

# NSW Government Small and Medium Enterprise and Regional Procurement Policy

The NSW Government's Policy to support Small and Medium enterprises through Government Procurement





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# Ministerial messages



Our state has enjoyed a period of sustained economic growth, which has been underpinned by the NSW Government's

strong budget position and record investment in services and infrastructure. With an annual goods and services and construction procurement spend of over \$30 billion<sup>1</sup> the NSW Government is a very significant and diverse buyer across our economy.

But without the contribution of small and medium businesses, we can't deliver the vital public services that our citizens rely on every day.

In recognition of their existing contribution, and the need to encourage more SMEs to partner with government, the NSW Government has developed a bespoke SME procurement policy.

Many of the initiatives incorporated in this policy come directly from the recommendations made by SMEs. For example, we understand how important cash flow is to small businesses. That's why we have set ambitious targets, to ensure that all government agencies process invoices and pay small businesses as quickly as humanly possible.

We've also made changes to the way government tenders are evaluated to make it easier for SMEs to compete for work. For example, agencies now have a greater capacity to direct deal with SMEs for contracts valued under \$250,000. We have also mandated non-price evaluation criteria, which prioritise economic, ethical, environmental and social priorities including SME participation.

As the Minister responsible for both procurement and digital transformation, last year I tasked my agency with enhancing our existing reporting systems to ensure that we have more accurate, real-time procurement data from across government.

Our ability to monitor and assess the impact of our procurement spend – and make policy refinements as the need arises – will be greatly improved by the data architecture which underpins this policy.

I encourage all SMEs to take advantage of the initiatives in this policy and to provide feedback on their experience of the procurement process through the new feedback mechanism.

**The Hon. Victor Michael Dominello MP**  
**Minister for Finance, Services and Property**



Small businesses play a key role in creating jobs, educating our workforces and supporting local economies throughout

NSW. The NSW Government is committed to ensuring that the 736,000 small businesses across this state work seamlessly with government through procurement.

In addition to our record infrastructure investment, the NSW Government spends around \$20 billion<sup>1</sup> in goods and services each year, presenting incredible opportunities for small businesses and jobs in local communities.

The Small to Medium Enterprise (SMEs) and Regional Procurement Policy ensures that small businesses can be more competitive and more informed when applying for NSW Government contracts, allowing small business owners to make the most of procurement opportunities in NSW.

This policy also enables government to work directly with SMEs and includes considerations for SMEs to be made a priority when it comes to awarding NSW goods and services contracts.

The SME and Regional Procurement Policy demonstrates the government's renewed commitment to make the procurement process simpler and easier to navigate. We also guarantee reliable and fast payment terms for businesses working with the NSW Government.

A win for a NSW small business is a win for this state and a win for our economy.

As a government we will continue to work with small businesses to make it easier to do business in NSW.

**The Hon. John Barilaro, MP**  
**Deputy Premier, Minister for Regional New South Wales, Minister for Skills and Minister for Small Business**

<sup>1</sup> NSW Government Procurement Spend Cube.



# Small and medium enterprises are key drivers of the NSW economy

NSW is home to **34%** of all SMEs in Australia<sup>1</sup>

**34%**

Of the state's SMEs, approximately

**1/3** are located in regional NSW<sup>1</sup>

NSW SME business confidence increased 13 points to

**+56**

which is above the national average.<sup>2</sup>



**292,304**

Small businesses<sup>1</sup>



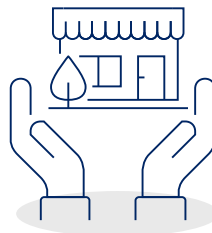
**443,323**

Non-employing businesses, eg sole traders and partnerships increased by

**17,462**

over **12 months**<sup>1</sup>

**SMEs in NSW**



**16,669**

Medium businesses<sup>1</sup>



NSW small businesses employ approximately

**1.59 MILLION PEOPLE**

in the private sector, which is around 44% of the State's private sector workforce<sup>3</sup>.

**752,296** SMEs in NSW<sup>1</sup>

**99.8%** of all NSW businesses

The NSW small business sector pays more than

**\$51.42 billion**

in annual wages and salaries to employees every year<sup>3</sup>.



<sup>1</sup>As at 30 June 2017. Australian Bureau of Statistics (ABS), 2018, *Counts of Australian Businesses, including Entries and Exits, Jun 2013 to Jun 2017*, (cat. 8165.0). Note: The ABS defines employees based on headcount, not FTE. SME Policy refers to FTE.

<sup>2</sup>Sensis Business Index, June 2018.

<sup>3</sup>NSW Department of Industry. Employee numbers, wages and salaries, and sales and service income estimated by the NSW Department of Industry from ABS, 8155.0, Australian Industry, 2016-17 by taking the published Australian small business figures and applying a 33.3% published NSW share for employee numbers, 33.2% NSW share for wages and salaries and 32.5% NSW share for sales and service income.



Photo: Jeremy Piper

# Policy objectives

## *Increasing SME participation in supplying to 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
-  Listening to local businesses and measuring participation

**The NSW Government is committed to supporting SMEs and local businesses to supply to government**

**The underlying principle of value for money is maintained in this policy**





## Definitions and application

**Definition:** A small or medium enterprise (SME) is an Australian or New Zealand based enterprise with fewer than 200 Full Time Equivalent (FTE) employees.

In this policy the terms SME and **local business** are used interchangeably.

A **Small Business** is a business with 1-19 FTEs including sole traders and start-ups, and a **Medium Business** is a business with 20-199 FTEs.

**Regional NSW** includes all areas within NSW outside the Newcastle, Sydney and Wollongong metropolitan areas. A list of regional Local Government Areas is available on [ProcurePoint](#) and provided in the Buyers and Suppliers Guides.

**Application:** The policy applies to all new government goods and services procurement activity (excluding construction) from 1 February 2019, except extensions of contract arrangements existing prior to this time.

The overarching requirement for government procurement activities is to achieve value for money. Agencies must implement this policy according to the principles of value for money, probity and fairness.

This policy is a “policy” for the purposes of s.176(1)(a) of the *Public Works and Procurement Act 1912*. The policy is consistent with international treaty obligations, including free trade agreements.

Dollar amounts in this policy are **exclusive of GST** unless otherwise specified.

# Increasing SME participation in government procurement

## Using procurement to support local businesses

The NSW Government recognises procurement presents the opportunity for small and medium businesses to work on state-of-the-art projects, while supporting local jobs and building skills.

This is why the NSW Government is working hard to make the procurement process easier for NSW businesses to understand and navigate. Under the NSW Small Business Strategy the NSW Government committed to creating fair procurement opportunities to ensure small businesses are more informed and competitive when bidding for government contracts.

The SME and Regional Procurement Policy demonstrates the NSW Government's commitment to support SMEs, build capability and simplify requirements. As part of a comprehensive review of the NSW Government procurement system, this policy builds on the strategies that SMEs have told us they value and introduces new initiatives to make it easier for local businesses to supply to government.

## How we will measure success

### By 2021 we expect to see:

- More SMEs on prequalification schemes
- More contracts awarded to SMEs
- Increased spend with SMEs, overall and as a proportion of total government procurement expenditure
- Improved capability of SMEs and regional businesses by providing procurement advisory services and workshops

## What we have done so far

Since 2012, the NSW Government has:

- Increased procurement spend with SMEs by 20 per cent, compared to a 14 per cent increase in spend overall<sup>1</sup>
- Increased the number of SMEs winning contracts through prequalification schemes, and the value of those contracts, at a rate almost twice that for non-SMEs<sup>2</sup>
- Implemented the 30-days-to-pay policy, with 96 per cent<sup>3</sup> of government payments to registered small businesses made on time
- Committed to a five-days-to-pay policy to be delivered by the end of 2019
- Continued dispute resolution support services to small businesses entering into contracts
- Introduced simplified contracts and plain English terms and conditions for low value, low risk procurement
- Updated online procurement technology to streamline and improve government procurement processes, such as eTenders and online applications for prequalification schemes
- Enhanced SME-targeted support by providing focussed advice via the NSW Procurement Service Centre and introducing an SME section on the ProcurePoint website
- Provided a series of procurement workshops across NSW support SMEs and Aboriginal business owners to become 'procurement ready'

<sup>1</sup> NSW Government Procurement Spend Cube.

<sup>2</sup> eTendering disclosure data.

<sup>3</sup> As at 31 March 2018.





DOCKYAN	1000g
SMALL	150g
MEDIUM	175g
MEDIUM	175g
LARGE	175g

0000K 10





## Supporting SMEs and local businesses

We are committed to supporting SMEs win opportunities to provide goods and services to government across all procurement values.

### *Giving SMEs and local businesses the best chance to succeed*

#### **SME First**

Where a 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 an SME.**

Agencies are encouraged to consider local businesses and primary producers when buying fresh produce.

This initiative applies to all direct procurements, including from prequalification schemes and panels, up to a maximum value of **\$250,000**.

**We put SMEs at front-of-mind when agencies are considering which supplier to engage**

#### **SME and sustainability criteria**

For all procurements valued above **\$3 million**, agencies must include a **non-price evaluation criteria of at least 15 per cent**, which considers how potential suppliers will support the government's **economic, ethical, environmental and social priorities** of which a minimum of 10 per cent must be allocated to SME participation consistent with relevant exemptions in IPAs<sup>1</sup>.

For procurements valued at less than \$3 million, where an agency seeks more than one quote, agencies are **encouraged to include a non-price evaluation criteria** that addresses these government priorities.

Agencies must incorporate supplier commitments into the contract and monitor compliance. Contracted suppliers must report against their commitments, including monthly updates on SMEs involved in delivering the contract. We will implement an online portal to simplify the reporting process.

The SME and sustainability criteria must be applied to **all government procurement arrangements**<sup>2</sup> where the total cost is estimated to be more than \$3 million.

This initiative ensures that **local businesses and the government's social priorities** are supported through major procurements.

<sup>1</sup> International procurement agreements.

<sup>2</sup> Refer to page 15 for further details. Additional guidance is provided in the Buyers and Suppliers Guides.





## Supporting SMEs and local businesses

We are committed to supporting SMEs win opportunities to provide goods and services to government across all procurement values.

### Procurement Innovation Stream

The NSW Government continues to encourage startups and innovative businesses through the Procurement Innovation Stream.

The Innovation Stream allows procurement-accredited agencies to **directly engage an SME on short term contracts valued up to \$1 million** and to do proof-of-concept testing or outcomes-based trials. The test or trial should be designed to demonstrate the feasibility of a good and/or service to solve a specific problem or improve government service delivery.

We're making it easier to engage innovative SMEs, with agencies now able to award a contract for a unique product or service following a successful test or trial. Agencies may use any suitable procurement method for a subsequent contract, including direct negotiation, subject to procurement rules. This allows SMEs to retain ownership and realise ongoing value from their innovative products and intellectual property.

### Purchasing exemptions

We remain committed to making it easier to engage small businesses and to support local economic growth through our direct purchasing arrangements.

1. The **small business exemption** allows agencies to **purchase goods or services valued up to \$50,000 directly from a small business**, even where those goods or services are available on a whole-of-government arrangement.

Agencies are encouraged to purchase from local small businesses, including fresh produce sourced from local primary producers.

2. A **general procurement exemption** allows agencies to purchase up to a maximum of **\$10,000 from any supplier**, including where there is a whole-of-government arrangement in place.

These exemptions continue our support for local business, small business, sole traders and startups, and growing SMEs.

Photo Jeremy Piper







## Building capability for suppliers and buyers

The strategy will ensure that information is more accessible to SMEs and regional suppliers.

### *Better connecting suppliers and government buyers*

#### Digital resources and support

More SMEs are working online and running their businesses digitally. The NSW Government is **building a suite of simple online resources** to assist SMEs to bid for contracts. We're also improving the design and accessibility of the NSW ProcurePoint website to ensure it is easy and intuitive to navigate.

We are continuing to enhance and build **buy.nsw** digital marketplaces to **connect SMEs and regional businesses with government buyers**, making it easier to register as a supplier and for buyers to locate and purchase from local businesses.

#### NSW Procurement Service Centre

The NSW Procurement Service Centre provides one-on-one advice on government procurement requirements and opportunities. Knowing that SMEs work hard during business hours, **out of hours calls** go to a messaging service and are followed up first thing the next day.

#### NSW Procurement Business Advice

The NSW Department of Industry will implement a specialist procurement advisory service for SMEs and Aboriginal businesses. A minimum of 50 per cent of services will be dedicated to regional NSW. Advisors will work with SMEs and host workshops to build capability, skills, provide advice on tenders and processes, introduce businesses to supplier lists and report back to the NSW Government on the SME experience.



#### Enhancing briefings and feedback

We're committed to helping SMEs compete for tenders and supporting those who miss out to improve their success in the future. Agencies must **provide pre and post tender briefings when reasonably requested by SMEs and regional suppliers** to clarify requirements and provide feedback on unsuccessful bids.

#### Advance notice of opportunities

To allow suppliers to plan for upcoming opportunities, agencies should provide **as much advance notice as possible** of upcoming procurements, particularly to enable local businesses to participate. Agencies must ensure that tender periods give all businesses enough time to price and prepare their submissions/bids. Suppliers should register on eTendering to ensure they are notified of upcoming opportunities.

Accredited agencies are also required to publish **Annual Procurement Plans** on the **eTendering website** that give suppliers information about procurement opportunities in the coming year.

# 3 Making supplying to government easy for SMEs

We are making it simpler and easier for SMEs to access government opportunities.

## *Reducing red tape and barriers for SME participation*

### Standardised contracts

We understand that SMEs are providing goods and services to multiple agencies.

We're working to **standardise government contracts for low risk engagements** across all agencies to ensure there's consistency for SMEs that provide goods and services to different agencies.

### E-invoicing

E-invoicing reduces errors and can substantially **speed up payment processing** meaning businesses are paid faster. The NSW Government supports the development of an industry standard on e-invoicing and will continue to pursue opportunities to develop the standard.

### Reasonable insurance requirements

We recognise that excessive insurance requirements are burdensome and expensive for small businesses. Agencies must ensure that the **minimum possible levels of public liability and professional indemnity insurance** are imposed on SMEs, giving regard to the risk of the engagement. Agencies are encouraged to consult with their risk managers to determine these levels.

### Limiting the length and complexity of tender responses

SMEs have less capacity to prepare lengthy tender responses than larger enterprises. To ensure that SMEs have a fair opportunity to compete, agencies will be required to provide a **length limit** for supplier tender responses whenever feasible, use plain English, and reduce the complexity of tender requirements as much as possible.

### Enabling faster payments to small business

The NSW Government has committed to a five-day-to-pay policy which will ensure small businesses who supply to government are paid almost immediately by 2019.

Approximately 90 per cent of NSW Government invoices are under \$10,000 and around 85 per cent of these are small business invoices. We're **increasing the threshold for Purchasing Cards to \$10,000** to allow agencies to buy low value goods and services more easily from SMEs.







# Listening to local businesses and measuring participation

Listening to our customers is key to improving our processes and support.

## *Giving suppliers a voice and monitoring our performance*

### Giving suppliers a voice

To better understand the experience of suppliers, and improve our interactions and processes, we're introducing a supplier feedback tool. The tool will allow **SMEs to provide anonymous feedback on their experiences with government procurement processes**, with specific and targeted questions regarding aspects of the process.

### Dispute resolution and advocacy

The Office of the NSW Small Business Commissioner's **WeAssist service offers dispute resolution** to help parties resolve commercial disputes through negotiation and mediation, rather than going to court.

Call 1300 795 534 or email [we.assist@smallbusiness.nsw.gov.au](mailto:we.assist@smallbusiness.nsw.gov.au) to access the service.

### Monitoring implementation

The NSW Small Business Commissioner will work with the Procurement Board and the Business Connect Procurement Advisor to ensure the implementation of this policy is monitored for the first 12 months.

### Improving reporting on SME spending

We're **introducing reporting obligations** to ensure that we understand and monitor the participation of local businesses in government procurement.

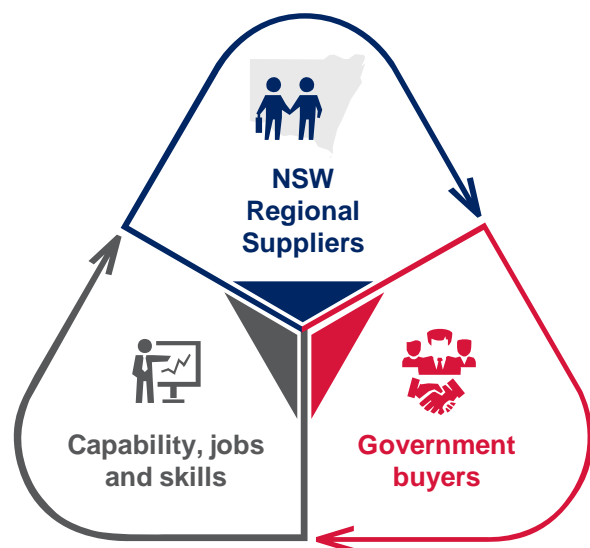
1. We'll be **analysing direct spending with SMEs** by government agencies to monitor the number and value of SME engagements and how many regional businesses supply directly to government.
2. For engagements with a value of more than \$3 million (subject to the SME and sustainability criteria initiative), agencies must **monitor the SME participation commitments** made by suppliers through the tendering process.

Suppliers must report each month on the SMEs that have been engaged, and the amount those businesses have received.



# Supporting regional businesses

Ensuring regional businesses have access to government opportunities.



## Supporting regional businesses

It is a NSW Government priority to support the sustainability and vitality of local NSW communities. Procurement with SMEs in regional areas supports local jobs, develops skills and provides economic benefits. The new and enhanced initiatives in this policy will help drive growth, build skilled workforces and flow on to other economic benefits.

Increasing the reporting of regional businesses supplying to the government, directly and through larger contracts, means the government has the information it needs to better target its support to regional businesses so they succeed in winning more government opportunities.

*This policy demonstrates the government's commitment to support businesses in regional NSW*

## Connecting regional suppliers to government opportunities

**Business Connect** aims to help small businesses start up, to create jobs, to help established small to medium-sized businesses become sustainable, and to increase business confidence across NSW.

Business Connect services are offered by independent experienced service providers across the state.

The **Industry Capability Network NSW** provides supply chain services that bridge the information gap between buyers and sellers.

ICN NSW works with local suppliers and project managers throughout the procurement process to connect businesses to project opportunities and promote local industry capability and capacity. It has offices in the Murray Riverina, Hunter/Northern NSW, Central West, South East NSW and the Sydney Metropolitan area.

The **Sydney Startup Hub** provides a central destination for the NSW startup sector and offers facilities for up to 2,500 entrepreneurs. It provides startups with access to mentoring, networking and investment and brings together leading incubators, accelerators and innovation programs in one place. The Hub features a free, dedicated **Regional Landing Pad** providing short-term desk space for regional entrepreneurs and helping them connect with the metropolitan startup sector. Along with the **Local Innovation Network**, it enables a state-wide and interconnected ecosystem for startups in NSW.

**For contact details see page 16**



## Summary of agency requirements and permissions

<b>SME First (page 9)</b>	Agencies must first consider purchasing from an SME whenever direct procurement is permitted, up to a value of \$250,000.
<b>SME and Sustainability Criteria (page 9)</b>	<p>For procurements over \$3 million over the life of the arrangement, including single supplier standing offers, agencies must include a minimum 15 per cent of the non-price evaluation criteria which considers how the government's economic, ethical, environmental and social priorities will be supported, of which at least 10 per cent (ie two thirds of the 15 per cent weighting) must be allocated to SME participation consistent with relevant exemptions in FTAs.</p> <p>Procurements to establish prequalification schemes and panels are exempt, except for panels where spend with each supplier is estimated to exceed \$3 million over the panel term. The criteria must be applied to any procurement using a scheme or panel that will exceed \$3 million over the life of the contract</p>
<b>Reporting (page 9 and page 13)</b>	Agencies must incorporate supplier SME and sustainability commitments into agreements, and monitor compliance as part of contract management activities. An online portal will be implemented to simplify the supplier reporting process.
<b>Tendering and contract requirements (page 12)</b>	Agencies must, whenever feasible, limit the length of tender responses when seeking more than one quote, and minimise tender and contract requirements wherever possible (such as insurance levels or technical requirements).
<b>Small Business Exemption (page 10)</b>	Agencies may purchase goods or services up to a value of \$50,000 directly from a small business, even where these are available on a whole-of-government arrangement. Agencies are encouraged to purchase from local small businesses, including fresh produce.
<b>General exemption (page 10)</b>	Agencies may purchase goods or services up to a value of \$10,000 from any supplier, even where these are available on a whole-of-government arrangement.
<b>Procurement Innovation Stream (page 10)</b>	Accredited agencies may directly engage an SME on a short-term contract valued up to \$1 million to do proof-of-concept testing or outcomes-based trials. Agencies may use any appropriate procurement method, including direct negotiation, to award a contract following a successful test or trial, subject to procurement rules.

## Summary of supplier requirements and permissions

<b>SME and Sustainability Criteria (page 9)</b>	For procurements above \$3 million, suppliers must demonstrate how they will support ethical, environmental and social factors, including SME participation. The tender documentation for each procurement will detail this requirement.
<b>Reporting (page 9 and page 13)</b>	For contracts with a value greater than \$3 million suppliers must report on commitments made to address the sustainability criteria, including monthly reporting on SMEs that have been engaged.
<b>Supplier feedback (page 13)</b>	A new supplier feedback tool will give suppliers the opportunity to provide targeted feedback on government procurement activities.

# Useful contacts

## NSW Procurement

**ProcurePoint:** One place for all NSW Government procurement

- Procurement policies, governance, contract and prequalification schemes
- How to supply to government
- How to buy from within government

[www.procurepoint.nsw.gov.au](http://www.procurepoint.nsw.gov.au)

**NSW eTendering:** Australia's largest provider of state government tenders

- Notifications of upcoming opportunities
- Current and closed tenders
- Agency contract registers
- Annual Procurement Plans

[www.tenders.nsw.gov.au](http://www.tenders.nsw.gov.au)

**NSW Procurement Service Centre:**

Targeted advice on accessing government opportunities

Phone: 1800 679 289

Email: [nswbuy@finance.nsw.gov.au](mailto:nswbuy@finance.nsw.gov.au)

Out of hours calls are answered by Service NSW and relayed to our team to follow up

## Industry Capability Network NSW

- Provides supply chain services connecting local businesses to projects large and small
- Offices in the Sydney Metro plus regional offices in South East NSW, Murray Riverina, Hunter/Northern NSW and Central West

Phone: 02 99273100

Email: [info@icnsw.org.au](mailto:info@icnsw.org.au)

Web: [icn.org.au/nsw\\_home](http://icn.org.au/nsw_home)

ICN NSW is supported by the NSW Department of Industry

## Small Business Commissioner

- Dispute resolution services
- Supporting small businesses
- Speaking up for small business in government

Phone: 1300 795 534

Email: [we.assist@smallbusiness.nsw.gov.au](mailto:we.assist@smallbusiness.nsw.gov.au)

Web: [smallbusiness.nsw.gov.au](http://smallbusiness.nsw.gov.au)

## Business Connect

- Business Connect is a dedicated and personalised NSW Government program that provides trusted advice to support small businesses to start or grow
- Includes specialist procurement, digital and access to finance support

Phone: 1300 134 359

Email: [connect@industry.nsw.gov.au](mailto:connect@industry.nsw.gov.au)

Web: [industry.nsw.gov.au/businessconnect](http://industry.nsw.gov.au/businessconnect)

## Sydney Startup Hub and Regional Landing Pad

- Brings together startups, incubators, accelerators and investors and accommodates up to 2,500 people over 11 floors
- The Regional Landing Pad is a dedicated startup space for entrepreneurs based outside Sydney, providing a base to meet investors, network with other startups, attend events or learn about the accelerator programs operating inside the Hub.

Location: 11-31 York St Sydney

Phone: 02 8222 4188

Email: [reception@sydneystartuphub.com.au](mailto:reception@sydneystartuphub.com.au)

Web: [sydneystartuphub.com/](http://sydneystartuphub.com/)



For further information on the  
SME and Regional Procurement Policy  
see: [Procurepoint](#)

Contact the NSW Procurement Service Centre  
on 1800 679 289  
or email [nswbuy@finance.nsw.gov.au](mailto:nswbuy@finance.nsw.gov.au)