



22 February 2022

The Hon Bruce Billson
Australian Small Business & Family Enterprise Ombudsman
GPO Box 1791
CANBERRA ACT 2601
bruce.billson@asbfeo.gov.au

Dear Mr Billson

Thank you for the opportunity to provide feedback to the Australian Small Business and Family Enterprise Ombudsman's (ASBFEQ) Inquiry into Small Business Natural Disaster Preparedness and Resilience.

The NSW Small Business Commissioner (the Commission) is an independent statutory office of the NSW Government. It provides strategic advice, advocacy and affordable dispute resolution services across NSW.

The frequency and severity of natural disasters in Australia have significant consequences for businesses and local economies. Small business impacts experienced in recent disasters in NSW include damaged and destroyed assets, staffing impacts, mental health impacts, as well as severe disruption to operations and reduced revenue.

Navigating the recovery process can be overwhelming with small businesses facing many challenges in sustaining their operations and/or reopening. Small business recovery is also often happening concurrently with the recovery of their employees, who may have been individually impacted, and that of the broader local community, where there can be a range of competing needs and priorities.

Small businesses in NSW have endured overlapping disasters with drought, bushfires, floods, storms and COVID-19 occurring over the past several years. During this time the Commission has provided support to small businesses and worked with government agencies to aid in the response and recovery. This submission is informed by the Commission's work supporting small businesses through natural disasters and other disruptions.

Awareness and preparation

The Commission observes businesses that have undertaken continuity planning are better prepared for unexpected disasters and usually recover faster. A Business Continuity Plan (BCP) can assist businesses in identifying contingencies in circumstances where the business, key personnel or assets are disrupted.

In 2020 the Commission surveyed businesses to understand the prevalence of business continuity planning. In April 2020, 366 of 502 responding businesses (73 per cent) indicated they did not have a BCP. Of the businesses that had a BCP, only 15 businesses (3 per cent of total respondents) included pandemics in their plans. These results suggest an opportunity to encourage and support

small businesses to develop and adopt a BCP, with broader planning for tail risk events (including pandemics, but also other lower frequency but high impact events).

The Commission developed the following suite of tools to help small businesses both prepare for and recover from disasters and disruptions:

- [Build a Business Continuity Plan](#) – a guide providing practical advice for preparing for unexpected disruptions, with a series of easy-to-use templates enabling small businesses to develop a tailored business continuity plan.
- [Get Ready Business](#) – helps business owners prepare for disaster in five simple steps.
- [Get Back to Business](#) – a step-by-step recovery guide for business owners dealing with a disaster. It outlines how small businesses can recover and even build back better. The guide provides information on what to do in each of the five phases of disaster recovery – from the moment disaster hits to the days, weeks and months ahead.
- [Guide to making insurance claims for small business](#) - helps small business owners in the recovery phase, guiding them through the often-complicated insurance claims process and providing advice if they encounter issues with providers.

Improved coordination

It is harder for small businesses to access or be aware of available support if there is a requirement to contact multiple government agencies or organisations in times of crisis. NSW has had recent success in improving the coordination of small business support through *Service NSW for Business* which is a single customer-focussed contact centre that intermediates a range of government supports. Service NSW for Business has undertaken this role since the 2019 bushfires, providing a business concierge service to other government agencies as well as information on all State and Federal supports. It also assesses grant applications when financial support is offered.

To facilitate coordination, NSW Government agencies now work together through collaborative cross-governmental working groups chaired by NSW Treasury, Premier and Cabinet and Resilience NSW. The working groups develop and implement response and recovery activities, engage with key stakeholders, develop policy, resolve issues, and share information, expertise and knowledge across government. This helps to ensure a more coordinated and effective response for the impacted communities, including small businesses.

There is also an opportunity to work closely with civil society organisations, including chambers of commerce, community groups and charities, to identify needs. Local organisations often have a detailed understanding of the needs of a local community and they should be engaged early to ensure support is meeting needs.

The need for clear, centralised communications

Centralised and coordinated communications can assist to reduce small business confusion, frustration and information overload. Before the 2019 bushfires, agencies separately provided information and communications to small businesses. This resulted in small businesses being overwhelmed with information or having to read updates from multiple organisations to obtain crucial information. This caused confusion and delays, with many small businesses not knowing where to start in seeking support.

Framework and policies for natural disaster response grants

Significant state and federal financial assistance has been provided to small businesses in response to recent natural disasters and disruptions. During this time there has been some evolution in threshold requirements for natural disaster assistance. This in part reflects the cumulative impact of COVID-19 and natural disasters.

The Commission supports a framework for natural disaster assistance that establishes clear and transparent requirements and expectations about when financial supports will be activated. This supports fair and equitable distribution of funding across different natural disasters and regions. It also supports businesses to plan and ensure relief is concentrated to where it is most needed.

It would be timely to examine the suitability of agreed protocols, principles and thresholds for access to small business financial support in the form of grants and loans. Consideration could be given to ensuring arrangements for grants and loans following natural disasters are fit for purpose, are appropriately codified, have suitable evidentiary requirements, and are consistently applied.

Establish clear and consistent eligibility criteria for support measures

To reduce confusion, eligibility criteria for support packages should be simple and expressed in terms that small businesses understand. For example, eligibility for an earlier bushfire support package referred to 'direct' and 'indirect' impacts. Many small businesses did not understand these terms or why this was a distinction for eligibility. This led to confusion and frustration for impacted small businesses.

Existing business advisor networks can play an important role in communicating and providing technical information about grants. Professional accounting associations have strong connections and links to small businesses given their professional relationship and role as key business advisors. Their guidance can assist in ensuring grant programs do not create unnecessary complexity or confusion for small businesses. Online accounting package providers such as MYOB, XERO and QuickBooks have a large number of small business customers and provide them with information and updates.

Recent experience with COVID-19 grants suggests a need for processes to consider circumstances that may be ineligible under program eligibility guidelines even though they have an equivalent need or compelling case for support. Eligibility criteria for financial supports should be periodically reviewed to ensure deserving businesses can access required support.

Timing of support

While it is beneficial for financial assistance measures to be announced as soon as possible following a natural disaster it is also important that there be consistency in the types of assistance is available that is measurable against the severity of an event. Providing certainty and consistency can assist in relieving the anxiety and stress of affected business operators.

Clear consideration should be given to policy objectives when designing the administration of support measures. If the alleviation of cash flow challenges are a key objective, the announcement of a financial grant or assistance should be closely followed by the mechanism/process for making applications and receiving those grants. Policy objectives related to cash flow are unlikely to be met if funds cannot be distributed with speed. On occasions the Commission has observed extensive delays between the announcement of a new grant or support package and the release of application details.

Equally, financial grants intended to offset severe impacts should be carefully designed to ensure grants are properly targeted to those most in need, even if there are trade-offs associated with the

time taken to deliver support. For this reason, financial grants of this type may not be suitable to meet immediate cash flow needs and other forms of support may be required. Some grant programs balance these objectives by having different evidentiary requirements depending on the amount of funds sought, with businesses able to receive smaller amounts upfront while preparing more detail applications for remaining funds for which they may be eligible.

Insurance

Care needs to be taken in structuring support packages to ensure they do not discourage small businesses to take up insurance and/or retail cover where it is available. Disaster grants and financial supports frequently indicate it is only available to small businesses without insurance coverage for losses. While it would be inappropriate for small businesses to receive additional financial support where they have received an insurance pay-out, the Commission notes that in some cases there may be a need for immediate cash flow assistance and in such cases government support may be preferred in the event of delayed or disputed insurance payment. Financial assistance programs should be suitably designed to cater to these businesses while at the same time noting the importance of small business retaining insurance coverage as well as broader sustainability and affordability issues associated with insurance.

Similarly, consideration should be given to allowing insured businesses to claim against a broader range of losses so they are not disadvantaged compared to businesses that have opted not to take out insurance (where a policy is available). The Commission notes obtaining affordable insurance is an increasing challenge for small businesses. This includes some businesses with uninsurable assets (such as premises located in a flood zone).

Streamlined planning approval processes

A collaborative approach is needed between all three tiers of Government to identify opportunities to streamline necessary planning approval processes for businesses impacted by disasters, to assist them with reopening their businesses or 'making safe' damaged premises.

Current pain points include bringing damaged older premises up to new building code requirements and standards. Improved information on the approval processes and expected timeframes would also assist. Consideration should also be given to allowing businesses to restore buildings to previously approved plans where this is practical and appropriately balances risk.

In regard to approval processes the Commission has received many examples from businesses where delays in planning approvals have crippled or ruled out the future viability of a small businesses attempting to rebuild and re-establish after a natural disaster.

The need for a consistent national approach to key definitions and inclusions

There can be different definitions used by the Commonwealth and individual states. This can cause frustration and confusion, particularly when national and state definitions can be used at different times in the same state. A recent example is the definition of business types that are 'essential' and 'critical' and able to operate during COVID-19.

Industry codes as part of eligibility criteria in the administration of financial supports.

ANZSIC codes were designed for data collection. It's application as a device for determining eligibility for grants is an extension of its scope and using ANZSIC codes for these purposes has previously led to anomalies, particularly in circumstances where businesses are incorrectly classified or where the classifications themselves do not wholly describe the activities of a business.



Some categories encompass widely varying types of businesses, and businesses with closely related activities may fall in different categories. For example, real estate agents, lawyers and other businesses in the property sector were eligible for one type of COVID support payment. However, conveyancers were not even though their work directly linked to the property sector.

The Commission understands it may now be possible for businesses to update their ANZSIC code (as it is recorded against their ABN) and even nominate multiple classifications. This may assist some businesses, however other small businesses may be unaware of this possibility and miss out on support. Care should be taken when using ANZSIC codes as part of the design of grants to ensure there is sufficient flexibility and an equitable approach where a business is unfairly disadvantaged.

Catering to the needs of specific business cohorts

Support that relies on a reliable internet service — such as online training, information provided on a website or through email, and online applications for support — may not meet the needs of all small businesses. There is also a need for an omni-channel approach, including localised support, as not all small business owners are computer or internet literate. There can also be connectivity issues in some regional areas, which can impact the ability for local small businesses to access online resources and training.

Many small business owners are from Culturally and Linguistically Diverse (CALD) backgrounds. Resources and training should be accessible for business owners from CALD communities and provided in a format that can utilise online translation tools.

Thank you again for the opportunity to make a submission. If you require further information, please contact Megan Bennett at either megan.bennett@smallbusiness.nsw.gov.au or (02) 9372 8767.

Yours sincerely

Chris Lamont
Commissioner
NSW Small Business Commission