

HIAL PROCUREMENT POLICY



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INTRODUCTION

The purpose of the HIAL Procurement Policy is to set out parameters for HIAL staff with Delegated Purchasing Authority (Buyers) when buying goods, services, or works in order to ensure compliance with statutory requirements, whilst allowing the organisation to meet its strategic and business objectives.

Procurement is the process of obtaining goods, services or works and managing that process from inception through to delivery. This process includes monitoring contracts to ensure that suppliers meet agreed service levels and that value for money is achieved.

The Policy applies to **all** purchases of goods (including hire, lease, sponsorship and disposal), services (including consultants, advisers and external research) and works (construction, maintenance, repairs, etc.), irrespective of the value. It is designed to help staff achieve best value, compliance and consistency across the business.

The Policy has been written in accordance with [Scottish Procurement Policy Handbook](#) and [Scottish Procurement Policy Notes](#), and shall be implemented by application of the guidance and procedures set out in the [Scottish Government Procurement Journey](#) on the corporate intranet.

CONTEXT

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, EU guidelines and best practice guidance. The rules for public sector procurement in Scotland are bound within:

- EC Treaty Obligations
- EU Procurement Directives
- Public Contracts (Scotland) Regulations 2015
- Public Utilities (Scotland) Regulations 2016
- Procurement Reform (Scotland) Act 2014
- Procurement (Scotland) Regulations 2016.

These rules and regulations are based on the following principles:

- Equal treatment
- Non-discrimination
- Mutual recognition
- Proportionality
- Transparency
- Openness.

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.

The Policy will be operated in such manner as to comply in all respects with the requirements of European Community Law, United Kingdom and Scottish legislation. There should be no conflict between the Policy and the legislation, but for the avoidance of doubt, in all cases EU law takes precedence, followed by UK and Scots Law.

ROLES AND RESPONSIBILITIES

The Managing Director and Finance Director are responsible and accountable for all procurement within the company and for determining best practice purchasing arrangements, including governance and compliance. They are also responsible for establishing, maintaining and auditing procurement standards across the company, and for determining purchasing authority for HIAL staff, ensuring that appropriate training and support is available through regular briefings, management meetings and the intranet.

There is a duty on all Buyers 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 Manager.

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 potential bidders 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 Finance Director.

DELEGATED AUTHORITIES

HIAL’s Financial Regulations 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.

HIAL operates a register of [Delegated Authorities](#) which 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. The individuals listed on this register are the only members of staff with Delegated Purchasing Authority.

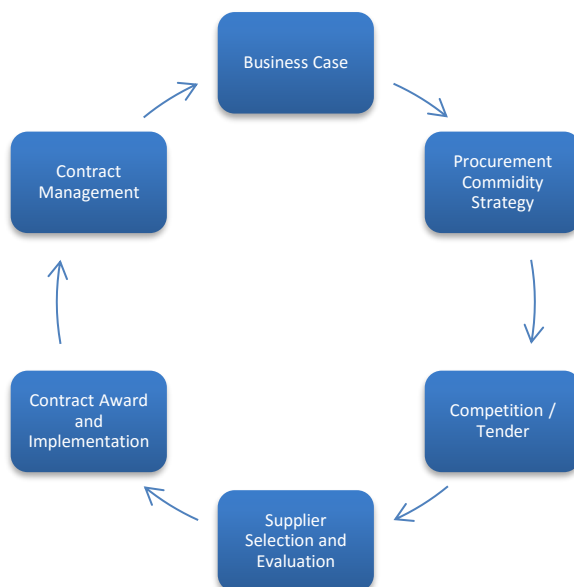
To ensure propriety, there must be a separation of duties between individuals defining the requirement, purchasing that requirement and approving payment for that requirement.

PROCUREMENT PROCESSES

HIAL is committed to adopting the Scottish Government’s [‘Procurement Journey’](#) which provides a comprehensive procedure, toolkit and guidance on procurement processes or “routes”:

Contract Value	Route and Process to be Adopted
£0 to £50,000	Route 1 Minimum of 3 written quotes via the Public Contracts Scotland (PCS) portal, where possible.
£50,000 to OJEU Thresholds	Route 2 Formal tender process via the PCS portal, led by the Procurement function.
Above OJEU Thresholds	Route 3 Formal tender process via the PCS portal, led by the Procurement function.

The Procurement Journey should be referred to for detailed procedures and templates, but the process in summary for most procurements is as follows:



Phase 1 – Business Case

The Buyer must have approval that sufficient funds are committed before entering into a contract. Before starting a procurement process for purchases over **£5,000** the Buyer must prepare a Business Case for approval by the Business Case Review Panel (BCRP). The Business Case template is used to clearly identify and define the need for the purchase and should examine all possibilities for meeting the requirement.

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

Where requirements arise in more than one airport, department or other part of the HIAL group, or where requirements are shared between such parts of HIAL, then those requirements should be aggregated for the purposes of procurement, where this will provide added value to the company, bearing in mind the commitment to supporting local small and medium sized enterprises (SME's).

The BCRP, consisting of the Managing Director, a Finance representative and a member of SMT, meet on a monthly basis to consider tabled Business Cases in terms of relevance, priority, options, cost and project delivery.

Projected expenditure of over £250,000 must have HIAL Board and Scottish Government approval following BCRP approval.

Phase 2 – Procurement Commodity Strategy

Once the business case has been approved in principle, Buyers should complete a [Procurement Commodity Strategy Template](#) for every requirement valued at over £50k. Completing this document will provide an opportunity to consider the supply market and specification in more depth; the most suitable sourcing method; the potential for cash savings or other benefits; risks; stakeholders; resource planning; and timescales.

Phase 3 – Competition / Tender

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 through the use of competition, based on the principles of openness and fairness, with each tenderer being afforded exactly the same information and opportunities as every other.

Consideration should first be given to procurement via collaborative Frameworks such as those arranged by Procurement Scotland, Scotland Excel, Scape, or Crown Commercial Services, as they can result in significant time, resource and cost savings.

Consideration could also be given to the possibility of joining with other relevant public organisations to tender jointly for similar requirements, and research undertaken prior to commencement as to the feasibility of this approach. HIAL is a member of the 'Highland Hub', which is a group of National Devolved Public Bodies, and as such shares best practice and provides opportunity to discuss joint working opportunities.

Phase 4 – Supplier Selection and Evaluation

The prime outcome of procurement in accordance with this Policy is achieving best Value for Money (VfM). VfM is the optimum combination of whole life costs, sustainability and quality to meet HIAL's requirement. Whole life cost takes into account all aspects of cost over the lifetime of the contract, including capital, maintenance, management, operating, training, implementation, transportation, and disposal, where necessary. VfM is an essential requirement and all staff are responsible for ensuring that value is maximised through the procurement process.

It is HIAL's policy to select suppliers on the basis of the Most Economically Advantageous Tender ("MEAT") which takes account of whole life costs and quality, rather than the lowest short term price. Further guidance on evaluation criteria is contained in the Procurement Journey.

Sustainable Procurement should also be considered when selecting suppliers and evaluating tenders. Sustainable Procurement is essentially purchasing goods, services and works in a way that also considers the local economy and the environment. HIAL is committed to implementing the requirements of both environmental and socio-economic sustainability where relevant to its procurement activities, and to working with all sectors of the business community in order to achieve this. To this end, supplier selection and evaluation criteria and contractual terms should include sustainability matters and Community Benefit Clauses, where relevant.

Phase 5 – Contract Award and Implementation

Contract awards may only be made by those authorised to do so as per the HIAL Register of Delegated Authority. Once a contract or framework agreement for goods, services, or works has awarded, staff must use the contract where such requirements arise.

Every contract subject to this Policy shall be in writing in an approved form, specifying all HIAL applicable Terms and Conditions of contract. 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 tender submission, agree to adopt HIAL's Terms and Conditions without making any material changes.

No contract may be signed, terminated, or materially varied on behalf of HIAL without the prior approval of the Managing Director, counter-signed by the Financial Director. The signing of documents is governed by the Requirements of Writing (Scotland) Act 1995. This Act states that in order for a document to be probative (i.e. to stand up in legal proceedings) it has to be signed in a certain way:

- The Managing Director and the Finance Director; or
- The Managing Director and a witness; or
- The Finance Director and a witness.

In all but exceptional circumstances, contracts must be signed by the Managing Director and Finance Director. The original signed copy of all new contracts must be passed to the Procurement Manager in order for it to be logged on the HIAL Contracts Register and filed centrally. The Contracts Register and details of any new contract shall be published on the corporate intranet.

Contract Implementation

Prior to the Contract Manager assuming full responsibility for the management of the contract, the Buyer will ensure that the relevant documentation is readily available on the HIAL intranet, which should include:

- Pre-Qualification Questionnaire (if appropriate)
- Invitation to Tender
- Tender Recommendation Report
- Contract
- Pricing Structure.

Phase 6 – Contract and Supplier Management and Exit Plans

Contract and Supplier Management (CSM) is the process of systematically managing contract creation, execution and delivery for the purpose of maximising financial and operational performance and minimising risk. It enables both parties to meet their obligations in order to deliver the objectives required from the contract in accordance with Statement of Requirement (SoR) within tender documents, Key Performance Indicators (KPIs), Service Level Agreements (SLAs), and Terms and Conditions of the Contract.

On implementation of a contract, a named Contract Manager must be appointed and will be responsible for the management of all aspects of the contract. The degree to which each contract and supplier will be managed will be proportional to the value/risk of each contract and therefore each contract will be segmented as High, Medium or Low rating, which have associated contract management processes.

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.

Contract Managers should consult the detailed CSM procedures, guidance and template documents contained within the Procurement Journey with regarding to monitoring and managing contract compliance and supplier performance. In the event of non-compliance, disputes or poor performance, Contract Managers should seek guidance from the Procurement Manager and/or escalate via their line manager.

Contract Variation

If the Buyer or the supplier wish to change either the scope, duration or price of a contract, this should be discussed with the Procurement Manager to ensure legislative compliance. Once approved, a contract variation must be prepared by the Procurement function to formalise the arrangement.

Contracts should not be extended by more than the original extension periods, unless there are exceptional circumstances and plans are documented for alternative supply or re-tendering.

EXEMPTIONS FROM COMPETITIVE ACTION

It is a fundamental principle of public sector procurement that purchases should be made as a result of 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.

NCA for regulated procurements (above £50k) can only be allowed in exceptional circumstances and in accordance with specific criteria set out in Procurement Regulations. Advice should always be sought from the Procurement function. **Note:** Failure to take account of the timescales required for competition is not an acceptable reason for NCA.

DUE DILIGENCE

For each procurement the Buyer 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 tender documents, which could include:

Insurance

- Employers' Compulsory Liability Insurance (ECLI): The sum insured must be in accordance with legislative requirements, currently at least £5,000,000.
- Public Liability and All Risks: The levels of insurance cover required in respect of each project should be set by HIAL in the context of the contract and reflecting the level of risk involved to members of the public, HIAL staff, its operational effectiveness, and its financial liabilities. Public Liability insurance shall be not less than £2,000,000, preferably set at £10,000,000 to reflect HIAL's own liability cover.
- Professional Indemnity: Where professional or design services are provided, the levels of insurance cover required in respect of each project should be set by HIAL in the context of the contract and reflecting the level of risk to HIAL.
- Aviation Liability: Where works or services are provided in airside areas, the levels of insurance cover required in respect of each project should be set by HIAL in the context of the contract and reflecting the level of risk to HIAL.

The Buyer must see a copy of the relevant insurance policy and/or a copy of the certificate of insurance prior to contract commencement.

Financial Vetting

Contracts valued in excess of £50,000 or requirements which could expose HIAL to excessive risk if they were to fail, should include a formal financial assessment of the potential supplier's financial standing, prior to contract award, depending upon the tendering procedure used, and annually thereafter during Contract Management Reviews. Minimum standards must be defined within the tender documents.

Breach of Contract

Dependent on the terms of the contract document, where a breach, default or negligent act on the part of the contractor result in direct losses to HIAL, the Buyer must in the first instance discuss the situation with their line manager and/or Procurement Manager before taking any action. No accusations of breach of contract can be made against any supplier without the prior approval of the Managing Director.

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. In the event that staged payments are required by a supplier, this must be approved by the Finance Manager.

EXTERNAL CONSULTANCIES

In accordance with '[Use of Consultancy Procedures for the Scottish Government \(Professional Services\)](#)', additional requirements apply in the case of procuring consultancy services, which are defined within the document. Authority to proceed with consultancy procurement must be approved by the Business Case Review Panel.

It will be a condition of the engagement of the service of any architect, engineer, surveyor or other consultant who is to be responsible to HIAL for the supervision of a contract on its behalf, that in relation to that contract they will:

- a) Comply with this Policy and the HIAL Financial Regulations Policy as though they were a HIAL Buyer;
- b) At any time during the carrying out of the contract, produce to the Finance Director on request, all relevant records or copies maintained in relation to the contract; and
- c) On completion of a contract, transmit appropriate records or copies to HIAL.

In all commitments made in the commissioning of consultancy services, regardless of value, Statements of Requirement and Terms of Engagement shall be documented in every case.

POLICY REVIEW

The Policy is current as at the date noted above. HIAL will continue to monitor changes to legislation to endeavour to adhere to best practice. The HIAL Procurement Policy will be subject to an annual internal review, led by the Procurement Manager and approved by the Managing Director.