

Exercise Brief Worksheet:

Financial Decision-Making in Utilities

Scenario:

You are a **Regional Operations Manager** for a **water and energy utility company**. Due to increased **regulatory costs** and **supply chain disruptions**, your department must reduce operational expenses by **10% (£5,000)** while maintaining **customer service quality** and ensuring compliance with industry standards.

Department Budget Overview

- ♦ **Annual Budget:** £50,000
- ♦ **Current Spend Breakdown:**
 - ◊ **Labour Costs:** £25,000 (50%)
 - ◊ **Infrastructure Maintenance & Repairs:** £10,000 (20%)
 - ◊ **Energy & Resource Costs:** £5,000 (10%)
 - ◊ **Technology & Automation:** £3,000 (6%)
 - ◊ **Training & Development:** £2,000 (4%)
 - ◊ **Miscellaneous Expenses (subscriptions, admin, etc.):** £5,000 (10%)

Commercial Considerations and ideas to get you started...

1. Maintenance & Infrastructure Investment

- ♦ Delay scheduled maintenance to cut costs, knowing it may lead to higher long-term repair costs?
- ♦ Renegotiate supplier contracts or seek alternative vendors for essential materials?

2. Labour Costs & Efficiency

- ♦ Manage overtime costs without impacting service reliability?
- ♦ Implement smarter workforce scheduling to maximise efficiency without overburdening staff?
- ♦ What processes could be cut **or** optimised?

3. Technology & Automation

- ♦ Invest in automation tools to improve efficiency, despite an upfront cost?
- ♦ Adopting predictive maintenance to reduce long-term failures and costs?

4. Energy & Resource Management

- ♦ Optimise energy consumption in operations to lower expenses?
- ♦ Alternative processes that reduce waste and improve sustainability?

Decision-Making Challenge:

Each team must decide how to achieve the **10% cost reduction target (£5,000)** while minimising risks to: **Service, quality, compliance and team morale**.

Instructions:

- 1. Identify** and discuss areas where cost savings can be made. Please feel free to make any assumptions and base your thoughts on your own experiences.
- 2. Nominate a spokesperson** to share a short (2 mins max) summary of your decision-making and recommendations as the Regional Operations Manager. (Consider your approach, assumptions, balancing the commercial elements and potential consequences).