



## **Module 17 : Setting up a Salon and Red Tape**

- About creating a business plan and finding finance
- How to find the perfect location for a salon
- What you need to know about taxes and VAT
- What requirements and regulations you must abide by

### **In this module, you will learn:**

- About creating a business plan
- About financing and banking for your venture
- How to form a company
- How to find the perfect location for a salon
- What you need to know about taxes and VAT
- Why you must know about health and safety laws
- What requirements and regulations you must abide by

### **17.1: Introduction**



**If you do decide you are ready to set up a salon, congratulations!**

You are on your way to working through a very exciting adventure, which may see you earn a lot of money, not to mention personal freedom. When you own your own salon, you are the one who gets to determine which designs are used, as well as how often it is open, and how you market it.

However, this process is not as simple as just buying a building and pushing forward. You need to know a little about the basics of business, as well as the red tape nail technicians face when opening their first salon.

## **17.2: Creating your Business Plan**

**If someone tells you they successfully started their own business without first creating a business plan - they are either *very* fortunate, naive, or lying.**

At the heart of every great business is a business plan, and your salon is going to be no different.

**So what does a business plan do exactly? It clarifies the following:**

- What your business idea is
- The potential problems that could prevent you from succeeding
- What your goals are
- Measurements of your progress, which you will insert into the plan as time goes on

## **So where do you find a business plan exactly?**

First off, it is a good idea to do a little more research into what they are about. Second, you can find free templates from government websites, as well as charities like The Prince's Trust.

Working through a business plan takes a lot of time, but it really is the foundation of your business' organisation.

In order to complete your plan as someone who is going to set up a salon, you will need to do some research into the industry itself, as well as your local market.

Looking at your local market, you will need to determine if there is potential for a salon to thrive there. Business plans also include how you are going to advertise yourself, financial forecasts, and other technically challenging tasks.

Remember, if you are struggling with the financial forecast side of things, you can always hire an accountant. It is a worthwhile investment if it helps you see your business' future clearly.

## **17.3: Financing and Banking**



**The type of finance that is suitable for your business depends on several factors.**

First, you need to determine how much finance you need. You also need to look at sources, and you need to clarify whether you have any personal assets—such as a house—that you can use to secure a loan. Unfortunately, finance is sometimes quite limited when it comes to those who do not have security in the form of their own property.

**There are several routes you can take when it comes to finance, this includes:**

- Finding investors, which does help you avoid banks but is also time consuming
- Crowdfunding, which is also quite time-consuming, but feels far more casual and approachable than having to pitch to investors
- Loans, which are easy to access for those who have a good credit rating and a home to secure against them, but can be just about impossible to find for those who do not
- Charity grants, which are often restricted to people who fall into tight categories, such as potential young business owners

Business banking requires you to start a business bank account, and again, how successful this is depends on you, your business plan, and your credit rating.

Your options can seem endlessly confusing here, so it makes sense to use the services of an accountant rather than floundering.

Financial advisors are also good for finding the right account too.

## 17.4: Forming a Company



**Some believe that forming a company is only necessary if you envisage yourself earning more than £70,000 a year.**

However, there are benefits that come with company formations that all business owners can experience, whether they are going to earn this much or not.

Forming a company means you go from simply owning a salon, to having one that is a private limited company. When you do this, you need to appoint someone as the 'director' and you must register it with Company's House.

Private limited companies are set up with the knowledge that the shareholders will share responsibility if it fails financially. As such, you need to determine who your shareholders are, have them make an investment, and ensure they are clear that they take (partial) responsibility for the company if something goes wrong financially.

**In order to set up a company, you need the following:**

- The company's name and address
- The name of the director
- The name of at least one shareholder
- Details of the company's shares
- Rules about the company and its activities

Fortunately, setting up a private limited company is a fairly simple process. You can do it online for a small fee but do make sure you are going through a government website rather than one that is trying to make extra cash from you. If you want to make sure this process goes smoothly, you can always turn to an accountant, who will help you with the company formation process.

## **17.5: Finding a Location for Your Business**



**Finding a location for your business is not as simple as finding a location for your home.**

You can't just hop onto a property website and hope that the right building crops up. Instead, you need to spend time researching where is a good location, as well as the types of properties that are suitable.

When setting a location for your business, common sense should prevail.

**In other words, you need to:**

- Avoid areas that are in the middle of nowhere. Properties are widely available on industrial estates but may be hard to access for your client base
- Avoid places where there are a large number of salons already present. What's the point in going where everyone else already is?
- Try to avoid places that are not salubrious/family-friendly. For example, areas where there are strip clubs etc.

After identifying a good location, you need to find a potential business premises. Think back to the module on health and safety before you do this. You are going to need great ventilation and two flowing sources of water. Consider how many employees you will need, storage space, a reception area, and a waiting area.

**So how can you find these locations?**

One of the best ways is to simply go to an estate agent. Their services are free for you, but they will gain commission from the clients they are representing. As they need to keep you happy to do this, they will try their hardest to meet all of your requirements. Remember, you do have two options here; you can either rent, or you can buy.

## **17.6: Taxes and VAT**



**Unless you are an accountant, the chances are the word 'taxes' sends chills down your spine.**

And so it should! Taxes are awfully complicated, as there is such a high risk of you getting it wrong. When you throw VAT into the mix—which is a given if you choose to set up a limited company rather than acting as a sole proprietor—it gets even more complicated.

When it comes to taxes and VAT, will be dealing with His Majesty's Revenue and Customs (HMRC). HMRC offer a range of guidelines and online services. If you can decipher them, that is great! However, in the absence of a qualification in accountancy or some other form of formal training, it is probably better if you just bit the bullet and use an accountant.

When it comes to partnering up with an accountant, you have a couple of options. You can either choose to use one as a one-off for your taxes and VAT, or you can opt for regular services.

Many will work at intervals that meet your needs, such as organising your taxes for you on a weekly, monthly, or even quarterly basis.

The larger your business becomes, the more likely it is that you will need a regular accountant. You may find yourself needing one for your PAYE and bankrolls, which allows you to focus on building your business while a professional manages your employees' finances.

## 17.7: Health and Safety

**The basics of health and safety have been covered in a previous module, but it does not hurt to go through the importance of them in relation to setting up a salon.**

When you are a salon owner or manager, your role in health and safety changes considerably. In short, you are going to be the person who is in charge of the personal safety of everyone else.

**When you are first setting up your salon, you will need to do the following to ensure you adhere to health and safety guidelines:**

- You must look at the Health and Safety Executive (HSE) guidelines for setting up a new business
- Public liability insurance is a requirement, as is employer's liability insurance
- Ensure the area is well-ventilated. As discussed in the chapter on maintaining health and safety, noxious substances are a problem for nail technicians
- Make sure there are two clean sources of water that you will use separately for cleaning

equipment and washing your hands between clients

- Ensure you have an HSE poster that is displayed somewhere where all staff will clearly see it at least once on a daily basis and make sure they know it is there
- Make sure there is a way for members of staff to report injuries in the workplace, which usually means reporting to yourself or another senior member of the team
- Look at performing risk assessments at regular intervals. Some insurance companies may even require you to do this

## **17.8: New Business Requirements and Regulations**

**After smoothing out the finer health and safety details, you just need to pay due regard to your other business requirements.**

### **Environmental Health**

First of all, there is environmental health. Local environmental health bodies oversee the safe disposal of chemicals, as well as other ways your business interacts with the environment and the local community.

As a business owner, you have a 'duty of care' to ensure that your hazardous waste does not harm the local environment. This includes not contaminating water supplies, not harming local people, and not harming local wildlife.

One of the best ways to ensure you meet all your local health and safety requirements is to consult with your local council. Each one has its own environmental health department, and by contacting them now as you try to set up your business, you can avoid crossing their paths in the wrong way later on if you get something wrong.

### **Business Laws**

Once you are over the environmental health humps, you will find there are many business laws you need to comply with. Rather than seeing them as a hindrance that will hold you back, see them as an



opportunity to protect yourself and your business interests. The more you adhere to business laws, the less legal difficulty you will find yourself in, even if something does go wrong.

Rather than risk heading into the minefield that is business law, you should consider seeking professional legal advice. It may seem like the cost of professionals is mounting up here, but that small investment you make now could save you a lot of money further down the line. They know the legal rule books by heart and they will identify strict codes you need to adhere to, as well as legal situations that could become unique to your business.

By now, your head may be swimming with everything it apparently takes to set up a business. Do not worry, that is a good thing! The process is meant to be challenging, and the hard work can lead to success.

Rather than feeling perplexed, you need to take a step back and address each aspect of this adventure step-by-step.

**To make this easier, always remember to:**

- Draw on the advice of professionals whenever you feel stuck. Yes it costs more money, but that small investment you make right now can prevent legal problems somewhere else down the line. Remember, these professionals exist for a reason: everyone else finds doing their job is incredibly hard.
- Form a business plan at the beginning and remember that it is fluid. You can alter it as your circumstances change, which is sort of the aim. In reality, all businesses are adapting their business plans on a periodic basis.
- Investigate ALL forms of finance available. The more you look into investors, crowd funding, and grants, the higher your chances of finding a financial resource that will not impact your credit rating or current assets.

## **17.9: Consumer Protection Act**

**The Consumer Protection Act was put into effect in 1987.**

It is an act of legislation to protect consumer rights when purchasing goods or services. If something has occurred in treatment while at a place of business, a consumer can file a claim.

**Standard claims include:**

- Credit and store card fraud or misrepresentation
- Faulty or poor services
- Rogue traders

These standard claims apply to nail salons. For example, rogue traders would be unlicensed nail salons or those without proper registration. As long as your employer or you as the owner are in compliance you will not have to worry about such a claim based on the Consumer Protection Act. If you do not have credit or store cards, and only take cash or credit cards for payment this will also not apply.

**Main Nail Applications for Consumer Protection**

Faulty services are typically where most of the claims to the Citizens Advice occur. If you do not provide a proper level of service to your clients you may be subject to an investigation on behalf of the client who entered a local complaint. The Trading Standards Officer would come out from your local authority to do an investigation of your business to determine if the claim is appropriate.

You can avoid issues with the Consumer Protection Act, in terms of claims, by providing exceptional services. Your services should be timely and if not timely due to an issue with missing, ill, or sudden employee issues, then you need to make it clear to the client as soon as they walk in. By providing excellent customer service that is friendly and professional you can avoid claims.

Some clients cannot always be satisfied. They may make a claim. If it happens you should have a well-documented record of what occurred for the investigator.

**17.10: Sale of Goods Act**

**The Sale of Goods Act was put into effect in 1979. It came before the Consumer Protection Act, which also has some goods protection.**

The Sales of Goods Act has specific rules that must be followed by sellers and retailers. When a

client buys goods, it means there is a contract made with the seller. If there is an issue with the goods purchased the Consumer Rights Advice line or Citizens Advice can be contacted by the client. This can also work for the business owner buying from a seller or wholesale company.

## **From a Client's Perspective**

A client has the right to obtain proper, in date goods from a place of business. It is the employee's and owner's responsibility to ensure all goods sold are within their proper sell by date. It is also the liability of the business to ensure all goods sold have proper ingredients mentioned, particularly for any shampoo, conditioner, massage lotion, nail polish or other items sold in the nail salon.

## **From a Business Owner's Perspective**

When buying from a wholesaler or supplier for nail polish and other items sold as goods in your place of business you have the right to expect all information about the product to be accurate to the best of the seller's knowledge. The seller must also follow the Sale of Goods Act as it pertains to the contract between seller and retail buyer. If there is an issue with the goods it must be made known and corrected. The seller must notify the buyer so that any problem goods are removed before they are sold on to clients.

When the goods are received, either as the business owner or as the client of the nail salon, the goods must match what is described, be of proper quality, and fit for the purpose of use. In the event they are not the breach of contract can be reported and a claim for reimbursement from the seller can be made.

## **17.11: Trade Descriptions Act**

**The Trade Descriptions Act of 1968 was created by Parliament in the UK to prevent service industry providers like nail salons/technicians from misleading consumers regarding the money clients spend on services.**

It is an Act that also prevents manufacturers and retailers from selling services or goods through misleading means. The law allows companies to be penalised if false claims are made regarding services or products being sold. Individuals can also be prosecuted should they be found to be misleading clients.

## **Trade Description of Goods**

It is a strict liability offence to mislead a client regarding goods such as nail polish and other items a nail salon may sell. If the description is found to be false, then it is possible for the company to be prosecuted for misleading a client. Products must be sold at a quality that does not contain flaws that are obvious or mislead as to the intention to be 'fit for purpose'.

## **Trade Description of Services**

Services are the same in terms of providing a proper description for what is going to be provided. Services can be slightly subjective making it important for the client to know exactly what to expect regarding the level of services you may offer. For example, a standard manicure is typically a soak, nail clipping, cuticle work, nail filing, massage, and then a proper polish covering the nail. The description of all services must be specific so there is no question about what is being paid for.

As long as the company can prove the services or goods description is not misleading there will be no claim filed or won in court. However, it is up to the client to prove improper, misleading information on goods or services. For services, guilty intent must be proven as well as the false description.

For owners and employees being clear in descriptions of all services and goods is a must.

## **17.12: Electricity at Work Act**

**The Electricity at Work Act 1989 provides the regulations one must meet to avoid electricity hazards within the work place. Electricity can kill through shocks, cause fires and explosions.**

The regulations put in place by the HSE and government require reasonable safety measures to be in place for electricity sources at work. Nail salons are particularly troublesome in terms of safety issues, given the amount of water that is used for pedicures and manicures throughout the day.

### **Electrical Equipment**

All electrical equipment must be installed properly. This will start by ensuring that outlets are a safe

distance from any water. Surge protectors must be in the wall and not running along the floor in the event of a spill in a nail salon.

The pedicure stations will need to be plugged in with the wires checked periodically for any issues that could cause a short. When creating the hand bath, the bowl should be deep enough to avoid any spills and all electrical outlets need to be placed a safe distance from the workstation with the water.

System covers need to be in place when an outlet or electrical equipment is not being used.

## **Suitability of Equipment**

All equipment must be maintained or replaced if not safe. All equipment has to be properly used to ensure it is suitable and within the Electricity at Work Act regulations. These steps are within reason based on the location and requirements of equipment to be near the workstation.

### **For example**

The buffing tool for acrylic nails may be near the same work station as the water bath; however, the water should be removed before any electrical equipment is plugged in for use.

If there is known damage the equipment must be replaced. If there is live or dead electrical equipment (equipment that may or may not be plugged in) it must also be isolated from the electrical outlets.

## **17.13: Local Authority By-Laws**

**Each local council or authority has their own rules and laws (by-laws) that determine what is acceptable for health and safety based on your nail technician business.**

As it can vary from council to council, it is important to understand the necessity of contacting your local authority to read over specific guidelines that fit your nail salon regarding health and safety. Local authority by-laws will apply even if national and EU laws are slightly dissimilar. It is not enough to simply acquaint yourself with the national and EU laws regarding your business.

You can visit the Gov.uk website to find your local authority phone number to check the by-laws as they apply to your business. The main focus of the local authority is health and safety for employees and clients.

The national laws have been explained in other modules. Once you check your local authority by-laws you can then determine if there is anything to add to your current health and safety plan, risk management, and handbook policies.

## **Employees Have Responsibility**

As the employer you are liable for training your nail technician in local authority by-laws. It is your responsibility to ensure employees are retrained if something is being done incorrectly. You also have to refresh employees (and yourself) at various stages to make certain the by-laws are being followed.

However, employees also have responsibility to follow the by-laws you explain to them during training, in the handbook, and during refresher/retraining periods. If employees are not adhering to their responsibilities even after retraining it is your responsibility to terminate their employment.

Sometimes a loss of employment or explanation of why a loss will happen next time a policy is broken is enough to fix any incorrect behaviour. When it is not you must maintain your health and safety regulations under local authority by-laws.

## **Fines**

There are some fairly hefty fines if you break a local authority, national or EU law regarding health and safety.

There is no reason to put your business in this situation when employees have been properly trained and fail to comply. Your overall responsibility is to keep the business open, serve clients with health and safety in mind, as well as provide employment for employees who follow rules.

You also have the responsibility of ensuring all employee health and safety. To avoid the fines, contact your local authority and request specific by-laws regarding the chemicals you are using including any bleach, nail polish, and other products. Your local authority can answer any questions you may have.

## **17.14: Public Liability and Employers Liability Insurance**

**In 1969 the UK created a compulsory insurance Act known as the Employers Liability Act.**

This legislation requires all businesses to carry liability insurance, which covers the public and employees. Employers are responsible for health and safety of all workers and public who may be in their place of business. This liability can also extend to the pavement outside, stairs, and outdoor areas depending on ownership of property.

### **The Specifics of the Act**

The Act requires employers to have insurance to cover any injury or disease that may occur at the workplace. This also covers the public, meaning clients or other people who visit your place of business. Employees or the public can make a claim against your business if they feel they were injured or became ill due to your business establishment. They can claim compensation which can cost your company a great deal.

It must be mentioned that you will need two different policies for insurance to cover public liability and employer liability. The insurance cover is not the same, but you are required by law to have both. One cover is for employee claims, while the public liability insurance allows for members of the public such as clients or other businesses to make claims against you or your business.

### **Certain Cover is a Must**

Insurance companies offering public and employee liability cover must provide compensation for a claim for certain situations.

#### **There are things they cannot refuse to pay for:**

- Even if you did not provide reasonable protection for your employees cover must still be provided for employee claims should injury or disease result.
- Even if you do not have specific records that you can give to the insurer they cannot withhold compensation.
- If you have an employee you trained against doing something improper and they ended up hurt

by doing what you specifically trained them not to do the insurance company must provide cover.

- If you have not done something you were told to do by the HSE or insurance company, the company cannot withhold compensation.
- Even if you have not met certain legal requirements, you can still obtain compensation.

It does not mean you will not have legal troubles or responsibilities regarding health and safety. It simply means that a claim will be paid to ensure the injured or ill employee is provided with what is due to them.

For public liability some of these same rules apply in terms of paying out the claim. The public has a right to compensation particularly once a legal battle has proven a pay-out is warranted. If the issue has to do with outside pavements you do not own, you may still end up being liable because it was in front of your shop. For these situations the insurance company will need to pay proper compensation.

## **How much cover do I need?**

The amount of cover you need is often assessed by the typical claims you can expect for your place of business. In the UK it is often best to have at least £5 million in cover for each policy. Laws state that this amount of cover is a must for employee liability, but you may find that double the amount is affordable.

You will be given a certificate to display letting your employees know you have liability cover for claims. You do not need to put up any notice to the public that you have cover; however, you do need to have business licences on display. Your business registration number and all pertinent licences should be displayed prominently to show the public that you are properly regulated and within the laws of the UK.

## **Go and Practice**

*Estimated time: 60 minutes +*



Complete the worksheet by filling out the business plan (provided by the Princess Trust). This can serve as a rough draft before you finalise your business idea and fine-tune your plan further.

[Download Worksheet](#)

## **Module Summary**

The chances are you have already considered setting up a business. What you may not know is that there is often considerable red tape associated with doing this.

In this module, you learned how to write a business plan, adhere to legal guidelines, and find funding. In addition, you found out why it is often important to discuss all these matters with a solicitor and/or accountant.

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