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Procurement Department

PROCUREMENT POLICY

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1 Introduction

1.1 CRL Status and Accountability

1.1.1 Crossrail Limited (CRL) was established as a special purpose vehicle for the delivery of the Crossrail Programme and is now a wholly owned subsidiary of Transport for London (TfL). CRL is responsible, subject to the terms of the Project Development Agreement, for achieving value for the money that will be spent in delivering the Crossrail Programme.

1.1.2 The project funding deal is complex and includes large sums from central Government and TfL. This means CRL will be accountable to both the Parliamentary Accounts Committee and the TfL Board for the expenditure incurred in delivering the project and will be subject to audit by both the National Audit Office and the Audit Commission.

1.2 Purpose of Procurement Policy Document

1.2.1 The purpose of this Policy is to ensure that all procurement activities carried out by, or on behalf of CRL:

- provide best affordable value in delivering the Crossrail project objectives;
- are conducted in a fair, objective and transparent manner;
- are compliant with the regulatory framework of all relevant legislation, the CRL governance and audit framework and delegated levels of authority;
- use best practice in the application of ethical standards;
- are aligned with the CRL vision and values; and
- adhere wherever appropriate to Government procurement policies and TfL / GLA Responsible Procurement Policy.

1.2.2 This Policy is not intended to be used in connection with the interpretation of any contract.

1.3 Scope and Application

1.3.1 This document establishes the Policy governing all of CRL's procurement activities. It will be reviewed on an annual basis or as necessary to reflect any significant policy developments.

1.3.2 Procurement is the whole process of acquiring works, supplies and services from the market, managing variations to those transactions, settling claims for additional payment, imposing contractual remedies for breach of an obligation and maintaining supplier performance data.

1.3.3 This Policy applies to all CRL employees and agents and consultants acting on behalf of CRL. Agents and consultants exercising a procurement function on CRL's behalf must comply with these requirements at policy level and seek CRL Head of Procurement endorsement to any alternative approach that they might wish to use.

1.3.4 CRL requires that agents and consultants make their employees aware of this Policy and ensure that their employees observe it when engaged in CRL contracts. CRL will ensure that agents and consultants are made aware of this requirement.

1.3.5 Agreements with third parties for rights of access, property interests, compensation and other similar transactions are also covered by the principles of this Policy.

2 Overarching Objectives

2.1 In line with TfL's policy, CRL's procurement activities will be guided by the following overarching objectives:

- a) **Deliver Best Affordable Value** – achieve best affordable value in delivering CRL's high level objectives. Seek opportunities for efficiency and economies of scale across the Programme by working with TfL and industry partners. The achievement of best affordable value also requires that the procurement procedures and contractual arrangements support the delivery of related Government and TfL policies.
- b) **Establish Effective Governance and Control** - conduct procurement activities in a manner that satisfies the requirements of accountability and internal control, fulfils CRL's legal obligations, complies with financial constraints and effectively manages commercial risk.
- c) **Apply Standardised Approaches** - provide and enforce effective, efficient and consistent commercial arrangements for procuring works, products and services of a common nature.
- d) **Build and Maintain Effective Supplier Relationships** - recognise that in order to achieve best affordable value appropriate relationships must be developed and maintained with suppliers and their supply chains.

2.2 The detail on each of these overarching objectives is outlined in the following sections.

3 Delivering Best Affordable Value – Key Policy Principles

3.1 Approach to Delivering Best Value

3.1.1 CRL's procurement activities will be carried out on the basis of achieving best affordable value. This means delivering CRL's high level objectives for the Crossrail Programme within the affordability criteria.

3.1.2 The achievement of best affordable value will be facilitated by:

- maintaining a strong focus on the baseline budget and the affordability of proposals;
- applying the Key Policy Principles set out in this Policy statement;
- securing the external capability necessary to deliver CRL's business needs on competitive best value terms, a fair allocation of risk and rewards, on fully specified terms and with predictable outcomes;

- adopting recognised best practice and guidance from the Office of Government Commerce (OGC), HM Treasury (HMT) and other appropriate organisations where appropriate;
- learning lessons from other relevant major projects;
- developing, implementing and managing procurement strategies and plans based on a robust risk based approach;
- coordinating procurement plans and activities with Industry Partners including Network Rail, London Underground and TfL;
- using centralised contracts and framework agreements put in place by TfL, OGC or others where appropriate;
- developing and implementing standard procurement procedures which are kept under review to identify efficiencies in the procurement process; and
- working with suppliers to create relationships that are professional and productive, and are appropriate to the value and importance of supplies.

3.2 Related Policies

3.2.1 The achievement of best affordable value must ensure that the procurement procedures and contractual arrangements support the delivery of related Government and TfL policies. The CRL Procurement Policy has been developed to align with the following key policy documents:

- Government procurement policies as set out in the following:
 - a) OGC Achieving Excellence in Construction Guides;
 - b) OGC Common Minimum Standards;
 - c) OGC Guide to best “Fair Payment” practices;
 - d) OGC Procurement Policy Information Notes;
 - e) Strategic Forum for Construction “2012 Construction Commitments”.
- TfL Procurement Policy, issued November 2009;
- Greater London Authority (GLA) Responsible Procurement Policy, updated January 2008;
- European Procurement Directives and implementing Regulations.

3.2.2 Account has also taken of the advice and guidance in the following supporting documents:

- OGC Value for Money Evaluation in Complex Procurements;
- OGC Gateway Process;
- HMT’s “Transforming Government Procurement”, January 2007;
- HMT’s “Infrastructure Procurement: delivering long-term value”, March 2008;
- Relevant National Audit Office (NAO) and Audit Commission construction related reports including:
 - a) NAO “Modernising Construction” January 2001;

b) NAO “Improving Public Services through better construction”, March 2005.

- Market Consultation reports undertaken by KPMG and Transcend.

3.2.3 CRL’s approach to the key policy areas covered in the above key policy documents and supporting policy guidance publications are set out in the following section.

3.3 CRL Key Policy Principles

3.3.1 On the basis of the above key policy documents and supporting publications CRL has developed Key Policy Principles (KPPs) which will be applied to the delivery of the Crossrail procurement requirements. These are set out below in the following main areas:

- General Procurement;
- Supply Chain Management and Engagement;
- Supplier Selection Procedures;
- Contracting Arrangements;
- Risk Allocation;
- Fair Payment Procedures;
- Performance Management.

3.4 General Procurement Key Policy Principles

KPP1 – CRL will adopt a risk based approach to the development and evaluation of procurement strategies, detailed procurement plans and processes.

3.4.1 Risk based procedures to evaluate the optimal approach to procurements will be developed based on best practice and guidance issued by HMT and OGC. These will be aimed at ensuring that delivery risks are identified, evaluated, and allocated appropriately to achieve best affordable value in the management of the risks. The procedures will be designed to meet the requirements set out in OGC Gateway guidance notes so that the project passes through OGC and Major Project Review Group project reviews as efficiently as possible and with minimal impact on the programme.

KPP2 – CRL’s procurement activities will be carried out on the basis of achieving best affordable value.

3.4.2 The achievement of best affordable value means delivering CRL’s high level objectives for the Crossrail Programme within the affordability criteria.

KPP3 – CRL will ensure that it has access to the necessary experienced and competent resources needed to deliver the project successfully.

3.4.3 CRL’s approach to procurement and project delivery will be aimed at ensuring the availability of the skilled resources required for the delivery of the Crossrail Programme. Expert delivery partners and specialist advisers will be used as necessary to support CRL. Strong client capability will help establish CRL’s reputation as a best practice client which will help to attract the best suppliers and ensure strong competition for its

contracts. CRL will undertake reviews of resource pressures in the supply chain and develop plans to address potential shortages.

KPP4 – CRL will ensure that its procurement plans and procedures support delivery of CRL Health, Safety and Environment policies.

- 3.4.4 CRL’s procurement plans and procedures will be aligned with the policies and requirements set out in the CRL publication “Health, Safety and Environment Standard – Contractors and Industry Partners”.

KPP5 - CRL will implement best practice Responsible Procurement policies and processes based on TfL and GLA approach to responsible procurement.

- 3.4.5 CRL’s procurement plans and procedures will be aligned with the policies and requirements set out in the CRL publication “Crossrail’s Approach to Delivering Responsible Procurement”. In developing its procurement plans CRL will seek to prioritise opportunities to support the Government priority policy areas of apprentices, skills and youth employment, small businesses and low carbon resource efficiency.

KPP6 - CRL will collaborate with Industry Partners and other clients where appropriate to deliver efficiencies and savings through collaborative purchasing initiatives.

- 3.4.6 In particular CRL will work closely with Network Rail, London Underground, TfL and utilities companies to ensure that procurement plans are coordinated and any opportunities are taken to deliver better value through collaborative working.

3.5 Supply Chain Management and Engagement Key Policy Principles

KPP7 – CRL will establish early and regular consultation arrangements with the market to develop well informed and well prepared suppliers to help achieve strong competition for its full range of contracts.

- 3.5.1 CRL will undertake early engagement and consultation with the market and suppliers to review options for procurement plans and programmes and to help ensure that suppliers are well prepared for opportunities as they come to the market.

KPP8 – CRL will incorporate Optimised Contractor Involvement principles into its contracting arrangements to involve contractors and suppliers as early as possible prior to construction or manufacture phases.

- 3.5.2 CRL will aim to achieve the early involvement of the supply chain in a flexible manner which is being referred to as Optimised Contractor Involvement (OCI). This will ensure the involvement of the supply chain in the finalisation of the designs and delivery plans in a way that is best suited to the scope of the works package.
- 3.5.3 The objective of this approach is to bring the skills and expertise of the supply chain into the development of the final engineering solution to produce better solutions and improved value for money. The earlier involvement of the supply chain in the finalisation of the detailed design is aimed at delivering the following benefits:
- improved buildability of the works;
 - identification of better solutions and cost savings through value engineering;

- elimination of unnecessary scope or unnecessarily elaborate specifications;
- improved understanding and management of health and safety issues;
- improved understanding and management of construction risks;
- more time for the planning of resource requirements;
- more time for the contractor to become familiar with the environmental and local community requirements; and
- creation of integrated delivery teams who are incentivised to work together to resolve problems as quickly and efficiently as possible.

KPP9 - CRL will develop and maintain effective collaborative working relationships with the supply chain.

- 3.5.4 CRL will develop and implement appropriate arrangements with its suppliers to support the successful delivery of the project objectives and individual contracts. Partnering arrangements and integrated and co-located teams will be established where appropriate.

3.6 Supplier Selection Procedure Policy Principles

KPP10 – CRL will ensure that its procurement procedures are competitive, efficient, fair and transparent in accordance with its legal obligations, particularly those arising under the Utilities Contracts Regulations 2006.

- 3.6.1 It will be important to ensure that procurement procedures are fully compliant with the Regulations (as amended) as this will ensure that competitive best value bids are submitted and that they are not exposed to the risk of challenge which could result in significant delays to the programme, particularly if the challenge were to be successful.

KPP11 – CRL will award contracts on the basis of the most economically advantageous offers and not lowest price.

- 3.6.2 The Procurement Regulations provide for the award of contracts on the basis of either the lowest price or the most economically advantageous offer from the point of view of the Contracting Authority. It has been well established that awarding contracts on the basis of lowest price tenders often results in unrealistically low tenders and adversarial behaviours as the Contractor seeks to recover costs through claims and disputes. Government policy is not to use lowest price tendering and to take account of quality criteria which will deliver added value in the delivery of the contract.

KPP12 - CRL will contract with financially robust and technically competent suppliers.

- 3.6.3 CRL will develop and implement procedures and criteria to assess the financial strength and technical capability of suppliers to be invited to tender for Crossrail contracts. CRL will also monitor the financial robustness of its suppliers on an ongoing basis.

3.7 Contracting Arrangements Key Policy Principles

KPP13 – CRL will adopt the NEC3 contract (amended as appropriate) as the standard form of contract for delivering the Crossrail requirements.

- 3.7.1 The NEC3 contract supports CRL's approach to delivering contracts based on collaborative working supported by a fair allocation of risk. The NEC3 is endorsed by the OGC for use by public sector construction clients and it is TfL's contract of choice for their procurement requirements. CRL will keep any necessary additional Z clauses to a minimum. The following key policy principles in this section set out CRL's approach to key aspects of the NEC3 contract.

KPP14 – CRL will select the main contractual option available within the NEC3 Contracts on the basis of a risk based approach to the scope of work.

- 3.7.2 The NEC contract contains six main options which provide alternative risk allocations and different payment mechanisms. The choice of main option will largely be determined by the scope of work, the maturity of the design and the nature of the risks. It is expected that most contracts will be either Option C Target Price contracts or Option A Lump Sum contracts.

KPP15 – CRL will develop contractual incentives aligned with project objectives.

- 3.7.3 CRL will develop contractual incentive mechanisms to support the delivery of the key project objectives. For NEC3 Option C Target contracts the incentive mechanism will provide an equitable share of savings and provide a real incentive to control costs to deliver within the target price.

KPP16 – CRL will apply NEC standard timescales for managing Compensation Event processes.

- 3.7.4 In line with its approach of dealing with matters promptly as they arise, the NEC3 contract provides for the assessment of Compensation Events at the time of the event. This is reinforced by "deemed acceptance" provisions where the parties fail to meet various deadlines for their respective actions. Some Contracting Authorities apply extended deadlines and delete "deemed acceptance" provisions because of concerns about achieving the deadlines. CRL however, intends to retain the standard provisions in order to encourage the right behaviours and to incentivise the parties to operate in the manner envisaged by the NEC contract.

KPP17 – CRL will omit all entitlement to payment of Fee under NEC3 Option C target contracts on costs incurred above the target.

- 3.7.5 In line with the approach taken on the Channel Tunnel Rail Link, CRL's contractors will not be entitled to the payment of Fee on costs incurred above the target. This is considered to be an appropriate element of contractual incentive mechanisms aimed at delivering the project within budget.

KPP18 – CRL will not withhold retention money on its main civil contracts.

- 3.7.6 Retention is used in contracts to provide protection for the employer following completion in the event of incomplete or defective work. Traditionally, retention has been achieved by withholding a certain percentage from each interim payment. There is little evidence

however, to show that retention results in better quality work and the practice has a significant impact on the contractor's cashflow. Bonds are now a common alternative to cash retention and are preferred by contractors. CRL will follow the Olympic Delivery Authority's approach of not using retention. However CRL will require a 2.5% retention bond which will remain in place until the Defects Certificate is issued.

KPP19 – CRL will seek parent company guarantees from the ultimate parent company of all main contractors, and where the contract is with a joint venture, CRL will normally require guarantees from the ultimate parent of each joint venture member.

- 3.7.7 A parent company guarantee provides protection for the employer through a guarantee that the contract will be properly performed by its subsidiary. If the contractor is in breach of contract then the guarantor must perform in his place or be liable for any resultant loss. The value of the guarantee is only as good as the strength of the parent company and generally therefore, CRL will seek guarantees from the ultimate parent to minimise the risk that voluntary corporate restructuring reduces the net asset value of the guarantor company.

KPP20 – CRL will require on default performance bonds to enhance the financial covenant of the contractor and any parent company guarantor if the cost of the bond represents value for money.

- 3.7.8 Bonds from a bank or other financial institution are an additional source of funding for compensation, up to a fixed amount, in the event that the Contractor causes the Employer to suffer loss. With on default bonds the employer must show that there has been a breach and that loss has been suffered before the employer can call on the bond. It is Government policy that unconditional on demand bonds are essentially unfair and should not be used in government procurement.

KPP21 – CRL will seek collateral warranties from Subcontractors for key subcontracts where it would be critical to the project to have step-in rights and thus to be able to retain the subcontractor in the event that the main contract failed and/or to have directly enforceable intellectual property rights.

- 3.7.9 Any key subcontract packages where a collateral warranty is justified will be determined for each contract from the contractor's tender submission and identified in the contract where possible. If full subcontracting proposals are not known at the time of contract award, CRL will have the right to decide which further Subcontractors ought to provide a warranty.

KPP22 – CRL will set out in its contracts a general obligation on both parties to use reasonable endeavours to resolve any disputes which may arise by means of prompt discussions in good faith at a managerial level appropriate to the dispute.

- 3.7.10 CRL wishes to resolve potential disputes as quickly and efficiently as possible without the need for a reference to adjudication. It is considered that the proposed approach provides sufficient flexibility for executives at the appropriate level on both sides to discharge their managerial responsibilities for avoiding and resolving disputes.

KPP23 – CRL will establish a panel of adjudicators with a range of experience and expertise appropriate to the nature of the Crossrail works.

- 3.7.11 All of CRL's contracts which involve "construction operations" will be construction contracts for the purposes of the Housing, Grants, Construction and Regeneration Act 1996. As such, they will be subject to a statutory right for either party to refer disputes to adjudication at any time. The availability of a panel of adjudicators will facilitate the resolution of disputes, and will be established under the auspices of the Institution of Civil Engineers.

3.8 Risk Allocation Key Policy Principles

KPP24 – CRL will seek to place contracts on the basis of a fair and sensible allocation of risk to the party best able to manage the risk.

- 3.8.1 It is considered that the achievement of best affordable value will be supported by a sensible and fair allocation of risks between the parties to the contracts. Requiring contractors to take responsibility for risks which they cannot assess or manage would be likely to result in either high risk premiums or commercial pressures caused by insufficient provision.

KPP25 – CRL will normally retain the risk of unexpected physical conditions using Geotechnical Baseline Reports to provide a baseline.

- 3.8.2 Compensation Events for unexpected physical conditions is a standard provision in NEC3 contracts. The provision of Geotechnical Baseline Reports in the tender documents will fix the baseline as appropriate to each contract and will achieve consistency in tendering assumptions.

KPP26 – CRL will retain the risk of exceptional weather conditions.

- 3.8.3 The standard NEC3 Compensation Event for weather conditions will be adopted as it provides an objective approach to the measurement of the effects of weather and ensures consistency between bidders in the tender process.

KPP27 – CRL will seek to allocate the risk of changes in law to contractors.

- 3.8.4 Under NEC contracts, the default position is that the Contractor bears the risk of changes of law. However, the NEC3 contract also contains an optional clause which, if adopted, will have the effect of allocating the risk of changes in law to the Employer. This optional clause will not be included at tender stage and tenderers will be asked to bid the saving which is offered if this risk were to be allocated to CRL. A decision on this option will be taken in each case on value for money grounds.

KPP28 – CRL will put in place an Owner Controlled Insurance Programme (OCIP) to cover:

- **Damage to the Works and completed works;**
- **Damage to existing structures;**
- **Damage to the tunnel boring machines; and**
- **Third party liability.**

- 3.8.5 CRL will establish an appropriate liability regime which is aligned with the cover provided by the OCIP and which allocates liability for any losses which will not be recovered under the OCIP in the most appropriate manner.

KPP29 - CRL will not adopt the concept of “prevention” as a compensation event.

- 3.8.6 CRL will adopt the approach taken by the 2nd edition of the NEC contract and not include, as a compensation event the provision relating to prevention which has been included in the 3rd edition. The new provision is considered to be insufficiently clear.

3.9 Fair Payment Key Policy Principles

KPP30 - CRL will implement fair payment practices across the supply chain in accordance with a CRL fair payment charter.

- 3.9.1 CRL will implement fair payment practices in line with the OGC Guidance Note on Fair Payment and, where appropriate, the TfL policy on the payment of SME's.

KPP31 - CRL will use project bank accounts to support fair payment objectives where appropriate.

- 3.9.2 In line with OGC guidance and with the approach adopted on the Channel Tunnel Rail Link, CRL will use project bank accounts to support its approach to fair payment across the supply chain.

KPP32 – CRL will normally adopt 4 weeks as an appropriate forecast period for payment purposes on NEC3 target contracts to maintain the Contractor in a cash neutral position.

- 3.9.3 Under NEC Option C contracts, the Contractor is paid Defined Cost which the Project Manager forecasts will have been paid by the Contractor before the next assessment date plus the Fee. The proposed approach will support fair payment principles by seeking to keep the Contractor in a cash neutral position.

KPP33 – CRL will adopt a contractual payment cycle for its main works contracts that enables compliance with the fair payment commitment of a 30 day payment period for Subcontractors.

- 3.9.4 The proposed payment cycle reflects the requirements of the Housing Grants Construction and Regeneration Act 1996 and the principles set out in OGC's Guidance Note on Fair Payment.

3.10 Performance Management Key Policy Principles

KPP34 – CRL will embed project learning practices into its procurement procedures to inform the procurement of future contracts and to support continuous improvement.

- 3.10.1 Procurement will establish and put in place appropriate performance measures. Reporting systems will be used to monitor performance against metrics and compliance with procurement policies, procedures and controls. Procurement procedures, practices and costs will be benchmarked externally where possible. The performance measurements will be used to:

- highlight trends and exceptions where necessary to enhance performance;
- improve the internal efficiency of the procurement process and where relevant the performance of suppliers; and
- facilitate relevant programmes to drive improvement in procurement to eliminate waste and inefficiencies.

KPP35 - CRL will adopt contractual provisions to incentivise the rectification of defective work prior to completion.

3.10.2 CRL will maintain the standard NEC approach of allowing the Contractor to recover its costs of carrying out defective work and of rectifying such work provided that the cost of rectification will be disallowed if:

- the rectification works are carried out after completion;
- the cause of the defect is a failure to comply with a constraint in the Works Information or in an accepted quality plan; or
- the defect was notified to the Contractor by the Project Manager and the Contractor failed previously to notify it to the Project Manager.

4 Effective Governance and Control

4.1 Governance

- 4.1.1 This Policy provides the high level framework for the detailed guidelines and other documentation which is available locally in the form of standards and procedures, and which support this Policy.
- 4.1.2 CRL is a 'Utility' under the Directives and is bound by the Utilities Contracts Regulations 2006. As a public body CRL is also subject to general legal obligations to use transparent, fair, open and non-discriminatory procurement process and to obtain good value.
- 4.1.3 Procurement activities within CRL will be carried out to the professional standards required by best practice and in compliance with all prevailing legislation.
- 4.1.4 In particular, if the anticipated value of any work package (later translated into a contract, agreement or purchase order) taken over its whole life is estimated to exceed certain financial thresholds then specific rules apply which are designed to ensure fair competition. Compliance failures would be a breach of law and would expose CRL to the risk of challenge, substantial delays and damages.
- 4.1.5 The procurement governance framework will ensure that all obligations and liabilities undertaken by CRL will be wholly and necessarily associated with delivery of the project objectives and business needs.
- 4.1.6 Any obligation or liability of CRL to any other party will be documented by a properly authorized and executed agreement before the obligation or liability is undertaken.
- 4.1.7 Appropriate electronic contract management tools will be used where appropriate to support the efficient and effective management of the contract. Liabilities that accrue

under contracts will be accurately captured, periodically monitored and analysed for improvement follow-up and management reports.

4.1.8 Standard purchase orders are appropriate in many cases but will only be used where services or supplies are operational, transient or of minor scale.

4.1.9 In respect of any transaction or subsequent changes a separation will exist between:

- those who specify requirements and manage delivery;
- those who select sources and conclude a supply agreement; and
- those who process and pay invoices.

4.1.10 CRL will aim to ensure that a different business function will deal with each stage.

4.2 Delegation of Authority

4.2.1 CRL will maintain a Scheme of Delegations which will record the personnel or committees to whom authority to make procurement decisions has been delegated by the CRL Board, including the financial limits in each case. The Head of Procurement is responsible for monitoring the implementation of the Scheme of Delegations to ensure that authority is delegated and exercised appropriately in accordance with the needs of CRL and the project. The Head of Procurement will also be responsible for proposing any necessary revisions to the Scheme of Delegations to ensure the efficient and proper approval of procurement decisions.

4.2.2 No contract or agreement will be entered into unless budget is both available and released. Financial approvals will be based on best estimates of contract outturn costs including appropriate risk allowances. No liability for payment will accrue unless a contract or agreement is in place. Only persons with delegated procurement authority are allowed to authorise commitments to third parties.

4.2.3 Responsibility for the dissemination and application of this Policy lies with senior management of CRL and with those to whom the CRL Board or Chief Executive delegates authority for the application of policies. CRL Heads of Departments will ensure that everyone involved in the procurement cycle is aware of this Policy and that there is clear definition of responsibility for specifying contract requirements and for managing expenditure within budget.

4.3 Internal Controls

4.3.1 The CRL Head of Procurement will implement this Policy by establishing and maintaining a procurement management system that integrates with and supports all CRL functional management systems.

4.3.2 The systems will include the following:

- the procurement management framework incorporating the authorities for procurement decisions;
- procurement processes and procedures supporting the procurement objectives and which integrate with those of other CRL departments (e.g. HS&E);

- people recruitment and development procedures which ensure that procurement staff have the appropriate level of capability and competence to manage and deliver the procurement task for any area within the central section of the CRL Programme. Where procurement work is done by people in another CRL department or delivery partner organisation not under the direct management of the CRL Head of Procurement, then the CRL Head of Procurement will assess their competence prior to recommending a grant of delegated procurement authority;
- a thorough review of tender and contract documentation prior to tender invitation including a formal sign-off by Legal;
- building and maintaining supplier relationships including producing and implementing performance measurement and development plans for key suppliers;
- establishing and maintaining a contract database that will record all CRL commitments under contract or agreement, their kind, currency and scale;
- producing management information and reports; and
- ensuring that this Policy and its supporting process, procedures and systems are communicated throughout CRL and ensuring that they are applied.

4.3.3 The CRL framework of internal controls over procurement activities will ensure that:

- more than one person is involved in and responsible for a transaction end to end;
- transparency is present throughout the procurement process;
- a clearly documented audit trail exists;
- the appropriate authorisations are obtained and documented; and
- systems are put in place for appropriate equality monitoring and performance measurement.

4.3.4 CRL will publish standards and procedures in support of this Policy, which will ensure that CRL seeks best affordable value in its procurement activities. These will focus on being relevant and appropriate whilst providing a guideline on how procurement activities within CRL will be carried out.

4.3.5 A Procurement Manager and an Accountable Manager will be nominated as CRL leads for each work package or agreement. They will be authorised to perform procurement and business activities within the procurement process and will work in partnership to achieve the work package objectives.

4.3.6 To deliver the things for which CRL is established, much will depend on work contracted out to advisers, consultants, suppliers and affected parties. In turn these organisations may be required to procure works, supplies and services that fall within their own scopes of work but where the contracts will nevertheless be held directly by or on behalf of CRL.

4.3.7 The commitments that CRL makes under these contracts create obligations on, and risks to, the company that must be fully understood, documented and managed in a clearly defined and accountable way. Accountable Managers within CRL will ensure that

verifiable and accurate records using consistent and fair process describe the origin, development and management of these commitments.

- 4.3.8 All employees are required to comply with CRL's Anti Fraud and Corruption Policy.
- 4.3.9 Procurement activities will be carried out in a way that supports employees in meeting their obligation to ensure information of a commercially sensitive or confidential nature is obtained, stored, processed, published (where applicable) in an appropriate manner in accordance with relevant publications such as the Document Retention Policy and guidance on the Freedom of Information Act.

4.4 Risk Management

- 4.4.1 All procurement activities will adhere to the CRL Risk Management Policy Statement. Procurement will ensure that risk management is appropriately applied at all stages of procurement activities. The risk profile of any contract or agreement will be fixed at a commercially viable level consistent with CRL's funding and risk management strategy.
- 4.4.2 Procurement and contracting plans developed for work packages will be evaluated on a risk based approach in line with best practice developed by HMT and the OGC.
- 4.4.3 In order to contribute to CRL's position on resilience which includes security and emergency, contingency and business recovery planning, the Head of Procurement will ensure that, where relevant, procurement activities are properly planned and carried out in a manner that will protect and enhance CRL's capability to prevent, withstand and recover from interruption to the supply of goods, services and works.
- 4.4.4 Contingency plans shall be made to ensure that procurement activities can continue in the event of an emergency.

4.5 Procurement Thresholds and Competition

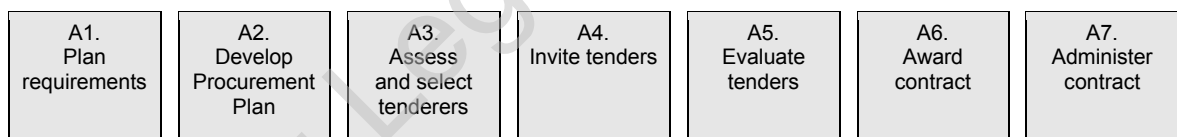
- 4.5.1 The development of procedures for the selection of potential suppliers will be based on the need to generate effective competition whilst avoiding unnecessary tendering costs for both suppliers and CRL.
- 4.5.2 CRL will maintain and publish clear guidelines for minimum spend competition thresholds. These will be dependent on the size and complexity of the proposed procurement activity and will comply with the Utilities Contracts Regulations 2006 and Utilities Contracts (Amendments) Regulations 2009.
- 4.5.3 Single sourcing – i.e. purchases that are not competitively priced and performance contested - is inappropriate for a publicly funded scheme as it exposes the company to cost risk, complaint or legal challenge. Single sourcing lacks transparency and in most circumstances does not enable value for money to be demonstrated. A scheme for authorising single sourcing at an appropriate senior level will be available for exceptional circumstances and normally only of low value.

4.6 Contract Terms

- 4.6.1 All contractual relationships must be documented in writing based wherever possible on CRL standard terms and conditions. Where this is not possible, approval must be sought at Procurement Manager level or above, with advice from CRL Legal where relevant.
- 4.6.2 To protect the best interests of CRL, terms and conditions must be settled in advance of any commitment being made with a supplier. Any exceptions must be authorised at Procurement Manager level or above.

5 Standardised Processes

- 5.1.1 The CRL Procurement team will establish effective commercial arrangements covering standard products and standard service provisions across CRL to enable the organisation's procurement requirements to be delivered in an effective and efficient manner.
- 5.1.2 Procurement activities for works, services or supplies are recognised as taking place within a sequence of seven stages. The CRL Procurement team and Accountable Manager team members will be responsible for activities through all stages whereas other CRL team members and suppliers will be closely involved only with parts of this process. The CRL Procurement Sub-Committee (PSC) will be involved in key decisions on appropriate contract at the A2, A3 and A6 stages.



Implement processes



Review, learn and improve

- 5.1.3 The standard processes will be applied to works categories and to individual work package plans. Scopes of work and work package interfaces will be clearly defined and matched to an agreed business need. The assessment of optimal packaging arrangements will take account of interface risks.
- 5.1.4 Contracts and agreements will be compiled, negotiated and concluded taking professional advice where it is appropriate. Contracts and agreements, and any

amendments hereto, will be entered into in accordance with the requirements of CRL's policy and governance parameters which are in place.

- 5.1.5 Procurement activity will integrate with and reinforce CRL's other policy and process objectives, including those for quality, inclusion, health, safety and environment.

6 Building and Maintaining Effective Supplier Relationships

- 6.1.1 The CRL Procurement team recognise the importance of effective and open working relationships with its suppliers, and is committed to the following:

- early engagement with market and suppliers to discuss delivery options and to identify issues which would affect the achievement of best value;
- delivering tangible savings through the building of collaborative relationships and strategic alliances with key suppliers;
- measuring and managing the performance of suppliers to support the delivery of best value;
- working with the market to achieve maximum competition to ensure as far as possible that all potential suppliers understand requirements and programmes and can put in place the capacity and capability to tender for opportunities; and
- working with the market and suppliers to understand areas of possible resource pressure and to develop plans and programmes which allow resources to be used as effectively and efficiently as possible.

- 6.1.2 The complexity and scale of the Crossrail Programme will require collaborative behaviours from all. By its policy objectives and behaviours, CRL will foster such a culture in contracts, contract management and in all relationships.

- 6.1.3 CRL will trade only with reputable and stable organisations whose delivery capability and financial robustness has been fully assessed and who continue to perform to requirements.

- 6.1.4 Relationships with suppliers will be established, conducted and concluded honestly, fairly and effectively. Procurement and related business activities will meet the highest standards of integrity and ethical behaviours whilst meeting the best interests of Crossrail.

- 6.1.5 [CR/QMS/HR/POL/0604: Business Ethics](#), [CRL's Anti-fraud and Corruption Policy](#) and the 'Code of Conduct for Working with Suppliers' stated in [CR/QMS/PROC/P/1103: Delegated Procurement Document](#) give guidance.

- 6.1.6 Information of a commercially sensitive or confidential nature will be used and stored in an appropriate manner.

7 Procurement Assurance

The CRL Head of Procurement will develop and implement an assurance process to ensure that procurement activities are being performed in accordance with this Policy.