Home business essentials

A guide for business operators in South Australia

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01 Overview

What do you think owning your own business means? Is it all the benefits of employment without the restrictions, time off when it suits, no bureaucracy to hassle you, no child-care problems and no commuting? You might think it offers the best of both worlds.

While running a business from home offers many attractions, to be successful it is not only you who will need to stand up to the rigours of being your own boss. A home-based business is likely to call for changes to family routine, support from family members and a host of other considerations. Detailed attention to planning is a must.

Readers are advised:

- The purpose of this guide is to provide general introductory information.
- The guide does not purport to contain all the information that would be relevant to any particular business opportunity.
- The guide is provided to interested persons on the basis that they will be responsible for making their own assessment of that opportunity with the assistance of the information provided.
- All figures contained in the guide should be regarded as estimates only based on general samples and may be subject to error.
- The information in the guide should not be relied upon in substitution for professional advice and individual investigation.
- Persons interested in pursuing any particular business opportunity are strongly advised to fully inform themselves by taking professional advice as to the extent of their rights and obligations—particularly in relation to any proposed investment.
- The guide is provided subject to the terms of the formal disclaimer, which appears on the last page.
02 Why operate a business from home?

Owning a home-based business is, for the most part, just like owning any other business. Regardless of location, every business must serve a market for its products and services, generate sufficient sales to cover operating expenses, and make a profit. The level of profit must be sufficient to reward the business owner’s time, repay any loans, accumulate capital for expansion, reward the capital invested and pay any taxes applicable to net income. Just like every business, you must ensure that you have all the necessary fundamentals in place e.g. registering your business, organising licences and permits, financial controls, business planning, records management, marketing etc. (refer to the Department of State Development’s Start Your Own Business Workbook.

Running a business from home offers many advantages. You can cut overheads, avoid travelling to and from work, enjoy a pleasant working environment, conserve capital, gain flexibility, start part-time while bringing up small children, learn the ropes with a low level of risk and service customers outside normal business hours.

But there are pitfalls. Without colleagues and peer support, you can experience feelings of isolation and may operate in isolation from other business contacts and so be unaware of market changes, legislative changes, etc. Also, you cannot go home to get away from work, so in a sense, you never leave work. Business operations can often impact on the family and family interruptions can intrude into time set aside for the business. Friends, used to you being ‘off work’ while at home, will need re-education. It can sometimes be difficult to look professional, especially with high-profile clients, and lack of space can present a problem as the business grows.
03 Do you have what it takes?

The following self-assessment checklist may help you to assess your capacity to cope with the demands of a home-based business.

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<tr>
<th>CHECKPOINT</th>
<th>Y</th>
<th>N</th>
<th>NOTES</th>
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<tbody>
<tr>
<td>Why do I want to run a business from home?</td>
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<tr>
<td>What problems are likely to occur in my family and personal circumstances if I operate a business from home?</td>
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<tr>
<td>How determined am I to succeed, especially if relatives and friends do not seem to share my commitment?</td>
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<tr>
<td>Am I strong, emotionally and physically?</td>
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<tr>
<td>How effective am I at organising myself, my work and my domestic life?</td>
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<tr>
<td>When the going gets tough, do I get going in the face of market downturns, organisational calamities and the uncompromising demands of family members?</td>
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<tr>
<td>Can I maintain concentration against a background of domestic chaos?</td>
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<tr>
<td>How resilient am I to physical illness and emotional stress, mindful that there is no paid sick leave or relief staff to take over?</td>
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<tr>
<td>Do I have a thick skin to protect me from criticism from all sides?</td>
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<tr>
<td>Am I highly disciplined in my attitude and work ethic?</td>
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04 Is your home suitable?

LEGISLATION AND RULES FOR HOME BUSINESSES
A home base is not suitable for every type of business. Requirements such as machinery, traffic congestion and noise or odour problems may upset neighbours. You should consider whether you have suitable space and facilities in your home.

Generally, most councils allow a “home activity”, but at an early stage, check their regulations and requirements to determine whether your proposed manner of operation is acceptable.

Visit the Local Government Association (LGA) of South Australia website (www.lga.sa.gov.au/page.aspx). SA Councils work together through the Local Government Association. Home Business owners can use this website to find and telephone the local council where their business is located to determine the home business legislation and rules with which they must comply.

If you are renting the house, you may need permission from the owners.

Before you approach your local council for permission to use your home as a business premise, be aware of the following points:

ZONING CONTROLS
The Development Act controls land use in a designated area. Local councils have the responsibility for deciding whether a proposed land use complies with the Act. The regulations provide for the creation of different land use zones and the classification of land uses into groups. A council may decide whether a land use is in compliance, or not in compliance within a particular zone.

HOME ACTIVITIES
Manufacturing, trading and office uses are not generally permitted in almost all residential zones. There are provisions for some business uses to be classified as a home activity and can be carried on with council consent.

Business use must not have an adverse impact on the local environment and the general surrounding area. In South Australia a business operating at a residential property must not:

• Employ more than one person over and above the owners of the property and business.
• Occupy more than 30 square metres.
• Use machinery drawing more than 0.4 kilowatts.
• Impose greater load on utilities than would be the case for a residence.
• Create any noise or nuisance.
• Generate more than normal vehicle traffic in a residential street.
• Display a sign without consent of the local council.
• Display goods for sale outside the house.
• Involve the use and parking of a vehicle greater than three tonnes tare weight.
04 Is your home suitable?

Home activities are classed as a hobby, craftwork or similar activity that the resident may carry out without causing offence or annoyance to other nearby residents. An example is an online business.

Permission to engage in a home activity should not be seen as consent to conduct a backyard industry or business in the home.

**BREACH OF REGULATIONS**

Local councils are given clear rights and criteria for prosecuting breaches of zoning regulations. No business activities should be carried out without council approval. If you are unsure if your proposed home business activity is permitted as a home activity then you should consult your local council.

**GAINING COUNCIL APPROVAL**

To gain council approval to use your home for business purposes, you should write to them with details of your business and state clearly how it meets the criteria given for a home activity.

If the home activity qualifications cannot be met, it may be difficult to receive approval to operate a commercial business within a residential zone.

Contact your local council to determine the home business legislation and rules with which you must comply and consult a business adviser, accountant or lawyer.

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<tr>
<th>CHECKPOINT</th>
<th>Y</th>
<th>N</th>
<th>ACTIONS TO TAKE</th>
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<tbody>
<tr>
<td>Is the location of my home easy for a new client to find?</td>
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<tr>
<td>Is the nature of my business permitted in the particular council zone?</td>
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<tr>
<td>Do I need any council permits to carry out alterations or additions to my home?</td>
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<tr>
<td>Do I need signage outside my home?</td>
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<tr>
<td>Is it possible to set aside a workspace of adequate size in my home, specifically for my business?</td>
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## 04 Is your home suitable?

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<thead>
<tr>
<th>CHECKPOINT…CONTINUED</th>
<th>Y</th>
<th>N</th>
<th>ACTIONS TO TAKE</th>
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<tr>
<td>Is the area chosen removed from family activities?</td>
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<tr>
<td>Do I have adequate storage space?</td>
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<td>Do I need office equipment such as computer, photocopier and facsimile machine?</td>
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<tr>
<td>Does my business have a requirement for natural light, extra lighting or additional power?</td>
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<td>Is there an appropriate reception area for clients?</td>
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<tr>
<td>Is a separate line for business telephone, fax or computer modem required? Would a mobile telephone service be a viable option?</td>
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<tr>
<td>Is there adequate parking space for suppliers, clients and staff?</td>
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<tr>
<td>Does provision have to be made for a large letterbox for business mail?</td>
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<tr>
<td>Is there a separate entrance for clients?</td>
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<tr>
<td>Do I require office furniture (new or second-hand) such as desk, chair, filing cabinets etc.?</td>
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<tr>
<td>Will I be able to keep my home tidy during business hours?</td>
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<tr>
<td>Will the ‘business’ aspect of my home appear professional to clients?</td>
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05 Insurances

You need adequate insurance cover when establishing a home-based business. The insurance required will depend largely on the type of business you operate, whether you employ staff and whether you have any special equipment.

Be aware that household insurance will not cover business activities — customers coming to your home. Check with your insurer to see if any changes are required to your policy.

The following checklist will give you a few thought starters, but it is best to consult with an insurance broker about your specific needs.

<table>
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<tr>
<th>CHECKPOINT</th>
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<tr>
<td>Personal accident and sickness cover?</td>
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<td>Life assurance?</td>
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<tr>
<td>Workers compensation cover? It is compulsory if you employ staff, or if you run your business as a company and you are an employee.</td>
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<tr>
<td>Loss of profits insurance? It may provide you with an income should the business temporarily cease due to fire or other accident.</td>
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<tr>
<td>Public liability insurance against claims for injury, death or damage by persons other than family members or employees?</td>
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<tr>
<td>Cover for property, assets and equipment against fire, burglary etc.? (As a general rule, household insurance does not cover business activities).</td>
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<tr>
<td>Personal liability insurance against claims for damage by clients to whom you have sold something or provided paid advice?</td>
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<tr>
<td>Other?</td>
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FEASIBILITY STUDY
As with any business before you start, it is important to undertake a basic feasibility study:

• Is there a sustainable market at a price sufficient to provide an adequate profit?
• Can you secure the funds needed to establish and sustain the business?
• What level of profit is your target?
• When will cash flows be substantially positive?

If the numbers look promising it will be important to extend the study into a written business plan that looks to project sales, expenses and profits over the first three years of the business.

The plan will take account of the fact that you will be operating the business at, or from, home.

A word of warning! Many people think that operating a business at home means lower overheads and therefore the selling price of goods and services can be lower than currently paid by the market.

In preparing a feasibility study and business plan, talk with a business adviser to ensure you include all the possible costs of business operation and determine overheads accurately.

EFFECTIVE NETWORKING
It is important to keep up-to-date:

• Join your local industry network. Contact your local council for details of your nearest network.
• Participate in networking and business support programs and workshops (visit the Events for small business section of the Department of State Development Small Business website: www.statdevelopment.sa.gov.au/smallbusiness
• Subscribe to industry magazines and to home business websites.
• Consider using a co-working facility to plug into a network, make connections, spark innovation with others and to transition your business (visit the StartupAdelaide website (www.startupadelaide.com.au) for details of co-working spaces within SA).
06 Handy tips

DAILY BUSINESS OPERATION

- ‘Go to work’ at a set time each day and shut out any household activities.
- Where possible, connect a separate phone/fax line for your business.
- Establish a separate business email address from personal emails.
- Establish a simple but effective book-keeping system and keep your financial accounts up to date.
- Establish a firm customer payments policy.
- Payment by credit card is preferable to extending credit to your customers.

ADVICE AND ASSISTANCE

- Establish a good relationship with an accountant for advice on records, tax issues and business structure.
- Contact your local business advisory centre for information, and the opportunity for face-to face discussion with an experienced adviser, before you start and when the business is in operation. Visit the Getting advice section of the Department of State Development Small Business website to find your nearest centre in metropolitan and regional South Australia: www.statedevelopment.sa.gov.au/smallbusiness
- Attend business management education programs to improve management skills and to keep up-to-date with business systems and practices.
07 Summary

1. Be fully organised from the outset.

2. Be practical. Is your house really suited to conducting a business from home?

3. Is your family ready for it? Is it prepared to support you through thick and thin?

4. Seek approval from your local council.

5. Persist to achieve your objectives.

6. Start networking. Isolation and inability to market effectively are two weaknesses of home-based businesses.
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