

# 365

ways to

# Cut Costs

*Alex Blyth*



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# Contents

Foreword	v
About the author	vi
Introduction	vii
1. Strategy	1
2. Salaries	8
3. Benefits	18
4. Recruitment	26
5. Training	37
6. Culture	49
7. Purchasing	55
8. Property	66
9. Office services	76
10. Office supplies	81
11. Utilities	86
12. Equipment	91
13. Fleet	96
14. Information technology	104
15. Telecommunications	111

16. Printing	117
17. Travel	121
18. Fundraising	130
19. Public Relations and newsletters	145
20. The Internet	155
21. Consultants	162
22. Legal issues	171
23. Finance	178
24. Tax	190
25. Free advice	195

# Foreword

The environment for charities has never been more exposed and demanding. The generosity of the public is under pressure, companies are less expansive in their corporate social responsibility plans, and the opportunities for charities to manage enterprises successfully to raise unrestricted income are reduced by the state of the economy.

Meanwhile, it is important that the voluntary sector flourishes to fill the gaps left behind as the state withdraws from the funding and provision of vital social services.

This compendium, published by the Directory of Social Change and compiled with insight by Alex Blyth, provides a helpful and timely guide for trustees and executives to make sensible, sustainable plans for efficiency. I commend it as essential reading for these times.

**Michael Lake CBE**

*Michael Lake was Director General of Help the Aged for 12 years before guiding the charity to merger with Age Concern. He chairs the UK Age Research Forum and the British Gas Energy Trust, and is a trustee of the International Longevity Centre and of the Charities Aid Foundation.*

# About the author

Born in 1974, and with a degree in politics and philosophy from the University of York, Alex Blyth is a freelance journalist who has spent the past decade writing extensively about the voluntary sector.

He has written for publications such as *Third Sector*, *Professional Fundraising*, *Membership Today* and *Ethical Performance* on a wide range of topics, from the issues around street fundraising to whether charities should offer free plastic bags, from building effective websites to how to get the most from corporate partnerships.

He also writes widely for the business press, runs regular writing workshops, helps organisations to write their promotional material, and is called upon frequently to speak at industry events.

Alex lives with his wife Claire, and when he is not working, he usually can be found either trying to remember how to play cricket, or running around the green spaces of south-west London.

# Introduction

Cost-cutting is always important to charities, but never more so than now. Research in October 2008 by the Charity Commission revealed that 38 per cent of charities had been affected by the economic downturn. This has brought the perennial issue of cost-cutting right to the top of the agenda.

Charities are always trying to keep their bills to a minimum, but the same research revealed that in the last few years more than half (54 per cent) had suffered with rising costs including energy, food and travel costs. Meanwhile, 40 per cent had experienced a drop in donations. This was all happening at the same time as demand for their services was increasing – 21 per cent said that demand for their services had risen in the past 12 months.

By December 2008, the payment processing firm Rapidata's *Charity Direct Debit Tracking Report 2009* was reporting that, after four years of falling cancellations in direct debits to charities, people were now beginning to cancel them. The NSPCC, which gets one-third of its income from regular giving, reported an increase in cancellation rates for payments through direct debits of about 14 per cent in 2008.

As we entered 2009 and the economic slowdown became a full-blown recession, the news worsened. A survey by Justgiving revealed that one-third of donors were considering cutting back their donations to charity. A Charities Aid Foundation poll showed that 41 per cent of charities were operating on less income than they had budgeted for, and more than half of charities affected by the recession had dipped into their reserves.

The Government announced its Third Sector Action Plan, and no one in the sector turned their noses up at the pledge of £42.5 million, but we all knew that it would take much more than that to protect charities of all shapes and sizes from cutbacks to services, from staff redundancies, and possibly even from liquidation.

The last two years have been tough indeed.

They have presented those running charities with unprecedented challenges. While we all know that charities are not businesses, charity managers have had to adopt a businesslike approach to their operations more than ever before. They have had to act to stem the tide of direct debit cancellations, to shore up their



corporate donor base in any way that they can and to find ingenious new ways to acquire fresh donors. They have had to make difficult decisions on staffing levels and find increasingly innovative ways to cut costs.

In many ways, cutting those costs has been the most difficult aspect. As every successful businessperson knows, in tough times the last places you look to cut costs are sales, marketing and people development. Cutting back in those areas is a sure-fire way to squeeze the life out of any business.

The same is true of voluntary organisations. You can slash your fundraising budget and improve the balance sheet in the short term, but before long your income will fall and you will be in even worse trouble. You can reduce your headcount and freeze training, but before too long you will be trying to cope with a diminished and demoralised workforce. It is simply not an option.

So, what choices are left to you? Where can you make these cutbacks that are so essential to your organisation's survival?

This book contains 365 ideas for cutting costs without strangling your income or decimating your human resource. It covers a wide range of subjects, from salaries to tax, and from the Internet to public relations. Some are big ideas involving long-term projects such as merging with another charity, while others you can implement today, such as using online conferencing instead of travelling to meetings. You will be doing many of them already. Others you will know about, but might not have got around to putting into practice, and some will be new to you.

Don't try to implement all 365 ideas – you will simply end up running too many unfinished initiatives. Indeed not all of these 365 ideas will be relevant to your organisation. Instead, pick out a dozen: one for every month of the year ahead. Make a plan for putting them into practice and then do it, involving all those around you, and celebrating your achievements as you progress.

By doing this, you can genuinely transform your organisation. You will save your charity thousands of pounds and leave it well placed to survive the recession, but more than that: you will be turning a difficult situation into an opportunity. At the end of those 12 months your charity will have become an organisation which knows how to cut costs. It will be leaner, more creative, more dynamic – and better placed to deliver on its mission when the good times do return eventually.

Cutting costs is never easy, but armed with your determination to do it, and with the great ideas contained in these pages, you can make it happen.

So, let's get to work!

# Strategy

## 1. Prioritise cost-cutting at board level

Before you do anything else, you need your board of trustees to buy into the importance of cutting costs. No matter how obvious it seems to you that you have to cut costs, you must ensure that those at the top of your charity understand this. They have to set an example to the rest of the organisation to emphasise the importance of cost-cutting, and crucially, to approve difficult decisions that you will have to make. In simple terms, without their support you will never succeed.

So, schedule time with your trustees individually and as a group. Explain clearly why you need to cut costs. Show what will happen to your organisation if you fail to do so. Make them as enthusiastic about your project as you are.

## 2. Develop commercial skills on your board

As head of charities at accountancy firm Scott-Moncrieff and chair of the charities committee at the Institute of Chartered Accountants of Scotland, Gillian Donald has spent many years advising charities in Scotland on how they can cut their costs.

She offers this advice:

*Get the right skills on your board of trustees and you will avoid many unnecessary costs. Begin with a skills audit – work out what skills you need to run your charity well, and see where the skill gaps on your board are. Then ensure you fill them.*

*Get the right skills on your board of trustees and you will avoid many unnecessary costs.*

*...if you are serious about cutting costs, you do need to spend some time assessing the viability of your various projects.*

*It's important to get a balance. You need to have the right professional skills for your charity. So, if you are a mental health charity you need to have psychiatrists. But you also need to have trustees with commercial skills – trustees who understand the importance of cashflow forecasting and so on. If you get that balance wrong then you will either struggle to understand your beneficiaries, or you will struggle to have enough money to help those beneficiaries.*

### 3. Review the impact of your programmes

While this book is not about cutting projects, if you are serious about cutting costs, you do need to spend some time assessing the viability of your various projects. Does every programme you run produce the intended benefit? Does it help enough people? Does it succeed in getting the message across? Does it produce any worthwhile findings? Or is it just an expense that drains resources from the rest of the organisation? If it is little more than a cost, then you can cut it without any detrimental effect on the charity.

### 4. Avoid duplication with other charities

Check that you are not duplicating the work of another charity. If one of your campaigns is covering exactly the same ground as another charity, or if you offer a service that in effect competes with that offered by another charity, then you probably can save your organisation money by cutting that strand of your activity.

### 5. Merge with another organisation

Is there another charity which has a similar mission to you? Is there any overlap in the services that you offer, the

campaigns you run or the messages you promote? If so, you could cut costs dramatically by merging.

As the credit crunch began to bite in late 2007, Help the Aged and Age Concern began merger talks for exactly this purpose, and the union of the two, very similar, organisations was completed about a year later.

A merger enables two organisations to make economies of scale on administration, fundraising and support functions, as well as in premises and facilities. If there is sufficient overlap between the two organisations then you can join forces, stop competing with each other, and deliver even more effectively on your mission.

Bear in mind that there will be many obstacles. Age Concern and Help the Aged had tried to merge three times in the previous decade, but talks had broken down each time. A major obstacle for those charities was the £13 million pension fund deficit that Age Concern England was carrying. However, other charities fall at other hurdles, such as the incompatibility of governance systems, lack of agreement on which previously competing projects to close, and very often, the egos of those at the top.

If you can put your ego to one side, find a suitable organisation and work hard to bring your charities together, it can be highly beneficial – not only for both organisations, but also for the cause you both support.

## 6. Put a plan in place

Cost-cutting is difficult. You will run into opposition at every step, you will find yourself spending weeks introducing a cost-cutting plan only to find that it saves you much less than you expected, and you will have to fight hard for every single penny that you save your charity.

You need to find ways of keeping yourself motivated during those tough times. A great way of doing that is to have a long-term plan. Once you have picked up some

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# 365 ways to Cut Costs

**Cost-cutting is always important to charities, but never more so than now.**

This practical response to the recession is a must-have for everyone in the voluntary sector. It contains 365 ideas for cutting costs without strangling your income or decimating your resources. Whether you want to make long-term large scale changes, or just trim your costs right here and now, this book has something for you.

You'll find out how to:

- use the most effective fundraising techniques
- slash your transport costs
- manage salaries and benefits
- save on recruitment expenditure
- cut training costs and remain a learning organisation
- control expenditure on purchasing, office supplies and utilities.

Using the no-nonsense suggestions in this guide you could potentially save thousands of pounds and come out of the economic downturn fighting fit and ready for the future.

*'A helpful and timely guide ... essential reading for these times.'*

**Michael Lake CBE**

**Former Director General, Help the Aged**

