a regular basis?
  - e) Do you take account of the value of volunteer labour and other gifts when pricing?
- 6. Your legal and tax obligations** – are steps in place to ensure compliance with legal, tax and other formal requirements? Does VAT registration make sense for your enterprise?
  - a) Are you aware of the requirements and arrangements for submitting an annual return (depending on the type of organisation)? Do you have an established routine for doing this?
  - b) Have you considered VAT registration? Can you afford not to register?
  - c) If registered for VAT, are the current arrangements for calculation and payment still right for you (depends on type of organisation)?
  - d) Have you considered the likelihood of Corporation tax liability?
  - e) Have you got a process in place to manage PAYE/Nl calculations and payments for employees?
  - f) Do you have arrangements in place to hold records for six years?
- 7. Getting organised** – good organisation is about people policies and procedures: how do you measure up?
  - a) Is everyone clear on the roles and responsibilities for financial management and planning within the Management Committee and wider staff and volunteer group?
  - b) Do you have policies and procedures in place for finance management? Is everyone familiar with these and are they followed?

# Resources and links

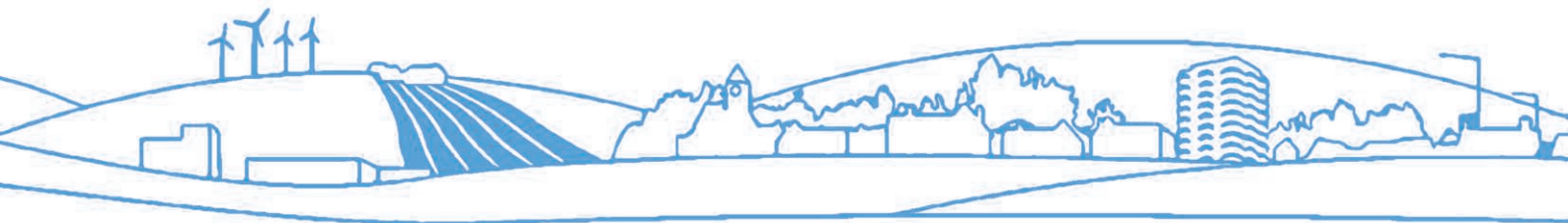
## Enterprise support

- 1 Business Link** [www.businesslink.gov.uk](http://www.businesslink.gov.uk)  
A huge database of information. Online easy to access tools especially for start up businesses. Links to external government resources. 'Growth and Improvement Service' is essentially a service finder with a very good search filter. Mentorsme mentoring service (free or charged for), with particular skills in finance, but directs to local organisations.
- 2 Business in the Community**  
A membership organisation that mobilises business for good; it inspires, engages, support and challenges its member companies to improve their positive impact on society.
- 3 Co-operative Development Bodies (CDBs)** [www.uk.coop](http://www.uk.coop). Provide specialist and experienced support in co-operative and social enterprise development.
- 4 Co-operatives UK** [www.cooperatives-uk.coop/](http://www.cooperatives-uk.coop/) is the national umbrella body for co-operative development, with information on co-operative support and local co-operatives near you.
- 5 The Co-operative Enterprise Hub** [www.co-operative.coop](http://www.co-operative.coop). Advice and training for co-operative business. One of the few remaining free face to face advice services for co-operative organisations.
- 6 HMRC** [www.hmrc.gov.uk](http://www.hmrc.gov.uk) and **Direct Gov:** [www.direct.gov.uk](http://www.direct.gov.uk)  
The Government portal for tax, VAT, employment and other statutory requirements. Direct Gov is a portal to many legislative areas such as employment and the environment.

- 7 Locality** [www.locality.org.uk](http://www.locality.org.uk)  
Nationwide network of settlements, development trusts, social action centres and community enterprises.
- 8 Making Local Food Work (More details on page 30)** [www.makinglocalfoodwork.co.uk](http://www.makinglocalfoodwork.co.uk) – the programme has supported community enterprises in the food and farming sector since 2007.
- 9 The Plunkett Foundation** [www.plunkett.co.uk](http://www.plunkett.co.uk)  
Helping rural communities through community-ownership and advice, to take control of the issues affecting them.
- 10 Social Enterprise UK** [www.socialenterprise.org.uk](http://www.socialenterprise.org.uk) is the national voice for social enterprise. A member led organisation, SEUK provides information on national policy and best practice, conducts research into new areas of social enterprise and is active with media publicity and campaigning.
- 11 Social Firms UK** [www.socialfirms.co.uk](http://www.socialfirms.co.uk)  
Working with vulnerable adults or other people facing barriers to working.
- 12 Startup Donut** [www.startupdonut.co.uk](http://www.startupdonut.co.uk)  
Free, well presented business planning tools. (BRAVE).
- 13 Unltd** [www.unltd.org.uk](http://www.unltd.org.uk)  
'Unlimited': Funding and learning for social entrepreneurs.

## Shares, loans and grants

- 14 Accredited Community Development Finance Institutions** [www.bis.gov.uk](http://www.bis.gov.uk)  
Organisations that lend to enterprises in disadvantaged communities
- 15 Big Issue Invest** [www.bigissueinvest.com](http://www.bigissueinvest.com)  
A specialised provider of finance to social enterprises



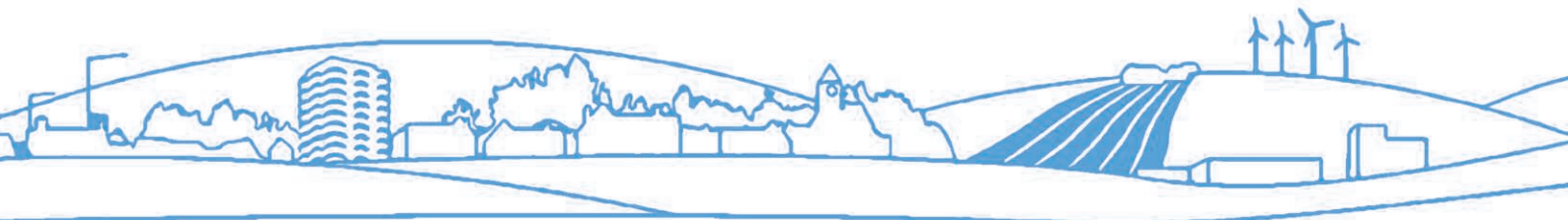
- 16 Big Lottery Fund** [www.biglotteryfund.org.uk](http://www.biglotteryfund.org.uk)  
Awards lottery money to community groups and projects that improve health, education and the environment.
- 17 Bridges Community Ventures Ltd**  
[www.bridgesventures.com](http://www.bridgesventures.com). A 'sustainable growth investor'.
- 18 Charity Bank** [www.charitybank.org](http://www.charitybank.org)  
Charity Bank finances social enterprises, charities and community organisations.
- 19 Co-operative and Community Finance**  
[www.coopfinance.coop](http://www.coopfinance.coop). A community development finance institution, lending for a social purpose.
- 20 Community Shares:**  
[www.communityshares.org.uk/factsheets](http://www.communityshares.org.uk/factsheets)
- 21 Esmée Fairbairn Foundation**  
[www.esmeefairbairn.org.uk](http://www.esmeefairbairn.org.uk)  
One of leading independent grant-making foundations in the UK.
- 22 Prime Initiative** [www.prime.org.uk](http://www.prime.org.uk)  
Helping people over 50 start their own business.
- 23 Public Works Loan Fund** [www.dmo.gov.uk](http://www.dmo.gov.uk)  
PWLFB's function is to lend money from the National Loans Fund to local authorities Parish Councils and other prescribed bodies.
- 24 Social Investment Business**  
[www.thesocialinvestmentbusiness.org](http://www.thesocialinvestmentbusiness.org). Helps social enterprises, charities and community organisations prosper by providing innovative financial solutions and business support.
- 25 Triodos Bank** [www.triodos.co.uk](http://www.triodos.co.uk)  
Ethical bank which offers savings accounts and investments. Finances only projects with social and environmental benefits.
- 26 Tudor Trust** [www.tudortrust.org.uk](http://www.tudortrust.org.uk)  
An independent grant-making trust which supports community-led groups.
- 27 Unity Trust Bank** [www.unity.co.uk](http://www.unity.co.uk)  
A specialist bank for civil society, and social.

## Web and social media

- 28 Facebook** [www.facebook.com](http://www.facebook.com)
- 29 Flickr** [www.flickr.com](http://www.flickr.com)
- 30 Linked In** [www.linkedin.com](http://www.linkedin.com)
- 31 Twitter** [www.twitter.com](http://www.twitter.com)
- 32 Vimeo** [www.vimeo.com](http://www.vimeo.com)
- 33 Wordpress** [www.wordpress.com](http://www.wordpress.com)
- 34 YouTube** [www.youtube.com](http://www.youtube.com)

**IT and e-commerce** (note this list is not exhaustive and the authors do not necessarily endorse any provider)

- 35 BigBarn** – [www.bigbarn.co.uk](http://www.bigbarn.co.uk) – the 'Marketplace' offers an easy start up route for online sales and a national directory of artisan producers
- 36 Capsule CRM** – [www.capsulecrm.com](http://www.capsulecrm.com)  
A free start-up system for Customer Management
- 37 CiviCRM** [www.civicrm.org](http://www.civicrm.org)  
Free relationship management solution designed to meet the needs of non-profit and non-governmental groups.
- 38 Comparison site for e-commerce providers**  
[www.electronic-payments.co.uk](http://www.electronic-payments.co.uk)
- 39 Google Analytics** – [www.google.com/analytics](http://www.google.com/analytics)
- 40 Logo and graphics:** [www.shuttercock.com](http://www.shuttercock.com) and [www.99designs.com](http://www.99designs.com)
- 41 Mail Chimp** [www.mailchimp.com](http://www.mailchimp.com)  
E-Newsletter service
- 42 Stroudco** [www.stroudco.org.uk](http://www.stroudco.org.uk)  
A free online tool for ordering and administration of this local delivery scheme
- 43 Survey Monkey** Free online surveys [www.surveymonkey.com](http://www.surveymonkey.com)
- 44 Twitter Business guide** – [www.blog.bab.la/wp-content/uploads/2011/07/twitter-business-guide.pdf](http://www.blog.bab.la/wp-content/uploads/2011/07/twitter-business-guide.pdf)
- 45 Wufoo** – website response forms – [www.wufoo.com](http://www.wufoo.com)



## Resources on the Making Local Food Work website

[www.makinglocalfoodwork.co.uk](http://www.makinglocalfoodwork.co.uk)

Making Local Food Work is a consortium project funded by Big Lottery Fund, co-ordinated by the Plunkett Foundation. Practical guides and toolkits to help you set up or develop a community food enterprise. These include specific guidance for:

- Buying groups and food hubs
- Community Supported Agriculture
- Country Markets
- Farmers' Markets
- Food Co-ops
- Local food shops

### Research Reports

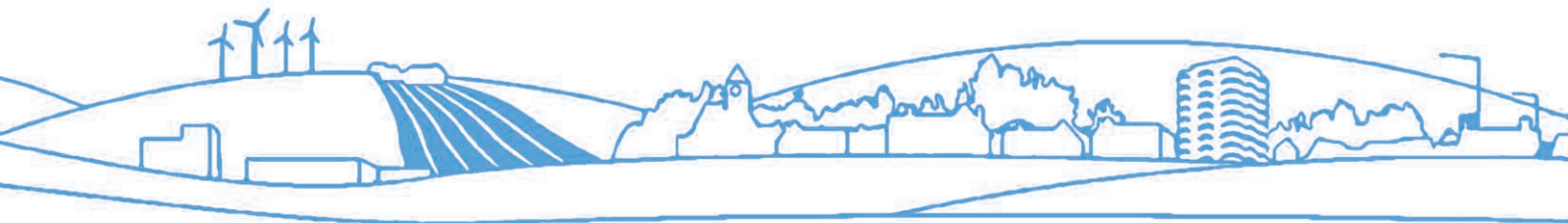
More than 20 in-depth reports providing insight into the current landscape for local food, covering a range of issues uncovered during the Making Local Food Work programme; including the impact of climate change, influencing consumer behaviour, mapping local food networks, and supply chain development.

### Simply Suite

The Simply Suite is a collection of publications specially developed by Co-operatives UK for community groups seeking more information about the start up process and legal, financial and governance aspects of their enterprises. Designed for start-ups and also established enterprises.

**From Conflict to Co-operation** is a series of five cartoon booklets from Co-operatives UK which aims to help enterprises not only deal with conflict when it arises but also avoid unnecessary conflict

**The Social Enterprise Toolbox** – includes this guide and a collection of tools and resources developed by the Specialist Enterprise Support strand of the programme.





# Appendix: Example accounts for Vale Community Store



## Introduction

The example budget accounts that follow help demonstrate some of the points raised in Section 4. In the explanatory notes below we have included reference numbers (in brackets) to the accounts pages. Please note that Vale Community Store is not real and the figures used are for illustrative purposes only.

These accounts have been prepared using an Excel spreadsheet as part of a budgeting exercise for the next 12 months. There is no requirement for complex formulae and with an understanding of basic accounting principles the spreadsheet is straight-forward to build and run. Spreadsheets are ideal for this purpose and could complement an existing accounting package such as Sage. However, it is important to highlight the importance of a back-up in the event that a file is lost or cannot be accessed if a computer fails.

We include the following example accounts:



# Vale Community Store

## Monthly Profit and Loss account

	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	TOTAL	REF
Total Sales	10,000	11,000	11,000	11,500	12,000	12,000	12,500	13,000	13,500	14,000	14,500	15,000	150,000	(1)
Less Cost of sales	7,500	8,250	8,250	8,625	9,000	9,000	9,375	9,750	10,125	10,500	10,875	11,250	112,500	(2)
Gross Profit	2,500	2,750	2,750	2,875	3,000	3,000	3,125	3,250	3,375	3,500	3,625	3,750	37,500	(3)
Overheads														
Wages and salaries	1,583	1,583	1,583	1,583	1,583	1,583	1,662	1,662	1,662	1,662	1,662	1,662	19,470	
Stationery	20	20	20	20	20	20	20	20	20	20	20	20	240	
Telephone	30	30	30	30	30	30	30	30	30	30	30	30	360	
Advertising/PR	75	75	75	75	75	75	75	75	75	75	75	75	900	
Maintenance	80	80	80	80	80	80	80	80	80	80	80	80	960	
Staff Travel	15	15	15	15	15	15	15	15	15	15	15	15	180	
Rent & Rates	300	300	300	300	300	300	300	300	300	300	300	300	3,600	
Insurance	50	50	50	50	50	50	50	50	50	50	50	50	600	
Water, heat & light	50	50	50	50	50	50	50	50	50	50	50	50	600	
Loan Interest	25	25	25	25	25	25	25	25	25	25	25	25	300	(4)
Credit Card Charges	40	40	40	40	40	40	40	40	40	40	40	40	480	
Bank charges	20	20	20	20	20	20	20	20	20	20	20	20	240	
Bookkeeping	75	75	75	75	75	75	75	75	75	75	75	75	900	
Audit fees	50	50	50	50	50	50	50	50	50	50	50	50	600	(5)
Total Overheads	2,413	2,413	2,413	2,413	2,413	2,413	2,492	2,492	2,492	2,492	2,492	2,492	29,430	(6)
Profit Before Depreciation	87	337	337	462	587	587	633	758	883	1,008	1,133	1,258	8,070	
Depreciation	300	300	300	300	300	300	300	300	300	300	300	300	3,600	(7)
Net Profit	-213	37	37	162	287	287	333	458	583	708	833	958	4,470	(8)



# Vale Community Store

## Cashflow Forecast

	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	TOTAL	REF
<b>Inflows</b>														
Sales receipts (including VAT)	10,200	11,220	11,220	11,730	12,240	12,240	12,750	13,260	13,770	14,280	14,790	15,300	153,000	(9)
Loan	0	0	0	0	0	0	0	0	0	0	0	0	0	
Grant Funding	0	0	0	0	0	0	0	0	0	0	0	0	0	
Donations	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Total Income</b>	<b>10,200</b>	<b>11,220</b>	<b>11,220</b>	<b>11,730</b>	<b>12,240</b>	<b>12,240</b>	<b>12,750</b>	<b>13,260</b>	<b>13,770</b>	<b>14,280</b>	<b>14,790</b>	<b>15,300</b>	<b>153,000</b>	
<b>Outflows</b>														
Trade Creditors	7,500	8,250	8,250	8,625	9,000	9,000	9,375	9,750	10,125	10,500	10,875	11,250	112,500	
Wages, Salaries & PAYE	1,300	1,300	2,150	1,300	1,300	2,150	1,380	1,380	2,225	1,380	1,380	2,225	19,470	
Stationery	144	0	0	0	0	0	144	0	0	0	0	0	288	
Telephone	0	108	0	0	108	0	0	108	0	0	108	0	432	
Advertising/PR	0	0	0	0	0	0	1,080	0	0	0	0	0	1,080	
Maintenance	0	0	0	0	576	0	0	0	0	576	0	0	1,152	
Staff Travel	15	15	15	15	15	15	15	15	15	15	15	15	180	
Rent & Rates	0	0	900	0	0	900	0	0	900	0	0	900	3,600	
Insurance	600	0	0	0	0	0	0	0	0	0	0	0	600	
Water, heat & light	150	0	0	150	0	0	150	0	0	150	0	0	600	
Credit Card Charges	40	40	40	40	40	40	40	40	40	40	40	40	480	
Bank charges	20	20	20	20	20	20	20	20	20	20	20	20	240	
Book keeping	75	75	75	75	75	75	75	75	75	75	75	75	900	
Audit fees	720	0	0	0	0	0	0	0	0	0	0	0	720	(10)
Capital Expenditure	0	0	0	6,000	0	0	0	0	0	0	0	0	6,000	(11)
Loan Repayments (incl interest)	225	225	225	225	225	225	225	225	225	225	225	225	2,700	(12)
VAT	515	0	0	478	0	0	-404	0	0	630	0	0	1,219	(13)
<b>Total payments</b>	<b>11,304</b>	<b>10,033</b>	<b>11,675</b>	<b>16,928</b>	<b>11,359</b>	<b>12,425</b>	<b>12,100</b>	<b>11,613</b>	<b>13,625</b>	<b>13,611</b>	<b>12,738</b>	<b>14,750</b>	<b>152,161</b>	
<b>NET MOVEMENT</b>	<b>-1,104</b>	<b>1,187</b>	<b>-455</b>	<b>-5,198</b>	<b>881</b>	<b>-185</b>	<b>650</b>	<b>1,647</b>	<b>145</b>	<b>669</b>	<b>2,052</b>	<b>550</b>	<b>839</b>	(14)
Opening Bank/(Overdraft)	5,000	3,896	5,083	4,628	-570	311	126	776	2,423	2,568	3,237	5,289		(15)
Closing Bank/(Overdraft)	3,896	5,083	4,628	-570	311	126	776	2,423	2,568	3,237	5,289	5,839		(16)



# Vale Community Store

## Balance Sheet

	31-OCT	REF
<b>Fixed Assets</b>		
Tangible assets (Net book value)	13,000	
<b>Current Assets</b>		
Stock	11,250	
Debtors	500	
Cash at bank	5,839	(17)
	17,589	
<b>Current Liabilities</b>		
Trade Creditors	11,500	
Other Creditors	1,000	
	12,500	
<b>Net Current Assets</b>	<b>5,089</b>	
<b>Total Assets less Current liabilities</b>	<b>18,089</b>	
<b>Long-term liabilities</b>		
Loan	7,619	
Lease	4,500	
	12,119	
<b>Net Assets</b>	<b>5,970</b>	<b>(18)</b>
<b>Capital</b>		
Issued Share Capital	1,000	
Reserves	500	
Profit & Loss Account	4,470	(19)
	5,970	(20)





## The Budget accounts

The Store had a financial year running from November to October and it is registered for VAT. It has to charge VAT on some products it sells and is able to recover VAT it pays on its overheads and any capital expenditure.

The sheets relate to the next full year and are typical of a budget planned in advance of the year starting. Banks and grant bodies usually require such projections for three full years to help them understand your business plan, its viability and in the case of a loan, the prospects of it being repaid!

Whilst the Profit and Loss Account, Cash Flow Forecast and Balance Sheet relate to each other they serve different functions. In our example, the £4,470 profit (8) in the Profit and Loss Account generated in the year will add to the wealth of the enterprise. The figure is carried directly into the Capital section (19) at the bottom of the Balance Sheet. In addition, the money generated has contributed to the Cash at bank (17) figure higher up. Together these entries balance the sheet, hence the name of the document!

## How the reports work

The figures in the Profit and Loss Account relate to the trading activity – capital revenue or expenditure is not recorded here and neither is VAT as this is not the enterprise's money. However, everything goes into the Cash Flow Forecast. The costs of growing or buying goods for sale or the ingredients used to make the goods for sales are bundled under 'Cost of Sales' (2). When these are deducted from the sales revenue we have the Gross Profit for the trading activity (3). Next, we deduct the other costs or 'Overheads' in the business and these are listed in the bottom half of the Profit and Loss Account. In our example they are expected to total £29,430 for the year (6).

The Cash Flow Forecast shows the inflows for each month as well as the outflows. Both elements are totalled and a 'Net Movement' figure calculated (14). The starting point for the 12 month period is the Opening Balance from the bank account on the first of the November, in this case £5,000 (15).

The calculation of Closing balance at the end of each month is straight-forward – it is the Opening balance for the month plus or minus the Net Movement of cash in or out. This becomes the Opening Balance for the next month and so it goes on.

The Balance sheet shows the net worth of the organisation, that is all the assets less the money owed, as 'Net assets' (18). It also shows how these have been funded under 'Capital' (20), in this case through share capital, reserves from previous years' profits and the current year's profit. The Net assets (18) and Capital (20) figures are the same – they balance, hence the origin of the report's name.

The Balance sheet shows the cash available in the business at the point in time that it is calculated. In this example, the closing Cash flow balance at the end of the year on Sheet 2 is £5,839 (16). This is carried directly into the Current assets section (17) of the Balance sheet.

## Differences between the types of report

There are three differences between the Profit & Loss Account and Cash Flow Forecast to highlight:

**1. Scheduling of costs.** In a Cash flow forecast utility and other bills are scheduled for the time when they are paid, for example, quarterly. In the Profit & Loss Account it is accounting practice to allocate costs across the year to which the cost applies.

In our example, the Audit fees are £600 plus VAT, a total of £720. Although the Accountant is normally paid in November each year (10), the cost excluding VAT is spread across the twelve months at the rate of £50 (5).

**2. Treatment of capital income and expenditure.** The Cash Flow Forecast includes any capital expenditure and capital or loan repayments. However, these flows of money do not relate directly to the trading activity of the business and therefore do not appear in the Profit & Loss Account.

In our example there is capital expenditure outlay of £6,000 in February (11) – this is in the Cash Flow Forecast but does not feature in the Profit & Loss Account.

The Cash Flow Forecast includes a monthly loan repayment of £225 (12) which has a capital element of £200 and £25 interest each month. The capital element of £200 does not feature in the Profit & Loss Account but the interest cost does (4) to reflect the cost to the trading business of borrowing the funds for that period.

Note that there are lines for Grants, Loans and Donations in the



# Vale Community Store

Inflows section at the top of the Cash Flow Forecast. In our example nothing is planned to come in over year. Any such inflow would not feature in the Profit & Loss Account unless it directly relates to trading activity.

**3. Accounting for VAT.** Sales receipts and the costs in the Cash Flow Forecast include the VAT charged in the selling prices or invoiced by suppliers. This reflects the money that flows into and out of the business. However, VAT income is excluded in the Profit and Loss Account as VAT is not your money and not included in the trading figures.

In our example, VAT on sales makes up £3,000 of the £153,000 sales receipts over the year, therefore the Sales figure in the Profit and loss account is £150,000 (1) with the higher figure in the Cash Flow Forecast (9).

The amount of VAT paid to or recovered from HMRC is also shown in the Cash Flow Forecast. In this example, there is £6,000 (11) for Capital expenditure on a new fridge which is planned in the Cash Flow Forecast for February. This is made up of £5,000 plus £1,000 VAT and the enterprise will be able to recover this amount in the next VAT return.

As a consequence, the May VAT return shows the enterprise recovering £404 of VAT (13) from HMRC, rather than the usual payment to HMRC. This is a good demonstration of the importance of cash flow forecasting – even if the VAT on capital expenditure will be ultimately recovered from HMRC, an enterprise will require sufficient funds in place to cover the outlay over the period of the VAT return cycle. This could be significant for large items of capital expenditure.

**Depreciation.** Whilst items of capital expenditure such as equipment used in the business do not feature in the Profit and Loss Account directly, they lose value as a result of their use and it is accounting practice to allocate a share of the cost of the asset

across the period of time for which it is used. To carry the whole cost in one year when there is a benefit over a number of years would distort the figures significantly.

For example, if a new fridge for the shop costs £5,000 and has a useful life of 5 years, we would allocate a Depreciation value of £1,000 into each year. The Depreciation figure in the Profit and Loss Account is the sum of the depreciation values for the relevant assets (7). This is a complex accounting area and your accountant will be able to calculate the figures.

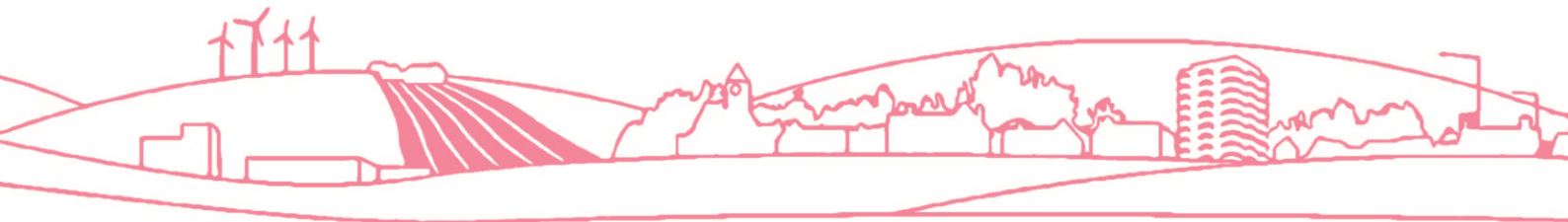
From our Gross profit, we deduct the total Overheads and Depreciation and we are left with the Net profit, the bottom line (8).

## What the budget reveals?

In our example the Cash Flow Forecast in the budget has revealed that there will be a negative cash flow situation in February. The hard work that has gone in to preparing the spreadsheet has proved worthwhile as this alert enables the Management Committee to explore options to address the challenge.

The challenge has arisen because the payment for the fridge has been scheduled for February and based on the calculations there will not be enough money in the bank. The problem has been compounded by the fact that the next VAT return is not until May and the business will not get the £1,000 VAT payment back for several months. Options open to the Management Committee might include a delay to the order for the fridge, a request for extended payment terms from the supplier or a short term bank overdraft for the month.

The Management Committee will also have to consider its liability for Corporation tax. HMRC will base the calculation on Profit before depreciation is deducted. In our example accounts, the liability would be on £8,070 at a rate of 20%, which would be £1,614.



# Vale Community Store

## Keeping in touch with the figures

If you prepare a budget like the one in our example, you can use it to monitor performance as the year progresses. Most businesses review their figures at least monthly and this may suit your enterprise as well. If sales or costs are significantly different to what was expected you can take steps to address it: the quicker you know the better!

The term Management accounts is used to describe documents that report on business performance to help with monitoring and decision making. In our example it is six months on from the original budget and the shop's Management Committee has adapted the Profit and Loss spreadsheet to include actual figures for the months since the beginning of the year.

They have locked in the figures in the Budget total column (Ref 22) and introduced a new 'Forecast' column (Ref 21) which adds up the figures for the November to October columns: this includes the actual figures and forecasts.

They have also added extra columns to help them understand the figures (Ref 23): these calculate the difference between the new Forecast and the Budget.

In our example it's May and sales are slightly behind the plan. Costs are as expected with the exception of Insurance. The shop's Management has decided to stick with the original budget figures for the rest of the year, May to October: nothing from the experience to date suggests they need to make a significant change. However, they might review their marketing strategy to see if they can interest new customers or invite their existing customers to buy something new, to try to increase sales revenue.



# Vale Community Store

Management accounts: Updated Monthly Profit and Loss account

													Ref 21	Ref 22	Ref 23	
	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	Forecast	Budget	Difference	
	Actual	Actual	Actual	Actual	Actual	Actual							Total	Total	%	
Total Sales	10,000	10,500	11,000	11,500	11,750	11,750	12,500	13,000	13,500	14,000	14,500	15,000	149,000	150,000	-1,000	-0.7%
Less Cost of sales	7,500	7,875	8,250	8,625	8,813	8,813	9,375	9,750	10,125	10,500	10,875	11,250	111,750	112,500	-750	-0.7%
Gross Profit	2,500	2,625	2,750	2,875	2,938	2,938	3,125	3,250	3,375	3,500	3,625	3,750	37,250	37,500	-250	-0.7%
Overheads																
Wages and salaries	1,583	1,583	1,583	1,583	1,583	1,583	1,662	1,662	1,662	1,662	1,662	1,662	19,470	19,470	0	0.0%
Stationery	20	20	20	20	20	20	20	20	20	20	20	20	240	240	0	0.0%
Telephone	30	30	30	30	30	30	30	30	30	30	30	30	360	360	0	0.0%
Advertising/PR	75	75	75	75	75	75	75	75	75	75	75	75	900	900	0	0.0%
Maintenance	80	80	80	80	80	80	80	80	80	80	80	80	960	960	0	0.0%
Staff Travel	15	15	15	15	15	15	15	15	15	15	15	15	180	180	0	0.0%
Rent & Rates	300	300	300	300	300	300	300	300	300	300	300	300	3,600	3,600	0	0.0%
Insurance	100	100	100	100	100	100	100	100	100	100	100	100	1,200	600	600	50.0%
Water, heat & light	50	50	50	50	50	50	50	50	50	50	50	50	600	600	0	0.0%
Loan Interest	25	25	25	25	25	25	25	25	25	25	25	25	300	300	0	0.0%
Credit Card Charges	40	40	40	40	40	40	40	40	40	40	40	40	480	480	0	0.0%
Bank charges	20	20	20	20	20	20	20	20	20	20	20	20	240	240	0	0.0%
Bookkeeping	75	75	75	75	75	75	75	75	75	75	75	75	900	900	0	0.0%
Audit fees	50	50	50	50	50	50	50	50	50	50	50	50	600	600	0	0.0%
Total Overheads	2,463	2,463	2,463	2,463	2,463	2,463	2,542	2,542	2,542	2,542	2,542	2,542	30,030	29,430	600	2.0%
Profit Before Depreciation	37	162	287	412	475	475	583	708	833	958	1,083	1,208	7,220	8,070	-850	-11.8%
Depreciation	300	300	300	300	300	300	300	300	300	300	300	300	3,600	3,600	0	0.0%
Net Profit	-263	-138	-13	112	175	175	283	408	533	658	783	908	3,620	4,470	-850	-23.5%







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