

# NSW Government Small and Medium Enterprise and Regional Procurement Policy







## 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

# Contents

MINISTER'S MESSAGE	4
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STATISTICS	5
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## 01.

### INTRODUCTION

Introduction	6
Policy Objectives	6
Application	7
Definitions	7

## 02.

### REQUIREMENTS AND PERMISSIONS

SME and Regional Supplier Exemption	8
SME First	8
SME and Sustainability Criteria	8
SME and Local Participation Plan and Reporting	8

## 03.

### MAKING SUPPLYING TO GOVERNMENT EASY FOR SMEs

Advanced notice of opportunities	9
Briefings and feedback	9
Tendering and contract requirements	9

## 04.

RESOURCES AND SUPPORT FOR SUPPLIERS AND BUYERS	10
--	----

## 05.

REVIEW OF THE SME AND REGIONAL PROCUREMENT POLICY	11
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Small businesses  
are the backbone  
of the NSW  
economy.



## Minister's message

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There are over 800,000 small businesses across New South Wales (NSW) who employ around half the State's workforce and inject billions of dollars' worth of sales and service income into our economy each year.

It's more than just numbers and each and every business plays a critical role in the social fabric of a community, providing everything from sponsorship of local sporting teams to supplying goods and critical services to families in all corners of the State.

2020 was a tough year for businesses and communities across NSW. Bushfires, drought, floods and COVID-19 have meant that small businesses owners have done it tough and shown a level of resilience of which we can all be proud.

We want to make sure we are giving small and medium and regional businesses the best possible opportunities to supply goods and services to the NSW Government.

Many initiatives incorporated in this policy come directly from the recommendations made by SMEs and government buyers through our 2021 review of the Small and Medium Enterprise (SME) and Regional Procurement Policy.

For example, we have increased the threshold under which NSW government agencies may directly negotiate with SMEs and regional suppliers, from \$50,000 to \$150,000, making it even easier to engage these businesses.

As we move into a post pandemic economy, it is more important than ever that we look at ways to stimulate our economy, create jobs and opportunities for small businesses in our local communities. To that end, we have mandated the preparation of a SME and Local Participation Plan, ensuring that larger businesses in our supply chain share the NSW Government's commitment to local opportunities for our SME and regional businesses, who know their communities best.

We will continue to work with small and medium businesses to make it easier to do business in NSW.

A handwritten signature in dark ink, reading 'Damien Tudehope'.

The Hon. Damien Tudehope, MLC  
**Minister for Finance and  
Small Business**

# 99.8% OF NSW BUSINESSES ARE SMEs<sup>1</sup>

## SMEs IN NSW:

295,931  
small  
businesses<sup>1</sup>

18,085  
medium  
businesses<sup>1</sup>

504,733  
non-employing  
businesses  
(e.g. sole traders and  
partnerships)<sup>1</sup>

**TOTAL  
818,749**

NSW is home to  
**34% OF ALL SMEs**  
in Australia<sup>1</sup>



Of the state's SMEs, approximately  
**29%** are located in **REGIONAL NSW**  
(238,288 businesses)<sup>1</sup>

This is an  
**INCREASE OF 61,410**  
over 3 years<sup>1</sup>

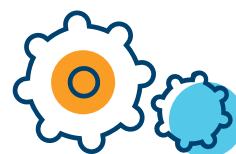


NSW small businesses employ  
approximately **1.6 MILLION PEOPLE**  
in the private sector, which is  
around **41%** of the State's private  
sector workforce<sup>3</sup>



The NSW small business sector  
pays more than **\$53.6 BILLION IN  
ANNUAL WAGES AND SALARIES**  
to employees every year<sup>3</sup>

NSW SME business confidence increased to **64%** which is **5%  
ABOVE THE NATIONAL AVERAGE<sup>2</sup>**



<sup>1</sup> As at 30 June 2020. Australian Bureau of Statistics (ABS), 2021, *Counts of Australian Businesses, including Entries and Exits, July 2016 to June 2020*, (cat. 8165.0). Note: The ABS defines employees based on headcount, not FTE. SME and Regional Procurement Policy refers to FTE

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

<sup>3</sup> NSW Treasury. Employee numbers, wages and salaries estimated by NSW Treasury from *ABS Australian Industry, 2018-19* by taking the published Australian small business figures and applying published NSW shares for employee numbers, wages and salaries



# Introduction

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## 1.1 Introduction

The NSW Government recognises that government procurement presents opportunities for small and medium enterprises (SMEs) to provide a diverse range of goods and services, while supporting local jobs and building skills, and remains committed to improving access to government business opportunities.

This document supersedes the earlier version of the SME and Regional Procurement Policy document dated 20 August 2020 and reflects recommendations made as a result of the SME and Regional Procurement Policy Review.

## 1.2 Policy Objectives

The SME and Regional Procurement Policy (the Policy) aims to increase SME participation in procurement opportunities within the NSW Government and improve economic, ethical, environmental and social outcomes through a range of initiatives.

By 2023 expected outcomes are:

- **more contracts awarded to SMEs**
- **more participation of SMEs on large contracts**
- **increased spend with SMEs, overall and as a proportion of total government procurement expenditure; and**
- **improved capability of SMEs and regional businesses.**

### 1.3 Application

The Policy applies to the procurement of all goods and services (excluding construction), by a NSW Government agency, within the meaning of section 162 of the *Public Works and Procurement Act 1912* (the Act) (collectively referred to as 'clusters' or 'agencies' in this policy).

State-owned corporations, the Parliament of NSW and local councils are not covered by this policy. State-owned corporations are encouraged to adopt aspects of the that are consistent with their corporate intent.

NSW Government agencies must apply the Policy to all goods and services procurement activities commencing from 1 July 2021.

### 1.4 Definitions

In the Policy, a SME is an Australian or New Zealand based enterprise with fewer than 200 full-time equivalent (FTE) employees. Further to this:

- a local business has the same definition as an SME
- a small business is defined as an enterprise with 1-19 FTEs including sole traders and start-ups; and
- a medium business is defined as an enterprise with 20-199 FTEs.

Regional NSW includes all areas within NSW outside the Newcastle, Sydney and Wollongong metropolitan areas. Here is a list of regional Local Government Areas (LGAs).

A SME may include, but are not limited to, local businesses, Aboriginal owned businesses, social enterprises and disability employment organisations.

### 1.5 Actions to Date

Since 2019, the NSW Government has:

- Created a single platform Buy.NSW, a gateway to NSW Government procurement resources and services for buyers and suppliers.
- Created the NSW Supplier Hub, integrated to Buy.NSW, which makes it easier for businesses to register to sell to the NSW Government and easier for buyers to find suppliers.

- Committed to creating Simple Quote to be integrated to Buy.NSW for low risk, low value procurement.
- Updated the NSW Government's Faster Payment Terms Policy so that all registered small businesses must be paid within five business days for goods and services worth up to \$1 million, through a correctly rendered invoice.
- Introduced the *Small Business Shorter Payment Terms Policy* that requires large businesses who contract with NSW Government agencies for goods and services contracts valued at or above \$7.5 million to pay small business subcontractors within 20 business days.
- Committed to the NSW Small Business Commission Tendering Support Program to provide small businesses with information, guidance and training to assist them with successfully finding and tendering for opportunities to sell to the NSW Government.
- Extended the Business Connect program, a dedicated and personalised service that provides practical advice and training to support NSW small businesses to start, run, adapt or grow.
- Continued the Industry Capability Network NSW (ICN NSW) to deliver free of charge procurement advice and business matching to NSW project owners and suppliers on major projects.
- Continued SME targeted procurement support by providing focused advice via the NSW Procurement Service Centre.
- Created the Business Concierge Service, which provides a suite of assistance for starting or expanding a small business in NSW.
- Implemented e-invoicing to reduce errors and speed up the payment process for businesses.



# 02.

## Requirements and Permissions



### SME and Regional Supplier Exemption up to \$150,000

(PERMISSION)

#### 2.1 SME and Regional Supplier Exemption

NSW Government agencies **may negotiate directly with and engage** an SME or regional supplier, for goods and services **up to \$150,000**, including where there is a whole-of-government arrangement in place.

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

- 10 percent allocated to SME participation; and
- 10 percent allocated to support for the NSW Government's economic, ethical, environmental and social priorities.

Where no weightings are used, SME participation and support for the NSW Government's economic, ethical, environmental and social priorities should be given appropriate qualitative consideration.

We ensure that SME participation is supported through major procurements. SMEs are considered for opportunities to work with government directly or through subcontracting.



### SME First up to \$3 million

(REQUIREMENT)

#### 2.2 SME First

NSW Government agencies **must first consider purchasing from an SME**, for procurements **up to \$3 million**, where the agency is permitted to directly purchase goods and/or services from a supplier, including from prequalification schemes and panels.

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

#### 2.4 SME and Local Participation Plan and Reporting

For contracts **valued at \$3 million or more**, suppliers are **required to submit a SME and Local Participation Plan**, referencing SME and NSW specific content, consistent with International Procurement Agreement (IPA) obligations, and report on these commitments quarterly.

We ensure that major procurements consider their impact on SMEs and the NSW industry in their activities.



### SME and Sustainability Criteria, SME Local Participation Plan and Reporting over \$3 million

(REQUIREMENT)

#### 2.3 SME and Sustainability Criteria

For goods and services contracts **valued at \$3 million or more**, a NSW Government agency **must include in the non-price evaluation criteria** as a minimum:



A man with dark hair and a beard, wearing a blue button-down shirt over a red t-shirt, is standing in a workshop. He is holding a white smartphone to his ear with his right hand and looking down at a silver laptop on a wooden workbench with his left hand. On the workbench, there is also a black coffee cup and some papers. The background shows a well-lit workshop with various tools, equipment, and large windows.

# 03.

## Making it Easier to Supply to Government

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### 3.1 Advanced Notice of Opportunities

NSW Government agencies must provide suppliers with as much notice as possible of upcoming and open procurements.

### 3.2 Briefings and Feedback

NSW Government 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.

### 3.3. Tendering and Contract Requirements

NSW Government 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).

# 04.

## Resources and Support

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**BUY.NSW** is the centralised gateway to procurement information and platforms for the NSW Government.



**SUPPLIER HUB** is a place for buyers and suppliers of products and services to connect.



**ETENDERING** is Australia's largest provider of state government tenders.



**NSW PROCUREMENT SERVICE CENTRE** provides one-on-one advice on government procurement requirements and opportunities.



The **BUSINESS CONNECT PROGRAM** is a dedicated and personalised service that provides practical advice and training to support NSW small businesses to start, run, adapt or grow.



The **INDUSTRY CAPABILITY NETWORK NSW (ICN NSW)** delivers procurement advice and business matching to NSW project owners and suppliers on major projects.



The **SYDNEY START UP HUB** provides a central destination for the NSW startup sector and offers facilities for up to 2,500 entrepreneurs.



The **SUPPLIER FEEDBACK TOOL** is an online survey, which allows SMEs to provide anonymous feedback on their experiences with specific government procurement processes.



A NSW small business, which supplies to participating NSW Government agencies, may be eligible for five day payment terms under the **FASTER PAYMENTS POLICY**. Small businesses must register to be eligible.



# 05.

## Review of the SME Regional Procurement Policy

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The outcomes and effectiveness of the SME and Regional Procurement Policy will be reviewed in 2023 after the Policy has been in effect for two years.



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