

# DFTO Procurement Policy

## FYR-26

### DFTO Policy Review Sheet

Policy Title – DFTO - Procurement Policy

<b>Date reviewed</b>	19.03.2025
<b>Reviewer</b>	Catherine Craig
<b>Owner</b>	Group Procurement Director
<b>Signature</b>	NAB
<b>Date approved</b>	
<b>Approver</b>	Neil Bowen & Richard Harrison
<b>Date of next review</b>	01.03.2026
<b>Version</b>	1.0



## **DfT OPERATOR LIMITED PROCUREMENT POLICY (FYR26)**

---

### **Introduction**

This policy describes how procurement is managed at DfT Operator Limited (DFTO). It sets out the principles to ensure that procurement activities across the group are compliant with internal and external regulatory and legislative controls including the Procurement Act 2023 (PA23).

DFTO and its subsidiaries will treat suppliers equally and without discrimination and act in a transparent and proportionate manner. DFTO and its subsidiaries will award contracts and other supply arrangements based on the most advantageous tender (MAT) or other proposal.

### **DFTO Procurement Directorate**

Procurement at DFTO is responsible for the management of procurement activity within the group and its subsidiaries. It is led by the Group Procurement Director who reports to the Chief Finance Officer.

The senior members of the Procurement directorate are expected to have significant procurement experience and to either have or be working towards Membership of the Chartered Institute of Purchasing and Supply (MCIPS).

There is a readily available procurement manual and supporting information to assist and guide their procurement activities.

DFTO operates as the government's public sector rail owning group. As part of the client relationship our operators are party to a services agreement and corporate framework with both DFTO and DfT that sets out principles and obligations by which we operate.

DFTO Procurement works closely with operators and DfT to appropriately support and control procurement and contracts to ensure continuity of service of the operational railway.

### **Procurement principles**

As public sector authorities, DFTO and its group operators are subject to public procurement regulations and the procurement of all works, goods and services must be managed compliantly under public procurement regulations, PA23 as applicable and be compliant with all relevant laws and regulations.

### **Procurement Procedures**

DFTO has a comprehensive set of procurement procedures that ensure procurement activities align to the regulations. These are defined within the DFTO procurement manual and are updated as required to meet changes in regulations and drive best



practice. DFTO works with its operators to drive consistency and collaboration through its procurement processes.

### **Delegated Authorities**

DFTO has detailed delegated authorities which are endorsed by its Audit and Risk Committee and approved by the DFTO Board. Compliance with these delegated authorities is mandatory and this assists in managing risk.

These delegated authorities specifically detail who can approve and sign contracts and how they can approve expenditure. They also detail reserved matters, where DFTO needs additional approvals from DfT before progression.

The controls of delegation are cascaded through operators in line with the services agreements and agreed governance frameworks to ensure that appropriate delegation remains in place and reflects an appropriate means of escalation through the appropriate level of authorities.

### **Managing Risk**

Through our procurement activity we work to identify and minimise risk. Procurement manages, maintains and regularly reviews a risk register. In addition, we are working to develop our risk management processes through the supply chains with our operators.

Procurement also leads on modern slavery and National Living Wage compliance within the supply chain.

### **Social Value and Responsible Procurement**

At DFTO we are keen to develop and deliver value to the communities that we serve and work in. Procurement is aware that its activities can and should develop social value in its broadest sense and this includes environmental, sustainability and developing local supply chains.

We work with our supply chains and across our operator business functions to develop greater sustainable sourcing and supply chain management processes and principles, targeting areas such as carbon reduction plans and sustainable procurement practices whilst ensuring we are operating in line with government policy guidance.

### **Supply Chain Code of Conduct**

DFTO has a clear set of values that set out the behaviours that all employees should work within and make sure that everyone is 'doing the right thing'.

Procurement supports DFTO in ensuring it works within these guidelines and with reputable and ethical suppliers, through supplier assessment and as detailed in the 'Supply chain code of conduct'.

The 'Supply chain code of conduct' specifically addresses (not exhaustive):

- anti-fraud and bribery
- applicable competition laws
- anti-corruption



- environmental and health and safety principles
- financial and employment controls

### **Legal (including documentation)**

Procurement proactively engages with the DFTO legal function and with direction from the DFTO legal function will, where necessary, also engage external legal support.

Procurement, with support from the legal function, maintains and uses a standardised set of contractual and tender documents. Variations from standard agreements align to the risk and decision matrix linked to delegated authorities.

### **External Relationships**

Procurement proactively liaises and develops relationships with various external stakeholders including:

- Network Rail
- DfT
- Rail Safety and Standards Board (RSSB)
- Office of Rail and Road (ORR)
- devolved arm's length transport authorities including rail operators and Rail Delivery Group (RDG)
- the contract and procurement teams at Cabinet Office

We work with the local teams within operators to develop synergies and share best practice where we can.

We also work with the Cabinet Office commercial functions and Crown Commercial Services (CCS) teams as required and, where it is deemed appropriate, we can utilise CCS and other purchasing organisations frameworks and services. This procurement approach should be determined as part of the tender and sourcing process on a case-by-case basis.

### **Earned Autonomy**

DFTO works within an earned autonomy framework. This means that DFTO has demonstrated its capabilities in procurement, commercial and supply chain management which grants it greater autonomy in spend control decision making without requiring external assurance from central government functions.

Through its governance and assurance activities, DFTO review and assure procurement activities up to a whole life contract value of £500 million before seeking third line assurance from central government functions.

### **Audit of the Procurement Function**

Procurement complete self-assessments throughout life cycle of activities and is periodically reviewed by the DFTO audit function and as otherwise required by the DFTO Board.



### **Corporate Procurement Strategy**

DFTO has developed and is implementing the corporate procurement strategy 2025 that is reviewed and updated annually. The strategy sets out the strategic direction of our procurement activity for 2025 to 2027 taking account of our legal obligations and ensuring that we make the best use of public money, whilst protecting our climate and improving lives.

Subsidiaries of DFTO will receive cascades aspects of the strategy where they are relevant and include them in their own corporate procurement strategies.

### **Corporate Contracting Strategy**

The contracting strategy, developed with DfT introduces a new operating model that governs how DFTO train operators' contract with 3rd parties and includes the approach, aim and roles of train operating companies, DFTO and DfT.

The contracting strategy forms part of the wider services agreements between train operators and DfT.

### **Annual Procurement Report**

DFTO publish an annual procurement report on the performance of our regulated procurement activities.