National Disability Practitioners

Business Planning

Business Essentials

ndp.org.au/ndis-sole-traders

Introduction

The NDIS offers a new way of providing individualised support for people with disability, their families and their carers by giving them more choice on what supports they need, and how they are provided.

If you work for a disability service provider, your employer is likely to have already undertaken the preparations needed to operate under the NDIS. If you are providing services as a sole trader or in a private practice, it is critical to understand the NDIS market.

We know that it is sometimes hard to find the information you need, so we have done the hard work for you! We have worked with accountancy and consultancy firm Nexia Australia to collate publicly available information and resources to support your journey of working with the NDIS.

Nexia Australia

Disclaimer:

The information contained in this handbook is not provided as advice or as recommendations. The information is intended as a general guide only. It does not take into account your personal circumstances and may not be relevant to you or be fully up to date. You must rely solely on your own external and independent advice.

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What is a business plan? Why is it important?

***"If you fail to plan, you are planning to fail!"* - Benjamin Franklin**

A business plan is a document describing your business objectives and how you plan to achieve these objectives. A business plan for a small business would typically cover a 12-month period (for example, from July 2018 to June 2019) and get updated at least once a year.

Whether you have just started your business or have been running your business for many years, a well-prepared business plan can be critical to the continued success of your business.

Business planning is important to sole traders and small business owners working with NDIS. A good business plan can:

- **Help formalise your thoughts about your business.** You may have a lot of good ideas about how to differentiate your service or how to attract customers. The business planning process is a structured way of helping you put all these thoughts together, connect the dots, weigh up costs and benefits and decide on the best strategies for your business.
- **Set clear goals and directions and help you prioritise.** For most small businesses, the owners are also the main workers (and sometimes the only workers). With the various day-to-day operational responsibilities and challenges (especially when the NDIS is still new), it can become difficult to keep the "big picture" in sight. A good business plan will remind you about the objectives of your business and help you pick your priorities.
- **Measure your progress towards your business goals.** Is your business going well? How do you know if it isn't? A good business plan sets out key performance indicators (KPIs) to help monitor the performance of your business against your goals. The business plan is also a reference tool to keep you on target to meet periodic goals.
- **Prompt you to reassess the situation and adjust your goals and strategies.** The marketplace is constantly shifting and new challenges and opportunities will arise. Reviewing your business plan at least once a year will help you to re-evaluate the market, your customers and your service offering and make necessary adjustments to your goals and strategies.

Key elements of a business plan

Business plans can be developed in various ways, with a range of different sections. A business plan for a small business will typically include the following key elements:

- **Business Description**: This section should describe the range of services and products you are offering. (Tip: Make sure you identify the correct NDIS support line item as per the current NDIS Price Guide for each service or product). It should also describe the legal and management structure of the business, as well as the roles and responsibilities of each person involved in the business. These roles will also include external people, such as your bookkeeper or accountant.
- **Market Analysis:** This section summarises your research and analysis of the market environment in which you offer your services or products. At minimum, the market analysis should include an assessment of the demand for your service (i.e. customers), the supply of similar services (i.e. competitors) and the regulations (for example, whether specific qualifications or registrations are required to carry out certain services).
- **Financial Projection:** This section outlines the financial plan for your business within a specific period (usually 12 months). The financial projection should include realistic forecasts of expected revenue and expenses. The financial projection also needs to identify units of outputs (for example: the number of hours of service delivered) required to achieve the revenue target. It is best practice to break down financial forecasts and output targets on a month-by-month basis.
- **Marketing Strategy:** This section outlines your plan of action to promote and sell the services or products you offer. Your marketing strategy should incorporate the key benefits and features of your services or products, who your target customers are, and how you are going to convey these benefits and features to your target customers. The marketing strategy also needs to identify key marketing activities within the period of your business plan.
- **Contingency Strategy:** This section should include your options when things don't happen as planned (for example, not meeting revenue targets). Your contingency strategy should provide backup plans in "worst case scenarios". Your contingency strategy should also identify minimum resources required to keep your business viable (for example, the minimum amount of cash you require in the business' bank account).

A step-by-step guide to business planning

Sole traders or small businesses starting their operation in the NDIS space can follow these simple steps to build a business plan.

Step 1: Research

The first and most crucial step of business planning is to conduct research. Before designing your own services or products, it is important to understand the market, your customers, your competitors, and relevant regulations.

If you are considering offering certain types of NDIS funded services in your local area, there is some basic research you can do that won't cost any money:

- Check the NDIS price guide and operational guidelines to make sure the services you intend to offer can be funded by the NDIS.
- Read the relevant NDIS Market Position Statement (MPS) (https://www.ndis.gov.au/market-position-statements) to find out the estimated size of the market in your local region and other supply and demand information. It is important to note that the estimates provided in the Market Position Statement were developed before the NDIS rolled out and may not represent the current market conditions.
- Check the list of NDIS registered providers to find out who else is offering similar services in your local area. Note that the list will only include providers who are registered with the NDIS.
- Use search engines to find out a bit more about your potential competitors – both registered and unregistered.
- Talk to NDIS participants and their family members to find out their requirements and preferences, whether there is unmet demand, what they like and don't like about their current providers, etc.
- Talk to NDIS Local Area Coordinators in your area to let them know the type of services you intend to offer and ask for their feedback.

Step 2: Determine the 5P's of your business

After researching, you should have developed some ideas about the services you are going to offer and how you will offer them. Determining the "5P's" is a structured way of helping you capture these thoughts and define your business.

- **Product** – These are the types of services or products you intend to offer. For NDIS funded services, be sure you identify the correct support categories and line items according to the latest NDIS Price Guide.
- **People** – Who will be involved in your business? What is your role? Are you going to employ anyone to help you? Will any of your family members assist you? Do you need a bookkeeper or an accountant to help you with financials?
- **Place** – Where are you going to perform your services? Is it in the client's home or in the community? Do you need to have your own premises? How do you plan to travel to those places?
- **Price** – How much will you charge for your services or products? How does the price compare to your competitor's price? Would you charge different rates to different groups of customers and for afterhours or weekend services?
- **Process** – What is your process of engaging with your customers? How would you keep records, raise invoices and collect payments? How would you deal with incidents, complaints and audits?

Step 3: Map out the resources and skills required to run your business

Once you have determined your 5Ps: Product, People, Place, Price, and Process, you should now identify what resources, skills and qualifications you need to run your business in alignment with the 5Ps you identified.

The starting point is often the financial resources you need to purchase equipment and consumables (if required). As well as this, you need to have sufficient working capital to cover any expenses incurred between the period of delivering a service and getting paid for that service.

When considering the skills that are required to run your business, it is important to think beyond the core skills related to the performance of your service. Business owners need to consider other general skills that are required to establish and run a business such as marketing, bookkeeping and IT proficiencies. It is worth noting that certain NDIS support categories/items require practitioners to hold formal qualifications. Providers can access the Key Registration Requirements page of the NDIS website to find out more information -
https://providertoolkit.ndis.gov.au/26-key-registration-requirements.

You may also consider whether you want to register to become a provider with the NDIS / NDIS Quality and Safeguarding Commission in order to cater to self-managed and plan-managed participants but also those managed directly by the agency (NDIA). To learn more about the registration process, refer to the **Registering as an NDIS Provider** Handbook.

Step 4: Set quantifiable goals for the next 12 months

After completing the first three steps you should have a good idea of what your business will look like. It is appropriate to think about what you want to achieve, and set realistic and measurable goals for the next 12 months.

There are generally two approaches to setting business goals for a small business.

- **Method 1: Bottom-up** - The 'Bottom-up' method refers to the process of establishing how many hours in a year that one intends to work and establishing their financial business goal by multiplying their billable hours by the intended charge rate.

  Example:
  Jane, a self-employed occupational therapist, sees herself working 8 hours a day, 5 days a week and 40 weeks a year. 5 out of the 8 hours will be client-facing, and therefore "billable". One of Jane's business goals for the next 12 months would be to achieve 5 hours x 5 days x 40 weeks = 1,000 billable hours. Jane charges her clients $150 per hour. Jane's revenue target would be $150,000 in the next 12 months.

- **Method 2: Top-down** – The 'Top-down' method refers to the process of establishing all overhead costs in a period of 1 year and working out how many hours of billable hours will need to be performed to break even or to break even and then generate a profit.

  Example:
  Tom employs two part-time workers and provides garden and yard maintenance service. Tom calculated that the total expenses in 12 months including all wages, super, insurance and other costs for the 3-person crew (including Tom himself) would be $180,000. Tom charges $45 per hour. His business would need to bill 4,000 hours a year to breakeven, or 5,000 hours a year to give Tom a $45,000 profit. Assuming 50 working weeks, his crew will need to perform at least 80 hours of billable work every week to break even, and 100 hours of billable work every week to generate a profit of $45,000.

Step 5: Consider “what-if” scenarios

There are always unexpected situations you need to deal with when operating a business. “What-if” planning or scenario planning will help you identify these different scenarios and effectively prepare your business when the unexpected occurs.

A useful scenario planning tool is called “break-even analysis”. When conducting break-even analysis, you first need to identify the required revenue to break-even. After this, you then need to consider what happens if this is not achieved. For example, what if you only achieve 80% of your revenue target? Would you have sufficient financial resources to keep the business going? How long can you keep your business going before things are back on-track? Conversely, you also need to consider “best-case scenarios”. Would you be prepared if the demand for your service is greater than anticipated? What resources can you draw upon to expand your business? How far can you go without having to hire more people or partner with other people?

Step 6: Connect the dots and document your business plan

The last step of the business planning process is to collect all your thoughts from the prior steps and document the various elements in your business plan.

A good business plan should be:

- realistic;
- brief;
- written in easy-to-understand language;
- clear on the measurements and quantities of your targets; and
- time-specific.

Incorporating risk management into business planning

Although the phrase risk management seems very corporate, it is still relevant to sole traders and small businesses.

Identifying potential risks and how you will deal with them can add value to your business planning process.

As a part of the business plan, sole traders and small business owners can follow these simple steps to create their own risk management plan:

Step 1: Identify key risks and threats: This process looks at what may go wrong and the associated negative impact on your business. For example, if your client is injured while receiving service, your business may be negatively affected by the possible compensation claim and ongoing reputational damage. Client injuries would be an example of a key threat to your business.

Step 2: Assess the likelihood of the identified threats: Once key threats are identified, you should consider how likely it is that such an incident would arise. Using the client injury example, you may consider the likelihood of a client getting injured whilst under your care as very low.

Step 3: Assess the severity of the identified threats: It is necessary to consider the severity of the threat if the incident did occur. Although the likelihood of a client injury is low, you may consider the severity of such an incident to be very high.

Step 4: Consider taking actions to mitigate identified threats: This step aims to develop strategies and actions that can be put in place to reduce the threat. For example, having proper staff training and adequate insurance would be a potential mitigation strategy for reducing the threat of client injuries.

It is good practice to prioritise your potential threats and risks by likelihood and severity. This will help you focus on risks that would affect your business the most. It is worth noting that not all threats can be mitigated or mitigated fully. These remaining threats are called “residual risks”. An example of a residual risk is a customer cancels your service without sufficient notice, and you cannot recover the cost. In the business planning stage, you need to factor in resources to accommodate these residual risks.

How to use your business plan to check the “pulse” of your business

Once your business is up and running, it is important to check the “pulse” of your business to make sure it is on the right track. You can use your business plan to monitor and re-assess your business’ on-going performance.

Key performance indicators (KPI’s) in your business plan should be used to measure the performance of the business in specific areas. KPI’s can also be used to identify where your business is doing well or where it is under-performing. This technique is called a “Business Performance Review”.

Here is an example of a **Business Performance Review** utilising the business plan:

Business Plan Goal	Business Plan KPI	Sept 18 Quarterly Target	Sept 18 Quarterly Actual	Assessment
Sustainable growth	No. of new customers	40 new customers	45 new customers	Exceeded
Positive cash flow	Time to collect from debtors	14 days	22 days	**Not achieved**
Sufficient profit	Gross profit margin	40%	35%	**Not achieved**
Customer satisfaction	No. of customer complaints	No more than 2 complaints	0	Exceeded

In this example, the Business Performance Review would tell the business owner that the “growth” and “customer satisfaction” targets have been met or exceeded, whilst more work needs to be done to improve “cash flow” and “profitability”.

Ensure performance reviews are conducted regularly. Once every 3 months is normally sufficient. You may need to get assistance from your bookkeeper or accountant to assess some financial performance measures.

Business plan template

Ready to make your very own business plan? There are many different forms that a business plan can take, however, they all aim to achieve the same thing.

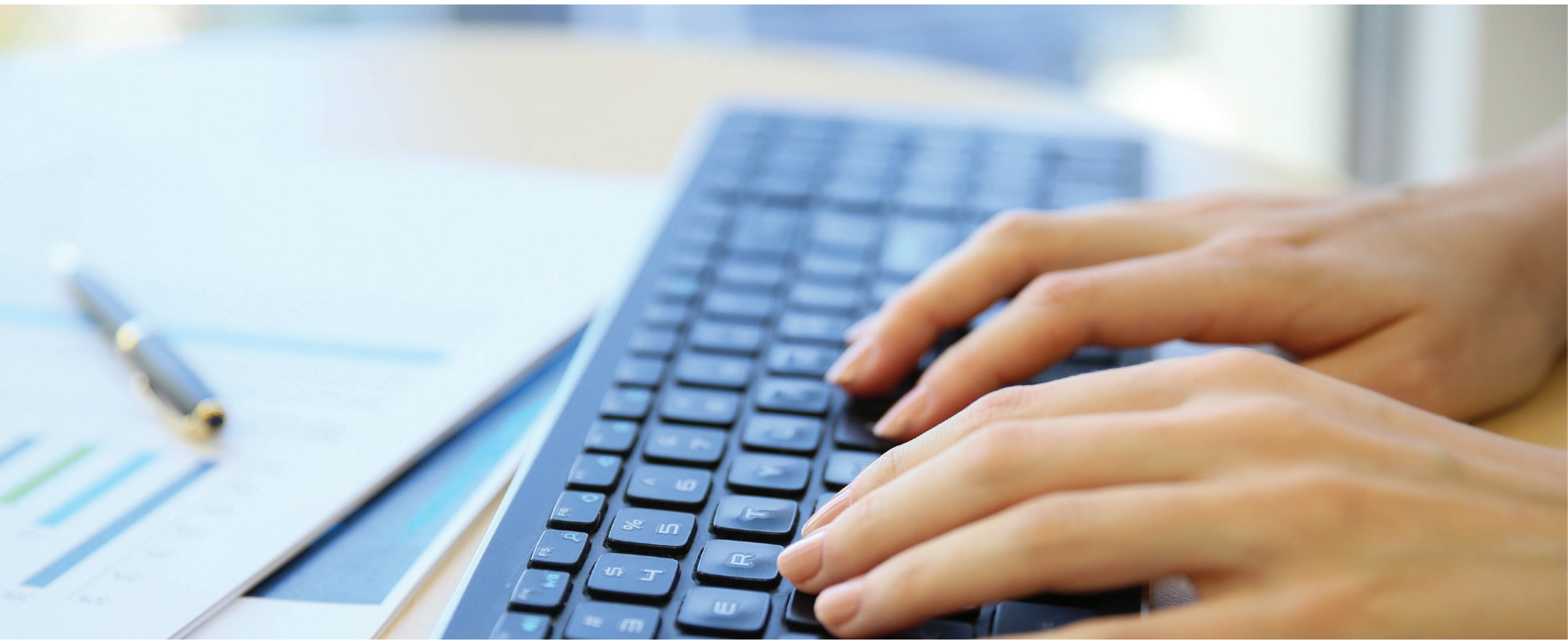
The Department of Industry, Innovation and Science has developed an easy-to-use business plan template that is suitable for small businesses.

https://www.business.gov.au/planning/templates-and-tools/business-plan-template-and-guide

You can get help from your accountant, business coach, or your local Business Chamber.

Additional resources

- Business Planning - https://www.business.gov.au/planning



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