

Cost Optimisation Toolkit

A structured toolkit for identifying and prioritising cost reduction opportunities across the P&L.

Purpose

- Build a fact base quickly
- Size opportunities without false precision
- Prioritise by value and deliverability
- Move from savings list to executed programme

How to use this toolkit

Use the slides sequentially or extract individual templates for workshops, board packs or internal analysis.

01

Define baseline

Lock the current cost baseline, ownership and P&L categories.

02

Map levers

Identify savings levers by cost type, function and time horizon.

03

Size value

Estimate gross value, run-rate timing, one-off costs and risk.

04

Prioritise

Rank initiatives by financial impact, confidence and execution complexity.

05

Mobilise

Translate priorities into an accountable delivery programme.

Output: a ranked cost opportunity portfolio, a delivery roadmap and a tracking architecture that protects service quality while reducing the cost base.

The cost optimisation mandate

Cost work should improve enterprise resilience, not simply remove spend.

1

Anchor decisions in a clear P&L baseline, not anecdote.

2

Protect the capabilities that differentiate the business.

3

Separate structural cost from temporary cash management.

4

Turn identified savings into accountable benefits tracking.

A robust programme balances speed with control: rapid identification of opportunities, disciplined prioritisation, and governance that prevents savings leakage.

Build the P&L cost tree

Translate the income statement into controllable cost pools, owners and optimisation levers.

P&L cost pool	Typical sub-categories	Owner	First questions to ask
Cost of goods / delivery	Materials, fulfilment, logistics, service delivery	COO / Ops	What drives unit cost and waste?
People costs	FTE, contractor spend, overtime, management layers	CEO / HR / Function heads	Where is capacity misaligned to demand?
Sales & marketing	Channel spend, agencies, events, paid media	CMO / Sales lead	Which activities create measurable contribution?
Technology & data	Software, cloud, licences, devices, support	CTO / Finance	What is unused, duplicated or oversized?
G&A / overhead	Facilities, insurance, legal, finance, admin	CFO / Ops	What can be standardised, renegotiated or stopped?

Baseline capture worksheet

A credible savings case starts with a clean cost baseline and named assumptions.

Cost area	FY baseline	YTD run-rate	Committed spend	Owner	Data quality	Notes / assumptions
People	£	£	£		High / Med / Low	
Suppliers	£	£	£		High / Med / Low	
Technology	£	£	£		High / Med / Low	
Facilities	£	£	£		High / Med / Low	
Other overhead	£	£	£		High / Med / Low	

Control point: reconcile the baseline to the latest management accounts before sizing savings.

Opportunity identification map

Scan across both “buy better” and “operate better” opportunities.

Demand management

Reduce or reshape the consumption of cost drivers.

Eliminate low-value work
Reduce service levels where appropriate
Automate routine activity

Commercial leverage

Improve external pricing, terms and supplier structure.

Consolidate vendors
Renegotiate terms
Benchmark rates

Productivity

Increase output per unit of resource.

Workflow redesign
Span and layer review
Performance management

Structural redesign

Change the operating model or asset base.

Shared services
Outsourcing / insourcing
Footprint rationalisation

Workshop prompt: “If we had to remove 10% of this cost pool while preserving customer value, what would we stop, simplify, renegotiate or redesign?”

Cost reduction lever catalogue

Use this catalogue to generate a long-list before applying constraints or political filters.

Lever	Primary cost pool	Typical saving horizon	Cautions
Vendor consolidation	Supplier / tech / services	0–6 months	Avoid over-concentration risk
Contract renegotiation	External spend	0–3 months	Requires volume and benchmark evidence
Demand controls	Travel, software, services	0–3 months	Needs policy enforcement
Span and layer redesign	People	3–9 months	Protect critical roles and accountability
Process simplification	Ops / G&A	3–9 months	Benefits depend on adoption
Automation	Ops / finance / service	6–18 months	Factor in build, integration and change costs
Footprint rationalisation	Facilities / assets	6–18 months	Watch exit costs and service impact

Sizing the financial opportunity

Size savings using a transparent bridge from baseline cost to net run-rate benefit.

$$\begin{array}{ccccccc} \text{Addressable baseline} & \rightarrow & \text{x Saving assumption} & = & \text{= Gross run-rate saving} & \rightarrow & \begin{array}{c} \text{- Dis-synergies /} \\ \text{leakage} \end{array} & - & \begin{array}{c} \text{- One-off} \\ \text{implementation cost} \end{array} & \rightarrow & \text{= Net value} \end{array}$$

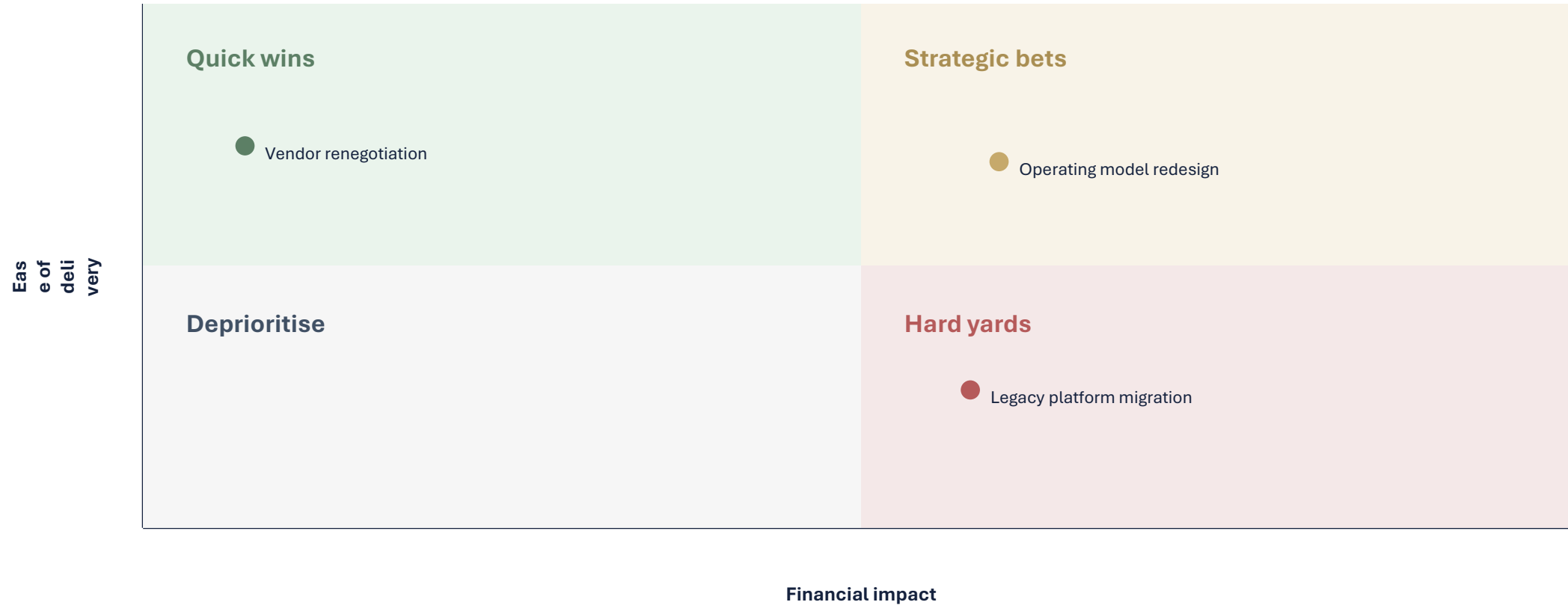
Recommended assumptions to capture

- Source of baseline data
- Calculation logic and owner
- Confidence level and evidence quality
- Timing to in-year and full run-rate savings
- One-off cost, dependency and risk factor

Avoid false precision. A defensible range with clear assumptions is usually more useful than an exact number with weak evidence.

Prioritise by value and deliverability

The strongest programme balances “quick wins” with structural opportunities.



Weighted scoring rubric

Score each initiative consistently to avoid bias towards the loudest sponsor.

Criteria	Weight	1 = low score	3 = moderate	5 = high score
Net run-rate saving	30%	<0.5% of addressable cost	0.5–2.0%	>2.0%
Confidence of evidence	20%	Anecdotal	Benchmark or sampled data	Contracted / audited data
Speed to benefit	15%	>12 months	3–12 months	<3 months
Execution complexity	20%	High dependency / disruption	Manageable change load	Low complexity
Strategic fit	15%	Weak alignment	Neutral / manageable	Strengthens operating model

Suggested rule: initiatives below 3.2 / 5 require an explicit sponsor decision before entering the delivery roadmap.

Initiative charter template

Every cost initiative should have a named owner, benefit logic and delivery controls.

Field	Working notes
Initiative name	
Opportunity statement	What cost is being reduced, and why now?
Financial case	Baseline, saving assumption, one-off cost, net benefit, timing
Scope boundaries	What is included, excluded and protected
Dependencies	Data, supplier negotiation, technology, HR, operational change
Risks and mitigations	Service quality, morale, customer impact, compliance
Owner and governance	Accountable executive, delivery lead, cadence, decision rights

Supplier spend diagnostic

External spend normally contains the fastest identifiable savings, but requires contract-level evidence.

Diagnostic question	Evidence to collect	Potential actions
Where is supplier fragmentation highest?	Spend by vendor, category, entity and business unit	Consolidate vendors and create category ownership
Which contracts are nearing renewal?	Contract register, renewal dates, break clauses	Run targeted renegotiation and competitive tension
Where are rates above market?	Benchmark pricing, rate cards, usage volumes	Reset price, service levels or volume commitments
Which suppliers have low utilisation?	Licence usage, project utilisation, service tickets	Reduce seats, tiers or retained capacity
Where are terms unfavourable?	Payment terms, indexation, minimum commitments	Rebalance terms and enforce governance

Organisation productivity diagnostic

People cost optimisation should focus on accountability, demand and productivity before headcount reduction.

Lens	Signals of opportunity	Potential interventions
Span and layers	Narrow spans, excessive approvals, unclear decision rights	Redesign reporting lines, clarify accountabilities
Role clarity	Duplicated ownership, recurring escalations, meetings replacing decisions	Role reset, RACI, decision cadence
Capacity vs demand	Overtime, contractor dependence, low utilisation pockets	Demand smoothing, workload reallocation, contractor reduction
Management rhythm	Low-value meetings, poor KPI ownership, weak performance routines	Meeting reset, performance management, operating cadence
Skill mix	Senior resources doing junior work, scarce technical bottlenecks	Role redesign, upskilling, selective hiring freeze

Technology spend diagnostic

Technology cost reduction is strongest when licence, cloud and application rationalisation are analysed together.

Area	What to review	Savings moves
Software licences	Seat usage, duplicate tools, tier selection, renewal dates	Remove inactive seats, downgrade tiers, consolidate platforms
Cloud and infrastructure	Reserved instances, idle resources, storage growth, environments	Rightsize, shut down idle resources, introduce FinOps controls
Application estate	Business criticality, user base, functional overlap, support costs	Retire low-value applications, simplify integrations
IT services	Managed service contracts, tickets, SLAs, project spend	Renegotiate SLAs, rebalance internal/external support
Data and tooling	Reporting duplication, manual reconciliation, fragmented BI	Standardise tooling and automate recurring reports

90-day mobilisation roadmap

Convert the prioritised initiative list into controlled delivery momentum.

Weeks 1–2

Confirm mandate

Baseline lock
Sponsor alignment
Governance rhythm

Weeks 3–4

Build portfolio

Workshops by cost pool
Initial sizing
Dependency mapping

Weeks 5–6

Prioritise

Scoring review
Executive challenge
Roadmap approval

Weeks 7–10

Launch waves

Initiative charters
Owner mobilisation
Supplier / org workstreams

Weeks 11–13

Track benefits

Finance validation
Risk reviews
Board reporting

Key discipline: do not wait for perfect analysis before launching no-regret initiatives with validated owners and clear controls.

Governance and decision architecture

Cost programmes fail when ownership is diffuse and savings are not finance-validated.

Forum	Cadence	Decisions made	Core outputs
Executive steering group	Fortnightly	Priorities, trade-offs, escalations, policy decisions	Approved roadmap, risk posture, benefit commitments
Workstream stand-up	Weekly	Barrier removal, dependency sequencing, owner actions	Updated initiative tracker and action log
Finance benefits review	Monthly	Baseline changes, realised savings, leakage adjustments	Validated benefit bridge and forecast
Board / investor update	Monthly or quarterly	Strategic implications, progress vs plan, residual risks	Executive summary and management actions

Benefits tracking template

Track gross savings, implementation costs, timing and confidence in one place.

Initiative	Owner	Baseline	Gross saving	One-off cost	FY benefit	Run-rate benefit	Status	Confidence
		£	£	£	£	£	Green / Amber / Red	High / Med / Low
		£	£	£	£	£	Green / Amber / Red	High / Med / Low
		£	£	£	£	£	Green / Amber / Red	High / Med / Low
		£	£	£	£	£	Green / Amber / Red	High / Med / Low

Finance validation rules

- No benefit counted without an agreed baseline
- One-off costs shown separately from recurring savings
- Run-rate and in-year savings reported independently
- Leakage and reinvestment visible in the bridge

Risk controls for cost optimisation

Protect enterprise value by explicitly managing the risks created by cost reduction.

Risk	Early warning signal	Control response
Service degradation	Customer complaints, SLA misses, rework spikes	Protect critical service levels and monitor leading KPIs
False economy	Savings create downstream cost or quality failures	Require end-to-end impact assessment
Morale and retention loss	Regretted attrition, engagement decline, manager overload	Communicate principles, protect critical talent, phase change
Savings leakage	Spend reappears in another category or through exceptions	Finance validation, spend controls and clear ownership
Strategic underinvestment	Cuts weaken growth capability or risk posture	Board-level challenge and explicit “protect” list

Executive read-out structure

Use a consistent narrative to move from evidence to decision.

1. Baseline

Current cost position and key drivers

2. Opportunity portfolio

Long-list by cost pool, lever and value range

3. Prioritisation

Recommended waves and trade-offs

4. Financial case

In-year benefit, run-rate benefit and one-off costs

5. Delivery plan

Owners, milestones, governance and risks

6. Decisions required

Approvals, policy changes and escalations

From cost opportunity to executed value

The discipline is not simply finding savings. It is building the evidence, decisions and governance that make savings real without weakening the business.

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Use this toolkit as a working document. Replace example rows with your organisation's cost data, ownership structure and savings assumptions.