



# Annual Procurement Report 2019/20

# About us

**Highlands and Islands Airports Limited (HIAL) is a private limited company wholly owned by the Scottish Ministers and is responsible for the management and operation of 11 airports.**

HIAL was incorporated in Edinburgh on 4 March 1986 as a private limited company. On 1 April 1995, ownership of the company transferred from the UK Civil Aviation Authority to the Secretary of State for Scotland and subsequently to the Scottish Ministers. HIAL receives subsidies from the Scottish Government in accordance with section 34 of the Civil Aviation Act 1982 and is sponsored by Transport Scotland – Aviation, Maritime, Freight and Canals Directorate.

Our airports are located at: Barra, Benbecula, Campbeltown, Dundee, Inverness, Islay, Kirkwall, Stornoway, Sumburgh, Tiree and Wick John O' Groats, and handle over 1.78m passengers a year. The company employs over 650 people.



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# Executive Summary

**Working with our partners and stakeholders, we are committed to supporting the essential socio-economic role of aviation in Scotland by maintaining and developing our airports and the vital lifeline services and connections they provide for some of our country's more remote communities.**

Safety underpins every aspect of our operations. We have a robust safety and security programme that achieves regulatory compliance throughout our organisation. We continuously review our systems and procedures to ensure that our organisation and every one of our airports has the very highest standards of safety performance and resilience.

The Procurement Reform (Scotland) Act 2014 (the Act) forms part of public procurement regulation that governs how Scottish public bodies buy goods, works and services, and aims to maximise the economic benefit brought to Scotland from effective and efficient procurement activity.

The Act requires all Scottish public bodies with an annual procurement spend of over £5m to prepare and implement a procurement strategy. It also requires the publication of an annual procurement report to inform stakeholders on procurement performance and achievements in delivering their procurement strategy.

The HIAL Procurement Strategy 2017-2020 set out the high-level strategic direction for the procurement function in delivering value for money and contributing to the achievement of organisational and national aims and objectives. The focus of this Strategy is on embedding best value and commercial processes within airport operational activities to drive and support sustainable economic growth, both for the HIAL business and the communities we serve.

## Our mission:

HIAL's mission is to create social benefit and economic prosperity by building Scotland's sustainable regional airport group of the future. This is part of our ambitious vision to become 'the first carbon-neutral regional airport group in Europe'.

In the 2019/20 period, HIAL airports experienced a 3.5% drop in passenger numbers, not least to Covid-19 restrictions in March 2020, but connectivity for the Highlands & Islands with the UK and abroad continued to be a priority in supporting remote communities and rural economies. The challenges remain in terms of maintaining and improving our complex infrastructure and working with our supply chain partners to ensure the best possible customer experience.

The HIAL Procurement function continues to become more embedded within the corporate and operational processes across all airport sites, particularly with budgetary pressures making it ever important to source the best solutions at the best price. Supply competition is viewed positively by our managers, whilst being assured that local supply chains are maintained where possible.

The 2019/20 HIAL Annual Procurement Report is welcomed by the HIAL Board and senior management team as a summary of procurement activities and performance against our Procurement Strategy, and supports continued improvements in this area.

## Our core activities include:

- Providing airports which meet regulatory standards and support essential transport connectivity
- Maintaining and developing airport infrastructure and services
- Working with airlines and others to maintain and develop scheduled, charter and freight air services
- Developing our commercial revenue to build business resilience.

# Section 1 – Summary of Regulated Procurements Completed

Regulated procurements are required to be undertaken in a manner compliant with Scottish Procurement Regulations. They include the award of a new contract or framework agreement, or the award of a call-off contract from an existing framework agreement.

HIAL is subject to several procurement regulations:

- The Public Contracts (Scotland) Regulations 2015
- The Utilities (Scotland) Regulations 2016
- Procurement Reform (Scotland) Act 2014 and associated Procurement (Scotland) Regulations 2016.

Under these regulations, HIAL is defined as a “Utility” for the provision of airports, so any procurement associated with airport operation is regulated by The Utilities (Scotland) Regulations 2016 rather than The Public Contracts (Scotland) Regulations 2015.

The threshold for regulated procurements under the Utilities Regulations are:

- Above £328,352 for goods and services
- Above £4,102,394 for works.



The threshold for regulated procurements under the Act are:

- Above £50,000 and below EU thresholds for goods and services
- Above £2,000,000 and below EU thresholds for works.

The Act requires the Annual Procurement Report to show a summary of the “regulated procurements” completed during the reporting period and to demonstrate transparency in our approach to public procurements.

The Act sets out the definition of a regulated procurement:

- 1) The contract is a public contract;
- 2) The estimated value of the contract is equal to or greater than the threshold (£50k goods/services, £2m works); and
- 3) The contract is not an excluded contract.

Under the Act, an excluded contract is “of a kind to which Public Contracts Regulations do not apply”. Therefore the regulated procurements covered by this Annual Procurement Report are legitimately only those contracts which are not related to airport provision. However, for transparency this report includes regulated procurements as defined under the Act, regulated procurements under the Utilities Regulations, and procurements below-threshold of Utilities Regulations.

HIAL awarded **14** contracts as regulated procurements during the reporting period; **3** regulated under the Act and **11** regulated under Utilities Regulations. We also awarded **17** contracts below-threshold of Utilities Regulations.

The procurements regulated under the Act totalled **£332,891**; procurements regulated under the Utilities Regulations totalled **£10,478,777**; and procurements below-threshold of Utilities Regulations totalled **£3,721,266**. A grand total of **£14,532,933**.

# Section 2 – Review of Regulated Procurements Compliance Report

The Act requires the Annual Report to summarise whether regulated procurements complied with the Procurement Strategy objectives during the reporting period, and where procurements do not comply, how HIAL intends to improve compliance.

The HIAL Procurement Strategy focussed on internal procurement functions and processes to build robust foundations for the company to achieve its corporate strategic objectives. The HIAL Procurement Strategic Objectives cover key business drivers:

- Statutory and Regulatory Compliance
- Effective Utilisation of Resource
- Economic Challenges
- Sustainability.

## Statutory and Regulatory Compliance

All HIAL regulated procurements are undertaken in accordance with a set process aligned to the Scottish Government's Procurement Journey, which ensures that each procurement is compliant with both legislative requirements and the strategy.

HIAL budget holders, or their representatives, and the Procurement Team were involved in all regulated procurements and project teams were aware of public procurement rules.

There were no legal challenges to our procurement processes. We used the Open Procedure for the majority of our tendering activity during this period. This increases opportunities for suppliers and reduces the procurement timescales. We have continued to award our contracts on the Most Economically Advantageous Tender (MEAT), balancing price and quality in procurement decisions.

HIAL continues to use the European Single Procurement Documents (ESPD) as a matter of good practice for all tendered procurements over £50,000. The ESPD informs HIAL of suppliers that may be excluded from contracts on the grounds of criminal convictions, misconduct in relation to money laundering, child labour, human or drug trafficking as well as environmental legislation.

## Effective Utilisation of Resource

All regulated procurements in the reporting period involved cross-functional liaison and/or formation of project teams to best utilise the expertise and knowledge of HIAL staff to source the best solutions. All tendered procurements were led by the Procurement function and used a standardised process and templates, with continued use of Public Contracts Scotland (PCS) portal to automate tender management.

## Economic Challenges

We continue to utilise collaborative framework agreements and implement HIAL framework agreements; **9** procurements awarded in the reporting period were call-offs from a HIAL framework and 3 procurements were call-offs from a collaborative framework. These mechanisms assist procurement resourcing, standardise quality/service, save money via discounted prices, and reduce the number of suppliers so providing transactional efficiencies. Utilising Scottish Government Frameworks achieved cash savings benefits of **£99k** in the period on a **£1.3m** spend across these contracts.

## Sustainability

Sustainability is at the heart of our procurement activities to ensure goods and services are procured in a way that achieves quality, value for money and benefits for society, the economy and the environment. Environmental, social/economic and fair work practices continue to be considered in all tendered procurements, and included as scored award criteria when relevant. We use our influence in procuring contracts to encourage sustainable production of goods and delivery of services/works, and we also encourage this throughout our supplier's supply chains to improve their sustainability performance.

HIAL will continue to seek Living Wage Accreditation, which includes commitment from key on-site suppliers to pay the Living Wage to their staff.

We continue to proactively reduce our carbon footprint within our operations, for example working towards installing LED lighting in all public and operational areas, and trialling more environmentally friendly runway de-icing products.

**6** procurement contracts were awarded to UK Small & Medium Sized Enterprises within the reporting period, **4** of which were Scottish businesses.

**Annex A** provides more detail on the relevant procurements completed in the period.

# Section 3 – Community Benefit Summary

The Act requires the Annual Procurement Report to provide a summary of any Community Benefit requirements imposed as part of a regulated procurement that were fulfilled during the reporting year.

The aim of Community Benefit clauses within suppliers' contracts of significant value or duration is to provide targeted means of achieving sustainability objectives, e.g. local recruitment, training, SME development, community engagement, etc. Under the Act, Community Benefits must be considered for contracts with a value above £4 million but could also be applied where relevant below this threshold.

No HIAL procurements were above the threshold for mandatory inclusion of Community Benefits in this reporting period, however HIAL considers the relevance and application of community benefit activities as part of the preparation for every regulated procurement involving the Procurement function.

Benefits achieved from contracts awarded during the period included: use of local hotels, B&B and rental accommodation for construction projects in Inverness and Shetland; local employment and local services utilised in Caithness, Shetland, Inverness and Moray; and apprenticeships/trainee programmes provided by our appointed infrastructure consultants in Glasgow and Edinburgh.



# Section 4 – Supported Business Summary

The Act requires the Annual Procurement Report to provide a summary of any steps taken to facilitate the involvement of Supported Businesses in regulated procurements during the reporting period.

Supported Businesses are those suppliers whose main aim is the social and professional integration of disabled or disadvantaged persons where at least 30% of the employees are disabled or disadvantaged. This provides employment, training and social support to those who may otherwise be excluded from the workplace. Utilising the services of a Supported Business is an element of our Sustainable Procurement Duty.

Due to the nature of HIAL's business, there are very few Supported Business opportunities relevant to HIAL requirements and HIAL procured no such contracts in this reporting period.



# Section 5 – Future Regulated Procurements Summary

The Act requires this report to provide a summary of the regulated procurements HIAL expects to commence in the next two financial years.

HIAL continues its programme of capital investment projects across all its airports to ensure essential connectivity is sustained, passenger experience is enhanced and critical equipment remains operable. We also plan to procure new Finance, HR & Payroll software systems to automate and streamline corporate processes.

The transformation of air traffic services to a Remote Tower Solution to provide a continued long-term, sustainable air traffic control service is one of our most complex and exciting projects in the programme.

**Annex B** provides a summary of anticipated procurements



# Section 6 – Other Considerations

**HIAL and the Scottish Government have clear objectives for sustainable economic growth both within the organisation and for the broader local communities.**

In the 2019/20 period our procurement revenue spend was £14.1m and capital spend was £13.8m. The majority of HIAL's procurement spend is on operational service provision and maintaining our airfields and public area infrastructure.

Within the HIAL Procurement forward planner are plans for framework agreements and contracts for the provision of construction works and maintenance services at all 11 airport sites. This provides an opportunity to consider more closely the potential impact on local communities that such contracts could bring.

Achievement of HIAL corporate aims for increased growth and improved connectivity for its regional airports will rely on the performance, quality and resilience of its supply chain. The Procurement function will have a key part to play in optimising efficiencies and securing quality services to meet customer expectations.

**Sarah Shelley**  
Procurement Manager



# Annex A – Summary of Regulated Procurements 2019/20

Commodity Type	Contract Title	Airport	Contract Value	Supplier Name
Services - Corporate	Air Traffic Services Consultancy Framework - Lots 1, 2, 5, 8, 9, 10	Corporate	£2,680,000	Osprey Consultancy Services Limited
Goods - Infrastructure	Hold Baggage System Integration	Inverness	£1,471,188	Robson Handling Technology Limited
Works - Infrastructure	Hangars 1, 2 & 4 Rehabilitation	Sumburgh	£1,390,698	AJ Engineering Services Limited
Works - Infrastructure	Hold Baggage System - General Works	Inverness	£1,305,048	CHAP Group (Aberdeen) Limited
Goods - Infrastructure	Hold Baggage System Integration	Sumburgh	£1,023,949	Daifuku Logan Limited
Goods - Operations	Hold Baggage EDS Screening Machine	Sumburgh	£928,347	Smiths Detection-Watford Ltd
Goods - Operations	Hold Baggage EDS Screening Machine	Inverness	£925,423	Smiths Detection-Watford Ltd
Works - Infrastructure	Hold Baggage System - General Works	Sumburgh	£749,450	Bell Contracts and Co. Limited
Goods - Operations	Non-Directional Beacon Replacement	Multiple Airports	£495,372	Systems Interface Limited
Services - Corporate	Air Traffic Services Consultancy Framework - Lot 11	Corporate	£300,000	McKenzie Consulting
Services - Corporate	Air Traffic Services Consultancy Framework - Lot 11	Corporate	£300,000	Think Research Ltd
Services - Corporate	Air Traffic Services Consultancy Framework - Lot 11	Corporate	£300,000	Northstar EURL
Services - Operations	Aeronautical Flight Inspections	Multiple Airports	£258,668	Flight Calibration Services Limited
Goods - Operations	Aviation Fuel Supply	Dundee	£256,500	World Fuel Services Limited
Services - Infrastructure	Runway Pavement Refurbishment - Feasibility	Dundee	£233,522	Jacobs UK Limited
Goods - Operations	APAPI and Airfield Ground Lighting System	Tiree	£211,692	AGI Limited
Services - Infrastructure	Hold Baggage System - Pre-Construction Design	Sumburgh	£203,280	Jacobs UK Limited
Services - Corporate	Website Development	Corporate	£153,250	Spacecraft Creative Limited/JADU
Services - Infrastructure	Coastal Protection - Project Management	Stornoway	£144,778	Turner & Townsend Project Management Ltd
Services - Infrastructure	Runway Pavement Refurbishment - Feasibility	Campbeltown	£127,713	Jacobs UK Limited
Goods - Operations	Runway De-Icer Trial	Inverness & Wick John O' Groats	£124,416	Killfrost Limited
Services - Corporate	Call-off Deliverables - Ethernet	Corporate	£104,577	Daisy Corporate Services Trading Limited
Works - Infrastructure	Loop Taxiway Pavement Refurbishment	Wick John O' Groats	£100,531	GMR Henderson Ltd
Services - Infrastructure	Airport Masterplanning	Inverness	£99,058	Arcadis Consulting (UK) Limited
Services - ATMS Programme	CSC Building - Design	Corporate	£99,058	Arcadis Consulting (UK) Limited
Services - Operations	ATS Voice Communications Control System Support Services	Multiple Airports	£94,147	Rhode and Schwarz
Goods - Corporate	Multi-Function Device Lease	Corporate	£75,064	Capital Document Solutions Limited
Services - Operations	Meteorological Equipment Annual Maintenance	Multiple Airports	£71,600	Muir Matheson Aviation Ltd
Services - Infrastructure	Infrastructure Asset Inspections 2019-20	Multiple Airports	£65,000	Jacobs UK Limited
Services - ATMS Programme	Engineering Support	ATMS	£61,812	ALSTEV Ltd
Services - Infrastructure	Facilities Management Services Framework - Feasibility	Corporate	£54,515	Turner & Townsend Project Management Ltd

# Annex B – Future Regulated Procurements 2020-22

Project Name	Airport	Contract Value
Remote Tower Solution	Multiple Sites	£8,500,000
Airfield Surface Water Drainage Works	Inverness	£8,000,000
Coastal Protection Works	Stornoway	£6,000,000
Runway Pavement Resurfacing	Sumburgh	£5,200,000
M&E Term Contractor Framework	Corporate	£5,000,000
Pavement Term Contractor Framework	Corporate	£5,000,000
Runway Pavement Resurfacing	Inverness	£3,500,000
Runway Pavement Resurfacing	Islay	£3,500,000
CSC Construction	Corporate	£3,500,000
Runway Pavement Resurfacing	Campbeltown	£3,000,000
Liquid Fuel	Multiple Sites	£1,875,000
Taxiway Pavement Refurbishment	Kirkwall	£1,300,000
Hold Baggage Equipment	Kirkwall	£1,100,000
Passengers with Reduced Mobility Support Services	Inverness	£850,000
Metal Detection Security Equipment	Multiple Sites	£815,000
Hangar Refurbishment	Stornoway	£750,000
Safety Assurance for Remote Tower Solution	Corporate	£750,000
Terminal Building Expansion	Barra	£700,000
Surveillance Data Processing System	Multiple Sites	£700,000
Airspace Change Consultancy	Multiple Sites	£600,000
HV Switchgear Replacement	Inverness	£500,000
Cleaning	Multiple Sites	£500,000
RIBA Stage 3-4 Design Services	Corporate	£470,000
Workwear and PPE Supply	Corporate	£400,000
Airfield Wildlife Management	Multiple Sites	£300,000
Primary Radar Data Feed	Sumburgh	£257,000
R&D Air Traffic Control Simulator	Corporate	£240,000
Domestic Water Services Maintenance	Corporate	£200,000
Standby Generators Maintenance	Corporate	£200,000
HR System	Corporate	£200,000
Finance System	Corporate	£200,000
RCMS System	Multiple Sites	£150,000
Voice Control Switch	Sumburgh	£130,000
Surveillance Data Processor	Sumburgh	£130,000
Direct Access Connection (Sumburgh Radar)	Sumburgh	£130,000
Local Exhaust Ventilation Systems Maintenance	Corporate	£120,000
Secondary Radar Data Feed	Sumburgh	£118,000
Waste Management & Recycling	Multiple Sites	£100,000
Contingency Centre - Fit Out	Corporate	£66,000
Contingency Centre - Project Management	Corporate	£20,000

