



ICT/Digital SME procurement commitments

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Increasing participation of SMEs in government procurement of ICT goods and services.

1. Background

Following the ICT/Digital Sovereign Procurement Taskforce, NSW Government has committed to a range of measures to support growth of small to medium enterprises (SMEs) in the technology sector through its procurement opportunities.

This includes Aboriginal businesses, start-ups and Australian disability enterprises (ADEs).

The below measures are effective from 1 April 2021.

2. Summary of NSW Government commitments

- **Permission:** Up to \$250,000, agencies may buy ICT direct from an SME regardless if on whole-of-government contract (exemptions apply, see section 5 [purchasing_permissions](#)).
- **Target:** Over \$3 million, ICT contracts with NSW Government must have a minimum addressable spend target of 25% to be directed to SMEs via subcontracting or supply chain spend.
- **Target:** 30% of NSW Government's total addressable direct ICT spend to be with SMEs.

3. Direct spend target

3.1 Target for NSW Government (all direct spend)

NSW Government has committed a target of **30% of total addressable ICT spend to be directly spent with SMEs**.

This will be captured through existing quarterly invoice data.

3.2 Addressable spend definition

For the purpose of setting a NSW Government direct spend target, addressable spend has been defined as:



Find



Contents

3.3 Non-addressable spend

Non-addressable spend is a category of ICT spend where there are very limited opportunities for agencies to engage SMEs. It includes:

- categories where there are limited SMEs to supply to government
- spend with other government entities
- spend subject to mandated whole-of-government panel arrangements where there are no SMEs.

3.4 NSW Government results

Please note that historical reports for ICT/Digital SME spend cannot be replicated after publication. This is because:

- The SME marker is dynamic – companies with fewer than 200 full-time equivalent (FTE) employees in 2021 that grew beyond 200 FTE employees in 2022 will no longer appear as SMEs in the reporting tool
- Machinery-of-government changes (for example, creation of a new cluster from agencies previously spread in several clusters) mean that spend can be allocated to one cluster before the change, and another after the change.

ICT SME spend for 2020–21 financial year

The NSW whole-of-government ICT/Digital SME spend in the 2020–21 financial year was **27% of addressable spend**.

This figure provides a benchmark to track progress against the whole-of-government target. It isn't broken down by cluster because the target came into effect in April 2021.

ICT SME spend for 2021–22 financial year

Table 1. ICT SME spend % for 2021–22 financial year

Cluster	% of addressable ICT spend with SMEs	Contribution to whole-of-government SME spend
Department of Customer Service	23%	14%
NSW Education	28%	21%
NSW Health	32%	20%
Department of Planning, Industry and Environment	40%	6%
Department of Enterprise, Investment and Trade	-*	-

Cluster	% of addressable ICT spend with SMEs	Contribution to whole-of-government SME spend
Department of Regional NSW	52%	1%
Department of Stronger Communities	28%**	15%
Transport for NSW	23%	20%
NSW Treasury	48%	1%
Total	28%	100%

Data sourced from a central whole-of-government spend aggregation system, excluding around 5% of transactions impacted by poor data quality during transfer from cluster finance systems.

*Enterprise, Investment and Trade cluster was established in April 2022, following machinery-of-government changes.

** Stronger Communities SME spend result is “low confidence”, as spend has a large proportion of transactions excluded due to poor data quality.

4. Indirect addressable spend target for contracts over \$3 million

4.1 Target for ICT contracts over \$3 million (indirect addressable spend)

For ICT contracts over \$3 million with NSW Government, a minimum target of **25% of the contracts addressable spend** should be spent with SMEs, demonstrated through subcontracting or supply chain spend.

We encourage agencies to request more than the minimum 25% addressable spend target where possible.

Each agency's chief procurement officer, or assigned delegate, may approve a contract to not apply this requirement at their own discretion, where it cannot reasonably be applied.

If there is SME spend on an exempt contract, this should be captured through existing reporting requirements under the [SME and Regional Procurement Policy](#).

4.2 Supplier requirements for indirect addressable spend

Suppliers with NSW Government applicable ICT contracts over \$3 million must:

- have a target to direct at least 25% of contracts addressable spend to SMEs through their subcontracting or supply chain spend
- report on their SME subcontracting, or supply chain spend to date, at the end of each financial year

4.3 Agency requirements for indirect addressable spend

Agencies with ICT procurements over \$3 million must:

- make suppliers aware of the SME indirect addressable spend target at time of tender
- include SME indirect targets in the contract, of at least 25% of the total contract value of addressable spend
- monitor suppliers are submitting quarterly reporting against their progress to achieve their SME contract target commitments.

4.4 Calculating indirect addressable spend on contracts over \$3 million



Equation

- Overall contract value – non-addressable spend = indirect addressable spend
- 25% of indirect addressable spend = SME indirect addressable spend target

Agencies should consider appropriate exclusions from the contract value in calculating their 25% indirect addressable spend target.

Exclusions are determined by agencies and may include explanations consistent with 3.3. Non-addressable spend.

The application of any exclusion must be approved by an agency's chief procurement officer or appropriate delegate.



Case study

An agency is procuring mainframe hardware and implementation services.

There are no SMEs to supply mainframe hardware. The value of mainframe hardware will be excluded from the overall contract value but cost of implementation service will remain.

Contract value (\$5 million) minus mainframe hardware (\$4 million) = indirect addressable spend (\$1 million)

As the indirect addressable spend is \$1 million, the supplier has a target \$250,000 (25% of its contractual addressable spend) to be spent with SMEs via subcontracting or demonstrated through their supply chain.

25% of indirect addressable spend (\$1 million) = \$250,000 (SME indirect addressable spend target)

4.5 Exemption to apply the indirect spend target

Each agency's chief procurement officer, or assigned delegate, may approve a contract to not apply the SME indirect requirement at its own discretion.

If there is some SME spend on an exempt contract, agencies must continue to report this through existing reporting requirements under the [SME and Regional Procurement Policy](#).

4.6 Indirect target result

A new social procurement reporting portal has been created for use by NSW Government agencies in 2021–22 financial year. reporting.buy.nsw tracks social procurement initiatives including Aboriginal, SME, and diversity and inclusion spend targets. The 2022–23 financial year indirect SME target result will be calculated using data collected through this portal.

5. Purchasing permissions

Up to \$150,000 (excluding GST), agencies may buy directly from a regional business (regardless if on the [ICT Services Scheme](#) or a mandated ICT contract). This is permitted by the [SME and Regional Procurement Policy](#).

Up to \$250,000 (excluding GST), agencies may buy directly from an SME (regardless if on the [ICT Services Scheme](#) or a mandated ICT contract, except the [Telecommunication Purchasing Arrangements](#)). This is allowed by [PBD-2023-03](#).

Regardless of these sourcing approaches, when buying ICT consultancy services agencies must comply with the ICT Consultancy Framework.

Agencies must use the relevant mandated contract under the [ICT Purchasing Framework](#) based on:

- the value and risk of the engagement
- the type of ICT or digital solution being purchased.

Agencies must complete a technical assessment when buying, to ensure solutions are compatible with their ICT systems and infrastructure.

6. Other information

A number of other planned initiatives are underway to help support growth of SMEs in the ICT and digital sector. These initiatives are focused around 4 areas:

- policy measures
- education activities for suppliers and NSW Government buyers
- improving access for SMEs to government procurement opportunities
- reporting requirements to track implementation impact.

For enquiries on these commitments, please email ictservices@customerservice.nsw.gov.au

Related resources

- [ICT/Digital Sovereign Procurement Taskforce](#)

Frequently asked questions

General FAQs

How is an SME defined?

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

A **small business** is a business with 1-19 FTEs including sole traders and start-ups.

A **medium business** is a business with 20-199 FTEs.

Large multinational companies with smaller subsidiaries will be excluded from showing as SMEs in spend data.

Buyer FAQs

When do I need to apply the minimum SME indirect spend target in tenders and contracts?

If your procurement strategy was approved on or after 1 April 2021, your contract must include the minimum 25% ICT SME spend target unless it's been exempt by your chief procurement officer or relevant delegate. See 4.5. Exemption to apply the indirect spend target.

How will direct reporting be captured?

Direct spend is captured through NSW Government invoice data. Agencies won't have to report anything additional.

How will indirect reporting be captured?

Suppliers will need to report their progress towards achieving their target of a minimum 25% SME indirect addressable contract spend through the reporting.buy reporting tool.

[Read more about reporting obligations.](#)

Supplier FAQs

When do I need to apply the minimum SME indirect spend target in tenders and contracts?

If an agency's procurement strategy was approved on or after 1 April 2021, and they've not been granted an exemption from the SME reporting requirements, your contract must include a minimum 25% ICT SME indirect addressable spend target.

How will direct reporting be captured?

Direct spend is a NSW Government target. This target does not impact reporting for suppliers. We capture direct spend

How do I report on indirect SME spend on my contract over \$3 million?

You will need to report at the end of each financial year quarter on your progress towards achieving the minimum 25% SME indirect addressable spend target through reporting .buy reporting tool.

For general enquiries and help



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