



## **HIGHLANDS AND ISLANDS AIRPORTS LIMITED**

### **PROCUREMENT STRATEGY 2017 – 2020**

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## Foreword

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.

Over the past few years, we have acknowledged the economic and operational benefits that procurement brings to the company and the wider communities we serve. In the current economic climate, achievement of our corporate aims must be underpinned by effective commercial activity. With procurement spend accounting for a large proportion of our total annual expenditure, best practice procurement and management of our suppliers is vital to ensure the efficient delivery of our core activities.

The Board recognises that this Procurement Strategy aims to take the company a step closer to procurement practices becoming embedded in operational activities, by focusing key objectives on People, Process and Performance.

We are committed to working towards the objectives outlined in this Procurement Strategy over the next three years. We envisage that procurement practices will become firmly rooted throughout the organisation in order to drive improved outcomes across our activities and deliver better value public services.

Dr Mike Cantlay OBE  
Chairman  
Highlands and Islands Airport Limited

Inglis Lyon  
Managing Director  
Highlands and Islands Airports Limited

November 2016

## Introduction

Highlands and Islands Airports Limited (HIAL) is a private limited company, wholly owned by Scottish Ministers, which owns and operates 11 airports in the Highlands and Islands and Tayside. The company's airports handle over 1.4 million passengers a year and employ over 600 people.

HIAL's core activities are:

- Providing airports which meet UK and European regulatory standards and support essential transport connectivity;
- Maintaining and developing airport infrastructure and services;
- Working with airlines and stakeholders to maintain and develop air services.

The company's vision is to be recognised as an industry leader in the provision of airports through leadership, innovation and collaborative working to deliver positive outcomes for our customers, by encouraging values of openness, honesty, innovation, ownership, respect, and excellence.

HIAL's mission statement is "**To provide and operate safe, secure and efficient airports which support the communities we serve**". HIAL work closely with customers and stakeholders to ensure that strategic goals support sustainable development within the communities they serve and are in line with the policy objectives of the Scottish Government:

- *Wealthier and Fairer* – HIAL airports provide access to air transport connections which support sustainable economic growth and social inclusion.
- *Healthier* – HIAL airports facilitate access to healthcare services for remoter communities.
- *Safer and Stronger* – air links enhance the attractiveness of the communities served by HIAL airports as places in which to live, work and invest.
- *Smarter* – air links provide access to education, employment, skills and resources which contribute to the socio-economic viability of more remote communities.
- *Greener* – reducing the environmental impact of providing airports through resource efficiency contributes towards a greener Scotland.

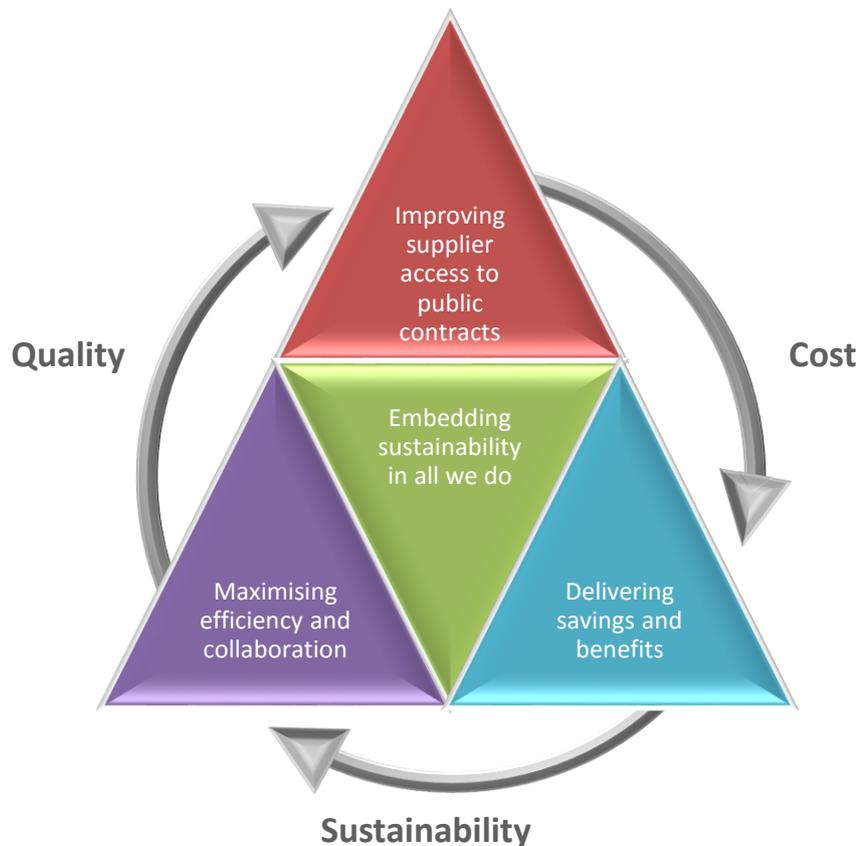
## Strategy Context

HIAL's Procurement Vision Statement:

***"For proportional procurement practices to be embedded in operational activity, within a framework of compliance and accountability, providing added value in delivering HIAL's vision and goals."***

This Procurement Strategy is targeted at promoting effective procurement across the company. It aims to strike a balance between setting out a high level framework for the delivery of best procurement practice and delivering a detailed plan which will address specific targets.

Recognising that effective procurement will positively support the company in achieving its aims, the Strategy provides a corporate vision, direction and focus for all procurement activities, aligned to the Scottish Government's 'Scottish Model of Procurement'.



## Strategic Priorities

The strategic approach for procurement has been developed to take account of several key business drivers:

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

## Compliance

HIAL must comply with UK and European aviation and transport regulatory standards, which are wholly embedded in the airport operational functions. Less well-known within airport operations are procurement regulatory standards. As a Non-Departmental Public Body (NDPB) and an airport operator, HIAL is subject to compliance with several statutes:

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

- The Utilities Contracts (Scotland) Regulations 2016
- The Procurement (Scotland) Regulations 2016

HIAL's Procurement Policy provides further detail on procurement compliance and governance arrangements.

## **Economic Challenges**

HIAL receives income from numerous commercial sources and subsidies from the Scottish Government. HIAL must operate within budgetary constraints, therefore there is a focus on increasing efficiency savings and maximising income generation. In 2014/15 HIAL's "relevant spend" (i.e. expenditure that should be subject to procurement) totalled around £24m.

This strategy covers the procurement of all goods, works and services, and provides opportunity to achieve efficiency savings and increase performance outcomes. Procurement focus should be on the '5 Right's' - the Right item, of the Right quality, in the Right place, at the Right quantity, and at the Right time.

## **Utilisation of Resource**

The Procurement function is currently arranged as a centralised unit providing mainly operational services, i.e. policy, procedures, tender preparation/management, contract preparation, contract and supplier management, and expert advice/guidance.

To meet the vision of this Strategy, the Procurement function will move towards a de-centralised model involving greater engagement and input from airport management to meet the procurement operational requirements. The central Procurement unit will provide strategic direction, management information, governance framework, user-friendly toolkits, tender management, and expert advice/guidance/support.

## **Sustainability**

Skilled and motivated staff, ethical work practices and awareness of environmental and social impacts are fundamental to achieving HIAL's corporate aims and wider national priorities. HIAL recognises the importance of quality, skills and knowledge of its staff. To enable the successful move to a de-centralised model, airport management and staff must have sufficient knowledge, understanding and tools to deliver the corporate aims.

## **Procurement Strategic Objectives**

The Procurement Strategic Objectives below are aligned to corporate and national priorities, and reflect the outcomes HIAL aims to achieve in the period 2016 to 2019.

Procurement Strategic Objectives		Measure	2019/20 Target
<b>1. COMPLIANCE</b>			
1.1	People Staff members involved in procurement are aware of public procurement Regulations.	Number of staff trained and awarded Delegated Procurement Authority (DPA) as % of total management staff group.	100%
1.2	Process Staff members involved in procurement comply with public procurement Regulations.	Number of incidents of non-compliance as % of total contracts awarded.	10%
1.3	Performance Maintain Scottish Government Procurement and Commercial Improvement Programme (PCIP) rating.	PCIP score	Above 70%.
<b>2. ECONOMIC CHALLENGES</b>			
2.1	People Internal and external collaboration in order to aggregate demand, standardise specifications, and consolidate supplier base.	Number of suppliers providing similar items as % of total suppliers. Value of cash savings from using collaborative agreements (SG and internal) Value of resource cost-avoidance (£5k per agreement, 5 per year).	25% £500,000 £100,000
2.2	Process e-Procurement embedded throughout the organisation in order to minimise purchasing transactional costs.	Value of transactional cost saving from e-Purchasing (£28 saving per transaction) Value of resource cost-avoidance achieved from using e-Tendering (PCS portal) Number of invoices paid within 30 days as a % of total invoices paid.	£100,000 £50,000 95%
2.3	Performance Cash savings and added value outcomes achieved in procuring recurring goods/services.	Value of cash savings achieved following procurement Expenditure not covered by a contract as a percentage of total expenditure. Number of key contracts actively managed as a % of all contracts.	£1,000,000 20% 100%
<b>3. UTILISATION OF RESOURCE</b>			
3.1	People Staff members with DPA understand procurement practices and are involved in its development.	Number of staff satisfied that they understand procurement practice and are sufficiently involved its development, as a total of DPA staff.	75%
3.2	Process Staff members with DPA have access to relevant procurement policies, procedures, templates and guidance (Rules and Tools).	Number of staff satisfied that they have sufficient Rules and Tools to enable them to undertake procurement activities, as a total of DPA staff.	75%
3.3	Performance Procurement activities are planned and prioritised according to corporate and operational needs, on a rolling 3-year basis.	Number of planned procurement exercises completed on time as % of total exercises in Procurement Plan.	75%
<b>4. SUSTAINABILITY</b>			
4.1	People Staff members with DPA understand best practice procurement in order to support sustainable local communities.	Number of staff satisfied that they understand sustainability aims, as a % of total DPA staff	75%
4.2	Process Compliance with Sustainable Procurement Duty.	Number of contracts awarded to Supported Businesses as a % of total contracts awarded.	5%
4.3	Performance Supplier and supply chains operate to best practice employment standards.	Number of suppliers on Contracts Register paying at least Living Wage to staff, as a % of all suppliers.	75%

## Implementation, Monitoring, Reporting and Review

The activities required to achieve the Procurement Strategic Objectives are outlined in the Procurement Strategic Action Plan. Each activity has been assigned to an owner who will have responsibility for delivery. Progress against achieving the strategic objectives will be measured and reported annually in a published Procurement Annual Report.

An annual review of the Strategy, Action Plan and Annual Report 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.

## Recommendations

It is recognised that in order to achieve these objectives, Airport and Functional Managers will have a greater degree of ownership and accountability for procurement practices. The corporate Procurement function is now part of a Corporate Operational Support Team, which will provide central support, guidance and toolkits to enable Airport and Functional Managers to fulfil their roles.

However, it should be noted that progress towards achieving the Procurement Strategic Objectives will rely on the commitment of the Board, Senior Management, and Airport and Functional Managers, with sufficient resource being allocated to training, support and strategic planning.

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