

Procurement Strategy 2021-2026

About us

Highlands and Islands Airports Limited (HIAL) is a private limited company wholly owned by Scottish Ministers and is responsible for the management and operation of 11 airports located at Barra, Benbecula, Campbeltown, Dundee, Inverness, Islay, Kirkwall, Stornoway, Sumburgh, Tiree and Wick John O’Groats.

We receive subsidies from the Scottish Government in accordance with section 34 of the Civil Aviation Act 1982 and are sponsored by Transport Scotland – Aviation, Maritime, Freight and Canals Directorate.

Working with our stakeholders, we are committed to supporting the essential socio-economic role of aviation in Scotland by maintaining and developing our airports and the 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.



Contents

Introduction	1
Vision	2
Drivers	3
Challenges	5
Objectives	6
1. Support the delivery of ‘Net-Zero’ targets through sustainable procurement	6
2. Support service delivery through strategic commissioning	7
3. Support local and national economic recovery through sustainable procurement	8
4. Support added value and cost savings through “better buying” procurement	9
5. Increase the efficiency of procurement processes through digitalisation	10
6. Reduce supply chain risk through strengthening key supplier relationships	11
7. Support staff to ‘buy better’ through reduced process complexity	12
Key Performance Measures and Targets	13
Implementation, Monitoring, Reporting and Review	13

Introduction

'BETTER BUYING' – Active management of expenditure to support sustainable procurement and reduce complexity, cost and risk in the supply chain

Procurement has been recognised by Scottish Government Ministers as playing a key part in delivering Scotland's economic strategy, focussed on sustainable economic growth and delivering better outcomes for Scotland.

The HIAL Corporate Strategy and Covid-19 Recovery Plan 2021-26 sets out a clear vision and strategic priorities to achieve:

- Environmental Care and Excellence
- Delivering World Class Customer Service and Operations
- Route Development and Improving Connectivity
- Sustainable Financial Growth
- Delivering Digital Transformation
- Building Successful Partnerships
- Developing Our People

Procurement is a key facilitator to us achieving our corporate strategic priorities.

Expenditure on procured goods, works and services accounts for around 75% of our total annual spend and we are reliant on our supply chain to keep our airports operational. Therefore, Procurement plays a critical role in the operation, growth and success of the company, and also supports continued sustainable outcomes for our communities.

The previous Procurement Strategy 2017-2020 aimed to take the company a step closer to procurement practices becoming embedded in operational activities by focusing key objectives on People, Process and Performance.

The 2021-2026 Procurement Strategy builds on progress made and provides a targeted transformational approach to supporting our mission to 'create social benefit and economic prosperity by building Scotland's sustainable regional airport group of the future; reinforced by our vision to become a net-zero carbon regional airport group'.

The unprecedented global, national, local and individual impact of the COVID-19 pandemic and climate change emergency necessitates a priority to review what and how we procure in order to influence commercially competitive decisions and support economic recovery.



Johanna Wallace
Finance and Commercial
Director

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.

Our mission:

Our mission is to create social benefit and economic prosperity by building Scotland's sustainable regional airport group of the future.

This is reinforced by our vision to become a 'net-zero carbon regional airport group'.

Vision

PROCUREMENT STRATEGIC OBJECTIVES						
Support the Delivery of 'Net-Zero' Targets through Sustainable Procurement	Support Service Delivery through Strategic Commissioning	Support Local and National Economic Recovery through Sustainable Procurement	Support Added Value and Cost Savings through Procurement	Increase the Efficiency of Procurement Processes through Digitalisation	Reduce Supply Chain Risk through Key Supplier Relationships	Support Staff to 'Buy Better' through Reduced Process Complexity



CORPORATE OBJECTIVES						
Environmental Care and Excellence	Delivering World Class Customer Service and Operations	Route Development and Improving Connectivity	Sustainable Financial Growth	Delivering Digital Transformation	Building Successful Partnerships	Developing our People

Drivers

Regulatory Compliance

Alongside governmental and corporate objectives, and strict aviation regulatory standards which are embedded in the airport operational functions, we must also comply with procurement legislation:

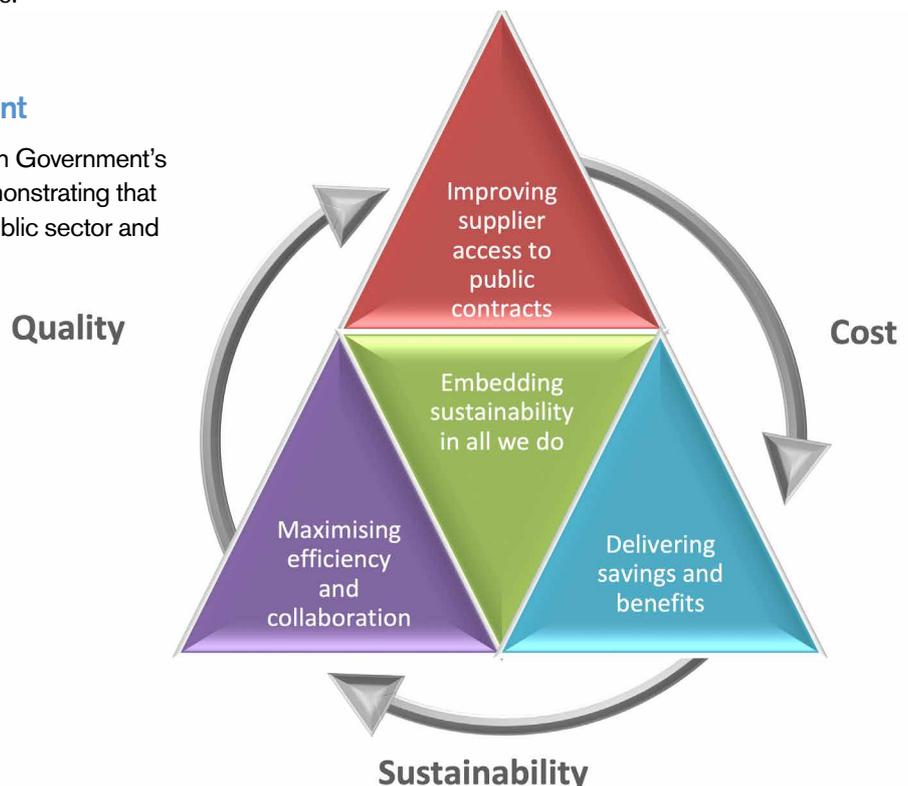
- Procurement Reform (Scotland) Act 2014
- The Public Contracts (Scotland) Regulations 2015
- The Utilities Contracts (Scotland) Regulations 2016
- The Procurement (Scotland) Regulations 2016

Procurement regulations are based on the principles of equal treatment, non-discrimination, mutual recognition, proportionality, transparency and openness. They provide the procurement rules for all public sector bodies in the UK. Our strategic priorities are underpinned by our Procurement Policy, processes and procedures which deliver statutory compliance.

The Procurement Reform (Scotland) Act 2014 introduced the Sustainable Procurement Duty which requires us to consider the social, environmental and economic impacts and 'Community Benefits' before we buy. Community Benefits are contractual requirements relating to training and recruitment or sub-contracting opportunities, which will improve the social, economic or environmental wellbeing of the communities we serve.

Scottish Model of Procurement

This Strategy is aligned to the Scottish Government's 'Scottish Model of Procurement', demonstrating that sustainability is embedded into the public sector and HIAL procurement cycle:



Cyber Security

In an increasingly inter-connected world, cyber security has become a global threat that knows no boundaries. Cyber criminals now have new channels through which they are able to disrupt systems and access valuable data, gaining the ability to cause wide-scale disruption and cost for institutions, reputation and customers alike.

The Scottish Government have developed a public sector cyber resilience framework to provide a consistent way for Scottish public sector organisations to:

- assess cyber resilience arrangements
- identify areas of strength and weakness
- gain reasonable confidence that they are adhering to minimum cyber resilience requirements
- take informed decisions on how/whether to achieve higher levels of cyber resilience on a risk-based and proportionate basis.

We are fully committed to implementing this framework and adopting cyber security processes to protect our supply chain.

Drivers

National Performance Framework and Sustainable Goals

The United Nations set a series of global Sustainable Development Goals (SDGs) as part of an internationally agreed performance framework. All countries are aiming to achieve these goals by 2030. The National Performance Framework (NPF) and the Goals share the same aims and is Scotland's way to localise the SDGs. These goals are reflected in our mission and values within our Corporate Strategy and in turn the Procurement Strategy.



Challenges

Supply Chain Instability

COVID-19 restrictions have resulted globally in reduced end-user demand, businesses temporarily closed and staff temporarily on furlough or made redundant – all of which impacted on our supply chain tiers, from raw materials and manufacturing to suppliers and retail. The aviation sector has been particularly affected due to the worldwide restriction on travel, which effectively grounded aircraft and partially closed airports. Private sector aviation capital projects were postponed or cancelled, and ongoing aviation related services and supplies were cut back.

As we begin the process of recovery, our supply chain is also slowly recovering. We must be mindful of the loss of key staff to deliver current contracts, increased supplier insolvency risk, and potentially decreased capacity to tender for future contracts.

Brexit

The UK and Scottish public procurement regime is derived from EU procurement law and is therefore impacted by Brexit. From a regulatory perspective little has changed or is likely to change in the short term, other than amendment to EU references. The UK Government intends to introduce a Procurement Bill to simplify procurement in the public sector in England and Wales. The Scottish Government has not yet indicated if or when similar reforms may be introduced in Scotland.

However, the practical impact has been more readily felt with well-documented issues of delays at ports, complicated paperwork and increased costs arising from tariffs and the importation process. These affect lead times for the delivery of goods and materials directly to us and our supply chain, increasing the risk to operations from supply failure and delayed capital project programmes.

Lack of Data on Supply Demand, Procurement Expenditure and Supplier Risk

Our systems to date have not had the capacity to record, analyse and report on various important elements of the procurement cycle, e.g. demand from across all 11 sites of the business for common items, procurement spend by commodity/supplier/contract, supplier performance and supply risks. This lack of data restricts our ability to make good decisions of what, when and how to buy recurring common goods and services.

The implementation of a new Financial Management system and the introduction of our Digital Transformation Programme will support the process of addressing these data gaps in a more holistic way.

Objectives

1. Support the delivery of 'Net-Zero' targets through sustainable procurement

- Environmental Care and Excellence
- Delivering World Class Customer Service and Operations
- Route Development and Improving Connectivity
- Sustainable Financial Growth
- Delivering Digital Transformation
- Building Successful Partnerships
- Developing Our People

Why – There is a global climate emergency and while COVID-19 has rightly been the focus of governments across the world, the Scottish Government remains committed to ending our contribution to climate change by delivering a transition to net zero greenhouse gas emissions by 2045.

Eighty per cent of Scotland's carbon footprint is associated with materials produced or consumed. The Climate Change Act commits Scotland to reduce emissions by 75% by 2030 and achieve a target of net-zero carbon emissions by 2045. Procurement is the key tool to achieve sustainability targets. The Scottish Government is committed to leveraging the £12.6 billion in public procurement spend to contribute towards the transition to net-zero.

We are committed to minimising our environmental impact; leading the transition in aviation services to a net-zero aviation region and for all 11 HIAL airports to be carbon-neutral.

How – We will encourage project teams to engage early with Procurement and utilise the national Sustainable Procurement Tools and Circular Economy approaches in the planning and development stages of procurement projects, to enable us to make good decisions on whether we buy (do we need it, can we refurbish/reuse); what we buy (environmental impact); how we buy (market sources) and how much we buy (can we use less).

We will revise Procurement policies, procedures and templates to consider sustainability and circular economy outcomes in every procurement, and encourage innovation and new technologies.

We will consider Building Research Establishment Environmental Assessment Method Standards (BREEAM) for all infrastructure projects relating to building renovations and replacements, where appropriate. We will look to develop tools with our Infrastructure Consultant partners to calculate carbon usage and off-set in design, construction, materials and processes involved in our capital projects.

We will implement Contract and Supplier Management processes to gather data on the performance of our suppliers in reducing carbon emissions.

We will roll-out training, engagement and knowledge development for procurement and operational staff on sustainable procurement.

Objectives

2. Support service delivery through strategic commissioning

- Environmental Care and Excellence
- Delivering World Class Customer Service and Operations
- Route Development and Improving Connectivity
- Sustainable Financial Growth
- Delivering Digital Transformation
- Building Successful Partnerships
- Developing Our People

Why – Many private companies and public sector organisations have already started appreciating the additional value that procurement can bring and are shifting the role of procurement away from traditional reactive purchasing to a more strategic approach. The fallout from Covid-19 will power this transition further and we are today are facing more urgent and tougher challenges than ever before.

Procurement can deepen internal collaborative relationships, serving as the “glue” within our distinct and sometimes fragmented corporate and operational departments; providing insight into technical and commercial areas, cross-functional understanding of operations, and access to the supply market.

Using cost, expenditure and demand data to inform early strategic planning on what, where and how much to procure would improve our ability to successfully deliver services and capital projects; achieving better value. Creating a strategy for each commodity type allows longer term planning, increased leverage of spend across the business and provides a 'best in class' list of contracted suppliers.

Strategic commissioning will standardise requirements across all airports to raise quality standards, achieve economies of scale, form/strengthen key supplier relationships and reduce supply chain complexity and risk.

How – We will implement a corporate Category Management strategic approach to the 10-year capital plan and our ongoing operational revenue requirements; aggregating demand across the business, sorting into groups of commodities, and segregating to inform priorities. This will provide more robust annual procurement programmes and resource planning to deliver what we need when we need it most.

We will review and revise Procurement policies and procedures to formalise strategic commissioning to change purchasing behaviours and decision-making; reducing the risk of non-compliance with our Procurement Policy.

We will implement Contract and Supplier Management processes for key suppliers; to form and strengthen supplier relationships, improve performance and reduce our operational risks associated with supply chain failures.

Objectives

3. Support local and national economic recovery through sustainable procurement

- Environmental Care and Excellence
- Delivering World Class Customer Service and Operations
- Route Development and Improving Connectivity
- Sustainable Financial Growth
- Delivering Digital Transformation
- Building Successful Partnerships
- Developing Our People

Why – As we begin to recover from the pandemic crisis it is essential that we consider the needs of our customers, our communities and our economy. Promoting economic and social value through sustainable procurement supports local supply chains, which in turn support local community populations to stabilise and grow, which in turn should encourage route development and improved connectivity.

We are reliant on our supply chain to deliver goods, works and services for our airports to continue be operational and provide our customers with the service they have grown to expect. These suppliers are a mix of Small and Medium Enterprises (SME's) based in local communities, Scottish SME's, and larger Scottish and UK based organisations. We also have a number of non-UK key suppliers who serve the wider aviation sector.

The global COVID-19 pandemic has affected all businesses to some degree. To protect our operation, our communities and our supply chain, and support a wider public sector agenda of economic recovery, we must focus on sustainable procurement practices as a lever.

How – We will review our procurement processes to provide market-friendly, proportionate procurement routes that are sensitive to businesses' capacity to tender and deliver to deadlines. We will aim to encourage local SME and social enterprises' participation, including reviewing and revising our standard contract terms to share the balance of risk and provide fair, "plain English" documents.

We will revise the Procurement Policy to scale proportionate approaches to procurement within relevant "categories" that consider the emerging capacity, capability and resilience of markets during the COVID-19 recovery.

We will implement a Category Management approach to procurement that will allow longer term demand to be forecast and translated into longer term contracts to provide continuity of supply and assurance to suppliers of longer term orders. We will apply sustainability tests and tools to these categories to support the assessment of life cycle mapping and sustainable risks and opportunities.

We will consider for each tender, proposals for added social value and community benefits. We will engage staff to liaise with local community groups and airport stakeholder groups to establish wish-lists of local benefits to provide demand-based community outcomes within our tender packs for suppliers to consider.

* Negotiated Procedure Without Call for Competition

Objectives

4. Support added value and cost savings through “better buying” procurement

- Environmental Care and Excellence
- Delivering World Class Customer Service and Operations
- Route Development and Improving Connectivity
- Sustainable Financial Growth
- Delivering Digital Transformation
- Building Successful Partnerships
- Developing Our People

Why – Delivering value for money is not just about cost. Procurement is not just about compliance. Good procurement practices balance cost, quality and sustainability – getting the right item at the right time at the right price, focusing on the needs of the business and wider community. Good procurement is essential to drive value throughout the business.

Procurement facilitates greater competition and innovation, with a wider range of suppliers, which will in turn provides us with greater value for money.

Procurement can assist with our market competitiveness by reducing costs, adding benefits, forming/strengthening key supplier relationships and increasing our ability for inward investment. By supporting data-based decision making on a needs-led basis, Procurement can provide the link between operational success and cost management.

How – We will implement a Category Management approach, aggregating demand across all airports to prioritise competitive procurement exercises on the basis of operational risk and cost. This will enable economies of scale where appropriate and provide us with improved buying power.

We will competitively tender for a wide range of corporate contracts to deliver common goods and services across our airports, being mindful of local contractor and sub-contractor opportunities. This will consolidate our supply base to reduce complexity and risk.

Creating a list of corporate contracted suppliers will provide staff with a better value “go-to” means of purchasing; achieving cost savings and enabling a more efficient purchasing process.

We will review and revise our Procurement Policy and staff guidance on all procurement processes to improve visibility and implement improved measures to control off-contract spend.

We will review our Delegated Procurement Authority responsibilities to align with the Scheme of Delegated Financial Authority, with associated e-learning and support to nominated staff who have responsibility for instructing purchases and approving purchase orders.

We will implement and report KPIs to Airport Managers, Senior Management Team and Board Members KPIs on managed expenditure, supply chain risk, complexity, financial controls, and added-value.

Objectives

5. Increase the efficiency of procurement processes through digitalisation

- Environmental Care and Excellence
- Delivering World Class Customer Service and Operations
- Route Development and Improving Connectivity
- Sustainable Financial Growth
- Delivering Digital Transformation
- Building Successful Partnerships
- Developing Our People

Why – Digital transformation is an intrinsic part of our corporate strategy to achieve key goals and the pace of transformation has accelerated following the impact of Covid-19 pandemic. We recognise the value of data-driven decision making and the positive impact that digitalisation and technology can have on our ability to respond more efficiently to meet operational demands.

Fraud and economic crime rates are at a record high, impacting more firms today than ever before. However, businesses are increasingly turning to data analytics to detect fraudulent schemes and prevent infiltration.

As the threat from cyber criminals grows, we must do all we can to ensure our digital services are as secure as possible, and can recover quickly when cyber-attacks succeed. Our supply chain has the potential to be susceptible to cyber risks, and in turn affect our critical systems. The Scottish Government have developed a proportionate, risk-based supply chain cyber security policy and tools to provide a consistent approach to improving cyber security within public sector supply chains.

Procurement processes are by nature relatively complex, particularly in balancing procurement legislation compliance with business needs. To support our staff to 'buy better' we should have the right tools to ensure a standardised approach that reduces complexity and therefore risk.

How – We will work with the Digital Transformation Board to investigate solutions where value could be added in terms of deliverables and/or process efficiencies, and evaluate these against the cost of implementing such solutions, for example e-contracts rather than printing, binding and ink signatures.

We will work closely with the Finance Team in the implementation of the new Oracle Netsuite Financial Management System to optimise available functions from the outset. In particular, data analytics to combat fraud; supply data to inform a secure Contracts Register; and expenditure analysis and reporting to support data-based decision making.

We will use the Cyber Security Procurement Support Tool in every relevant tender to assess and mitigate potential cyber security risk from our supply chains.

We will work with the Information & Communication Technology (ICT) Team and Corporate Communications to improve the Procurement Sharepoint site to support operational staff to identify and more easily follow the correct procurement process according to their requirement, with a focus on design from a user point of view.

Objectives

6. Reduce supply chain risk through strengthening key supplier relationships

- Environmental Care and Excellence
- Delivering World Class Customer Service and Operations
- Route Development and Improving Connectivity
- Sustainable Financial Growth
- Delivering Digital Transformation
- Building Successful Partnerships
- Developing Our People

Why – All businesses today are facing more urgent and tougher challenges than ever before. Understanding the changing marketplace is critical, therefore having regular interaction and dialogue with suppliers results in improved market visibility.

Deepening relationships with key suppliers provides a two-way conduit to reduce risk for both parties – the key to resilience for buyers and suppliers is visibility and collaboration. Visibility of our suppliers is critical for managing risk and knowing our supply markets; and our visibility to suppliers allows for better forecasting of future demand.

How – We will establish baseline data on the quantum of current contracted suppliers against the number of suppliers in use; segregate suppliers by value/risk and record the current associated Contract and Supplier Relationship Management (CSRM) activities with each supplier.

We will implement a Category Management approach to procurement that groups our business-wide requirements into categories of contracts that will be procured to provide a list of contracted suppliers; distilling and reducing the total number of suppliers. Resilience in our key supply chain must also be a consideration and single points of failure avoided as far as possible. This will enable key suppliers to be identified and relationships developed formally and appropriately.

We will procure and implement a CSRM system to provide a proportional approach to gathering supplier data, undertaking due diligence checks, and monitoring, managing and reporting on supplier performance.

We will revise the Procurement Policy, procedures and contract templates to support a formal CSRM process to reduce supplier failure risk, reduce contractual risks, standardise processes and improve performance. CSRM will develop and strengthen our relationships with key suppliers to allow us to better understand their recovery plans and supply chain risks.

We will collaborate with other public sector bodies and utilise Frameworks where relevant when procuring common goods/services to reduce our procurement resource pressure whilst combating supply chain risk.

We will encourage proactive community engagement by airports via airport stakeholder groups and Community Councils to better understand community needs and potential targeted Community Benefits for inclusion in tenders for large projects.

Objectives

7. Support staff to 'buy better' through reduced process complexity

- Environmental Care and Excellence
- Delivering World Class Customer Service and Operations
- Route Development and Improving Connectivity
- Sustainable Financial Growth
- Delivering Digital Transformation
- Building Successful Partnerships
- Developing Our People

Why – To keep in line with procurement regulations and provide best value for the company, our procurement procedures are aligned with the Scottish Government 'Procurement Journey' which provides all Scottish public sector bodies with standardised, compliant and best practice procedures. Process complexity is inherent in public sector procurement, in terms of compliance and meeting government policy directives and organisation objectives.

Our current Procurement Policy states all contracts should be secured following competition; below £50k using quotations, and above £50k using tendering. Operational staff are responsible for below £50k processes and the Procurement team are responsible for above £50k. Audits on our regulated procurement processes have been positive to date, however weaknesses have been found in below threshold procurement and these must be addressed.

How – We will survey our staff to understand how they can be supported to buy the right item at the right price at the right time – in compliance with the Procurement Policy and sustainability aims, in line with corporate strategic priorities, and meeting operational needs.

We will implement a Category Management approach to commonly purchased goods and services, aggregating demand across the business to provide operational staff with a simple "go-to" list of contracted suppliers.

We will review the scheme of Delegated Procurement Authority to nominated staff to provide a clearer framework of responsibilities; supporting compliant procurement and added-value. We will roll-out additional training, peer support and guidance to bring operational staff on board to a more modern approach to purchasing – changing behaviours and attitudes.

We will complete the Scottish Government National Procurement Development Framework to map our procurement responsibilities and identify formal training needs.

We will review and revise our Procurement Policy, procedures and documents to simplify lower value processes and provide staff with more clarity on purchasing rules and how to secure best value. Linked to digitalisation, the aim is to make processes more accessible and efficient.

We will include Fair Work First principles within every tender and implement a Supplier Charter for all suppliers to support equality, diversity and the Real Living Wage across our supply chain.

Key Performance Measures and Targets

Key Indicator and Measure of Success	2021 Baseline	2026 Target	Comment
% reduction in Scope 1 and 2 carbon emissions	TBC	40%	Measure of sustainable procurement
% contracts awarded or sub-contracted to local SME's	29%	50%	Measure of sustainable procurement
% tenderers paying staff at least the Living Wage	39%	75%	Measure of sustainable procurement
Spend covered by category management approach	0%	80%	Measure of managed expenditure
% cost savings against annual procurement-related spend	3.5%	5%	Measure of procurement added value
Average no. of suppliers tendering for HIAL contracts	3.3	5	Measure of reduced complexity
% of non-contracted suppliers	TBC	20%	Measure of financial controls
% of key suppliers proactively managed	TBC	100%	Measure of supply chain risk management
% of cyber security assessments completed for relevant contracts awarded over £50k	TBC	90%	Measure of supply chain cyber security risk management

Implementation, Monitoring, Reporting and Review

The activities required to achieve the Procurement strategic objectives are mapped in our annual Procurement Operational Plans. Each activity will be assigned an owner who will have responsibility for delivery. Progress against achieving the strategic Procurement objectives will be measured and reported quarterly to Senior Management and the HIAL Board, and annually in a published Procurement Annual Report.

An annual review of the Strategy will be undertaken by the Procurement Manager following consultation with stakeholders, where revisions may be made to ensure the documents remain relevant and objectives achievable.

Sarah Shelley
Procurement Manager

Highlands and Islands Airports Limited, Head Office, Inverness Airport, Inverness IV2 7JB

Tel: (01667) 464207 Email: sshelley@hial.co.uk

