

Procurement Policy

Contents

Policy owner and approval.....	2
Review date	2
Effective date	2
Public Sector Expectations	3
Overarching Principles.....	3
When the Rules apply.....	3
All of Government Contracts (AoGs)	3
Purpose and scope	4
Exclusions.....	4
Definitions.....	4
Policy Intention.....	6
Policy objectives	6
Choice of procurement methods.....	7
Southern Response Procurement Strategy.....	7
Procurement methods.....	8
Emergency Procurement (generally applicable to Canterbury Recovery Procurement).....	9
Phase 1 & Phase 2 Emergency Procurement.....	9
Phase 3 Emergency Procurement.....	9
General Procurement Guidelines.....	10
Introduction	10
Value-for-money	10
Whole-of-life costs	10
Financial thresholds to tender.....	10
Maximising leverage	10
Full and fair opportunity	10
Environmental factors	11
Establishing commercial contracts	11
E-procurement standards	11
Intellectual property.....	11
P-Card Policy	11
Responsibilities	12
Compliance with procurement policies and procedures	12
Separation of responsibilities	12
Financial delegations	12
Preferred Supplier contracts for Administrative Procurement	12
Establishing commercial contracts	12
Risk management.....	12
Contracting with ex-employees of Southern Response.....	12
Renewal of contracts	13
Ethical considerations	13

Gifts and hospitality.....	14
Complaints process	14
Efficiency and effectiveness	14
Accountability.....	14
Syndicated procurement.....	14
Administrative Procurement.....	15
Administrative Procurement and indicative monetary limits	15
Diagrammatic of Administrative Procurement Process relevant to indicative monetary limits.....	16
Canterbury Recovery Procurement	17
Canterbury Recovery Procurement	17
Procurement agent for Canterbury Recovery Procurement	18
Canterbury Recovery Procurement	18
Relevant Links.....	21
Relevant Policies	21
Relevant References and Resources	21
Legislation.....	22
Version Control	22

**Policy owner
and approval**

- The Owner of this Policy is the Chief Financial Officer (**CFO**), except for the Canterbury Recovery section of the Policy for which the owner is the Chief Executive Officer (**CEO**).
- This Policy has been approved by the Southern Response Board.
- The Committee responsible is the Audit and Risk committee.

Review date

April 2019

Effective date

1 March 2013

Public Sector Expectations

Overarching Principles

The following overarching principles (elaborated further in MBIE's *Government Rules of Sourcing (The Rules)*, second edition June 2014) apply to government procurement:

- plan and manage for great results (actively planning for success with reasonable processes and realistic timeframes);
- be fair to all suppliers (giving all suppliers a chance to respond and giving them enough time to prepare and send in their proposals);
- get the right supplier (choose the right supplier and be confident that they will successfully deliver);
- get the best deal for everyone (achieving value-for-money and making quality decisions that remain good over the life of the contract); and
- play by the rules (building trust with suppliers and keeping a reputation as a fair buyer).

The Principles reflect the values and integrity that government agencies should demonstrate in their procurement activities. The Rules set procedural standards.

The Rules are a modernised plain English update of previous rules and reflect good international practice in line with New Zealand's commitments. All agencies in the wider state sector and public sector are encouraged to apply The Rules as good practice guidance.

The Government, in a direction dated 22 April 2014, extended the mandatory application of The Rules beyond Public Service departments and the New Zealand Police and New Zealand Defence Force, for whom the rules were previously compulsory, to include all Crown agents, entities and companies including those listed in Schedule 4A of the Public Finance Act 1989. The direction was preceded by a consultation period and the opportunity for submissions.

When the Rules apply

The Government Rules of Sourcing apply to:

- the procurement of goods or services or refurbishment works or a combination of goods and services, when the maximum total estimated value of the procurement meets or exceeds the value threshold of \$100,000 plus GST on either a project or annual basis
- the procurement of goods or services or works for new construction works, when the maximum total estimated value of the procurement meets or exceeds the value threshold of \$10 million plus GST.

The Rules of Sourcing are supported by Government Model RFx, a suite of tender templates for use by all Government agencies. The suite includes templates for:

- Request for Quote
- Registration of Interest
- Request for Proposal
- Response templates

All of Government Contracts (AoGs)

An All of Government Contract is a type of approved collaborative contract established with approved suppliers for selected common goods or services purchased across Government. AOGs are developed under the oversight of the Procurement Functional leader (Chief Executive of MBIE) and managed by appointed Centres of Expertise.

All agencies must purchase from AoGs unless there is good reason not to. Approval to opt out must be obtained from the Procurement Functional Leader.

Southern Response Procurement Policy

Purpose and scope

The purpose of this Policy is to state Southern Response Earthquake Services' ("Southern Response") procurement intentions, and inform staff, contractors, and procurement agents of Southern Response of the behaviour that Southern Response considers appropriate when conducting a procurement process.

The Policy incorporates the Government Rules of Sourcing and determines processes below the threshold at which the Rules apply.

This Policy accords with the values and other core principles of Southern Response (the spirit of the policy).

Exclusions

This Policy does not apply to:

- Human Resource contracts of employment.
 - Individual rebuild or repair projects allocated to Accredited Contractors that are in accordance with Southern Response's contractual obligations under its customers' insurance policies.
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Definitions

Accredited Contractor

An Accredited Contractor that has been approved by Southern Response, following review by Arrow to provide services for the Canterbury Recovery. Accredited Contractors may include builders, residential construction contractors, architects, surveyors, engineers and other third party service providers that are involved in residential construction.

Arrow

The current provider of PMO services to Southern Response

Emergency Procurement

Procurement in an Emergency Situation where there is a need to be flexible in how goods and services are procured to respond to the Emergency Situation. There are three recognised phases of procurement in an Emergency Situation.

Emergency Procurement Paper

A document that provides a description of what is being procured through Emergency Procurement, a description of why it is strategically important, a description of the procurement process followed and why it has been followed and a financial (or other type of) analysis that supports the Emergency Procurement decision.

Emergency Situation

A situation arising where there is a sudden unforeseen catastrophe which could result in loss of life or critical damage to property or infrastructure. Such a situation can arise from natural disasters, failures of critical infrastructure, critical health emergencies, political emergencies or critical security emergencies. The situation arising as a result of the Canterbury earthquakes is an Emergency Situation.

Expression of Interest (EOI)

An invitation to all interested parties to register a desire to be considered for an up and coming tender.

Full Business Case (FBC)

A document that details the specification of what is to be purchased, the cost, a financial analysis that supports the decision to purchase and the tender method. The FBC is applicable for high risk and/or strategically important tenders exceeding \$250,000 for Administrative Procurement.

Justification Paper

A document that provides a description of what is being procured through Canterbury Recovery Procurement, a description of why it is strategically important, a description of the procurement process followed and why it has been followed and a financial (or other type of) analysis that supports the Canterbury Recovery Procurement decision.

MBIE	Means the Ministry of Business, Innovation and Employment.
Open Tender	A tender process in which the invitation to tender is advertised so all interested suppliers may respond.
Policies	Means the policies of Southern Response contained on the Company's intranet and as more particularly referred to under Relevant Links below.
Preferred Supplier	A supplier of goods and services with whom Southern Response has negotiated preferential terms and conditions and/or an exclusive supply contract (PSA) exists.
Preferred Supplier Agreement (PSA)	A contract for supply of particular goods or services, where the contract has been let after a competitive tender process. A Preferred Supplier Agreement (PSA) will be entered into if it is Administrative Procurement and the aggregated procurement spend across Southern Response is estimated to be greater than \$250,000 per annum or where the requirement for the goods or services is likely to be at least two years.
Policy	Means the Procurement Policy
Request for Information (RFI)	A market research tool. A formal request from an agency to the market, for information that helps identify the number and type of suppliers and the range of solutions, technologies and products or services they can provide.
Request for Proposal (RFP)	An invitation to selected parties to present their proposals (deliverables, cost, time) for meeting a need that Southern Response has identified for specified goods or services. An RFP will be used when there may be flexibility in the solution provision.
Request for Quotation (RFQ)	An invitation to selected parties to furnish a quote of price and time for the provision of specified goods or services to Southern Response. An RFQ will be used when the goods or services are clearly specified and there is little or no flexibility available in the solution, e.g. off-the-shelf hardware or software, standard furniture items.
Short Form Business Case (SFBC)	A document that details the specification of what is to be purchased, the cost, a financial analysis that supports the decision to purchase and the tender method. The SFBC is applicable for low fiscal tenders between \$100,000 and \$250,000 in Administrative Procurement.
Tender Manager	The person appointed to manage the tender documentation for the specific project.
Total Cost of Ownership (TCO)	A concept which ensures that all components and impacts of a purchase or project across its expected life are figured into the procurement decision. The TCO should be identified in a tender business case and may include the cost of carrying out the purchase (development of business case, tender process), costs of housing the purchased goods; operating, maintaining and upgrading the purchased goods; any associated service contract; any financial impact on another Budget Centre and ongoing costs.

Policy Intention

Policy objectives

Southern Response is a Crown-owned company with obligations under the Public Finance Act 1989 and the Crown Entities Act 2004.

Southern Response has a set of core values that define our accepted standards and behaviours. These values should also be reflected in our approach to the procurement process. Relevant values are:

- **Respect** - we treat all our stakeholders with care, consideration, fairness and equity;
- **Integrity** - we demonstrate honesty, transparency, fairness, and objectivity in all our interactions;
- **Honour our promises** - we stand by and deliver on all entitlements, rights and commitments AMI has made to its stakeholders;
- **Ownership** - we hold ourselves accountable for our actions, take ownership, and deliver on our promises;
- **Excellence** - we are committed to excellence in everything we do. We are innovative, responsive, adaptive and continually raising the bar. We strive to set the standard against which others will be measured.

As a Crown owned company, Southern Response must be able to show that any procurement is an efficient, effective and economic use of public money. Regardless of the value of an individual procurement, all procurement activity should be properly planned and conducted. When carrying out any procurement Southern Response should consider the overarching public sector good practice principles regarding the use of public money (to be accountable, open, fair, achieve value-for-money, act lawfully and with integrity).

The intention is to implement procurement practices that:

- achieve the best value-for-money outcome;
- ensure maximum leverage of Southern Response's total purchasing power through adoption of an organisation-wide perspective;
- ensure full and fair opportunity (where appropriate) for all suppliers to obtain Southern Response business;
- establish sound commercial contracts that focus on health and safety, service delivery, performance management, risk mitigation including not to destabilise the market; and
- cost reduction and value-for-money outcomes.

Southern Response is subject to public law obligations which mean that:

- decisions could be subjected to a judicial or Ombudsmen review;
- we may need to consult affected or interested parties;
- we need to be fair and consistent; and
- we could also be subject to a performance review by the Office of the Auditor General.

The Policy also recognises the current operating environment for Southern Response is post-natural disaster, with the need for urgency to respond to and settle customer claims.

Choice of procurement methods

With reference to the Southern Response Procurement Strategy, Southern Response recognises that different procurement processes will be appropriate in different circumstances depending on:

- the value of what is being procured and the pattern of procurement over the contract term;
- the nature of the goods or services being procured;
- the market for the goods or services and any IP in the existing procurement relationships; and
- the competitive environment for constrained resources in Canterbury and other unique circumstances (including emergency procurement).

In line with public sector procurement best practice (as reflected in the Office of the Auditor-General's Procurement guidance for public entities, 2008), for each procurement activity to be undertaken, Southern Response will seek to choose the procurement method which is most appropriate having regard to public sector expectations, the policy objectives outlined above and value-for-money, whilst recognising the post-earthquake Canterbury Recovery environment.

Southern Response will use the procurement methods indicated for the corresponding types of procurement unless Southern Response considers using another method or a variation on the approach indicated would be more appropriate in the circumstances of that procurement and it is prudent to do so with reference to the considerations outlined above and applying appropriate governance standards.

In all respects, the anticipated short life of Southern Response and the general urgency required from its operations must be carefully considered when selecting or tailoring the procurement method.

Southern Response Procurement Strategy

The Southern Response Procurement Strategy recognises that there are two main categories of procurement that Southern Response undertakes:

- Procurement of goods and services consumed by Southern Response in its day-to-day administrative activities ('Administrative Procurement').
- Procurement of goods and services in relation to claims settlement for the Canterbury Recovery ('Canterbury Recovery Procurement').

The process undertaken for any particular procurement for goods and services will reflect the area of the business that it is intended for.

Administrative Procurement relates to overhead costs and services consumed by Southern Response and its agents in relation to its day-to-day administrative activities. Generally for this category of procurement, the All-of-Government purchasing arrangements already negotiated by Government Departments and Crown entities will be utilised as appropriate.

Canterbury Recovery Procurement relates to the procurement of goods and services in order to settle insurance claims for AMI policyholders for Canterbury earthquake damage as part of the Canterbury Recovery. Procurement in this category specifically reflects the current operating environment post natural disaster. It also recognises the Crown's expectations of timeliness of claims settlements and of the insurance industry (and Southern Response in particular) for a facilitative approach to the Canterbury Recovery. Given these factors, a tailored approach to such procurement is required.

When considering how procurement in this category should be carried out, Southern Response will consider (but will not be bound by) the indicative monetary limits for procurement of goods and services consumed by Southern Response in Administrative Procurement.

Other Procurement undertaken by Southern Response that does not fit into the two main procurement categories outlined above will be undertaken in accordance with this Policy unless specifically excluded from its application.

Procurement methods

Where there is no existing All-of-Government or Government syndicated procurement arrangements already in place (or where Southern Response does not consider that an existing All-of-Government arrangement or Government syndicated agreements meets its specific needs), Southern Response may (depending on the value and circumstances of the procurement) choose to use one of the following procurement methods.

Open Tender: This is the preferred method of tender which gives all potential suppliers the opportunity to tender, thereby maximising the outcome for Southern Response. Generally, an Open Tender will be used only for procurement of an item with a value greater than \$250,000 and the following steps should usually be undertaken:

1. A Full Business Case should be developed and approved by the Chief Financial Officer (after considering the authorisation requirements of the Delegated Authorities Policy).
2. Expressions of Interest (or a Request for Proposal if it is determined the tender is not to be a multi-stage tender) should be advertised or distributed to relevantly qualified potential suppliers.
3. Tender documentation should be sent to a minimum of 3 to 5 shortlisted suppliers (where short-listing occurs in a multi-stage tender).
4. Based on the results of the responses and any meetings undertaken, due diligence should be undertaken on the remaining potential suppliers.
5. Complete the supplier evaluation and negotiate (on a "subject to approval" basis) with the preferred supplier (or a number of preferred suppliers if a panel of preferred suppliers is to be established).
6. Obtain CFO approval for the preferred supplier(s).
7. Enter into a Preferred Supplier Agreement or contract (subject to the Contracts Policy) with the successful supplier(s).

Closed Tender: This tender method is used as an alternative to an Open Tender where for example only a limited number of suppliers are considered to have the capability to supply, or if there are significant confidentiality considerations involved in the purchase programme.

The steps involved in a Closed Tender include those listed as steps 3 to 7 above under 'Open Tender'.

Selective Procurement: This method of procurement may be used in limited circumstances where, for example:

- the costs of a tender will outweigh the benefits associated with the tender; or
- where the goods, services or product is only available from one viable source; or
- standardisation or compatibility with existing services or equipment is essential; or
- due to legal reasons.

In these cases, the justification for this tender process is to form part of the Full Business Case or Short Form Business Case (as applicable) and adequate steps must be taken to ensure the continued suitability of the supplier.

Where this tender process is carried out, following the obtaining of a quote, steps 1, 5-7 above under 'Open Competitive Tender' should be carried out (with necessary modification as applicable).

Emergency Procurement (generally applicable to Canterbury Recovery Procurement)

Emergency Procurement: This method of procurement is used only in Emergency Situations.

In an Emergency Situation Southern Response is not required to follow routine procurement procedure where to do so would prevent Southern Response from delivering goods or services in time to bring effective relief.

The Government's "Quick-Guide: Emergency Procurement" outlines the procurement flexibilities that are available to agencies in an Emergency Situation. The guide splits the Emergency Situation into 3 phases:

- Phase 1 – Immediate response: reactive procurement;
- Phase 2 – Disaster Relief: emergency procurement; and
- Phase 3 – Post-disaster reconstruction: accelerated procurement.

Phase 1 permits the most flexibility. In each phase the flexible procurement process must be fully justified and accountability maintained.

Phase 1 & Phase 2 Emergency Procurement

Southern Response considers that for an Emergency Procurement in Phase 1 and Phase 2 the following steps should be followed:

- an Emergency Procurement Paper (as distinct from the Full Business Case or Short Form Business Case) must document the reasons for the Emergency Procurement;
- a purchase order or request for pricing must be completed before (or if circumstances determine, immediately after) the purchase or securing of services;
- quantities purchased or services obtained should be minimised;
- reasonable steps (given the circumstances) should be used to ensure the price or rate is fair;
- retrospective approval is required within the terms of the Delegated Authorities Policy.

Southern Response recognises that the Canterbury Recovery is currently in Phase 3.

Phase 3 Emergency Procurement

In Phase 3 an accelerated procurement process is permitted to be developed for some types of procurement (for example, provision of critical infrastructure, such as reconstruction of housing or land remediation). An accelerated procurement process is where an agency develops a process to fit the specific category of procurement and immediate needs. Such a process should provide more flexibility and greater responsiveness, but sufficient rigour to allow for some level of competition and maintain governance and accountability for the spending. The fact that the procurement is an Emergency Procurement must be clearly stated in an Emergency Procurement Paper and choosing to depart from routine procurement processes justified.

If a Phase 3 accelerated procurement process is considered by Southern Response to be appropriate, Southern Response may draw from any of the steps outlined above under 'Open Tender' or may include any other steps it considers appropriate (or exclude any steps), when designing its accelerated procurement process.

The processes Southern Response has developed for the Canterbury Recovery Procurement category recognise that such procurement is being undertaken in Phase 3 and, for the reasons outlined below, requires specific tailored processes. Accordingly, procurement in the Canterbury Recovery Procurement category will generally be undertaken pursuant to an accelerated procurement process.

General Procurement Guidelines

Introduction	The following principles and practices are to be observed by Southern Response when planning for and undertaking procurement.
Value-for-money	Southern Response will maintain a value-for-money approach when procuring goods and/or services. "Value-for-money" means the best possible outcome for the total whole-of-life cost of ownership. "Value-for-money" does not necessarily mean selecting the lowest price; rather, the right combination of quality, quantity and whole-of-life price at the right place and time.
Whole-of-life costs	<p>Whole-of-life costing must be used in the context of the need to obtain value-for-money. Whole-of-life costing can:</p> <ul style="list-style-type: none">▪ assist with determining the full cost of a solution to a requirement over the full term that the requirement exists;▪ be applied to leased assets as well as owned assets and can be used to compare the cost of leasing versus outright purchase; and▪ be seen as a means of costing different methods of achieving an objective. <p>Procurement documentation should state that "value-for-money" takes into account whole-of-life costs (budgeted at the point the tender is planned), and tenderers can be requested to provide data to support the value-for-money analysis through the different stages of the requirement. These stages are typically seen as Acquisition, Operation, Maintenance, Use and Disposal.</p>
Financial thresholds to tender	<p>The Administrative Procurement and Canterbury Recovery Procurement procedures and strategic initiatives described above are to be followed.</p> <p>Authorisation by the Chief Financial Officer, Chief Executive or Southern Response Board (as applicable to the procurement) AND the relevant Financial Delegation Holder is required where it is determined that potential contracts with a value of \$250,000 or more (excluding GST) will not follow an Open Tender process.</p> <p>Authorisation by the Chief Financial Officer AND the Chief Executive is required where it is determined that potential Administrative Procurement contracts with a value of less than \$250,000 will not follow a Closed Tender or Request for Quotation process.</p> <p>The above authorisation requirements do not apply to existing AoG contracts, Syndicated Government agreements or contracts pursuant to a MBIE tender process or customer claims that are allocated to Accredited Contractors.</p>
Maximising leverage	It is in Southern Response's best interest to gain economies of scale and maximise its leverage when procuring goods and services. Prior to commencing any procurement process, staff are to ensure that they are maximising Southern Response's leverage.
Full and fair opportunity	<p>Southern Response, as a Crown owned company, is obliged to promote open and effective competition in the market, and provide full and fair opportunity to all suppliers. Southern Response's procurement policies and processes reflect this. In particular, potential suppliers must when a procurement opportunity arises in the context of this Policy:</p> <ul style="list-style-type: none">• not be unreasonably denied the opportunity to bid for Southern Response business; and• be evaluated and selected in a fair manner. <p>The Government's procurement policy recognises the mutual commitment by New Zealand and Australia under Closer Economic Relations ("CER"), and with Thailand, Singapore, China and Hong Kong under the Closer Economic Partnerships ("CEP"), to accord equal treatment to products and services from these countries.</p> <p>New Zealand's own Government procurement market is globally open and competitive. The policy does not call for discrimination against foreign suppliers. The bilateral CER and CEP commitments explicitly require equal opportunity and treatment of suppliers from Australia and Singapore.</p>

The procurement policy does, however, also call for Government purchasers to be able to show that they have not denied full, fair and reasonable opportunity to domestic suppliers to compete.

Where Southern Response is participating in procurement tendering through MBIE, these considerations will be taken into account. Accredited Contractors for the Canterbury Recovery work will be selected from suitably qualified persons in accordance with the accreditation process run by Arrow. Due to the nature of the building trade operating in Canterbury, there are no known CER or CEP businesses operating in the local Canterbury market.

Environmental factors

As part of its commitment to sustainability, the New Zealand Government has adopted a number of strategies to enforce awareness of this issue. These strategies set national targets for increased efficiency in energy and resource use in all sectors of society. Government Agencies are expected to take account of these strategies and targets in their procurement in ways that are consistent with the value-for-money and other policy and good practice considerations set out in this policy guide.

International moves to limit and reduce emissions of greenhouse gases and the use of illegally sourced timber and wood products are likely to result in additional incentives for the adoption of sustainably produced and energy efficient products, processes and technologies.

All procurement should take into consideration the national targets for efficiency and sustainability in the use of energy and resources where relevant.

Establishing commercial contracts

Formal, sound and robust contracts and contractual relationships should be established with suppliers.

E-procurement standards

Southern Response will ensure when implementing e-procurement systems that any new procedures established meet the same legal and policy obligations that govern all public sector procurement.

Policies will cater (where relevant) for: electronic invoicing, electronic records management, commodity classification, inter-operability, online security, purchasing cards, electronic sourcing (e-tendering), authentication controls, access controls, audit trails and business continuity.

Intellectual property

All risks associated with developing intellectual property during the procurement should be considered by the tender owner. Under the Copyright Act 1994, the Crown owns the copyright of new works created for Ministers, government departments, or Offices of Parliament by a contractor unless otherwise provided for in the contract. Southern Response should consider and specify what information it may wish to hold or retain copyright in.

If Southern Response has invented something novel and considers there is a reasonable prospect of its commercialisation, it may wish to consider applying for patent protection at an early stage and certainly before publication of its ideas.

The State Services Commission has published information on [Guidelines for the treatment of Intellectual Property rights in ICT contracts](#).

P-Card Policy

P-Cards (corporate credit cards) are a method of payment for the purchase of low value goods/services. Refer to Southern Response's policy on Sensitive Expenditure and the Use of Company Credit Card Policy.

Responsibilities	<p>The CFO is ultimately responsible for promulgating this Policy, except for the Canterbury Recovery related section of the Policy for which the CEO is responsible.</p> <p>Southern Response's General Manager Legal & Strategy is responsible for reviewing this Policy at least annually, or sooner (in the case of an amendment to relevant legislation or policy, and/or reviewed guidelines from Treasury, the State Services Commission, MBIE and/or the Office of the Auditor-General). Any review will be directed at ensuring that the Policy continues to be effective and in line with public sector best practice as it relates to procurement.</p>
Compliance with procurement policies and procedures	<p>This Policy and its associated procedures reflect Southern Response's policy and public sector best practice. Inherent in the processes are options that allow tailoring to suit individual procurement needs. The procedures contained in this Policy should be followed, unless:</p> <ul style="list-style-type: none">• there is clear justification to depart from the Policy; and• the Chief Financial Officer AND the relevant Financial Delegation Holder approve the departure prior to the departure taking place. <p>Any departure is to be justified as more appropriate in the circumstances for that particular procurement having regard to the public sector expectations, the policy objectives and value-for-money approach outlined above and The Rules.</p>
Separation of responsibilities	<p>To minimise the risk of unethical behaviour Southern Response will separate, where practical, the various responsibilities and authorisations in procurement. Ideally, there should be a method of rotating duties, thus ensuring that key decision areas are not influenced by one individual. Rotation can also reduce the risk of bias or the appearance of biased relationships developing between a particular staff member and an actual or potential supplier.</p>
Financial delegations	<p>Authorities for incurring expenditure are documented in Southern Response's Delegated Authorities Policy. Staff are accountable, and must have a clear understanding of their authorities under the financial delegations before they commit Southern Response to any expenditure, financial or contractual commitment.</p>
Preferred Supplier contracts for Administrative Procurement	<p>Preferred Supplier contracts for Administrative Procurement contracts (e.g. stationery, travel, disasters/emergency, fuel, legal and professional services, IT equipment, building programme procurement items etc.) are owned and maintained by the Finance Team. Business Units are to ensure that they comply with these arrangements, and that no 'leakage' or rogue procurement activity occurs with other suppliers (providing the same service), unless prior written approval has been obtained from the Chief Financial Officer.</p>
Establishing commercial contracts	<p>Formal, sound and robust contracts and contractual relationships should be established with suppliers. This process is governed by the Contract Approval Policy.</p>
Risk management	<p>At all stages of the procurement process, Southern Response staff are to consider the business risk involved with the adopted process and seek to mitigate it wherever possible.</p> <p>Southern Response staff embarking on any procurement process should ensure that they avoid inadvertently and/or prematurely creating contractual obligations during, for example, a tendering process.</p> <p>It is imperative that any potentially material amendments to the Southern Response procurement tools are discussed with Southern Response's Audit, Risk and Compliance Manager, CFO and CEO.</p>
Contracting with ex-employees of Southern Response	<p>Care should be taken to ensure that transactions and relationships with such ex-employees are even-handed and if necessary cautious, to ensure that no undue advantage is given to them or to their new employer. Perception risks of contracting with ex-employees should be addressed in the Risk Register.</p>

Renewal of contracts

Staff must comply with the Contract Approval Policy. Specific matters relating to the procurement process are documented below.

Manager/s within Southern Response who are operationally responsible for the maintenance of the contract (Contract Managers) should be aware of their contract's expiry dates so that plans for future provision can be implemented well before that date. This should include communicating with the current or other possible providers or a re-tender/proposal.

Contract Managers should evaluate and review the contract to assess how well the business objectives have been achieved and determine where improvements could be made.

When the contract expires or ends a formal documented contract completion process (including debrief) should be carried out by the Contract Manager.

When contract renewal periods are reached, it may be perceived that current suppliers may have an advantage in their knowledge of Southern Response and its requirements. A formal process should be put in place to govern contact with any current supplier when tendering or proposing for a future contract. This process should include a requirement that the current supplier must not discuss the requirements and contents of the new tender or proposal with Southern Response's staff or members of the evaluation panel, unless the discussion is part of the formal procurement process.

All contract term and extension options in an approved contract should be the same as the contract term and extension options listed in the advertised tender document/s. Contracts should not be automatically "rolled-over" and extensions to contracts should only be approved if these have been noted in the tender documents and contract. The value of the extension of the contract should be determined and the extension of the contract should be approved by the delegated authority. A report should be sent to the delegated authority when requesting approval for the extension. The report should contain:

- the reason for the contract extension;
- details regarding the supplier's performance;
- the benefits and expected cost of the extension;
- the effect this extension will have on other suppliers in the market;
- the expected savings for Southern Response as a result of the extension; and
- the impact on Southern Response if the contract extension was not approved.

Ethical considerations

Staff must comply with the Southern Response Ethical Behaviour Policy and Southern Response Conflicts of Interest Policy. Specific matters relating to the procurement process are documented below.

Southern Response is expected to use public resources effectively and efficiently, be committed to dealing with suppliers and individuals in a fair, honest and equitable way and avoid any conflicts of interest (whether real or perceived).

The following principles are to be followed by all Southern Response staff and contractors, consultants, and procurement agents acting on behalf of Southern Response, in respect of the management of, involvement in, and advice on procurement processes:

- All tenderers will be treated with impartiality and fairness and be allowed equal access to information and opportunities to submit tender responses.
- No engaging in deceptive or misleading conduct (as defined under the Fair Trading Act 1986).
- Price fixing and collusive behaviour are to be avoided (reference Commerce Act 1986 and Auditor-General Guidelines).
- Conflicts of Interest

Gifts and hospitality

Staff must comply with the Southern Response policy regarding gifts and gratuities (refer to the “Gifts and Koha Policy” and the State Services Commission’s “*New Zealand Public Service Code of Conduct*”). Specific matters relating to the procurement process are documented below.

Southern Response staff must not be under any obligation (or appear to be under obligation) to anyone other than Southern Response for the performance of their duties. Please refer to the Sensitive Expenditure Policy and the Gifts and Koha Policy.

No gifts or gratuities are to be accepted from prospective suppliers who are actively tendering for the provision of goods and services.

Southern Response staff must not request any gifts, favours or forms of entertainment in return for business, services or information.

Southern Response staff may only accept a gift or form of entertainment if it is less than [see Southern Response’s policy on receiving of gifts for current dollar amount] in value], is justifiable in the circumstances, is not an inducement, and will not influence or impair the decision-making process or is not in the best interest of Southern Response.

All gifts or gratuities offered by suppliers are to be recorded in a register recording the details of the gift, supplier, date and recipient. All personal interests that may affect, or could be perceived to affect the impartiality of, staff, contractors or consultants when acting on behalf of Southern Response must be declared, together with the mitigating action to be taken, and approved on a ‘one-up’ basis. See Statement of Business Ethics and the Conflicts of Interest Policy.

Complaints process

In accordance with MBIE requirements, Southern Response will investigate promptly, and give fair and objective consideration to complaints from all tenderers (this includes domestic and international). Southern Response will undertake to resolve any complaints received within the organisation. Unresolved complaints may be investigated by MBIE’s Government Procurement Development Group (“GPDG”) in consultation with Southern Response.

The Auditor-General or Ombudsmen may also investigate complaints of unfair treatment or mismanagement. In some cases aggrieved complainants may have recourse to the courts for judicial review or an action for breach of contract.

Southern Response undertakes to offer fair treatment and not prejudice tenderers who have previously complained of unfair treatment to the organisation.

Efficiency and effectiveness

The procurement method undertaken should be assessed and chosen on its ability to deliver the most efficient and effective use of public money. This assessment is determined with reference to the area of procurement (e.g. Administrative Procurement or Canterbury Recovery Procurement).

Accountability

It is important that Southern Response maintains a high level of accountability for its selection decisions and the management of contracts, reflecting its responsibility to spend public money wisely.

All procurement activities and the decisions that Southern Response makes, as a result of these activities, will be documented to provide a clear audit trail and to allow for effective performance reviews of contracts.

Syndicated procurement

Syndicated procurement is a process whereby agencies aggregate their requirements prior to going to the market or may have an opportunity to “piggy back” on to another agency’s contract for the same goods or services.

This approach avoids duplication of effort across agencies and increase the buying power of the tendering agencies.

Southern Response has access to a number of syndicated procurement contracts including those released by MBIE under the All-of-Government programme.

Syndicated procurement contracts should be considered prior to undertaking any substantial purchase.

Administrative Procurement

Administrative Procurement and indicative monetary limits

Generally, in respect of the overhead costs and services consumed by Southern Response and its agents (e.g. office supplies, consulting services), the All-of-Government purchase arrangements already negotiated by Government Departments and Crown entities will be utilised where considered by Southern Response to be most appropriate.

Where such purchases are made **outside** of the All-of-Government procurement or Government syndicated procurement arrangements, Southern Response will generally use the following process when purchases (budgeted at the point of procurement over the life of the contract) fall under various monetary thresholds.

Purchasing Method	Monetary Limit-(contract term)
Telephone Quotation - normally 3 required and records kept	\$5,000 - \$50,000
Written Quotation - normally 3 required and full documentation must be kept	\$50,000 - \$250,000
Full Open Tender (i.e. competitively advertised)	\$250,000 and above

In some circumstances the criteria for the use of the Selective Procurement method may be met but it is not expected that this method would be used for administrative procurement in excess of \$50,000.

In cases where the criteria are met and limited price testing is possible and/or the pattern of procurement will run off over the life of the contract, the “confirm price” stage of the procurement process flowchart is to be supported by a justification paper detailing:

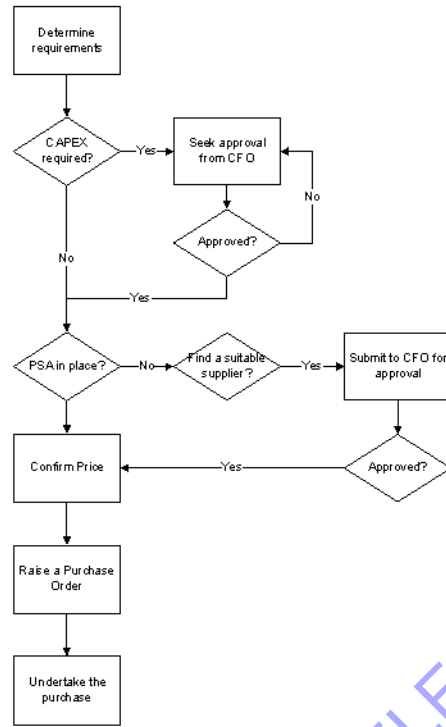
- The justification for the use of the selective procurement method
- A description of the services to be procured
- An evaluation of the current supplier
- The price negotiated and the justification thereof in relation to similar/equivalent procurement
- Review and approval by the CFO, or the CEO if the justification paper is prepared by the CFO

Any resulting contract should be reviewed, approved and executed in accordance with the terms of the Contracts Approval Policy and the Delegated Authorities Policy.

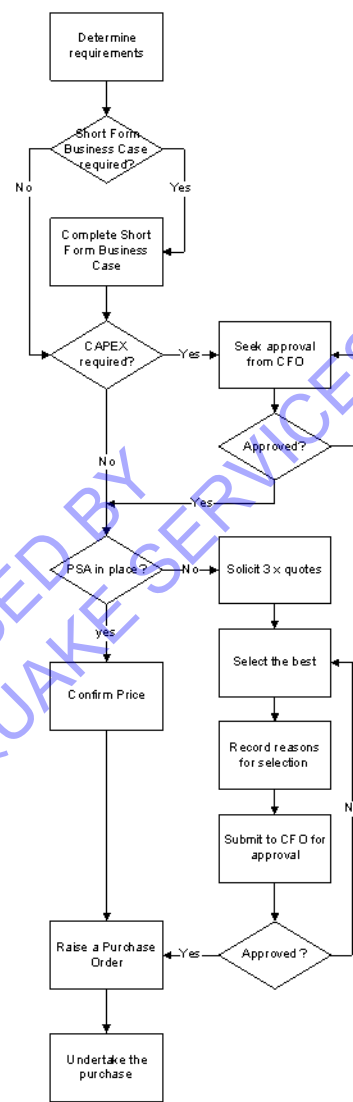
Diagrammatic of Administrative Procurement Process relevant to indicative monetary limits

The Administrative Procurement process for each of the above monetary limits is:

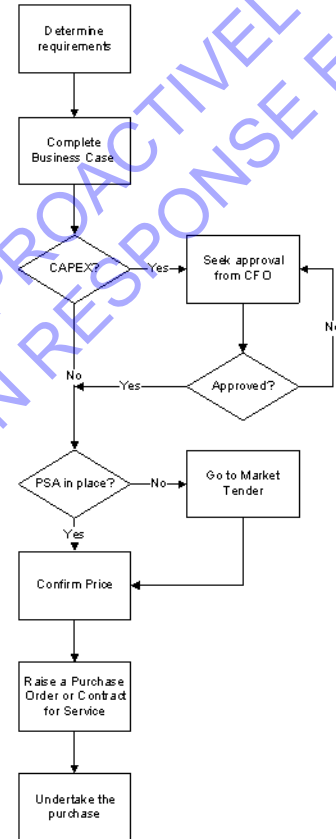
Monetary Limit: \$2,000 to \$50,000



Monetary Limit: \$50,000 to \$250,000



Monetary Limit: \$250,000 and above



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Canterbury Recovery Procurement

Canterbury Recovery Procurement Strategy

For the Canterbury Recovery Procurement category of procurement, Southern Response will choose (and if appropriate tailor) the procurement processes or methods appropriate for the particular circumstances of each procurement.

Any consideration of the appropriate process or method for a particular procurement in this category will include taking into account public sector expectations, the policy objectives outlined above and value-for-money, whilst recognising the post-earthquake Canterbury Recovery environment and that the Canterbury Recovery is primarily in the phase described in *Quick-Guide: Emergency Procurement* as “Phase 3 – Post-disaster reconstruction” (which permits the choice of an accelerated procurement process as described above in the section Emergency Procurement).

Southern Response will also consider (but will not be bound by) the indicative monetary limits for Administrative Procurement.

Southern Response recognises that choosing any procurement process in the post-earthquake Canterbury Recovery environment necessitates taking account of the following unique features:

- Southern Responses primary function is to settle Southern Response customer claims; this must be considered with reference to timeliness (in the circumstances of a natural disaster) and entitlements under the applicable insurance policy.
- Southern Response needs to respond to the following environmental factors during the Canterbury Recovery, which are:
 - market constraints and pressure for security and continuity of delivery of supplies and services during the Canterbury Recovery;
 - the need to secure sufficient supplies and services for the Canterbury Recovery, to achieve the first strategic objective within the Company’s Statement of Intent;
 - delay in delivery of claims settlement for the Canterbury Recovery will impact on the cost to the Crown through cost escalation;
 - the extreme needs of Southern Response customers that are displaced, vulnerable and/or generally aggrieved; and
 - the continued volume of construction in the Canterbury Recovery through a combination of commercial building work, residential consumers managing their own earthquake repairs and other construction activity.

Given these unique features, procurement in this Canterbury Recovery Procurement category will generally be undertaken pursuant to an accelerated procurement process, although Southern Response will consider for each particular procurement within this category whether the circumstances justify an accelerated approach.

Where an accelerated procurement process is developed it must be justified and accountability maintained, having regard to public sector expectations and the policy objectives outlined above.

There may be exceptional circumstances for vulnerable customers where procurement methods described in this Policy may not be suitable. These individual projects will be managed outside of this Policy, any such procurement will undergo financial due diligence to substantiate the price and any heightened risk of financial failure of the contractor.

Having considered the factors outlined above, Southern Response has developed particular procurement processes for the main procurements it expects to undertake in this Canterbury Recovery Procurement category. These are set out below in the section Canterbury Recovery Procurement Strategy.

Procurement agent for Canterbury Recovery Procurement

Arrow International (NZ) Ltd ("Arrow") is currently Southern Response's appointed procurement agent for Canterbury Recovery Procurement. Any procurement agent must act in accordance with this Policy and observe the same ethical standards, principles, and behaviour and meet the same standards of good procurement practice that apply to Southern Response.

Canterbury Recovery Procurement

Canterbury Recovery Procurement recognises the type of goods and services required for the Canterbury Recovery, the anticipated annual spend for such goods and services, the main suppliers, volume and value of the procurements and the environment that Southern Response is procuring goods and services within.

Having considered the factors outlined above in the section Canterbury Recovery Procurement Strategy and the particular circumstances of each procurement, Southern Response has developed the following procurement processes for the main procurements it expects to undertake in the Canterbury Recovery Procurement category:

Accredited Contractors and Southern Response Contractor Panels

Arrow has been appointed as agent of Southern Response to provide the technical expertise to introduce cost competitiveness into the Canterbury Recovery.

Through Arrow, Southern Response (prior to becoming a Crown-Owned Company) had developed a process to establish accredited contractors ('Accredited Contractors') for the Southern Response Canterbury Recovery programme. Before securing any repair or rebuild work that is contracted to Southern Response and its customers, an applicant contractor must be approved as an Accredited Contractor through the accreditation process, which is reviewed annually.

As Southern Response directs a number of its customers toward particular Accredited Contractors, an appropriate procurement process is necessary, whilst recognising the timeliness required and other factors identified in the Canterbury Recovery Procurement Strategy.

Applicant contractors seeking to become Accredited Contractors are reviewed by Arrow, on behalf of Southern Response, for a demonstrable degree of integrity, operational efficiency (including capacity, competence and building quality), financial stability and a robust approach toward health and safety. Accredited Contractors are expected to build in a manner that is building industry compliant and does not bring the Crown into disrepute (the Accreditation Process). The review is conducted by Arrow and Southern Response through a structured vetting process against selection criteria.

Arrow and Southern Response will continue to review Accredited Contractors on a quarterly basis, and assess the number of ongoing Accredited Contractors required for the build programme.

Controls to ensure competitive tension arising from rebuild/repair allocation process and the Overarching Principles are met are:

- Each job will be accompanied by an Arrow Quantity Surveyors cost assessment, which will be used to ensure value-for-money for the Crown and the customer.
- Where applicable a restricted closed tender model may be utilised, which will involve seeking tenders from at least two Accredited Contractors.
- Southern Response generally requiring the Accredited Contractor to use Southern Response's bespoke suite of Canterbury Recovery Construction and Consultancy Contracts.

The contractual arrangements with Accredited Contractors appointed to Southern Response Contractor Panels will include audit and review clauses that will provide the rigour in respect of the cost of materials, labour and the margin agreed (for a fixed period) with the Accredited Contractor.

Random audits may be undertaken against completed jobs to ensure the terms of the contract have been adhered to, together with targeted audits where there is any indication that Accredited Contractors are not acting in accordance with the terms of the agreements.

Allocations of building contracts to Accredited Contractors

Specific allocations to Accredited Contractors will have regard to Southern Response volume needs, and the capability, specialisation and capacity of the panel members as assessed by both quantitative (KPI) and qualitative (historical performance) inputs. A standing audit will be applied to ensure financial and ethical prudence in allocations.

Short-Supply/Peak-Demand Contractors

Southern Response recognises that there will be peak demand cycles during the Canterbury Recovery where certain services for residential construction will be difficult to secure and/or in short-supply ('Targeted Services'). This may apply to industries that are the domain of Accredited Contractors and/or non-Accredited Contractors. Examples of Targeted Services have included:

- Engineering Services;
- Foundation repair/replacement specialists;
- Ground Improvement consultants; and
- Cadastral surveyors.

Again, with the focus on timeliness of delivery of customer claims settlement and security of supply, the anticipated process is:

1. Southern Response may from time to time during the Canterbury Recovery, identify services required for the Canterbury Recovery that are assessed as Targeted Services.
2. Ideally, an assessment of the identified services will occur before peak demand/short supply cycles that cause the services to become Targeted Services that have very low available market capacity/appetite. Southern Response will conduct an assessment of the identified services. The assessment of the identified services will include:
 - internal assessment of immediate (and ongoing) need for Targeted Services for Southern Response customers;
 - external assessment of the capacity of Accredited Contractors and/or non-Accredited Contractors to provide the required volume of Targeted Services within the market; and
 - determining the capability/quality of Accredited Contractors and/or non-Accredited Contractors to provide the Targeted Services.
3. The findings from the analysis must be assessed to determine if Targeted Services capacity modelling demonstrates:
 - medium to high market capacity and moderate need for Targeted Services - implement a competitive process;
 - low market capacity and moderate need for Targeted Services - negotiate the Targeted Services on an 'as-required' basis; (move to step 4)
 - very low market capacity and moderate (to high) need for Targeted Services - negotiate an appropriate supply agreement with available contractors to meet the immediate needs for the Targeted Services.
4. If the assessment demonstrates low market capacity and moderate need for Targeted Services, Southern Response:
 - may enter negotiations to secure Targeted Services on an 'as-required' basis;
 - dependent on the circumstances, will make every reasonable effort to secure value-for-money;
 - will look for other value-adds from negotiations including securing agreed rates and terms of engagement through umbrella agreements;
 - must seek advice in accordance with the Contract Approval and Delegated Authorities policies;
 - must document the process through an Emergency Procurement Paper;

- depending on the anticipated spend for the Targeted Services; seek approval in accordance with the Contract Approval and Delegated Authorities policies.

Monitoring must continue regarding interest and capacity.

5. If the assessment demonstrates very low market capacity and moderate to high need for Targeted Services, Southern Response:

- may consider offering a volume of work to contractors that provide the Targeted Services;
- will, through verifiable analysis, ensure that any anticipated volume offered is only of sufficiency to quell the immediate need;
- may enter negotiations to secure Targeted Services offering a volume to quell the immediate need and secure renewal rights to address any anticipated ongoing needs for the Targeted Services;
- will ensure, if the contractor has not done so, it completes the Accreditation Process to become an Accredited Contractor;
- will make reasonable efforts considering interest, supply and demand – to secure value-for-money through negotiations;
- must seek advice during negotiations in accordance with the Contract Approval and Delegated Authorities policies;
- must document the process through an Emergency Procurement or Justification Paper;
- depending on the anticipated spend and volume for the Targeted Services to the Accredited Contractor, be approved in accordance with the Contract Approval and Delegated Authorities policies.

At the expiry of any agreement, or at option of renewal, an assessment must be made in accordance with this Policy and the Contract Approval Policy.

Building materials

In respect of purchases or expenditure relating to building materials to be used in the Canterbury Recovery, Southern Response may implement strategies to achieve value-for-money, such as establishing preferred supplier relationships or entering into bulk purchasing arrangements.

Southern Response recognises that Accredited Contractors will have varying discounts and terms of trade available, which are dependent on their size and purchasing power. These discounts and terms of trade available to specific Accredited Contractors may not reflect the discounts that would normally be attributable to a purchaser of building materials of the scale of Southern Response.

In order to gain access to these scale discounts as required, Southern Response may seek to put in place minimum terms of trade with national distribution chains to ensure all Accredited Contractors will be competitive (reducing rebuild/repair costs).

Any such preferred supplier arrangement would be intended to be non-exclusive for both parties, Southern Response merely providing the opportunity to its Accredited Contractors to access the terms of trade Southern Response has secured with its preferred suppliers. Any relationship established with a supplier will have a non-negotiable term that any future negotiations between the supplier and the Crown (through MBIE) that secure greater scale discounts are to supersede any terms of trade established with Southern Response.

Any preferred supplier arrangement would be subject to legal input and review as it proceeds through the process, to ensure non-exclusivity and the ability for Southern Response to benefit from further scale discounts through the Crown (MBIE).

Southern Response will use the services of MBIE for high value/volume material procurements that are either not available, or will likely exceed any cost savings Southern Response has been previously able to achieve.

MBIE is expected to develop an international tender programme to provide the lowest cost access to high value/volume materials from the manufacturers. Accredited Contractors will be encouraged to use the suppliers of such materials. Rebates may be negotiated directly between Southern Response and the manufacturer in order to retain the benefit of the scale discounts for the Crown.

Relevant Links

Relevant Policies

- 3. Conflict of Interest Policy
- 7. Sensitive Expenditure Policy
- 8. Delegated Authority Policy
- 12. Gifts and Koha Policy
- 13. Use of Company Credit Card
- 18. Ethical Behaviour Policy
- 36. Contracts Approval Policy

Relevant References and Resources

- Ministry of Business, Innovation and Employment - Government Rules of Sourcing (third edition 2015)
<http://www.business.govt.nz/procurement/pdf-library/agencies/rules-of-sourcing/government-rules-of-sourcing-v3.pdf>
- Ministry of Business, Innovation, and Employment – Government procurement – buying goods and services – the five principles, October 2012
<http://www.business.govt.nz/procurement/pdf-library/PRINCIPLES%20of%20Government%20Procurement%20Aug%202012.pdf>
- Ministry of Business, Innovation and Employment – Government Procurement in New Zealand: Policy Guide for Purchasers - Government Procurement Policy .
- Ministry of Business, Innovation and Employment – Mandatory Rules for Procurement by Departments. (superseded by Government Rules of Sourcing – see below)
- Office of the Auditor-General – Procurement guidance for public entities 2008
<http://www.oag.govt.nz/2008/procurement-guide/>
- Office of the Auditor-General - Public sector purchases, grants, and gifts: Managing funding arrangements with external parties
<http://www.oag.govt.nz/2008/funding-arrangements>
- The Office of the Auditor-General have also released Guidelines for Public entities controlling sensitive expenditure, these are available at
<http://www.oag.govt.nz/2007/sensitive-expenditure/docs/sensitive-expenditure.pdf>.
- Office of the Auditor-General – various guidance documents on the Management of Conflicts of Interest.
- State Services Commission – Best Practice Guidelines for Departments responsible for Regulatory Process with Significant Commercial Implications 2004 <http://www.ssc.govt.nz/best-practice-guidelines-regulatory-process>.
- State Services Commission – Guidelines for managing and monitoring major IT projects http://www.ssc.govt.nz/IT_guidelines.
- State Services Commission – Managing Conflicts of Interest
http://www.ssc.govt.nz/walking_the_line
- The Treasury – Guidelines for Contracting with Non-Government Organisations for Services sought by the Crown 2003
<http://www.treasury.govt.nz/publicsector/ngo/execsumm.asp>.
- Information Technology Association of New Zealand's (ITANZ) guidelines for Information technology procurement these guidelines are titled *Information Technology Procurement Guidelines* and can be found at
<http://www.itanz.org.nz/docs/Guidelines/Procurea.doc>
- Ministry of Business, Innovation, and Employment – Quick-Guide: Emergency Procurement <http://www.business.govt.nz/procurement/pdf-library/agencies/quick-guide-emergency-procurement.pdf>

Legislation

Southern Response staff must comply with all applicable legislation throughout the procurement process. The legislation includes, but is not limited to, the:

- Official Information Act 1982;
- Fair Trading Act 1986;
- Commerce Act 1986;
- Public Finance Act 1989;
- Electronic Transactions Act 2002;
- Crown Entities Act 2004.

Version Control

Version	Date	Author	Description
0.1	2/11/12	██████	Policy Created
0.2	14/11/12	██████	Review
0.3	19/11/12	██████	Review
0.4	01/02/13	C Hurren	Review
0.5	12/02/13	Bell Gully	Review
0.6	06/03/2013	A Urlwin	Review
1.0	22/03/2013	S Giles	Approved by Board
1.1	19/07/2013	S Giles	Daily escalation figure updated per Finity valuation, approved by Peter Rose
1.2	02/08/2013	P Rose	A&R Committee approved, subject to alignment with Policy Development Policy.
1.3	19/08/2013	Anna Gruczynska	Board Reviewed and approved.
2.0	14/10/2013	S Giles	Policy owner revised from Chief Corporate Officer to Chief Financial Officer
3.0	2/4/2014	C Hurren/T Feaver	Scheduled review in accordance with Policy Review Schedule and reference to Government Rules of Sourcing
3.1	11/04/2014	A Gruczynska	Reviewed by Audit & Risk Committee; amendments agreed.
3.2	14/04/2014	A Gruczynska	Board approved.
4.0	28/01/2015	T Feaver	Scheduled review in accordance with Policy Review Schedule and reference to Government Rules of Sourcing
4.1	03/02/2015	A Gruczynska	Reviewed by Audit & Risk Committee.
4.2	16/02/2015	A Gruczynska	Board approved.
5.0	10/09/2015	A Honeybone	Review and update to reflect current Canterbury Recovery Procurement environment
5.1	16/09/2015	C. Hurren	Review
5.2	29/09/2015	T. Feaver	Review
5.3	15/10/2015	A Gruczynska	Reviewed by Audit & Risk Committee; amendments approved for recommendation to the Board.
5.4	22/10/2015	A Gruczynska	Board approved.
6.0	8/04/2016	P Rose	Reviewed according to the policy review cycle, recommend amendments to A&R Committee.
c	14/04/2016	A Gruczynska	Reviewed by Audit and Risk Committee and approved for recommendation to the Board.
6.2	15/04/2016	A Gruczynska	Board approved.
7.0	29/06/2017	C Hurren/T Feaver	Scheduled review in accordance with Policy Review Schedule.
7.1	05/07/2017	P Jensen	CE approved for recommendation to the A&R Committee
7.2	14/07/2017	A Gruczynska	Audit & Risk Committee reviewed and recommended to the Board, subject to amendments agreed.
7.3	21/07/2017	A Gruczynska	Board approved.