

# PROCUREMENT STRATEGY 2022-26



HISTORIC  
ENVIRONMENT  
SCOTLAND

ÀRAINNEACHD  
EACHDRAIDHEIL  
ALBA

## FOREWORD

Through our new Strategy we aim to transform the way we undertake procurement activities to maximise the benefits and values it can bring for our society and our environment.

The global climate emergency is a strategic national priority and there is a social, moral, economic, and legal obligation for public bodies to tackle it or face catastrophic consequences. Alongside this COVID-19 has transformed the economic landscape. We recognise that our procurement activities must respond to these challenges. However, within this we see a unique opportunity to use our procurement spend to support a socially inclusive and environmentally sustainable economic recovery and the climate emergency response.

Smart procurement can lead to environmental, ethical, social, and economic benefits. It can also play a key role in promoting jobs and growth, encouraging innovation, boosting training and apprenticeship opportunities, and helping small and medium enterprises (SMEs), third sector organisations and supported businesses to compete effectively for contracts.

We will use our commercial and contractual arrangements to drive forward innovations, support local businesses, reduce our costs, and support the transition to an inclusive low carbon and circular economy – all while improving the services and opportunities, we offer businesses and our visitors.

We have a duty to provide ethical standards and this document sets out the standards that Historic Environment Scotland (HES) requires as a procuring authority as well as identifying five key themes:

Sustainability

Value for Money

Enhancing Capability

Transparency

Governance and Risk

Our category management/business partner approach to procurement arrangements will help us establish effective collaborative and commercial

relationships with our key stakeholders, partners, and suppliers, providing a centre of expertise and first point of call for all procurement services.

Finally, we have a duty to promote the sustainable and inclusive economic growth of Scotland and our strategy aims to maximise local spend ensuring growth and job creation.

Procurement in Historic Environment Scotland therefore has never been more important than it is today.

**Iain Johnston**  
**Head of Procurement**

# INTRODUCTION

Historic Environment Scotland is a charity and public body leading the way in protecting, understanding, and sharing Scotland's historic environment, for today and for the future. We want the historic environment to make a real difference to all our lives: to our health, to our economy, to our culture, to our environment. We want heritage to involve everyone so that all can benefit.

Through our role as lead body for the historic environment in Scotland, we work with our partners and stakeholders to ensure that the historic environment thrives and delivers economic and social benefits for the people of Scotland.

This is the third procurement strategy since the formation of HES in October 2015. The previous strategies have provided the strategic direction to build capability to undertake HES's procurement activity in a compliant manner to meet both our strategic objectives and contribute to Scottish Government's national outcomes.

Procurement resource and capability has now successfully been developed and our performance reported through our published annual procurement reports. In 2019, HES was assessed by Scottish Government under the Procurement Commercial Improvement Programme (PCIP) and HES achieved the highest performance rating in line with peer organisations across the Scottish Government family.

This growing and evolving procurement maturity gives confidence to develop a more outward focused procurement strategy that responds to the wider challenges presented today and the aspirations of Scottish Government.

The world has changed significantly since the previous strategy was developed, three significant impacts influence this new procurement strategy: climate change, the COVID 19 global pandemic and EU exit.

## Climate Change

In April 2019 Scotland declared a global climate emergency and set a target to become Net Zero by 2045. This means significantly reducing the amount of greenhouse gas emissions we put into the atmosphere to a minimum and offsetting any residual emissions by removing an equivalent amount. The

Scottish Government published its Climate Change Plan Update in December 2020 to support Scotland's green recovery and help deliver a just transition to net zero greenhouse gas emissions by 2045.

The Scottish Government Programme for Government 2020-21 commits to action on the climate impact of the £13bn of annual public procurement.

HES has a part to play in reducing carbon emissions and has issued its own Climate Action Plan (CAP). Sustainable Procurement is one of the 7 key themes in the CAP.

### **COVID-19 Global Pandemic**

The Covid-19 global pandemic has dramatically affected every area of life in Scotland. Scotland's economy experienced a significant shock due to COVID-19, which has been exacerbated by EU Exit. The economic and social impacts from the pandemic will however continue to impact public finances, employment, economic output, education, environment, travel, mental health, and wellbeing impacting vulnerable members of our communities and potentially increasing inequalities.

### **EU Exit**

The UK is no longer a member of the European Union, and the agreement of a Free Trade Agreement in December 2020 has redefined the relationship with the EU. A number of changes to Scottish procurement legislation have been made to amend the deficiencies in domestic legislation as a result of leaving the EU. All amendments have been technical in nature and have no significant impact on the application of public procurement rules. There are however supply chain risks both as a result of Covid-19 and the EU Exit which will impact HES over the strategy period.

This procurement strategy will be reviewed and updated annually to reflect any legislative changes.

## STRATEGIC CONTEXT

The economic outlook post Covid 19 remains challenging and uncertain, Scottish Government has delivered a Programme for Government and Covid Recovery Strategy post Covid 19. The near-term focus for many organisations will be to recover from the global pandemic, however it is important it is a sustainable recovery that reduces inequalities, addresses climate change, and provides a pathway to a stronger, greener, and fairer economy. HES recognises that as a public body we aim to support and contribute to the achievement of the 11 National Outcomes stated within the National Performance Framework (NPF) and how we do this is outlined in our Corporate Plan.

The HES Corporate Plan has been refreshed for 2022 onwards, following a 'light-touch' review. Our *Corporate Plan 2022 onwards*, retains the five outcomes set out in *Heritage for All*:

1. The historic environment makes a real difference to people's lives
2. The historic environment is looked after, protected, and managed for the generations to come
3. The historic environment makes a broader contribution to the economy of Scotland and its people
4. The historic environment inspires a creative and vibrant Scotland
5. The historic environment is cared for and championed by a high-performing organisation

### Public sector procurement in Scotland

Public sector procurement can use its annual spending power of £13Billion to procure goods, works and services that help improve national outcomes for Scotland's economy, society, and environment.

Public procurement is expected to contribute to climate change targets, and public bodies are required to report annually on how their procurement policies and activity have:

- contributed to carbon emissions reduction targets
- contributed to climate change adaptation

- acted sustainably

Specifically, how procurement activity is undertaken can be:

### **Good for businesses and their employees**

Procurement contributes to a Fairer Scotland through paying promptly for goods and services and working to improve access to public contracts for SME's, the third sector and supported businesses.

### **Good for society**

Through actively pursuing equality outcomes and embracing innovative approaches we can ensure our supply chains are fair and ethical.

### **Good for places and communities**

With environmental considerations already at the heart of our sustainable procurement duty, our work delivers for communities and places across Scotland and takes local priorities into account.

### **Open and connected**

Through our commitment to being more transparent about how we spend public money, we operate across boundaries to deliver trusted public services, effectively managing within our collective resources.

By undertaking our procurement activity and alignment of this strategy with our Corporate Plan, Scottish Government direction and public sector procurement guidance, we contribute to the achievement of the following national outcomes:

- **Economy** – We have a globally competitive, entrepreneurial, inclusive, and sustainable economy
- **Environment** – We value, enjoy, protect, and enhance our environment
- **Fair Work and Business** – We have thriving and innovative businesses, with quality jobs and fair work for everyone/

## PROCUREMENT STRATEGY 2022-2026

The impacts of Climate change, COVID 19, EU exit and the direction of Scottish Government demands a new procurement strategy that does not just build on previous but firmly resets how HES will deliver sustainable procurement over the next three years.

### Procurement that supports our strategic outcomes

HES's procurement activity is aimed at achieving HES outcomes in a manner which supports delivery against SG (Scottish Government) national outcomes. Procurement contributes to all our strategic outcomes and can be demonstrated with some examples.

Strategic Outcome	Examples of how procurement contributes:
<p><b>The historic environment makes a real difference to people's lives</b></p>	<ul style="list-style-type: none"> <li>• We look to contract with local small businesses, third sector organisations, social enterprises, and supported businesses</li> <li>• Deliver community benefits within our contracts to support the creations of job and training opportunities in local communities</li> </ul>
<p><b>The historic environment is looked after, protected, and managed for the generations to come</b></p>	<ul style="list-style-type: none"> <li>• We aim to drive climate action and emission reductions through our contracts in a way that is fair and inclusive.</li> <li>• Continually review all products and identify more environmentally friendly options</li> <li>• Reduce our carbon footprint through sustainable procurement</li> </ul>
<p><b>The historic environment makes a broader contribution to the economy of Scotland and its people</b></p>	<ul style="list-style-type: none"> <li>• 60% of spend is with Scottish Suppliers, aim to increase this percentage and help grow the Scottish Economy</li> <li>• We will use our procurement activities to support the transition to a circular economy</li> </ul>
<p><b>The historic environment inspires a creative and vibrant Scotland</b></p>	<ul style="list-style-type: none"> <li>• Continually encourage innovation throughout the lifetime of our contracts</li> <li>• Support new and emerging business markets across Scotland.</li> </ul>

<p><b>The historic environment is cared for and championed by a high-performing organisation</b></p>	<ul style="list-style-type: none"> <li>• Strong leadership, governance and continuous improvement is at the centre of delivering effective procurement</li> </ul>
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This procurement strategy articulates the direction and how we will undertake our procurement over the next four years. The diagram sets out the broad themes of this procurement strategy Sustainability, Value for Money, Enhancing Capability, Transparency, Governance and Risk.

HES Strategic Outcomes, SG Direction and Procurement Legislation		
<b>Sustainability</b>		
<ul style="list-style-type: none"> <li>• Carbon reduction</li> <li>• Circular Ways of Working</li> <li>• Accessibility for SMEs</li> <li>• Community Benefits</li> <li>• Supported Business</li> </ul>	<ul style="list-style-type: none"> <li>• Fair Work First</li> <li>• Equalities, Diversity, and Inclusion</li> <li>• Modern Slavery Act</li> </ul>	<ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Fairly and Ethical Traded Goods</li> <li>• Food to Improve Health and Wellbeing</li> </ul>
<b>Value for Money</b>	<b>Enhancing Capability</b>	<b>Transparency</b>
<ul style="list-style-type: none"> <li>• Voice of the Customer</li> <li>• Category Management</li> <li>• Strategic Sourcing and innovation</li> <li>• Collaborative Sourcing</li> <li>• Contract management</li> <li>• Supplier Management</li> </ul>	<ul style="list-style-type: none"> <li>• Voice of Supplier</li> <li>• Organisation and Resource</li> <li>• Partnering and Collaboration</li> <li>• People Development and Capability</li> <li>• Use of Technology</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement Strategy</li> <li>• Annual Procurement Report</li> <li>• Public Contracts Scotland</li> <li>• Procedures, Governance</li> <li>• Performance Measures and Outcomes</li> </ul>
<b>Governance and Risk</b>		
<b>Achieve HES and National Outcomes</b>		<b>Customer and Supplier Satisfaction</b>

## SUSTAINABILITY

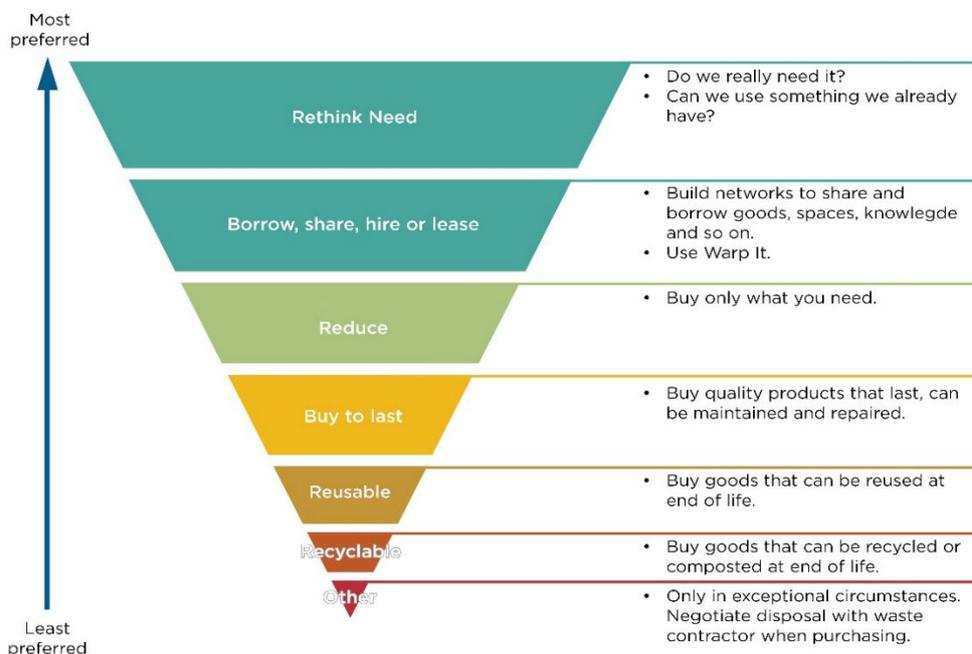
We will embed sustainability across all our regulated procurement activities, in a proportionate, efficient and fair manner. We have a unique opportunity to support the societal transition to a resilient, low carbon and circular economy. By leveraging our buying power and working collaboratively with our supply chain we can invest in and support the development of low carbon and circular solutions. For instance, those that deliver on circular design, resource recovery, product as a service, remanufacture, reuse and repair. We will aspire to be a sector leader in facilitating better procurement of traditional skills and materials within the conservation sector through developing framework contracts for others to follow, and actively seek opportunities to be exemplars in design and operations.

We will use the Scottish Government's sustainability toolkit to identify our priorities and objectives linked to sustainability. Our procurement processes and procedures will help to identify opportunities to transition to lower emissions supply chains and support the shift towards a just and resilient low carbon circular economy in Scotland.

We will challenge ourselves at each stage of the procurement cycle, with emphasis on early planning stages. Can we deliver our functions in a way that is more circular? Do we need to procure, if so, how can the specification contribute to our sustainability priorities now and into the future? Considering what and how much we should procure and how we can evaluate in such a way that considers whole life costing and builds resilience to climate change risks and impacts.

Considerations will include how to deliver our functions in ways that is more circular, demand management, product life cycle, durability and repairability, disposal and waste reduction, circular procurement, sourcing from sustainable sources and through companies committed to achieving net zero, procuring refurbished/repaired or pre-used equipment, recycled content of goods, the avoidance of single use plastics, specifying sustainability standards that goods need to comply with.

<p><b>Procurement Considerations</b></p> <ul style="list-style-type: none"> <li>• Whether to buy (Make the most of what you have, reuse, refurbish, lease or repair)</li> <li>• What to buy (consider the future, issue Prior Information Notice for supplier engagement)</li> <li>• How to buy (most sustainable route to market)</li> <li>• How much to buy (can we reduce)</li> </ul>	<p><b>Risks and Opportunities</b></p> <ul style="list-style-type: none"> <li>• Climate change</li> <li>• Materials</li> <li>• Waste</li> <li>• Hazardous materials</li> <li>• Biodiversity</li> <li>• Heritage</li> <li>• Water</li> </ul>
<p><b>Specification Considerations</b></p> <p><b>We need more....</b></p> <p>Circular economy Energy efficiency Renewable energy Recycling Sustainable materials</p>	<p><b>We need less....</b></p> <p>Fossil fuels Water usage Transport emissions Waste Single use items Hazardous materials</p> <p><b>Ensure relevance and proportionality to every procurement</b></p>



## Carbon reduction

In 2021 Scottish Ministers announced a call to action for public bodies on supply chain emissions and stated the following:

*“Procurement professionals have a responsibility to understand the climate emergency agenda; to be climate/ carbon literate; and to have an appreciation of how contracting activity can support net-zero aspirations throughout the contract lifecycle, using the national tools and support available and maximising engagement with supply chains.”*

Decarbonising supply chains is imperative to tackling the climate emergency. 80% of Scotland’s carbon footprint is caused by the heat and energy required to grow, make, process, transport and provide goods and materials. This means our procurement needs to play a crucial part in driving whole life carbon reduction of the goods and services we buy to support both organisational and societal wide emissions reductions.

As part of Climate Change Reporting Duties, we report annually on how we use procurement to contribute to the global climate emergency. Furthermore, our new carbon management plan, Net Zero HES, outlines how we plan to start measuring and monitoring the greenhouse gas emissions from our supply chain (scope 3). This aligns with the recent strengthening of the Climate Change Reporting Duties in November 2020.

Using spend-based supply chain factors we have estimated that our supply chain emissions may account for more than 75% of our organisational greenhouse gas emissions. With embedded emissions from purchased goods and services likely to account for more than 45% alone.

This strategy aims to tackle these, by identifying carbon hotspots in our supply chain and working collaboratively with suppliers to identify both key sources of emissions, and opportunities for reducing these and reporting savings in such a way that goes beyond the limited spend-method.

HES will align our spending with our organisational emissions reduction commitments outlined in the forthcoming *Net Zero HES*. Identifying long term spending plans that support our own transition to lower emissions solutions, such as ultra-low emission fleet, renewable energy and heat, and low carbon buildings and materials.

Our programme of sustainable procurement actions in the **Climate Action Plan** aims to reflect this vision and to look for ways to drive this ambition forward.

### **Circular Economy**

The circular economy tackles our unsustainable consumption of resources and is part of the solution to both the climate emergency and catastrophic biodiversity loss. It also brings with it extensive economic opportunities and has been projected to increase productivity and create jobs across Scotland. For us, developing circular business models helps us to become a more efficient, less wasteful and a more resilient organisation. One that is climate ready and prepared for the low carbon economy by transitioning away from a dependence on resource and carbon intensive operations.

We will use our procurement activities to support the transition to a circular economy by investing in low carbon, circular businesses such as those that specialise in repair, maintenance and remanufacture and in goods that are long-lasting, pre-used and remanufactured. This provides a demand for these circular goods and low emissions solutions and services. We will also support and enable our existing suppliers to transition towards low carbon and circular business models to help bring everyone along with us on this journey.

Our work will also seek to contribute towards the development of resource sharing networks. This will help us to build closer links with our neighbours and partners whilst reducing the pressure on our finite resources. And where we have resources we no longer require we can seek to find new homes for them that deliver the most social and economic benefits to our local communities.

Our ambitions in this area are covered in our forthcoming Waste and Resources Plan.

### **Accessibility for Small and Medium Sized Enterprises (SMEs)**

HES recognises that SMEs including third and fourth sector organisations can support economic growth and employment in Scotland and contribute to a wellbeing economy. SMEs have the potential to offer new and innovative approaches especially within the fire sector. SMEs already provide 67% of HES procurement spend and play a key role in our supply chain.

Our procurement strategy aims to achieve a mixed economy of suppliers to support and deliver the range of services we provide, particularly micro, small, and medium sized enterprises. This approach includes simplified and standardised public sector procurement practices, consideration of lotting and a range of hands-on assistance to the Scottish Supply Chain to help reduce barriers to involvement in procurement opportunities.

## Community Benefits

We have a legal obligation to consider including Community Benefit requirements for contracts valued over £4million. Community Benefit requirements will be used when they are relevant and proportionate to the nature of our contract.

Community Benefit Clauses will be considered when we can identify how they can link to HES priorities and have a direct positive impact on the contract delivery. They cannot be used to discriminate based on geography of a bidder, but they can identify community benefits that can be delivered through the contract being delivered in a specific area for example targeted training and recruitment, local educational support initiatives, community, and environmental initiatives. These types of Community Benefits can be offered and delivered by any bidder in a tender process.

The types of Community Benefits we may seek to incorporate in our contracts include, but are not restricted to:

- **Recruitment & Training** - Apprenticeships, Trainee and Graduate Placements, Job Creation, Work Experience, Voluntary work opportunities, Vocational Training or Upskilling of Staff.
- **Educational** - Work placements for schools/college/university students, school site visits to promote profession/career options, CV support, donations (equipment), support/development opportunities to young people (16-18-year-olds)
- **Environmental** - Waste and water reduction, recycling of materials, travel reduction, removal of packaging.
- **Supply Chain** - Main contractors/suppliers to advertise local sub-contract opportunities, third sector supported business sub-contract opportunities, mentoring /development support, prompt, and fair payment terms.

- **Community Engagement** – Donations (equipment/materials), In kind support, advice, mentoring, community consultation events, sponsorship, community improvement initiatives.
- **Equality & Diversity** – Enhance Equality and Diversity to encourage inclusiveness

The aims and objectives of using these are to build a range of economic, social, or environmental conditions into the delivery of our contracts where appropriate to do so. They should aim to contribute towards sustainable economic growth, which may for example contribute to strengthening communities and fragile areas or seek to deliver wider social benefit for the areas where the contract is being delivered to contribute towards inward growth and development within the area.

Where relevant we will incorporate Community Benefit Clauses to our specification and terms and condition of contract, we may also evaluate Community Benefits offered as part of a tender submission or ask bidders to propose Community Benefits as part of the Non-Scored Questions. We will then ensure these form part of regular contract reviews to ensure we can monitor/track and report progress against any identified Community Benefit Requirements in our contracts.

### **Supported Business**

Supported businesses are social enterprises whose main aim is to integrate disabled or disadvantaged people socially and professionally. Their workforce must be at least 30% disabled or disadvantaged. HES currently has contracts in place with supported businesses and will continue to offer opportunities to supported businesses where they can meet HES requirements through the Scottish Government's supported business framework.

### **Fair Work First**

HES is a Living Wage accredited employer, we are committed to the Scottish Government's default position of "Fair Work First" and the principles of the Fair Work Framework which defines fair work as *"work that offers effective voice, opportunity, security, fulfilment and respect; that balances the rights and responsibilities of employers and workers that can generate benefits for individuals, organisations and society"*

Public Bodies are required to apply Fair Work First criteria in regulated procurements that commenced from 1 April 2019, seven criteria apply:

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

HES will apply the above in any regulated procurement, where relevant and proportionate to do so and our tender documentation will advise suppliers on how the criteria will be assessed and monitored throughout the lifetime of the contract.

We expect suppliers who deliver public contracts to adopt policies which demonstrate how they comply with relevant employment, equality, health and safety law, human rights standards and adhere to relevant collective arrangements. We further expect our suppliers to have policies which describe how they adopt fair work practices for all workers engaged on delivering public contracts.

### **Equalities, Diversity, and Inclusion**

HES is committed to advancing equality outcomes within our procurement activities. The HES [Equalities Outcomes and Mainstreaming Report](#) outlines our approach and ambitions in this area. Our procurement activities can support these aims through both considering equality and diversity within community benefit clauses and integrating relevant clauses and considerations into award criteria and conditions.

Although a requirement at EU regulation level, we recommend these approaches for all contracts where it is relevant and proportionate to do so.

Relevant procurement clauses can be identified by the Project Manager when completing a People Impact Assessment prior to the procurement exercise commencing. The People Impact Assessment also highlights ways in which we can address socio-economic disadvantage when considering proposals of a strategic nature (Fairer Scotland Duty). We also recognise that climate change is going to disproportionately affect the most disadvantaged in society, and we are committed to considering how we can support climate justice through our procurement activities.

The degree to which equality and diversity requirements are specified and incorporated within procurement documentation will vary according to the goods, services or works being purchased and should be assessed on a case-by-case basis. This will ensure that full consideration is given to the needs of, and the likely impact on, all users and others who will be affected by the contract.

### **Modern Slavery Act**

HES adopts a zero-tolerance approach to modern slavery and human trafficking. We expect all those who work for and with us to adhere to this approach. As appropriate we will address areas of concern in the tendering process through requiring minimum standards and good contract management, clauses covering modern slavery will be included in all HES Terms and Conditions and we will expect all suppliers to sign a modern slavery declaration during the tender process.

### **Health and Safety**

HES is committed to achieving a culture that ensures it complies with all current Health and Safety legislation and in so doing endeavours to provide safe places and safe systems of work. This principle extends to those employed to do contracted works for and on behalf of HES. HES will only engage with suppliers and contractors who can evidence their adherence to current Health and Safety legislation.

### **Fairly & Ethically Traded Goods**

HES will support the Fair-Trade initiative as it reflects our commitment to sustainable development and offers the prospect of marginalised producers across the world receive fairer deals for their produce. We will, to the extent permitted by procurement legislation, account for Fair Trade and similar initiatives in relevant procurement activity. For example, the procurement of

timber products will be sourced following the Scottish Government Timber Procurement Policy.

### **Contracts involving food to improve health and wellbeing**

The procurement of food considers the wider community focus on improving health and wellbeing across Scotland. Food has significant carbon impacts and therefore it's imperative we look to drive down emissions and impacts in this area. Promoting a sustainable food supply chain by using seasonal Scottish produce, increasing plant-based choices, reducing food waste, packing and transport, helps to reduce the carbon impacts from the food we provide. Utilising suppliers that undertake sustainable farming methods such as regenerative practices and encouraging existing suppliers to innovate in this way supports the sector to move towards future proof business models that also deliver environmental wellbeing. Furthermore, through smart menu choices, we can also support healthy eating, and the health benefits this brings. Food security and ethics are of equal importance and HES follows Scottish Government guidance to ensure consideration of the highest levels of animal welfare are included in our contracts.

# VALUE FOR MONEY AND EFFICIENCY

## Voice of the customer

We want to ensure our procurement activity is undertaken in the most efficient and effective manner and responds to customer needs. We will, as appropriate, consult with parties who will potentially be affected by the outcome of a tender process, and may consider consultation with (for example):

- The marketplace
- Customers/end users
- Community Representatives
- Internal stakeholders

Consultation and engagement will be conducted in an open, equal, and inclusive manner. The decision on when to consult and engage before a tender process will be taken on a contract-by-contract basis, and may for example be undertaken when:

- Where the contract may have a significant impact on end-users of the contract, and we may want to seek views/comments and opinions from customers or end users of the contract.
- When we may want to investigate the possibility of including community benefits to a specific contract and need to understand the needs of a specific area/community.

We may consider running local bidder briefing days to consult potential bidders/those affected by the contract and consider their views when constructing the tender document and we will record the output and outcome of any consultation and engagement which takes place.

## Category Management

As a public body we are committed to leading the way in best practice procurement. To do this, we will continually review our approach to procurement to ensure we are improving what and how we deliver contracts and framework agreements. This includes driving improvements in our

processes and practices and keeping them up to date and relevant in a changing economic landscape.

To support this, we will adopt a category management approach to help us to identify where we can drive improvements across a wide range of our spend. It will also help us to understand better how we can influence and support markets and suppliers to innovate and adapt in such a way that drives inclusivity and supports the delivery of climate change targets. To do this we will improve our contract and supplier management processes.

### **Strategic sourcing and Innovation**

Influencing the market towards innovative solutions can focus public spending on sustainable goods, services and works, and create an important catalyst for local job creation, sustainable innovation, and market development. Our procurement strategy notes the importance of innovation through procurement, and we encourage all our suppliers to consider an innovative approach to the way goods and services are delivered throughout the lifetime of the contract.

Supporting and enabling our supply chain to develop low carbon and circular business models is a key way we can support a just transition whilst delivering on our climate change targets.

As a lead Public Body, we have a responsibility to support sectors we work within to innovate such as the heritage, tourism and built environment sectors. For instance, as Scotland's largest operator of paid visitor attractions we can send a strong message driving the market towards more sustainability, decoupling tourism growth from the consumption of finite resources, and applying and enabling innovative, resource-efficient solutions in the transformation to a net zero responsible tourism/business model.

HES uses frameworks to reduce the time to procure goods and services especially when budgets and funding are set on an annual basis. These frameworks create the opportunity to collaborate with other public sector organisations and reduce the costs for suppliers in terms of qualification. A disadvantage is that some frameworks do not always consider fully sustainability and can reduce accessibility especially where the marketplace is small. In addition, frameworks may not always attract the best prices in the market as the level of spend at set up of the framework is estimated.

We will operate a blended approach to our sourcing using, where appropriate, frameworks that have been critically assessed to ensure they meet best value and sustainability considerations. Where possible we will place greater emphasis on developing our own contracts that encourage, innovation, greater competition and wider participation from SMEs, Third Sector and Supported Businesses.

## Collaborative sourcing

Structured collaborative working and sharing best practice is at the heart of procurement in Scotland, this is managed at three levels.

- **Category A** – Contracts developed and managed for the whole public sector by Scottish Procurement
- **Category B** – Contracts developed and managed for local government (service specific) by Scotland Excel, APUC and NHS National Procurement
- **Category C1** – Contracts developed and managed on a regional basis by a lead authority (collaborative contracts with similar organisations)
- **Category C** – Contracts developed and managed on a local basis (HES specific contracts)

We will continue to work collaboratively with other public bodies for example through the local Cluster Group<sup>1</sup> which facilitates the sharing of knowledge, best practice, and investigates opportunities for sharing resource, expertise, and experiences. We will continue to investigate where we can gain efficiencies through economies of scale and reduction of resources required to undertake procurement exercises whilst delivering our requirements and priorities.

## Contract management

Contract and supplier relationship management is the on-going monitoring and management of contracts entered into with suppliers or partners for the provision of goods, services and works. It includes the pursuit of increased benefits and value from those contracts by maximising leverage, driving improvement and accessing innovation.

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<sup>1</sup> Cluster Group is a group of similar sized public bodies who regularly meet and discuss procurement development, share best practice, and seek collaborative opportunities.

A new approach will be developed and implemented to put in place a corporate framework to support contract management. Contracts will be grouped to a number of criteria such as contract value, risk, and commodity type. Each new regulated contract going forward will require to include early defined key performance indicators to measure clear outcomes.

A centrally managed contract register will be maintained and will facilitate the monitoring and reporting of contracts.

### **Supplier management**

Supplies and services wherever possible will require a HES purchase order. In line with many organisations, HES is working towards both the receipt of all invoices electronically and a “no purchase order no pay” policy. Receipt of an electronic invoice is the default in our contracts and non-purchase order invoices requiring separate authorisation will be the exception.

The effect of late payment on SMEs can be significant, impacting cash flow and the ability to trade. As direct support HES has a prompt payment policy and related performance indicator which aims to make payment of invoices within 10 days of receipt of a valid invoice. To make sure prompt payment flows through all stages of the supply chain, our terms and conditions obliges our contracted suppliers to make payment of valid invoices within a 30-day period. Adoption of project bank accounts in major conservation work will now be considered at the pre-procurement planning stage.

## ENHANCING CAPABILITY

### Voice of the supplier

HES recognise the value our suppliers contribute to meeting HES strategic objectives, and that our processes could be improved if we understand the challenges faced by suppliers in bidding for our contracts. We appreciate that where a supplier is not successful in terms of bid this can lead to a concern over the process and a need to understand more fully the reasons for not being successful.

We will investigate opportunities to up-skill our potential supplier base through attending “Meet the Buyer” events, providing constructive feedback to bidders and ensuring our process is open, fair, and transparent for all bidders involved and treats all operators equally. We will seek feedback from internal and external customers to ensure we continually improve our processes to be visible, customer centric and compliant with legislative requirements.

### Organisation and resource

HES has a centralised procurement structure which ensures procurement activity is well directed and best practice is more easily disseminated.

We will resource procurement activity using suitably qualified and experienced professional procurement personnel. These resources are predominantly internal to HES, and we do make use of external procurement expertise particularly for high-risk procurements.

We will keep under review our procurement team structure considering both market developments and service need and if appropriate develop a business case to change the structure.

### Partnering and collaboration

We will seek opportunities to partner and collaborate with other organisations where this gives advantage to meeting HES needs or wider public sector objectives.

## People development and capability

Our aim is to maintain and develop our procurement team with the right skills and capabilities to professionally deliver an effective service in partnership with all stakeholders involved in the procurement process.

HES has developed its resourcing and procurement capability over recent years and continues to support individuals to attain professional qualification through the Chartered Institute of Procurement and Supply (CIPS) and develop further as part of their continuous professional development. HES currently has 60% of the procurement team appropriately qualified.

We know that the procurement demand in public sector exceeds supply, especially qualified procurement roles, and this has persisted for many years. We will continue to monitor market conditions to understand if any changes are needed to both retain and attract talent into the procurement function.

We recognise the value in investing in our people at the earliest stages in their career and providing opportunities for both school leavers and graduates. We will work with colleagues in our People Directorate to consider workforce development roles to support “The Procurement People of Tomorrow” (PPoT) initiative and make a commitment to the PPoT charter.

HES will invest in training for both procurement team and those individuals regularly involved in procurement activity. We will invest in our people and develop a career pathway for our procurement team by providing relevant public sector procurement work experience and by enabling progression through recognised professional qualification - Chartered Institute of Procurement and Supply (CIPS).

## Use of technology

HES uses Oracle Fusion which provides integrated HR, Finance, Procurement and Payroll.

As the UK has left the EU there has been changes to how we advertise tender opportunities. HES will continue to advertise where required using the Scottish Government’s Public Contract Scotland (PCS) which links with the UK Government’s Find a Tender solution. HES will continue to use PCS quick quote process for smaller tenders. HES will continue to extend our use of electronic catalogues, purchase orders and invoices to improve transactional efficiency.

## PROCUREMENT TRANSPARENCY

We will conduct our procurement activity in a manner that adds value to the organisation, is risk based, focuses on sustainability objectives and compliant with our governance model that gives external parties confidence that we performed our procurement activity in a fair and transparent way.

HES is committed to being more transparent about how we spend public money and improving accountability, by publishing information about our procurement activity on our website. We will:

- publish a procurement strategy setting out how we will carry out our regulated procurements
- produce an annual procurement report containing details of upcoming procurement projects
- use the Public Contracts Scotland website to advertise regulated contracts and publish award notices
- publish and maintain our procurement procedures and governance externally and internally
- publish our customer satisfaction results
- publish our community benefits information
- publish our sustainability outcomes
- publish our performance against agreed performance measures
- promote our attendance at Meet the Buyer events

## GOVERNANCE, RISK AND FRAUD

Strong leadership and governance arrangements are at the centre of delivering effective procurement. There are a range of mechanisms in place to ensure this is the case within HES.

We will update our governance and procurement procedures in line with legislative changes. We will follow the SG procurement journey and any subsequent guidance. We will embed the SG's Construction Manual guidance for works procurements.

HES undertakes its procurement activity in a fair, open, and transparent way, in compliance with the legal and procedural requirements of EU and Scottish Procurement Regulations and HES procurement. Tenderers have the right to legally challenge where they believe HES has breached procurement legislation. For all goods and services regulated procurements HES provides information to tenderers through the debrief process and includes a voluntary standstill period prior to award to give tenderers the opportunity to raise any concerns before award. We will continue to manage the risk of challenge through internal review and seeking legal advice where appropriate.

HES has a counter-fraud policy and a fraud response plan to both prevent, detect, and respond to fraud. It is recognised that procurement fraud can occur, and our processes are designed to minimise the risk of fraud where possible. A key part of fraud prevention is awareness and we have undertaken fraud training for our procurement staff and will provide this training to those involved in the procurement process on an ongoing basis.

We complete the National Fraud Initiative for all suppliers.

### **Procurement Commercial Improvement Programme (PCIP)**

HES adopts Scottish Government legislative requirements as well as guidance. Our processes, systems and governance are reviewed on a regular basis as part of the PCIP programme. The last review was in 2019 and HES achieved the highest banding. We will continue to develop the actions that support the PCIP programme and will undertake a further review of our progress in conjunction with Scottish Government's PCIP team.

The Procurement Team will audit low value Procurement activity within HES. Internal Audit will review high value Procurement activity as part of their Audit Plan.

In parallel with this we are committed to fair and ethical procurement and want to ensure our purchasing power is helping to realise wider social benefits in such a way as to support climate justice and an inclusive and socially just local economy. We promote the use of supported business and related organisations and have placed contracts with businesses that have a social and environmental purpose.

We will ensure fair work is promoted across all relevant procurement processes while ensuring the appropriate balance between quality and cost of the contract, including the impact of cost on working conditions. We will ensure suppliers delivering public contracts adopt and demonstrate appropriate fair work practices.

## REPORTING PROGRESS AND PERFORMANCE

We will develop an annual action plan to support the delivery of the procurement strategy and report our progress on a regular basis to the Corporate Assurance Group and annually as part of the annual procurement report to Senior Management Team. The first annual action plan for 2022/23 is at appendix A and subsequent action plans will be added in future years as part of the annual procurement strategy review.

We will measure our performance over the strategy period through a range of performance indicators that cover Sustainability, Value for Money, Enhancing Capability, Transparency, Governance and Risk. The performance indicators include a narrative on the performance indicator, the frequency of reporting and a target. The performance indicators are at appendix B and progress will be reported quarterly to the Corporate Assurance Group and annually to the SMT (Senior Management Team) through the annual procurement report.

# APPENDIX A

## Procurement Strategy Annual Action Plan April 2022 – March 2023

### 1. Sustainability

Action Ref	Actions	Target Date	Owner	KPIs
1.1	Support & Improve Access to contracts for SME's, the Third Sector & Supported Businesses	Ongoing	Procurement	<ul style="list-style-type: none"> <li>Percentage of spend with SME's</li> <li>Number of supported business contracts awarded in the reporting period.</li> <li>Percentage of quotes undertaken which included at least 1 SME</li> <li>Number of contracts we have started requesting carbon data from.</li> <li>Number of tenders which has utilised the sustainability tools and whole life costing.</li> </ul>
1.2	Develop a suite of community benefits which can be considered for all appropriate tenders	31/03/2023	Procurement	
1.3	All quotes to include a minimum of 1 SME and/or local supplier	01/06/2022	Procurement & Directorates	
1.4	Fair Working Practices built into all appropriate tenders and scored as part of the evaluation process	01/08/2022	Procurement	
1.5	Adopt the full suite of sustainability tools and whole life costing into all relevant tenders	01/06/2022	Procurement	
1.6	Work closely with the Climate Change team to ensure our contracts support the measuring,	Ongoing	Procurement	

	monitoring, and reduction of Carbon Emissions			
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## 2. Value for Money and Efficiency

Action Ref	Actions	Target Date	Owner	KPIs
2.1	Identify and reduce non-contracted spend	31/03/2023	Procurement	<ul style="list-style-type: none"> <li>Percentage of all influenceable HES expenditure covered by contracts</li> <li>Percentage of internal customers who rated customer satisfaction as good or excellent</li> <li>Percentage of contract and supplier management meetings conducted with strategically critical suppliers</li> <li>Reduction of number of suppliers for influenceable spend</li> <li>Savings achieved on annual basis</li> <li>Procurement Tender Exercises completed in the Financial</li> </ul>
2.2	Review and Update Contract and Supplier Management Policy	31/03/2023	Procurement	
2.3	Create and deliver financial and efficiency savings through existing and new contract opportunities	31/03/2023	Procurement	
2.4	Business Partners to increase staff engagement to demystify procurement and encourage early engagement in the procurement process	Ongoing	Procurement	
2.5	Publish a 2-year contract delivery plan and monitor progress	30/06/2022	Procurement	
2.6	Review current supply base and identify opportunities to aggregate spend	31/12/2022	Procurement	

Action Ref	Actions	Target Date	Owner	KPIs
				Year <ul style="list-style-type: none"> <li>Percentage of valid orders £5,000 or greater progressed within 2 working days</li> </ul>

### 3. Enhancing Capability

Action Ref	Actions	Target Date	Owner	KPIs
3.1	Increase the number of qualified (MCIPS) professionals within HES	Ongoing	Head of Procurement	<ul style="list-style-type: none"> <li>Percentage of Procurement Team who hold the professional procurement qualification, Member of Chartered Institute of Purchasing and Supply (MCIPS)</li> <li>Percentage of procurement spend actively influenced by a procurement professional</li> </ul>
3.2	Develop a suite of procurement training materials and procurement training delivery plan for all staff involved in the procurement process	31/03/2023	Head of Procurement	
3.3	Identify contract opportunities to collaborate with other public bodies	31/12/2022	Head of Procurement	
3.4	Lessons Learned to be conducted after every tender and logged on a central register	Ongoing	Procurement	

## 4. Transparency

Action Ref	Actions	Target Date	Owner	KPIs
4.1	Carry out internal staff and external supplier satisfaction surveys and publish results	31/03/2023	Head of Procurement	<ul style="list-style-type: none"> <li>• Contracts Register published on a quarterly basis.</li> <li>• Award Notice placed for all relevant tender exercises</li> <li>• Percentage of suppliers who rated the ease of access to information about HES contract opportunities as good or excellent</li> </ul>
4.2	Publish an Annual Procurement Report on progress/delivery of the Procurement Strategy	Annually	Head of Procurement	
4.3	Update and publish contract register on HES website	Ongoing	Procurement	
4.4	Publish all contract opportunities and contract award notices on Public Contracts Scotland (PCS)	Ongoing	Procurement	

## 5. Governance & Risk

Action Ref	Actions	Target Date	Owner	KPIs
5.1	Update procurement policies and procedures in line with changes to legislation	Ongoing	Procurement	<ul style="list-style-type: none"> <li>• No successful legal challenges</li> <li>• PCIP Action Plan completed</li> </ul>
5.2	Develop a low value contract register and conduct spot audits on low value procurements	31/03/2023	Procurement	

5.3	Update corporate procurement risk register and monitor local service supply chain risk registers	Ongoing	Procurement/ Directorates	
5.4	Participate in the Scottish Government Procurement Commercial Improvement Programme (PCIP) and develop actions plans	31/12/2022	Procurement	

## APPENDIX B

### Key Performance Indicators

#### Sustainability

We aim to increase the knowledge and understanding of the benefits of sustainable procurement for all of those involved in the undertaking of HES Procurement Activity, and to ensure compliance with the Sustainable Procurement Duty and all other duties contained within the Procurement Reform (Scotland) Act 2014. Performance will be measured with the following Key Performance Indicators.

KPI	Narrative	Frequency	Target
Percentage of spend with SME's	Measurement and recording of SME spend allows HES to evidence compliance with Sustainable Procurement Duty in the Procurement Reform (Scotland) Act 2014 in terms of SME involvement in HES procurement activity.	Annually	70%
Number of supported business contracts awarded in the reporting period	HES requires to maintain performance at two contracts awarded to supported business during the financial year to support current performance level as measured in last round of PCIP assessment. This KPI also assists HES to evidence compliance with Sustainable Procurement Duty as stated in the Reform Act	Annually	2
Percentage of quotes undertaken which included at least 1 SME	HES is committed to encouraging SME involvement in all levels of procurement activity to assist in improving efficiency,	Quarterly	100%

	sustainability, market potential and supports local wealth creation.		
Number of contracts we have started requesting carbon data from	HES recognise our Sustainable duty as stated in the Procurement (Scotland) Reform Act 2014 and we will work to influence our supply base to reduce carbon emissions in all relevant procurement activity.	Annually	100%.
Number of tenders which has utilised the sustainability tools and whole life costing.	HES recognise our Sustainable duty as stated in the Procurement (Scotland) Reform Act 2014 and we will utilise the Scottish Governments suite of Sustainability Tools and Wole Life Costing models in all relevant procurement activity.	Annually	100%

### Value for money and efficiency

We aim to make the best use of our procurement resources in the undertaking of an efficient and effective procurement process to ensure the delivery of service provision that is consistent for all stakeholders. Performance will be measured with the following Key Performance Indicators.

KPI	Narrative	Frequency	Target
Percentage of all influenceable HES expenditure covered by contracts	This is linked to PCIP assessment and VFM. This figure requires to be maintained and evidenced for next round of assessment anticipated to occur in 2022.	Monthly	95%

KPI	Narrative	Frequency	Target
	Maximisation of contract spend ensures effective use of competition to achieve best value and minimises non-contract spend.		
Percentage of internal customers who rated customer satisfaction as good or excellent	The Procurement Team aim to provide a first-class service and deliver agreed outcomes within defined timeframes together with the provision of guidance, advice, and mentoring. Regular feedback will be sought in terms of the performance level achieved.	Annually	95%
Percentage of contract and supplier management meetings conducted with strategically critical suppliers	Contract management meetings will be held with key strategic suppliers on a quarterly basis in compliance with HES Contract Management Policy. Meetings require to be scheduled and balanced scorecard completed and submitted to Procurement. KPI's are managed across such contracts. Contract Management is a key improvement action in the PCIP Action Plan	Quarterly (Once HES Contract Management Policy in place)	100% (Once HES Contract Management Policy in place)
Reduction of number of suppliers for	HES will measure the reduction of the numbers of suppliers in- scope	Monthly	600 (over the period

KPI	Narrative	Frequency	Target
influenceable spend	over the period of the Strategy and set annual targets which will aim to reduce the numbers of suppliers in-scope (i.e. (those suppliers which the Procurement Team can influence). Reduction of supplier numbers will lower transactional costs due to fewer suppliers to manage and maintain. Reduction will also address non-contract spend.		of the Strategy).
Savings achieved on annual basis	HES will use its procurement activity as a driver to achieve savings (tangible and non-tangible) on annual basis.	Annually	100%
Procurement Tender Exercises completed in the Financial Year	Procurement and Client Departments on an annual basis agree priorities on the projects to be delivered in the financial year	Annually	100%
Percentage of valid orders £5,000 or greater progressed within 2 working days	Orders over £5,000 are automatically routed to Procurement on Fusion to minimise the risk of non-compliance with procurement governance. The Procurement team will commit to approve valid orders within 2 working days.	Monthly	100%

## Enhancing capability

Capacities and training of the workforce are indicators for the performance of a procurement system. HES requires those involved in undertaking and participating in procurement activity to be supported to undertake the increasing complexity of public sector procurement. Without this continued support, HES will not be able to maximise value for money nor support the delivery of HES outcomes. Performance will be measured with the following Key Performance Indicators.

KPI	Narrative	Frequency	Target
Percentage of Procurement Team who hold the professional procurement qualification, Member of Chartered Institute of Purchasing and Supply (MCIPS)	The aim is that 80% members of the Procurement Team will attain MCIPS accreditation, even though it is not a specific requirement for some roles within the team. However, it is recognised that offering this professional qualification route assists in the retention of staff, in a market which is challenging in terms of numbers / quality of personnel. This certification also reflects the professionalism of the procurement team.	Annually	80%  (Over the period of the Strategy)
Percentage of procurement spend actively influenced by a procurement professional	This is linked to performance level achieved by HES in the PCIP assessment, which amongst other factors, measures the degree of influence the procurement function has over major / routine procurement activity. 80% requires to be maintained for HES to maintain PCIP level of performance.	Annually	80%

## Transparency

Transparency and openness are understood as the fair and equal treatment of participants in the procurement process. It includes public disclosure of procurement rules; publication of procurement opportunities; publication of the results of the procurement processes, of contract modifications and of justifications for the use of procurement methods other than open tendering. Performance will be measured with the following Key Performance Indicators.

KPI	Narrative	Frequency	Target
Contracts Register published on a quarterly basis.	The Procurement Reform (Scotland) Act 2014 requires the publication of HES Contracts Register. HES will commit to the publication on internet / Public Contracts Scotland. HESNet (intranet) on a minimum quarterly basis.	Quarterly	Publish per quarter in financial year
Award Notice placed for all relevant tender exercises	HES is required to publish a contract notice for all procurement activity completed within specified timeframes. This aids transparency of the award of contract and assist in advertising potential sub-contract opportunities in relevant procurement activity.	Monthly	100%
Percentage of suppliers who rated the ease of access to information about HES contract opportunities as	HES aims to maximise opportunities to do business with the services over a number of areas such as internet/ social media / Public Contracts Scotland. We will undertake measures that will	Quarterly	100%

KPI	Narrative	Frequency	Target
good or excellent	gauge the success of this engagement.		

### Governance and risk

HES procurement governance model requires to reflect legislative requirements and minimise risk to HES. We aim to ensure all staff involved in the procurement process are fully aware of all aspects and impacts of the procurement governance procedures and legislative requirements. Improvement Action plans will be completed with prescribed timeframes. Performance will be measured with the following Key Performance Indicators:

KPI	Narrative	Frequency	Target
No successful legal challenges	The Remedies Directive enable unsuccessful tenderers the opportunity to challenge award decisions within the tender process if they believe that HES has breached procurement legislation. Compliance with HES governance process will minimise this risk.	Annually	Zero (0)
PCIP Action Plan completed	An Action Plan was developed in response to the last round of PCIP assessment to ensure that HES maintained/ improved upon last performance level.	Annually	100%

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