

Procurement Reforms – a win for small business

The State Government has announced sweeping changes to procurement that will dramatically improve the experience for small business. In March 2015 the Industry Advocate launched a policy paper titled *Suppliers as Partners*. Many of the recommendations in that policy paper have culminated in these reforms.

One streamlined contract replaces 11 different contracts

- On 1 September 2016, the State Government replaced 11 different contracts with one streamlined contract. It will be mandated for use across government.
- This contract is small business friendly. It will apply in key areas including most consultancy services and low to medium risk goods and other services.

Reduced insurance requirements & better default limits on liability

- In a major win for small business the contract requires lower levels of insurance, only \$1,000,000 in public liability insurance down from \$5,000,000 until now.
- There is no contract indemnities required from suppliers.
- Insurance policies will not require the State Government to be named on certificates.
- And the contract sets default limits of liability of between one and five times the contract value.
- It represents not only a more commercial approach to risk setting in contracts by government but we have also listened to good sense from small business.

It has long been recognised by the business community that onerous terms and conditions, including higher insurance levels than necessary and uncapped liability can raise the cost of contracting. The State Government has listen to these concerns and is getting rid of these unnecessary costs and these changes are a win-win for both business and the State Government.

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Procurement Reform: Supporting Small Business

Government has listened to the needs of the small business community by implementing a major procurement reform strategy aimed at supporting small local business by modelling best procurement practice and being a better customer.

The reform strategy will:

- reduce red tape and adopting a less complex, more agile procurement framework
- increase the simple procurement threshold to \$550,000 and simplifying the market approach process
- increase the standardization of procurement practices and documents across government
- use simple, plain English invitation and contract documents that are easy for both public authorities and suppliers to use and understand
- ensure public authorities consult with the Office of the Industry Advocate to facilitate the Government's *Industry Participation Policy* requirements.

For small business suppliers bidding for government work, these reforms mean:

- the Government being held to account
- faster procurement decision making and reduced costs
- greater opportunities to win work
- improved buyer behaviour and a better understanding of the needs of suppliers
- a reinforced commitment to working with local suppliers
- using smarter procurement to achieve greater efficiencies.

The reform strategy will help make government a better customer by adopting the Premier's *Better Customer Charter for Business* throughout the procurement process.

The charter reaffirms the Government's commitment to supporting suppliers that do business with government and outlines what current and potential suppliers can expect when they bid for goods and services procurement opportunities.

There has also been significant changes to the liability requirements of government contracts which presents a significant barrier for small business.

The new requirements mean that the contract:

- does not require the supplier to provide indemnities
- allows the selection of a default liability cap between one and five times the value of the contract
- does not require that the State to be named on insurance policies, or be provided with a copy of the insurance certificate.

For low to medium risk procurements, the new *Standard Goods and Services Contract* also reflects the level of public liability insurance to be set at the minimum level that can be purchased, which is \$1,000,000.

The procurement process has been significantly simplified for procurements up to and including \$550,000, with public authorities now able to seek:

- a minimum of one quote up to \$33,000
- a minimum of three written quotes to be sought from \$33,000 to \$220,000
- a minimum of five written quotes to be sought from \$220,000 to \$550,000.

There is also a reduction in the value at which forward procurement plans for procurements are published to \$220,000 (down from \$550,000).

Government is building commercial capability and acumen by providing training to public authorities in order to better understand the needs of suppliers and the business environment in which they operate.

Some public authority procurement governance committees will also include at least one external commercial advisory representative with relevant experience.

Finally, agencies will be accountable for more productive and efficient procurement through agreed benchmarks, to be monitored through regular reporting from agencies.