

# Annual Report

## 2017–18



Small Business  
Development Corporation



**The Small Business Development Corporation acknowledges and thanks the following small business clients whose testimonials and photographs appear in this annual report:**

- Beam Frankland, Coco Beam Boutique, Brabham
- Kelly Strahan, Frankly My Dog, Hillarys
- Attendees at Industry Link, Casuarina and Hakea prisons
- Jackson Brown, JB Auto Electrics, Kalgoorlie
- Steve Marmion, Economic Development Advisor, City of Joondalup
- Maree Pilling, Map Creative Arts Therapies, Joondalup
- Ben You, Yueyond Travel Services, Success
- Margaret van Niekerk, Maragon Early Learning Centres, Claremont
- Finalists and winners of the 2017 WA Regional Small Business Awards

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This report is available in alternative formats on request.

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# Contents

<b>Contents</b>	<b>3</b>	Activity reports	17
Statement of compliance for the year ended 30 June 2018	4	Corporate governance	40
<b>Overview of agency</b>	<b>5</b>	<b>Disclosures &amp; Legal Compliance</b>	<b>47</b>
About the SBDC	5	Independent auditor's report	47
What is small business?	6	Certification of key performance indicators	52
<b>Executive Summary</b>	<b>7</b>	Key performance indicators	53
Chair's report	7	Certification of financial statements for the reporting period ended 30 June 2018	57
Operational structure	10	Financial statements	58
Organisational structure	11	Other legal requirements	106
Outcome-based management framework	12	<b>Significant issues impacting the agency</b>	<b>110</b>
<b>Agency Performance</b>	<b>13</b>	<b>Appendix</b>	<b>111</b>
Financial targets	13	Stakeholder representation and collaboration	111
Summary of client perceptions	14		
Chief Executive Officer's report	15		



## Statement of compliance for the year ended 30 June 2018

### Hon. Paul Papalia CSC MLA

Minister for Small Business

In accordance with section 63 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the annual report of the Small Business Development Corporation for the reporting period ended 30 June 2018.

The annual report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.



**Caterina (Kitty) Prodonovich**  
Chair



## Overview of agency

### About the SBDC

The Small Business Development Corporation (SBDC) is an independent statutory authority of the Government of Western Australia (WA), established in 1984 under the *Small Business Development Corporation Act 1983* (SBDC Act).

#### What we do

The primary role of the SBDC is to encourage, promote, facilitate and assist the establishment, growth and development of small business in WA.

This is achieved by providing advice, guidance and business skill development programs, to small business owners. The SBDC also offers an alternative dispute resolution (ADR) service in relation to small business disputes, maintains a business information centre with a comprehensive range of business resources and delivers workshops for existing and potential small business operators.

The SBDC works directly with small business owners and liaises with industry and business associations to exchange information and provide support and assistance to their members. The SBDC also provides advice and support to the Minister for Small Business on matters impacting the sector, including the effect of government policy and legislation on small business.

Through these and other avenues, the SBDC raises awareness of the importance of small business to the economy and advocates for policy settings that nurture the growth and diversity of the sector.

#### Responsible Minister

As at 30 June 2018, the Hon. Paul Papalia CSC MLA, Minister for Small Business, has responsibility for the SBDC.



**Hon. Paul Papalia CSC MLA**  
Minister for Small Business

Small Business Development Corporation  
**Annual Report 2017-18**

#### Enabling legislation

The SBDC Act makes provision for the establishment of the SBDC and the Small Business Commissioner.

#### Our vision

A strong and enterprising small business sector in WA.

#### Our mission

To deliver and facilitate relevant, practical support to small businesses and foster the development of policy conducive to the growth of a thriving sector.

#### Our values

**Enterprise** - valuing a culture of enterprise and innovation within the community.

**Focus** - acting with courage, discipline and clarity of purpose.

**Independence** - acting in the best interests of the small business sector.

**Fairness** - valuing an environment where small business can thrive.

**Collaboration** - actively engaging with others to achieve our mutual objectives.

Small Business Development Corporation  
**Annual Report 2017-18**

## Our strategic objectives

In accordance with our Strategic Plan, the SBDC strives to:

- offer continually improving practical and relevant services across WA;
- model contemporary service delivery;
- build strong engagement with, and commitment from, all key stakeholder groups;
- advocate for a fair, conducive and productive environment for small business;
- develop its organisational capacity and capability; and
- ensure the best return on government funds invested in the development of the sector.

## What is small business?

The SBDC Act defines a 'small business' as a business undertaking which is wholly owned and operated by an individual person, persons in partnership, or by a proprietary company within the meaning of the *Corporations Act 2001 (Cth)* and which:

1. has a relatively small share of the market in which it competes;
2. is managed personally by the owner or owners or directors, as the case requires; and
3. is not a subsidiary of, or does not form part of, a larger business or enterprise.

The SBDC uses the standard Australian Bureau of Statistics (ABS) definition of small business, which is any non-employing business or a business employing fewer than 20 staff.

## Small business statistics

There are 221,837 actively trading small businesses in WA (as at June 2017), which represent 97 per cent of all businesses in the State.

## Most recent statistics show the industries with the largest number of small businesses in WA are:

(ABS Cat. No. 8165.0 - Counts of Australian Businesses, including Entries and Exits, June 2013 to June 2017)



**18.5%**

Construction  
41,150



**11.9%**

Professional, scientific  
and technical  
services 26,323



**10.9%**

Rental, hiring  
and real estate  
services 24,192



**9.5%**

Financial and  
insurance  
services 21,038



**7.4%**

Agriculture,  
forestry and  
fishing 15,502

## Executive Summary

### Chair's report

**On behalf of the Small Business Development Corporations (SBDC) Board, it's a pleasure to introduce this year's annual report, detailing the agency's ability to remain adaptive and responsive in meeting the needs of its varied clients.**

During a period of review and consolidation across the Western Australian public sector, the SBDC made significant adjustments to the way it supports small business, while also navigating through a rapidly changing economic climate.

The agency has demonstrated its ability to remain effective during a period of change, ensuring the best outcomes for the Government's investment were delivered within tight financial and human resource constraints.

While the external operating environment has shifted, the SBDC has continued to thrive offering its services to an ever increasing cohort of small business owners.



## Chair's report continued

Small Business Development Corporation  
Annual Report 2017-18

The agency has continued to strengthen our partnerships, collaborating with a range of stakeholders such as Bankwest on the development of the Bankwest Small Business Health program. The pilot program was delivered both online and face-to-face and supported businesses on the verge of growth, with a focus on financial capability. This initiative allowed the SBDC's collective experience to be offered to an increasingly large and diverse range of current and aspiring small business owners.

We are living in challenging times, and small businesses are having to prove their resilience in the face of rapid change to address shifting demographics and consumer behaviour, digital disruption and ever increasing global competition.

With markets becoming more complex and demanding, small businesses need to maintain their competitive edge. Digital marketing, provides small businesses with a cost-effective marketing channel that delivers results.

The SBDC has continued to support small business to embrace the ever changing digital landscape with the creation of a digital literacy workshop.

Introduced in response to client interest and demand for improved digital knowledge, the workshop examines a range of digital marketing strategies including paid search engine marketing (SEM) and Google AdWords.

A focus for 2017-18 was enhancing the Business Local outreach advisory service to better assist people to start, develop, and grow their small businesses. The new service model, launched in July, enables providers to deliver business enterprise skills and one-to-one advisory services delivered through a variety of channels including workshops, telephone, digital and face-to-face. The Board and I look forward to the benefits this new service model will provide to businesses across the State.

The agency has clearly demonstrated its ability to remain effective during a period of change and I would like to acknowledge all the staff for their continued hard work and dedication to the small business sector. Your contributions may sometimes go unheralded, but they are never unappreciated.

I also recognise and thank all members of the Board for their interest and commitment over the past financial year. Their insight and support continues to provide a valuable contribution.




**Kitty Prodonovich**  
Chair, SBDC Board



# Year in review 2017-18

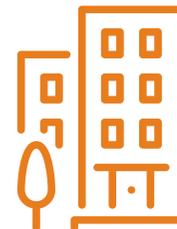


**339**

workshops and information sessions delivered

**2,293**

commercial tenancy related enquiries handled



**69**

partnered with 69 organisations through Industry Link



**98%**

of SBDC clients satisfied with their overall experience



**4,150**

clients participated in SBDC workshops



over **\$396m**

injected into the WA economy by business migrants



**40,364**

services delivered

**95%**

of SBDC clients said information and advice provided was useful

## Operational structure

Small Business Development Corporation  
Annual Report 2017-18

### SBDC Board

The SBDC is governed by an independent Board, drawn from the private sector under the auspices of the *SBDC Act*.

Membership as at 30 June 2018

- Kitty Prodonovich (Chair)
- Grant Cucel
- Steven Dobson
- Sophie Dwyer
- Nicolle Jenkins
- Anthony Masi
- Ra Stewart
- David Eaton (ex officio)

(For Board members' biographies see pages 40-41).

### Small Business Commissioner

David Eaton is the WA Small Business Commissioner and Chief Executive Officer of the SBDC. This dual role, reporting to the Board, is responsible for the day-to-day operation of the SBDC and the provision of the small business alternative dispute resolution (ADR) service.

The key services of the SBDC include:

- small business advisory;
- commercial tenancy advisory;
- alternative dispute resolution;
- business migration;
- policy, review and development, advocacy and advice to government; and
- Business Local service.

### Small business advisory services

The SBDC's foundation service is the delivery of advice and guidance to existing and prospective small business operators to aid the development and growth of the sector in WA. These services are provided online, through face-to-face meetings, by phone and email. General information is also distributed through third parties and the media.

Walk-in clients can access services at the SBDC's business information centre, and business skills workshops are delivered across a range of topics. (See page 18 for details of 2017-18 achievements.)

### Commercial tenancy advisory service

The SBDC provides free information and guidance to tenants and landlords on the *Commercial Tenancy (Retail Shops) Agreements Act 1985* and

other aspects of commercial leasing, with specialist commercial tenancy advisers assisting in person or by phone and email.

The service is supported with publications providing detailed information on commercial tenancy matters which are available to download from the SBDC website. (See page 20 for details of 2017-18 achievements.)

### Alternative dispute resolution (ADR) service

The ADR service is a low-cost, non-litigious means of resolving business-to-business and business-to-government disputes involving small businesses. Clients have found the service to be particularly useful to resolve retail tenancy disputes. In many cases, the SBDC is the first port of call for small business owners who find themselves in dispute with another business or government agency. (See page 22 for details of 2017-18 achievements.)

### Business Migration program

The WA Business Migration program, managed by the SBDC, is a key investment attraction initiative for the State. Business migrants provide a significant source of new capital, export income and employment by establishing new businesses or purchasing existing enterprises. (See page 24 for details of 2017-18 achievements.)

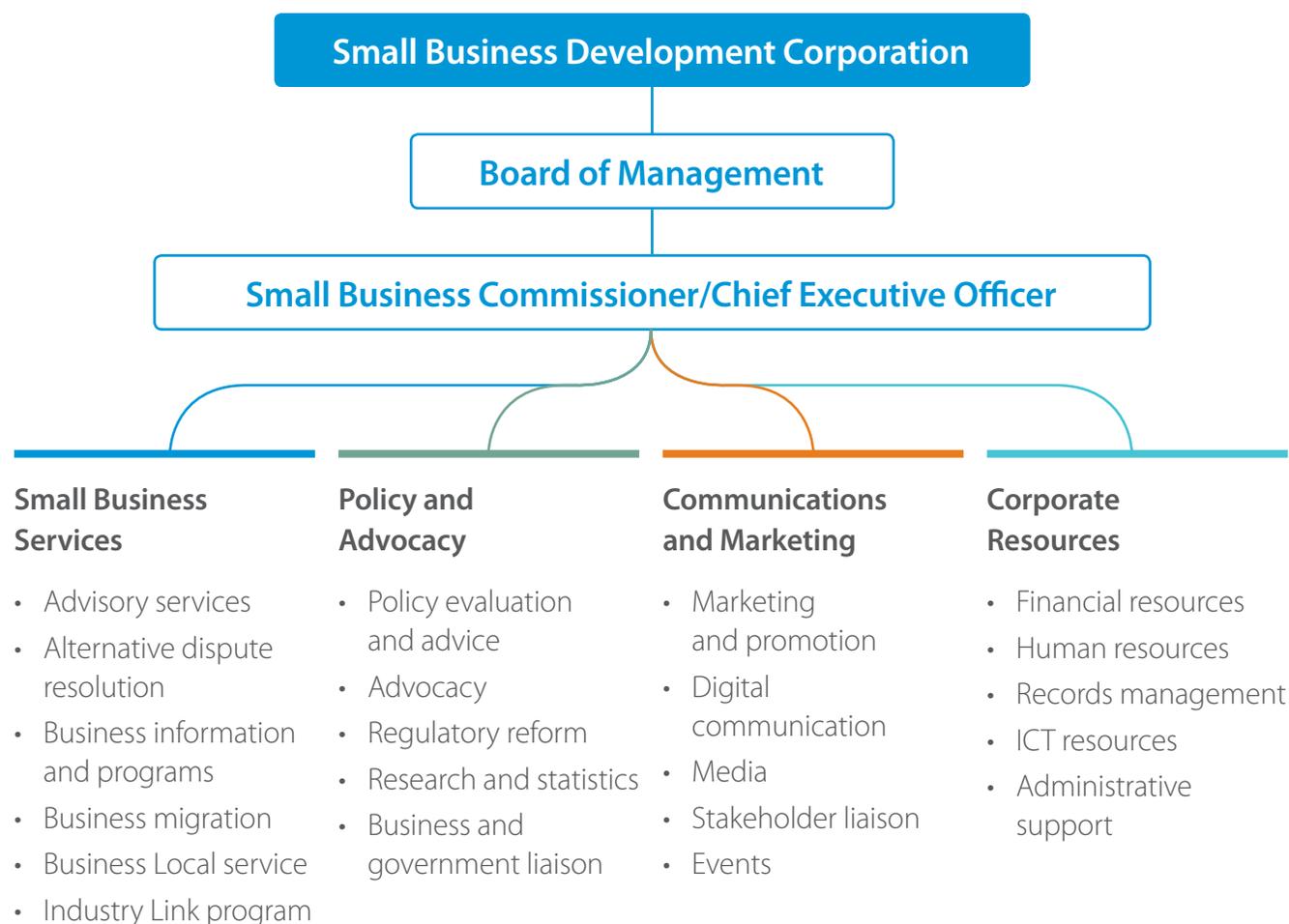
## Policy, advocacy and advice to government

The SBDC ensures the small business voice is heard and considered by governments at all levels, through evidence-based advocacy, research, submissions, representation and liaison. The agency has a significant influence on policy development related to small business, particularly in relation to reducing the impact of red tape and improving the operating environment. (See page 31 for details of 2017-18 achievements.)

## Business Local service

Business Local provides outreach business advisory services on behalf of the SBDC. Managed by seven providers across 12 designated regions, services are delivered in ways that best suit the needs of local small business owners. Face-to-face meetings are available to clients from the service provider's office or through site visits. (See page 27 for details of 2017-18 achievements.)

## Organisational structure



## Outcome-based management framework

Small Business Development Corporation  
Annual Report 2017-18

Government goal: Future jobs and skills - grow and diversify the economy, create jobs and support skills development.

Desired outcome	Effectiveness indicators	Service	Efficiency indicators
Development of new and existing small business in WA.	The extent to which clients rate the usefulness of the information and guidance provided to them.	Information, guidance, referral and business development services.	<ul style="list-style-type: none"> <li>• Average cost per direct client contact.</li> <li>• Average cost per indirect client contact.</li> <li>• Average cost per Business Local service client contact.</li> <li>• Cost of policy advice.</li> </ul>

### Changes to the outcome-based management framework

The framework did not change during the reporting period.

### Shared responsibility with other agencies

The SBDC shared responsibility for a farm debt mediation service with the Department of Primary Industries and Regional Development (Agriculture and Food).



## Agency Performance

### Financial targets

Small Business Development Corporation  
Annual Report 2017-18

	2017-18 <sup>1</sup> Target \$'000	2017-18 Actual \$'000	Variation <sup>2</sup> \$'000	Explanation of significant variations
<b>Total cost of services (expense limit)</b> (sourced from Statement of Comprehensive Income).	13,735	13,632	103	The variance is due mainly to reduced employee benefits expense relating to delays in filling a number of vacancies and staff on secondment to other agencies.
<b>Net cost of services</b> (sourced from Statement of Comprehensive Income).	12,883	13,120	237	Offset against the variation in Total Cost of Services above is a net reduction in income of \$340K due mainly to the non receipt of \$500K for the On-Demand Transport program as the project was discontinued.
<b>Total equity</b> (sourced from Statement of Financial Position).	1,993	1,998	5	
<b>Net decrease in cash held</b> (sourced from Statement of Cash Flows).	14	2,070	2056	The decrease is primarily due to the return of surplus cash of \$1.814m to the Consolidated Account through reduced appropriation, together with unspent On-Demand Transport Reform project funds (\$806K) returned to the Department of Transport.
<b>Approved full-time equivalent (FTE) staff level</b>	55	52	3	Reduced FTE generally relates to delays in filling a number of vacancies, staff on secondment to other agencies and the part year impact of the Voluntary Targeted Separation Scheme (3 staff).

1 As specified in the 2017-18 Budget Statements (Budget Paper No 2 Volume 2) pages 555-562.

2 Further explanations are also contained in Note 9.6 "Explanatory Statement" to the financial statements.

## Summary of client perceptions

Small Business Development Corporation  
Annual Report 2017-18

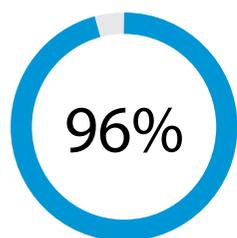
### In addition to the audited key performance indicators (KPIs), the SBDC measures its performance through client surveys to determine the:

- usefulness of information and guidance provided;
- contribution the service made to an informed decision to start or buy a business;
- extent the information or guidance benefited the operations of the business; and
- value to businesses of the guidance or information received.

In line with previous years, very high levels of satisfaction were achieved during 2017-18.

- 95 per cent of survey participants rated the information/guidance provided as very or somewhat useful.
- 85 per cent believed support provided had contributed to their decision to start or buy a business.
- 83 per cent of business owners said the information or advice had benefited the operations of their business.
- 88 per cent of those surveyed said they valued the information or guidance received.

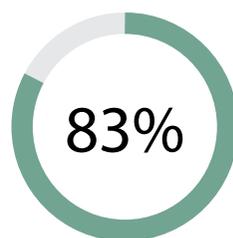
The SBDC achieved an overall customer service index rating of 95 per cent. The index measures the extent to which the SBDC and Business Local service satisfies customer enquiries and requests for assistance. It is comprised of five individual performance indicators, which are all above 2016-17 levels.



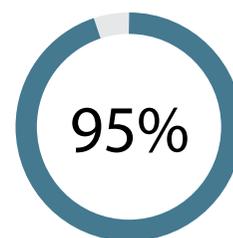
Likely to use service again



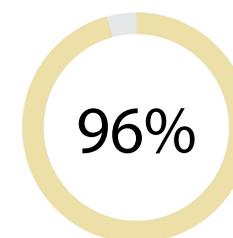
Satisfied with overall SBDC experience



Information and advice was of benefit to their business



Information and advice was useful



Accessing the service was easy

Telephone surveys were undertaken with a random selection of clients who had directly sought information and guidance during 2017-18. 732 client surveys were completed, giving a maximum standard error ratio of + / - 3.5% at the 95% confidence level. 90% of clients contacted agreed to participate in the survey.

## Chief Executive Officer's report

Small Business Development Corporation  
Annual Report 2017-18

### As the Western Australian economy evolves, recognition of the important role the small business sector plays through employment, innovation and diversification continues to increase.

These elements are vital to the development of a strong and sustainable economy.

Internationally and within Australia it is recognised that the pathway to a robust and healthy small business sector can be facilitated by government support which addresses both market failure and creates an operating environment that enables small business owners to behave in enterprising ways. This is a shift in the traditional role of government, moving beyond a regulatory watchdog to engage more creatively and positively with small business.

Within this context the Small Business Development Corporation continues to play an important role in the support of individual small business owners and the ongoing development of a supportive small business operating environment. While our functions and services are

broad and diverse, they can be grouped into the following themes:

- Information and advice which empowers small business owners to make well informed business decisions;
- Workshops and programs which assist in the development of enterprise skills;
- Access to justice through low-cost dispute resolution services; and
- Advice and advocacy to all tiers of government on regulatory reform and other improvements to the operating environment.

As you will read in the following pages, the Small Business Development Corporation can report strong performance in each of these areas.

Demand for our information and advisory services remains strong and customer satisfaction ratings are consistently outstanding. Our workshop program continues to evolve, responding to the feedback of our small business clients. Our dispute resolution service also continues to experience strong demand from small businesses experiencing significant stress, and I'm pleased with the important role our case managers play in assisting them achieve resolutions.



**David Eaton**

Small Business Commissioner  
Chief Executive Officer  
Small Business Development Corporation



## Chief Executive Officer's report

Small Business Development Corporation  
Annual Report 2017-18

These results are a positive reflection of our passionate and committed staff (and industry partners) who have a strong focus on ensuring the best possible outcome for our small business clients. Our daily interactions with small business owners have become an important source of information on areas of potential market failure and regulatory reform; and we actively use this knowledge to influence 'small business friendly' behaviour in government and big business.

Led by our policy and advocacy team, our influence on corporate behaviour, regulatory reform and the broader role of government has also been noteworthy. At a national level we have provided a number of submissions to significant Commonwealth reviews and continue to work collaboratively with other state based Small Business Commissioners, and the Australian Small Business and Family Enterprise Ombudsman on matters of national significance. The banking royal commission is one example of an outcome which I believe will assist in rebalancing the operating environment within Australia.

I am pleased to report that we are collaborating with many Western Australian Government agencies on both service delivery (eg. the Office

of Multicultural Interests – page 29) and reform activities (eg. security of payment to subcontractors in the building and construction industry). There are a number of significant opportunities in the pipeline, including both regulatory reform and economic development activities, which should further assist the sustainability and growth of our small business sector.

We have also built upon our Small Business Friendly Local Governments initiative by increasing our engagement with local governments within WA, many of whom have introduced innovative reforms that remove barriers to business activity and nurture the growth of small businesses.

I would like to thank staff at the SBDC whose enthusiasm and commitment to supporting WA's small businesses is limitless. Just like small business owners they deliver services at the highest standard and constantly review our offering to ensure it remains relevant. I also acknowledge

the Minister for Small Business as well as, the Chair and members of the SBDC Board for their support of the agency throughout the year. Finally, but most importantly I recognise the entrepreneurs of WA, who everyday open their business, employ staff and serve our community.

David Eaton, pictured with staff, meeting with Commonwealth Treasury officials, and representatives from the Canberra office



## Activity reports

### Services to small business

The SBDC provides free, confidential and independent business-related information, advice and guidance to small business owners in WA.

The SBDC responded to client enquiries via telephone, email and face-to-face meetings. The agency continued to provide specialist services in the areas of Alternative Dispute Resolution (ADR), business migration and commercial tenancy, as well as a range of skills development workshops.

52 per cent of enquiries were received from pre-start or new business owners seeking information and advisory support and 48 per cent originated from established operators.

The Business Local service continued to provide business advice to small business operators across the State. The SBDC, working directly with clients and through Business Local, met the needs of clients across all stages of the business lifecycle from pre-start, development and growth, through to succession planning and exit strategies.

### Outcomes for 2017-18

Excluding the Business Local service, the SBDC delivered 40,364 services to small businesses.

### Business information centre

The business information centre (BIC) is the entry point for small business services provided by the SBDC. Clients can source face-to-face business advice and licence information in the BIC, as well as access online resources to assist with starting or growing a business.

Information available at the BIC includes a range of free business guides and checklists on starting, developing and managing a small business. Staff in the centre coordinate the agency's business skills workshops, welcome clients attending advisory appointments and assist them in using the online Business Licence Finder and IBISWorld database.

### Accessing market/industry research

Clients seeking free market research data accessed 2,846 IBISWorld reports and 654 Australian benchmark reports. The IBISWorld database contains market research data on more than 500 industries across Australia, while the Australian benchmarking reports provide access to financial data enabling clients to compare their results with industry standards.

Small Business Development Corporation  
Annual Report 2017-18



- Industry Link 18%
- Workshops 20%
- Business advice 62%



- Workshops and information sessions 38%
- Face-to-face meetings 9%
- Telephone 45%
- Email 7%

## Activity reports

### Business advisory service

The SBDC provides free, confidential and independent information and advice across a broad range of critical areas of management and operations for small businesses. Initial enquiries relating to general business information, licensing and advice are handled by BIC staff, with more complex enquiries referred to the business advisory team. Current and potential small business owners are supported with guidance provided by email, telephone, and face-to-face meetings with experienced SBDC business advisers. The advisory team also assists by identifying trends and issues arising in the

### What clients sought information about

Commercial tenancy 14%



Starting a business 14%



Financial management 15%



Licensing and regulations 16%



Other topics 41%



sector. This year they have contributed to the development of blog articles for the SBDC website which contain practical advice on a range of business topics. Advisers have also contributed to regular segments on local radio station RTRFM.

### Outcomes for 2017-18

The SBDC's focus was on clients planning to go into business for the first time, and those who had recently started their business, to help them become more resilient by developing sound business practices.

There were 12,980 client enquiries for information and advice, of which 940 (7.2 per cent) were related to a dispute.

### Workshops

The SBDC delivered 134 workshops at 140 William Street to 4,153 participants during 2017-18. A new workshop - *Digital Marketing Advanced* was introduced this year as a result of ongoing client interest and demand for improved digital knowledge. This workshop builds on the existing introductory *Digital Marketing Essentials* workshop and examines a range of digital marketing strategies, including paid Search Engine Marketing (SEM) and Google AdWords and how they can be applied to business. This brings the total to seven



More than 4,100 people attended business skills workshops.

The number of attendees increased by more than **15%**

regular SBDC workshops which include *Starting a Business*, *Understanding Business Financials*, *How to Write a Business Plan*, *Marketing your Business*, and *Website Planning*.

The number of attendees increased by more than 15 per cent compared to the previous year, which in part, was due to the integration of a new web-based event management service. In addition to streamlining administrative services including registrations and ticketing, this service has extended the SBDC's reach into new markets.

## Activity reports

On average, 21 per cent of clients booking workshops discover the SBDC via this online platform.

Client feedback resulted in additional *Starting a Business* workshops being offered after-hours. The popularity of the *Starting a Business* workshop on Saturdays has been further expanded by including other workshop titles which cater for clients unable to attend during business hours. A total of 25 Saturday workshops were held, with 1,142 people attending these sessions.

As part of the SBDC's mission to deliver and facilitate relevant, practical support to small businesses, workshop content has been reviewed and updated throughout the year.

### Business Licence Finder

The Business Licence Finder (BLF) provides information about licences and permits required by all levels of Australian government. During the year, 16,674 clients sought licensing and regulatory information using this free online tool.

The most popular topics searched for were:

- accommodation and food services
- administrative and support services

### Case study

#### Maree Pilling's experience in running community art activities led her to train as a transpersonal art therapist.

Then she began her own business, running art therapy sessions for groups and individuals, supported by the New Enterprise Incentive Scheme (NEIS), a Federal Government initiative. NEIS is designed to help job seekers become small business owners.

"Through NEIS I was encouraged to find out how the SBDC could support me. So I attended their free 'Starting a Business' workshop. The presentation was easy to understand and helped me to complete my business plan. The staff were supportive and helped me work through the pros and cons of using my own name for the business, compared with registering a separate business name.

My business is going well but I need to build a bigger client base. Art therapy can help clients to relax or learn new skills and become more empowered. It can also be used on a deeper level and my goal is to work with more individuals to help them explore personal issues."

#### Maree Pilling

Map Creative Arts Therapies, Joondalup

Small Business Development Corporation  
Annual Report 2017-18



## Activity reports

Small Business Development Corporation  
**Annual Report 2017-18**

### Commercial tenancy advisory service

A lease for business premises is vital to many businesses and is usually central to the goodwill, value and future sale of the business. Leasing business premises is a significant financial decision. In addition to the initial capital investment there are ongoing occupancy costs including rent, which are significant business overheads.

The SBDC's commercial tenancy advisory service assists small business landlords, tenants and other industry stakeholders by providing specialist information and guidance on:

- the *Commercial Tenancy (Retail Shops) Agreements Act 1985* (CTA);
- negotiating and leasing business premises including those in shopping centres; and
- commercial tenancy disputes.

This year 2,293 commercial leasing enquiries were handled, of which 494 were dispute related.

Through the delivery of this service the SBDC gathers valuable knowledge about the market and is well positioned to provide feedback to the government on the operation of the CTA and to raise issues that require attention.

This year the SBDC provided advice to the:

- Australian Competition and Consumer Commission (ACCC) in a submission to the Shopping Centre Council of Australia's application for reauthorisation of its Casual Mall Licensing Code of Practice (the Code). The Code regulates the practice of casual mall licensing in shopping centres; and
- Public Utilities Office (PUO) in relation to shopping centre landlords on-selling electricity to small business tenants. The PUO consulted the SBDC in relation to the specific provisions of the CTA and their applicability to the charging and on-selling of electricity by landlords. The SBDC will continue to work with the PUO to ensure the regulatory framework provides appropriate protections for retail tenants.

The Small Business Commissioner meets regularly with industry stakeholders in relation to commercial tenancy issues and retail leases covered by the CTA.

During 2017-18 the Small Business Commissioner met with a number of stakeholders including the:

- ACCC;
- Australian Retailers Association;
- Chamber of Commerce and Industry WA;
- Curtin University Law School;
- Institute of Public Accountants;
- Pharmacy Guild of Australia;
- Real Estate Institute of WA; and
- Shopping Centre Council of Australia.

In WA, a number of large shopping centre landlords are undertaking or intending to undertake major extensions and redevelopments to their shopping centres. Redevelopment related disputes include inferior re-location claims by tenants, tenant compensation, landlord's failure to consult with tenants, new lease arrangement terms and the applicability of the CTA. The SBDC assisted and guided tenants with businesses located in shopping centres undergoing redevelopments.

Throughout the year, the Small Business Commissioner and commercial tenancy advisers continued to assist improving retail leasing arrangements in WA. The SBDC will monitor the market to identify further actions required to protect small business landlords and tenants.

## Activity reports

### Case study

**Kelly Strahan started a gourmet hot dog business in Hillarys in 2016, selling everything from traditional to dessert hot dogs. It was so successful she decided to open another store in Perth.**

"I was looking at signing a seven-year lease at a big development. But the agreement said the rent would rise each year by one per cent and also for CPI. I wanted to negotiate but the agents for the developer said: 'Just sign it – then we can negotiate'.

I went to the SBDC and the adviser was absolutely brilliant. Our discussions made me see the flashing red lights and that I should go through the agreement with a fine-toothed comb. One clause said by signing I was entering a binding and irrevocable agreement. So I didn't go ahead. I'm now negotiating a lease for premises in Maylands."

#### Kelly Strahan

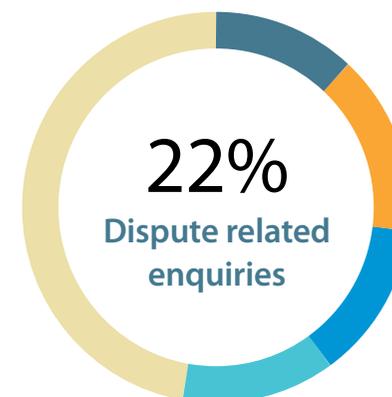
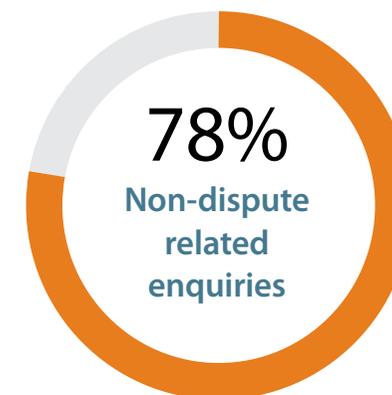
Frankly My Dog, Hillarys

Small Business Development Corporation  
Annual Report 2017-18

### Outcomes for 2017-18



- Termination of tenancy 15%
- Rent and rent review 13%
- Starters advice 13%
- Operating expenses 11%
- Repairs and maintenance 9%
- Other 39%



- Termination of tenancy 12%
- Rent and rent review 15%
- Operating expenses 13%
- Repairs and maintenance 13%
- Other 47%

## Activity reports

### Alternative dispute resolution (ADR) service

The ADR service provides a low-cost resource for small businesses in dispute with another business or government entity, to resolve their disputes in a practical and cost-effective manner without the time and expense of proceeding to court. Parties have greater control over options to resolve their dispute and can pursue negotiated solutions in a confidential environment.

#### How disputes were resolved

As part of the service, ADR case managers provide impartial and objective assistance to parties in dispute, assisting parties to identify the relevant issues in dispute, clarifying individual rights and responsibilities, and identifying solutions. This is referred to as 'intensive case management' (ICM). During ICM, parties can create their own options for resolution and achieve a negotiated outcome rather than having a win/loss decision being imposed on them by a court or tribunal. ICM avoids the time, expense and stress involved in litigation and case managers can tailor the process to meet the individual needs of parties.

If parties cannot resolve their dispute via ICM, the ADR service also provides access to a subsidised mediation service.

### Case study

#### Beam Frankland engaged a search engine optimisation (SEO) provider to attract potential customers to Coco Beam, her online women's fashion business.

The interstate provider was offering a 90-day guarantee to increase sales for Beam's home-based, start-up business. But it didn't have the desired result.

When she couldn't reach the provider, Beam turned to the SBDC and an ADR case manager negotiated an early end to the contract.

"We were spending a lot and getting no return. The SBDC was a great help

in getting in contact with the provider. They were able to represent our best interests and negotiate with the SEO provider to come to an amicable resolution that was in our favour.

Taking the matter to the SBDC gave the additional authority we needed, without having to get lawyers involved. We were impressed and would recommend their services to any small business in a dispute situation.

We also spoke to an adviser at the SBDC who gave us information and advice that's really helped us with our website and advertising."

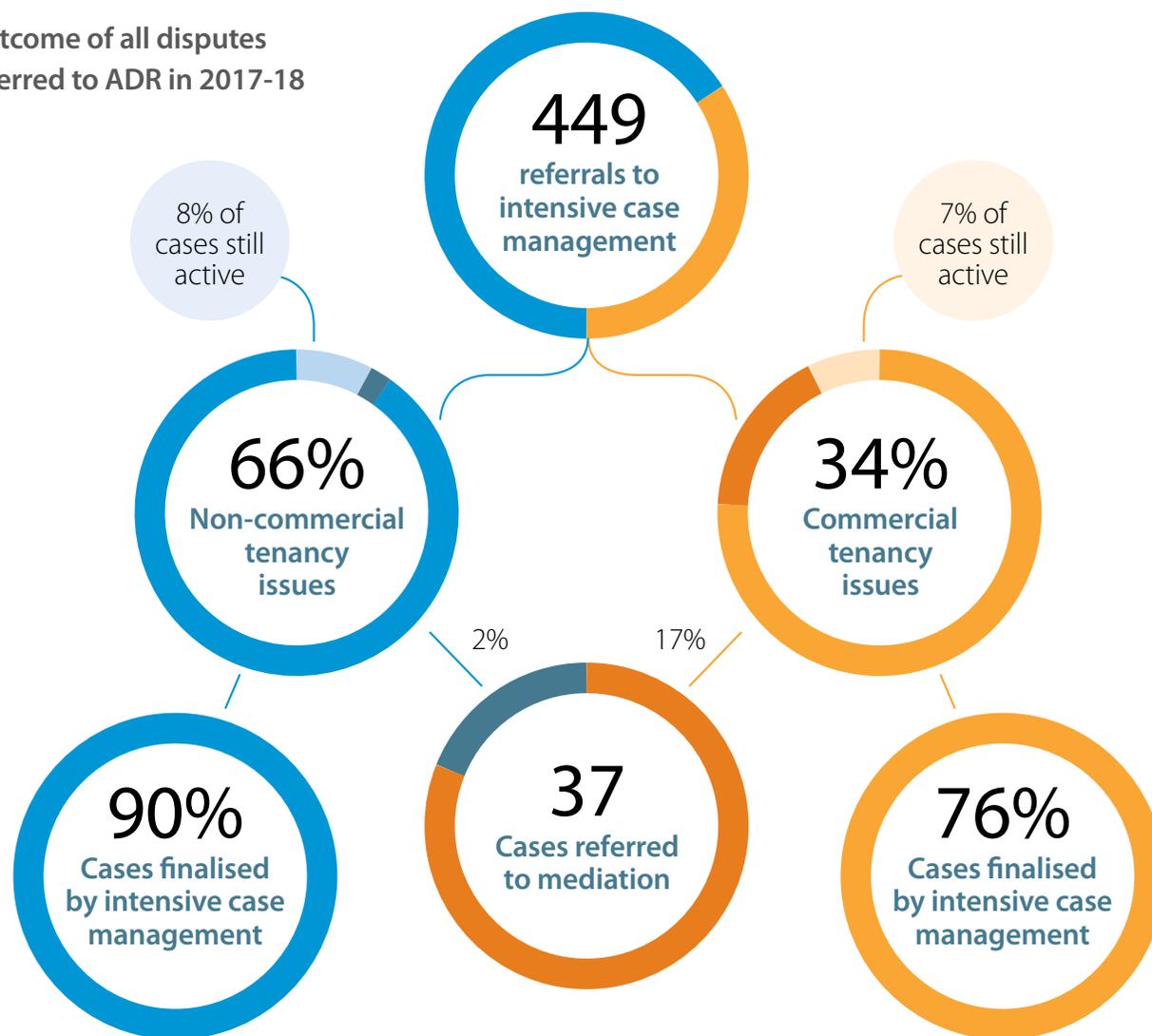
#### Beam Frankland

Coco Beam Boutique, Brabham

## Activity reports

Small Business Development Corporation  
Annual Report 2017-18

### Outcome of all disputes referred to ADR in 2017-18



For a small fee (\$125 per party), disputing parties can attend mediation at the SBDC and attempt to resolve their dispute with the assistance of an independent and professional mediator. ADR case managers are integral in preparing both the parties and the mediator for the mediation, in order to maximise the potential for a settlement on the day.

The ADR service also has a prescribed role under the CTA where parties seeking to enforce rights or obligations under this Act are required to approach the service at first instance to seek resolution of their dispute. Generally, landlords or tenants affected by the CTA seek the assistance of an ADR case manager to resolve their dispute. If the parties are unable to resolve their dispute through ICM or mediation, the Small Business Commissioner can provide a certificate to disputing parties so they may apply to the State Administrative Tribunal (SAT) to have their dispute determined.

The ADR service also referred small business clients to pro-bono legal services, including the John Curtin Law Clinic.

## Activity reports

Small Business Development Corporation  
**Annual Report 2017-18**

### Outcomes for 2017-18

This year a total of 449 disputes were referred to the ADR team for ICM. Of the cases referred, 404 (90 per cent) disputes were finalised\* by case managers.

Taking into account the cases carried over from the previous financial year, ADR case managers finalised a total of 465 cases during the year with an estimated value of \$32.8 million (based on client estimations). As at 30 June 2018, 45 cases remained active and will be finalised during the next financial year.

This year, 151 (34 per cent) of the cases finalised related to commercial tenancy matters and the case managers noticed a higher proportion of disputes this year arising from the terminations of tenancies and issues related to redevelopment works.

A further 298 (66 per cent) of the total cases related to general business-to-business and business-to-government disputes and included issues regarding contractual and warranty obligations, Australian Consumer Law provisions, motor vehicle disputes and website-related disputes.

A total of 37 disputes were referred to mediation (including two farm debt mediations) and resolution was achieved in 23 (62 per cent) of

cases, resulting in potentially costly litigation being avoided. The value of disputes successfully resolved through the SBDC mediation process this year was estimated at \$6.8 million.

Additionally, of the 32 certificates provided by the Commissioner to parties who intended to apply to the SAT for determination of their dispute, only five were requested from parties who had previously attended mediation at the SBDC. SAT figures suggest an overall decline in the number of retail leasing disputes being adjudicated by the tribunal.

\* Cases are referred to as 'finalised' when they have been closed. They may be finalised for a number of reasons including the dispute being resolved, one or more party no longer wanting to proceed, or the matter being taken to court.

### Farm Debt Mediation Scheme

The Farm Debt Mediation Scheme (FDMS) is in its third year of operation and provides an opportunity for farmers or pastoralists and their financial institution to resolve commercial debt disputes through the SBDC's mediation service.

The FDMS relies on the voluntary participation of parties and is a joint project between the SBDC and the Rural Business Development Corporation

(RBDC), partially funded by the Department of Primary Industries and Regional Development. Whilst mediation is a focus, ICM is an integral part of the success of the scheme.

### Outcomes for 2017-18

During the year, nine applications were referred to the SBDC under the FDMS. Two of these cases, which had an estimated value of \$3.9 million, proceeded to mediation and were successfully resolved. A further three applications were having mediations arranged in the next financial year while other agribusinesses elected to continue negotiating directly with the banks to reach agreement.

### Business Migration program

The SBDC is responsible for managing the WA Business Migration program on behalf of the State Government. This program is a key investment attraction initiative for WA, as business migrants make a significant contribution to the State's economy. Business migrants are a leading source of new capital through investment, establishing businesses and generating export income and new employment.

The SBDC promotes WA to migration agents and potential business migrants through local and

## Activity reports

international marketing initiatives. The program attracts migrants by:

- marketing the State as a leading destination for investment, employment, education and lifestyle;
- providing information on business visa options as well as advice on living, working and establishing a business in WA; and
- supporting qualifying clients with State nomination to become eligible to lodge a visa application with the Department of Home Affairs under the Business Innovation and Investment Program.

To generate maximum exposure for the Business Migration program and to assist new migrants in establishing and developing their businesses in WA, the SBDC has strategic alliances with the:

- Department of Jobs, Tourism, Science and Innovation's WA international trade and investment offices; jointly participating in events, presentations and attending appointments with potential business migrants.
- WA branches of the Migration Institute of Australia and Migration Alliance; providing these organisations with up-to-date

### Case study

#### Xiaohua (Benjamin) You migrated from China to Perth through the WA Government's Business Migration program, after hearing it was a quiet city with a relaxing lifestyle.

"When you arrive, you don't know anyone. So I went to the SBDC and discussed opportunities with an adviser. She gave me some excellent advice and explained the procedures for establishing a small business here.

My business arranges study tours for students. I visit schools in China and promote Phoenix Academy in Perth. I know what Chinese students want and I work with the Academy to design the itinerary and program. I also arrange trips to Perth for tourists through a Chinese travel agency.

After the first financial year, the SBDC assisted with an analysis. The turnover for the second financial year doubled compared with the first. The profit almost tripled."

#### Ben You

Yueyond Travel Services, Success

Small Business Development Corporation  
Annual Report 2017-18



## Activity reports

### Case study

#### Margaret van Niekerk, a former teacher, started 18 private schools in South Africa before moving to Perth through the Business Migration program.

When starting a childcare business in Perth, she found the SBDC's support invaluable.

"Running a business here is very different to running a business in South Africa. There are different laws to abide by. It was overwhelming – but the SBDC helped immensely with advice and support about everything, from the licences needed to the processes for employing staff.

The business has grown from one childcare centre to six. Children are my passion – and looking after children well in the early years is vital to their development. We employ more than 90 people, including my son, daughter and son-in-law – they share my passion and interest. It's wonderful having a family business, with everyone looking out for everybody else."

#### Margaret van Niekerk

Maragon Early Learning Centres, Claremont

information on the policies and criteria for State nomination for them to distribute to migration agents in WA and overseas.

- Department of Home Affairs; as a member of the national Skilled Migration Officials Group, the SBDC assists with business migration policy development, strategies and initiatives.

#### Outcomes for 2017-18

During 2017-18, the SBDC approved State nomination for business migrants from 34 countries to invest and establish businesses in WA. China (34 per cent) has remained the top market for business migrants coming to the State, ahead of the combined markets of Malaysia and Singapore (26 per cent).

Representatives from the SBDC and WA international trade and investment offices participated in business migration activities in Perth and the State's prime international markets of Singapore, Malaysia and China. There were also visits to the emerging markets of Indonesia, Vietnam and Cambodia.

More than 2,100 participants attended a total of 63 presentations and events held internationally and in WA, where they were given information on State nomination under the Business

## Small Business Development Corporation Annual Report 2017-18

Innovation and Investment Program. Information was also provided on exploring business and investment opportunities in the State.

These events are the key components of the overall marketing strategy to attract new business migrants, and to develop and reinforce relationships with the State's international trade and investment offices, migration agents and client referral organisations based in Perth and in prime target countries.

During 2017-18, the SBDC:

- Responded to 1,838 enquiries and nomination applications from migration agents, prospective business migrants and their representatives.
- Approved 275 State nominations for new business migrants to apply for visas to start a business or invest in WA.
- Approved 157 State nominations for business migrants confirming their business establishment or investment in WA.
- Generated \$302,250 in revenue from State nomination application fees to assist with the cost of operating and promoting the program. The 157 business migrants who finalised their investment this financial

## Activity reports

Small Business Development Corporation  
Annual Report 2017-18

### Confirmed investment from Permanent Residency Business Visa holders

Business migration	2014-15	2015-16	2016-17	2017-18
Jobs created	124	157	148	257
Businesses exporting	14	12	15	8
Total capital in-flow	\$269.9M	\$302.3M	\$305.1M	\$396.5M
Capital in business	\$103.9M	\$139.8M	\$78.3M	\$161.4M
WA Treasury Bonds	\$22.2M	\$20.0M	\$34.7M	\$63.7M

year injected a record \$396.5 million into the State's economy for business establishment, investment in Treasury Bonds, personal expenditure and settlement costs. These migrants also created 257 new jobs and eight exporting businesses.

Investment and businesses established by migrants range across a variety of industries including retail and hospitality, accommodation and property development. Of the export businesses, products exported included oil and gas, wine, wool, olive oil, health products, seafood and frozen foods.

### Business Local

The Business Local service is the SBDC's business advisory outreach service. The Business Local service was delivered by seven providers in 12 designated regions across the State: nine in regional areas and three in the Perth metropolitan area. In 2017-18 the SBDC allocated approximately \$3.6 million in funding to the service providers, of which \$2.8 million (77 per cent) was allocated to regional WA.

The contract for delivery of the service expired on 30 June 2018. As a consequence a competitive tender process was undertaken to identify suitable service providers to deliver the service in regional WA and the metropolitan area from 2 July 2018.

Significant changes have been made to the Business Local service delivery model from July 2018 including:

- the provision of enterprise skill development sessions in metropolitan and regional WA;
- a larger panel of service providers to operate within the metropolitan region; and
- increased use of digital channels to deliver one-to-one advisory services throughout regional WA.

### Outcomes for 2017-18

The Business Local service supported new and existing small business operators through direct person-to-person business advisory services, assistance with start-up strategies, business growth plans, business resilience guidance and help with business exits.

During the 2017-18 financial year, small business clients of the service reported \$71 million of net economic impact for WA, consisting of increased business turnover by \$28.1 million, assisting with capital investment of \$20.8 million and creating 646 new jobs. The Business Local service had approximately 31,300 client engagements and produced 12,047 action plans to guide individual business owners during the year.

## Activity reports



### Case study

**In 2018, auto electrician Jackson Brown started his own business with the help of an SBDC Business Local adviser provided through the Kalgoorlie-Boulder Chamber of Commerce and Industry.**

"I'd been seriously thinking about starting my own business for six months. So I went to see the Business Local adviser, who brought to my attention things I hadn't thought about. Like steps to take to make sure the business was financially viable. It was an eye-opener – but it prepared me properly. I'm grateful. Without that advice, I don't think the business would still be going. She also worked with me to write a business plan, which was a massive help.

I've secured business through Facebook – and word-of-mouth which has been fantastic. All the customers have been impressed. And now I've got the local council contract. I'm aiming to build the business up with some more big contracts."

#### **Jackson Brown**

JB Auto Electrics Kalgoorlie

Small Business Development Corporation  
**Annual Report 2017-18**

### SBDC outreach services

The Industry Link outreach program extends the reach of SBDC services by working with industry and business associations as well as other organisations to cost-effectively reach a greater number of potential and existing small business owners. The program connects potential and existing small business owners within a particular industry with quality information and advice to assist in the development of their business, leading to a stronger and more sustainable small business sector.

Events are often held at the organisations' premises, with information delivered by a range of specialist presenters. Resources and topics covered are based on the SBDC's standard workshop suite. The workshops are usually delivered free of charge (with a small fee occasionally charged for support materials).

Collaboration is an important objective of the Industry Link program. Effective partnerships include the Department of Justice in delivering small business workshops for prison inmates, and the Office of Multicultural Interests (OMI) in delivering a series of workshops for culturally diverse communities in the Perth metropolitan area.

## Activity reports

### Outcomes for 2017-18

In 2017-18 the SBDC worked with 69 organisations to deliver 144 workshops and events across the metropolitan area to more than 3,700 participants. This represents a 50 per cent increase in the number of participants compared to the previous year.

During 2017-18, the OMI provided funding to the SBDC to deliver a series of workshops to people from culturally and linguistically diverse (CALD) backgrounds. In addition to the workshops, the SBDC was able to translate a document summarising the services of the SBDC into three different languages. Ongoing contacts were made with key CALD stakeholders. These stakeholders included the Girrawheen Hub at the City of Wanneroo, where additional workshops were delivered to people from CALD backgrounds. In total, more than 160 people attended the nine workshops delivered in Gosnells, Cockburn and Girrawheen.

In addition to delivering the suite of SBDC workshops, staff also delivered presentations to groups on topics such as *'8 steps to start your business'* and *'An overview of services for small business in WA'*; joined judging panels for small business awards; advised university students on

### Case study

#### Self-employment offers second chance Ex-prisoners are now self-employed after attending small business workshops while in custody.

The SBDC runs these workshops through the Industry Link program, working with organisations to reach more people.

Finding a job is difficult for many former inmates, and the lack of income makes it hard to build a successful life in the community.

To help break this cycle, the SBDC teamed up with the Department of Justice to run a series of small business workshops at Boronia Pre-release Centre for Women, Bandyup Women's Prison and Karnet Prison Farm.

Since these began in August 2017, participants have started successful small businesses in landscaping, retail clothing, personal training and food service. The positive outcomes have led the SBDC to roll-out workshops to Casuarina and Hakea prisons.

Small Business Development Corporation  
Annual Report 2017-18



## Activity reports

Small Business Development Corporation  
**Annual Report 2017-18**

self-employment as a career option; attended small business related expos; participated in and coordinated the Bizlinks program to raise awareness of the services available for small business owners from a range of State and Federal Government agencies; and partnered with the ATO to provide more specialised workshops.

Industry Link collaborated with a range of partners including:

- Industry Associations - Boating Industry Association, Car Craft Group, Association of Wall and Ceiling Industries, Speech and Drama Teachers Association, Motor Trades Association, Irrigation Australia, WA Dog Groomers Association, Pharmacy Guild of WA, Editors WA, Australian Institute of Project Management, WA Tourism Council, Real Estate Institute of Western Australia and the International Coach Federation of Australasia.
- Department of Justice - Bandyup, Boronia, Karnet, Hakea and Casuarina prisons.
- Educational institutions and training providers - Murdoch University, Edith Cowan University and Curtin Law School; the North Metro and South Metro TAFE; Perth College of Beauty, ABS Institute, Business Foundations, University

of Moratuwa Alumni and the International Institute of Business and Technology.

- Local Government Authorities - the Cities of Armadale, Belmont, Canning, Cockburn, Kwinana, Melville, Swan, Wanneroo; Towns of Claremont East Fremantle and Victoria Park.
- Local business associations - Wanneroo, Stirling and Maylands, and Grow South East.
- Small business development interest groups / futurists / collaborative working spaces - Business Foundations, Spacecubed, Maker and Co, The Growth Box, Morning Start Up and NIFNEX.
- Government departments and agencies - Australian Taxation Office, Australian Securities and Investment Commission (ASIC), OMI, Department of Primary Industries and Regional Development, Department of Finance (Aboriginal Business Expo), WA Local Government Association, Public Sector Commission, Wageline, Lotterywest and the Aboriginal Workplace Development Centre.
- Multicultural Groups - Australia Africa Trade and Investments Forum, OMI, Immigrant Business Network, Multicultural Services Centre of WA and Ishaar Womens services.
- Financial institutions - the National Australia Bank, Bankwest, ANZ and the Commonwealth

Bank of Australia; and financial support services including CPA Australia, Financial Counsellors Association of WA and the Institute of Public Accountants.

### Bankwest Small Business Health Program

During the past year, the SBDC has collaborated with the Corporate Responsibility team within Bankwest to develop a pilot 'Small Business Health Program'. Bankwest approached the SBDC for input in designing a program to encourage greater awareness of the financial circumstances faced by small businesses following changing economic conditions in WA.

The SBDC worked with Bankwest to explore the potential need for a new program to support businesses on the verge of growth, with a particular focus on their financial capability.

The aim of this program is to enhance not just the financial capability but also the mental wellbeing and resilience of business owners.

A pilot program was delivered to both an online and face-to-face cohort of small business owners across the State. The program was structured as a series of workshops, delivered over several months (commencing in February 2018), supported by access to a mentor/adviser.

## Activity reports

Small Business Development Corporation  
**Annual Report 2017-18**

Woven through the workshops was information and guidance on how these areas relate to the financial decisions and management of a business, as well as tips on managing stress and wellbeing at 'milestone' moments, such as employing new people and moving into larger premises.

### Aboriginal Business Directory WA

The SBDC administers the Aboriginal Business Directory WA (ABDWA). This Statewide initiative provides information detailing the capabilities of more than 500 registered Aboriginal-owned small businesses, covering a wide range of products and services. The government and private sectors can use the directory when purchasing goods and services such as catering, stationery, photography services and building maintenance.

### Policy and advocacy

The SBDC works to influence the development and implementation of policies and initiatives across government that impact upon the small business sector for the benefit of the WA economy. The core activities underpinning the agency's policy and advocacy work are:

- developing and reviewing small business policies;
- making submissions to regulatory reviews including those related to:
  - procurement reform and increasing small business opportunities;
  - faster payment times to small business suppliers;
  - employment arrangements under the State industrial relations system; and
  - franchising industry issues;
- assessing and commenting on the impact of initiatives raised through the WA Government's Better Regulation Unit (formerly the Regulatory Gatekeeping Unit) including through membership of the Better Regulation Champions initiative;
- representing small business interests on government committees and working groups;
- engaging with local governments through the Small Business Friendly Local Governments initiative;
- undertaking liaison and consultation with the business community and other government agencies;
- gathering intelligence on the small business sector;
- advocating to works agencies; and
- providing advice to the office of the Minister for Small Business relating to, amongst other topics, the following issues:
  - government procurement under the WA Industry Participation Strategy;
  - improving protections for subcontractors in the construction industry;
  - business disruption caused by government construction projects;
  - on-selling of electricity in commercial premises;
  - timely payment of accounts to small businesses;
  - government competitive neutrality policy;
  - impact of payroll tax exemptions for trainees;
  - branding and tenancy issues affecting lottery agents;
  - protections for franchisees in shopping centres;
  - payment and contracting issues associated with the roll out of the National Broadband Network (NBN) in WA; and
  - excise tax for craft beer in Australia.

## Activity reports

Small Business Development Corporation  
**Annual Report 2017-18**

The SBDC also provided advice to support the Minister for Small Business when attending a number of small business and community forums and events during the year, including with the:

- Regional Chambers of Commerce and Industry WA (RCCIWA) and individual chambers;
- Australian Retailers Association;
- Australian Lottery and Newsagents Association;
- Combined Small Business Alliance of WA;
- French Australian Chamber of Commerce;
- WA Independent Power Association;
- Subcontractors WA; and
- Illion (formerly Dun & Bradstreet).

### Reviews, submissions and consultations

An important function of the SBDC is to monitor and review regulatory reforms and proposed amendments to legislation that relate to small business. This includes liaising with other government agencies and small business stakeholders to ensure the impacts of policy and regulatory decisions are understood and addressed. The SBDC regularly consults with key small business representative groups, including RCCIWA, and regulators including the ACCC,

ASIC and the Commonwealth Treasury, to keep informed of issues and emerging trends.

By providing formal submissions or liaising directly to all levels of government, the SBDC ensures the interests of the State's small businesses are considered in proposed legislative amendments, new regulations or government policy changes.

### Outcomes for 2017-18

During the year, the SBDC provided input to a number of significant reviews and regulatory proposals at federal and state levels, including the:

- Industry Advisory Group established by the State Government to review security of payments to subcontractors in WA's building and construction industry;
- Ministerial Review of the State Industrial Relations System;
- Australian Consumer Law Review;
- Federal Parliamentary Inquiry into the Operation and Effectiveness of the Franchising Code of Conduct;
- Review of the *Local Government Act 1995*;
- Review of Community Pharmacy Ownership in WA;
- Inquiry into Reform of Business Licensing in WA;
- Digital Economy Strategy;

- WA Industry Participation Strategy;
- ACCC Casual Mall Licensing Code of Practice;
- Methamphetamine Action Plan Taskforce;
- WA Plastic Bag Ban;
- Introduction of an Economy-Wide Cash Payment Limit;
- ASIC National Financial Literacy Strategy; and
- Public Health legislation regarding morgues.

### Regulatory gatekeeping

Managed by the Better Regulation Unit (BRU) of the Department of Treasury, the Regulatory Impact Assessment (RIA) program is a two stage process to review proposals for new or amended regulation in WA. All regulatory proposals at the State level must include a Preliminary Impact Assessment (PIA) to identify potential impacts on small businesses, the economy and consumers. If the impact is significant, a more thorough Regulatory Impact Statement (RIS) is undertaken by the regulating authority.

The SBDC plays an important role by reviewing PIAs and RISs and providing feedback from a small business perspective to the BRU and/or sponsoring agency.

## Activity reports

Small Business Development Corporation  
Annual Report 2017-18

### Outcomes for 2017-18

The SBDC reviewed 36 PIAs from 11 government agencies. The feedback included general support with no objections; recommendations to develop 'how to guides' or checklists to assist with changing administrative practices and procedures; and recommendations for the inclusion of a transition period to ease the impact of significant regulatory change (in relation to increases to fees and charges).

### Influencing regulatory reform

The SBDC continues to focus on identifying and reducing unnecessary compliance burdens on small business through its advocacy to introduce risk-based regulatory frameworks and greater digitisation of licence applications across government. This includes providing submissions and feedback to legislative reviews and national reforms.

### Outcomes for 2017-18

- During the year, the SBDC provided a comprehensive submission to the Economic Regulation Authority's Inquiry into Reform of Business Licensing in WA, which is part of the Government's Microeconomic Reform Agenda. The submission identified priority small

business areas for reform and opportunities for regulators to improve the administration of business licences.

- The SBDC also advocated for regulatory reform initiatives as part of the Intergovernmental Agreement on Competition and Productivity-enhancing Reforms. With the potential to access Commonwealth resources and funding, the SBDC strongly supported projects, including digital solutions to streamline licence applications and minimise the compliance burden for WA small businesses, under the National Business Simplification Initiative and the National Partnership on Regulatory Reform.

### Security of Payments - Construction Industry

Since conducting the Construction Subcontractor Investigation into non-payment of subcontractors for a defined selection of construction projects in 2013, the SBDC has had a particular focus on how best to respond to behaviours within the construction industry that lead to non-payment of subcontractors.

The security of payments on both government and non-government construction projects remains an issue affecting subcontractors, their employees and suppliers, and consequently

their families and local communities. The SBDC is committed to improving security of payment protections for subcontractors and improving conduct in the industry supply chain by advocating on behalf of small business subcontractors and suppliers on government and industry-led initiatives.

### Outcomes for 2017-18

During 2018, the SBDC provided insights about proposals that help and hinder small business operators on two separate advisory groups established by the WA Government to improve protections for subcontractors, being the:

- Industry Advisory Group (IAG) chaired by John Fiocco and includes representatives of construction industry associations, unions, dispute resolution bodies and State Government agencies. The IAG is tasked with completing a full and careful review of security of payments to subcontractors in WA's building and construction industry, and advising the Government on industry-wide reforms to improve security of payment and fairness in the industry.

## Activity reports

### Small Business Friendly initiatives

The Small Business Friendly Local Governments (SBFLG) initiative was launched in August 2016 as a means of recognising local governments that are proactively supporting their local small businesses, and to assist other local governments to understand the benefits of supporting small businesses and their local economies.

To demonstrate their commitment to being small business friendly, local government Chief Executive Officers and Mayors sign the SBFLG charter. This charter sets out the minimum commitments that need to be made to support their local small business community and includes paying small business suppliers on-time, improving communication and consultation with small business stakeholders and their representatives, and having a dispute resolution process in place. Local governments are also required to introduce three other initiatives of their choosing to improve the operating environment for small businesses in their area.

One of the ways local governments can be more small business friendly is by minimising the impact of their construction work on their local small business community. Government infrastructure and works projects can have significant financial and non-financial impacts on neighbouring small businesses, including a loss in turnover, reduction in customers and disruption to deliveries. To help minimise disruption, the SBDC is utilising relationships established through the SBFLG to develop best practice guidelines to assist local governments to better engage with affected businesses.

The SBDC will continue to form and leverage partnerships with local governments during 2018-19, with a focus on supporting economic development, streamlining processes, minimising business disruptions and encouraging greater consistency in local laws.

Small Business Development Corporation  
**Annual Report 2017-18**



One of the guides produced to support government agencies undertaking construction works

## Activity reports

### Outcomes for 2017-18

- As at 30 June 2018, 22 metropolitan and regional local governments were participating in the initiative. This means 40.5 per cent of all small businesses in WA now operate within a 'small business friendly' local government area.
- The SBDC facilitated a workshop with economic development officers to examine opportunities for regulatory harmonisation in the food and retail industries, and hosted a teleconference to enable information sharing across the SBFLG economic development network.
- Consultation with local governments on current practice associated with infrastructure projects and initiatives to minimise the impact on neighbouring small businesses.
- The SBDC is currently developing tools and guides which will assist local governments with their engagement with small businesses and prepare them for construction work in their local area.

### Case study

#### Joondalup secures cyber-security business The relatively new SC8 cyber-security business has moved from Perth to Joondalup, thanks to The Link, a City of Joondalup joint project with Edith Cowan University.

The City was among the first to join the Small Business Friendly Local Governments initiative, recognising early on the benefits that come from supporting small business.

### Small Business Development Corporation Annual Report 2017-18

The Link is designed to grow business through research, innovation and facilitating connections between the academic world, government and business.

Through this program, industry experts and ECU academics provide advice to small business owners and start-ups on their business ideas.

"The Link website launch in 2016 was the first stage in creating an innovation hub. Stage two was to get formal recognition of Joondalup as a place where innovation happens – and in December 2017, the State Government announced the establishment of the Joondalup Innovation Hub, focusing on cyber-security.

Stage three was to find physical locations for innovative businesses – in cyber-security, but also other areas in future. With all The Link has to offer, we were able to attract SC8 to Joondalup."

#### Steve Marmion

Economic Development Advisor  
City of Joondalup



## Activity reports

Small Business Development Corporation  
Annual Report 2017-18

### Communications and marketing

The SBDC uses a range of on and off-line channels to engage with its clients and stakeholders. The channels are used to raise awareness of the small business sector and its value to the State's economy, disseminate information relevant to small business operators and to promote the SBDC's support services for small business owners and operators.

A broad range of communication activities are employed including public relations, marketing, advertising, events, social media, speaking opportunities, content marketing and distributing news stories to local, State and interstate media.

### Outcomes for 2017-18

#### Media and public relations

The SBDC used a variety of earned media to promote the agency's services and distribute information relevant to small business sector. Over the past year, the SBDC has promoted a range of topics and activities via releases distributed to Statewide print and electronic media; inclusion in the SBDC e-news, Facebook page and news bulletins on the SBDC website; and through articles written for business and industry magazines.

In 2017-18, key topics for earned media and public relations coverage included:

- small business advice on taxation, employing staff, risk management, social media, marketing, commercial tenancy and doing business online;
- the 2017 Western Australian Regional Small Business Awards;
- successful outcomes from the SBDC advisory service and dispute resolution process;
- promoting the small business programs and initiatives of other state and federal government agencies;
- collaborative projects and programs between SBDC and other agencies including the ATO, ACCC and OMI; and
- the joint-staging of a small business networking event with the Department of Jobs, Tourism, Science and Innovation that included three of the State Government's overseas trade commissioners.

Articles created by the SBDC were featured in a number of publications including; *Brush Strokes* (Master Painters and Decorators), *The Grower* (Vegetables WA), *Franchise Business* magazine, *In Your Region* (Department of Primary Industries and

Regional Development), *Edupreneur*, *Fly on the Wall* (Association of Wall and Ceiling Industries WA) and *Inside Small Business* as well as for the Australian Dental Association of WA.

The SBDC has access to networks of small business owners and organisations, and works closely with other government agencies to raise awareness of legislation and regulations that impact on small businesses. During 2017-18, the SBDC collaborated with the ACCC; ATO; Department of Mines, Industry Regulation and Safety (Consumer Protection); Department of Jobs, Tourism, Science and Innovation; Curtin University of Technology; Department of Health; IP Australia; ASIC and the Fair Work Ombudsman to inform the small business sector about important developments.

In the last two quarters of 2017-18, SBDC staff were interviewed on monthly RTRFM radio show *Taking Care of Business*. The six interviews featured a diverse range of topics to assist small businesses including commercial tenancies, managing your finances, taking the plunge, dispute resolution, the importance of business planning and the Small Business Commissioner gave an overview of agency services.

## Activity reports

Small Business Development Corporation  
Annual Report 2017-18

The SBDC is recognised as a reliable source of small business information and statistics, and is a ready source of introductions for journalists seeking successful small business owners. During the year in review, a number of media releases were written by the agency, including:

- Avoid the pitfalls and make franchising a great opportunity for you;
- Commissioner calls for better payment times in WA;
- Pro-bono legal services – a lifeline for small business;
- Protection of IP for SMEs;
- Self-employment opens the door for a second chance career;
- Survey to fight drug abuse in small business;
- Unfair contract terms: a win for small business;
- WA Regional Small Business Awards 2017 - finalists announced; and
- WA tech start-ups welcome new 'crowdfunding' laws.

Speeches and briefing notes to promote the significance of the small business sector and the services of the SBDC for a significant number of events were also provided to the office of the Minister for Small Business.

### Digital communications

As audiences are increasingly seeking information through online channels, the agency now has a greater focus on digital communications. The SBDC produces a monthly e-newsletter covering SBDC projects and achievements, legislative changes, and tips and hints for small business owners. The publication is delivered to around 9,000 subscribers.

Stakeholder engagement through the SBDC's Facebook page continued to grow. The number of people 'liking' the page increased by almost 33 per cent compared to the previous year, with 273 posts made to the page. These posts were seen more than 1.3 million times, which is a 45 per cent increase compared to the previous 12 months.

The Facebook group '*I'm a small business owner in Western Australia*' continued to provide a highly active virtual networking space for small business operators. It is an environment where people interested in small business can feel comfortable in sharing and connecting with each other. The group members actively participate in discussions and have created a self-moderating online community. There is a consistently high level of engagement with new discussions and comment threads posted every day.



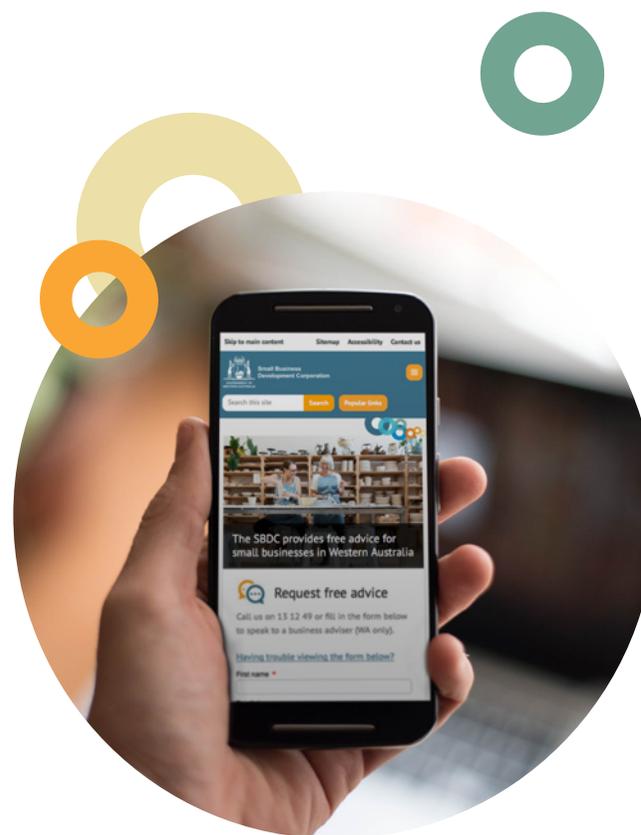
## Activity reports

The group is monitored around the clock by members of the communications and marketing team to ensure adherence to the group's guidelines and the swift removal of gratuitous advertising. Membership has grown to more than 5,500.

Digital advertising across a range of platforms continued to drive engagement, particularly to promote the agency's business advisory services and workshops. This included the use of sponsored content articles on *The West Australian* and *PerthNow* websites during the new year period when there is traditionally a spike in people wanting to start a new business. The use of these sponsored content articles resulted in a reach of more than 90,000 between social media and page views.

### SBDC website

The website remains a popular source of information about starting and operating a small business in WA, with website visits steadily growing during the past 12 months. In April 2018, as part of the agency's overall digital communications strategy, the 'SBDC blog' was launched to provide users with access to practical and timely advice to help them start or run a business. In June, the SBDC blog was named the



fourth best small business blog in Australia by the *Feedspot* website.

Additional website enhancement work included the addition of an online 'request free advice' form to provide users accessing the website outside of business hours the ability to request a phone call from the business advisory service and work to improve search engine optimisation (SEO).

Small Business Development Corporation  
**Annual Report 2017-18**

### Western Australian Regional Small Business Awards (WARSBA)

The SBDC continued to support small business award programs in regional areas with 18 local programs receiving in sponsorship during 2017-18.

These regional award programs, managed by local chambers of commerce and business associations, help raise the profile of small businesses in regional areas and acknowledge their significant contribution to local communities. The SBDC's support of these programs and associated branding and speaking opportunities also helped to raise the profile of the agency and the services it provides directly, and through partner organisations, to all areas of the State.

The SBDC further supported regional award programs through its 'awards-ready' workshop, advising small business owners on how to assess their operation and to prepare an awards submission. The number of 'live' workshops this year was limited by budgetary and geographical constraints, so to maintain equity of access to the resource across all regional areas an online version was provided, in addition to a new 'live' package. The latter provided a comprehensive package of content to enable coordinators to deliver workshops in their own area. Almost 40 small

## Activity reports

Small Business Development Corporation  
**Annual Report 2017-18**

business owners attended workshops at locations across the State.

The 15th annual WARSBA program received applications from across the State, and culminated in a gala presentation event held in Perth in November 2017.

The presentation event was attended by the Minister for Small Business, small business operators, their staff, families and friends; Business Local providers; regional chambers of commerce and industry; business associations; sponsoring companies and media representatives.

Prizes of \$1,000 (cash) were provided to each category winner, while the overall winner also received a \$25,000 airtime package provided by major sponsor, the GWN7 television network, and production of an advertisement provided by supporter Lomax Media.

The category award winners for 2017 were:

- Business of the Year – Nudge Psychological Assessment & Consulting, South West
- Home-based Business – The Goodnight Nurse, South West
- Franchise Business – SportsPower Bunbury & Eaton Fair, South West
- Aboriginal Business – Poornarti Aboriginal Tours, Great Southern
- Start-up Business – Froth Craft, Gascoyne
- Business with 0-4 Employees – Arrows, South West
- Community Engagement – Wattnow Electrical, Kimberley
- Business with 5-10 Employees – Margaret River Hemp Co, South West

- Business with 11-20 Employees – Emu Lane, Great Southern
- Customer Service – Nudge Psychological Assessment & Consulting, South West

During 2017-18, the SBDC received the fourth and last allocation of \$224,000 in Royalties for Regions funding to support the WARSBA program.

Regional Small Business of the Year winner, Melissa Harrison from Nudge Psychology (second from left), pictured with staff, David Eaton and Kitty Prodonovich



## Corporate governance

Small Business Development Corporation  
Annual Report 2017-18

### Governance disclosures

#### Enabling legislation

The *SBDC Act* makes provision for the establishment of the SBDC and Small Business Commissioner to encourage, promote, facilitate and assist the establishment, development and carrying on of small business in the State and for incidental and other purposes.

#### SBDC Board

The SBDC is governed by a Board, drawn from the private sector under the auspices of the SBDC Act. The eight-member Board (including the Commissioner as ex officio) meets on a monthly basis to consider issues relevant to the direction and operation of the agency.

Membership as at 30 June 2018 comprised:

#### Caterina (Kitty) Prodonovich

Kitty Prodonovich initially joined the Board in May 2008 and took up her position in September 2008. Ms Prodonovich was appointed Chair of the Board on 1 October 2014. Ms Prodonovich has owned and operated a number of small businesses, including two award-winning businesses in the Goldfields. She was the recipient of the Goldfields Young Achiever Award and winner of the 2002

Goldfields Business of the Year. She was elected the youngest executive member of the Kalgoorlie Boulder Chamber of Commerce and Industry and is a past president.

Ms Prodonovich is also Chief Executive Officer of the Regional Chambers of Commerce and Industry of WA, sits on the General Council of the Chamber of Commerce and Industry WA and is a non-executive director on the board of Keystart Home Loans.

#### Grant Cucel

Grant Cucel was appointed to the Board in October 2017. Mr Cucel is self-employed, Pilbara born and raised and resides in Karratha. He has an extensive business background having run his own recruitment business for 10 years. Mr Cucel has a Bachelor of Business Degree (first class honours) from Curtin University of Technology.

He was the 2012 inductee into the Western Australian Regional Small Business Hall of Fame and was recognised as the 2013 City of Karratha Citizen of the Year. For nine years, he held the role of Chair of the Small Business Centre West Pilbara and strongly advocated for small and medium-sized enterprises in regional WA.

Mr Cucel, having sold his recruitment business to a publicly-listed company, now has a strong focus on assisting a cross-section of organisations in a voluntary capacity, in addition to his role as Deputy Mayor of the City of Karratha.

#### Steven Dobson

Steven Dobson was appointed to the Board in September 2012. Mr Dobson is a director of Dobson Financial Planning and was previously a sworn member of the WA Police.

Mr Dobson is a member of the ASIC Financial Adviser Consultative Committee, President of the Bull Creek Leeming Junior Football Club, a life member of Jandakot Volunteer Bushfire Brigade and a Justice of the Peace.

He holds an MBA from Murdoch University, a Bachelor of Business from RMIT University and is a graduate member of the Australian Institute of Company Directors.

#### Sophie Dwyer

Sophie Dwyer was appointed to the Board in August 2017. Ms Dwyer is managing director of Shady Tree Lane Consulting, a specialist finance, agribusiness and governance advisory service. She has extensive experience in the finance and

## Corporate governance

Small Business Development Corporation  
**Annual Report 2017-18**

agribusiness sectors and is an elected member of the City of Joondalup.

Ms Dwyer is a graduate of the Australian Institute of Company Directors. She also holds a Master of Business Administration from Curtin University and a Bachelor of Science (Horticulture) with Honours from the University of Western Australia. Ms Dwyer is a member of a number of company and not-for-profit boards.

### Nicolle Jenkins

Nicolle Jenkins was appointed to the Board in December 2015. Ms Jenkins established her own business in 2005 called The Hub Marketing Communications, and works across a variety of industries Australia-wide. Ms Jenkins is Chairman of one of WA's largest disability organisations, the Intelife Group. She is co-founder of Small Business Matters, a small business movement tasked to celebrate entrepreneurship and small business. Ms Jenkins is also Vice President of the Chamber of Commerce and Industry WA and a Director of the Australian Chamber of Commerce and Industry.

Ms Jenkins was awarded the National Certified Practising Marketer of the Year in 2016, as a Fellow of the Australian Marketing Institute and has won numerous national and State marketing awards.

She was a 40under40 Awards winner (2012), a finalist in the 2011 Telstra Small Business Awards and a finalist in the 2011 Telstra Business Woman of the Year awards.

### Anthony Masi

Anthony Masi was appointed to the Board in April 2014. Mr Masi is a pharmacist and has owned and operated successful small businesses in rural WA since 1991. These include a camera store, a health food shop, an IGA grocery store and two pharmacies. He is a former Board member of Kimberley Pilbara Medicare Local; and is a Branch Committee Member of the Pharmacy Guild of Australia (WA branch).

Mr Masi is also an active member of the Kyle Andrews Foundation Inc., a Broome-based children's cancer charity. He was Chair from 2008-2010 and is currently the organisation's treasurer.

### Caroline (Ra) Stewart

Caroline (Ra) Stewart was appointed to the Board in December 2015. Ms Stewart has more than 30 years' experience as a marketing and communications professional, embracing all aspects of communications from advertising and marketing through to stakeholder engagement

and corporate affairs. She is a passionate advocate for small business having represented business as a Board member of the Fremantle Chamber of Commerce since 2008, including a four-year term as President. Her skills and knowledge of marketing, public relations and business administration, together with owning and operating her own consultancy business, have provided her with extensive experience and understanding of the SME and corporate sectors.

Ms Stewart is the Senior Corporate Relationships Manager for the Royal Flying Doctor Service of WA.

### David Eaton (ex officio)

David Eaton was appointed WA's first Small Business Commissioner and CEO of the SBDC in December 2011. In this dual role, Mr Eaton is responsible for the day-to-day operations of the SBDC as well as the ADR service for small business.

Mr Eaton has extensive business management experience, beginning his career as a small business owner, followed by a successful corporate career with Australia Post. He holds a Masters in Business Administration (UWA), is a Graduate Member of the Australian Institute of Company Directors and a member of the Curtin Law School Advisory Board.

## Corporate governance

Small Business Development Corporation  
Annual Report 2017-18

### Functions of the Board

As the SBDC's governing body, the Board has responsibility for performing the functions set out in the SBDC Act. The SBDC Board has four strategic roles:

1. setting the direction of the agency;
2. determination of standards;
3. coordination of planning, policies, and decision-making frameworks and
4. acting in an advisory capacity to the Minister, the government and other agencies.

Operational roles of the Board include:

- setting strategies;
- focusing on client service and customer needs;
- striving for organisational best practice and compliance with standards; and
- delegation of operational decision-making to officers within the SBDC.

### Members current as at 30 June 2018

Terms of appointment/meetings attended

Name	Initially appointed	Term expires	2017-18 meetings attended <sup>1</sup>
Ms Caterina (Kitty) Prodonovich	12/05/2008	30/11/2018	10
Mr Grant Cucel <sup>2</sup>	28/08/2017	30/06/2021	7
Mr Steven Dobson	10/09/2012	30/11/2018	9
Ms Sophie Dwyer <sup>3</sup>	28/08/2017	30/06/2021	8
Ms Nicolle Jenkins	07/12/2015	30/11/2018	10
Mr Anthony Masi	07/04/2014	30/06/2020	7
Ms Caroline (Ra) Stewart	07/12/2015	30/11/2018	10
Mr David Eaton (ex officio)			9

<sup>1</sup> A total of 10 meetings were held during the 2017-18 reporting period

<sup>2</sup> Appointed 28/08/17 – attended first meeting 18/10/17

<sup>3</sup> Appointed 28/08/17 – attended first meeting 20/09/17

## Corporate governance

Small Business Development Corporation  
Annual Report 2017-18

Position	Name	Type of remuneration	Period of membership	Gross actual remuneration (\$)
Chair	Ms Caterina (Kitty) Prodonovich	Annual	Full year	23,128.65
Member	Mr Grant Cucel	Annual	Part year	7,778.20
Member	Mr Steven Dobson	Annual	Full year	9,357.65
Member	Ms Sophie Dwyer	Annual	Part year	7,569.29
Member	Ms Nicolle Jenkins	Annual	Full year	9,250.92
Member	Mr Anthony Masi	Annual	Full year	9,261.48
Member	Ms Caroline (Ra) Stewart	Annual	Full year	9,324.68
Member	Ms Susan Bailey <sup>4</sup>	Annual	Part year	1,575.99
Member	Mr Allan Pental <sup>5</sup>	Annual	Part year	2,311.45

<sup>4</sup> Term expired 31/08/17

<sup>5</sup> Term expired 1/10/17

### Directors and Officers Liability Insurance

The SBDC takes out Directors and Officers Liability Insurance through Riskcover to provide cover for members of the Board. The Policy has an indemnity limit of \$10 million and for 2017-18 the SBDC contributed \$7,035 towards the annual premium with individual Board members also making a personal contribution.

### Corporate resources

The corporate resources team assists the SBDC to reach its objectives and goals through:

- financial management including budgeting and accounting services;
- human resource management;
- information communications technology management;
- records, library and information management services;
- facilities management including assets, fleet, accommodation and procurement; and
- general administration.

## Corporate governance

Small Business Development Corporation  
Annual Report 2017-18

### Other financial disclosures

#### Internal audit

The SBDC outsources its internal audit function which focuses on the effectiveness of the key processes and controls to meet the compliance requirements of the *Financial Management Act 2006* and applicable Treasurer's Instructions. The audit provides assurance to the SBDC Board and management in relation to the quality, reliability, adequacy and integrity of the systems of internal control, compliance and reporting.

### Governance disclosures

#### Pricing policies

The SBDC collects the following fees and charges:

- ADR (mediation) fees; set at \$125 per party in dispute. This represents partial cost recovery for government. The total cost of each mediation session is generally \$1,000 with the SBDC subsidising the difference.
- Business Migration State Nomination application fees; set at \$750 for both provisional and permanent business visas. The fees represent partial cost recovery for the processing of applications under the Business Innovation and Investment visa program.

- Business workshop fees; with the exception of the free 'Starting a Business' workshop, are set at \$50 per participant.

The Corporation's fees and charges are reviewed annually as part of the budget process.

### Our people

#### Workforce development

The SBDC employs a Performance Development Plan (PDP) process to manage workforce development and foster two-way communication between managers and staff. Individual PDP sessions between managers and team members ideally lead to personal goals being more specific and measurable, resulting in staff making a more positive contribution to the agency and the clients served.

Staff training requirements are dealt with on an individual 'as needs' basis. A Staff Development Day was held for all staff in November 2017. The day included professional development opportunities in a number of key work related areas. Interaction with owners and staff of small businesses during the day was seen as an excellent way to understand the reality of owning and running a small business.

Development opportunities including expressions of interest to participate in learning development programs, knowledge sharing and acting opportunities continue to be used to cover short-term vacancies and to assist with longer term succession planning.

Leadership development remains a key focus for the Corporation, including the continued development of our current leaders as well as contributing to the development of our potential future leaders.

#### Staffing summary - as at June 2018

Employee profile	2017-18
Permanent full-time	38
Permanent part-time	13
Fixed term contract	2
Total	53

## Corporate governance

Small Business Development Corporation  
Annual Report 2017-18

### Reconciliation Action Plan

The SBDC's Reconciliation Action Plan (RAP) was developed to create awareness and understanding of the needs, skills and contribution to the State of Aboriginal and Torres Strait Islander ('Aboriginal') business operators, and to foster meaningful engagement across the organisation and the broader small business sector. In line with the agency's overall strategic plan, the RAP further demonstrates how the SBDC values:

- Enterprise – through the development and empowerment of Aboriginal-owned and operated small businesses;
- Focus – reinforcing existing and building new channels in support of Aboriginal small business operators;
- Independence – ensuring the SBDC is a trusted and credible partner in supporting Aboriginal enterprise development in WA;
- Fairness – advocating for an economic and policy environment where all Aboriginal small businesses can thrive; and
- Collaboration – actively engaging with partners to create more inclusive strategic relationships to deliver better outcomes and relationships for Aboriginal small business operators.

### Occupational health and safety (OHS) and injury management

The SBDC is committed to ensuring operational activities are carried out with full regard for the health, safety and welfare of employees, contractors and the public. The agency's management team support this through participation in training programs and communicating OHS matters via the intranet. OHS is a standard agenda item at all executive and 'all of agency' meetings and staff are encouraged to raise any issues.

The SBDC ensures compliance with the injury management requirements of the *Workers' Compensation and Injury Management Act 1981* by adopting a systematic and practical approach that places a strong emphasis on employees receiving support from managers and human resources to ensure they return to work as soon as possible following injury or illness.

The Corporation recognises that consultation, communication and cooperation between managers and employees is essential to maintaining a safe and healthy workforce.

The agency's OHS Management System outlines when it is necessary to consult with employees, including:

- investigating incidents;
- deciding on measures to control risks;
- reviewing the effectiveness of controls;
- changing work practices and procedures; and
- planning new work or work processes.

## Corporate governance

Small Business Development Corporation  
Annual Report 2017-18

Indicator	Actual results		Results against target	
	2015-16	2017-18	Target	Comment on result
Number of fatalities	0	0	0	n/a
Lost time injury/disease (LTI/D)	0	0	0 or 10% reduction on previous year	Maintained zero result
Lost time injury/disease severity rate	0	0	0 or 10% reduction on previous year	Maintained zero result
Percentage of injured workers returned to work:				
(i) within 13 weeks	n/a	n/a	100%	n/a
(ii) within 26 weeks	No injured workers	No injured workers	100%	No injured workers
Percentage of managers trained in occupational safety, health and injury management responsibilities	80%	85%	Greater than or equal to 80%	Target met

## Disclosures & Legal Compliance

### Independent auditor's report

To the Parliament of Western Australia  
Small Business Development Corporation

#### Report on the Financial Statements

##### Opinion

I have audited the financial statements of the Small Business Development Corporation which comprise the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Small Business Development Corporation for the year ended 30 June 2018 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

##### Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities

under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Corporation in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Responsibility of the Board for the Financial Statements

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Corporation.

##### Auditor's Responsibility for the Audit of the Financial Statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Small Business Development Corporation  
Annual Report 2017-18

## Independent auditor's report

Small Business Development Corporation  
Annual Report 2017-18

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### Report on Controls

#### Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Small Business Development Corporation. The controls exercised by the Corporation are those policies and procedures established by the Board to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, the controls exercised by the Small Business Development Corporation are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2018.

## Independent auditor's report

Small Business Development Corporation  
Annual Report 2017-18

### The Board's Responsibilities

The Board is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

### Auditor General's Responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 Assurance Engagements on Controls issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

### Report on the Key Performance Indicators

#### Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Small Business Development Corporation for the year ended 30 June 2018. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Small Business Development Corporation are relevant and appropriate to assist users to assess the Corporation's performance and fairly represent indicated performance for the year ended 30 June 2018.

#### The Board's Responsibility for the Key Performance Indicators

The Board is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal control as the Board determines necessary to enable the preparation of key performance

## Independent auditor's report

Small Business Development Corporation  
Annual Report 2017-18

indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Board is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

### Auditor General's Responsibility

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I

comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators

I have complied with the independence requirements of the *Auditor General Act 2006*

and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Small Business Development Corporation for the year ended 30 June 2018 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may

## Independent auditor's report

Small Business Development Corporation  
**Annual Report 2017-18**

have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



### **Don Cunninghame**

Assistant Auditor General Financial Audit  
Delegate of the Auditor General for Western  
Australia Perth, Western Australia

31 August 2018

## Certification of key performance indicators

Small Business Development Corporation  
**Annual Report 2017-18**

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Small Business Development Corporation's performance, and fairly represent the performance of the Small Business Development Corporation for the reporting period ended 30 June 2018.



**Kitty Prodonovich**  
Chair



**David Eaton**  
Small Business Commissioner

30 August 2018

## Key performance indicators

Small Business Development Corporation  
Annual Report 2017-18

### The SBDC operates under the broad high level government strategic goal “Future jobs and skills – grow and diversify the economy, create jobs and support skills development”.

To meet this goal, the SBDC’s mission is “to deliver and facilitate the provision of relevant, practical support to small businesses and foster the development of policy conducive to the growth of a thriving small business sector”.

SBDC’s desired outcome and services that link with this government goal are shown in the table below.

In 2017-18, the SBDC achieved this desired outcome through:

The provision of specialised information, referral and business facilitation services for the effective development of enterprises in Western Australia. This included access to justice for small businesses through the Alternative Dispute Resolution (ADR) service.

The following effectiveness and efficiency indicators have been developed to measure SBDC’s performance.

### Effectiveness indicator

The effectiveness of the SBDC in meeting its desired outcome is measured by client surveys of the following key stakeholder groups:

- small business owners - those already operating their own business; and
- small business starters - those planning or contemplating operating a business in the future.

Government goal	Desired outcome	Services
<b>Future Jobs and Skills:</b> Grow and diversify the economy, create jobs and support skills development.	Development of new and existing small business in Western Australia.	Information, guidance, referral and business development services.

## Key performance indicators

Small Business Development Corporation  
Annual Report 2017-18

### Client opinions of the services provided by the SBDC

The SBDC provides a range of small business services to those in business as well as those planning on starting or buying a business. (Refer to the Report on Operations for details of these services). The SBDC also provides core business facilitation services across the State through the provision of funding for the Business Local Service. The effectiveness of small business

services is measured by surveys of those clients who have contacted the SBDC and the Business Local Service during 2017-18.

The effectiveness indicator used to measure the SBDC's performance is subject to regular review and, where necessary, is refined to reflect the services delivered to key client groups.

The measure reported below is based on two surveys conducted during 2017-18 of random samples of SBDC and Business Local Service

clients. The surveys have been carried out by an independent market research company to ensure maximum objectivity<sup>1</sup>.

High customer satisfaction with services has been maintained over several years with the effectiveness indicator measured in 2017-18 showing no statistically significant shifts at the 95% confidence level in comparison with the previous four years.

<sup>1</sup> The performance evaluation for 2017-18 where clients were contacted by telephone was undertaken by Advantage Communications and Marketing. Telephone surveys were undertaken with random selections of clients who had directly sought information and guidance during 2017-18. 732 client surveys were completed to give a maximum standard error ratio of + / - 3.5% at the 95% confidence level. Overall, 90% of respondents contacted agreed to participate in the survey. The valid sample for each service area was as follows:

### Summary of clients surveyed as part of SBDC's 2017-18 performance evaluation.

	Business owners			Business starters			Total sample		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
<b>Clients - Direct advice</b>									
Small Business Services	193	202	211	72	62	61	265	264	272
Business Information Centre	72	80	80	133	122	125	205	202	205
Business Local Service	141	157	152	109	93	103	250	250	255
<b>Total</b>	<b>406</b>	<b>439</b>	<b>443</b>	<b>314</b>	<b>277</b>	<b>289</b>	<b>720</b>	<b>716</b>	<b>732</b>

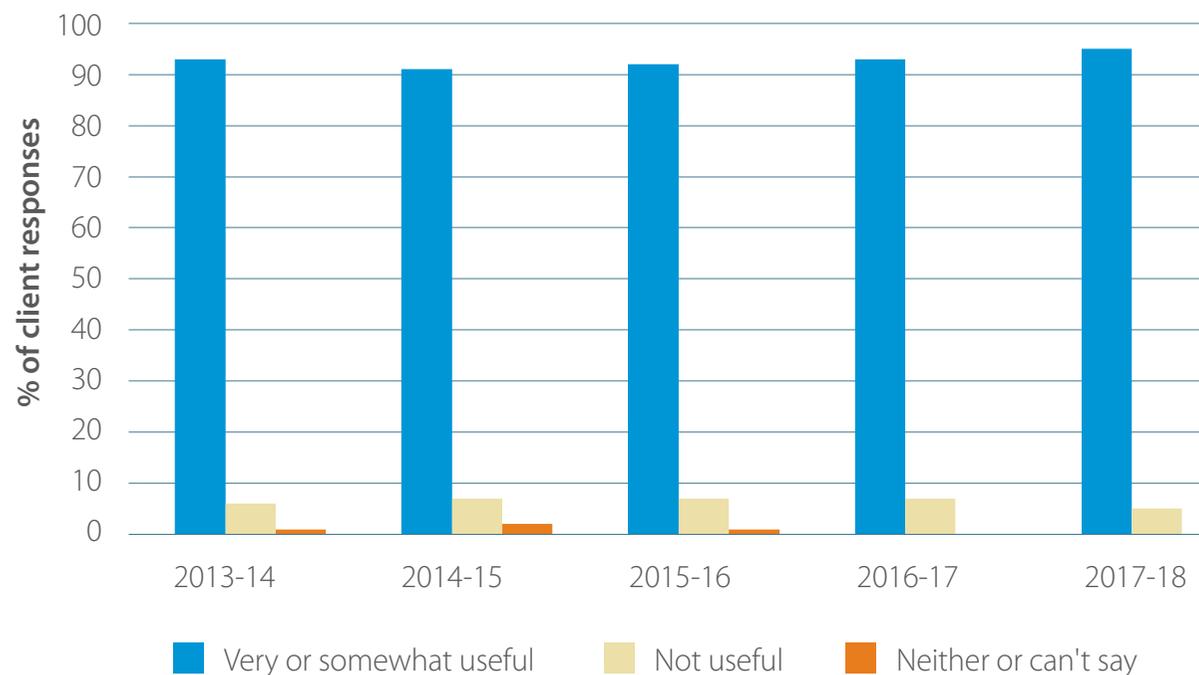
## Key performance indicators

Small Business Development Corporation  
Annual Report 2017-18

### Usefulness of the information or guidance provided

All clients surveyed were asked – “How would you rate the usefulness of the information/ guidance provided to you?” 95 per cent of survey participants rated the information/guidance provided as useful in 2017-18 including 64 per cent that indicated it was very useful and 31 per cent rating it as somewhat useful. Only 5 per cent of respondents felt the information or guidance was not useful. The target for 2017-18 was 93 per cent useful rating.

### Usefulness of the information/guidance provided



## Key performance indicators

Small Business Development Corporation  
Annual Report 2017-18

### Efficiency indicators

Efficiency indicators relate to the level of resource inputs required to produce the output (information, guidance, referral and business development services).

Four efficiency indicators are measured. The results for each indicator together with the target for 2017-18 and comparatives from the previous four years are set out below:

Efficiency indicators	2017-18 target	2017-18 actual	2016-17	2015-16	2014-15	2013-14	
<b>Cost for direct client contacts</b> Number of direct client contacts <sup>2</sup>	\$38.91	<b>\$7,983,566</b> 200,802	\$39.76	\$39.89	\$20.59	\$19.24	\$23.36
<b>Cost of indirect client contacts</b> Number of indirect client contacts <sup>3</sup>	\$5.86	<b>\$302,156</b> 45,337	\$6.66	\$5.86	\$3.05	\$2.44	\$2.65
<b>Cost of Business Local Service<sup>4</sup></b> Number of Business Local Service client contacts	\$147.24	<b>\$4,382,976</b> 31,331	\$139.89	\$145.84	\$139.47	\$119.40	\$107.11
<b>Cost of Policy Advice<sup>5</sup></b>	\$1,268,718	\$963,562	\$1,202,180	\$1,184,508	\$1,182,935	\$1,270,455	

The target for 2017-18 is as published in the 2017-18 Budget Statements (Budget Paper No 2 Volume 2) Page 558.

- 2 **Direct client contacts** have contacted the SBDC for guidance or information either by a personal visit, by telephone, have attended a SBDC workshop, downloaded a licence pack from the Business Licence Finder, have visited SBDC websites for four minutes or more or have had a direct engagement through the SBDC Facebook page or group.
- 3 **Indirect client contacts** are exposed to a range of advisory, information, referral and business services that would impact on their growth and business development. It includes those that have attended Expos, Forums or Award Functions which SBDC has organised, has been the major sponsor where the focus has been on business development, or where an SBDC representative has given an address on small business matters. Indirect client contacts also include website visits of between two and four minutes. The increase in the cost of indirect client contacts against the result achieved in 2016-17 and the target for 2017-18 is due to an increase in employee costs and costs associated with marketing of the SBDC website.
- 4 **Business Local Service client contacts.** There has been a minor reduction in cost per Business Local Service client contact in comparison to the result achieved in 2016-17 and the target for 2017-18, due mainly to an increase in the number of client sessions delivered across the program.
- 5 **Policy advice** includes policy and regulatory submissions, industry liaison, small business sector advocacy, investigative research and ministerial correspondence. The cost of policy advice includes salaries and related staffing costs and all other direct costs associated with the Policy and Advocacy section of the SBDC, together with a notional allocation of corporate overheads. The reduction in the cost of policy advice against the result achieved in 2016-17 and the target for 2017-18 is due mainly to vacant positions, staff on secondment, and reduced project costs.

## Certification of financial statements for the reporting period ended 30 June 2018

Small Business Development Corporation  
Annual Report 2017-18

The accompanying financial statements of the Small Business Development Corporation have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2018 and the financial position as at 30 June 2018.

At the date of signing we are not aware of any circumstances which would render the particulars included within the financial statements misleading or inaccurate.



**Kitty Prodonovich**  
Chair



**David Eaton**  
Small Business Commissioner



**Ray Buttsworth**  
Chief Finance Officer

30 August 2018

## Financial statements

### Statement of Comprehensive Income

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

	Notes	2018 \$	2017 \$
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits expense	3.1	6,340,950	5,985,247
Supplies and services	3.3	3,290,388	2,779,059
Depreciation and amortisation expense	5.1,5.2	115,763	111,934
Communications expense		89,130	86,310
Maintenance expense		49,375	76,867
Grants and subsidies	3.2	3,668,065	3,586,096
Other expenses	3.3	78,589	82,981
<b>Total cost of services</b>		<b>13,632,260</b>	<b>12,708,494</b>
<b>Income</b>			
<i>Revenue</i>			
User charges and fees	4.2	390,182	312,114
Grants and contributions	4.3	0	1,000,000
Interest revenue	4.4	46,155	71,134
Other revenue	4.5	75,954	201,429
<b>Total revenue</b>		<b>512,291</b>	<b>1,584,677</b>
<b>Total income other than income from State Government</b>		<b>512,291</b>	<b>1,584,677</b>
<b>NET COST OF SERVICES</b>		<b>13,119,969</b>	<b>11,123,817</b>
<b>Income from State Government</b>	4.1		
Service appropriation		10,751,000	12,706,000
Services received free of charge		108,281	123,671
Royalties for Regions Fund		224,000	216,000
<b>Total income from State Government</b>		<b>11,083,281</b>	<b>13,045,671</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>(2,036,688)</b>	<b>1,921,854</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(2,036,688)</b>	<b>1,921,854</b>

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## Financial statements

### Statement of Financial Position

as at 30 June 2018

Small Business Development Corporation  
Annual Report 2017-18

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7.1	2,036,055	3,323,623
Restricted cash and cash equivalents	7.1	24,507	806,540
Receivables	6.1	109,368	138,299
Amounts receivable for services	6.2	60,000	60,000
Other current assets	6.3	374,829	238,736
<b>Total Current Assets</b>		<b>2,604,759</b>	<b>4,567,198</b>
<b>Non-Current Assets</b>			
Amounts receivable for services	6.2	625,000	579,000
Furniture, plant and equipment	5.1	36,487	78,817
Intangible assets	5.2	180,744	236,489
<b>Total Non-Current Assets</b>		<b>842,231</b>	<b>894,306</b>
<b>TOTAL ASSETS</b>		<b>3,446,990</b>	<b>5,461,504</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	6.4	74,264	78,981
Employee related provisions	3.1	1,103,086	1,138,270
Other current liabilities	6.5	9,000	5,000
<b>Total Current Liabilities</b>		<b>1,186,350</b>	<b>1,222,251</b>
<b>Non-Current Liabilities</b>			
Employee related provisions	3.1	262,174	264,099
<b>Total Non-Current Liabilities</b>		<b>262,174</b>	<b>264,099</b>
<b>TOTAL LIABILITIES</b>		<b>1,448,524</b>	<b>1,486,350</b>
<b>NET ASSETS</b>		<b>1,998,466</b>	<b>3,975,154</b>
<b>EQUITY</b>			
Contributed equity		1,418,885	1,358,885
Accumulated surplus		579,581	2,616,269
<b>TOTAL EQUITY</b>		<b>1,998,466</b>	<b>3,975,154</b>

The Statement of Financial Position should be read in conjunction with the accompanying notes.

## Financial statements

### Statement of Changes in Equity

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

	Contributed equity \$	Accumulated surplus/ (deficit) \$	Total equity \$
<b>Balance at 1 July 2016</b>	1,298,885	694,415	1,993,300
Surplus/(deficit)	0	1,921,854	1,921,854
Total comprehensive income for the period	0	1,921,854	1,921,854
Transactions with owners in their capacity as owners:			
Capital appropriations	60,000	0	60,000
<b>Balance at 30 June 2017</b>	<b>1,358,885</b>	<b>2,616,269</b>	<b>3,975,154</b>
<b>Balance at 1 July 2017</b>	1,358,885	2,616,269	3,975,154
Surplus/(deficit)	0	(2,036,688)	(2,036,688)
Total comprehensive income for the period	0	(2,036,688)	(2,036,688)
Transactions with owners in their capacity as owners:			
Capital appropriations	60,000	0	60,000
<b>Balance at 30 June 2018</b>	<b>1,418,885</b>	<b>579,581</b>	<b>1,998,466</b>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Financial statements

### Statement of Cash Flows

for the year ended 30 June 2018

Small Business Development Corporation  
Annual Report 2017-18

	Notes	2018 \$	2017 \$
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation		10,596,000	12,551,000
Capital appropriation		60,000	60,000
Holding account drawdown		109,000	60,000
Royalties for Regions Fund		224,000	216,000
<b>Net cash provided by State Government</b>		<b>10,989,000</b>	<b>12,887,000</b>
Utilised as follows:			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits		(6,350,212)	(6,063,140)
Supplies and services		(3,336,740)	(2,636,136)
Communication expense		(89,079)	(86,857)
Maintenance expense		(32,393)	(101,562)
Grants and subsidies		(3,668,065)	(3,586,096)
GST payments on purchases		(706,433)	(641,519)
Other payments		(81,859)	(81,090)
<b>Receipts</b>			
User charges and fees		390,182	312,114
Grants and contributions		0	1,000,000
Interest received		52,320	64,790
GST receipts on sales		18,202	125,468
GST receipts from taxation authority		682,609	504,037
Other receipts		80,555	181,587
<b>Net cash used in operating activities</b>	7.1	<b>(13,040,913)</b>	<b>(11,008,404)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Payments</b>			
Purchase of non-current assets		(17,688)	(177,992)
<b>Net cash used in investing activities</b>		<b>(17,688)</b>	<b>(177,992)</b>
Net increase in cash and cash equivalents		(2,069,601)	1,700,604
Cash and cash equivalents at the beginning of the period		4,130,163	2,429,559
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	7.1	<b>2,060,562</b>	<b>4,130,163</b>

The Statement of Cash Flows should be read in conjunction with the accompanying notes..

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### 1. Basis of preparation

The Corporation is a WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent. The Corporation is a not-for-profit entity (as profit is not its principal objective).

A description of the nature of its operations and its principal activities have been included in the 'Overview' which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority of the Corporation on 30 August 2018.

### Statement of compliance

These general purpose financial statements have been prepared in accordance with:

- 1) The *Financial Management Act 2006* (**FMA**)
- 2) The Treasurer's Instructions (**the Instructions or TI**)
- 3) Australian Accounting Standards (**AAS**) including applicable interpretations
- 4) Where appropriate, those **AAS** paragraphs applicable for not-for-profit entities have been applied.

The *Financial Management Act 2006* and the Treasurer's Instructions (the Instructions) take precedence over AAS. Several AAS are modified by the Instructions to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

### Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention.

### Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

from historical experience and various other factors that are believed to be reasonable under the circumstances.

### Contributed equity

AASB Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to, transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 Contributions by Owners made to Wholly-Owned Public Sector Entities and have been credited directly to Contributed Equity.

The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

## 2. Agency outputs

### How the Agency operates

This section includes information regarding the nature of funding the Corporation receives and how this funding is utilised to achieve the Corporation's objectives.

### 2.1 Agency objectives

#### Mission

The Corporation's mission is to deliver and facilitate the provision of relevant, practical support to small businesses and foster the development of policy conducive to the growth of a thriving small business sector.

The Corporation is predominantly funded by Parliamentary appropriations. It also charges fees for workshop admission, mediation and processing Business Migration visa applications. While fees charged for workshops and mediation are subsidised by the Corporation, Business Migration application processing is on a fee-for-service basis and are determined by prevailing market forces.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### Service

The Corporation provides information, guidance, referral and business development services. As the Corporation is only responsible for delivering one service, all income, expenditure, assets and liabilities are in relation to the delivery of this service.

### 3. Use of our funding

#### Expenses incurred in the delivery of service

This section provides additional information about how the Corporation's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Corporation in achieving its objectives and the relevant notes are:

	Notes	2018 \$	2017 \$
Employee benefits expenses	3.1(a)	6,340,950	5,985,247
Employee related provisions	3.1(b)	1,365,260	1,402,369
Grants and subsidies	3.2	3,668,065	3,586,096
Other expenditure	3.3	3,368,977	2,862,040
<b>3.1(a) Employee benefits expenses</b>			
Wages and salaries		5,553,626	5,429,370
Termination benefits		230,107	0
Superannuation - defined contribution plans (a)		557,217	555,877
<b>Total employee benefits expenses</b>		<b>6,340,950</b>	<b>5,985,247</b>

(a) Defined contribution plans include West State Superannuation Scheme (WSS), Gold State Superannuation Scheme (GSS), Government Employees Superannuation Board Schemes (GESBs) and other eligible funds.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

**Wages and salaries:** Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax and leave entitlements.

**Termination benefits:** Payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Corporation is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

**Superannuation:** The amount recognised in profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs, or other superannuation funds. The employer contribution paid to the Government Employees Superannuation Board (GESB) in respect of the GSS is paid back into the Consolidated Account by the GESB.

GSS (concurrent contributions) is a defined benefit scheme for the purposes of employees and whole-of-government reporting. It is however a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the Corporation to GESB extinguishes the Corporation's obligations to the related superannuation liability.

The Corporation does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. The Liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Corporation to the GESB.

The GESB and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

### 3.1(b) Employee related provisions

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

	2018 \$	2017 \$
<b>Current</b>		
<u>Employee benefits provisions</u>		
Annual leave (a)	372,133	326,611
Long service leave (b)	722,705	798,854
Purchased leave (c)	2,236	6,629
	1,097,074	1,132,094
<u>Other provisions</u>		
Employment on-costs (d)	6,012	6,176
<b>Total current employee related provisions</b>	<b>1,103,086</b>	<b>1,138,270</b>
<b>Non-current</b>		
<u>Employee benefits provisions</u>		
Long service leave (b)	260,747	262,656
<u>Other provisions</u>		
Employment on-costs (d)	1,427	1,443
<b>Total non-current employee related provisions</b>	<b>262,174</b>	<b>264,099</b>
<b>Total employee related provisions</b>	<b>1,365,260</b>	<b>1,402,369</b>

(a) **Annual leave liabilities:** Classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	305,404	276,420
More than 12 months after the end of the reporting period	66,729	50,191
	<b>372,133</b>	<b>326,611</b>

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

(b) **Long service leave liabilities:** Unconditional long service leave provisions are classified as current liabilities as the Corporation does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Corporation has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2018 \$	2017 \$
Within 12 months of the end of the reporting period	285,690	309,451
More than 12 months after the end of the reporting period	697,762	752,059
	<b>983,452</b>	<b>1,061,510</b>

The provision for long service leave are calculated at present value as the Corporation does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(c) **Purchased leave:** The provision for purchased leave relates to Public Service employees who have entered into an agreement to self-fund up to an additional 10 weeks leave per calendar year. The provision recognises the value of salary set aside for employees and is measured at the undiscounted amounts expected to be paid when the liabilities are settled.

(d) **Employment on-costs:** The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

occurred. Employment on-costs are included as part of 'Other expenses, Note 3.3' and are not included as part of the Corporation's 'employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

	2018 \$	2017 \$
<b>Employment on-cost provision</b>		
Carrying amount at start of period	7,619	8,026
(Reversals of) provisions recognised	(180)	(407)
<b>Carrying amount at end of period</b>	<b>7,439</b>	<b>7,619</b>

### Key sources of estimation uncertainty – annual leave and long service leave

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Several estimates and assumptions are used in calculating the Corporation's annual leave and long service leave provisions. These include:

- Expected future salary rates
- Discount rates
- Employee retention rates; and
- Expected future payments

Changes in these estimations and assumptions may impact on the carrying amount of the annual leave and long service leave provisions.

Any gain or loss following revaluation of the present value of annual leave and long service leave liabilities is recognised as employee benefits expense.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### 3.2 Grants and subsidies

#### Recurrent

Business Local Service - Operational grants

	2018 \$	2017 \$
	3,668,065	3,586,096
	<b>3,668,065</b>	<b>3,586,096</b>

Transactions in which the Corporation provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as 'Grant expenses'. Grants are paid as general purpose grants as they are not subject to conditions regarding their use. Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable.

### 3.3 Other expenditure

#### Supplies and services

Premises - accommodation expenses	1,161,390	1,146,421
Media, advertising and promotions	92,210	70,578
Travel and accommodation	78,855	57,196
Professional services	583,352	764,356
Sponsorships	500	349
Other services	268,793	263,763
Consumable supplies	99,232	151,877
Royalties for Region Fund payments	197,416	253,889
On-Demand Transport Reform project (a)	808,640	70,630
<b>Total supplies and services expenses</b>	<b>3,290,388</b>	<b>2,779,059</b>

#### Other expenses

Employment on-costs	(180)	(407)
Other employee related expenses	36,179	35,808
Audit fees	42,590	47,580
<b>Total other expenses</b>	<b>78,589</b>	<b>82,981</b>
<b>Total other expenditure</b>	<b>3,368,977</b>	<b>2,862,040</b>

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### Supplies and services:

Operating lease payments under accommodation expenses are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. [AASB 117.33]

All other supplies and services are recognised as an expense in the reporting period in which they are incurred.

(a) \$804,690 was returned to the Department of Transport as the project did not proceed.

### Other expenses:

**Employment on-costs** includes workers' compensation insurance. The on-costs liability associated with the recognition of annual and long service leave liabilities is included at Note 3.1(b) Employee related provision. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

**Other employee related expenses** include staff recruitment, staff training and staff amenities.

## 4. Our funding sources

### How we obtain our funding

This section provides additional information about how the Corporation obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Corporation and the relevant notes are:

	Notes	2018 \$	2017 \$
Income from State Government	4.1	11,083,281	13,045,671
User charges and fees	4.2	390,182	312,114
Grants and contributions	4.3	0	1,000,000
Interest revenue	4.4	46,155	71,134
Other revenue	4.5	75,954	201,429

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

	2018 \$	2017 \$
<b>4.1 Income from State Government</b>		
Appropriation received during the period:		
Service appropriation (a)	10,751,000	12,706,000
Services received free of charge from other State government agencies during the period:		
Department of the Attorney General	0	7,897
Department of Finance - Building Management and Works	108,281	115,774
	108,281	123,671
Royalties for Regions Fund:		
Regional Community Services Account (b)	224,000	216,000
<b>Total income from State Government</b>	<b>11,083,281</b>	<b>13,045,671</b>

(a) **Service Appropriations** are recognised as revenues at fair value in the period in which the Corporation gains control of the appropriated funds. The Corporation gains control of appropriated funds at the time those funds are deposited in the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

Service appropriations fund the net cost of services delivered. Appropriation revenue comprises the following:

- Cash component; and
- A receivable (asset).

The receivable (holding account – Note 6.2) comprises the following:

- The budgeted depreciation expense for the year; and
- Any agreed increase in leave liabilities during the year.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
Annual Report 2017-18

(b) **The Regional Community Services Account** is a sub-fund within the over-arching 'Royalties for Regions Fund'. The recurrent funds are committed to projects and programs in WA regional areas and are recognised as revenue when the Corporation gains control on receipt of the funds.

	2018 \$	2017 \$
<b>4.2 User charges and fees</b>		
Workshop income	78,955	70,091
Business Migration visa application fees	302,250	233,500
Fees for mediation services	8,977	8,523
<b>Total user charges and fees</b>	<b>390,182</b>	<b>312,114</b>

Revenue is recognised and measured at the fair value of consideration received or receivable. For provision of services, revenue is recognised by reference to the stage of completion of the transaction.

### 4.3 Grants and contributions

Funding for the On-Demand Transport Reform project	0	1,000,000
	<b>0</b>	<b>1,000,000</b>

### 4.4 Interest revenue

Bank interest income	46,155	71,134
	<b>46,155</b>	<b>71,134</b>

### 4.5 Other revenue

Sponsorships	20,000	20,000
Return of unspent operational funding	20,894	104,387
Funding for the Culturally and Linguistically Diverse Small Business Development Program	0	20,000
Miscellaneous	35,060	57,042
<b>Total other revenue</b>	<b>75,954</b>	<b>201,429</b>

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### 5. Key assets

#### Assets the Corporation utilises for economic benefit or service potential

This section includes information regarding the key assets the Corporation utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

	Notes	2018 \$	2017 \$
Furniture, plant and equipment	5.1	36,487	78,817
Intangible assets	5.2	180,744	236,489

#### 5.1 Furniture, plant and equipment

Year ended 30 June 2017	Computing equipment \$	Furniture, fittings and equipment \$	Total \$
<b>1 July 2016</b>			
Gross carrying amount	197,032	132,720	329,752
Accumulated depreciation	(158,715)	(53,088)	(211,803)
<b>Carrying amount at start of period</b>	<b>38,317</b>	<b>79,632</b>	<b>117,949</b>
Additions	14,203	0	14,203
Depreciation	(26,791)	(26,544)	(53,335)
<b>Carrying amount at 30 June 2017</b>	<b>25,729</b>	<b>53,088</b>	<b>78,817</b>

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

Year ended 30 June 2018	Computing equipment \$	Furniture, fittings and equipment \$	Total \$
<b>1 July 2017</b>			
Gross carrying amount	211,235	132,720	343,955
Accumulated depreciation	(185,506)	(79,632)	(265,138)
<b>Carrying amount at start of period</b>	<b>25,729</b>	<b>53,088</b>	<b>78,817</b>
Additions	0	0	0
Depreciation	(15,786)	(26,544)	(42,330)
<b>Carrying amount at 30 June 2018</b>	<b>9,943</b>	<b>26,544</b>	<b>36,487</b>

### Initial recognition

Items of furniture, plant and equipment, costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is valued at its fair value at the date of acquisition. Items of furniture, plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

### Subsequent measurement

Subsequent to initial recognition of an asset, the historical cost model is used for the measurement of all items of furniture, plant and equipment where they are stated at historical cost less accumulated depreciation and accumulated impairment losses.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### 5.1.1 Depreciation and impairment

#### Charge for the period

	2018 \$	2017 \$
<u>Depreciation</u>		
Computing equipment	15,786	26,791
Furniture, fittings and equipment	26,544	26,544
<b>Total depreciation for the period</b>	<b>42,330</b>	<b>53,335</b>

As at 30 June 2018 there were no indications of impairment to furniture, plant and equipment. All surplus assets at 30 June 2018 have either been classified as assets held for sale or have been written-off.

Please refer to Note 5.2 for guidance in relation to the impairment assessment that has been performed for intangible assets.

#### Finite useful lives

All furniture, plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. The estimated useful lives for the different asset classes for current and prior years are:

Computing equipment	3 to 4 years
Furniture, fittings and equipment	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments should be made where appropriate.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### Impairment

Non-financial assets, including items of furniture, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Where an asset measured at cost is written down to its recoverable amount, an impairment loss is recognised through profit or loss.

As the Corporation is a not-for-profit entity, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/ amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from declining replacement costs.

### 5.2 Intangible assets

Year ended 30 June 2017	Computer software \$	Website development \$	Total \$
<b>1 July 2016</b>			
Gross carrying amount	571,844	0	571,844
Accumulated amortisation	(440,545)	0	(440,545)
<b>Carrying amount at start of period</b>	<b>131,299</b>	<b>0</b>	<b>131,299</b>
Additions	83,689	80,100	163,789
Amortisation expense	(50,216)	(8,383)	(58,599)
<b>Carrying amount at 30 June 2017</b>	<b>164,772</b>	<b>71,717</b>	<b>236,489</b>

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
Annual Report 2017-18

Year ended 30 June 2018	Computer software \$	Website development \$	Total \$
<b>1 July 2017</b>			
Gross carrying amount	655,533	80,100	735,633
Accumulated amortisation	(490,761)	(8,383)	(499,144)
<b>Carrying amount at start of period</b>	<b>164,772</b>	<b>71,717</b>	<b>236,489</b>
Additions	10,938	6,750	17,688
Amortisation expense	(57,413)	(16,020)	(73,433)
<b>Carrying amount at 30 June 2018</b>	<b>118,297</b>	<b>62,447</b>	<b>180,744</b>

### Initial recognition

Acquisitions of intangible assets costing \$5,000 or more are capitalised. Costs incurred below the threshold is immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

### Subsequent measurement

The cost model is applied for subsequent measurement of intangible assets, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

### 5.2.1 Amortisation and impairment

Charge for the period	2018 \$	2017 \$
<u>Amortisation</u>		
Computer software	57,413	50,216
Website development	16,020	8,383
<b>Total amortisation for the period</b>	<b>73,433</b>	<b>58,599</b>

As at 30 June 2018 there were no indications of impairment to intangible assets.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

The Corporation held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

Amortisation of finite life intangible assets is calculated on a straight line basis at rates that allocate the asset's value over its estimated useful life. All intangible assets controlled by the Corporation have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

The estimated useful lives for each class of intangible asset are:

Computing software	3 to 4 years
Website development costs	5 years

### Computer Software

Software that is an integral part of the related hardware is recognised as part of the tangible asset. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

### Website development costs

Website costs are expensed when incurred unless they directly relate to the acquisition or development of an intangible asset. In this instance they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website that can be reliably measured, are capitalised to the extent that they represent probable future economic benefits.

### **Impairment of intangible assets**

Intangible assets with finite useful lives are tested for impairment annually or when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in Note 5.1.1.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### 6. Other assets and liabilities

This section sets out those assets and liabilities that arose from the Corporation's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

	Notes	2018 \$	2017 \$
Receivables	6.1	109,368	138,299
Amounts receivable for services	6.2	685,000	639,000
Other current assets	6.3	374,829	238,736
Payables	6.4	74,264	78,981
Other current liabilities	6.5	9,000	5,000
		660	28,562
		93,050	87,913
		15,658	21,824
<b>Total receivables</b>		<b>109,368</b>	<b>138,299</b>

#### 6.1 Receivables

Trade and other debtors	660	28,562
Net GST recoverable	93,050	87,913
Accrued interest	15,658	21,824

#### **Total receivables**

**109,368**      **138,299**

The Corporation does not hold any collateral or other credit enhancements as security for receivables.

Receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectable are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Corporation will not be able to collect the debts.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### 6.2 Amounts receivable for services (Holding Account)

	2018 \$	2017 \$
Current	60,000	60,000
Non-current	625,000	579,000
<b>Balance at end of period</b>	<b>685,000</b>	<b>639,000</b>

**Amounts receivable for services** represent the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

The Corporation receives funding on an accrual basis. The appropriations are paid partly in cash and partly as an asset (holding account receivable). The accrued amount receivable is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

### 6.3 Other current assets

Prepayments	374,829	238,736
	<b>374,829</b>	<b>238,736</b>

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

### 6.4 Payables

Trade payables	458	458
Accrued expenses	52,188	58,271
Accrued salaries	21,618	20,252
<b>Total payables</b>	<b>74,264</b>	<b>78,981</b>

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
Annual Report 2017-18

**Payables** are recognised at the amounts payable when the Corporation becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

**Accrued salaries** represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight of the reporting period end. The Corporation considers the carrying amount of accrued salaries to be equivalent to its fair value.

### 6.5 Other current liabilities

	2018 \$	2017 \$
Unearned revenue	9,000	5,000
	<b>9,000</b>	<b>5,000</b>

## 7. Financing

This section sets out the material balances and disclosures associated with the financing and cashflows of the Corporation.

	<b>Notes</b>
Cash and cash equivalents	7.1
Reconciliation of cash	7.1.1
Reconciliation of operating activities	7.1.2
Commitments	7.2
Non-cancellable operating lease commitments	7.2.1
Other expenditure commitments	7.2.2

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### 7.1 Cash and cash equivalents

#### 7.1.1 Reconciliation of cash

	2018 \$	2017 \$
Cash and cash equivalents		
– Bank account	1,535,805	2,823,373
– Cash investments - investment with Department of Treasury	500,000	500,000
– Cash on hand	250	250
<b>Total cash and cash equivalents</b>	<b>2,036,055</b>	<b>3,323,623</b>
Restricted cash and cash equivalents		
– Funding from Department of Transport for On-Demand Transport Reform project	0	806,540
– Royalties for Regions Fund - Western Australia Regional Small Business Awards	24,507	0
<b>Total restricted cash and cash equivalents</b>	<b>24,507</b>	<b>806,540</b>
<b>Balance at end of period</b>	<b>2,060,562</b>	<b>4,130,163</b>

For the purpose of the statement of cash flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### 7.1.2 Reconciliation of net cost of services to net cash flows used in operating activities

	Notes	2018 \$	2017 \$
Net cost of services		(13,119,969)	(11,123,817)
<b>Non-cash items</b>			
Depreciation and amortisation expense	5.1, 5.2	115,763	111,934
Services received free of charge	4.1	108,281	123,671
<b>Changes in assets and liabilities:</b>			
(Increase)/Decrease in receivables		28,931	(37,551)
(Increase)/Decrease in other current assets		(136,093)	(12,438)
Increase/(Decrease) in payables		(4,717)	5,747
(Decrease) in provisions		(37,109)	(70,950)
Increase/(Decrease) in other current liabilities		4,000	(5,000)
<b>Net cash used in operating activities</b>		<b>(13,040,913)</b>	<b>(11,008,404)</b>

### 7.2 Commitments

The commitments below are GST exclusive.

#### 7.2.1 Non-cancellable operating lease commitments

Commitments for minimum lease payments for motor vehicles and office accommodation are payable as follows:

Within 1 year	793,481	771,131
Later than 1 year and not later than 5 years	3,145,034	3,029,919
Later than 5 years	1,465,220	2,170,007
	<b>5,403,735</b>	<b>5,971,057</b>

Operating leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### 7.2.2 Other expenditure commitments

Other expenditure commitment, being provision of annual software support, maintenance and cloud hosting of financial management information system (2018) and venue and meals for the Western Australian Regional Small Business Awards and advisory services for the Business Local WA Program (2017) contracted for at the end of the period but not recognised as liabilities is payable as follows:

	2018 \$	2017 \$
Within 1 year	60,336	3,722,088
Later than 1 year and not later than 5 years	60,336	0
	<b>120,672</b>	<b>3,722,088</b>

### Judgements made by management in applying accounting policies - operating lease commitments

The Corporation has entered into a number of operating lease arrangements and has determined that the lessors retain substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### 8. Risks and Contingencies

This note sets out the key risk management policies and measurement techniques of the Corporation.

	<b>Notes</b>
Financial risk management	8.1
Contingent assets and liabilities	8.2

#### 8.1 Financial risk management

Financial instruments held by the Corporation are cash and cash equivalents, restricted cash and cash equivalents, receivables and payables. The Corporation has limited exposure to financial risks. The Corporation's overall risk management program focuses on managing the risks identified below.

##### (a) Summary of risks and risk management

###### Credit risk

Credit risk arises when there is the possibility of the Corporation's receivables defaulting on their contractual obligations resulting in financial loss to the Corporation.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at Note 8.1(c) 'Financial instruments disclosures' and Note 6.1 'Receivables'.

Credit risk associated with the Corporation's financial assets is minimal because the main receivable is the amounts receivable for services (holding account). For receivables other than Government, the Corporation trades only with recognised, creditworthy third parties. The Corporation has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Corporation's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### Liquidity risk

Liquidity risk arises when the Corporation is unable to meet its financial obligations as they fall due. The Corporation is exposed to liquidity risk through its trading in the normal course of business.

The Corporation has appropriate procedures to manage cash flows including drawdown of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

### Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Corporation's income or the value of its holdings of financial instruments. The Corporation does not trade in foreign currency and is not materially exposed to other price risks. The Corporation has no borrowings and its exposure to market risk for changes in interest rates relate primarily to cash and cash equivalents which are interest bearing as detailed in the interest rate sensitivity analysis table at Note 8.1(e).

### **(b) Categories of financial instruments**

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2018 \$	2017 \$
<u>Financial Assets</u>		
Cash and cash equivalents	2,036,055	3,323,623
Restricted cash and cash equivalents	24,507	806,540
Receivables (i)	701,318	689,386
<b>Total financial assets</b>	<b>2,761,880</b>	<b>4,819,549</b>
<u>Financial Liabilities</u>		
Financial liabilities measured at amortised cost	74,264	78,981
<b>Total financial liability</b>	<b>74,264</b>	<b>78,981</b>

(i) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
Annual Report 2017-18

### (c) Ageing analysis of financial assets

	Carrying amount \$	Not past due and not impaired \$	Past due but not impaired			Impaired financial assets \$
			Up to 1 month \$	1-3 months \$	3 months to 1 year \$	
<b>2018</b>						
Cash at bank	1,535,805	1,535,805	0	0	0	0
Cash investments	500,000	500,000	0	0	0	0
Cash on hand	250	250	0	0	0	0
Restricted cash at bank	24,507	24,507	0	0	0	0
Receivables (a)	16,318	16,318	0	0	0	0
Amounts receivable for services	685,000	685,000	0	0	0	0
	<b>2,761,880</b>	<b>2,761,880</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2017</b>						
Cash at bank	2,823,373	2,823,373	0	0	0	0
Cash investments	500,000	500,000	0	0	0	0
Cash on hand	250	250	0	0	0	0
Restricted cash at bank	806,540	806,540	0	0	0	0
Receivables (a)	50,386	50,386	0	0	0	0
Amounts receivable for services	639,000	639,000	0	0	0	0
	<b>4,819,549</b>	<b>4,819,549</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

## Notes to the Financial Statements

Small Business Development Corporation  
Annual Report 2017-18

### (d) Liquidity risk and interest rate exposure

The following table details the Corporation's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

#### Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Interest rate exposure				Nominal amount \$	Maturity dates		
	Weighted average effective interest rate %	Carrying amount \$	Variable interest rate \$	Non-interest bearing \$		Up to 1 month \$	3 months to 1 year \$	1-5 years \$
<b>2018</b>								
<u>Financial Assets</u>								
Cash at bank	1.97	1,535,805	1,535,805	0	1,535,805	1,535,805	0	0
Cash investments	1.97	500,000	500,000	0	500,000	500,000	0	0
Cash on hand		250	0	250	250	250	0	0
Restricted cash at bank	1.97	24,507	24,507	0	24,507	24,507	0	0
Receivables (a)		16,318	0	16,318	16,318	16,318	0	0
Amounts receivable for services		685,000	0	685,000	685,000	0	60,000	625,000
		<b>2,761,880</b>	<b>2,060,312</b>	<b>701,568</b>	<b>2,761,880</b>	<b>2,076,880</b>	<b>60,000</b>	<b>625,000</b>
<u>Financial Liabilities</u>								
Payables		74,264	0	74,264	74,264	74,264	0	0
		<b>74,264</b>	<b>0</b>	<b>74,264</b>	<b>74,264</b>	<b>74,264</b>	<b>0</b>	<b>0</b>

## Notes to the Financial Statements

Small Business Development Corporation  
Annual Report 2017-18

### Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Interest rate exposure				Nominal amount \$	Maturity dates		
	Weighted average effective interest rate %	Carrying amount \$	Variable interest rate \$	Non-interest bearing \$		Up to 1 month \$	3 months to 1 year \$	1-5 years \$
<b>2017</b>								
<u>Financial Assets</u>								
Cash at bank	1.98	2,823,373	2,823,373	0	2,823,373	2,823,373	0	0
Cash investments	1.98	500,000	500,000	0	500,000	500,000	0	0
Cash on hand		250	0	250	250	250	0	0
Restricted cash at bank	1.98	806,540	806,540	0	806,540	806,540	0	0
Receivables (a)		50,386	0	50,386	50,386	50,386	0	0
Amounts receivable for services		639,000	0	639,000	639,000	0	60,000	579,000
		<b>4,819,549</b>	<b>4,129,913</b>	<b>689,636</b>	<b>4,819,549</b>	<b>4,180,549</b>	<b>60,000</b>	<b>579,000</b>
<u>Financial Liabilities</u>								
Payables		78,981	0	78,981	78,981	78,981	0	0
		<b>78,981</b>	<b>0</b>	<b>78,981</b>	<b>78,981</b>	<b>78,981</b>	<b>0</b>	<b>0</b>

(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
Annual Report 2017-18

### (e) Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Corporation's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying amount \$	-100 basis points		+100 basis points	
		Surplus \$	Equity \$	Surplus \$	Equity \$
<b>2018</b>					
<u>Financial assets</u>					
Cash at bank	1,535,805	(15,358)	(15,358)	15,358	15,358
Cash investments	500,000	(5,000)	(5,000)	5,000	5,000
Restricted cash at bank	24,507	(245)	(245)	245	245
<b>Total increase/(decrease)</b>		<b>(20,603)</b>	<b>(20,603)</b>	<b>20,603</b>	<b>20,603</b>
<b>2017</b>					
<u>Financial assets</u>					
Cash at bank	2,823,373	(28,234)	(28,234)	28,234	28,234
Cash investments	500,000	(5,000)	(5,000)	5,000	5,000
Restricted cash at bank	806,540	(8,065)	(8,065)	8,065	8,065
<b>Total increase/(decrease)</b>		<b>(41,299)</b>	<b>(41,299)</b>	<b>41,299</b>	<b>41,299</b>

### 8.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at nominal value.

No contingent liabilities and contingent assets exist as at 30 June 2018.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### 9. Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

	<b>Notes</b>
Events occurring after the end of the reporting period	9.1
Future impact of Australian Accounting Standards not yet operative	9.2
Key management personnel	9.3
Related party transactions	9.4
Remuneration of auditors	9.5
Explanatory statement	9.6

#### 9.1 Events occurring after the end of the reporting period

From 1 July 2018, Business Local Service expenses will be recorded as Supplies and Services to reflect the new fee-for-service delivery method.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### 9.2 Future impact of Australian Accounting Standards not yet operative

The Corporation cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements' or by an exemption from TI 1101. Where applicable, the Corporation plans to apply the following Australian Accounting Standards from their application date.

		<b>Operative for reporting periods beginning on/after</b>
AASB 9	Financial Instruments  This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments. The Corporation has not yet determined the application or the potential impact of the Standard.	1 Jan 2018
AASB 15	Revenue from Contracts with Customers  This Standard establishes the principles that the Corporation shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The mandatory application date of this Standard is currently 1 January 2019 after being amended by AASB 2016-7.  The Corporation's income is principally derived from appropriations which will be measured under AASB 1058 and will be unaffected by this change. However, the Corporation has not yet determined the potential impact of the Standard on 'User charges and fees' revenue. In broad terms, it is anticipated that the terms and conditions attached to these revenues will defer revenue recognition until the Corporation has discharged its performance obligations.	1 Jan 2019

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

**Operative for  
reporting periods  
beginning on/after**

AASB 16 Leases 1 Jan 2019

This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Whilst the impact of AASB 16 has not yet been quantified, the entity currently has commitments for \$5,403,735 worth of non-cancellable operating leases which will mostly be brought onto the Statement of Financial Position. Interest and amortisation expense will increase and rental expense will decrease.

AASB 1058 Income of Not-for-Profit Entities 1 Jan 2019

This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an agency. The Corporation anticipates that the application will not materially impact appropriations or untied grant revenues.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

**Operative for  
reporting periods  
beginning on/after**

AASB 1059	<p>Service Concession Arrangements: Grantors</p> <p>This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector agency by prescribing the accounting for the arrangement from the grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided. The Corporation has not identified any public private partnerships within scope of the Standard.</p>	1 Jan 2019
AASB 2010-7	<p>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 &amp; 1038 and Int 2, 5, 10, 12, 19 &amp; 127]</p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. Other than the exposures to AASB 9 noted above, the Corporation is only insignificantly impacted by the application of the Standard.</p>	1 Jan 2018
AASB 2014-1	<p>Amendments to Australian Accounting Standards</p> <p>Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. These changes have no impact as Appendix E has been superseded and the Corporation was not permitted to early adopt AASB 9.</p>	1 Jan 2018

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

**Operative for  
reporting periods  
beginning on/after**

AASB 2014-5	<p>Amendments to Australian Accounting Standards arising from AASB 15</p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015-8 to 1 January 2018. The Corporation has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 2014-7	<p>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Corporation has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 2015-8	<p>Amendments to Australian Accounting Standards – Effective Date of AASB 15</p> <p>This Standard amends the mandatory application date of AASB 15 to 1 January 2018 (instead of 1 January 2017). It also defers the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this Standard.</p>	1 Jan 2018

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

**Operative for  
reporting periods  
beginning on/after**

AASB 2016-3	Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 Jan 2018
	This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. The Corporation has not yet determined the application or the potential impact when the deferred AASB 15 becomes effective from 1 January 2019.	
AASB 2016-7	Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	1 Jan 2018
	This Standard defers, for not-for-profit entities, the mandatory application date of AASB 15 to 1 January 2019, and the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this Standard.	
AASB 2016-8	Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities	1 Jan 2019
	This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.	

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
Annual Report 2017-18

### 9.3 Key management personnel

The Corporation has determined key management personnel to include cabinet ministers, members of the accountable authority and senior officers of the Corporation. The Corporation does not incur expenditures to compensate Ministers and those disclosures may be found in the Annual Report on State Finances.

The total fees, salaries, superannuation, non-monetary benefits and other benefits for members of the accountable authority and senior officers of the Corporation for the reporting period are presented within the following bands:

	2018	2017
<b>Compensation of members of the accountable authority</b>		
<b>Compensation Band (\$)</b>		
0 - 10,000	4	0
10,001 - 20,000	4	6
20,001 - 30,000	1	1
<b>Compensation of other senior officers</b>		
<b>Compensation Band (\$)</b>		
150,001 - 160,000	0	1
160,001 - 170,000	1	1
170,001 - 180,000	1	0
190,001 - 200,000	1	0
200,001 - 210,000	0	1
270,001 - 280,000	0	1
280,001 - 290,000	1	0
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	797,587	790,615
Post-employment benefits	81,951	81,834
Other long-term benefits	24,973	21,234
<b>Total compensation of key management personnel</b>	<b>904,511</b>	<b>893,683</b>

Total compensation includes the superannuation expense incurred by the Corporation in respect of members of the accountable authority and senior officers.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### 9.4 Related party transactions

The Corporation is a wholly-owned public sector entity that is controlled by the State of Western Australia.

Related parties of the Corporation include:

- all cabinet ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly-owned public sector entities);
- associates and joint ventures of a wholly-owned public sector entity; and
- the Government Employees Superannuation Board (GESB).

### Significant transactions with Government-related entities

In conducting its activities, the Corporation is required to transact with the State and entities related to the State. These transactions are generally based on the standard terms and conditions that apply to all agencies. Such transactions include:

- income from State Government (Note 4.1);
- equity contributions (Statement of Changes in Equity);
- lease rentals payments and outgoings for accommodation (\$1,195,199) and fleet leasing (\$15,340) to the Department of Finance;
- commitments for future lease payments to the Department of Finance (Note 7.2.1);
- insurance payments (\$41,385) to the Insurance Commission and Riskcover fund;
- remuneration for services provided by the Auditor General (Note 9.5); and
- funding returned to the Department of Transport for On-Demand Transport Reform project (\$804,690).

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
**Annual Report 2017-18**

### Material transactions with other related parties

- superannuation payments to GESB (\$447,817).

Outside of normal citizen type transactions with the Corporation, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities that are material for disclosure.

### 9.5 Remuneration of auditors

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	2018 \$	2017 \$
Auditing the accounts, financial statements, controls and key performance indicators	29,000	28,200

### 9.6 Explanatory statement

All variances between estimates (original budget) and actual results for 2018, and between the actual results for 2018 and 2017 are shown below. Narratives are provided for selected major variances, which are generally greater than:

- 5% and \$254,000 for the Statements of Comprehensive Income and Cash Flows; and
- 5% and \$70,000 for the Statement of Financial Position.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation

Annual Report 2017-18

### 9.6.1 Statement of Comprehensive Income Variances

	Variance Note	Estimate 2018 \$	Actual 2018 \$	Actual 2017 \$	Variance between estimate and actual \$	Variance between actual results for 2018 and 2017 \$
<b>COST OF SERVICES</b>						
<b>Expenses</b>						
Employee benefits expense	A	6,513,000	6,340,950	5,985,247	(172,050)	355,703
Supplies and services	B	3,206,000	3,290,388	2,779,059	84,388	511,329
Depreciation and amortisation expense		140,000	115,763	111,934	(24,237)	3,829
Communications expense		110,000	89,130	86,310	(20,870)	2,820
Maintenance expense		56,000	49,375	76,867	(6,625)	(27,492)
Grants and subsidies		3,540,000	3,668,065	3,586,096	128,065	81,969
Other expenses		170,000	78,589	82,981	(91,411)	(4,392)
<b>Total cost of services</b>		<b>13,735,000</b>	<b>13,632,260</b>	<b>12,708,494</b>	<b>(102,740)</b>	<b>923,766</b>
<b>Income</b>						
<i>Revenue</i>						
User charges and fees		292,000	390,182	312,114	98,182	78,068
Grants and contributions	C	0	0	1,000,000	0	(1,000,000)
Interest revenue		30,000	46,155	71,134	16,155	(24,979)
Other revenue	1	530,000	75,954	201,429	(454,046)	(125,475)
<b>Total Revenue</b>		<b>852,000</b>	<b>512,291</b>	<b>1,584,677</b>	<b>(339,709)</b>	<b>(1,072,386)</b>
<b>Total income other than income from State Government</b>		<b>852,000</b>	<b>512,291</b>	<b>1,584,677</b>	<b>(339,709)</b>	<b>(1,072,386)</b>
<b>NET COST OF SERVICES</b>		<b>12,883,000</b>	<b>13,119,969</b>	<b>11,123,817</b>	<b>236,969</b>	<b>1,996,152</b>

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation

Annual Report 2017-18

	Variance Note	Estimate 2018 \$	Actual 2018 \$	Actual 2017 \$	Variance between estimate and actual \$	Variance between actual results for 2018 and 2017 \$
<b>Income from State Government</b>						
Service appropriation	2,D	12,439,000	10,751,000	12,706,000	(1,688,000)	(1,955,000)
Services received free of charge		190,000	108,281	123,671	(81,719)	(15,390)
Royalties for Regions Fund		224,000	224,000	216,000	0	8,000
<b>Total income from State Government</b>		<b>12,853,000</b>	<b>11,083,281</b>	<b>13,045,671</b>	<b>(1,769,719)</b>	<b>(1,962,390)</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>(30,000)</b>	<b>(2,036,688)</b>	<b>1,921,854</b>	<b>(2,006,688)</b>	<b>(3,958,542)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(30,000)</b>	<b>(2,036,688)</b>	<b>1,921,854</b>	<b>(2,006,688)</b>	<b>(3,958,542)</b>

### Major Estimate and Actual (2018) Variance Narratives

- 1) Other revenue under estimates by \$0.45 million (85.7%) mainly due to a budgeted amount of \$500k from the Department of Transport for the On-Demand Transport Reform project which was not accessed with the cessation of the project.
- 2) Service appropriation under estimates by \$1.69 million (13.6%) mainly due to a once off return of surplus funds to the Department of Treasury via a reduction to 2017/18 appropriation.

### Major Actual (2018) and Comparative (2017) Variance Narratives

- A) Employee benefits expense increased by \$0.36 million (5.9%) mainly due to termination payments made under the Voluntary Targeted Separation Scheme.

- B) Supplies and services increased by \$0.51 million (18.4%) mainly due to the return of unspent funding to the Department of Transport as the On-Demand Transport Reform project did not proceed.
- C) Grants and contributions decreased by \$1.0 million (100%) relating to funding from the Department of Transport for the On-Demand Transport Reform project received in 2016/17.
- D) Service appropriation decreased by \$1.96 million (15.4%) mainly due to a once off return of surplus funds to the Department of Treasury via a reduction to 2017/18 appropriation, plus savings measures implemented through the Agency Expenditure Review process.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation

Annual Report 2017-18

### 9.6.2 Statement of Financial Position Variances

	Variance Note	Estimate 2018 \$	Actual 2018 \$	Actual 2017 \$	Variance between estimate and actual \$	Variance between actual results for 2018 and 2017 \$
<b>Statement of Financial Position</b>						
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	3,E	2,165,000	2,036,055	3,323,623	(128,945)	(1,287,568)
Restricted cash and cash equivalents	F	53,000	24,507	806,540	(28,493)	(782,033)
Receivables		101,000	109,368	138,299	8,368	(28,931)
Amounts receivable for services		60,000	60,000	60,000	0	0
Other current assets	4,G	125,000	374,829	238,736	249,829	136,093
<b>Total Current Assets</b>		<b>2,504,000</b>	<b>2,604,759</b>	<b>4,567,198</b>	<b>100,759</b>	<b>(1,962,439)</b>
<b>Non-Current Assets</b>						
Amounts receivable for services		674,000	625,000	579,000	(49,000)	46,000
Furniture, plant and equipment		58,000	36,487	78,817	(21,513)	(42,330)
Intangible assets	5	260,000	180,744	236,489	(79,256)	(55,745)
<b>Total Non-Current Assets</b>		<b>992,000</b>	<b>842,231</b>	<b>894,306</b>	<b>(149,769)</b>	<b>(52,075)</b>
<b>TOTAL ASSETS</b>		<b>3,496,000</b>	<b>3,446,990</b>	<b>5,461,504</b>	<b>(49,010)</b>	<b>(2,014,514)</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Payables	6	197,000	74,264	78,981	(122,736)	(4,717)
Provisions	7	1,005,000	1,103,086	1,138,270	98,086	(35,184)
Other current liabilities		10,000	9,000	5,000	(1,000)	4,000
<b>Total Current Liabilities</b>		<b>1,212,000</b>	<b>1,186,350</b>	<b>1,222,251</b>	<b>(25,650)</b>	<b>(35,901)</b>

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation

Annual Report 2017-18

	Variance Note	Estimate 2018 \$	Actual 2018 \$	Actual 2017 \$	Variance between estimate and actual \$	Variance between actual results for 2018 and 2017 \$
<b>Non-Current Liabilities</b>						
Provisions		291,000	262,174	264,099	(28,826)	(1,925)
<b>Total Non-Current Liabilities</b>		<b>291,000</b>	<b>262,174</b>	<b>264,099</b>	<b>(28,826)</b>	<b>(1,925)</b>
<b>TOTAL LIABILITIES</b>		<b>1,503,000</b>	<b>1,448,524</b>	<b>1,486,350</b>	<b>(54,476)</b>	<b>(37,826)</b>
<b>NET ASSETS</b>		<b>1,993,000</b>	<b>1,998,466</b>	<b>3,975,154</b>	<b>5,466</b>	<b>(1,976,688)</b>
<b>EQUITY</b>						
Contributed equity		1,419,000	1,418,885	1,358,885	(115)	60,000
Accumulated surplus		574,000	579,581	2,616,269	5,581	(2,036,688)
<b>TOTAL EQUITY</b>		<b>1,993,000</b>	<b>1,998,466</b>	<b>3,975,154</b>	<b>5,466</b>	<b>(1,976,688)</b>

### Major Estimate and Actual (2018) Variance Narratives

- 3) Cash and cash equivalents under estimates by \$0.13 million (6.0%) mainly due to unfunded operational grant payments under the Business Local service met from existing agency cash balances.
- 4) Other current assets exceeded estimates by \$0.25 million (199.9%) as a result of increased prepayments during the year.
- 5) Intangible assets under estimates by \$0.08 million (30.5%) due to the deferral of asset replacement pending certainty on the requirements under the Government's GovNext program.
- 6) Payables under estimates by \$0.12 million (62.3%) due to a lower than expected accruals.

- 7) Current provisions exceeded estimates by \$0.10 million (9.8%) due to a higher than expected long service leave provision in 2017/18.

### Major Actual (2018) and Comparative (2017) Variance Narratives

- E) Cash and cash equivalents decreased by \$1.29 million (38.7%) mainly due to reduced service appropriations received in the current year.
- F) Restricted cash and cash equivalents decreased by \$0.78 million (97.0%) mainly due to the return of unspent funding to the Department of Transport as the On-Demand Transport Reform project did not proceed.
- G) Other current assets increased by \$0.14 million (57.0%) as a result of increased prepayments during the year.

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation

Annual Report 2017-18

### 9.6.3 Statement of Cash Flows Variances

	Variance Note	Estimate 2018 \$	Actual 2018 \$	Actual 2017 \$	Variance between estimate and actual \$	Variance between actual results for 2018 and 2017 \$
<b>CASH FLOWS FROM STATE GOVERNMENT</b>						
Service appropriation	8,H	12,284,000	10,596,000	12,551,000	(1,688,000)	(1,955,000)
Capital appropriation		60,000	60,000	60,000	0	0
Holding account drawdown		60,000	109,000	60,000	49,000	49,000
Royalties for Regions Fund		224,000	224,000	216,000	0	8,000
<b>Net cash provided by State Government</b>		<b>12,628,000</b>	<b>10,989,000</b>	<b>12,887,000</b>	<b>(1,639,000)</b>	<b>(1,898,000)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee benefits		(6,462,000)	(6,350,212)	(6,063,140)	111,788	(287,072)
Supplies and services	9,I	(3,036,000)	(3,336,740)	(2,636,136)	(300,740)	(700,604)
Communication expense		(110,000)	(89,079)	(86,857)	20,921	(2,222)
Maintenance expense		(56,000)	(32,393)	(101,562)	23,607	69,169
Grants and subsidies		(3,540,000)	(3,668,065)	(3,586,096)	(128,065)	(81,969)
GST payments on purchases		(680,000)	(706,433)	(641,519)	(26,433)	(64,914)
Other payments		(170,000)	(81,859)	(81,090)	88,141	(769)
<b>Receipts</b>						
User charges and fees		292,000	390,182	312,114	98,182	78,068
Grants and contributions	J	0	0	1,000,000	0	(1,000,000)
Interest received		30,000	52,320	64,790	22,320	(12,470)
GST receipts on sales		10,000	18,202	125,468	8,202	(107,266)
GST receipts from taxation authority		670,000	682,609	504,037	12,609	178,572
Other receipts	10	530,000	80,555	181,587	(449,445)	(101,032)
<b>Net cash used in operating activities</b>		<b>(12,522,000)</b>	<b>(13,040,913)</b>	<b>(11,008,404)</b>	<b>(518,913)</b>	<b>(2,032,509)</b>

## Notes to the Financial Statements

for the year ended 30 June 2018

Small Business Development Corporation  
Annual Report 2017-18

	Variance Note	Estimate 2018 \$	Actual 2018 \$	Actual 2017 \$	Variance between estimate and actual \$	Variance between actual results for 2018 and 2017 \$
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Payments</b>						
Purchase of non-current physical assets		(120,000)	(17,688)	(177,992)	102,312	160,304
<b>Net cash used in investing activities</b>		<b>(120,000)</b>	<b>(17,688)</b>	<b>(177,992)</b>	<b>102,312</b>	<b>160,304</b>
Net decrease in cash and cash equivalents		(14,000)	(2,069,601)	1,700,604	(2,055,601)	(3,770,205)
Cash and cash equivalents at the beginning of period		2,232,000	4,130,163	2,429,559	1,898,163	1,700,604
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>		<b>2,218,000</b>	<b>2,060,562</b>	<b>4,130,163</b>	<b>(157,438)</b>	<b>(2,069,601)</b>

### Major Estimate and Actual (2018) Variance Narratives

- 8) Service appropriation under estimates by \$1.69 million (13.7%) mainly due to a once off return of surplus funds to the Department of Treasury via a reduction to 2017/18 appropriation.
- 9) Supplies and services overspent by \$0.30 million (9.9%) mainly due to the return of unspent funding to the Department of Transport as the On-Demand Transport Reform project did not proceed.
- 10) Other receipts under estimates by \$0.45 million (84.8%) mainly due to a budgeted amount of \$500k from the Department of Transport for the On-Demand Transport Reform project which was not accessed with the cessation of the project.

### Major Actual (2018) and Comparative (2017) Variance Narratives

- H) Service appropriation decreased by \$1.96 million (15.6%) mainly due to a once off return of surplus funds to the Department of Treasury via a reduction to 2017/18 appropriation, plus savings measures implemented through the Agency Expenditure Review process.
- I) Supplies and services increased by \$0.70 million (26.6%) mainly due to the return of unspent funding to the Department of Transport as the On-Demand Transport Reform project did not proceed.
- J) Grants and contributions decreased by \$1 million (100%) relating to funding from the Department of Transport for the On-Demand Transport Reform project received in 2016/17.

## Other legal requirements

Small Business Development Corporation  
Annual Report 2017-18

### Disability Access and Inclusion Plan (DAIP) outcomes

The SBDC is committed to creating a community that is accessible and inclusive to help to minimise the impacts of disability. The agency's endorsed DAIP covers the period 2017-21 and includes initiatives focused on seven outcome areas, such that people with disability:

1. Have the same opportunities as other people to access the services of, and any events organised by, the SBDC;
2. Have the same opportunities as other people to access the SBDC's buildings and other facilities;
3. Receive information from the SBDC in a format that will enable them to access it as readily as other people;
4. Receive the same level and quality of service from the staff of the SBDC as other people.
5. Have the same opportunities as others to make complaints to the SBDC;
6. Have the same opportunities as others to participate in any public consultation by the SBDC; and

7. Have the same opportunities as other people to obtain and maintain employment within the SBDC.

### Equal employment opportunity (EEO)

The SBDC continues to meet its obligations under Section 145 (preparation and implementation of management plans) of the *Equal Opportunity Act 1984* by progressing EEO initiatives outlined in the agency's EEO Management Plan.

The three high-level outcomes relating to EEO are:

- The SBDC values EEO and diversity and the work environment is free from sexual and racial harassment;
- The workplace is free from employment practices that are biased or discriminate unlawfully against employees or potential employees; and
- Employment programs and practices recognise and include strategies to achieve workforce diversity.

Initiatives to monitor and improve the workplace culture through the development of internal values will continue to be the drivers to meet these high level outcomes in EEO.

### Compliance with public sector standards and ethical codes

The SBDC has complied with Section 31 of the *Public Sector Management Act 1994* in the administration of the agency's human resource management practices relating to public sector standards and codes of ethics and conduct.

During 2017-18 the SBDC received no claims against the public sector standards and no reports of non-compliance with the WA Code of Ethics or the agency's own Code of Conduct.

The SBDC maintains this standard of compliance through the following measurements and initiatives:

- Quality feedback is provided to applicants as part of all recruitment processes;
- Information about Public Sector Standards is included on the SBDC website and covered at inductions; and
- Employees leaving the agency are surveyed on all aspects of their employment including questions relating to compliance with the SBDC Code of Conduct.

## Other legal requirements

Small Business Development Corporation  
Annual Report 2017-18

### Corruption prevention

The SBDC is committed to the highest level of integrity, ethics and equity. Corruption prevention forms part of the agency's overall risk management strategy as an important element of internal control.

Staff and Board members are regularly briefed on a range of statutory and administrative requirements relating to ethical conduct, including the requirement to declare conflicts of interest. A comprehensive induction program, the inclusion of policies on the SBDC intranet and regular internal communications also seek to ensure staff are aware of, and understand, their responsibilities.

### Publications

The SBDC produces a wide range of publications, in hard copy and electronic format, including:

- Annual reports: Each financial year, the annual report highlights the agency's business and financial activities. Electronic (PDF) copies of previous reports are available from the SBDC website;
- Media releases: Releases are sent to a range of media outlets and key stakeholders on topical issues relating to the small business sector;

- Promotional publications: Outlining the SBDC's services;
- Information leaflets and guides: Providing advice and support for small business operators. They are available in hard copy or can be downloaded from the SBDC website; and
- E-news: The SBDC produces a monthly e-newsletter which provides relevant business and SBDC updates. It is available free of charge and subscribers can sign-up from the SBDC website.

### Record-keeping plan

The SBDC's record-keeping plan was approved by the State Records Office in August 2014 and will be reviewed in the coming year. The retention and disposal schedule was approved in December 2014.

Monitoring the efficiency and effectiveness of record-keeping systems is ongoing and changes will continue to be made as necessary. This will lead to significant benefits for the overall management of the agency's records.

During the year, the SBDC continued to maintain an effective record-keeping training program. All new staff and contractors received

comprehensive induction training detailing policies and procedures, and their record-keeping responsibilities. Additional training materials are available from the SBDC's intranet for staff and tailored training to meet specific needs is available on request. The effectiveness of training is regularly monitored and reviewed to ensure it meets the needs of the SBDC and State Records Office.

## Other legal requirements

Small Business Development Corporation  
Annual Report 2017-18

### Unauthorised Use of Credit Cards

Officers of the SBDC hold corporate credit cards where their functions warrant usage of this facility. Despite each cardholder being reminded of their obligations annually under the Corporation's credit card policy, three employees inadvertently utilised the corporate credit card for personal use. The matters were not referred for disciplinary action as the Chief Finance Officer noted prompt advice and settlement of the personal use amount, and that the nature of the expenditure was immaterial and characteristic of an honest mistake.

Details	2018
Aggregate amount of personal use expenditure for the reporting period	\$62
Aggregate amount of personal use expenditure settled by the due date (within 5 working days)	\$62
Aggregate amount of personal use expenditure settled after the period (after 5 working days)	\$0
Aggregate amount of personal use expenditure outstanding at balance date	\$0

### Advertising expenditure

In accordance with Section 175ZE of the *Electoral Act 1907*, set out below are details of expenditure incurred during 2017-18 in relation to:

<b>Advertising agencies:</b>		<b>\$79,268</b>
• Google Adwords	\$62,000	
• Facebook	\$8,280	
• Instapage	\$631	
• Gumtree	\$48	
• Telstra	\$3,931	
• Sensis	\$4,378	
<b>Media advertising organisations:</b>		<b>\$21,563</b>
• Carat Australia Media Services	\$20,953	
• Adcorp	\$610	
<b>Market research organisations:</b>		<b>\$23,812</b>
• Advantage Communications and Marketing	\$19,467	
• Painted Dog Research	\$4,345	
<b>Polling organisations</b>		<b>Nil</b>
<b>Direct mail organisations</b>		<b>Nil</b>
<b>Total expenditure for 2017-18:</b>		<b>\$124,643</b>

## Other legal requirements

Small Business Development Corporation  
Annual Report 2017-18

### Legislation impacting on activity

In the performance of its functions, the SBDC complies with the following legislation:

- *A New Tax System (Goods and Services Tax) Act 1999 (Cth)*
- *Auditor General Act 2006*
- *Business Names Act 1962*
- *Business Names (Commonwealth Powers) Act 2012*
- *Business Names Registration Act 2011 (Cth)*
- *Copyright Act 1968 (Cth)*
- *Commercial Tenancy (Retail Shops) Agreements Act 1985*
- *Corporations (Western Australia) Act 1990*
- *Corruption and Crime Commission Act 2003*
- *Criminal Code Act Compilation Act 1913*
- *Disability Services Act 1993*
- *Electoral Act 1907*
- *Electronic Transaction Act 2011*
- *Equal Opportunity Act 1984*
- *Evidence Act 1906*
- *Evidence Act 1995 (Cth)*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Fringe Benefits Tax Act 1986 (Cth)*
- *Income Tax Assessment Act 1936 (Cth)*
- *Income Tax Assessment Act 1997 (Cth)*
- *Industrial Relations Act 1979*
- *Legal Deposit Act 2012*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Pay-roll Tax Act 2002*
- *Pay-roll Tax Assessment Act 2002*
- *Privacy Act 1988 (Cth)*
- *Public and Bank Holidays Act 1972*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Small Business Development Corporation Act 1983*
- *Spam Act 2003 (Cth)*
- *State Records Act 2000*
- *State Superannuation Act 2000*
- *State Supply Commission Act 1991*
- *State Trading Concerns Act 1916*
- *Superannuation Guarantee (Administration) Act 1992 (Cth)*
- *Taxation Administration Act 2003*
- *Workers' Compensation and Injury Management Act 1981.*

Cth = Commonwealth Acts

## Significant issues impacting the agency

Small Business Development Corporation  
Annual Report 2017-18

- With the largest number of small businesses in the State, the building and construction industry is vitally important to Western Australia's economy. Advocating for fairer contracting practices and improved security of payments for small business subcontractors and suppliers in the State's building and construction industry remains a major focus and the Corporation continues to work with government agencies to develop enhanced protections for subcontractors.
- The Corporation has developed a range of small business friendly initiatives that put the needs of small businesses first, in line with the Government's focus on creating jobs and strengthening the State's economy. The Small Business Friendly Local Governments initiative now covers over 40% of all small businesses in the State through the participation of 22 local governments dedicated to actively supporting small businesses in their area. The new Small Business Friendly Projects initiative aims to assist government works agencies and local governments to engage with small businesses to minimise impacts of their construction and redevelopment projects. The Corporation is also exploring opportunities to progress other small business friendly initiatives, including better practice government procurement, payment terms and regulation making.
- Following collaboration on the national inquiry into payment practices in Australia, the Corporation continues to advocate for large organisations, including government, to pay small business suppliers promptly. As strong cash flow is typically heavily relied upon, excessive and late payments can have a devastating impact on small business viability. During the year, the Corporation worked with government agencies and trading enterprises to pay small business accounts within 30 days, while options to improve the transparency of payment times and move to a 15 business day payment period are being explored.
- The Corporation continues to collaborate with government agencies to support the growth of local small businesses. In 2017-18, this included working with the Office of Multicultural Interests to deliver business skills workshops to migrants from culturally and linguistically diverse backgrounds, the Department of Justice to deliver workshops for people exiting the prison system and Tourism WA on initiatives for tourism-based businesses to navigate the regulatory environment.
- The Corporation's Business Local outreach service delivers small business advice and guidance through a network of third party providers around the State. Recently redesigned and retendered, the service will be provided in regional Western Australia through one-to-one and one-to-many delivery, whilst the metropolitan service will focus on bespoke training designed to address demonstrated small business needs at the local level. From July 2018, new service providers will deliver Business Local for an initial three-year period.
- The highly successful Business Migration program delivered record capital inflow into the State of over \$390 million during 2017-18. The Corporation provides State nominations to business migrants in a range of business and investment visa categories and actively promotes Western Australian opportunities in prime overseas markets.

## Appendix

### Stakeholder representation and collaboration

Small Business Development Corporation  
Annual Report 2017-18

The SBDC is a strong advocate for the WA small business sector across a broad range of State and Federal Government working groups collaborating on key small business issues.

Such representation provides a coordinated policy response and ensures the interests of WA small businesses are represented.

The SBDC worked with the:

- National Small Business Commissioners Group;
- Australian Competition and Consumer Commission;
- Chamber of Commerce and Industry of WA;
- Regional Chambers of Commerce and Industry of WA;
- Department of Water and Environmental Regulation;
- Australian Small Business and Family Enterprise Ombudsman;
- Public Utilities Office;
- Security of Payment Reform Industry Advisory Group;
- Economic Regulation Authority;
- Department of the Premier and Cabinet;
- Department of Jobs, Tourism, Science and Innovation;
- Department of Finance;
- Commonwealth Treasury;
- Department of Training and Workforce Development;
- Building Commission, Department of Mines, Industry Regulation and Safety;
- Consumer Protection Division, Department of Mines, Industry Regulation and Safety;
- Department of Treasury;
- Lotterywest and Australian Lottery and Newsagents Association; and
- Australian Securities and Investments Commission.

The SBDC has also formed a number of alliances with other stakeholders in the development and delivery of services, support and programs to the State's small business sector, including:

- Tourism WA;
- Office of Multicultural Interests;
- Migration Institute of Australia (WA branch);
- Department of Immigration and Border Protection;
- Better Regulation Unit, Department of Treasury;
- WA Local Government Association;
- Small Business Friendly Local Governments;
- Tourism Council of WA; and
- Curtin University



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