



Damien Tudehope
Minister for Finance and Small Business

MEDIA RELEASE

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SHORTER PAYMENT TERMS AND PREFERENCING TO BENEFIT SMALL BUSINESS

The NSW Government will deliver on shorter payment times for small business and a refreshed *SME and Regional Procurement Policy* from 1 July, as part of the 2021-22 NSW Budget.

Large businesses who contract with NSW Government agencies for goods and services contracts valued at more than \$7.5 million will be required to pay small business subcontractors within 20 business days, following the success of a pilot program earlier this year.

Minister for Finance and Small Business Damien Tudehope said the *Small Business Shorter Payment Terms Policy* was being introduced to better support small businesses engaged as direct subcontractors on Government projects.

“Cashflow can be a major issue for small businesses and the new policy will support the important role small businesses play in the NSW economy,” Mr Tudehope said.

“There is a growing focus on the payment performance of large businesses to small businesses and it is vital the NSW Government leads the way, in particular as the small business sector continues to recover from the impacts of COVID-19.”

The new policy builds on the NSW Government’s existing *Faster Payment Terms Policy*, under which payment times for small businesses directly engaged by the NSW Government were cut from 20 days to five days in 2020.

It also complements the Federal Government’s Payment Times Reporting Scheme which requires certain large businesses with a total annual income of more than \$100 million to publicly report on their payment terms and practices to their small business suppliers.

“This is about ensuring small businesses are paid quickly, making it easier for them to pay staff and bills without the stress of not knowing when the next cheque will come in,” Mr Tudehope said.

The 2021-22 NSW Budget will also include a refreshed *Small and Medium Enterprise (SME) and Regional Procurement Policy*.

“The *SME and Regional Procurement Policy* was introduced in 2019, providing a range of measures to increase opportunities for SMEs and regional businesses to supply goods and services to the NSW Government. While its impact has been

positive, we want to continually improve small business participation in our supply chain," Mr Tudehope said.

Following industry consultation, changes introduced under the refreshed policy will include:

- Increasing the current general exemption of \$50,000 for small businesses to \$150,000 for SMEs and regional businesses, meaning they can be directly engaged by agencies for goods or services up to that value, even where there is a whole-of-government contract in place;
- Requiring agencies to first consider SMEs for procurements up to \$3 million, where direct engagement is permitted;
- Increasing the value that Government places on suppliers which deliver economic, ethical, environmental and social outcomes through a contract; and
- Requiring suppliers tendering for contracts valued at more than \$3 million to submit an SME and Local Participation Plan, which will become contractually binding.

For more on the *Small Business Shorter Payment Terms Policy* and refreshed *SME and Regional Procurement Policy* go to buy.nsw.gov.au

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