

Setup Costs

Introduction:

Lists *ongoing* costs, after the initial set-up that the business will incur. This is useful input into the cash-flow element of a Business Plan, insofar as it provides the headings. Understanding and control of these is particularly important for a small business as they are key to liquidity - and cash-flow problems are one of the biggest reasons for small businesses folding:

Caveats:

- *The list was drawn up to be useful to me* - research time was limited. It should not be considered exhaustive or definitive. *Use with caution.*
- *Annualised assumption.* This list only looks at the overall annual cash flows. Month-to-month cash flow is just as important. It is important to identify *when* payments will be made to avoid 'liquidity crunches'.

Structure

- *Item* - not alphabetical - the order was taken from a number of business plan templates.
- *Notes* - basic information expanding on the item.
- *PW* - (Per Week) if the item is best costed on a weekly basis, then an estimate appears here. Otherwise it is greyed out.
- *PA* - (Per Annum) cost of the item on an annualised basis. White cells: directly entered. Grey cells: calculated from the PW column multiplied by 52.
- *Assumptions* - notes on how the budget figure was arrived at.

Item	Notes	PW	PA	Assumptions
Stock	Costs to maintain, (not build) stock, keeping it current. Fortunately few horological items have a limited shelf life.		£350	Assumes a non-trading business model, but a gradual build up of some of the 'JIT' and 'Lux' items in the consumables list.
Materials, Non Chargeable	Most consumables are non-chargeable, materials bought for a specific job (e.g. new dial glass) may be chargeable.		£937	Assumes around half of consumables are chargeable, and on average these last 1 year. ... Assumptions as per Consumables list.
Rent/Rates	Workshop.	£150	£7,800	Approximate cost of a small workshop in rural location in southern England including business rates.
Stationary/Postage	Paper, stamps, envelopes etc.		£250	Includes printing of letter headed paper, compliments slips and business cards.
IT Consumables	Printer toners.		£150	Approximate cost of new set of toners for mid-range laser.
Telephone		↓	↓	↓
Landline	Although it is possible to run a business solely using a mobile phone, it can create a poor impression with clients as it implies a man-with-a-van type setup.	£3	£156	
Mobile	An essential of the business world.	£12	£624	
Vehicle Expenses		↓	↓	↓
Insurance	If nothing else need to increase the insurance on your car to include new business use. For some markets, where impressions count, may need a dedicated vehicle.		£100	Additional charge to put 'business use' onto household car.
Tax	Road tax.		£70	25% Proportion of approximate cost of domestic car.
Maintenance	Servicing, tyres, consumables, parts.		£500	25% of domestic car's maintenance bill. AA estimate this as c£2,000 pa.
Fuel		£25		Local area deliveries only.
Accountancy	Hire of a professional qualified accountant strongly <i>recommended</i> .		£400	
Professional fees	Membership of professional organisations.		£150	BHI is currently £125 pa for an associate member, AHS £60 pa, BWCMG £35.
Sundries	Small sum to cover ad-hoc costs of running a workshop.	£10		
Business Insurance	To cover workshop, customer's items whilst in your care and standard liability cover. See equipment list for more details.		£400	
Repairs and Renewals	Repairs to workshop and office machines.		£1,837	10% of Tools cost, plus 20% of IT Costs.
Heat and Power	For workshop.	£12		For small workshop - estimate
Advertising	Depends on market and services offered.		£500	Based on a conservation/restoration/repair business advertising locally
Bank Fees			£200	
Loan Interest	To raise capital for tools, initial consumables and office start up costs, plus a small contingency sum.		£1,118	Small business loan at c 8%. Sum based on 'Base' items on tools and consumables lists plus £1,500 for IT and £5,000 contingency.
Capital Pay-Back/Depreciation	A mechanism to pay back the capital on any loans taken out.			Slightly simplistic - makes no distinction between capital expenditure and capital assets.
Tooling	Straight line over 5 years.		£1,693	Based on 'base' items in tool list.
Office equip (IT)	Straight line over 3 years.		£500	Based on IT investment of £1,500.
Vehicle	Over 3 years		£539	AA figures for depreciation - assume 25% of small domestic car: £2,156
			Total	£18,274