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## Scottish Rail Holdings Limited

### Contracting, Supplier and Payment Policy

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## SRH Contracting, Supplier and Payment Policy

### 1 Aim of this policy

- 1.1 This document sets out the process for the procurement of goods, services or works (construction-related services), and subsequent payment to suppliers by Scottish Rail Holdings Limited (“SRH”).

### 2 Scope

- 2.1 SRH and its subsidiaries, ScotRail Trains Limited (“SRT”) and Caledonian Sleeper Limited (“CSL”), qualify as ‘utilities’ for procurement purposes, therefore the Utilities Contracts (Scotland) Regulations 2016 (“UCSRs”) is the default applicable procurement regime subject to the exception referred to in paragraph 2.2 below.
- 2.2 External legal advice has flagged that “non-rail” procurements by SRH, SRT or CSL above the applicable threshold will be regulated by the Public Contracts (Scotland) Regulations 2015 (“PCSRs”) and the Procurement Reform (Scotland) Act 2014 (the “2014 Act”). Due to the nature of perceived potential purchasing requirements of the businesses and the scale of the thresholds, however, the application of PCSRs and the 2014 Act is seen as only a remote possibility.
- 2.3 SRH, SRT, and CSL are also Limited Companies as defined under the Companies Act 2006 and are bound by legislative requirements therein, and Public Bodies that are bound by the Scottish Public Finance Manual (“SPFM”). Each of the companies is also subject to the internal governance provisions of its Articles of Association and applicable contractual limitations set out in the Framework Agreement and the SRT and CSL Grant Agreements.
- 2.4 SRH does not have any in-house procurement expertise. Therefore, SRH has adopted SRT’s Procurement Policy, and SRT’s procurement team provides procurement advice and support to SRH pursuant to the Service Level Agreement between SRH and SRT.
- 2.5 When applied to SRH requirements, references in the SRT Procurement Policy to “SRT” should be read as references to SRH.
- 2.6 The regulatory regimes that apply to all require that SRH should incur expenditure in a way that represents value for money, considering potential risks to regularity and

propriety. Effective control over expenditure and payments must be maintained at all stages of the procurement and payment process.

### 3 Who does this policy apply to?

- 3.1 This policy applies to everyone working for SRH, including SRH employees, consultants, contractors and agency staff (all of whom are referred to as ‘employees’ or ‘you’ in this policy).

### 4 Does this policy form part of my contract?

- 4.1 This policy does not form part of your contract except to the extent that it imposes obligations on you.

### 5 Budget availability and separation of duties

- 5.1 Once a requirement for either goods, services, or works (construction-related services) has been identified, the SRH employee requesting the purchase must liaise with the SRH Finance team to identify if there is availability within SRH’s budget allocation for the purchase. Note, SRH’s Accountable Officer may approve expenditure by exception even where there is insufficient remaining budget allocation.
- 5.2 The authority to choose a supplier or to raise a purchase order for a particular procurement must not rest with the same individual who holds the financial or budgetary authority to commit funds to a purpose or cause. This ‘separation of duties’ is a standard anti-fraud measure.

### 6 Purchase orders

- 6.1 Once budget availability has been established, the SRH employee requesting the goods, services, or works becomes the “Requisitioner”. The Requisitioner should be explicit in dealings with prospective suppliers that the Requisitioner does not intend and has no authority to bind SRH or either of its subsidiaries in the absence of a PO or signed contract.
- 6.2 The Requisitioner is responsible for:
- 6.2.1 Obtaining pre-approval from their directorate lead (or other SRH Executive Director in their absence). In the event that the Requisitioner is a SRH Director, pre-approval should be obtained from the SRH Chief Operating Officer or Chief Executive;
- 6.2.2 ensuring that the procurement complies with SRT’s Procurement Policy. It is recommended that the Requisitioner receives confirmation from SRT’s procurement team to support this; and
- 6.2.3 Liaising with the SRH Finance team on determination checks for off-payroll workers to determine whether any proposed supply of services will be in or out of scope for IR35 (see Section 17). Where the IR35 rules apply, a record of the workers status determination and supporting documentation should be retained on file.
- 6.3 Upon completion of step 6.2, the Requisitioner will submit details of the quotation, pre-approval and procurement sign-off (where applicable) to the SRH Finance team for

preparing the Purchase Order (“PO”) for review and approval by the SRH Chief Executive as Accountable Officer for any proposed contract with a total value of less than £100,000, or the SRH Board for any proposed contract with a total value of £100,000 or above.

- 6.4 Once authorised, a member of the SRH Finance team will submit a copy of the PO directly to the supplier and update the PO log.
- 6.5 Requisitioners are not authorised to commit the purchase of goods, services, or works without an authorised PO or the authorisation of non-PO expenditure (see Section 9).

## 7 Contract terms & conditions

- 7.1 The SRH default position is that all contracts for the provision of goods, services or works for SRH are to be contracted for on the basis of the SRH PO Terms & Conditions.
- 7.2 Where applicable, any request for supplier terms and conditions to be included in the contract or services agreements or any request to amend the SRH PO Terms & Conditions when applied to a proposed contract must be submitted for review by the SRH General Counsel (or by an appropriate substitute) prior to being agreed.
- 7.3 Only SRH Executive Directors may sign contracts or services agreements so as to bind SRH.
- 7.4 Once executed by both parties, signed contracts or services agreements should be retained on file and a copy provided to both the supplier and the SRH Finance team.

## 8 Updating a purchase order

- 8.1 The Requisitioner is not authorised to make any changes to the pricing or quantity on a PO after it has been approved.
- 8.2 Any requests to amend a PO must be approved via the process set out in sections 5 and 6 above (Budget Availability and Purchase Orders). PO changes will be recorded via the SRH digital accounting system to ensure that the eventual supplier invoice matches the PO, thus avoiding any unnecessary payment delays.

## 9 Non-purchase order expenditure

- 9.1 There may be instances where a PO is not issued due to the low value/sundry nature of the purchase, or SRH agrees and commits to expenditure via a signed contract or services agreement (“**Non-PO Expenditure**”). To enable SRH to appropriately manage its expenditure and forecasting, it is preferable that all purchases are managed via purchase orders, even where a signed contract or services agreement exists. Non-purchase order expenditure therefore should only occur in exceptional circumstances.
- 9.2 Sections 5.1, 5.2, 6.1, 6.2, 6.3, 6.5 and 7 also apply to all Non-PO Expenditure.

In summary:

- Once a requirement for goods or services has been identified, the individual requesting the purchase becomes the Requisitioner.
- The Requisitioner is responsible for ensuring there is adequate budget availability.

- The Requisitioner is accountable for ensuring that the procurement complies with the SRT Procurement Policy.
  - The Requisitioner is responsible for liaising with the SRH Finance team on determination checks for off-payroll workers to determine whether any proposed supply of services will be in or out of scope for IR35 (see Section 17).
  - Requisitioners are not authorised to approve Non-PO Expenditure.
  - Requisitioners should be explicit in dealings with prospective suppliers that the Requisitioner does not intend and has no authority to bind SRH or either of its subsidiaries in the absence of a PO or signed contract.
- 9.3 The SRH Finance team must be notified by the Requisitioner in advance of all proposed Non-PO Expenditure or any amendments to an existing Non-PO Expenditure commitment. The SRH Finance team will advise if there is sufficient availability within SRH's budget allocation to cover the requested expenditure.

### **10 Vetting of active and new suppliers to SRH**

- 10.1 An active supplier listing is maintained on the digital accounting system by the SRH Finance team.
- 10.2 All prospective suppliers not on the SRH active suppliers listing or on an official Government framework (from which the goods, services or works are being procured) must complete SRH's New Supplier Qualification Questionnaire and the completed questionnaire be confirmed as being satisfactory by SRH's Finance Director prior to being formally engaged via the PO or Non-PO expenditure process. Where a prepayment is required prior to the delivery of goods or services, and in all circumstances of expenditure exceeding £20,000 (excluding VAT), credit checks will be conducted and recorded.
- 10.3 Section 10.2 will not apply to low value retail expenditure (e.g. hotel bookings), and a proportionate approach should be taken for each supplier on the basis of individual transaction nature and value and anticipated aggregate value of supplies.
- 10.4 The "active" status of all suppliers shall be subject to review on the later of 1st April 2026 and the second anniversary of the acceptance by SRH of its previous New Supplier Qualification Questionnaire replies and additionally upon any change of control, merger or solvency event of the supplier of which SRH becomes aware (whether or not disclosed by the supplier itself).
- 10.5 In all such circumstances referred to in Section 10.4, the supplier shall be required to complete a fresh SRH New Supplier Qualification Questionnaire and will only be re-

admitted to SRH's active supplier list if the completed questionnaire is found to be satisfactory by SRH's Finance Director.

- 10.6 SRH reserves the right to update and amend the SRH New Supplier Qualification Questionnaire scope, requirements and assessment criteria without notice at any time.

### **11 Confirming delivery against a purchase order or non-po expenditure**

- 11.1 Only the Requisitioner (or an appropriate substitute) can confirm the receipt of the contracted goods, services or works. This is to ensure adequate segregation of duties in the purchasing and payment process.
- 11.2 The Requisitioner will be responsible for confirming that the goods, services or works delivered satisfy the requirements (including quality and timing as well quantity) as set out in the approved PO or Non-PO Expenditure documentation. If there are any discrepancies, then the Requisitioner shall be responsible for initial engagement with the supplier to require that the supplier makes-good the discrepancy. In the event of the supplier disputing that there is a discrepancy, the Requisitioner should immediately seek advice from the SRH General Counsel.
- 11.3 Once satisfied, the Requisitioner will inform the SRH Finance team via email ([finance@railholdings.scot](mailto:finance@railholdings.scot)) of the receipt. The receipt communication should include sufficient details to help the finance team 3-way match the receipt, PO or Non-PO Expenditure, and invoice.

### **12 Purchase invoices**

- 12.1 All purchase invoices must be sent to the SRH Finance team via email ([finance@railholdings.scot](mailto:finance@railholdings.scot)) for processing and record keeping purposes. When a supplier invoice is received this will be loaded onto the digital accounting system by the SRH Finance team.
- 12.2 The SRH Finance team will check the invoice details and VAT rate against the PO (or Non-PO Expenditure documentation) and the Requisitioner's receipt confirmation (a copy of the receipt confirmation will be attached to the invoice on the digital accounting system). Any discrepancies will be investigated by the SRH Finance team. Any deviations in unit cost and/or order quantities must be approved by an SRH Executive Director.
- 12.3 Once the invoice has been 3-way matched, the SRH Finance team shall seek approval for the invoice to be processed for payment in accordance with Section 14 'Arranging Payment of Invoices'. Approvals will be recorded on the digital accounting system.
- 12.4 Prompt payment can only be made where the correct information is provided to the SRH Finance team. Standard supplier payment terms are normally 30-days; however, the Scottish Government's aim is to pay in 10 working days. If suppliers are not paid within

the agreed terms, SRH may be subject to late payment fees or court proceedings at the supplier's discretion.

### **13 Duplicate invoices**

13.1 If you think you have received a duplicate invoice, check with the supplier and the SRH Finance team. If it is a duplicate, the SRH Finance team will ensure that the invoice is cancelled on the digital accounting system and not progressed for payment.

### **14 Arranging payment of invoices**

14.1 Invoices will only be approved for payment processing if the following conditions are satisfied:

- Confirmation that the goods, services or works have been received in accordance with the approved PO or Non-PO Expenditure documentation (see Section 11).
- The invoice details are accurate and agree to the PO or Non-PO Expenditure documentation (see Section 12).

14.2 If the conditions per 14.1 have been satisfied, the invoice will be approved for payment processing by the SRH Finance Director (or other SRH Executive Director).

14.3 Approved invoices will be processed for payment via SRH's bank's online banking platform in accordance with SRH's RBS Online Banking & Payment Process.

### **15 Supplier has not received payment**

15.1 If there is any doubt in respect to a supplier payment, contact the SRH Finance team or direct the supplier to them using the following email address: [finance@railholdings.scot](mailto:finance@railholdings.scot)

### **16 Disputed invoices**

16.1 If for any reason an invoice is disputed, the invoice will remain in draft on the digital accounting system with a note stating that the invoice is in dispute, and the clock will be stopped in terms of prompt payment deadlines and agreed terms. The invoice will not be progressed for approval and payment until the dispute is resolved.

16.2 All supplier contract disputes must be reported to the SRH General Counsel and the advice of the General Counsel sought on how to proceed.

### **17 Off-payroll working rules**

17.1 The off-payroll working rules make sure that a worker (sometimes known as a contractor) pays broadly the same Income Tax and National Insurance as an employee would. The rules apply if a worker who provides services to SRH through their own intermediary (usually a limited company, often known as a PSC) would have been an employee if they were providing their services directly to that client. The rules are sometimes known as

'IR35'. HMRC's detailed guidance on IR35 can be found per the following link: [Understanding off-payroll working \(IR35\) - GOV.UK](#).

- 17.2 In accordance with HMRC's guidance, SRH as a public sector body is responsible for determining whether a worker is employed for tax purposes. HMRC's 'check employment status for tax' (CEST) tool can be used to help make this determination. This can be accessed per the following link: [Check employment status for tax - GOV.UK](#).
- 17.3 The off-payroll working rules apply on a contract-by-contract basis. A worker's employment status for tax determines the taxes the worker and SRH need to pay, depending on whether a worker is determined as employed or self-employed.
- 17.4 If the worker is deemed to be employed for tax purposes, SRH must deduct Income Tax and employee National Insurance contributions from fees paid to the worker's intermediary. Employer National Insurance contributions and Apprenticeship Levy, if applicable, must also be paid to HMRC by SRH.
- 17.5 Where the IR35 rules apply, the SRH Finance team shall produce a status determination statement (SDS) including the reasons for their determination and share these with the worker and supplier as appropriate. A copy of the determination must also be retained on file for audit purposes.

## 18 Process flow chart

- 18.1 See Appendix for a flow chart of the process.

## 19 Process review

- 19.1 This policy will be reviewed every two years or sooner if there is a change in the applicable law.
- 19.2 SRH may amend this policy at any time and may vary it as appropriate to a particular case.

## 20 Compliance

- 20.1 Compliance with this policy and processes will be monitored via SRH's internal audit review programme, and the findings will be reported to the SRH Executive Team and the SRH Audit and Risk Committee.

# SRH Contracting, Supplier and Payment Policy

