BUSINESS PLANNING GOOD PRACTICE GUIDELINES

1. General Issues

1.1 The following guidelines set out good practice to be followed when completing a business plan. The nature of each plan will vary with the type of project or business undertaken and therefore some plans will require additional information to be produced.

1.2 Generally, the following broad guidelines should be adhered to:

• The style should be easy to read, in plain language and exclude the use of jargon or abbreviations. In a complex or technical area, a glossary should be used to explain the technical terms or abbreviations used.

• The main body of the plan should be short and understandable in one read. Detailed tables of technical or financial information should be in appendices to the plan and summarised in the main document. In a complex area, an Executive Summary may be appropriate.

• The plans require to be realistic. The credibility of plans will be reduced if the assumptions made are overly optimistic. “Cautious Optimism” would be a reasonable tone to adopt and will inspire most confidence.

1.3 Consultation with colleagues and particularly the involvement of a Finance representative or faculty Accountant at an early stage, will aid in the planning process.

1.4 Confidentiality may be important to consider in some business plans, particularly where services are changing radically or staff are involved.

1.5 In line with the University’s Equality and Diversity Impact Assessment Strategy, an Equality and Diversity Impact Assessment should be conducted at an early stage, with guidance from the Equal Opportunities Adviser and the Senior Disability Adviser. These assessments should include consideration of the potential for adverse impact on equality target groups, as well as how the opportunity could be used to create positive impact.

1.6 These guidelines are applicable to a one-off institutional initiative or capital project, but they can also be used for any ongoing business function. For ease, the term “project” has been used throughout the document.

1.7 In preparing these guidelines, it has been assumed that a full option appraisal has been completed and that a preferred option has been agreed. These guidelines will facilitate the translation of the preferred option into a business plan.
2. **Form & Content**

2.1 The following sets out guidelines for the content of each plan. Some sections may not be appropriate depending upon the nature of the project and some additional sections may be required for complex projects or areas.

3 **Memorandum Information**

3.1 It is good practice to include at the front of the plan the key members of staff involved in the project, as well as any project team and key dates.

- Project Sponsor/Convener __________________
- Project Director __________________
- Project Board or Working Group __________________
- Reports to __________________
- Finance Representative __________________
- Key Dates __________________

4 **Introduction/Context**

4.1 The introduction should set the context in which the project is being carried out and detail the following information:

- The purpose of the project proposed
- A brief history behind the setting up of the project
- The current position with the project
- Which clients and stakeholders are involved
- How the project fits with the overall aims of the institution
5 Current Position

5.1 The following issues should be considered in an analysis of the current position:

- Current budgetary or operating position
- The external and internal environment
- Past successes or failures
- SWOT analysis
  Analysis of the Strengths/Weaknesses/Opportunities & Threats. For example a weakness could be an inadequate infrastructure to support research, whilst an opportunity could be revenue generation or enhanced quality of service to students.
- Market/demand analysis, who are the competitors?
- Other factors (i.e. location, condition of assets)

6 The Proposal

6.1 A detailed proposal of what the project (or business area) involves, which could include the following areas:

- aims and objectives for the project
- implementation plan
- the financial outcomes of the project
- timescales involved
- marketing strategy
- outputs expected
- people involved
- identification of risks (see also 7.1.3)
- achievement of institutional strategies or priorities

7 Financial Analysis

7.1 Capital costs

7.1.1 The following should be included for the capital costs of the project:

- Details of the method of procurement i.e. the tendering process adopted, OJEC requirements
- A full analysis of all the capital costs of the project, including direct construction costs, professional fees, legal costs and any other costs involved in the project
- Identification of a realistic level of contingency that should be allowed for the project
- Timing of the capital spending, allocated between financial years
- Analysis of how the project will be funded and details of the sources of funding
7.1.2 A financial risk analysis should be carried out on the project in the following areas:

- What are the risks of project delays? Will additional costs be incurred due to delays or could there be knock on effects elsewhere?
- A risk of project overspends. Has sufficient allowance been made for contingencies?
- Consideration of the income streams. Are they influenced by the timing of the project or interest rates?

7.1.3 Note: For all capital projects, a risk assessment template must be completed and the financial information above incorporated into this template.

7.2 Revenue (recurring) Costs & Income

7.2.1 All the assumptions made when preparing the ongoing revenue budget should be included i.e. assumptions on levels of overheads, staff time required etc.

7.2.2 All revenue costs should be identified for a minimum of three years. Budgets should be prepared in detail for the first year of operation, with summarised budgets for years 2 & 3. In some circumstances a cash flow projection will be appropriate.

7.2.3 The expenditure budgets should be compiled bearing the following in mind:

- Inclusion of all the revenue costs for the project split over broad headings such as staff, operating, overheads etc.
- All direct revenue running costs should be included, along with any oncosts such as National Insurance, Travel etc.
- An assessment should also be made of any indirect running costs, i.e. share of management time or overheads and these should be apportioned using an appropriate basis of allocation.
- Allowance should be made for the use or depreciation of any fixed assets utilised

7.2.4 Income budgets require to be compiled using information available and on a conservative basis. Methods of pricing require to be detailed if appropriate (along with any differential pricing)

7.2.5 A risk analysis should also be carried out of the revenue costs and income streams. This should include:

- Analysis of the risk of cost increases above the budgeted level and how these would be dealt with. Is there scope to increase income if costs rise?
- Analysis of demand and income streams. What will happen if demand reduces, can costs be cut accordingly? Split of costs into fixed and variable may help in this process.
- Identification of the internal and external factors which will influence the financial position i.e. the overall financial position of the University
8. **Project Monitoring & review**

8.1 It should be clearly stated how the project will be overseen i.e. by a project board and how often the board will meet and the information required for each meeting.

8.2 Information will be required on the reporting lines for the project board i.e. where to and how often.

8.3 There will require to be performance targets set and systems in place to monitor performance against these targets. For example a target for a new build may be to complete within a certain timescale or cost. For an ongoing revenue plan, the target may be to generate £50,000 of research overheads.

8.4 An annual review is essential to update the plan, review objectives and set new objectives for the forthcoming years.