Procurement & Finance - Benefits of Working Together

Rajith Udugampola, Finance Manager, Light Regional Council played a major role in the establishment of the LGA Procurement Engineering Services Panel. Rajith talks with us here about the benefits of working collaboratively within Council to maximise procurement outcomes.

As a finance professional, how do you contribute to procurement activity in your Council or more generally, Local Government?

One of the main tasks of my department is to ensure that the procurement activities which are undertaken by the staff do comply with policies and procedures and the resolutions adopted by Council. This involves, monitoring expenses as part of preparing monthly financial statements and budget revisions and keeping a close eye on unbudgeted/unauthorised expenses and budget overruns. In addition, my team processes supplier/contractor invoices in a timely manner and settles them as per terms and conditions negotiated by the procurement team. I think paying invoices on time is a very important aspect of the procurement process as this helps the cash flow of our creditors and enhance the corporate image of the council. This in turn, helps the council to negotiate favourable procurement contracts that deliver value for money for our rates payers.

Furthermore, during the tender evaluation process, I assess the financial capacity of the tenders to undertake and complete the proposed work program on time. I have experienced situations where some contractors demand their invoices to be paid early so that the salaries of employees can be paid on time. I think this signifies the existence of acute cash flow problems and poses a serious financial risk, especially in relation to the completion of major capital works programs on time and within the budget without compromising the quality of the work.

What do you think the advantages are to Procurement working collaboratively with Finance?

Finance contributes to the procurement process in several ways. For example, we can monitor actual expenses against predetermined budget allocations and provide regular updates on actual expenses and commitments to the project and procurement managers so that potential budget overruns can be identified early in order to make necessary changes to funding sources or scope of work. As mentioned earlier, assessment of financial viability of tenders/suppliers by Finance is another advantage of Procurement and Finance working as a team.
On the other hand, by accurately forecasting the timing and the amount of cash needed, the procurement team can help Finance to manage council’s cash flows by minimising interest expenses on short-term borrowings and maximising interest earned from investing excess cash in short-term investments.

**Can you share with us one of the highlights you have had working with Procurement during your career?**

I think volunteering my time with LGA Procurement to evaluate the financial viability of tenders who bid to undertake major capital works for South Australian councils is a major highlight of my career in procurement. I always wanted to do something for the community with my finance background and work experience and LGA Procurement gave me that opportunity which I appreciate a lot.

**From a Finance perspective, what do you see as the key issues or opportunities for Local Government procurement over the next 5 years?**

Federal Treasurer once said that "the age of entitlement is over, and the age of personal responsibility has begun". I think this applies to Local Governments in Australia as well and we should try to be self-sufficient or at least minimise the dependence on government handouts to run council operation or programs.

With council elections nearing, cost cutting is the buzz words among rate payers and candidates. As Local Governments consume relatively the same types of goods and services, we can easily combine our procurement practices to create bigger purchasing power to reduce our costs to get value for money for our rate payers.

**Do you have a Procurement “hot tip” to share with us?**

The ArcBlue Program that is being rolled over across several councils in South Australia with the assistance of LGA Procurement, will deliver huge savings to member councils in the future. This will help councils to streamline their procurement practices and create a significant group purchasing power. In addition, the ArcBlue Program will reduce the operations and compliance costs of suppliers and will create a win-win situation for both councils and its suppliers.