

HIAL PROCUREMENT POLICY



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1. INTRODUCTION AND SCOPE

This Policy provides guidance on the rules that apply to HIAL staff who are involved in procurement activity. Adherence to the policies set out in this document is mandatory for all HIAL staff.

HIAL is a private limited company wholly owned by Scottish Ministers and as such is required to procure goods, services and works in accordance with legislation, Scottish Government policy, HIAL policy and best practice guidance.

This Policy has been prepared in conjunction with:

- [Scottish Public Finance Manual \(SPFM\)](#) – issued by Scottish Ministers to provide guidance on the proper handling and reporting of public funds
- [Scottish Procurement Policy Notes](#) – provide updates from Scottish Government on legal and procurement policy developments
- [Procurement Journey](#) - provides Scottish public sector bodies with up-to-date source of guidance and documentation, facilitating best practice and consistency
- [Construction Procurement Handbook](#)– provides Scottish public sector bodies with supplemental guidance specific to construction projects
- [HIAL's Safety Management System and Group Compliance Monitoring System](#)
- [HIAL Procurement Strategy 2021 – 2026](#)
- [HIAL – Transport Scotland Framework](#)

Account must also be taken of the relevant legal framework (see section 4 below).

The rules set out in this Policy are designed to ensure that procurement activity is focused on delivering value for money, conducted to high professional standards and to the relevant legal requirement, and is overseen by appropriately trained and authorised staff to minimise the risk of legal challenge to HIAL and its employees.

The Policy recognises the rights of anyone interested in providing goods, works or services to HIAL to be treated in accordance with these principles at all levels of expenditure, so that HIAL's reputation as a responsible, competent, and fair organisation is upheld and enhanced.

2. PROCUREMENT DEFINITION

Procurement is the process of buying (or leasing) goods, services and works from external suppliers. The procurement process begins when a need to buy something is identified and continues after the contract is awarded through effective contract management. It is often one element of a wider strategic commissioning process.

3. KEY PRINCIPLES OF PROCUREMENT

- **Procurement obligations** - all procurement activity must comply with principles of transparency, equal treatment and non-discrimination, proportionality and mutual recognition.
- **Legal aspects** – procurement activity must consider the application of relevant public sector legislation.
- **Separation of duties** - the roles of budget holder/customer and purchaser should be kept separate.
- **Competition** - contracts must be awarded through genuine and effective competition unless there are exceptional reasons to the contrary.
- **Value for money (VfM)** - contracts should be awarded based on value rather than cost alone.
- **Ethical standards** – procurement activities must adhere to the highest standards of honesty, integrity, impartiality and objectivity in all dealings with suppliers and potential suppliers.

- **Buying sustainably** – procurement activities must consider value for money on a whole life cost basis and delivering benefits not only for the organisation but for society, the economy and the environment.

4. LEGAL FRAMEWORK

Public sector procurement in Scotland takes place within a framework of legislation including:

- [Utilities Contracts \(Scotland\) Regulations 2016](#)
- [Public Contracts \(Scotland\) Regulations 2015](#)
- [Procurement \(Scotland\) Regulations 2016](#)
- [Concession Contracts \(Scotland\) Regulations 2016](#)
- [Procurement Reform \(Scotland\) Act 2014](#)

Purchasing activities that exceed specified ‘threshold values’ must be undertaken in a manner compliant with Scottish procurement legislation. They include the award of a new contract or framework agreement, the award of a call-off contract from an existing framework agreement, or the modification of an existing contract.

The Utilities (Scotland) Regulations 2016 (the Utilities Regs) apply to “activities relating to the exploitation of a geographical area for the purpose for the provision of airports”. Items or activities procured by HIAL which exceed the Utilities Regs threshold values for the purpose of operating our airports are regulated by this legislation.

Should HIAL wish to procure items or activities not related to operating an airport, **The Public Contracts (Scotland) Regulations 2015** (the Public Contracts Regs) would apply where the value exceeds the Public Contracts Regs threshold values.

The Procurement Reform (Scotland) Act 2014 (the Act) introduced a range of measures to provide a legislative framework for sustainable public procurement across the Scottish public sector that supports Scotland’s economic growth through improved procurement practice, including:

- Mandatory publication of procurement strategies and annual procurement reports
- Sustainable procurement duty
- Community benefits
- Fair work practices, including Living Wage
- Selection of tenderers and award of contracts for “Regulated Procurements” below Public Contracts Regs threshold values.

The Act defines Regulated Procurements based on threshold values and whether the Public Contracts Regs apply. Procurements which would be subject to the Utilities Regs if they exceeded the relevant threshold values (i.e., related to operating an airport) are not Regulated Procurements under the Act.

For best practice, best value and transparency, this Policy treats all procurements which exceed the Act’s threshold values³ as subject to the *principles and process* of a Regulated Procurement, albeit they are not legally regulated.

The Procurement (Scotland) Regulations 2016 (the Procurement Regs) exercise the power conferred by relevant elements of the Act.

The **Concession Contracts (Scotland) Regulations 2016** (the Concession Regs) apply to contracts for works or services where the payment for the contract consists of the right to exploit the works or services and the value of the concession exceeds the specified value threshold.

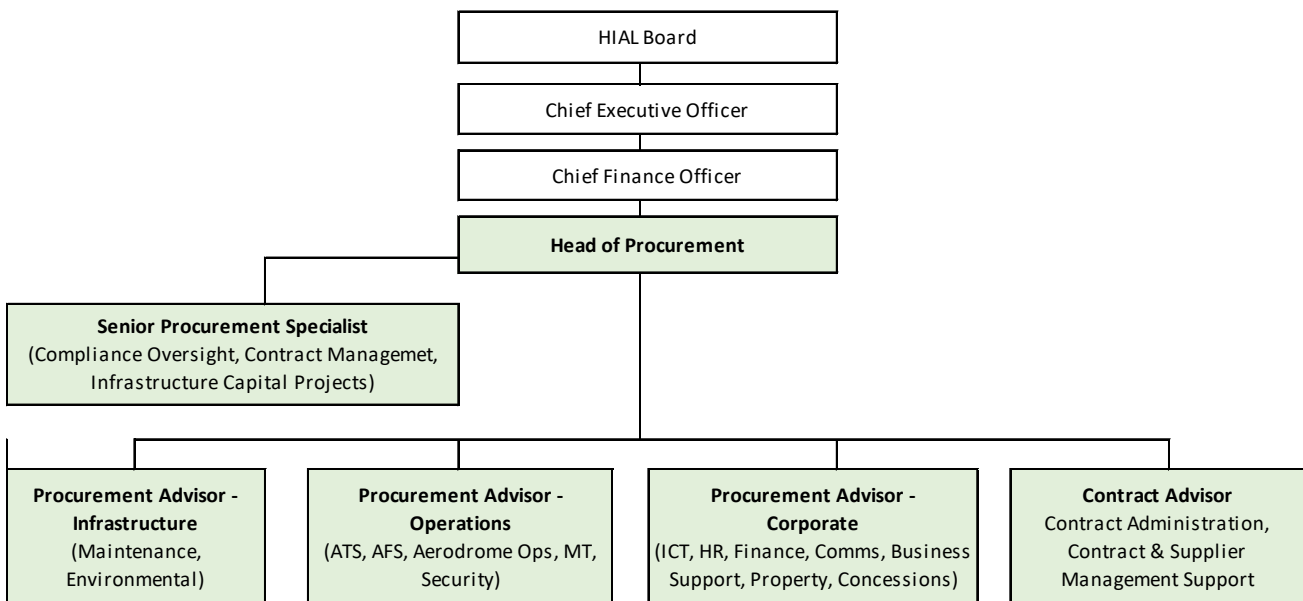
Formal challenges and complaints may be brought against HIAL in a court of law alleging a breach of these rules. The consequences of a successful challenge may, depending on the nature of the breach, result in HIAL being fined; the duration of a contract being shortened; award of damages against HIAL; and reputational damage to HIAL.

Any third-party complaints or challenges received by HIAL staff and any correspondence from third party legal advisors must be forwarded immediately to the Head of Procurement for discussion with Senior Management Team.

THRESHOLD VALUES (1 JAN 2024 – 31 DEC 2025)		
	Goods and Services	Works
Regulations	Indicative value excl VAT	Indicative value excl VAT
Utilities Regs	£358,174	£4,477,174
Public Contracts Regs	£179,087	£4,477,174
Concession Regs	£4,477,174	£4,477,174
The Act	£50,000	£2,000,000

5. PROCUREMENT ROLES/RESPONSIBILITIES AND COMPLIANCE

Procurement Team Organisational Structure



Roles and Responsibilities

Roles and responsibilities of HIAL Board and staff members are set out in detail in the HIAL Safety Management System Manual. For the purposes of this Policy, the following are applicable:

Board Members – Responsible for seeking assurance that HIAL operates in accordance with regulatory and legislative requirements.

Chief Executive Officer – ‘Accountable Officer’ to the Scottish Government which includes ensuring propriety and regularity of HIAL finances and ensuring compliance with the Scottish Public Finance Manual, ultimately accountable for all procurement within the company.

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Chief Financial Officer – Accountable to the Chief Executive Officer for leading, supporting, demonstrating, and promoting the development of sound financial practices and policies; and responsible for procurement activities.

Head of Procurement - Accountable to the Chief Financial Officer for the development and implementation of an effective strategy and supporting processes for managing procurement across the HIAL group. Responsible for:

- the development and implementation of an effective procurement strategy and policy,
- determining best practice purchasing arrangements, including governance and compliance, to establish and maintain procurement standards across the company, including regular reporting to the HIAL Board and mandatory annual reporting to the Scottish Government,
- providing leadership to the Procurement function across the business to support compliance, operational capability, and the achievement of HIAL strategic aims,
- managing the Scheme of Delegated Purchasing Authority and Delegated Contract Management Authority across HIAL airports and functions,
- the development of contract management policy to manage supply chain performance and risk.

Senior Procurement Specialist – Accountable to the Head of Procurement and responsible for ensuring best practice standards and compliance are adhered by all Delegated Purchasing Officers. Responsible for:

- implementing effective procurement processes and ensuring that appropriate training and support is available for Delegated Purchasing Officers across HIAL, including undertaking regular audits to ensure ongoing compliance,
- leading on complex capital procurement activities as required to support delivery of the Capital Programme,
- the development and implementation of contract management processes to support delegated Contract Managers to monitor and manage supplier performance.

Procurement Advisors – Accountable to the Head of Procurement and responsible for providing procurement advice and lead on all regulated and non-regulated procurement activities for works, goods and services within nominated functional areas of the organisation, ensuring continued compliance and with a focus on value for money, business needs, risk reduction and delivery of sustainable procurement aims. Procurement Advisors support the delivery of the procurement strategic aims which are key enablers of the company's strategic objectives.

Contracts Advisor – Accountable to the Head of Procurement and responsible for preparing, negotiating, and executing all procurement contracts, and for establishing and building strong relationships with Contract Managers and key suppliers throughout the contract lifecycle.

Delegated Purchasing Officers – Authorised and responsible for overseeing the process leading up to and including the award of a contract (see section 6).

Delegated Contract Managers – Authorised and responsible for managing contracts for goods, services and works after the contract has been awarded. Responsible for administering the contract, liaising with the supplier, reviewing, and reporting contract performance and risk, and ensuring that any changes to that contract are in line with this Policy (see section 7).

Financial Controller - Accountable to the Chief Financial Officer for the development and implementation of financial policies and supporting processes across HIAL. Finance and procurement processes are closely linked, specifically in the areas of budgeting, spend analysis, supplier on-boarding and due diligence, purchase orders, invoicing and payment, VAT and Customs, and HMRC rules on intermediaries (IR35).

HIAL's financial policy requires that there are appropriate procedures in place to control capital and revenue expenditure. The terms of that policy must be implemented in the context of activity covered by this Policy.

Airport and Functional Managers - Responsible for ensuring their staff are aware of and comply with this Policy.

All Staff – Responsible for complying with this Policy.

6. DELEGATED PURCHASING AUTHORITY

Delegated Purchasing Authority (DPA) is the authority to enter into a contract for goods, services and works and in doing so, to take responsibility for overseeing the process leading up to, and including, the award of a contract. Note: this includes instructing the raising of a Purchase Order.

The ‘Scheme of Delegated Purchasing Authority’ sets the scope of authority that has been delegated to specific staff. DPA is granted to permanent HIAL staff members, authorised in writing by the Head of Procurement (or their nominated representative) based on the business need and training/experience of the staff concerned, relevant to the value of contracts that the individual will be authorised to award. Airport and Functional Managers may further delegate purchasing authority to other staff with the approval of the Head of Procurement.

DPA is:

- required for running a competition where an existing contract does not already exist,
- intended to allow airports and corporate functions the opportunity to manage relevant purchasing requirements within their local business area, whilst maintaining compliance, standards, and standardised process,
- personal to an individual only whilst they occupy their current position unless they are seconded to another post within HIAL to carry out their procurement role in that post. DPA does not automatically transfer to their successor should they leave their current post, nor does it transfer with them to another post. If DPA is to be withdrawn by the Head of Procurement for any reason this will be confirmed in writing.

DPA is not:

- to be confused with the HIAL ‘Scheme of Delegated Financial Authority’ (available on the Finance Hub). The Scheme of Delegated Financial Authority identifies those individuals within the organisation that are entrusted with spending powers and details the level and parameters of spend which they may authorise via purchase orders and call-off contracts,
- required to purchase goods, services, or works via purchase order from contracts already awarded by HIAL,
- the authority to award a contract without following a genuine and effective competition.

A staff member with DPA is known as a Delegated Purchasing Officer (DPO). The authority and responsibilities for each DPO will vary and are set out in the Scheme of Delegated Purchasing Authority below. These authorities are cumulative.

All nominated DPOs will receive guidance and support from the Procurement Team and must successfully complete a mandatory e-Learning module before being granted DPA.

There is a duty on all DPOs to apply the key principles of public sector procurement, to abide by the rules set out in this Policy, to adhere to procurement procedures and to deliver value for money. When necessary, guidance should be sought from the Procurement Team.

DPOs must only carry out procurement activity of a type which has been delegated to them. For example, DPO for goods and services must not carry out construction procurement activity because this requires additional training.

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The Scheme of Delegated Purchasing Authority will take effect from 1 April 2024. During the year to 31 March 2025, all nominated DPOs must undertake relevant procurement training, which must be maintained on an annual basis. After 1 April 2025, the Head of Procurement may remove authorisation from any individual who has not completed procurement training in the previous 12 months.

Scheme of Delegated Purchasing Authority**Goods and Services**

Level of DPA	Contract Value	Authorised Procurement Procedure	Training
DPA Level 1	£0 - £5,000	Level 1 Simple Quotation Procedure	Level 1 Procurement Training
DPA Level 2	£5,000 - £50,000	Level 2 Quotation Procedure	Level 1 and 2 Procurement Training
DPA Level 3	£50,000 – Regulated Threshold	Level 3 Tender process	Member of Procurement Team
DPA Level 4	Above Regulated Threshold	Level 4 Regulated Tender process	Member of Procurement Team

Works

Level of DPA	Contract Value	Authorised Procurement Procedure	Training
DPA Level 1	£0 - £250,000 (Building, MEP) / £500,000 (Civils)	Level 1 Works Quotation Procedure (Term Contractor)	Level 1 Works Procurement Training
DPA Level 2	£250,000/£500,000 - £2,000,000	Level 2 Works Quotation or Level 3 Works Tender Procedure	Level 1 and 2 Works Procurement Training plus advice from Procurement Team
DPA Level 3	£2,000,000 – Regulated Threshold	Level 3 Works Tender process	Member of Procurement Team
DPA Level 4	Above Regulated Threshold	Level 4 Works Regulated Tender process	Member of Procurement Team

Separation of duties

It is HIAL policy that there are at least two defined roles in a procurement process:

- a) the budget holder/customer who perceives the need and makes out the business case to obtain any necessary approval to spend; and
- b) the DPO who is responsible for ensuring that the procurement process fully complies with procurement policy.

These roles must be separated to protect the staff concerned from accusations of impropriety.

A DPO should not be responsible for any financial approvals connected with contracts that they have authority to procure.

7. DELEGATED CONTRACT MANAGEMENT AUTHORITY

Contract Management Authority (CMA) is the authority to manage specific contracts for goods, services and works after the contract has been awarded. It oversees the contract and supplier management process during the life of the contract.

CMA is:

- required for managing specific contracts which have been awarded by a DPO,
- required for the modification of an existing contract,

- granted to permanent HIAL Staff, authorised in writing by the Head of Procurement (or their nominated representative). This will be based on the business need and training/experience of the staff concerned. It will specify the level of contracts that the individual will be authorised to manage, and
- personal to an individual only whilst they occupy their current position.

CMA does not automatically transfer to a successor should an individual leave their current post nor does it transfer with them to another post. Individuals may not delegate CMA.

CMA is not:

- to be confused the HIAL 'Scheme of Delegated Financial Authority'.
- to be confused with Delegated Purchasing Authority (DPA) which is required to award or approve a contract.

All nominated Delegated Contract Managers will receive guidance and support from the Contracts Advisor and must successfully complete a mandatory e-Learning module before being granted CMA. CMA will take effect from 1 April 2024. During the year to 31 March 2025, all nominated Contract Managers must undertake relevant training, which must be maintained on an annual basis. After 1 April 2025, the Head of Procurement may remove authorisation from any individual who has not completed procurement training in the previous 14 months.

8. SUSTAINABILITY

The Act establishes laws about sustainable public procurement to maximise the social, environmental, and economic benefits through effective and efficient procurement activity. Use of procurement can play a key role in protecting the environment, reducing emissions, promoting jobs and growth, encouraging innovation, boosting training and apprenticeship opportunities and helping small and medium enterprises (SME's) third sector organisations and supported businesses to compete effectively for contracts.

The [HIAL Sustainability Strategy 2023-2033.pdf](#) supports the corporate strategic priorities to develop a Net Zero regional airport network while at the same time continuing to support economic prosperity and deliver social benefit for people and communities throughout the Highlands and Islands.

All goods, services and works purchased by HIAL must consider sustainability in a way that:

- achieves value for money on a whole life cost basis
- delivers benefits for the organisation, society, the economy, and the environment.

DPOs must consider the appropriateness, relevance and proportional use of sustainable outcomes in all purchases. HIAL will derive the greatest benefits through ensuring that sustainability is embedded and proportionately applied to all its procurement decisions and activities.

Scottish Government Sustainable Procurement Tools may be used by the Procurement Team at a category/commodity level to inform potential sustainability gains during tender document development.

Reducing the Environmental Impact

DPOs should consider the following environmental elements that may be impacted by the contract requirements and use the procurement process to encourage suppliers to reduce their carbon footprint and drive positive environmental outcomes:

- Waste management
- Water efficiency and contamination
- Energy efficiency
- Air quality

- Ecology and landscape
- Noise management
- Surface access
- Carbon emissions reduction.

Fair Work Practices

[Fair Work First](#) is the Scottish Government’s policy for driving good quality and fair work in Scotland. DPOs should apply the Fair Work First approach within the tender process, where relevant and proportionate to the contract, to ascertain how potential suppliers are committed to progressing towards adopting and embedding the seven Fair Work First criteria:

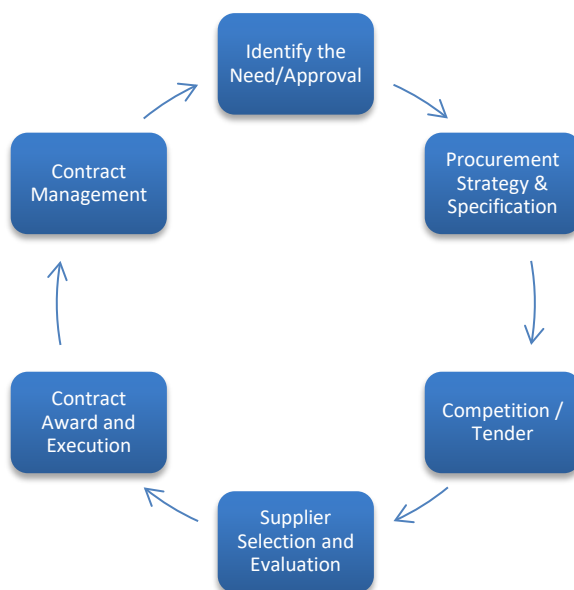
1. Appropriate channels for effective voice, such as trade union recognition,
2. Investment in workforce development,
3. No inappropriate use of zero hours contracts,
4. Action to tackle the gender pay gap and create a more diverse and inclusive workplace,
5. Providing fair pay for workers (for example, payment of the real Living Wage),
6. Offer flexible and family friendly working practices for all workers from day one of employment, and
7. Oppose the use of ‘fire and rehire’ practices.

Community Benefits

Under the Act, for contracts over £4m, DPOs must consider Community Benefits relating to staff training and recruitment or sub-contracting opportunities which will improve the social, economic, or environmental wellbeing of the local communities, and to include these as contractual requirements where relevant.

9. PROCUREMENT PROCESSES

The Scottish Government Procurement Journey should be referred to for detailed procedures and templates. The process in summary for most procurements is as follows:



Phase 1 – Identify the Need

The budget holder is responsible for identifying and managing requirements within their budgetary control area, and for seeking the necessary approvals to procure.

Where requirements arise in more than one airport, department, or other part of the HIAL group then those requirements should be aggregated for the purposes of procurement where this will provide added value and economies of scale to the company, bearing in mind the commitment to supporting local small and medium sized enterprises (SME's). The Procurement Advisors within the Procurement Team have an allocated functional area of the business to provide a "category management" approach to procurement. This provides closer liaison and understanding of business requirements and more easily identifies common commodities across the airport sites. The budget holder must consider wider potential requirements and liaise with the relevant Procurement Advisor and functional lead.

The budget holder must have appropriate approval in accordance with HIAL corporate governance that the requirement is in line with corporate strategic aims and that sufficient funds are committed before commencing a procurement.

If the value of the requirement is not known, DPOs should undertake market research into the range of possible solutions and indicative prices before approval is sought. Informal consultation with potential suppliers, without making any commitment, is encouraged however tendering aimed solely at establishing costs must not take place.

Phase 2 – Procurement Strategy and Specification

Once funding has been approved, DPOs must set out their requirements and specification clearly and in line with published guidance.

DPOs should complete an [Invitation to Quote Checklist](#) for requirements valued at under £50k or a Tender Checklist for requirements valued at over £50k. Completing these documents provides an opportunity to consider: the supply market, specification, sustainability, sourcing route, risks, information management, stakeholders, resource planning and timescales. The work carried out at this stage will also be used to determine the appropriate form of contract, the contract management approach to the contract and the exit strategy. DPOs undertaking Level 4 Tenders or complex procurements for wider corporate contracts should also complete a Procurement Commodity Strategy document.

Information Management

If the contract will involve, support, or rely on the digital processing of personal information and/or access to HIAL systems, the project lead should ensure that appropriate consideration is given to potential cyber risks and data protection legislation.

HIAL has taken steps to reduce the levels of cyber security and information management risk in its supply chain. From the outset, DPOs should be informed by the project lead, in liaison with ICT and the Information Manager, whether the procurement has been assessed as posing an information risk.

DPOs must require all suppliers bidding for certain "critical systems" contracts which are assessed as posing an information risk, to meet the requirements of ICT policies.

Where the contract may involve the supplier processing personal information on behalf of HIAL, the project lead should seek advice from the Information Manager and/or complete a Data Processing Impact Assessment and advise the Contracts Advisor if a Data Processing Agreement should be included in the contact.

Financial Standing

Tenders valued more than £50,000 or for requirements which could expose HIAL to excessive risk if they were to fail should include a statement of the minimum required financial standards within the tender documents, proportionate to the contract.

Insurance

For each procurement the DPO should assess the level of risk that is reasonable for HIAL to bear and that which they wish to transfer to a supplier or contractor and set this out in the quotation or tender documents, which could include the following where relevant and proportionate to the procurement:

- Employers' Compulsory Liability Insurance (ECLI): Where services are provided by employees of the contracted supplier.
- Public Liability and All Risks: Where services are to be conducted in public areas.
- Professional Indemnity: Where professional or design services are provided.
- Aviation Liability: Where works or services are provided in airside areas.

The levels of insurance cover required in respect of each contract should be in accordance with HIAL commercial policies and in the context of the contract and reflecting the level of risk.

For Level 2 and above procurements, where relevant, the DPO must request a copy of the relevant insurance certificate prior to contract commencement and retain for audit records.

Phase 3 – Competition

Goods, works and services should be acquired by fair competition unless they are covered by one or more of the exemptions noted below. The essence of public sector procurement policy is to provide a means to improve public service delivery using competition based on the principles of openness and fairness, with each tenderer being afforded the same information and opportunities as every other.

Before commencing a new competition, the availability of existing contracts and frameworks must be considered. New competitions should normally only be launched where the requirement cannot be met through an existing contract.

It is HIAL policy that Regulated Procurements are published on [Public Contract Scotland \(PCS\)](#), the web portal for advertising all Scottish public sector contract opportunities. All contracts for goods and services with an anticipated total value of £50,000 and above (excluding VAT) and for works contracts with an anticipated value of £2,000,000 and above (excluding VAT) must be advertised on PCS, either as targeted quotations under a Quick Quote process or an open advertisement under a Tender process depending on the value, risk, and complexity of each procurement.

The contract value is the total amount which HIAL expects to pay over the full duration of the contract (including any options to extend).

DPOs are responsible for identifying the most appropriate procurement process that is likely to offer the best value for money and relevant to the circumstances, risk, and complexity of each procurement. The following broad thresholds apply to the procurement process to be adopted:

Procurement Routes for Goods and Services

Contract Value	Route and Process to be Adopted
£0 - £5,000	Level 1 Simple Quotation <ul style="list-style-type: none"> Identify the need, outline the requirements, and ensure financial approval Consider data protection, cyber security, and sustainability Use existing contract if available or seek 3 quotes via email or online brochures Raise a Purchase Order or pay by company credit card
£5,000 to £50,000	Level 2 Quotation <ul style="list-style-type: none"> Identify the need, outline the requirements, and ensure financial approval Consider data protection, cyber security, and sustainability Use existing contract if available or seek at least 3 quotes Use the HIAL Invitation to Quote templates and advertise via email or on PCS Quick Quote Evaluate bids and award the contract, notifying unsuccessful bidders Agree suitable written contract where relevant Raise Purchase Order
£50,000 – Threshold (£358,174)	Level 3 Tender Tender process advertised on the PCS portal, led or supported by the Procurement Team.
Above Threshold (£358,174)	Level 4 Tender Formal tender process advertised on the PCS portal, led by the Procurement Team, fully compliant with Procurement Regulations.

Procurement Routes for Works

Contract Value	Route and Process to be Adopted
£0 to £250,000 (M&E/Building) £0 to £500,000 (Civils)	Level 1 Works Quotation (Term Contractor) <ul style="list-style-type: none"> Clearly specify requirements to the relevant Term Contractor using the contractual NEC Task Order, requesting a proposal under their term contract Review proposal against contractual rates Complete the Task Order sign-off Raise Purchase Order, referencing the Task Order. <p><i>If the requirement cannot be fulfilled by the Term Contractor, Level 2 Works Quotation process should be followed.</i></p>
£250,000 / £500,000 to £2,000,000	Level 2 Works Quotation <ul style="list-style-type: none"> Identify the need, outline the requirements, and ensure financial approval Consider sustainability Liaise with the Procurement Team for advice and guidance throughout the exercise Seek at least 3 quotes from suitability qualified contractors, including local contractors Use the HIAL Invitation to Quote templates and advertise on the Quick Quote PCS portal, where appropriate. Evaluate bids and award the contract, notifying unsuccessful bidders Agree suitable formal NEC contract in liaison with the Procurement Team Raise Purchase Order, referencing the contract. <p><i>If more appropriate to the requirement and complexity, Level 3 Works Tender process should be followed.</i></p>
£2,000,000 – Threshold (£4,477,174)	Level 3 Works Tender Tender process advertised on the PCS portal, led by the Procurement Team
Above Threshold (£4,477,174)	Level 4 Works Tender Formal Regulated Tender process advertised on the PCS portal, led by the Procurement Team, fully compliant with Procurement Regulations.

Summary of Contract Type, Regulation and Process

Contract Type	Value	Regulation	Procurement Route
Airport Related Goods & Services	below £50k	Not regulated	Level 1 or 2 Quotation
	£50k - £358k	Not regulated	Level 3 Tender
	above £358k	Utilities Regs	Level 4 Tender
Non-Airport Related Goods & Services	below £50k	Not regulated	Level 1 or 2 Quotation
	£50k to £179k	Procurement Regs	Level 4 Tender
	above £179k	Public Contracts Regs	Level 4 Tender
Airport Related Works	below £250k/£500k	Not regulated	Level 1 Works Quotation
	£250k/£500k - £2m	Not regulated	Level 2 Works Quotation
	£2m - £4.47m	Not Regulated	Level 3 Works Tender
	above £4.47m	Utilities Regs	Level 4 Works Tender
Non-Airport Related Works	below £250k	Not regulated	Level 1 Works Quotation
	£250k/£500k - £2m	Not regulated	Level 2 Works Quotation
	£2m - £4.47m	Procurement Regs	Level 4 Works Tender
	above £4.47m	Public Contracts Regs	Level 4 Works Tender

Documentation covering the key stages of all procurements must be retained. The DPO is responsible for ensuring that procurement documents are recorded and filed appropriately and for liaising with the Contracts Advisor where relevant to ensure formal signed contractual documents are recorded and filed timeously. This will be subject to internal audit.

Note: all purchases made using the credit card must comply with the Credit Card procedures issued by the Finance Team.

Exemptions from Competitive Action

It is a fundamental principle of public sector procurement that purchases should be made following genuine and effective competition. Dispensing with competition or Non-Competitive Action (NCA) at any level of purchase, which may amount to unfair discrimination, should be avoided and must be recorded. **Note:** Failure to take account of the timescales required for competition is not an acceptable reason for NCA.

NCA for goods and services Level 1 and 2 Quotations and works Level 1 Quotations (up to £50k) must be approved in advance by the budget holder and reported to the Procurement Team. NCA for goods and services Level 3 and 4 Tenders (above £50k) and Level 1, 2, 3 and 4 Works Quotations and Tenders (above £50k) will only be allowed in exceptional circumstances and in accordance with specific criteria as advised by the Procurement Team. All requests to proceed with such NCA procurements must be reviewed by the Procurement Team and approved by Senior Management Team and where necessary, the HIAL Board. It is strictly limited to situations where competition is not deemed possible or appropriate. NCA cannot be approved by the DPO.

The NCA justification and approval must be formally recorded on the Contracts Register and will be reported to the Board and Scottish Government within the reporting cycle.

Phase 4 – Supplier Selection and Evaluation

The desired outcome of procurement in accordance with this Policy is achieving Value for Money (VfM). VfM is defined as the optimum combination of whole life costs, sustainability and fitness for purpose to meet HIAL

requirements. Depending on the nature of the contract, whole life cost may include implementation costs, ongoing operating costs and end-of-life disposal.

Contracts are awarded based on the Most Economically Advantageous Tender (“MEAT”) which takes account of whole life costs, sustainability, and quality criteria (rather than price alone). DPOs should use the HIAL standard evaluation methodology and templates, in line with the Procurement Journey guidance, and ensure Evaluation Panel members strictly adhere to the process to ensure a fair and compliant evaluation process is followed.

Approval to award the contract to the successful supplier following competition should be in accordance with corporate governance.

[Due Diligence](#)

Financial Vetting

Contracts valued at more than £50,000 or for requirements which could expose HIAL to excessive risk if they were to fail should include an assessment of the supplier’s financial standing, *prior to contract award*. The DPO should submit a request to the Finance Department for assessment, factoring this review time into the project programme.

Staged Payments and Retentions

No supplies, services or works should be paid for in advance or until they have been formally received and accepted, and any required testing successfully completed. Staged payments are allowable, and preferable for supplier cash flow, providing the payment milestones and requirements are clearly set out in the contract. Payment terms must be clearly set out in any quotation or tender documents. If advance payments are requested by a supplier, the DPO must forward this request to the Finance Manager and Head of Procurement *before* a contract is awarded.

IR35 Tax Rules

DPO’s should be aware of where the IR35 tax rules may apply and refer these suppliers to the Finance Team for further assessment *before contract award*:

- individuals engaged through an intermediary company (typically a Personal Service Company or agency) or
- sole trader.

Bribery, Collusion and Abnormally Low Tenders

Competitive market conditions and tight margins can create a difficult trading environment for suppliers. As a result, some firms are prepared to submit uneconomic or unsustainable tender prices. Such practices significantly increase the risk of poor contract performance, poor quality, create difficulties within supply chains, have a damaging effect on the industry and contribute to the creation of an adversarial claims culture.

It is generally recognised that the term ‘Abnormally Low tender’ refers to a situation where the price offered by the bidder raises doubts as to whether the offer is economically sustainable and will properly deliver the contract requirements. While it is recognised that bidders may, on occasion, choose for commercial reasons to submit a sub-economic tender, bidders should be discouraged from submitting prices that are so low that they put the delivery of the contract at risk.

DPOs should also remain alert and guard against the efforts of unscrupulous elements of collusion to rig the tender processes.

Should DPO suspect an abnormally low tender has been submitted, they should liaise with the Procurement Team to objectively review and to take action to exclude or accept the tender, adhering to procurement legislation and Scottish Government guidance.

There may be occasions where a bid that has been identified as a potential abnormally low tender is awarded the contract. Whilst the steps taken to assess this bid should have adequately reassured the project team of the viability of the bid, there may be occasions where the bidder has explained special circumstances which may require bespoke arrangements for management and supervision of the contract. A signed undertaking from Senior Management of the bidding company should be sought to the effect that the price offered is a true and genuine price and that the signatory guarantees the delivery of the contract under the terms proposed. The Budget Holder and Senior Management must be fully informed before the award of the contract is approved.

Gaelic Language Plan

HIAL is committed to supporting the National Gaelic Language Plan and are currently operating under the HIAL [Gaelic Language Plan 2021-2026 Plana Gàidhlig 2021-2026](#). Where relevant, DPOs should reference to this commitment in procurement processes.

Phase 5 – Contract Award and Implementation

A contract is a legally binding agreement between HIAL and one or more suppliers for the supply of specified goods, services or works. The contract sets out the details of what HIAL is buying from whom and the rights and obligations of the parties.

Note: Legally, contracts can be made by word of mouth or implied by the action of the parties therefore in discussions with suppliers it is essential that staff take care to ensure that a contract is not unintentionally created.

Unless in exceptional circumstances, HIAL's standard Terms and Conditions documents should be used rather than those of a supplier. Prospective suppliers must, as part of their bid submission, agree to adopt HIAL's Terms and Conditions without making any material changes.

Contracts for one-off or simple requirements below £50,000 may be awarded with a Purchase Order only. Contracts awarded above £50,000 or those that are for more complex/recurring requirements, or for services where a Data Processing Agreement is required, should have a formal written contract using HIAL Standard Terms and Conditions and properly signed.

Purchase Orders generated by the HIAL finance system will automatically contain HIAL Standard Terms and Conditions if there is no formal contract in place. These are the terms that will apply to the purchase unless the supplier subsequently submits their terms, in which case these will apply. Care must be taken by DPOs not to accept supplier terms unless discussed first with the Procurement Team.

If there is a formal signed contract, any related Purchase Orders must refer to this specific contract.

All contracts awarded by HIAL should normally be subject to Scots Law. HIAL Standard Terms and Conditions have been designed for straightforward or routine purchases of goods or services. Any proposed change, amendment, or alternative form of conditions by the DPO or supplier should in the first instance be referred to the Contracts Advisor for approval.

Contracts may only be awarded by DPOs with appropriate authorisation, in accordance with the HIAL Register of Delegated Financial Authority.

Once a contract or framework agreement for goods, services, or works has awarded staff must use this contract where such requirements arise.

Contract Signatures

All procurement contracts must be signed by the Chief Executive Officer and Chief Financial Officer – no other HIAL staff member has authority to sign contracts on behalf of the company.

Procurement contracts can be signed using an electronic signature. The signatories may delegate the physical application of an electronic signature to a document provided a robust audit trail of the process is recorded. The Contracts Advisor, or designated nominee in their absence, must be contacted as the authority to use electronic signatures to manage and control the processes.

Contracts Register and Transparency

The Act requires all public sector contracting organisations to keep and maintain a Contracts Register, and to provide an internet-based publicly viewable version of it to include all regulated procurements. DPOs must inform the Contracts Advisor of all new procurement contracts, including framework call-off contracts but excluding purchase orders.

The Contracts Register will flag to Contract Managers when contracts are due to expire, in good time for sufficient planning for exit or re-tendering.

Phase 6 – Contract and Supplier Management

Contract and Supplier Management (CSM) is the process of systematically managing supplier delivery for the purpose of maximising financial and operational performance and minimising risk. It enables both parties to meet their obligations to deliver contractual objectives in accordance with contract specifications, Key Performance Indicators/Service Level Agreements, and the Terms and Conditions of the contract.

Every contract must be owned by the business area for whom the contract has been awarded and every contracted supplier should have a named HIAL contact. Every contract for goods, services or works above £50,000 should have a Delegated Contract Manager with Contract Management Authority (CMA).

The degree to which contracts and suppliers will be managed will be proportional to the value/risk of each contract. Contracts will be segmented by the Contracts Advisor at the point of contract award according to risk and value criteria, in consultation with Functional Managers and key stakeholders. Each contract will be allocated a recommended level of contract management:

Levels of Contract Management and Associated Processes

Strategic	High level of contract and supplier management. Proactive performance management against contractual KPIs/SLAs. Regular interface meetings on a quarterly or more frequent basis. A supplier relationship team approach may be appropriate.
Managed	Medium level of contract and supplier management. Proactive performance management. Annual review meetings. Contract risk register.
Routine	Low level of contract and supplier management. Monitor performance against high level cost, quality, delivery, and service indicators and intervene when necessary.

Following contract award of each Managed and Strategic contract, the Contract Advisor will issue to the Contract Manager a completed Contract Management Toolkit template containing key supplier and contract information, KPI's etc. For all other Routine contracts, templates shall be available for use.

The CSM phase of the procurement cycle should also include the contract exit strategy, which then leads back to Phase 1 of the cycle – Define the Requirement.

Due Diligence

Strategic and Managed Contracts should include an assessment of the supplier's financial standing, insurance cover and quality accreditations as part of the annual Contract Management Reviews.

Modern Slavery and Human Trafficking

HIAL is committed to preventing slavery and human trafficking in its corporate activities and to ensuring that its supply chains are free from slavery and human trafficking. Contract risk registers should include modern slavery and human trafficking risks in the supply chain. Contract Managers should focus on continuous improvement and the delivery of effective strategies to meet our commitment of compliance with the Modern Slavery Act 2015.

Poor Performance or Breach of Contract

In the event of supplier non-compliance, disputes or poor performance, Contract Managers should seek guidance from the Contracts Advisor in the first instance.

Dependent on the terms of the contract document, where a breach, default, or negligent act on the part of the supplier results in direct losses to HIAL, the Contract Manager must in the first instance discuss the situation with their line manager and the Head of Procurement before taking any action. No accusations of breach of contract should be made against any supplier without the prior approval of the Chief Executive Officer.

Contract Amendments

If the Contract Manager, DPO or the supplier wish to change the scope, duration, price, or terms of a contract a [Contract Variation Request](#) should be submitted to the Contracts Advisor, who will advise on legislative compliance, and the procedure to be followed.

Where relevant, a contract variation will be prepared by the Contracts Advisor to formalise the arrangement between HIAL and the supplier.

Requests to extend Contracts by more than the original extension period must be treated as requests for NCA (see Phase 3 above).

10. CONFLICT OF INTEREST

Conflicts of interest relating to individuals involved in a procurement must be considered by DPOs for every procurement to avoid any distortion of competition and to ensure equal treatment of all bidders.

Involvement, in the context of conflicts of interest, may relate to any stage in the procurement lifecycle including preparation, planning, publication, selection and award and contract implementation. Individuals must avoid placing themselves in a position where there is a conflict between their personal and/or outside interest and their official duties in a procurement, and must comply with HIAL policies relating to gifts, hospitality, and conflict of interest.

No member of HIAL staff with a social or family connection with any member of staff of any organisation expressing an interest in bidding for a particular requirement, where there is a likelihood that said member of the bidder's staff is likely to have access to the development of a bid, may be involved in any way on the related procurement exercise. Similarly, no member of HIAL staff with a monetary interest in any organisation expressing an interest in bidding for a particular requirement may be involved in any way on the related procurement exercise. All staff are responsible for ensuring that any potential conflict of interest is declared to the Head of Procurement and Chief Financial Officer.

If you are unsure whether your current or previous relationship or involvement with a company that is seeking to do business with HIAL constitutes a conflict of interest, you should seek advice from the Procurement Team.

11. FRAUD AWARENESS

All staff should be vigilant to identifying fraud by third parties or HIAL employees, in line with the HIAL policy on the detection, reporting and handling of fraud. All cases of suspected third-party fraud should be reported to the Head of Procurement and Chief Financial Officer without delay.

12. RECORDS RETENTION

DPOs must keep all paperwork associated with every procurement, in line with the HIAL Records Management Policy, for audit purposes.

All documentation associated with Level 4 Tender procurements must be retained for at least 3 years from the date of contract award, in accordance with Utilities Regs.

All contracts must be retained for at least 5 years following the expiry of the contract.

13. RECORDS RETENTION AND REPORTING

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. HIAL has a Procurement Strategy and publishes an Annual Report on Regulated Procurements. The Annual Report includes information on:

- Regulated Procurements completed in the period
- Compliance with legislation and the HIAL Procurement Strategy
- Community Benefit requirements
- Supported Business involvement and
- Summary of planned future Regulated Procurements.

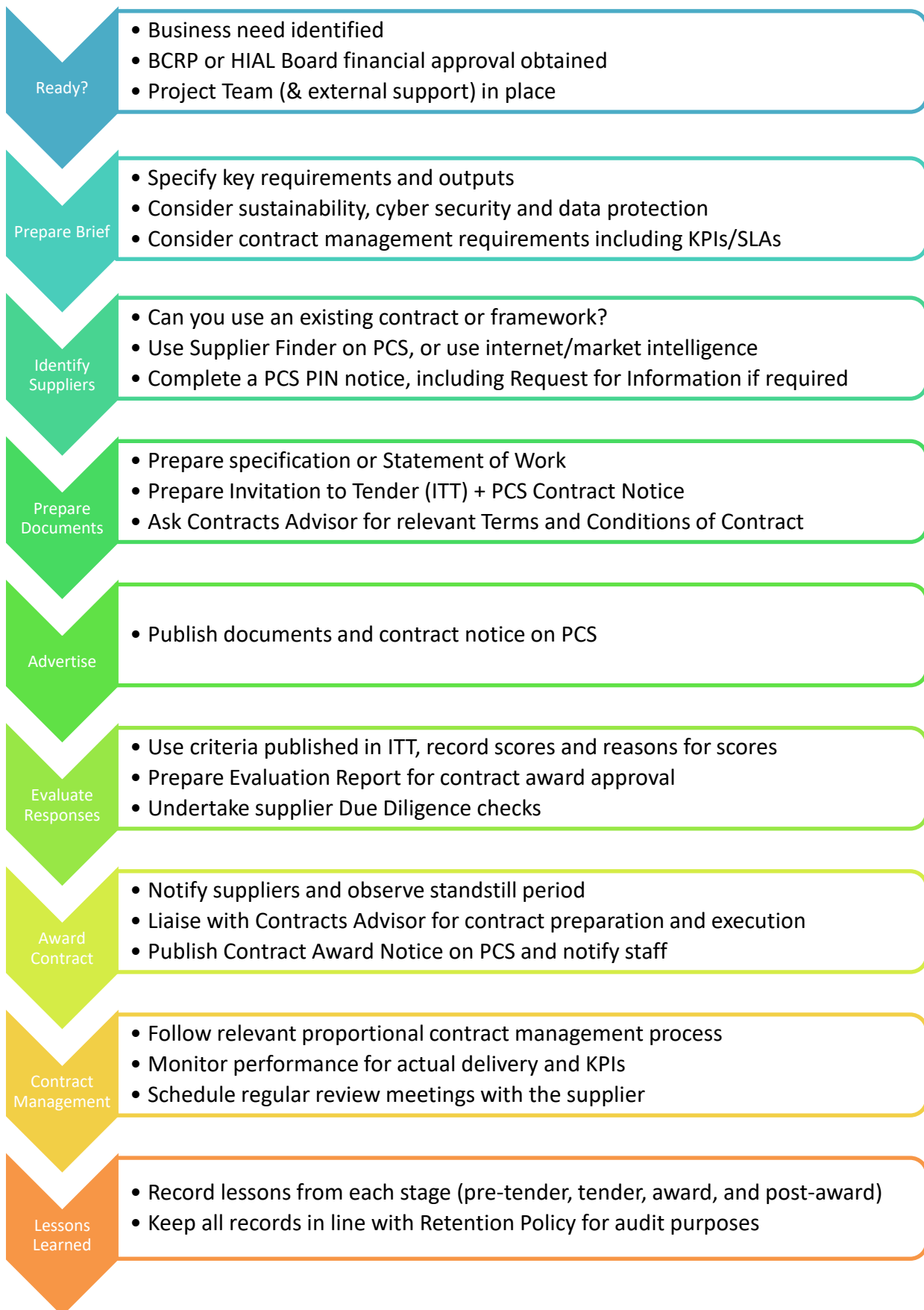
14. POLICY REVIEW

The Policy is current as at the date published and takes a proportionate approach to managing procurement related risks. The Head of Procurement will continue to monitor changes to legislation and to adhere to best practice. The Policy will be subject to an annual internal review, led by the Head of Procurement and approved by the Chief Executive Officer. Any material changes to the Procurement Policy will be approved by the HIAL Board.

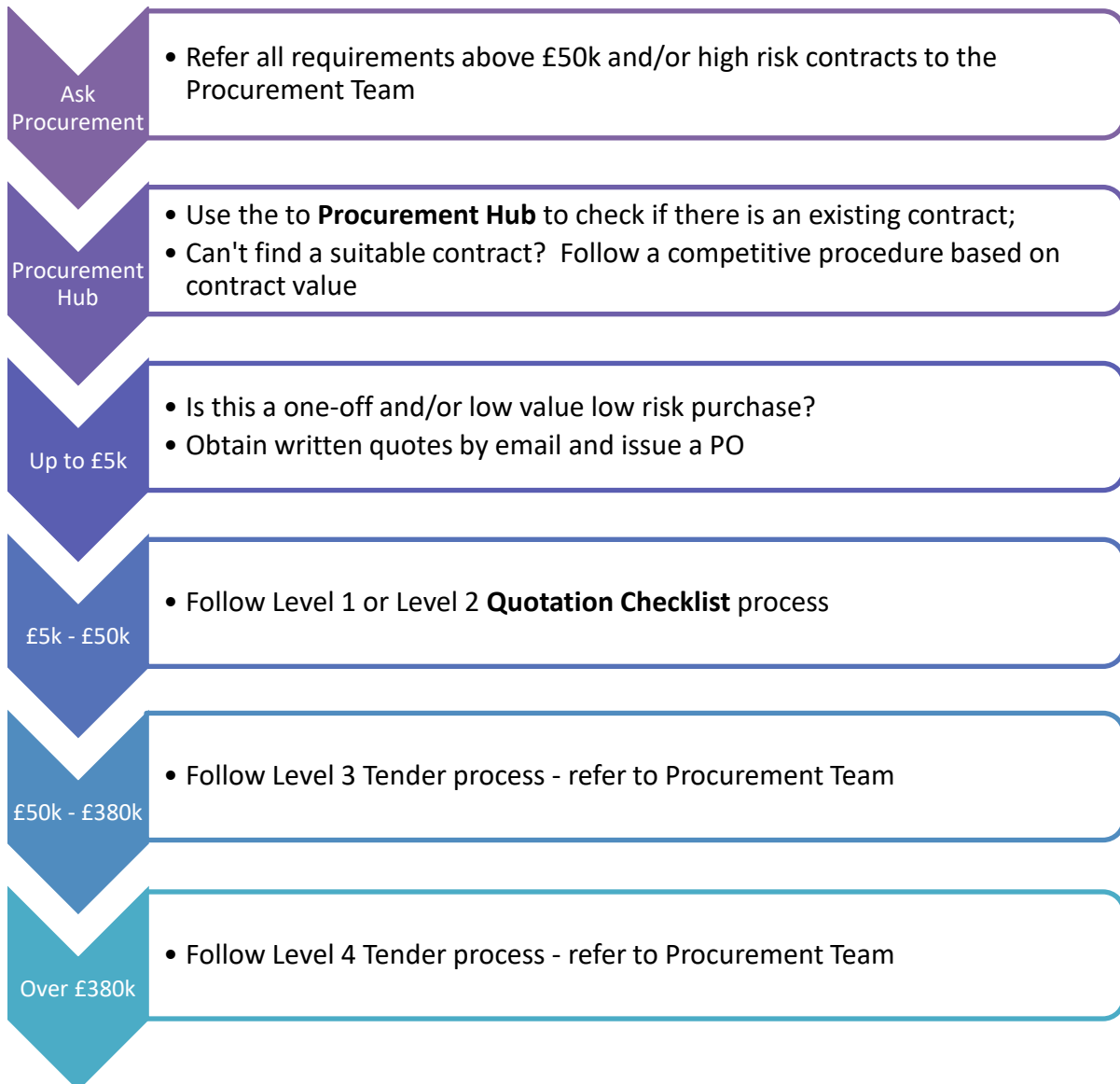
ANNEX A - QUOTATION PROCESS OVERVIEW



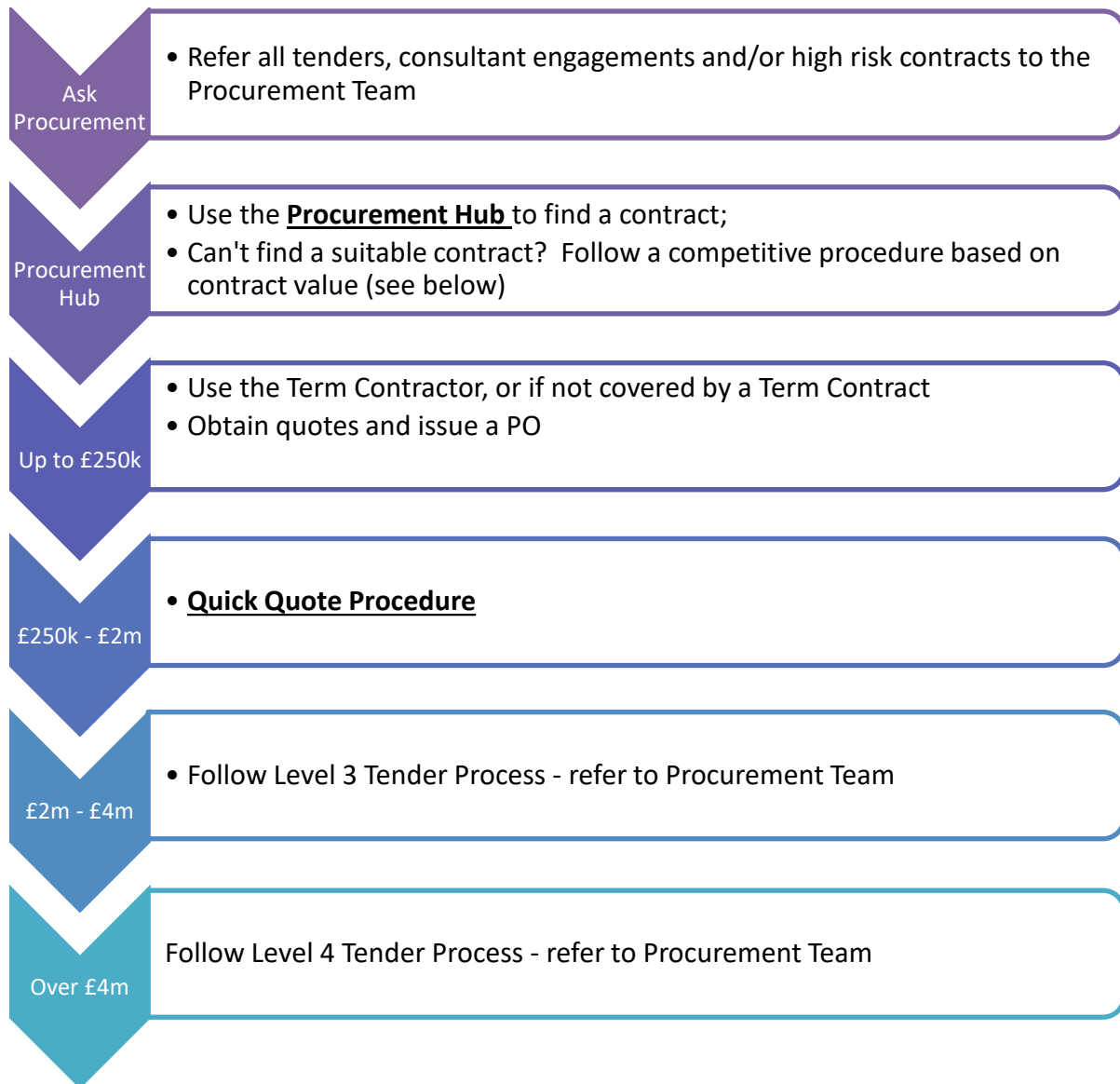
ANNEX B - TENDER PROCESS OVERVIEW



ANNEX C - PROCUREMENT ROUTE MAP – GOODS AND SERVICES



ANNEX D - PROCUREMENT ROUTE MAP – WORKS



ANNEX E – GLOSSARY OF TERMS

Capital Expenditure	Capital Expenditure (CAPEX) on the purchase or upgrade of physical assets which are expected to be used for a period of at least one year. It includes the purchase of buildings, equipment, and land.
Competition	Means by which best value is achieved by seeking quotations or tenders from several suppliers. Contracts must be awarded through genuine and effective competition unless there are convincing reasons to the contrary.
Contract	A legally binding agreement between the HIAL and one or more suppliers for the supply of specified goods, services or works. The contract sets out the details of what the HIAL is buying and being delivered with and the rights and obligations of both of the parties. May be in writing or verbal and may or may not be a formal signed agreement.
Contract Management Authority (CMA)	The authority to manage specific contracts for goods, services and works after the contract has been awarded. It oversees the contract and supplier management process during the life of the contract.
Contract Manager	A permanent HIAL staff member with Contract Management Authority.
Contracts Register	Register of all procurement formally signed contracts, managed, and administered by the Contracts Advisor.
Credit Card	A corporate credit card used for low value, ad-hoc purchases that are not covered by existing contracts or framework. HIAL credit cards are an efficient, low cost and transparent way of making payments for low value, non-recurring goods and services. Their use is controlled, monitored, and audited by application of the HIAL credit card policy and process.
Delegated Financial Authority (DFA)	A standing authorisation under which a business area or individual may commit resources without specific prior approval i.e., on their own authority. Delegated authority for committing resources is separate from Delegated Purchasing Authority (DPA).
Delegated Purchasing Authority (DPA)	The authority to enter a contract for goods, services and works and oversee the process leading up to and including the award of a contract and any subsequent changes.
Delegated Purchasing Officer (DPO)	A permanent HIAL staff member with Delegated Purchasing Authority.
Framework Agreement	An agreement between the HIAL and one or more suppliers for the supply of specified goods, services or works over a period. The framework agreement has agreed terms and conditions, defined pricing structure and if appropriate the quality requirements. The main difference between a framework agreement and a contract is that a framework does not state the quantity of the goods, services or works, or when they will be bought. Contracts commit to a purchase and specify the quantity and timescale. Call-off contracts are awarded under the terms of the parent Framework Agreement.

Goods	Lease, rental, hire-purchase, or purchase of tangible products.
Non-Competitive Action (NCA)	An approval process which permits a contract to be awarded without competition.
Procurement	The process of buying goods, services and works from external suppliers. The procurement process begins when a need to buy something is identified and will generally end after the contract is awarded.
Procurement Hub	HIAL's electronic recording and document repository held on Sharepoint.
Procurement Journey	The Scottish Government hosted toolkit providing practical guidance on procurement procedures.
Public Contracts Scotland (PCS)	The national advertising portal used to advertise all HIAL (and other Scottish public sector) goods, services or works contract opportunities.
Regulated Procurements	Procurements regulated under the Procurement Reform (Scotland) Act 2014. For the purpose of this Policy, procurements related to airport activities above £50k for goods/services and £2m for works are also deemed Regulated Procurements.
Regulated Tender	Level 3 or 4 Tender exercise undertaken in a manner fully compliant with Procurement Regulations.
Revenue Expenditure	Revenue expenditure, also known as operational expense (OPEX) are the ongoing operating charges which are short-term used to run the daily operational business.
Scottish Procurement Policy Notes (SPPN)	Guidance issued by the Scottish Government providing updates on legal and procurement policy developments.
Scottish Public Finance Manual (SPFM)	Provides guidance to the HIAL and other relevant bodies on the proper handling and reporting of public funds.
Services	Provision of non-tangible human-based services not including those prescribed under Works.
Sustainability	A process whereby HIAL meets its needs for goods, services, works in a way that achieves VfM on a whole life basis and generates benefits not only to HIAL, but also to local communities, the economy, and the environment.
Tender	Openly advertising contract opportunities, following a formal tender process.
Threshold	The limit above which you must follow procurement rules in accordance with public procurement Regulations.
Value for Money (VfM)	The optimum combination of whole life costs and quality to meet HIAL's requirement.
Works	The execution or design and execution of civil engineering or building construction.

DOCUMENT CONTROL

Version	Effective date	Changes made
5.0	publication	Revised in its entirety from v.4