

Charity begins at home – but how to begin?

PRESS RELEASE

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'Charities are facing rising demand and shrinking incomes during the recession and a third are now unsure about the future. However, 21% have tried to reduce office and energy costs.' reported the Charity Commission last month. Clearly, and especially in this difficult climate, there are many more who would profit by taking this step.

Cost management consultants Auditel have been working with charities for over 15 years, and offering them a free examination of all their business costs. They found that many were paying too much for these services.

Their research indicates that most charities focus on the headline prices of their essential overheads, assuming that these equate to the total cost. But this is not so! A low price offer from a supplier does not mean meaningful, long-term savings. How do you know if this is the best price? What if the price goes up next month and you're tied into a long-term contract? Will minimum charges be applied, pushing your costs up rather than down? Do you have time to monitor your prices regularly and check your bills? ... etc.

Charities need to concentrate on managing their costs consistently and diligently to achieve their aims, rather than making one-off savings. This requires time, resources and specialist application, which many lack. Increasingly therefore, a number are turning to outsourced providers of these services. Thus, they can access expertise, mitigate the financial loss of taking key individuals away from their core responsibilities and eliminate the costs of employing in-house staff.

However, as in any other profession, there is best practice in cost management. Always check exactly what is offered! For example, one of the most important things to consider when outsourcing is the auditing procedure. Best practice should include the following: -

- A comprehensive, in-depth review of current essential services expenditure
- A thorough analysis to determine where savings can be made
- A detailed report of recommendations including information about how the consultants will earn their fees, eg, on a contingency basis or a set fee
- A consultant should take full responsibility for managing relationships with existing, or new suppliers

Achieving the projected savings (and rebates for overcharges in the past) should be just the beginning of the job. The consultant should continue to assess current expenditure against new tariffs and services as they become available. This ensures that the benefits will continue at optimum cost efficiency across all essential business outgoings.

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Shown below are some of the benefits from savings provided by Auditel consultants:

YMCA	£135,000
John Grooms	£54,000
Ben	£47,500
Anthony Nolan	£32,200
Naomi House	£13,800
RAFA	35% electricity, 25% gas, 23% communications
RSPCA	29% electricity, 20% communications, 20% gas, 45% security, 50% cleaning materials

Recently, Brunelcare, a registered social landlord, and an originator of the 'Meals on Wheels' concept, commissioned them to undertake a survey on their business costs. Annual savings amounted to £105,000 on gas and electricity usage including a substantial rebate from previous incorrect billings. Their Finance Director, George Cooke said: *"As a charitable housing association, we always look for efficiency gains so we have a heightened awareness that we must spend our money wisely. By reducing our expenditure, Auditel has saved over £100,000. These savings translate into valuable capital which has, in turn, been reused within our organisation."*

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Source: Norman Grossman writes regularly on cost management matters. A client is Auditel, one of the UK leaders in cost and purchase management. They advise many charities and non-profit organisations.