

Procurement

Southern Response as a Crown-owned company has taken legal advice to confirm the appropriate approach to procurement. The need to ensure a legal review was in response to the need for a truncated approach for Southern Response securing the services of group builders through volume arrangements in early-2013.

In addition to providing legal advice regarding the procurement approach for anticipated volume build arrangements, Southern Response also presented draft procurement and contracts policies to Bell Gully for review (advice still to be received) - ensuring Southern Response's policy approach is consistent with published expectations from Government.

As it relates to Southern Response, the approach to procurement can be divided into two distinct categories:

- I. Goods and services that are not for the purpose of post-disaster reconstruction.
- II. Goods and services that are for the purpose of post-disaster reconstruction.

Broad principles of our approach to Category I

Generally, the methods used to procure goods and services in Category I will be in distinct phases: market research, followed by an open tender and/or competitive process – particularly if the goods/services are anticipated to be high value.

High-level expectations from the Category I procurement approach would include:

- Reasonable endeavours to utilise public sector procurement best practices.
- Utilising market research, Southern Response then being able to establish if:
 - the goods or services needed, require special skills or are complex;
 - there is a need to use a particular supplier due to current goods/services that are already utilised within the business; and/or
 - there is only one supplier that may have the capacity to deliver goods/services within any needed timeframe.
- The anticipated cost and extent of the goods/services required should influence the chosen procurement method (as the cost of an open tender may outweigh the value of the goods/services or be impractical).
- Any genuine limits on time for the need to procure the goods/services should be taken into consideration when determining the appropriate procurement methods.
- The reasons for the chosen procurement method being documented internally (for audit purposes) and if the procurement method chosen did not involve a competitive process, the decision supported with a business case.
- For any method of procurement chosen, demonstrating that value for money has been achieved will be paramount.

Broad principles of our approach to Category II

The third emergency procurement phase ('Post-disaster reconstruction: accelerated procurement') of the Government's 'Quick-Guide: Emergency Procurement' supports a truncated approach to procurement in the context of the Canterbury earthquakes. An example of procurement truncation may include combining market research and seeking tenders from supplier participants at the same time.

Despite the ability to truncate, any given approach to emergency procurement must still be able to be justified, therefore at a high-level procurement principles for Category II are:

- Procurement related to reconstruction in Canterbury requires more flexibility and greater responsiveness.
- Any procurement related to reconstruction should be identified as emergency procurement.
- Any flexibility/responsiveness to emergency procurement must also be balanced with a rigour that allows for some level of competition - maintaining governance and accountability.
- The emergency procurement process chosen is still subject to audit and therefore the reasons for running the process in a manner that departs from Government procurement norms (broadly described in Category I) should be documented.
- With any emergency procurement, Southern Response and Arrow (as our agent) must also be cognisant of:
 - Conflicts of interest (and any required management of identified conflicts)
 - Potential for fraud, bribery, corruption and inflated prices.

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