

Managing the Year-End Buying Crunch

An RTPS Whitepaper / February 2017

Tell us if you've heard this one before: "The good news is that we have additional funding. The bad news is that we have to spend it by the end of March!" Ahh, the end of the budget year can create any number of challenges, but none generate mixed feelings like the last minute discovery of "extra" funds. Whether created by an unexpected source of outside funding or by an excess budget amount, the sense of "use it or lose it" causes a strange dichotomy between the joy and panic.

Courtesy our partners in the ONN Purchasing Program (ONNPP), RTPS, we can offer the following tips for getting through the year-end spending crunch:

Understand your Policy Requirements. Whether driven by outside obligations (such as the Broader Public Sector Procurement Directive) or by your own internal policies, know what process you need to go through for whatever type of purchase you're considering. It's possible that the purchase you're considering requires a full Request for Proposal (RFP) process (for consulting services, for example). Or, perhaps you simply need three quotes to meet minimum requirements. Whatever the form, it is a challenge to accomplish a formal selection in a schedule compressed by funding deadlines.

It is equally important to understand when you *don't* need to follow a formal supplier selection process. Racing to try get three quotes in a hurry can be a waste of time and effort for you and the suppliers if it's not absolutely required. If you have a "preferred supplier" system and you are not bound by outside requirements, you are likely better off to use a managed single-source approach when time is of the essence. Even if you are subject to regulatory requirements (like the BPS Directive) there is often consideration available for "rush" situations.

Ultimately, you need to know your options and use the best approach that meets all of your objectives, including the need meet the end-of-year funding conditions.

Stay True to Your Standards. Those Dell laptops may be a great price and (perhaps more importantly at this time of year) they're available and can be paid for prior to the March 31st deadline. But... if your organization has standardized on Lenovo, those Dell machines may not be such a great deal after all. Once you find out you can't set them up, provide support for them or use your existing power cables with them, you may be rethinking your purchase.

It's great that the consulting firm you found can fit your project in before March 31st; never mind that they have no experience doing the kind of work you need. By the time you've doubled your schedule and budget for a substandard result; you have likely forgotten about how lucky you felt to squeeze the project in before the deadline

The point is – be careful before you abandon your specifications, standards and selection criteria just to meet the urgent timeline associated with the year-end funds. “Pennywise, pound-foolish” can instead become “deadline-wise, quality-foolish”.

Be Creative; Consider Options. It may seem obvious, but many organizations forget to push back and explore alternative options when faced with irrational funding deadlines. Depending who it is, if the funder is made aware of the challenges created by the imposed deadline, there may be the potential to extend the funding timeline or find creative work-arounds. Similarly, finance teams may find ways to carry extra funds over to the next period (fiscal year, for example) without any real impact.

One of the more common uses of last-minute funding is consulting services. There is almost always a potential consulting (research, strategy, process, etc) project that had been shelved until funds were available. With most consulting engagements, there are often natural “breaks” or checkpoints that can be inserted into the project workplan. If you can align a significant project milestone with your funding deadline, you can ask the consultant to provide an invoice for the completed portion or “Phase” of the project.

It’s OK to NOT Spend. If, after trying everything else, you just can’t find a smart way to spend the available funds effectively, it may be prudent to simply not spend the money. Is there a risk you will lose the funds? Will your budget be reduced next year? Perhaps. Maybe. But, depending on the specifics of the situation, there may be more to be gained by saving versus spending funds ineffectively. Finishing under budget should be rewarded by forward-thinking finance teams and funding organizations. And everyone appreciates when money is not wasted.

Get Support. Don’t be afraid to get some help. Whether it’s someone to help find suppliers, run RFPs or manage an expedited process, getting professional support can help ensure that funds are spent as effectively as possible in a tight timeframe.

There’s no doubt: it’s great to find out that extra funds are available at the end of the year. If you do, spend them if you can do so effectively for your organization. If you can’t, consider saving the money so that it can be applied elsewhere. But remember that there is help available - Contact the ONN Purchasing Program at onnpp@rtps if you have any questions or need some support.

About the RTPS and the ONNPP

Round Table Procurement Services (RTPS) is the ONN’s partner in the ONN Purchasing Program (ONNPP), an initiative designed to help drive savings and other improvements in how the sector spends money. Founded in 2003, RTPS is dedicated to helping non-profit organizations in Canada better manage their purchasing activities and improve the impact of every dollar spent. They offer a unique combination of technical expertise and non-profit experience that deliver proven results. Whether its reducing costs, managing suppliers, developing policy, driving efficiencies or navigating board or regulatory requirements, RTPS helps NPOs turn purchasing headaches into opportunities to improve. Learn more at www.rtps.ca or email info@rtps.ca.

