



# Project business plan guidance

October 2012

If you require a copy of this guidance in an alternative format (large print, Braille or audio version), or if your first language is not English, we can provide it in the appropriate format or language if you ask us. It is also available in Welsh.

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## **1 Introduction**

### **1.1 What is a project business plan?**

The project business plan sets out the financial and organisational aspects of your project. It shows:

- how you have assessed the full financial implications of undertaking the project;
- how you propose to meet any new financial commitments arising from it;
- how you have assessed the impact the project will have on your organisation and its finances; and
- what changes you will make to your organisation to ensure that the outcomes of the project can be delivered and will be maintained for the long term.

This project business plan is not the same as the forward plan produced for your organisation as a whole, whether that is called a business plan or goes under some other title. Your project business plan must be specific to the project. Please do not submit your organisation's general business plan unless we specifically ask to see it.

If you already have a business plan for your project, then there is no need for you to produce another. However, you must make sure that it includes all the information below and that it is complete, up-to-date and relevant. It should cover the whole period during which we pay the grant and five years following project completion.

### **1.2 Who should produce a project business plan?**

If you are applying under our Heritage Grants programme for a grant of £2million or more, and your project includes capital works, then you must produce a project business plan as part of your second-round application. Providing a project business plan replaces the requirement to complete sections 5 and 6 of the application form at the second-round, as well as the requirement for a separate project cash flow and income and spending forecast. Where relevant, you should refer to material in your project business plan in other sections of the application form.

If your application is for a grant of less of £2million and is for a capital project you may choose to provide a project business plan instead of completing sections 5 and 6 of the second-round application and submitting associated supporting documents. This might be a more helpful approach for your project team, or you may need to produce such a plan for other funders. If you prefer this option, refer to your project business plan from other sections of the application form.

If you are applying for a grant for a project that involves activities only, a project business plan may be unnecessary, and you should just complete the second-round application form in line with the guidance in the help notes. Nonetheless, you may find the guidance on income and spending tables and cash flow useful for a project of any size or type. Where you do not provide a project business plan you may be asked for a copy of your organisation's current strategic/forward/business plan.

You may include the costs of help in preparing a project business plan in your request for a development grant at the first-round. You should be able to prepare a project business plan

without external support, but you may need technical or specialist advice on matters such as market analysis, taxation and legal matters.

## **2 Project business plan contents**

### **2.1 Section 1 – Executive summary**

This should be a concise summary that highlights the most important features of the project. It should include:

- A brief description of your project (which may be the same words as provided in the summary section of the application form);
- A summary of the project proposals and outcomes (which summarises those set out in sections 3 and 4 of the form);
- The key elements of your strategy for assuring the long-term financial future of your project, describing how any costs that continue after the end of HLF funding will be met, and the effect that the project will have on your organisation's present financial position;
- How you will ensure that your organisation is sufficiently resilient to deliver the project and maintain the outcomes it creates after it has ended. This means not only sound finances, but that governance and management structures are fit for purpose, monitoring and evaluation processes are capable of showing that the project's planned outcomes continue to be achieved, and that any assets created or improved will continue to be maintained; and
- A summary of the main risks facing the project while it is in progress and after it has been completed, and the ways in which you will manage those risks.

### **2.2 Section 2 – About your organisation**

#### **2.2.1 Structure and operation**

If your organisation carries out a range of functions, or is a conglomerate (such as a local authority or university), please briefly describe where the department or unit which is leading the project sits within the corporate structure.

Provide information on the structure, objectives and activities of your organisation (or the relevant department/unit), including:

- when and why it was started;
- its purpose and aims (including mission statement if there is one);
- its legal status (e.g. unincorporated association or trust, or incorporated by Act of Parliament, Royal Charter, as a company limited by shares/guarantee, (Scottish) Charitable Incorporated Organisation), or Industrial and Provident Society. Indicate whether or not it is a Community Interest Company, or is registered or recognised as a charity;
- whether it has a membership of individuals, and if so the number of members;

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- the names of any other entities with which it has a formal association (e.g. any bodies with which there are funding agreements or that have the right to nominate multiple board members);
- whether it is a partnership of different organisations with a shared interest, identifying the other organisations/stakeholders you will be working with, the basis of the arrangement, and whether it is formal or informal). Summarise any partnership agreements;
- its organisational structure. Describe the size and composition of the governing body (e.g. Council, board of trustees, board or directors) and, where appropriate, arrangements in place for succession planning and board development training. List the members of the senior management team. Refer to the relevant skills, experience and expertise of both members of the governing body and senior management, and explain their current and future involvement in the project;
- the extent of any delegations by the governing body to committees and/or individuals;
- the organisation's management structure, decision-making processes and lines of communication and reporting. Provide a simple organogram/ network diagram to show your governance, management and staffing structures;
- the number and roles of paid staff (give the number of paid staff – both in total and Full Time Equivalents) and explain the tasks they perform within the organisation;
- the role of volunteers (give estimates of the number of regular volunteers, the tasks they do within the organisation, and the total number of hours they work on each task every year); and
- describe the present arrangements for funding your organisation's regular activities. For each activity, give the source of the funding. Note those bodies that provide core funding towards overheads and operating costs, and, where applicable, the date for the next review of that funding.

### **2.2.2 Experience**

Summarise your organisation's main recent achievements, including brief details of any projects it has carried out recently of a similar scale/nature to the scheme to which the business plan relates. This should be no more than a list of the projects noting, in each case, total budget, how long they took to complete, whether they were completed successfully on time and within budget, and what your organisation learnt from carrying them out. Explain briefly how each project was managed, and whether your organisation worked independently or with other organisations.

We need to be sure that you have the organisational capacity to deliver the project in relation to other plans and commitments you may have. Please provide the following information on any projects that you are running at the moment or that are in the planning stage:

- A description of what is involved in the project and its likely timescale;
- The main aims of the project;
- The names of any other organisations involved;
- Staffing and volunteer implications (for example, the extent to which staff or volunteers involved with the HLF-funded project will also be undertaking tasks on other projects);

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- The sources of funding those projects, including amounts already committed from specific sources; and
- Plans for providing revenue funding to maintain those projects (if your organisation aims to cover all or part of any revenue costs itself, explain how this may affect existing activities).

### **2.3 Section 3 – Development of your project**

Give a clear summary of the history of your project, and explain why it is needed. Describe, in chronological order, how the project has been developed from its beginnings to date, and the consequences of it not going ahead. List any studies, research and consultation relevant to the project that has been carried out.

You should include details of any costs incurred in bringing your project to this stage, and identify what has been achieved as a result. In particular, you should summarise the findings of project development work carried out as a result of any development funding received from us.

### **2.4 Section 4 – Strategic background**

This section of your business plan should describe the aims of your project. You should explain:

- what outcomes your project aims to achieve, and the difference the project make for heritage, people and communities?
- why you want to achieve these outcomes?
- what is the expected lifespan of the outcomes created by the project?

Explain how your intended project outcomes relate to:

- your organisation's purpose and aims (for example, as these are expressed in your mission statement in section 2);
- the objectives set in your organisation's overall strategic/business plan;
- other local or national projects or initiatives; and
- local, regional and national strategies of relevant.

If your organisation was set up specifically to carry out the project to which your business plan relates, your mission is the project itself. You should explain how the project complements existing provision and adds to these services or projects rather than duplicates them.

If your organisation has other interests or responsibilities, you should explain how this project will help fulfil the mission in relation to these other activities.

Describe any planned or potential connections between your project and other developments that are taking place. Mention all the relevant projects and explain how your project may complement these and how, where appropriate, it may benefit from being part of a larger initiative. You should provide evidence of any operational links (for example, shared facilities or staff) and any benefits your project may gain from being part of a wider local or national theme.

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You should also mention any other planned development with which your project will compete, and what stage these have reached (e.g. planning stage, actively being developed).

### **2.5 Section 5 – Project details**

#### **2.5.1 Background**

This section should provide detailed information about your project, including any new facilities that it will create and any services that your organisation will be able to provide as a result. In describing these, you should consider how your project may contribute to achieving our outcomes.

You must provide:

- A description of the main elements of your project, explaining how these relate to each other.
- If your project involves buildings or land, as much detail as possible on how the land and buildings will be used. This should include a schedule of the principal spaces, giving details of their use, the area they occupy (in square metres) and, where relevant, capacity (e.g. seats in a lecture room, covers in a café, size of school groups that can be occupied in a learning facility).
- A project plan that lists all the relevant works or activities to be funded by the project, stating when each component is due to happen, the number of days it is likely to take, and the length of the period of time between start and finish. You can refer to information in your activity plan.

A critical path, which sets out the order in which events must take place for the project to run on schedule. All the elements of the project – both capital and activity – should be listed on a single critical path, and the main milestones (for both capital and activity elements) listed. It should show when you expect important decisions (such as planning and funding from HLF or other sources) to be taken.

### **2.6 Section 6 – Market appraisal**

This section demonstrates that the project is more than a ‘good idea’, and that the public interest in the project both during and after the period of HLF funding will be proportionate to the level of funding sought.

Everything else in the business plan is dependent on getting this right. It is important therefore that all your claims and assumptions should be supported by third-party confirmations and/or recent market research, whether specific to your project, or of a more general nature. In particular, do not allow your enthusiasm to give rise to over-optimistic expectations about the size of the project's potential market. If your plan is to be acceptable, it will need to be realistic and credible.

You will need to prepare a thorough market analysis, proportionate to the scope and size of your project, by going through the following steps:

- Describe your current market – what is the profile of your heritage (is it of local or national interest, is it well-known)? Is it valued by a wide cross-section of the public or a more limited special-interest group? How many customers you have had each year over the past ten years? What proportion are family groups/ schools? What are the

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demographics of the current audience (age, gender, income, education, occupation)? Where do they live – locally, from the surrounding region, or from further afield, in this country or overseas? What proportion of customer contacts are repeats?

- Show you know your market – on a national or regional basis, is it growing, falling or remaining stable? How does this relate to your experience? Are there any national socio-economic trends or policies that will have any impact on your market? What would be the impact of change in the political, economic, social and technological environments in which you operate?
- What sort of people does your research identify as your potential target market? Is that market larger, smaller or the same as at present? Are they likely to be single or repeat customers? What are their needs, behaviours, tastes and preferences?
- Review the competition. All organisations have competition of some sort or another. Even if there is nothing exactly like your project, the people in your target market will be doing something with the time/money you expect them to commit to using the facilities or activities you are creating through the project. Find out what those current activities are, how they are priced, and the competition's business strategy, strengths and weaknesses.
- Develop a competitive strategy for your project. Do a SWOT analysis on the basis of the information you have gathered, looking at your organisation's strengths, weaknesses, opportunities and threats. Limit each to just three to five bullet points. These must not be opinions or assertions, but be based on hard evidence. State both what is unique or special that you will be offering to the public, and the disadvantages you have. Outline your marketing plan based on that strategy, including your pricing policy (if any).

The evidence you need to do the analysis for this will come from:

- the data you collect yourselves, over as long a period of time as is achievable;
- national data (e.g. the Taking Part survey (in England), national tourism surveys), National Statistics and local authority statistics;
- existing market research you have carried out with respect to your current operations;
- market research commissioned to estimate your potential markets and the potential popularity of the project with your target market; and
- reviewing operations that are similar in type to those you propose in your own area and further afield, using annual accounts available online from the Charity Commission (England) or Companies House.

### 2.7 Section 7 – Financial appraisal

This section will provide a general financial assessment of the project, supported by an appendix that includes:

- a forecast project income and expenditure account;
- a forecast project cash flow statement; and
- statements of assumptions underlying the forecasts.



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You should explain the basis of each item of income or spending, and prepare tables or spreadsheets setting out the income and spending on a monthly basis for the first year and then by quarter for the remainder of the project.

### **2.7.1 Income**

All projects will have an income. Besides HLF or other grants/donations contributing to the project, there may also be payments received for goods and services (including commercial sponsorship) provided in connection with project activities. Give details of each of the anticipated sources of income, and the expected level of income from each. Explain the basis of these figures, relating this to your market analysis where relevant.

Ensure you are clear about whether income is gross (total receipts received before expenses in relation to generating that income have been deducted) or net (the proceeds after all expenses incurred in generating the income have been met).

Tell us where the other funds will come from, and whether this money is secured. Where this money is unsecured please provide details as to when you expect a decision to be made and what action you propose to take should this decision be unfavourable. These other sources of funding may come from another grant maker, a contract, from money you hold in reserve or from income that your project will generate.

### **2.7.2 Expenditure**

This section should include a breakdown of the capital, revenue and overhead costs for the project. The basis of these costs should be clear and based on evidence from reliable sources, and detailed in a cost plan. You should break your projections down as much as you can into each distinct cost category.

You need to identify all the potential costs that your project will create and estimate what those costs will be each year of the project.

Please note that:

- the costs that you present must be based as far as possible on information from tradesmen, consultants or advisers and to provide detail on the individual elements concerned and their costs;
- where staff are employed, salary costs must reflect the expertise and experience you need, and any special factors influencing employment costs in the local area. Remember to allow for employers' National Insurance and pension costs (NEST contributions where there is no occupational pension scheme) or other arrangements, and any other appropriate allowances;
- you should consider including a contingency allowance to cover the risk of unforeseen circumstances. You should apply this as an overall percentage of expenditure, but only apply it to non-staff costs as payroll costs are not usually subject to unforeseen variations. The size of this allowance should reflect the outcome of your risk assessment. We treat contingency as a 'ring-fenced' sum which you can only spend if you can show that something genuinely unforeseen has resulted in a cost increase. We can choose not to pay out contingency if we feel it is not necessary;
- you should provide adequate provision for inflation where you are likely to see costs increase from current levels. Your architect or surveyor will be able to help with this in

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respect of capital works. For activities, you can either use one inflation rate across all expenditure categories, or (preferably) consider that different cost categories are subject to different levels of cost inflation (e.g. payroll, building related costs, energy/utility costs). Income usually does not change in line with inflation, so your plan should make provision for reviewing your pricing policies and charges (if any) throughout the period of the project;

- if you are registered for Value Added Tax (VAT), you can apply to us for the cost of non-recoverable VAT only. VAT rules are complicated, and if you are VAT-registered you should not assume that any arrangement currently in place is applicable to the project. You should be certain of the VAT liability of any quotation or tender received, and in advance of the second-round application take professional advice to be certain about the project's VAT position. Organisations not registered for VAT should include VAT costs in their budget, and make sure that these are reflected in the cost plan and application form;
- if you have deliberately omitted any expected expenses from the cost plan, the nature of the omission, its cost, and the reason for the omission should be stated; and
- you must provide information on all elements of the project for which you will receive non-cash contributions (for example, an audit service provided free of charge by an accountant) or through voluntary contributions, either of time, materials or finance. You should give the estimated value of these 'non-cash' or voluntary contributions. The values attached for each volunteer each day are:
  - professional services, up to £350 a day;
  - skilled labour, £150 a day; and
  - unskilled labour, £50 a day.

You should give details of how you worked out the value of volunteer labour, showing the type of activity carried out for each of the three categories above.

If you are a voluntary sector organisation, and your project creates additional general costs (e.g. professional fees for accountancy and legal advice; office costs such as stationery; phones, and other items; and travel and transportation costs) and there are no other means of covering these costs, you may apply for a contribution to these costs (known as overheads) under our support for Full Cost Recovery (FCR). If you are eligible for FCR you can complete this section of the costs table. If you are not eligible for FCR then HLF will not contribute to your overheads so do not include these costs in your application.

You are responsible for any overspend at the end of a project.

### 2.8 Section 8 – Governance, management and staff

The aim of this section is to show that the structures you have in place have all the capacity and capability you need to complete your project successfully on time and within budget. You should be able to demonstrate that your governance and management structures have clearly defined roles and responsibilities, and are likely to deliver the project efficiently and effectively.

### 2.8.1 Governance

You must demonstrate that the governing body of the organisation agrees that the project is in accordance with its forward strategy, and has discussed the implications for the organisation, and has discussed and approved the project business plan.

You should explain the extent of board-level involvement in the project, particularly in relation to:

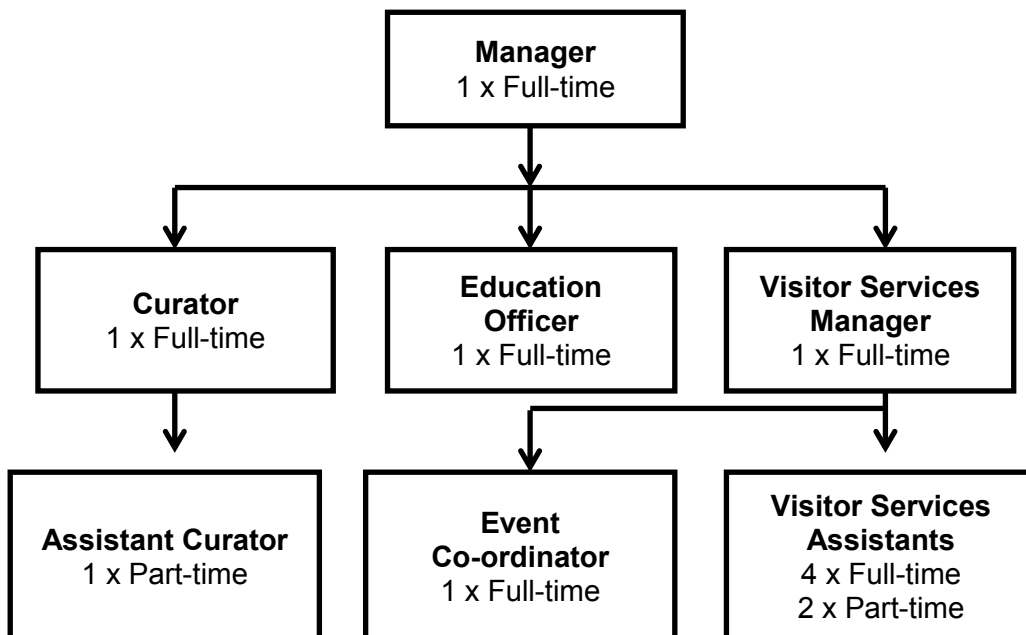
- approving briefs and designs;
- commissioning advisers and consultants;
- fundraising;
- business planning, pricing policies and marketing strategies;
- project management and oversight; and
- financial management and administration.

Summarise the functions of any groups you will establish to oversee the delivery of the project, describing their membership, roles and responsibilities, specifying any delegated powers they are authorised to use. Indicate how frequently, or at what stages, such groups will meet.

Describe the arrangements made for the governing body to monitor performance both during and after completion of the project.

### 2.8.2 Management

You should include simple organograms/network diagrams (see below). These should show each job title in your organisation in a box and use lines to represent the reporting and supervisory relationships between different positions.



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Show how many post holders are employed in each position and whether they are full-time, part-time or volunteers.

Each post holder on the organogram should be listed on an accompanying schedule, which summarises the purpose and functions of that role.

If the project creates new positions, you should provide a job description for each. For more junior positions this can be brief, but more detail is needed for senior positions.

You should provide a recruitment plan for the core personnel, including information on timescale, salaries and potential sources of recruitment. Ensure these are included in the critical path.

If you plan to involve advisers from outside the organisation on a regular basis, you should give their names, details of their relevant experience and their role within the project. You should also explain how you appointed them (for example, through a tendering process) and their relationship, if any, to your organisation. You should explain how they relate to the post-holders on the organogram.

### **2.8.3 Volunteers**

In many of the projects that receive our grants, volunteers play a very significant role in the preparatory stages and in running the heritage site. In some projects there are few, if any, paid staff involved. If volunteers are a key part of your organisation, or the project, you should explain:

- the roles volunteers play in the delivery phase;
- how many volunteers are likely to be involved;
- how many volunteer hours are included in the project; and
- how volunteers will be managed and who will do this.

Tell us how the above points differ from your organisation's present situation regarding volunteers, the time they put in, and their responsibilities.

### **2.8.4 New Organisations and Special Purpose Vehicles**

If you plan to set up a new organisation to operate your heritage site, or enter into a formal partnership with other organisations, you should describe the legal and management structures involved. Make sure that you explain clearly the relationship between any new organisation and your existing organisation. If you have already summarised this information earlier in your business plan, you should provide it here in more detail, with suitable network diagrams showing the relationships between different post holders.

Describe in detail the structure and membership of the group that has the highest level of responsibility within the organisation. This may be a board of governors or directors, or whatever group has ultimate responsibility for decisions.

If you identify individuals, include brief details of their relevant experience and a full CV in the appendices to your business plan. You should provide similar information for senior members of staff with details of their current and proposed roles in relation to the project.

## 2.9 Section 9 – Assessing risk

The purpose of assessing risk is to see if there are any weaknesses in your organisation and to consider any threats to it and your project from outside sources. There are several well-established methods of assessing factors which are affecting or may affect your project. Use the following table as a model to do a risk analysis appropriate for your own project.

<b>Nature of Risk</b>	<b>Description of risk</b>	<b>Probability of risk</b>	<b>What effect could this have?</b>	<b>Level of effect</b>	<b>Overall effect</b>	<b>How you would deal with risk</b>
Technical		High	Cost	High		
Market		Medium	Time	Medium		
Financial		Low or give a %	Performance	Low or give a %		
Economic						
Management						
Legal						

## 2.10 Section 10 – Monitoring and evaluating your project

In delivering your project, you should have a framework for monitoring progress and evaluating the outcomes associated with your project.

### 2.10.1 Monitoring

To monitor your project you will need to gather different kinds of information at various stages. You should set a series of milestones, financial targets and performance targets.

In the delivery phase, you should concentrate on monitoring the critical path. These fixed dates will provide a framework for you to measure and report on progress. The financial targets will focus on the schedule for incoming and outgoing resources.

In the operational phase after your project ends, you should use performance targets to monitor the level and associated timing for securing important outcomes and the associated levels of income and spending.

### 2.10.2 Evaluation

Evaluation is the process of assessing the performance of your organisation and the project. Evaluation is carried out regularly and uses the monitoring information. You should include your proposals for evaluation with your HLF application and project business plan. The plan will include a timetable and your outline approach to evaluation. The timetable should show when you anticipate evaluating your project, and the approach should specify the scope of the evaluation and whether your organisation plans to do this itself or pay someone else to carry it out.

You should plan to gather baseline information from the earliest opportunity, which will help you evaluate performance and the impact being made by the project. Include this early activity on your critical path.

## **2.11 Section 11 – Organisational impact**

This section describes the impact of the project on your organisation. Describe how the project will have an impact on your organisation and its finances for a period of five years from the end of the project.

If your plan is to wind up your organisation at the end of a project, please explain what will happen to any heritage assets you have created, and demonstrate the irrevocable formal acceptance by any planned successor body of what would need to be done to meet the contractual obligations to HLF.

You should describe:

- how any additional costs created by the project (including additional staffing and housekeeping costs, business rates, maintenance obligations arising from implementing the buildings maintenance plan, and implementation of the conservation management plan) are to be funded on a continuing basis. Tabulate the nature and value of these additional costs. Where the project is expected to lead to reduced expenditure (e.g. reduced energy expenditure, productivity gains due to ICT), include the costs of the savings in the tabulation to give the planned net additional cost/saving;
- any additional volunteer input that will be required, both in additional numbers of hours to be worked, and the number of additional hours required. You should also indicate how and from where will these volunteers come, and the impact on your volunteer management and training arrangements;
- any changes in governance (e.g. board composition or committee structure) or management (e.g. variation in individual duties or responsibilities) consequential upon the project. If the structure is different to that that will apply during the project, provide separate diagrams to explain the arrangements in the operating phases of your project; and
- any other material change in how the organisation will be managed as a consequence of the project.

You should describe the project's financial implications by providing the following financial projections:

- A statement of unrestricted funds financial activities (Annex D), or of income and expenditure (Annex E) where the organisation is a local authority, university or other large organisation where the scale of the project is immaterial to the organisation's total financial circumstances. Where the organisation has a trading subsidiary, its projections should be consolidated with those of its parent;
- The organisation's balance sheet (Annex F);
- The assumptions on which the financial projections are based; and
- A sensitivity analysis.

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In carrying out this financial impact appraisal you should:

- use the market analysis you have carried out in connection with the project to give details of your market size and the income generated. The assumptions should clearly show the basis on which the numbers have been calculated;
- demonstrate that the general trend will be for the organisation to generate annual surpluses on its unrestricted funds;
- if you are an existing organisation you should base your analysis on your latest completed financial year (or the current year budget) and use this as a starting point for your projections so that you can clearly assess the net impact on your financial position from the incremental, on-going income and expenditure caused by the project you are proposing; and
- include in the sensitivity analysis the income items that are most critical to the organisation's success, are most uncertain, or contain the greatest risk. By adjusting these by percentages between 5% and 20%, depending on their nature and risk, it is possible to see the impact on the reported surplus.

## **Appendix 1**

### **Glossary**

#### **Accounting period**

Any period of time used to identify and relate financial information. The major accounting period is the twelve-month financial year. Annual accounting periods in the public sector run from 1<sup>st</sup> April to 31<sup>st</sup> March; but an annual accounting period can be any twelve months, not even concluding at a month's end.

#### **Asset**

An item of value owned and controlled by the organisation that has a useful life longer than a single accounting period.

#### **Balances**

The cash accumulated from surpluses in successive accounting periods.

#### **Balance sheet**

A statement that shows, on a fixed point in time, an organisation's assets and liabilities, their value, and how they were paid for.

#### **Bank overdraft**

Money advanced to enable to meet short-term **cash-flow**. Overdrafts are repayable on demand, and usually require collateral for the total amount of money being borrowed.

#### **Budget**

An organisation's annual operating programme defined in terms of money.

#### **Business rates**

Also known as National Non-Domestic Rates (NNDR), a tax levied on the value of their property, which with Council Tax is the major source of funds for local council services.

#### **Capital spending**

Expenditure on the acquisition of **assets**.

#### **Capital income**

The incoming funds you will use to pay for your **capital spending**.

#### **Capitalisation**

Method of accounting for **fixed assets** by which the cost of the asset is reported on the balance sheet rather than as an expense on an income and expenditure account. The cost of the asset is written down over its useful life by **depreciation**. Where fixed assets increase in value over time, there should be periodic revaluations so that the balance sheet reports a reliable estimate of the asset's value.

#### **Cash-flow**

The pattern of an organisation's income and expenditure, and the impact on its cash **balances**; having surplus cash in hand after being able to meet all debts on the day they are due is a 'positive' cash-flow; not having cash to meet debts as they fall due is a 'negative' cash-flow.

#### **Cash-flow statement**

Forward projections of an organisation's cash status, showing when **balances** are likely to be under most strain, when a **bank overdraft** or other short-term funding is required. The need to borrow is mitigated by the amount of **working capital** available.



**Consolidated ('Group') accounts**

Accounting statements where the accounts of a holding organisation and all its subsidiaries are amalgamated into one, as though it were a single entity.

**Contingencies**

Money set aside in a **budget or cost-plan** to meet the cost of unforeseen items/eventualities.

**Cost-plan**

A list of the elements of the project identifying the costs associated with each.

**Creditors**

A person or organisation to whom money is owed and (in the balance sheet) the total of such sums.

**Current assets**

Either cash or things convertible into cash within a short period of time, such as short-term investments, trading **stocks** and **debtors**.

**Current expenditure**

Spending on day-to-day items such as payroll, purchase of goods and services, rent and maintenance of **assets**.

**Current liabilities**

Amounts of money owed by the organisation that are due to be paid in the near future, normally within a year – including **creditors** and **bank overdrafts**.

**Debtor**

An individual or organisation owing money and (in the balance sheet) the total money owed in this way.

**Deficit**

Your organisation would be in deficit if its spending was more than its income in any accounting period.

**Depreciation**

The permanent loss of value to an asset from whatever cause; or writing-off the value of fixed assets over their useful life. All **tangible assets** have to be depreciated.

**Fixed Assets**

A valuable item of lasting value and not used up for operating purposes in a single annual **accounting period**: includes land, buildings, machinery and vehicles

**Full Cost Recovery**

Full Cost Recovery enables voluntary sector organisations to recover their organisational overheads, which are shared among their different projects.

**Income and expenditure account**

A statement showing what surplus or deficit has been made over an **accounting period** by a non-profit-making organisation, and how it has been applied. In the case of commercial companies called a **profit and loss account**. In annual accounts usually subsumed within the **statement of financial activities**.

**Intangible asset**

An **asset** that does not have a physical appearance (e.g. the goodwill associated with a business; investments).

**Liabilities**

The organisation's financial obligations to other parties.

**Net Assets**

The difference between **fixed** and **current assets** and total **liabilities**. If liabilities exceed assets, there are net liabilities.

**Net current assets**

The difference between **current assets** and **current liabilities**. If the latter exceed the former, these are net current liabilities.

**Payments in advance**

Sums paid out of a current year's income for the benefit of a future year. It is a **current asset**.

**Prepayments**

Income received in advance of it being due, and for which services will be performed in a later accounting period. It is a **current liability**.

**Project progress chart**

Sometimes called a Gantt chart, this is used to illustrate, in bar-chart form, information on the progress of a project. It shows the duration and start dates of all the elements of a project.

**Reserves**

Part of an organisation's capital, consisting of accumulated surpluses (**Balances**), surplus values created by revaluing assets, restricted funds, and sums set aside for specific purposes.

**Restricted Funds**

Funds where donors have specified how the resources should be used and where the organisation does not have the power to vary those wishes. Includes Endowment Funds.

**Statement of Financial Activities**

A single accounting statement which analyses all capital and income resources and expenditures, and contains a reconciliation of all movements in the charity's funds, identifying income received for specific purposes.

**Stocks**

Items held for conversion to cash at a later date, including materials, finished goods, components, bought-in parts and **work in progress**. Included in **current assets**.

**Surplus**

Your organisation would be in surplus if its income was more than its expenditure in any accounting period.

**Tangible assets**

Assets that have a physical identity.

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**Turnover**

Revenues from the sale of good or services, usually after deducting value added tax, trade discounts and goods returned. In public authorities it is sometimes used to refer to gross revenue expenditure.

**Unrestricted Funds**

These are resources that can be spent on anything that furthers the organisation's purpose.

**Working capital**

Capital available on a day-to-day basis for the operations of the organisation – current assets less current liabilities.



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<b>Forecast Income &amp; Expenditure Account</b>	<b>Project Year 1</b>	<b>Project Year 2</b>	<b>Project Year 3</b>	<b>Post project Year 1</b>	<b>Post project Year 2</b>	<b>Post project Year 3</b>	<b>Post project Year 4</b>	<b>Post project Year 5</b>
Fees								
Inflation								
Non-recoverable VAT								
<b>Total Capital Costs (B)</b>								
<b>Activities costs</b>								
Staff and payroll								
Premises								
Supplies and Services								
Marketing								
Overheads								
Administration costs								
Finance costs								
Non-recoverable VAT								
<b>Total Activities Cost (C)</b>								
<b>Total expenditure (C)+(D) = E</b>								
<b>Surplus/deficit (A-E =F)</b>								
<b>Taxation (G) see note 1</b>								
<b>Surplus/(deficit) (F-G =H)</b>								
<b>Balances brought forward (I) see note 2</b>								
<b>Reserves carried forward (H+I= K) see note 3</b>								

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Note 1: Taxation refers to any liability you have to pay. UK income tax, capital gains tax or corporation tax.

Note 2: Reserves brought forward is the net total of the surpluses and deficits built up in previous accounting periods.

Note 3: Reserves carried forward are the surpluses and deficits which build up in the previous accounting periods and the current accounting period carried forward to the next accounting period. The sum can be positive or negative.



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Project Delivery Year	Yr 1				Yr 2				Yr 3				Yr 4	Yr 5	Yr 6	Yr 7	Yr 8
<i>Activities costs</i>																	
Staff and payroll																	
Premises																	
Supplies and Services																	
Marketing																	
Overheads																	
Administration costs																	
Finance costs																	
Non-recoverable VAT																	
<b>Total Activities Cost (C)</b>																	
<b>Total Spending (B + C = D)</b>																	
<b>Net cash inflow/outflow (A - D)</b>																	
<b>Net cash inflow/outflow carried forward</b>																	



## Appendix 4

### Summary Statement of Financial Activities (Unrestricted Funds only)

Year		1	2	3	4	5	6	7	8	9
	<b>Last Year Audited</b>	<b>Current Year Budget</b>	<b>Next Year Forecast</b>							
			<b>Project Delivery Year 1</b>	<b>Project Delivery Year 2</b>	<b>Project Delivery Year 3</b>	<b>Post Project Year 1</b>	<b>Post Project Year 2</b>	<b>Post Project Year 3</b>	<b>Post Project Year 4</b>	<b>Post Project Year 5</b>
	£	£	£	£	£	£	£	£	£	£
<b>Incoming Resources</b>										
Voluntary Income										
Fundraising activities										
Investments										
Operating activities										
Other income										
<b>Total Incoming Resources</b>										
<b>Resources Expended</b>										
Costs of generating voluntary income										
Fundraising trading costs										
Investment management costs										
Operating activities costs										

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Governance costs										
Other resources expended										
<b>Total Resources Expended</b>										
<b>Net Incoming/ (Outgoing) Resources</b>										
Other recognised gains and losses										
<b>Net Movement in Fund</b>										
<b>Fund Brought Forward</b>										
<b>Fund Balances at Year End</b>										

## Appendix 5

### Summary Income and Expenditure Account

Year		1	2	3	4	5	6	7	8	9
	<b>Last Year Audited</b>	<b>Current Year Budget</b>	<b>Next Year Forecast</b>							
			<b>Project Delivery Year 1</b>	<b>Project Delivery Year 2</b>	<b>Project Delivery Year 3</b>	<b>Post Project Year 1</b>	<b>Post Project Year 2</b>	<b>Post Project Year 3</b>	<b>Post Project Year 4</b>	<b>Post Project Year 5</b>
	£	£	£	£	£	£	£	£	£	£
<b>Income</b>										
<i>Operational Income</i>										
User charges										
Trading Income										
Sponsorship										
Other operational income										
<i>Contributed Income</i>										
Grants										
Donations										
Other contributed income										
<i>Bank Interest</i>										
<i>Other Income</i>										
<b>Total Income</b>										
<b>Expenditure</b>										
Staff and payroll										
Premises										

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<b>Year</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
Supplies and Services										
Marketing										
Overheads										
Administration costs										
Capital charges										
<i>Total Expenditure</i>										
<b>Total expenditure</b>										
<b>Surplus/deficit</b>										

## Appendix 6

### Indicative Balance Sheet

Year		1	2	3	4	5	6	7	8	9
			Project Delivery Year 1	Project Delivery Year 2	Project Delivery Year 3	Post Project Year 1	Post Project Year 2	Post Project Year 3	Post Project Year 4	Post Project Year 5
	£	£	£	£	£	£	£	£	£	£
<i>Fixed Assets</i>										
Tangible Fixed Assets										
Intangible Fixed Assets										
Heritage Assets										
Investments										
Total Fixed Assets										
<i>Current assets</i>										
Stocks /work in progress										
Debtor										
Payments in advance										
Cash & bank balances										
<b>Total Current Assets</b>										
<i>Current liabilities (due within one year)</i>										
Trade Creditors										
Other Creditors,										

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<b>Year</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
including tax & social security										
Prepayments and accruals										
Current liabilities (due in over one year)										
Other creditors										
<b>Total Current Liabilities</b>										
<b>Net Current Assets (Liabilities)</b>										
<b>Net Assets (Liabilities)</b>										
Represented by										
<i>Restricted funds</i>										
<i>Unrestricted Funds</i>										
Designated funds										
Accumulated funds										
<i>Revaluation reserve</i>										
<b>Total capital &amp; reserves</b>										