

Gathering the Low Hanging Fruit of your Expenditure



Have you seen, or are you worried about, a reduction in Practice profits? It's no surprise if the answer is 'yes' as many practices are battling eroding income and rising costs. If you are facing this problem, what do you do about it?

In the current climate it is a difficult situation to reverse. It can be very difficult to increase income so that makes it all the more important to ensure expenditure is controlled. Even in the best of times it is essential to keep on top of your spending but when income is under pressure managing expenditure can be the only way to protect your profits.

At this point you might want to shout "*it's not possible*" at what sounds like a daunting, unpleasant task and for which you don't know where to start. Well you'll be pleased to know there is a way of tackling this that will make it painless and sure to deliver success.

1. Know where your money is going

The first thing is to find the answers to three important questions:

- What are you spending your money on?
- How much are you spending?
- Who are you spending it with?

For the first two questions you can answer in broad terms e.g postage, phones, salaries, gas and electricity etc. Maybe you already categorise your accounts this way which will make answering easy. If you don't it might be worth think of starting this as it makes expenditure easier to monitor and manage.

You shouldn't be surprised to see staff salaries as the biggest area of expenditure. You're are also likely to have phones, electricity and gas, insurance, maintenance contracts and postage as other larger areas. It's a good idea at this point to list them in descending order.

To answer the third question find out who the suppliers are and how much you are paying them each year. Again list these suppliers in descending order of spend.

2. Go for the low hanging fruit

It is wise to focus on achieving the easier savings in areas of high expenditure rather than striving to get big cuts in smaller areas. With that objective in mind now look at your two lists, focusing on the biggest amounts first, and think where you might try to reduce the expenditure.

Some, the low hanging fruit, will be immediately visible and where it will appear easier to achieve savings. Tackle these first as it will give the quickest benefit and will help to motivate and encourage you for the tougher challenges. However interesting some of the smaller expenses might be remember a 10% saving on £4 000 is worth more than 10% saved on £400



Achieving any saving will require shopping around, deciding if you can use less, or requesting a discount. This last option is one that you may be uncomfortable doing but remember you'll lose nothing by asking and put professionally, and appropriately, making a saving can be as simple as that.

3. Always get more than one quote for renewals

Maintenance contracts and insurances are likely to be some of the bigger cost items for which you should always get more than one quote when renewing. Keep your suppliers on their toes by making it clear you are considering alternative providers and never be afraid to let them know they need to give you a better price to retain your business. Continued loyalty on your part is rarely rewarded, and will often only equate to higher prices as the supplier becomes to expect your business.

Electricity, gas and telecommunications are another area where savings are possible but tackling these can be more complex and time consuming. There are plenty of buying groups and brokers available and engaging a specialist to help reduce these bills can be worthwhile.

4. What could you do without or do for nothing

Actually this isn't as silly as it sounds. It's worthwhile asking the practice team to consider the question "*what can we do without?*" If everyone understands why it's necessary to cut costs it can be surprising what people are willing to give up. Easy targets are non-essentials and luxuries such as water machines and lunches. If they are a benefit you want to keep, consider a cheaper alternative.

Also look for items which are duplicated or not being used. Phone lines, fax machines or photocopiers that are surplus? Are you paying any unnecessary subscriptions or memberships? You should also look at postage and see if you could be using alternatives such as email and text?

5. Stop unnecessary overtime and locum use

Salaries are your biggest expense and unless you have excess staff, and redundancies are possible, there are limited options. One possibility is cutting back on overtime. If your practice regularly offers overtime, consider if it's really necessary? Is it directly contributing to patient care? Could you have less staff on duty?

Locum usage can similarly be a significant expense, especially if used to cover leave. Make Partners aware of the annual spend for locum cover and if annual leave isn't planned in order to limit the need for cover then this could offer a potential saving.

So, if your answer to the question at the very beginning of this was 'yes' here's your challenge. Set yourself a target to save, say, between 5% and 10%. Then using each of these five simple tips set about reaching that goal. Why not give it a try?

