

Cost Savings.... Where to Start?

Over the past 3 months the economic news just seems to get worse and worse for the charity and not for profit sectors. This is really the first time in 15 to 20 years that it will be affected by the downturn. At Charity Business we are conscious that with the downturn in the economy it will become harder for our clients to raise money whilst at the same time trying to balance the increasing costs as a result of inflation running at 5%. Over the next few months we will be bringing a series of articles to you on how to save money so as to ensure that every pound that you receive is utilised with the utmost effectiveness.

The first in our series of articles is about where to start looking for savings within your organisation. It is easy to say that charities are very conscious about expenditure but do you really look at the expenditure to determine if it is the best way of providing a service or the most cost effective way of spending money?

What we have found with most clients is that there are a number of areas where costs can be saved not only in direct but indirect ways. The first of these is receiving and paying for items via direct debit. This method of payment is the most cost effective means of receiving and handling donations and membership whilst also enhancing a charities ability to be in control of this income stream. Typical savings from processing are in the region of 20% to 30% with knowing which of your donors are regular givers as an added bonus. Information on direct debits payments is available from our website at http://www.charitybusiness.com/outsourcing/other_services.html.

As well as having your donors paying by direct debit it is worth considering paying expenditure such as utilities, telecommunications, etc. by direct debit as the supplier normally gives a discount or does not charge for this means of payment. For example, if you have a BT telephone line you will be paying £5 per quarter to pay this by cheque.

The next areas to look at are utilities and providers of these services. As energy prices continue to grow at greater than 14% per annum and there does not seem to be any let up on this, it is worth shopping around for better deals on contracts for water, gas, electricity and telecommunications. This month we are launching a new service to assist our clients in these particular areas which will also allow you to fully understand your costs and what you can do to reduce them. Our utility partner, **Utility Aid** can help reduce your energy costs and allow you to become more energy efficient. By installing a smart meter, energy usage is monitored and recommendations made on how to improve efficiency and cut costs. In the meantime it is worth looking at things such as:

- Turning off all computers and office machines not needed at the end of the day. By doing this rather than putting them on standby or sleep mode you can save up to 60% of the power used by the machines each time they are fully turned off.
- Start talking to your suppliers about what they can do to reduce your costs and then use this to compare to other providers of the same service; just remember to compare like for like as many companies like to throw things in to sweeten the deal when in fact the result is a better deal for them.

Other areas that as an organisation you should consider in terms of cost savings include:

- If you are an organisation with annual turnover less than £500,000 and none of your funders require an audit then you should consider an independent examination;
- Office stationary costs are the one area where there are always savings to be had and it is worth using the internet to compare costs for standard items. Don't forget to look at the delivery costs as this may be the leveller for different suppliers;
- Paper and printing costs are similar to office stationary though one difference does apply and that is the photocopier – if you are leasing you need to look at the costs associated with the lease and the amount of printing that you do or will be doing as this is a cost to each page you print. When you have done the analysis it sometimes is a lot cheaper to have items professionally printed at the local copy shop; and
- Travel and meeting costs are an area that can be abused but you should question whether they are always really necessary. It is not just the cost of the train fare or meeting room but the time that is lost getting there. One thing to look at is whether your phone system allows conference calls – we have recently adopted this facility and it has changed a great deal the way in which we do things. If you do not have this facility, there are a number of organisations that provide the charity sector with these services at a much cheaper price than BT or other telecommunication providers.

These are just some of the areas to look at – the most important thing to do is to be open with managers and staff about wanting to save money on expenditure, not be cutting corners but ensuring that money is spent in the most efficient way and manner. It is surprising when we have asked staff at our clients why they spend as they do. Most answer “that is they way we have always done it”. When you ask them how they might go about saving money they all of a sudden come up with very good ideas that can be implemented immediately. At the end of the day the only way to ensure that you do save money is by ensuring employees are made aware of their expenditure and what you require them to save – without this it is very difficult to save any money!

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