Procurement's Cinderella moment: Digital solutions are transforming procurement in Local Government

In 2015, ArcBlue Consulting released a whitepaper entitled 'It's not sexy but it matters: An examination of low value (below-tender) procurement in Australian Local Government'.

In the time since the paper's release, what new opportunities have emerged for Procurement to drive value, and what progress has the function achieved?

The opportunity

Research by ArcBlue found that between 40-60% of Council spend fell below the tender threshold. Another report revealed that 63% of audited NSW Councils did not track contractor performance and lacked a contract management policy. A third report from the South Australian Productivity Commission identified shortcomings in contract management, poor transparency and a lack of innovation in procurement.

All three papers cited a lack of transparency and data as key themes and called for systematic changes to improve transparency and increase capability in non-procurement staff.

Digitisation provides procurement with the opportunity to address these issues and improve existing processes in areas such as:

- **Transparency and control:** A central place for buyers to source.

- **Staff capability:** Structured processes to ensure compliant behaviour.

- **Supplier management:** Automated reminders and notifications.

- **Supplier discovery:** A local supplier marketplace to broaden and diversify supply chains.

- **Evaluation:** Digital tools to support better decision-making in line with weighted criteria.

- **Data management:** Rich data and accurate reporting.

- **Contract monitoring:** With sourcing data automatically transferred to the contract management phase.

Top three insights for digital transformation:

1. Understand how decentralised procurement impacts transparency and buyer compliance in local government.

2. Build a solid and compelling case for upgrading procurement tools to address these challenges.

3. Integrate new procurement solutions with existing infrastructure to reap the biggest benefits.

The challenges

The challenges faced by procurement in Australian Local Government largely arise from the decentralised nature of sub-tender procurement, where buyers are spread across business units and locations. ArcBlue's report revealed that as many as 80% of RFXs were managed by non-procurement staff, and up to 93% via email.

It ought to be of concern that these manual and poorly supported processes account for the majority of procurement events. While they may be lower-value transactions, the cumulative value can be significant.

Small procurement teams, in particular, lack the resources to properly support their staff in running consistent and compliant sourcing events. In these cases, almost all activity was obscured in emails and spreadsheets.

As a result, demonstrating probity in sub-tender procurement has proven very difficult. This means Councils are at risk of non-compliance, something that several enquiries have subsequently confirmed.

Taking control

ArcBlue's report recommended that procurement focuses on implementing systems to improve transparency and support buyer compliance.

Local governments that have implemented procurement technology since 2015 have achieved transformational gains in efficiency, control and cost savings. They're making better decisions based on data-driven insights and achieving outcomes beyond savings, including increased engagement with local suppliers and social enterprises. Digitisation also enables procurement to actively manage suppliers and gain visibility across decentralised sourcing, from supplier discovery to contract award.

Progress has certainly been made, but more can be done with available technology to drive better procurement outcomes. For Councils that have not progressed on their digitisation journey, it's time to build a solid case for upgrading procurement tools. In today's world, digital solutions can be surprisingly affordable in light of the ROI they deliver.

Looking ahead, implementing procurement technology is only going to become more compelling. Those that fail to embrace the opportunity risk being left behind.

Don't be left behind. Get in touch to learn more about how procurement technology can support your procurement goals.

Local Governments also have the option to build on their existing infrastructure by connecting their procurement solutions with other systems, like contract life-cycle management, finance and ERP.

Get in touch today