

Small and Medium Enterprise and Regional Procurement Policy Review Report





Acknowledgement of Country

NSW Treasury acknowledges that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and the oldest running continuing culture in human history.

We pay respect to Elders past and present and commit to respecting the lands we walk on, and the communities we walk with.

We celebrate the deep and enduring connection of Aboriginal and Torres Strait Islander peoples to country and acknowledge their continuing custodianship of the land, seas and sky.

We acknowledge the ongoing stewardship of Aboriginal and Torres Strait Islander peoples, and the important contribution they make to our communities and economies.

We reflect on the continuing impact of government policies and practices, and recognise our responsibility to work together with and for Aboriginal and Torres Strait Islander peoples, families and communities, towards improved economic, social and cultural outcomes.

Artwork: 'Regeneration' by Josie Rose 2020

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About this Review

01.

Small businesses are the backbone of the New South Wales economy.

On 1 February 2019, the NSW Government released the NSW Government Small and Medium Enterprise (SME) and Regional Procurement Policy, which replaced the previous SME Policy Framework introduced in 2013.

The Policy was updated on 1 January 2020 to provide additional support for drought affected regional suppliers through procurement.

After two years in effect, NSW Procurement has reviewed the Policy.

The SME and Regional Procurement Policy Review Report ('the Report') presents a summary of the feedback

NSW Procurement has gathered since the Policy's implementation and throughout the consultation process.

The scope of the Report includes assessing compliance and implementation of the Policy, its requirements, permissions, support resources and stakeholder understanding of the Policy.

This Report has identified opportunities to improve the Policy and its effectiveness to achieve the NSW Government's objectives of listening to and supporting SME.



“The aim of the consultation was to understand the perspectives of SMEs and regional businesses.”

Consultation

Consultation was undertaken jointly between NSW Procurement and the NSW Small Business Commission to address the NSW Small Business Commissioner's work to support small businesses in tendering for the NSW Government and review the SME and Regional Procurement Policy.

The aim of the consultation was to understand the perspectives of SMEs and regional businesses.

The goal was to understand how effective the Policy is, the ease or difficulty suppliers are experiencing in accessing government procurement opportunities and to identify areas for improvement and change.

It was a priority to listen to the widest possible range of perspectives and opinions about the Policy.

A public consultation was hosted on the NSW Government's 'Have Your Say' website to seek input from as many members of the public as possible. This consultation opened on 26 February 2021 and closed on 8 April 2021.

- Through the Have Your Say survey, *Selling Goods and Services to NSW Government*, 415 responses were received and 12 contributions to ideas.
- Through the Have Your Say discussion paper, *NSW Government SME and Regional Procurement Policy Review*, 5 submissions were received.

From November 2019 to 11 March 2021, the SME Feedback Tool on eTendering captured 143 responses from SMEs. The Tool was developed to give SMEs an opportunity to provide feedback on their experience with specific government procurement experiences.

SME and Regional Procurement Policy Objectives

02.

The SME and Regional Procurement Policy had the following objectives to increase small and medium enterprise participation in supplying to the NSW Government:

- supporting local businesses, start-ups and innovation and primary industries
- building SME capability to supply to government
- making supplying to government easy for SMEs; and
- listening to local businesses and measuring participation.

As a whole, the Policy has been achieving the goals of supporting local businesses in NSW, driving innovation, building capability for SMEs, ensuring that local businesses are listened to and feel heard.

Findings

Definitions

The SME and Regional Procurement Policy contains the following definitions:

SMALL OR MEDIUM ENTERPRISE

A small or medium enterprise (SME) is an Australian or New Zealand based enterprise with fewer than 200 fulltime equivalent (FTE) employees.

SMALL BUSINESS

A business with 1-19 FTEs including sole traders and start-ups,

MEDIUM BUSINESS

A business with 20-199 FTEs.

REGIONAL SUPPLIER

A business of any size with a registered business address in Regional NSW.

REGIONAL NSW

Includes all areas within NSW outside the Newcastle, Sydney and Wollongong metropolitan areas.

Exemptions

The SME and Regional Procurement Policy currently allows for the following exemptions:

- Agencies may purchase goods and services valued up to \$10,000 from any source (despite those goods or services being available on whole-of government contracts)
- Agencies may purchase goods and services valued up to \$50,000 from a small business (despite those goods or services being available on whole-of- government contracts)

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As a whole, the Policy has been achieving the goals of supporting local businesses in NSW.

In the public consultation through the Have Your Say survey, SMEs gave feedback on the following topics:

- AWARENESS:** The \$50,000 small business exemption had the most awareness of all the NSW Government initiatives to support SMEs in procurement, known by 40 per cent of respondents. The \$10,000 general business exemption was the next well known, by 33 per cent of respondents.
- SUPPORT:** The \$50,000 small business exemption was the most supported initiative, supported by 94 per cent of respondents. The \$10,000 general business exemption was supported by 86 per cent of respondents.
- BUSINESS WON THROUGH EXEMPTIONS:** The \$50,000 small business exemption was also the initiative that SMEs indicated most had allowed them to win work, with 51 per cent of respondents winning work through the exemption. The \$10,000 general business exemption was found to have allowed 39 per cent of respondents to win business.
- MORE OPPORTUNITIES FOR SMES:** There were comments from suppliers asking for these initiatives to be used more often to create more opportunities and shorter processes for SMEs.

FIGURE 1.0: \$10,000 GENERAL BUSINESS EXEMPTION

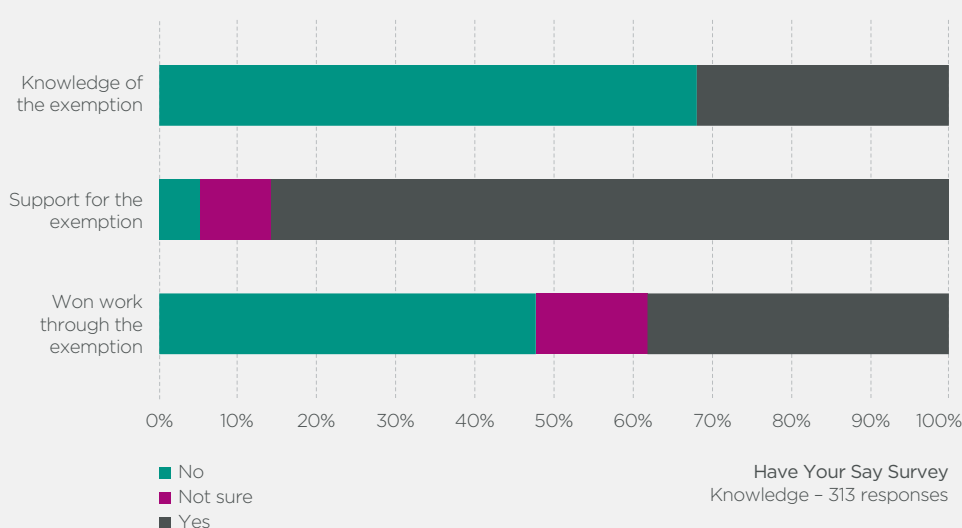
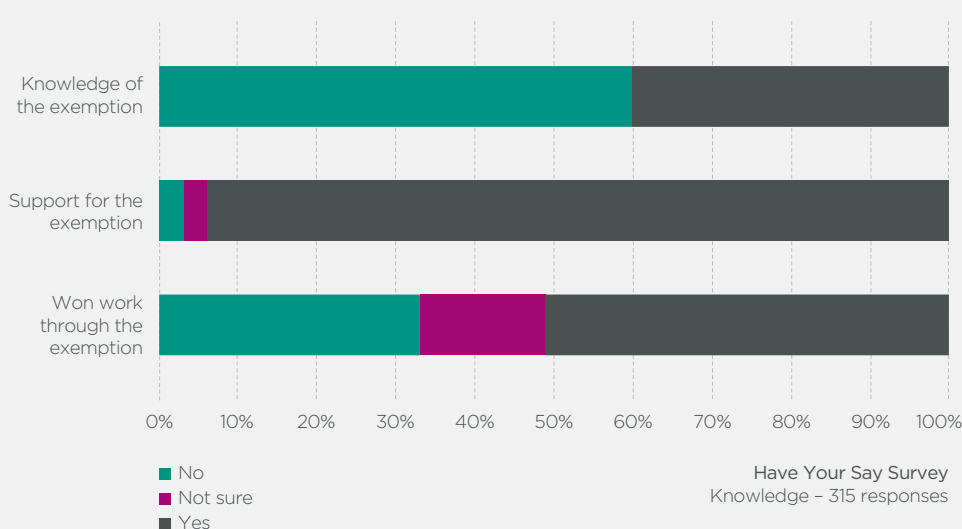


FIGURE 2.0: \$50,000 SMALL BUSINESS EXEMPTION



Regional and SME Preferencing

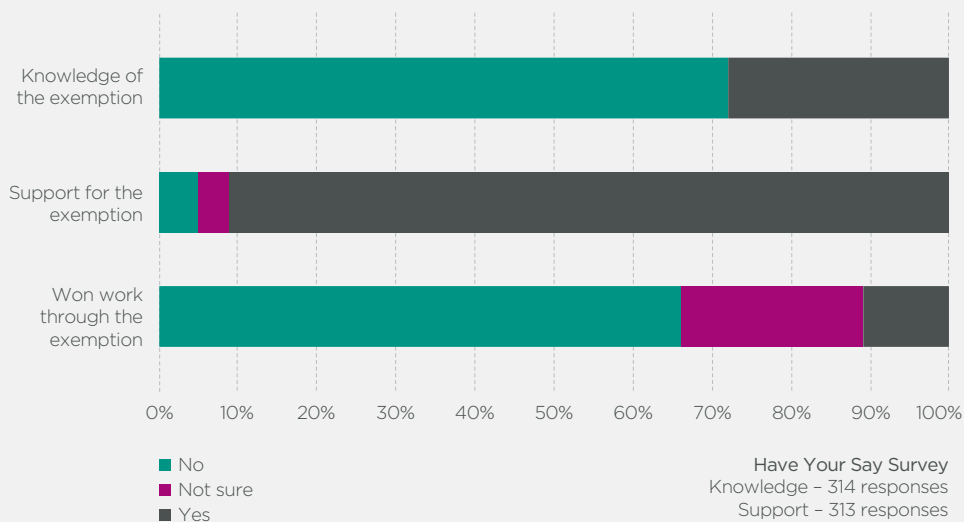
Where a NSW Government agency is permitted to directly purchase goods and/or services from a supplier, or directly negotiate with a supplier to provide goods and/or services, the agency must first consider purchasing from a regional supplier for procurement in a regional

area. If the procurement is not in a regional area, then the agency must first consider purchasing from an SME. This initiative applies to all direct procurements, including from prequalification schemes and panels, up to a maximum value of \$250,000.

In the public consultation through the Have Your Say survey, SMEs gave feedback on the following topics:

- **AWARENESS:** The \$250,000 regional and SME preferencing was known by only 28 per cent of respondents.
- **SUPPORT:** The \$250,000 regional and SME preferencing was supported by 91 per cent of respondents.
- **BUSINESS WON THROUGH EXEMPTIONS:** The \$250,000 regional and SME preferencing was found to have allowed 11 per cent of respondents to win business.

FIGURE 3.0: \$250,000 REGIONAL AND SME PREFERENCING



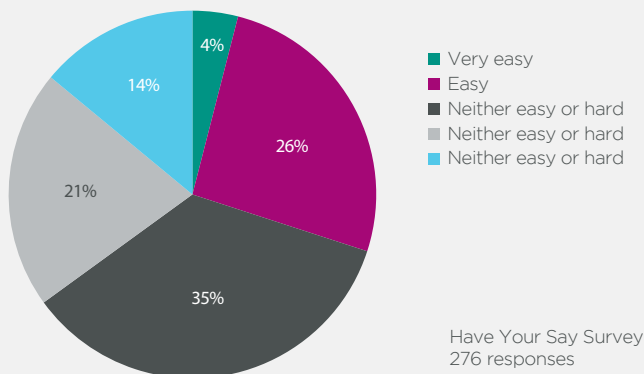


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Feedback showed that SMEs are always looking for more opportunities to supply to the NSW Government

•**EASE OF JOINING PREQUALIFICATION SCHEMES AND PANEL CONTRACTS:** There was varying feedback about the ease of joining prequalification schemes and panel contracts. As below, 35 per cent of respondents thought the process of joining was difficult or very difficult, 35 per cent of respondents thought the process was neither easy or hard and 30 per cent of respondents thought the process was easy or very easy.

FIGURE 4.0: RATING OF HOW SUPPLIER FOUND REGISTERING THEIR BUSINESS FOR A PRE-QUALIFICATION SCHEME



•**OPPORTUNITIES WHEN ON SCHEMES AND PANEL CONTRACTS:** Suppliers reported that, once they are on schemes and panel contracts, there can be a lack of work. There is a very strong perception of bias from suppliers, that contracts are going to larger suppliers, or those which are already known by NSW Government departments.

•**EXCLUSION FROM PANEL CONTRACTS:** SMEs indicated that there can be difficulties for suppliers who have not been included on a panel contract to find work in their category.

SME and Sustainability Criteria and Reporting Requirements

The SME and Regional Procurement Policy requires agencies, for all procurements valued above \$3 million, to include a non-price evaluation criteria of at least 15 percent. This considers how potential suppliers will support the NSW Government's economic, ethical, environmental and social priorities of which a minimum of 10 per cent must be allocated to SME participation. Agencies must incorporate supplier SME and sustainability commitments into agreements and monitor compliance as part of contract management activities.

Larger suppliers who have made a commitment to include SMEs during a selection process, will be required to report monthly on SME and regional participation commitments through an online reporting portal. An interim reporting tool is being used in place of the online reporting portal which is being developed to simplify the supplier reporting process.

In the public consultation through the Have Your Say survey and the feedback through the Feedback Tool, feedback showed that SMEs are always looking for more opportunities to supply to the NSW Government, build relationships and showcase their specialities.

Procurement Innovation Stream

The SME and Regional Procurement Policy allows accredited NSW Government agencies to directly

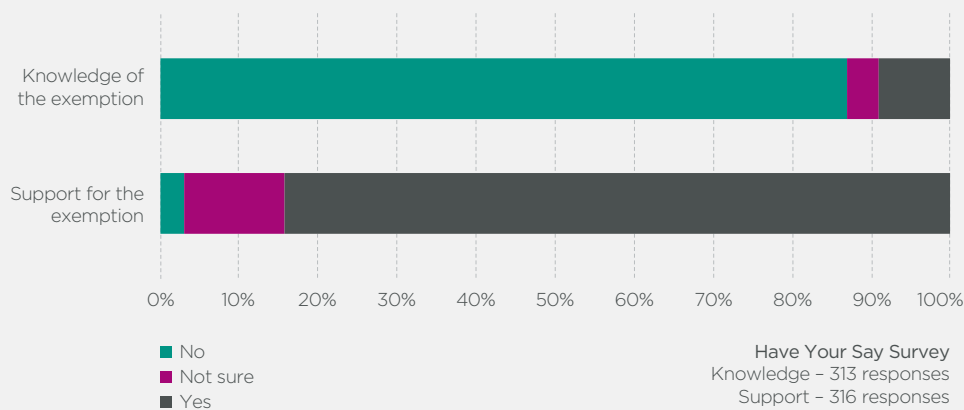
purchase from an SME for short-term contracts of up to \$1 million for proof of concept or outcomes-based trials.

In the public consultation through the Have Your Say survey, SMEs gave feedback on the following topics:

•**AWARENESS:** The procurement innovation stream was the least well known of the initiatives, with only 9 per cent of respondents knowing about it.

•**SUPPORT:** The procurement innovation stream was also the least supported initiative out of those measured, with 84 per cent of respondents supporting the initiative.

FIGURE 5.0: PROCUREMENT INNOVATION STREAM



•**SMES INNOVATE:** There is a perception amongst SMEs that innovation primarily comes from smaller, more agile businesses.

Making Supplying to the NSW Government Easier

The SME and Regional Procurement Policy contains other initiatives to support SMEs, and make supplying to the NSW Government easier, including:

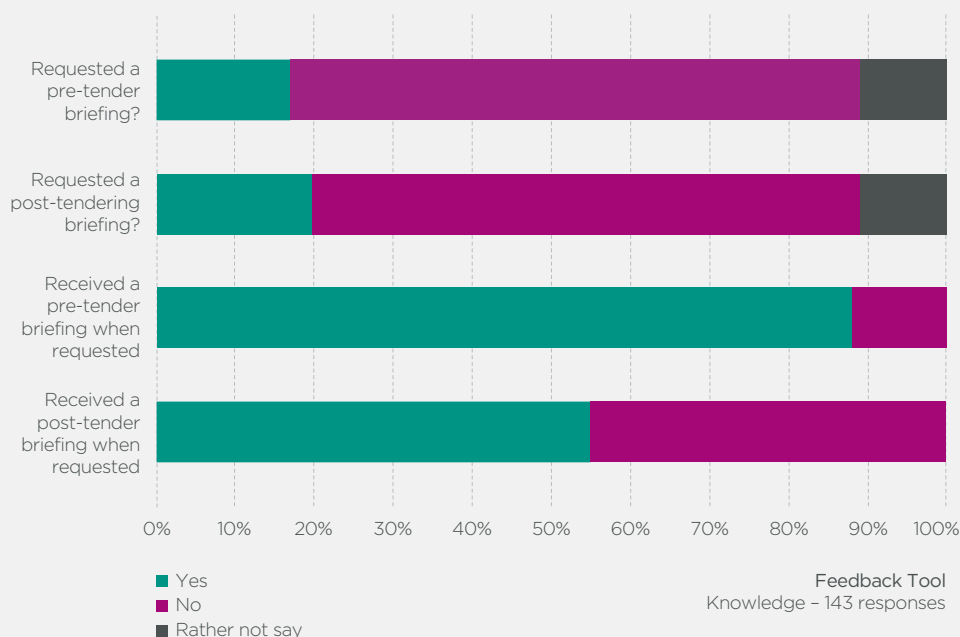
- enhanced briefings and feedback (pre and post tender briefings)
- advance notice of opportunities (through annual procurement plans)
- standardised contracts
- E-Invoicing
- reasonable insurance requirements
- appropriate requirements for length and complexity of tender responses; and
- enabling fast payments (to registered small businesses within five days for invoices up to \$1 million).

In the public consultation through the Have Your Say survey, SMEs gave feedback on the following topics:

•**PRE- AND POST-TENDER FEEDBACK:** SMEs called for greater transparency and enhanced feedback from NSW Government agencies, particularly through having timely and honest pre and post tender briefings.

- The Have Your Say survey indicated that 85 per cent of suppliers knew about pre and post tender briefings, with only 57 per cent of respondents finding them useful.
- The Feedback Tool indicates that pre and post tender briefings are often not requested (17 per cent and 20 per cent of the time respectfully). When post tender briefings are requested there is a lower chance of receiving feedback (55 per cent of the time with post tender briefings compared to 88 per cent of the time with pre tender briefings)

FIGURE 6.0: HAVE YOU REQUESTED A PRE-TENDER/POST-TENDER BRIEFING AND IF SO WAS ONE RECEIVED?



•**ADVANCED NOTICE OF OPPORTUNITIES:** Many suppliers indicated that they were unable to find relevant opportunities in advance of tenders being issued

- The Have Your Say survey indicated that 85 per cent of suppliers knew about advance notice of opportunities, with 66 per cent of respondents finding them useful.

•**STANDARDISED CONTRACTS AND PLAIN ENGLISH TERMS**

AND CONDITIONS: The Have Your Say survey indicated that 86 per cent of suppliers knew about standardised contracts, with 72 per cent of respondents finding them useful (the second highest score).

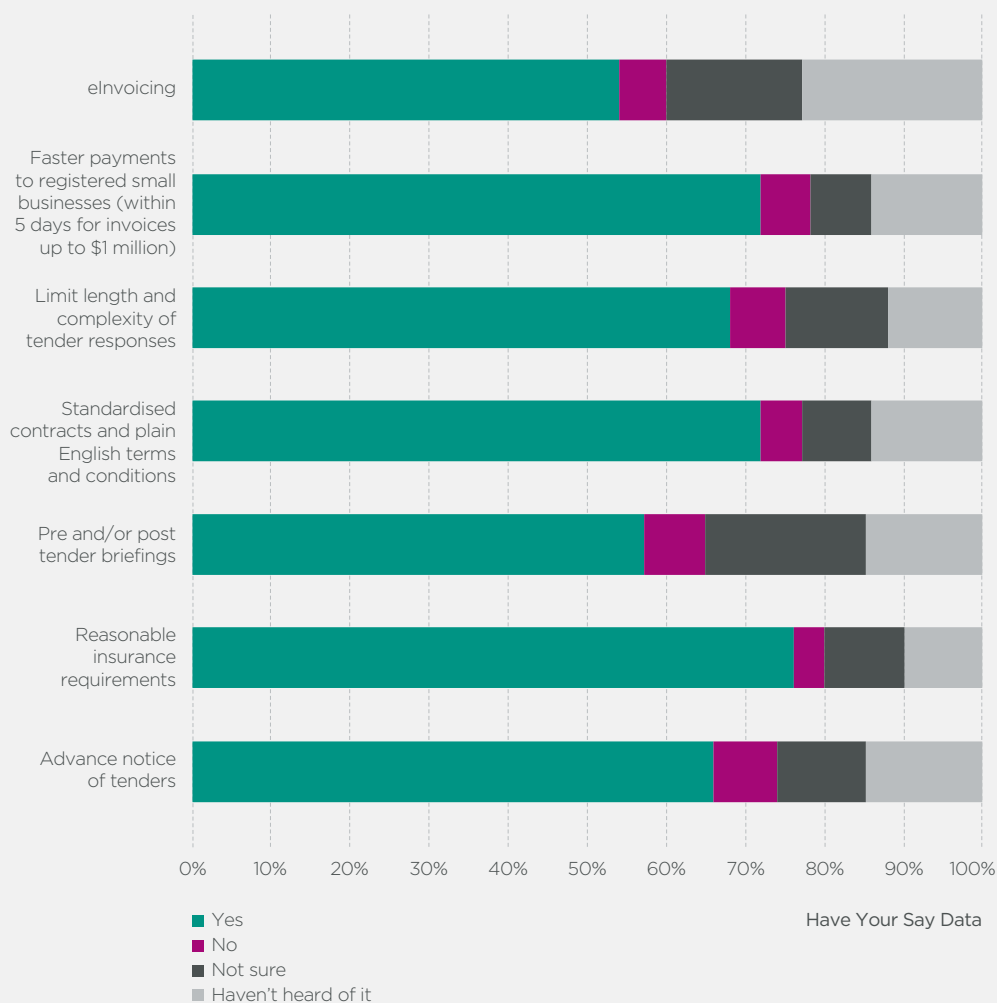
•**E-INVOICING:** The Have Your Say survey indicated that only 77 per cent of suppliers knew about e-invoicing, with only 54 per cent of respondents finding them useful (the lowest score in both criteria).

•**REASONABLE INSURANCE REQUIREMENTS:** The Have Your Say survey indicated that 90 per cent of suppliers knew about reasonable insurance requirements, with 76 per cent of respondents finding them useful (the highest score in both criteria).

•**LIMITING LENGTH AND COMPLEXITY OF TENDER RESPONSES:** There was a strong theme of the tendering process being difficult and costly, with a perceived limited chance of success.

- The Have Your Say survey indicated that 88 per cent of suppliers knew about limiting length and complexity of tender responses, with 68 per cent of respondents finding them useful.

FIGURE 7.0: ARE THE POLICIES LISTED BELOW HELPFUL TO YOU AS YOU SEEK TO SELL TO NSW GOVERNMENT?



Support Services

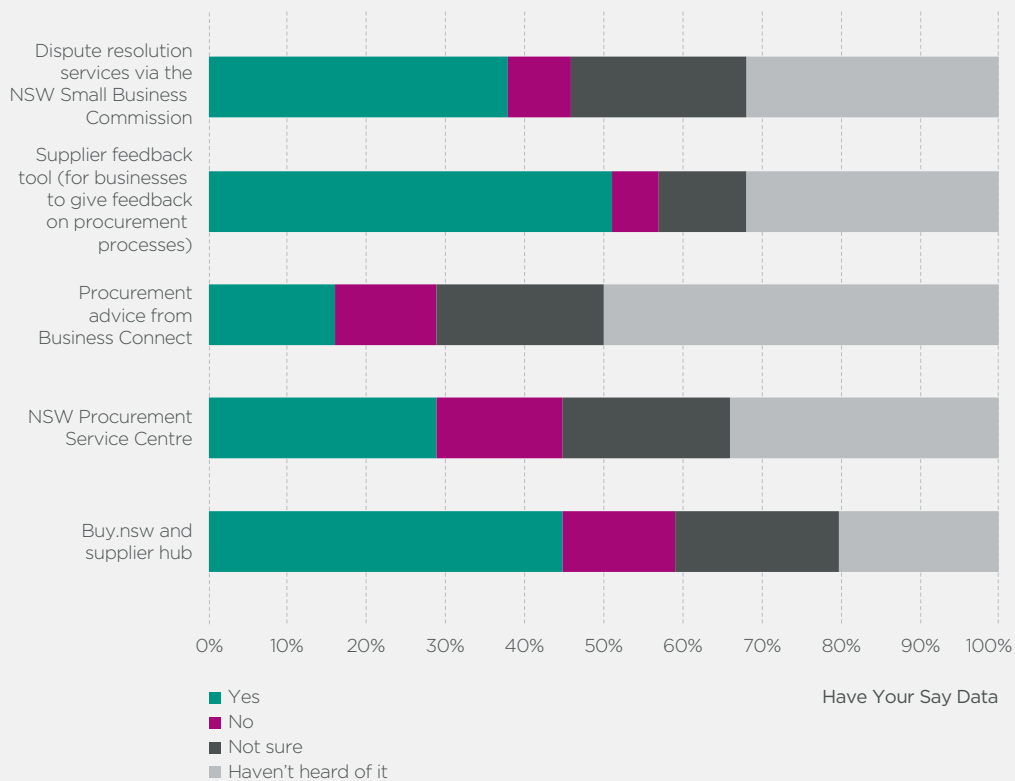
The SME and Regional Procurement Policy directs agencies and suppliers to support services for SMEs, including:

- dispute resolution services via the NSW Small Business Commission
- supplier feedback tool (for businesses to give feedback on the procurement process)
- procurement advice from Business Connect
- NSW Procurement Service Centre; and
- Buy.NSW and supplier hub.

In the public consultation through the Have Your Say survey, SMEs gave feedback on the following topics:

• **LACK OF KNOWLEDGE:** There was a lack of awareness amongst SMEs, in particular of Business Connect (50 per cent unaware) and the NSW Procurement Service Centre (34 per cent unaware).

FIGURE 8.0: ARE THE SERVICES LISTED BELOW HELPFUL TO YOU AS YOU SEEK TO SELL TO NSW GOVERNMENT?





Recommendations

The following recommendations can be summarised from the feedback received through the consultation:



Alignment

Simplify and align policies (including policy thresholds) to increase understanding and compliance.



Guidance

Further guidance including templates and examples would be useful.



Increased SME prequalification opportunities

Develop initiatives to increase opportunities for SMEs to be given work once on prequalification schemes or panel contracts.



Implementation of policy initiatives

Increase knowledge and confidence with policy elements amongst suppliers.



Awareness of support services

Increase knowledge of support services amongst buyers and suppliers to ensure SMEs are supported.

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