


MAKING IT EASIER TO DO BUSINESS IN VICTORIA

SMALL BUSINESS REGULATION
REVIEW (CONSTRUCTION)

**SMALL
BUSINESS VICTORIA**

SMALL BUSINESS
REGULATION
REVIEW



Authorised by the Hon Adem Somayurek MP
Minister for Small Business
Department of Jobs, Precincts and Regions
1 Spring Street Melbourne Victoria 3000
Telephone (03) 9651 9999

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MINISTERIAL FOREWORD

Victoria is the best state in Australia to start a small business and through a range of reforms, including cuts to red tape and payroll tax, we are determined to make it the best state to operate a small business as well.

Small businesses are critical to our economy, and without the 100,000 within the construction sector we would be unable to meet the infrastructure needs of our growing population.

As every one of these businesses are subject to a range of regulatory requirements, reducing unnecessary red tape will directly contribute to lower costs – benefiting businesses, workers and their clients.

This is our third Small Business Regulation Review and we are already seeing the benefits from the first two.

The Victorian Government is committed to keep listening and engaging with our construction and regulatory stakeholders as we work together to implement these measures in the construction sector. I thank everyone who has contributed to the review.



The Hon Adem Somyurek MP
Minister for Small Business

THE CONSTRUCTION SECTOR

The Small Business Regulation Review (Construction) was the third sector reviewed under the Small Business Regulation Review program (SBRR)

This review built on the reforms identified during the previous SBRR reviews of the retail and visitor economy sectors. The reviews focussed on understanding regulation as experienced by small businesses in Victoria.

For small businesses, the burden of regulation falls heavily on owners, creating a greater load relative to larger businesses that have staff dedicated to managing compliance. Small business owners use their own time to understand and adhere to regulations. The easier it is for a business owner to understand and meet their regulatory requirements, the more time they can spend working and growing their business.

The review developed practical and implementable reforms that seek to reduce regulatory burden on small businesses operating in Victoria's construction sector. Proactive engagement with stakeholders, particularly small businesses, was central to the development of these reforms.

Most businesses in the construction sector are small businesses

Small and micro businesses are critical to the construction sector in Victoria. The sector includes over 23,000 registered builders, 27,000 registered plumbers¹ and nearly 28,000 registered electrical contractors². As illustrated in Figure 1, the majority of these are sole traders or businesses with fewer than 20 employees.

¹ VBA Annual Report 2017-18.

² http://www.esv.vic.gov.au/wp-content/uploads/2018/03/REC_Register.pdf.

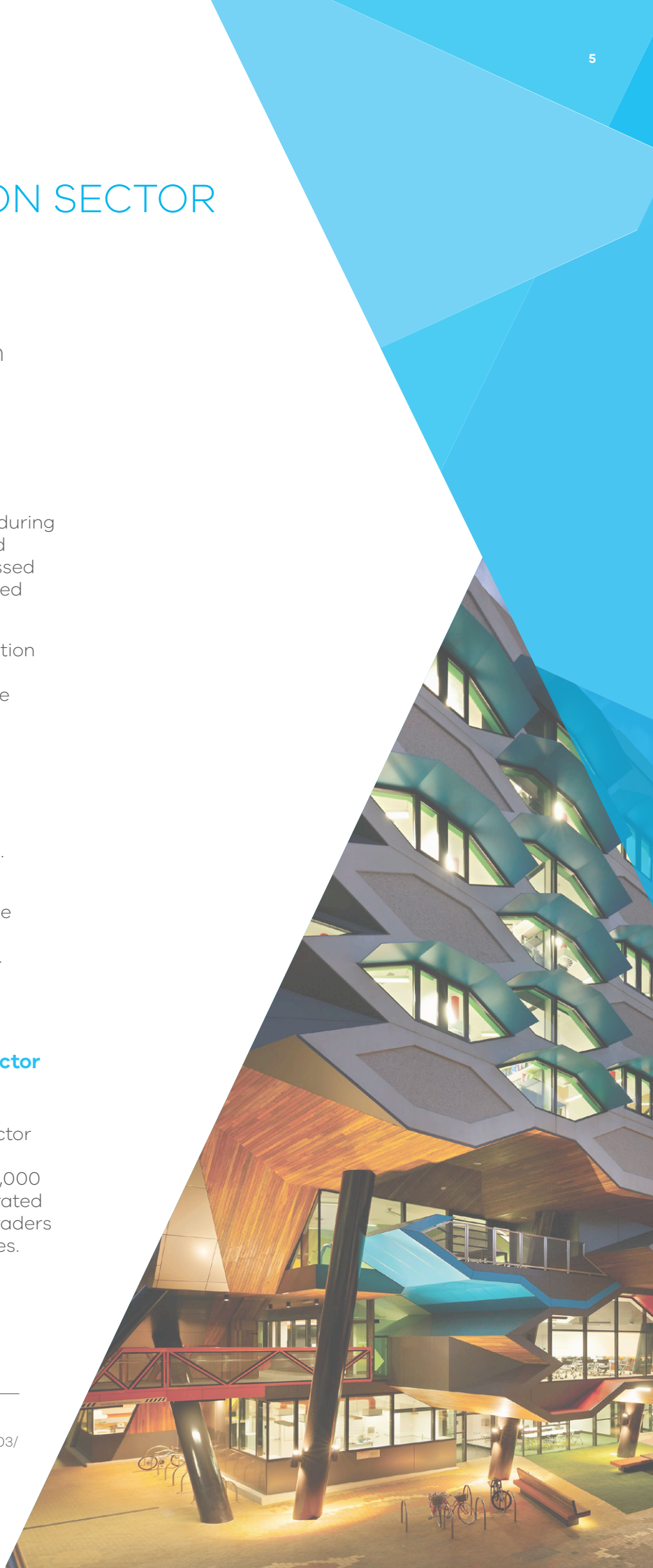
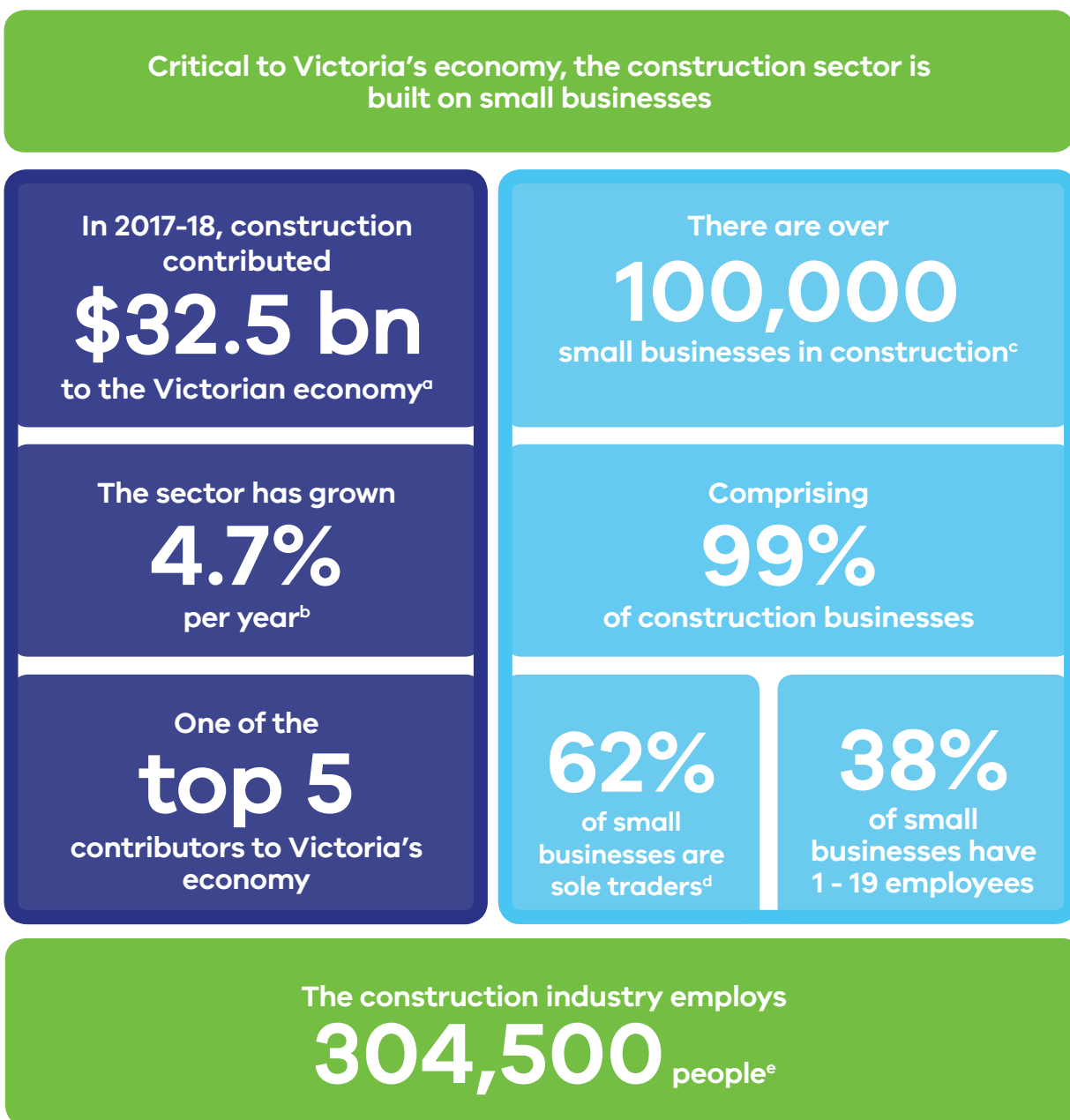


Figure 1: Victoria's construction sector



- a. Construction; Industry gross value added: Current prices, ABS Cat.5220.0 Australian National Accounts: State Accounts.
- b. Average annual growth over the 5 years to 2017-18 in real terms.
- c. Total number operating at the end of the financial year (June 2018), ABS Cat. 8165.0 Counts of Australian Businesses, including Entries and Exits, Jun 2014 to Jun 2018.
- d. Includes sole traders or non-employing businesses.
- e. Average total employment 2017-18, ABS Cat. 6291.0.55.003 Labour Force, Australia, Detailed, Quarterly.

A REVIEW BASED ON THE NEEDS OF SMALL BUSINESS

Finding time to engage with government on regulatory matters is difficult for small businesses already struggling to ration out their time. The review of the construction sector was designed to get the maximum input from small businesses in a short amount of time to support the development of practical reforms that achieve tangible benefits for small businesses.

The way regulators engage with small businesses directly impacts on how easy or difficult it is for businesses to understand and comply with regulation. Four of the sector's most important regulators were involved throughout the review. This involvement allowed for an improved understanding of the ways that regulators interact with small businesses and with each other. These partner regulators are:

- > Energy Safe Victoria (ESV)
- > Environment Protection Authority Victoria (EPA)
- > Victorian Building Authority (VBA)
- > WorkSafe Victoria (WorkSafe).

The partner regulators acknowledge the unique circumstances of small businesses as they strive to effectively comply with regulation, and each has demonstrated a genuine interest in improving the way they interact with small businesses. The partner regulators are already changing the way they operate to reduce regulatory burden for small businesses and share a commitment to working together to continue to improve small businesses' experience as they meet their regulatory requirements.

Reducing regulatory burden for small businesses will make it easier for businesses to comply with regulatory obligations, thereby contributing to improved regulatory outcomes.

What we heard from businesses

This review targeted key regulatory burden issues identified by small businesses to inform the development of practical, implementable solutions to address these. Engagement methods included:

- > A small business survey, which received around 100 responses
- > Discussion paper submissions
- > Industry and regulator forum
- > Focus groups with 20 small businesses
- > One-on-one interviews.

This engagement improved insights about regulatory burden on small businesses in the construction sector. While there was recognition of good regulatory practice in some areas, many small businesses felt that they were often on the defensive when engaging with regulators.

"I want to make sure I am complying, but it is difficult to find the information I need."

"The information on regulations is not particularly clear."

"We're continually searching for the correct information to ensure we are adhering to our obligations."

Key themes identified through engagement include:

- > The disproportionate impact of regulatory compliance on small businesses
- > Difficulty in understanding and, as a result, complying with regulations
- > Many (over half of survey respondents) reported having a negative or mixed sentiment when dealing with regulators
- > The need for regulators to improve 'customer service' (e.g. a greater focus on prevention – alongside compliance and enforcement)
- > Issues associated with access to good information (e.g. the need for more tailored regulatory material, and more effective channels of communication with businesses)
- > The need for regulators to be better connected to each other.

REFORMS THAT MAKE IT EASIER TO DO BUSINESS IN THE CONSTRUCTION SECTOR

Development of the reforms

The reforms were co-designed working closely with small business representatives, partner regulators and other government representatives. The focus was on developing solutions that address the main regulatory pain points identified by small businesses.

While reforms are expected to immediately benefit small businesses operating in the construction sector, over time the reforms are also expected to be more broadly applicable to small businesses and regulators in other sectors.

The reforms are highly interlinked and collaborative in nature. In addition to partner regulators, the active involvement of other key delivery partners, such as Service Victoria, will be essential for the success of these reforms.

Savings for business

The package of reforms is expected to deliver estimated savings of between \$21.3 million and \$42.6 million per year once fully implemented. The benefits represent time and money that will be saved directly by small businesses in the construction sector.

The potential benefits of some reforms have not yet been calculated due to a need for further information. It is expected that potential benefits from implementing the Small Business Regulatory Engagement Charter and the Small Business Profile will deliver significant additional benefits to small construction businesses as well as businesses in other sectors. An estimate of direct benefits from these two reforms will be calculated once further detail on implementation has been finalised.

1



IMPROVING ENGAGEMENT WITH SMALL BUSINESSES

Driving regulatory best practice through the Small Business Regulatory Engagement Charter to make it easier for small businesses to understand and comply with regulations

Small Business Regulatory Engagement Charter

A Small Business Regulatory Engagement Charter will be developed to improve the effectiveness of interactions between small businesses and regulators. The Charter will facilitate best practice and promote more consistent regulatory engagement processes across regulators. It will clearly describe to small businesses what they can expect from regulators as they strive to meet their regulatory obligations.

2



IMPROVING ACCESS TO REGULATORY INFORMATION

Making it easier to find out about regulatory obligations and how to meet them

More targeted information for small businesses

Regulatory information will be better tailored for small businesses, and communication and engagement channels will be more targeted to reach small businesses.

A clear path to faster trade accreditation

The development and promotion of clear and timely guidance from regulators will make it easier for electricians, plumbers, building practitioners and group employers to understand their licensing and registration requirements.

Improving Safe Work Method Statements (SWMS) guidance

Improved guidance material for SWMS will be developed for small and medium-sized businesses, particularly in the residential housing industry, to make it easier to understand when a SWMS is required and to what level of detail.

3



SIMPLIFYING DOING BUSINESS THROUGH DIGITAL TECHNOLOGIES

Working together to enhance regulatory performance and improve small businesses' experience with regulators

Improving the management of certificates of compliance

Related work that has been occurring in the sector will be leveraged by informing the ongoing development and implementation of e-certification systems to make it easier for small businesses to manage certificates of compliance.

Simplifying doing business through a small business profile

A targeted pilot will be developed to demonstrate the benefits to small business and regulators of a small business profile tool. This will involve the identification of information that small businesses are commonly asked to provide when complying with regulations, and prioritising opportunities for achieving better integration between digital service platforms and record keeping to reduce duplication.

REFORM AREA 1: IMPROVING ENGAGEMENT WITH SMALL BUSINESSES

Driving regulatory best practice through the Small Business Regulatory Engagement Charter to make it easier for small businesses to understand and comply with regulations

There are over 100,000 small businesses in the construction sector in Victoria. These businesses are diverse in nature, ranging from tradespeople to complex operations, and approximately 62 percent of them do not employ staff. Businesses must deal with a number of regulators at multiple levels of government as they operate their business.

Regulators have a responsibility to help businesses understand and meet their regulatory requirements. However, the approach and effectiveness of small business engagement varies widely between regulators. This can cause frustration for small business owners, reduce the efficiency of regulatory functions, and even result in reduced compliance.

What is the problem?

Small businesses generally understand the need for – and even appreciate – good regulation. However, they feel the burden of regulation more strongly than other businesses, given they are more constrained in terms of staff, time and resources. This presents challenges in terms of understanding and complying with regulations.

What did small businesses say?

Many small businesses reported that the customer service received from regulators varies widely. Key concerns raised by small businesses include:

- > Lack of easy access to clear and concise regulatory information and advice
- > Clunky transaction interfaces, websites and engagement channels
- > Duplicative and/or repetitive processes, requests for information and interactions
- > Lack of a coordinated approach to the development and implementation of regulation across regulators
- > Requests for information that is unnecessary, unused, or which has opaque purpose.

What are we doing?

A Small Business Regulatory Engagement Charter (the Charter) will be developed with a focus on helping regulators interact more effectively with small businesses.

Reform 1.1: Small Business Regulatory Engagement Charter

The Charter will be a principles-based document to support and facilitate best practice and more consistent regulatory engagement processes across regulators.

The Charter will clearly describe to small businesses what they can expect from regulators as they strive to meet their regulatory obligations.

The initial signatories of the Charter will be the SBRR (Construction) partner regulators. Over time it is expected that there will be an opportunity to expand this to other regulators.

The Charter will underpin the design and implementation of the other reforms in this package, and also influence broader processes within each of the partner regulators.





What are the intended benefits?

The Charter will improve the customer experience of small businesses when dealing with regulators. It is also expected to provide benefits to regulators and support improved regulatory outcomes.

Expected benefits for small businesses include:

- > Consistent customer service across regulators, based on best practice
- > Easier to find and understand regulatory requirements
- > Reduced wait times for assistance and responses to queries
- > Support of the 'no wrong door' concept, so small businesses do not get stuck if they contact the wrong regulator about a problem or issue.

Expected benefits for regulators include:

- > Improved compliance with regulations, as small businesses better understand what is expected of them
- > Increased confidence in regulators and improved reputation
- > Improved sector knowledge, which reduces compliance time and resources that can be redirected to high risk compliance areas or issues
- > Assistance in meeting their obligations under the Ministers' Statement of Expectations.

How are we doing it?

Small Business Victoria will lead the development of the Charter, working in collaboration with the partner regulators (ESV, EPA, VBA, and WorkSafe), the Victorian Small Business Commission, the Office of the Commissioner for Better Regulation and other SBRR reform implementation partners (Consumer Affairs Victoria, Service Victoria, Victorian Registration and Qualifications Authority), to inform the development of best practice principles and identify key opportunities where the Charter can be applied.

REFORM AREA 2: IMPROVING ACCESS TO REGULATORY INFORMATION

Making it easier to find out about regulatory obligations and how to meet them

Regulators provide a range of regulatory related material to support compliance. However, there are acknowledged challenges in ensuring that information supplied is readily accessible, easily understood, regularly maintained and relevant to the needs of small businesses.

Reform 2.1: More targeted information for small businesses

Small businesses operating in the construction sector often require regulatory information on a variety of subjects, from a range of sources. For example, for a single contract, a registered builder may need to find out information about registration, insurance, occupational health and safety and more. These regulatory functions are managed by different regulators, at different levels of government.

What is the problem?

There is considerable variance in the quality of regulatory websites at state and local levels of government, and interconnectedness between these sites is often poor. This can make the experience of finding regulatory information frustrating for small business owners, who spend considerable time going from regulator to regulator, trying to get the information they need.

The use of unnecessarily technical or complex language is one of the primary barriers to helping small businesses understand their regulatory obligations. Examples of this include:

- > Not effectively translating legislative and regulatory requirements for a small business audience; for example, cutting and pasting text directly from the relevant legislation or regulation without providing supporting guidance material
- > Simply providing access to the relevant legislation or regulation, with little or no explanation of the purpose, intent or meaning.

Many small businesses in the construction sector do not engage with regulators' websites on a regular basis. Rather, they get their regulatory information through informal channels such as business associations, on the worksite, or through colleagues and supervisors. Feedback indicates that currently regulators generally do not effectively utilise these non-traditional channels. As a result, regulators are missing important opportunities for engagement with small businesses in the sector.

What did small businesses say?

Small businesses often struggle to find information in a format that meets their needs, and often feel overwhelmed by the volume of regulation. The extra time taken to find relevant information, or discovering information that is cumbersome and difficult to understand, impacts on their ability to complete jobs efficiently. This also contributes to a lack of understanding about how they can meet their regulatory obligations.

What are we doing?

Small Business Victoria will help build small business capability within partner regulators. Key focus areas will be helping to improve the way they tailor information for small businesses, and how they identify and use channels to convey this information. This reform will be delivered through a program of projects (Reforms 2.1.1 to 2.1.3) and will build on the related reforms from the SBRR review of the retail sector.

Reform 2.1: More targeted information for Small Businesses

2.1.1 Write for business, not bureaucrats

Develop small business engagement guidelines, centred around the needs of small businesses, in consultation with regulators and other key stakeholders. Guidelines will be provided to regulators through a range of channels, to support the development of information that is small business friendly.

A small business accessibility rating system for regulator websites will also be developed.

2.1.2 'No wrong door' for regulatory information

Conduct a review of interconnectedness between partner regulator websites and identify opportunities for improvement.

Ensure appropriate linkages are developed for areas where there are identified gaps and provide best practice guidance to regulators.

Consideration will be given to developing a new landing page with a business focus on the Service Victoria website. Sequencing and prioritisation of content will be based on an estimate of the expected benefits to be achieved.

2.1.3 Using effective engagement channels

Identify relevant and efficient channels for regulators to effectively engage with small businesses in the sector and develop guidelines for regulators on how to utilise these channels to maximum effect.

What are the intended benefits?

These reforms will help small businesses understand their regulatory requirements, saving them valuable time and effort. Small business owners will also be able to provide quick and direct feedback to regulators, to let them know how they are doing and where they can improve.

These reforms will help regulators understand the needs of their end users, including small businesses, and reduce secondary requests for information, which can be time and resource intensive. This will enable regulators to better target their call-centre and technical information resources to improve efficiency and provide a better service to end users.

The total savings to small businesses in the sector is estimated to be between \$3.4 million and \$6.8 million per annum³.

How are we doing it?

Small Business Victoria will lead the design and implementation of these reforms, building on previous work from the SBRR retail review, and working closely with partner regulators and other delivery partners.

³ SBRR (Construction), Nous Group preliminary quantification of benefits to small business





Reform 2.2: A clear path to faster trade accreditation

To achieve accreditation, plumbing, electrical and building practitioners in Victoria are required to hold a licence or be registered with the relevant regulator for their trade.

In 2017-18, there were over 46,000 licensed electricians regulated by ESV; with the VBA regulating over 27,000 licensed and registered plumbers, and over 23,000 building practitioners⁴.

There are various pathways available to gain an occupational licence or trade accreditation, including:

- > Electricians – must complete an electrical apprenticeship, Certificate III qualification through a registered training organisation; and also successfully complete a Licensed Electrical Assessment administered by ESV
- > Plumbers – must complete a plumbing apprenticeship, Certificate II or III in plumbing-related work and also successfully complete the VBA's registration exam (commonly referred to as 'the journeyman's exam') or demonstrate the equivalent knowledge and experience to the VBA
- > Building practitioners⁵ – must complete building-related qualifications and also demonstrate their experience and capacity to undertake building work to the VBA.

What is the problem?

Despite the requirement for practitioners to be licensed or registered, there is currently a lack of information provided to apprentices and trainees while in training about how to fulfil these requirements.

Many apprentices and trainees are often unaware of the full requirements for accreditation. As a result, a large proportion of apprentices do not pass the regulator's examination on their first attempt, particularly the ESV Licensed Electrical Assessment.

⁴ ESV Annual report 2017-18; VBA Annual report 2017-18

⁵ The Building Regulations 2018 define eight categories of building practitioner: Building Surveyor, Building Inspector, Quantity Surveyor, Engineer, Draftsperson, Person Responsible for a Building Project, Erector or Supervisor (Temporary Structures), Builder (Commercial Builder, Domestic Builder, Demolisher)

Licensing or registration applications for tradespeople often require additional information, such as a portfolio of previous work and technical diagrams. While completing regulator application forms for accreditation can be straightforward, the level of detail and accompanying information required for a successful licence or registration application can be unclear for a small business or tradesperson.

The process for applying for registration or a licence is manual, involves hard copy forms and is time consuming for the applicant and the regulator. For example, average processing times include: 120 days for building registration; 83 days for building registration renewal; 28 days for plumbing registration and licences; and 20–30 days for electrical licence/contractor's registration.

What did small businesses say?

Many apprentices and trainees are often unaware they are required to apply for a licence or register with ESV or VBA when they have completed their Certificate III qualifications with a registered training organisation.

Many builders don't understand how much information is required by regulators when they submit their builder's portfolio of work.

"...It can take several months to prepare the documentation for a trade licence and regulators are not sending registration renewal reminders in a timely manner, which causes potential delays in our ability to find work."

What are we doing?

This reform will make it easier for electricians, plumbers, building practitioners and group employers to understand their licensing and registration requirements through the development and promotion of clearer and timely guidance from regulators.

Reform 2.2: A clear path to faster trade accreditation

Small Business Victoria will work with partner regulators to deliver:

2.2.1 A communication package for apprentices and trainees

Regulators will provide training providers and sector associations with concise, consistent information about tradespeople's obligations to be registered or licensed. Consideration will be given to establishing apprentice/trainee profiles through other key government channels.

2.2.2 Updated guidelines for licensing and registration application

Regulators will provide improved information and guidance for licensing/registration applications, including checklists and detail on the level of additional information required (e.g. portfolio of previous work).

2.2.3 Digital reminders for licence and registration renewals

Regulators will explore the potential to send timely electronic reminders for licence renewals.

What are the intended benefits?

Expected benefits to small businesses include reduced regulatory burden by reducing the time and cost of meeting their occupational licensing requirements through:

- > Tradespeople better understanding their construction sector registration, licensing and renewal responsibilities
- > Easier and faster registration, licensing and renewal requirements
- > Fewer applications returned for clarification or further information
- > More timely issuing of renewal notices.

There are also expected benefits for regulators in the form of increased efficiencies and reduced administrative burden. This will allow them to invest and focus more on other regulatory activities of greater priority to support improved outcomes. These benefits are associated with:

- > Increased compliance with registration, licensing and renewal obligations
- > More time to focus on other regulatory activities
- > Improved reputation due to having a simpler system that makes it easier for tradespeople to comply with regulation.

How are we doing it?

Small Business Victoria will lead the development and roll-out of new guidance material, working closely with partner regulators and other delivery partners (e.g. Service Victoria, Victorian Registration and Qualifications Authority).

Reform 2.3: Improving Safe Work Method Statements (SWMS) guidance

Reflecting the high risk of injury and death that workers and the community face due to the nature of activity in the construction sector, WorkSafe has a dedicated construction industry program. The program continues to target the causes of serious injury and death and has delivered over 12,000 workplace visits in the 2017/18 financial year. The aim of the program is to inform, educate and motivate industry participants to voluntarily improve behaviour, whilst also maintaining WorkSafe's strong enforcement and compliance function.

A key prevention activity in the construction industry is the requirement under the Occupational Health and Safety Regulations 2017, that employers and self-employed persons complete a Safe Work Method Statement (SWMS) before commencing 'high risk' construction work. There are 19 prescribed high-risk construction work activities defined in the regulation, such as: risk of a person falling more than 2 metres; demolition; disturbance of asbestos; confined spaces; use of explosives; and work in proximity of energised electrical installations or services.

What is the problem?

Through the engagement process, many small businesses referred to their confusion about the 'actual' purpose of SWMS, and which activities require a SWMS. There was also concern about the sheer number of SWMS that need to be read when they are inducted on a building site.

There is a view that SWMS have become 'catch-all' OH&S documents rather than an educative prevention tool to assess, analyse and mitigate high-risk construction work. Due to confusion about the SWMS requirements, more information is often provided in some SWMS than is required by regulation. This can decrease their effectiveness, as the extra content can take

the focus away from the content on high-risk activities, which is meant to be the primary focus of the document.

This confusion has also been compounded by third party providers that sell completed SWMS and associated templates for a broad range of activities that go well beyond the 19-prescribed high-risk construction work activities. Many of these providers advertise these SWMS by guaranteeing they will meet compliance requirements, sometimes leading to voluminous OHS documents that are not fit for purpose.

What did small businesses say?

Developing SWMS can be time-consuming and complicated. Some businesses reported that a SWMS can take up to 6 hours to draft, and businesses may need to complete an average of 12 SWMS each month⁶. They are often used during site inductions as a 'tick and flick' exercise rather than their intended purpose to assess and mitigate high risk construction work. Often the information relating to high risk tasks is not well understood, particularly when there is significant additional information incorporated into SWMS and the main points get lost.

"...it would take hours of the day to actually read each (SWMS) in detail... it feels like all the effort and liability is pushed to the contractor these days."

What are we doing?

WorkSafe will improve SWMS guidance for small and medium businesses, particularly in the residential housing industry, with the objective of making it easier to understand when a SWMS is required and to what level of detail.

This will ensure that there are SWMS developed and implemented when required under legislation, and that the completed SWMS are fit-for-purpose in terms of being an educative prevention tool that is clearly understood by those reading them. This is also expected to result in fewer SWMS being developed unnecessarily.

⁶ Source: SBRR (Construction), Nous Group interview with small businesses

Reform 2.3: Improving Safe Work Method Statements (SWMS) guidance

2.3.1 Easy to read guidance

WorkSafe will review the existing guidance and information available on SWMS to ensure that these are effectively targeted at educating small and medium workplaces in the residential housing sector. They will make clear what information is and is not required, and the level of detail required. The language used in the guidance material will also be reviewed to ensure it is easily understood across the industry.

Consideration of guidance updates will include potential for links to useful trade specific information and educative tools, such as videos and animations.

2.3.2 Simpler templates and dynamic online forms

WorkSafe will review the SWMS template to ensure it is based on best practice design principles and consistent with the Charter being developed under Reform Area 1. Consideration will be given to templates and new educative material, such as easy to follow videos, animations

and dynamic templates that have been utilised across the industry at large construction sites, and supported by clear communication around the purpose and requirements under legislation.

2.3.3 Targeted communications strategy

WorkSafe will develop a communications strategy targeted at small and medium sized businesses in the residential housing industry, to ensure greater understanding of the purpose of SWMS as a preventative tool, not just as a compliance tool.

2.3.4 Industry partnerships and initiatives

WorkSafe will partner with industry stakeholders to increase awareness of its guidance and information material, deliver its communication strategy and look for new ways to work collaboratively with industry partners.

In addition, WorkSafe will fund the Master Builders Association of Victoria to deliver "Safety Essentials for Residential Builders", which aims to equip residential builders with the knowledge, information and practical tools to ensure safety standards are practiced and maintained on residential sites.

What are the intended benefits?

These reforms will result in better understanding of how to develop SWMS that are easily accessible, simpler and clearer. This will lead to more informed small businesses that understand 'why' SWMS are an important preventative tool, and, in turn, lower the risk of injury through safer workplaces.

It is also expected to reduce regulatory burden for businesses by making it easier to prepare and read SWMS. This is expected to result in fewer being created unnecessarily whilst ensuring that high risk construction work receives the specific focus intended by the regulations.

The total savings to small businesses is estimated to be between \$15.9 million to \$31.8 million per annum⁷.

How are we doing it?

WorkSafe will review its information and guidance material on SWMS and develop educative material through its normal processes and timeframes, including consultation with key stakeholders across unions and industry. This will build on WorkSafe's existing Strategy 2030 program of redesigning its digital platforms and simplifying the way it communicates with workers and employers.

Engaging customer experience designers and user design testing will be an important component to ensure well designed products that meet the needs of small businesses and tradespeople.

⁷ SBRR (Construction), Nous Group preliminary quantification of benefits to small business



REFORM AREA 3: SIMPLIFYING DOING BUSINESS THROUGH DIGITAL TECHNOLOGIES

Working together to enhance regulatory performance and improve small businesses' experience with regulators

The cumulative impact that regulation can have on small businesses is widely acknowledged as being a significant contributor to regulatory burden. This becomes particularly evident when regulators:

- > Utilise outdated approaches to administering regulation
- > Do not keep up with contemporary customer service expectations and technology
- > Do not engage effectively with regulated entities or other regulators.

Duplicated processes, unnecessary information requests and clunky regulatory interfaces result in inefficient regulatory environments. This places excessive burden on businesses, adds additional administrative burden for regulators and reduces the effectiveness of regulations in delivering their intended outcomes.

Reform 3.1 Improving the management of certificates of compliance

Each time an electrician, gasfitter or plumber⁸ completes work in Victoria they are required to complete a certificate of compliance, which details the customer, location and work undertaken. These certificates enable practitioners to self-certify their work unless the nature of the work is particularly complex or high-risk in nature.

Certificates of compliance provide peace of mind to consumers by ensuring that the work that is completed in their home or business is completed to an assured standard by a qualified, registered and insured tradesperson. Furthermore, they enable the regulating authority to maintain a record of plumbing and electrical work undertaken, and target audit activity.

Victoria has over 70,000⁹ licensed electricians, plumbers and gasfitters, who complete over 1.1 million¹⁰ certificates of compliance each year. In 2017-18, over 390,000¹¹ compliance certificates were completed by licensed plumbing practitioners and over 730,000 certificates of electrical safety were completed by electricians. For each certificate completed, the practitioner must provide a copy to the customer, a copy to the regulating body and maintain a copy for their records.

What is the problem?

Each regulator has its own processes, requirements and method of facilitating certificates of compliance. These range from paper-based certificates, which can be purchased at trades supply outlets, to regulator-specific digital systems (e.g. ESV Connect, VBA360), which enable practitioners to log their certificates online.

⁸ Note: Applicable to work valued from \$750 or more

⁹ VBA Annual Report 2017-18; ESV Annual Report 2017-18

¹⁰ Number of certificates in 2017-18; Victorian Building Authority, Annual Report 2017-18; Energy Safe Victoria Annual Report 2017-18

¹¹ VBA Annual Report 2017-18

Paper-based transactions are time-consuming for small business owners and place a significant amount of administrative burden on regulators, which are required to allocate significant resources to the management of paperwork.

While there is increased focus on on-line systems, current online systems can be clunky and difficult to navigate. This is particularly the case when processing multiple certificates simultaneously, as small businesses must complete each transaction individually. This has resulted in a limited (e.g. in some cases approx. 50%¹²) uptake in digital services, meaning that a significant number of these transactions continue to be paper-based.

While regulators are working to further develop online systems, this work is being developed individually by each regulator. The development of discrete systems risks:

- > Duplication of work across regulators
- > Potential for a more complicated system of regulatory tools within a sector
- > Additional burden for businesses, including in understanding their regulatory obligations
- > Additional challenges to facilitating a collaborative approach to the use of inter-agency data to improve compliance outcomes
- > Additional challenges to facilitate an integrated approach to the administration of regulation within the sector.

What did small business say?

Small business owners told us that, while they understand the need for compliance certificates, they feel that the system could be facilitated better. Specifically, tradespeople told us that they would like a simple, online system to manage and store their certificates of compliance, which would automatically populate required fields, send copies of certificates where required, and allow them to process bulk certificates within one financial transaction.

What are we doing?

This reform will leverage related work that has been occurring in the sector, particularly by informing the ongoing development and implementation of an e-certification system by ESV to make it easier for electricians to manage certificates of compliance.

What are the intended benefits?

Expected benefits for small businesses include:

- > Being able to manage many of their regulatory compliance responsibilities through a single, intuitive platform
- > Having forms filled out automatically (not having to repeatedly fill out the same information)
- > Eventually links to other regulators will mean that small businesses no longer need to seek additional information elsewhere to complete certificates.

Savings to small businesses are estimated to be between \$1.4 million and \$2.8 million per annum¹³.

How will this be done?

Small Business Victoria will work with partner regulators and other delivery partners (Service Victoria, Office of the Commissioner for Better Regulation, Victorian Small Business Commission) to explore potential interfaces and opportunities to leverage related work currently underway in the sector (for example, the self-service certificates for plumbers introduced by the VBA in July 2017).

Application of the Charter (Reform 1.1) will help achieve more integrated and coordinated approaches to digital technologies.

¹² Source: Energy Safe Victoria

¹³ SBRR (Construction) Nous Group preliminary quantification of benefits to small business



Reform 3.2 Simplifying doing business through a small business profile

Across Government, there is a growing awareness of the need to reduce the duplication of information required by regulators and better utilise the information that is requested. There is a whole-of-Victorian-Government drive to meet the increased expectations for more digitised regulatory services and interfaces within government and regulatory agencies. However, a more unified approach is needed to facilitate greater consistency across the sector.

What is the problem?

Small business owners often complete numerous transactions with different regulators (such as providing business and insurance details). A lack of connectivity between regulators means that small business owners:

- > Must go to each regulator separately to gather information to facilitate applications (for licensing, approvals, planning etc.)
- > Are often required to fill out the same information again and again (such as business insurance details)
- > Are often required to manage multiple transactions when one would suffice.

There are acknowledged opportunities to work more collaboratively to minimise the amount of information requested by regulators from businesses. For example, through improved data management, usage and sharing; and aligning information requirements between related regulators.

What did small business say?

Small business owners told us that they feel frustrated when they must provide the same information to different regulators, or the same information on multiple occasions to the same regulator¹⁴. Small businesses also told us they didn't understand why regulators don't communicate better with each other and share information, which would help to reduce the burden on business owners to meet their regulatory requirements.

Many small business owners indicated that they prefer to manage their regulatory requirements online, rather than use hard-copy systems, and they would like to be able to manage all their regulatory functions in one place.

These were also common themes raised during the previous SBRR retail and visitor economy sector reviews.

What are we doing?

Small Business Victoria will work with partner regulators and the Office of the Commissioner for Better Regulation to identify information that small businesses are commonly asked to provide, and to prioritise opportunities for achieving better integration between Service Victoria digital service platforms and partner regulators' system of records. This will inform the development of a targeted pilot to demonstrate the benefits to small businesses and to regulators of a small business profile.

This work will build on related work by partner regulators to digitise and simplify occupational licensing and registration requirements (refer to Reform 3.1), particularly:

- > ESV – electronic licensing and registration through ESV Connect
- > VBA – small business registration through smart e-forms.

A key focus is on the potential to achieve better integration between Service Victoria's digital service platform and partner regulators' system of records to make regulatory compliance transactions easier for small businesses. In the medium to longer-term this could facilitate a transition to a centralised platform where small businesses can create a single profile with direct links to many of the regulatory functions most relevant to their businesses.

For example, consideration could be given to enabling businesses to input and save core details about their business and business activities, storing (or linking to) information required by multiple regulators. This could include information such as ABN, business address, certificates of insurance currency, and compliance data. Initially, this could be limited to certain regulatory functions, such as certificates of compliance and certain licencing and renewals functions. However, the opportunity to expand the capability over time and across other sectors is recognised.

¹⁴ Note: SBRR (Construction) stakeholder consultation was comprised of 100 responses to a survey of small businesses in construction, an Industry and Regulator forum, focus groups with 20 small businesses and several one-on-one interviews.



Reform 3.1: Improving the management of certificates of compliance

This reform will explore opportunities to leverage the work that ESV has been doing to progress its e-certification system. This will include consideration of more consistent approaches across the sector to make it easier to manage certificates of compliance.

Reform 3.2: Simplifying doing business through a small business profile

Small Business Victoria will work with partner regulators and the Office of the Commissioner for Better Regulation to identify information that small businesses are commonly asked to provide; and prioritise opportunities for achieving better integration between Service Victoria digital service platforms and partner regulators' system of records.

A targeted pilot will be developed to demonstrate the benefits to small businesses and to regulators of a small business profile, building on related work by partner regulators to digitise and simplify occupational licensing and registration requirements.

What are the intended benefits?

This reform will enhance regulatory performance in order to simplify the experiences of small businesses as they comply with regulation.

Expected benefits to small businesses include:

- > Ability for businesses to provide information to government once, rather than to multiple regulators
- > Ability for businesses to access relevant services simply through a single, intuitive platform, making it easier for them to comply
- > Eventually, links to other regulators (e.g. VicRoads, WorkSafe, Victorian Managed Insurance Authority) will make it easier and quicker for small business owners to complete applications that require information from multiple regulatory sources.

Expected benefits to regulators include reduced administrative burden and improved compliance associated with:

- > Enabling simpler approaches to reporting
- > Helping regulators deliver the small business-related components of their Minister's Statement of Expectations
- > Facilitating knowledge sharing between regulators.

While further design work is required for the Small Business Profile, there is significant potential benefit to small businesses and regulators associated with this reform. Depending on its scope and features, it is anticipated that up to 100,000 small businesses in the construction sector could benefit from the tool.

Broader benefits beyond the construction sector could also be achieved with the roll-out of the Small Business Profile across other sectors.



BENEFITS OF THE REFORMS

Savings for business

These reforms will result in estimated direct annual savings of between \$21.3 million and \$42.6 million once fully implemented. These benefits represent time and money that will be saved directly by small businesses in the construction sector.

It is anticipated that larger businesses and businesses in other sectors will also benefit from the SBRR reforms.

Direct savings to small businesses¹⁵

| SBRR (Construction) Reform Area | Indicative annual savings for small businesses \$ million |
|--|--|
| Reform area 1: Improving engagement with small businesses | |
| 1.1 Small Business Regulatory Engagement Charter | *** |
| Reform area 2: Improving access to regulatory information | |
| 2.1 More targeted information for small businesses | 3.4- 6.8 |
| 2.2 A clear path to faster trade accreditation | 0.6 – 1.2 |
| 2.3 Improving Safe Work Method Statements (SWMS) guidance | 15.9 – 31.8 |
| Reform area 3: Simplifying doing business through digital technologies | |
| 3.1 Improving the management of certificates of compliance | 1.4 – 2.8 |
| 3.2 Simplifying doing business through a small business profile | *** |
| Total per year | \$21.3 – \$42.6 |

***Potential benefits from the Small Business Regulatory Engagement Charter (Reform 1.1) and the Small Business Profile (Reform 3.2) have not been included in the current estimate. An estimate of direct benefits from these two reforms will be calculated once further detail on implementation has been finalised.

¹⁵ The Nous Group was engaged to estimate the potential savings from the reforms based on DTF's Regulatory Change Measurement methodology. Estimates provided are based on time savings to small businesses in construction, and where estimates of benefits from reforms could reasonably be estimated based on the detail of the reforms

DELIVERING THE REFORMS

This review aims to address areas of regulation that unnecessarily hold back small businesses in the construction sector. We are grateful to the many small business owners and representatives who shared their views on what matters most to help Victoria's small construction businesses grow and thrive.

These reforms build on the success of the SBRR retail and visitor economy sector reviews. Implementation is expected to be completed by mid-to-late 2021.

Progress achieved in implementing the reforms will be assessed through the SBRR Monitoring and Evaluation Framework. Further information can be found at: <https://engage.vic.gov.au/smallbizreview>





Jobs,
Precincts
and Regions