Budgeting and Finance for Business

The Foundation for everything

Ways of Working

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100% confidentiality
No multi-tasking – be fully present
Arrive on time and stay for the whole meeting
Commit to asking questions, listening & being non-judgemental
Sharing the air space
Implement agreed actions (Do what you say you will do)
Feedback at the following session
Complete all participant surveys at the end of each session
Philosophy –
"The knowledge is in the room, let's learn from others and share"

Session Outcomes

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Building Your Financial Foundation

✓ **See** how finance connects to ALL 18 modules
✓ **Understand** your true business costs
✓ **How to Create** a cash flow forecast
✓ **Master** pricing for profit
✓ **Plan** financial growth strategies
✓ **Build** confidence with money

Remember: Strong foundations enable everything else

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Welcome to Your Business Foundation

FINANCE UNDERPINS EVERYTHING IN BUSINESS

Think of finance as:

- The foundation of a house
- The roots of a tree
- The engine of a car

Without solid finances: No marketing, no growth, no success

Today: Building your unshakeable foundation

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Why Finance Underpins Everything in Business

The Universal Truth of Business

Finance is the Oxygen of Your Business without healthy finances, you CANNOT:

Market - No budget for ads or materials

Hire - No cash for wages or training

Grow - No funds for expansion

Innovate - No investment in new ideas

Survive - No buffer for tough times

With strong finances, you CAN:

- Choose your opportunities
- Weather any storm
- Invest in your future
- Scale your impact
- Build your dream

Bottom Line: Every business decision starts with "Can we afford it?"

Ice Breaker: Foundation Stories *(10 minutes)*

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In Pairs: Share (2 mins each)

One financial decision that helped your business

One area where better finance knowledge would help

Group Share: Each person shares their partner's SUCCESS

Why this matters: Finance confidence comes from shared learning

Finance & Foundation Modules
How Finance Enables Your Early Modules

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📊 Market Research
Budget determines research methods (DIY vs professional)

💼 Sales
Must know exact profit margins per product/service
CRM systems: £10-100/month

📢 Marketing & 📱 Social Media
Industry standard: 7-10% of revenue
Facebook ads: £5-50/day minimum

💻 Digital/Online & Website
Basic website: £500-2000

🤝 Networking & 👥 Customer Service
Event attendance: £20-200/event
Membership fees: £200-1000/year

🤖 AI in Business
ChatGPT Plus: £20/month
Advanced AI tools: £50-500/month

⚖️ HMRC/Tax/Legal
Accountant: £100-500/month
Tax reserves: 20-30% of profit

🛡️ Risk/Mitigation/Insurance
Public liability: £200-1000/year
Professional indemnity: £300-2000/year

📈 Growth & Diversification
New product development: £1000-50,000

🧘 Health & Wellbeing
Mental health support: £40-100/session
Gym/wellness: £30-200/month
Time off requires cash reserves

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Terminology

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Key Finance Terms - Revenue

Understanding Your Income

Revenue (Turnover)

- **Definition:** Total money coming IN from sales
- **Example:** You sell 100 cakes at £10 = £1,000 revenue
- **Why it matters:** Shows business size and activity

Gross Profit

- **Definition:** Revenue minus direct costs of sales
- **Formula:** Revenue - Cost of Goods Sold
- **Example:** £1,000 revenue - £400 ingredients = £600 gross profit
- **Why it matters:** Shows if your basic business model works

Gross Profit Margin

- **Definition:** Gross profit as % of revenue
- **Formula:** (Gross Profit ÷ Revenue) x 100
- **Example:** (£600 ÷ £1,000) x 100 = 60% margin
- **Brighton benchmark:** Aim for 50-70% for services, 30-50% for products

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Key Finance Terms - Costs

Understanding Your Expenses

Variable Costs

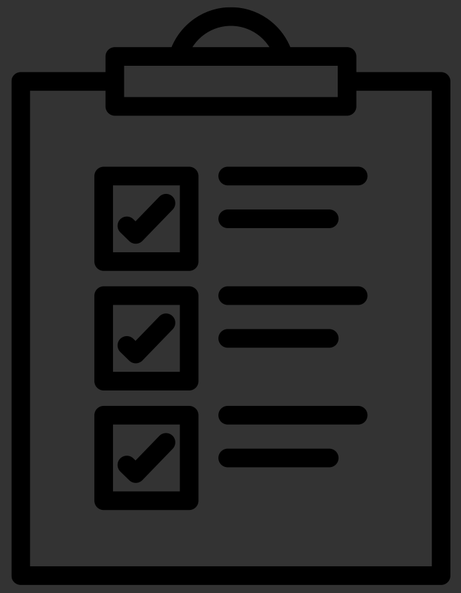
- **Definition:** Costs that change with sales volume
- **Examples:** Materials, packaging, delivery, sales commissions
- **Brighton example:** Coffee shop: beans, cups, milk vary with customers

Fixed Costs (Overheads)

- **Definition:** Costs that stay same regardless of sales
- **Examples:** Rent, insurance, salaries, utilities
- **Brighton example:** Shop rent in Lanes = £2,000/month regardless of sales

Break-Even Point

- **Definition:** Where total revenue equals total costs
- **Formula:** Fixed Costs ÷ (Price - Variable Cost per Unit)
- **Example:** £2,000 fixed ÷ (£10 price - £4 variable) = 334 units
- **Why it matters:** Minimum needed before ANY module investment



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Key Finance Terms – Profit

Understanding Your Bottom Line

Net Profit
Definition: What's left after ALL expenses
Formula: Gross Profit - All Operating Expenses
Example: £600 gross - £400 overheads = £200 net profit
Why it matters: This funds growth and pays YOU

Net Profit Margin
Definition: Net profit as % of revenue
Formula: (Net Profit ÷ Revenue) x 100
Example: (£200 ÷ £1,000) x 100 = 20% margin
Brighton target: 15-25% for sustainable growth

Cash Flow
Definition: Timing of money in vs money out
Example: Sale today, payment in 30 days = cash gap
Why critical: Can be profitable but still go bust!

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Root causes of cashflow problems

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Common Financial Challenges

What Keeps Brighton Business Owners Awake

- **Cash flow gaps** - Money out before money in
- **Underpricing** - Not covering true costs
- **Late payments** - Customers not paying on time
- **Unexpected costs** - No buffer for surprises
- **Poor Stock Management**- Sitting on out of date stock and capital
- **Poor planning** - Flying blind
- **Seasonal Sales** – No consistency or momentum

The Impact: Can't invest in ANY other module!

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Root Causes of Cash Flow Problems

The Big 4 Cash Flow Killers

- **Delayed payments** - Can't fund marketing
- **Seasonal sales** - Can't maintain momentum
- **Too much stock** - Can't invest in growth
- **High overheads** - Can't afford development

Each one blocks your other modules

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Challenge Solutions

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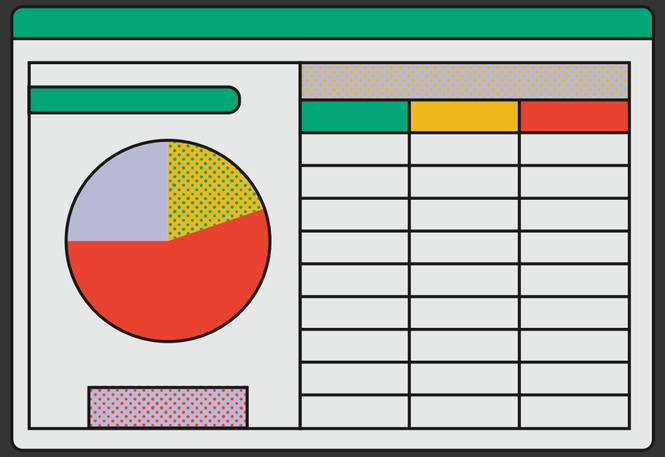
Challenge Solutions Overview

Every Problem Has a Practical Solution

Cash Flow Gaps → Payment terms & deposits
Underpricing → True cost calculation
Late Payments → Clear processes
Unexpected Costs → Emergency fund
Poor Planning → Simple forecasting

Solutions that enable growth, not just survival



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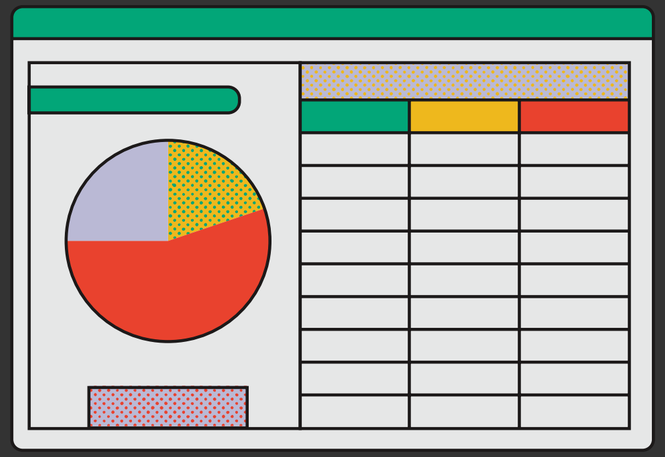
Problem 1 - Delayed Customer Payments

When Customers Don't Pay on Time

The Cascade Effect:

- Can't pay for social media ads
- Miss Brighton networking events
- Delay website updates
- Skip market research
- Postpone AI tools
- Stress affects wellbeing

Brighton Reality: *Average payment time = 47 days*



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Solutions - Getting Paid Faster

Payment Solutions That Work *(Zero Budget)*

Immediate Actions for Brighton SMEs:

- **Clear terms** - "Payment due on receipt"
- **Deposits** - 30-50% upfront standard
- **Quick invoicing** - Same day = faster pay
- **Auto-reminders** - 7, 14, 21 days
- **Multiple payment options** - Bank, card, PayPal

Game Changer: "Pay in 7 days, save 3%" **Brighton success:** 73% take early payment discount

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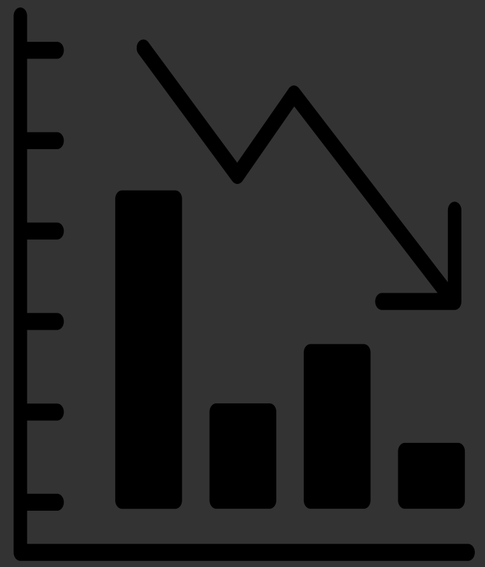
Problem 2 - Seasonal Sales Patterns

The Brighton Feast or Famine Cycle

Local Seasonality Challenges:

- Summer tourists = 70% of annual revenue
- January-March = Dead months
- Conference season = Unpredictable
- Students gone = Summer slump for some

The Foundation Cracks: When income varies, everything else wobbles



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Solutions - Smoothing Income

Creating Steady Foundations *(Low Budget)*

Brighton-Specific Stabilizers:

- **Retainers** - Year-round service contracts
- **Pre-Christmas sales** - June/July campaigns
- **Digital products** - Sell beyond Brighton
- **Corporate clients** - Less seasonal
- **Subscription models** - Monthly recurring

Local Success: Brighton SEO agency - 80% on retainers

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Problem 3 - Poor Stock/Inventory Management

Money Trapped on Shelves

What You're Really Losing: £5,000 in dead stock =
6 months of Facebook ads
Website redesign
Premium networking membership
25 Brighton Chamber events
Market research project

Brighton Example: Gift shop with £15k Christmas stock unsold

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Solutions - Smart Inventory

Free Your Cash for Growth

Brighton-Tested Strategies:

- **Just-in-time** - Order weekly not monthly
- **Sale or return** - Common with local suppliers
- **Pre-order systems** - Test demand first
- **Pop-up shops** - Test without commitment
- **Makers markets** - Low-risk testing

Success Story: North Laine boutique reduced stock by 60%, doubled marketing spend

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Problem 4 - High Overhead Costs

Brighton's Premium Pricing Problem

Local Cost Pressures:

- Commercial rent: £30-80/sq ft
- Business rates: Rising annually
- Parking: £20-30/day for staff
- Living wage pressures
- Energy costs climbing

Every £100 wasted = Lost growth opportunity

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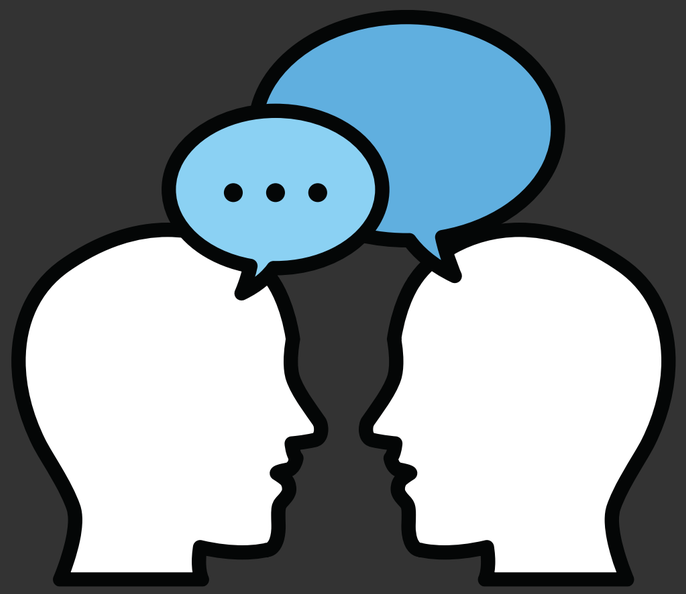
Solutions - Strategic Cost Cutting

Local Cost-Cutting Wins:

- **Share space** - Hot-desking from £50/month
- **Negotiate rent** - 20% reduction common
- **Home working** - Save £500-2000/month
- **Group buying** - Brighton Business Network
- **Off-peak options** - 30% savings

Redirect Savings To:

✓ Digital marketing
✓ Website improvements
✓ Premium networking
✓ Skills development
✓ Growth experiments



Identify Financial Inefficiencies

- List your financial inefficiencies (workbook)
- Identify those you can reduce or eliminate
- Develop a plan to address financial inefficiencies

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Cash Flow

The Importance of Cash Flow

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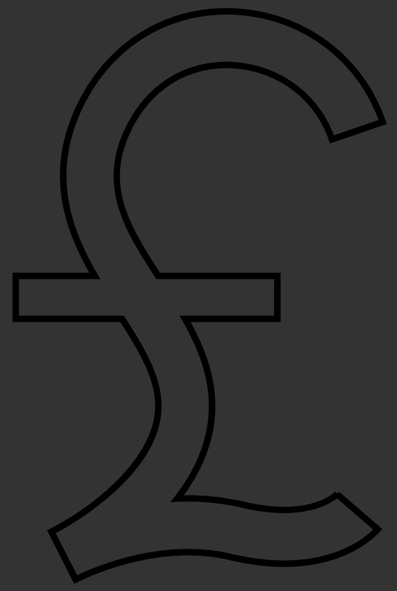

The measure if your ability to pay bills on a regular basis and bring in money owed to you

Lack of cash flow control and understanding is one of the main reasons small businesses fail

It gives you insight into the next year of trading and shows you have control of your finances

So what should you be including in your cashflow?

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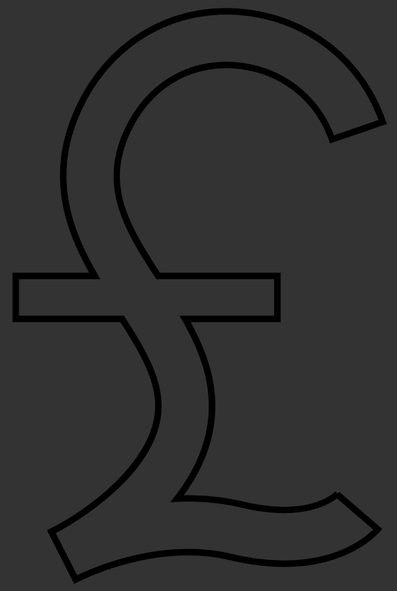

Include in Your Forecast to encourage growth:

Marketing budget (monthly)
Networking allocation
Website/tech fund
Training reserve
Growth experiments
Emergency buffer

This becomes your roadmap for which growth aspect you can tackle when

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My Personal Survival Budget

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Personal Survival Budgets

Your Life Affects Your Business -

Why This Matters for EVERY Module:

Stressed owner = Poor decisions
Financial worry = No risk-taking
Survival mode = No innovation
Personal pressure = Business suffers

Get personal finances right = Free your mind for growth

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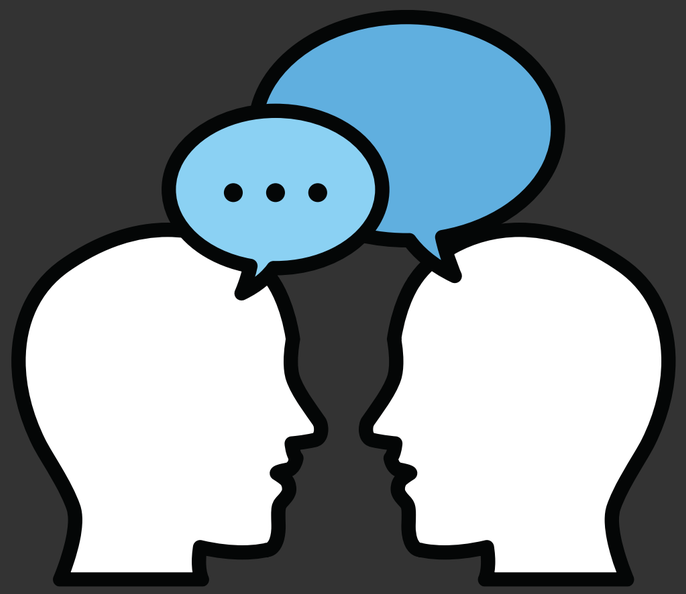

What should we include in a personal survival bugdet?

As a group discuss what things you would need to cost in to make sure your bills were covered and you could live a little

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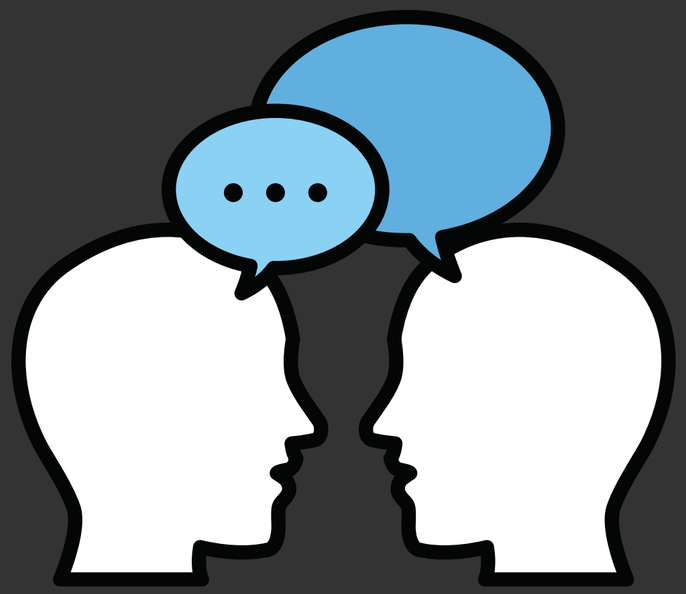

What should we include in a personal survival bugdet?

Did you think about....

Mortgage/rent
Utilities
Council Tax
Broadband
Netflix, Apple TV, Amazon
Car/Vehicle
Mobiles
Home/Life Insurance
Savings
Food
Housekeeping
Clothing
Childcare
Loan, Credit Cards

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Calculating Your Business Target

From Personal Needs to Business Goals

The Calculation: Personal needs: £_____ Less other income: £_____ = Business must provide: £_____

Add business costs: £_____ Add tax provision: £_____ Add growth fund: £_____
= REAL Revenue Target: £_____

This drives ALL module planning!

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Universal Credit Considerations

Benefits & Your Business Income

Key Universal Credit Rules:

- **Minimum Income Floor** (after 12 months)
- **Surplus earnings** carried forward
- **Permitted work** allowances
- **Start-up period** considerations

Report Monthly:

- Business income (after expenses)
- Drawings for personal use
- Keep clear records

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Cash Flow vs Profit
Two Different Foundations

Cash Flow = Can you operate?

Pays for marketing TODAY

Funds networking THIS WEEK

Covers wages NOW

Profit = Are you sustainable?

Funds FUTURE growth

Enables EXPANSION

Builds RESERVES

Need BOTH for strong foundations

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True Cost Calculation

Price to Enable Growth

Your Price Must Fund:

✓ Materials/time
✓ Overheads
✓ **Marketing** (7-10%)
✓ **Skills development** (2-3%)
✓ **Networking** (1-2%)
✓ **Tech/AI tools** (2-5%)
✓ **Growth reserve** (5-10%)
✓ **Profit** (20-30%)

Total markup needed: 100-150% on direct costs!

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Key Takeaways

Your Financial Foundation

Finance underpins EVERYTHING - Master this first

Every module needs budget - Plan accordingly

Price enables growth - Stop undercharging

Cash flow is king - Monitor weekly

Invest in growth - Not just survival

Success Formula: Strong Finances = Strong Business

Your 30-Day Foundation Plan
Building Your Financial Base

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Week 1: Know Your Numbers
- ☐ Personal survival budget
- ☐ Business costs audit
- ☐ Calculate break-even

Week 2: Improve Cash Flow
- ☐ Better payment terms
- ☐ Chase late payments
- ☐ Cut unnecessary costs

Week 3: Price for Growth
- ☐ Recalculate all prices
- ☐ Include growth margins
- ☐ Test new pricing

Week 4: Plan Investment
- ☐ 12-month cash flow
- ☐ Module budget plan
- ☐ First growth investment

Quick Wins This Week
5 Actions for Stronger Foundations

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Increase ONE price by 20% → Marketing fund

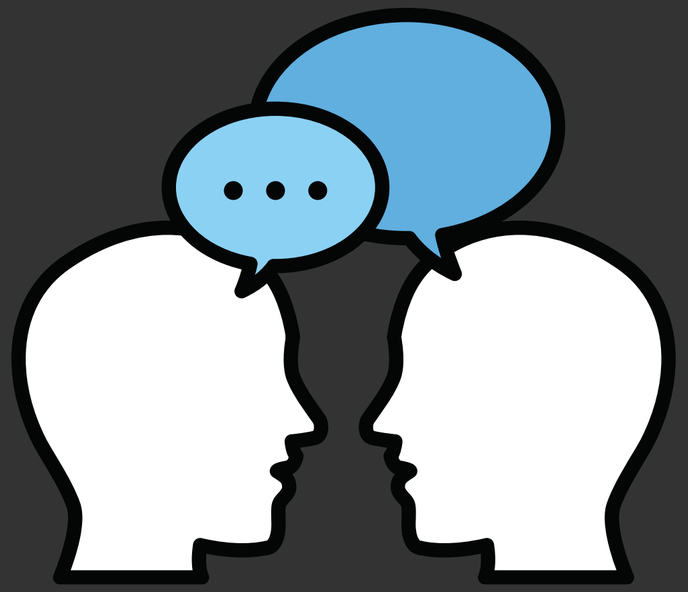
Cut ONE unnecessary cost → Networking budget

Chase ONE late payment → Website update

Set up tax savings → Peace of mind

List module priorities → Growth plan

Time: 2 hours total Impact: Enables everything else!



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Final Reflection
Your Foundation Commitment

"The ONE financial change I'll make this week that will enable my business growth is..."

Make it specific:
Which action?
By when?
How will it help other modules?
Exchange contacts - Accountability matters!

Resource

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Resources for Foundation Building
Free Tools for Financial Strength

Planning:

Cash flow templates (gov.uk)

Pricing calculators

Break-even tools

Learning:

HMRC webinars

YouTube tutorials

Brighton Libraries business section

Support:

Business adviser (free with Momentic)

Brighton Chamber of Commerce

BEST Growth Hub

Apps:

Wave (free accounting)

Invoice generators

Expense trackers

Get Free Advice in Brighton:

Citizens Advice (North Road)

Brighton Unemployed Centre

Money Advice Plus

Your work coach

Remember: Be honest - penalties aren't worth it

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TISCHKOVA
Next Session: Market Research

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Feedback and Next Steps

We want to hear from you!

Please use the QR code to send us your thoughts .

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Travel Expenses

If you require travel expenses, use the QR code to claim. You can claim mileage and public transport but not parking unfortunately.

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Questions?

Thank you