

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Annual Breaches of Financial Regulations and Procurement Decision Records Report 2024/25																																	
Meeting date	24 July 2025																																	
Status	Public Report																																	
Executive summary	<p>This report sets out the breaches of Financial Regulations (the Regulations) and four circumstances described in Part G, Paragraph 5 (para 5), that are now recorded within Procurement Decision Records (PDRs) (previously separately recorded as waivers) which have occurred during the 2024/25 financial year.</p> <p>Circumstances described in Financial Regulations paragraph 5 are:</p> <ul style="list-style-type: none"> i. Accelerated procurement where the Council would suffer significant negative impact if the full operational or strategic procurement approach is applied. ii. Unable to invite or obtain 3 bids or competition absent for technical reasons iii. Payments in advance for goods, services or works iv. Propose not to use an available Corporate Contract <p>An analysis of breaches and PDRs highlights the following:</p> <table border="1"> <thead> <tr> <th></th><th colspan="2">2024/25</th><th colspan="2">2023/24</th><th colspan="2">2022/23</th></tr> <tr> <th></th><th>Breaches</th><th>PDRs (para 5)</th><th>Breaches</th><th>Waivers</th><th>Breaches</th><th>Waivers</th></tr> </thead> <tbody> <tr> <td>Total (count)</td><td>12</td><td>28</td><td>7</td><td>35</td><td>11</td><td>47</td></tr> <tr> <td>Total (£)</td><td>£29,162,090</td><td>£4.2m</td><td>£15,417,745</td><td>£0.7m*</td><td>£1,172,738</td><td>£3.2m</td></tr> </tbody> </table> <p>Whilst no breaches of Financial Regulations is the preferable position, the relatively low number of breaches again suggests a good level of understanding of the requirements amongst managers and officers in the majority of service directorates and has resulted in general compliance with the Regulations.</p> <p>Whilst full compliance can never be guaranteed and 'under-reporting' of breaches, in particular, is an inherent possibility, arrangements were in place to detect instances of non-compliance.</p> <p>There were 212 PDRs approved during 2024/25 totalling approximately £200m and of these 28 were circumstances as described in Financial Regulations Part G Paragraph 5 which require reporting to this committee.</p>							2024/25		2023/24		2022/23			Breaches	PDRs (para 5)	Breaches	Waivers	Breaches	Waivers	Total (count)	12	28	7	35	11	47	Total (£)	£29,162,090	£4.2m	£15,417,745	£0.7m*	£1,172,738	£3.2m
	2024/25		2023/24		2022/23																													
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	An effective and transparent breaches and PDR governance process maximises the chances of the Council achieving value for money and complying with UK Procurement Legislation (Public Contract Regulations 2015 & Procurement Act 2023).
Recommendations	<p>It is RECOMMENDED that:</p> <p>The Audit & Governance Committee note the breaches of Financial Regulations and relevant Procurement Decision Records that occurred during 2024/25.</p>
Reason for recommendations	To comply with Financial Regulations which requires that all breaches of Financial Regulations and relevant Procurement Decision Records are considered annually by the Audit & Governance Committee.
Portfolio Holder(s):	Cllr Mike Cox, Portfolio Holder for Finance
Corporate Director	Graham Farrant, Chief Executive
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Wards	Council-wide
Classification	For Information

Background

- Financial Regulations (the Regulations) set out the procedures and standards for financial management and control, and specifically:
 - the purpose of each section in the relevant Part of the Regulations (why it is important);
 - the standards and controls that must be observed (how the Regulations serve to facilitate the good governance and the proper administration of the Councils financial affairs);
 - the specific roles and responsibilities of Councillors, the Chief Executive, the Chief Financial Officer (CFO), the Monitoring Officer and other named Officers in relation to doing so (the accountability framework); and
 - detailed procedure notes and relevant financial thresholds where these apply (what must be done and in what way).
- The Regulations require that all breaches of Financial Regulations are reported to the CFO or their delegated representative along with details of any management action to address the issues arising. A combination of the Internal Audit and Procurement & Contract Management Teams maintained a record of all breaches to enable full, transparent and accurate reporting to Audit & Governance Committee (and the Procurement and Contracts Board).

3. For contracts over £5,000 the Regulations state (at Part G, paragraph 5) that the manager must inform the Procurement & Contract Management Team who will ensure that the relevant Procurement Decision Record (PDR) is completed with managers and authorised at the relevant stages before proceeding with any purchase/contract. The Regulations require the CFO to produce an annual report on PDRs that meet one of four circumstances described in Part G paragraph 5 to the Audit & Governance Committee.

Breaches of Financial Regulations

4. During the 2024/25 financial year twelve breaches of Financial Regulations have been identified, totalling £29,162,090 (compared to seven breaches, totalling £15,417,745 in 2023/24). Details of the twelve breaches are outlined below:

➤ Br1, Children's Services, Environment, Law & Governance, Operations, Transport & Engineering, Off-Contract Agency Workers, approximately £24m

The Council has spent circa £24m in 'off contract' agency worker arrangements since 2019/20. The Procurement & Contract Management team advised that only a single PDR relating to a specific agency worker had been completed. Therefore, a significant amount of expenditure and agency appointments had not been subject to the required completion of PDRs.

Commissioning managers across the Council were not aware that a PDR was required for agency workers procured outside of the corporate contract.

This breach was identified during the 2023/24 Children's Service - Agency Staff audit and it was recommended that corporate policy and guidance regarding agency worker engagements was updated to include the need to follow the requirements set out in Part G Section 6 (use of corporate contracts) of the BCP Financial Regulations along with seven other audit recommendations.

Seven of the eight audit report recommendations have been implemented with the remaining action to establish a process to determine and approve pay rates for agency staff planned to be addressed by October 2025.

➤ Br2, Housing & Communities, Housing Property Security Services, £2,249,901

The Directorate spent a cumulative amount of £2,249,901 with an existing supplier for housing property security services after the contract had expired. A PDR was not produced, as required, after the contract end date to either re-tender or extend the current contract.

This breach was identified during the 2023/24 Procurement audit. Previously negotiated contracts had expired but the supplier continued to be used to meet service demand.

The Head of Public Protection is leading an in-sourcing initiative focussed on centralised enforcement / public protection. A report was presented to CMB in July 2025 with a proposed stage 1 implementation by the end of March 2026. This insourcing initiative places procurement of a corporate framework on hold.

➤ Br3, Housing & Communities / Customer, Arts & Property, Water Hygiene Services, approximately £51,000

Orders were placed in the Poole Neighbourhood for water hygiene services. These comprised of low value transactions but in aggregate exceeded the £5k threshold that requires a PDR, which had not been completed. In addition, this contract was not included on the Councils Contracts Register as required under Financial Regulations.

There was a lack of officer awareness of the need to complete PDRs/update the Contracts Register.

This breach was found as part of the 2023/24/25 Facilities Management – Health & Safety Compliance (Housing Assets) audit. Following the creation of BCP Homes, the in-house team are now undertaking water quality servicing across the whole of BCP Homes.

➤ Br4, Housing & Communities / Customer, Arts & Property, Fire Risk Assessments, approximately £31,000

Orders were placed in the Bournemouth Neighbourhood for fire risk assessments. These comprised of low value transactions but in aggregate exceeded the £5k threshold that requires a PDR, which had not been completed. In addition, this contract was not included on the Councils Contracts Register as required under Financial Regulations.

There was a lack of officer awareness of the need to complete PDRs/update the Contracts Register.

This breach was found as part of the 2023/24/25 Facilities Management – Health & Safety Compliance (Housing Assets) audit. Management are currently working with the Procurement team to produce compliant solution.

➤ Br5, Customer, Arts & Property, Water Hygiene, approximately £1.9m

Approximately £1.9m was spent on water hygiene services between April 2023 and July 2024 via a Dorset Council framework agreement. The framework names BCP Council as a participating authority and whilst the overall framework allows for up to £400m expenditure, the specific lot awarded to the single supplier used totalled only £1.96m. Therefore, the aggregate BCP Council and Dorset Council spend is likely to have exceeded the available headroom. The Service did not consult with the Procurement team prior to instructing any orders under a framework to check available headroom.

There was a lack of officer awareness of the need to consult with the Procurement team on the use of frameworks.

This breach was identified as part of the 2023/24/25 Facilities Management – Health & Safety Compliance (Housing Assets) audit. Management have agreed to review contractual arrangements for all major cumulative spend with third party suppliers for key compliance areas to ensure formal contracts and PDRs are in place, in accordance with Financial Regulations. In addition, Procurement will be consulted with for future arrangements including use of any frameworks.

➤ Br6, Customer, Arts & Property, Electrical Safety, approximately £373,000

Approximately £185k has been spent on electrical safety services with one supplier and a further £188k spend with another supplier during the period of April 2023 -

July 2024. This expenditure consists of several low value transactions, however multiple transactions exceeded the £5k threshold above which a PDR is required. Neither of these arrangements appear on the corporate contracts register.

There was a lack of officer awareness of the need to complete PDRs/update the Contracts Register.

This breach was identified as part of the 2023/24/25 Facilities Management Health & Safety Compliance (Corporate Assets) Audit. Management agreed to review contractual arrangements for all major cumulative spend with third party suppliers for key compliance areas to ensure formal contracts and PDRs are in place, in accordance with Financial Regulations. In addition, the Procurement team will be consulted with for future arrangements, and the corporate contracts register will be updated.

➤ Br7, Customer Arts & Property, Cliff Lifts, approximately £409,000

Approximately £216k has been spent on cliff lifts with one supplier and a further £193k spend with another supplier during the period of April 2023 - July 2024. This expenditure consisted of several low value transactions, however multiple transactions exceeded the £5k threshold above which a PDR is required. Five transactions were also over £30k requiring formal engagement with the Procurement team. Neither of these arrangements appear on the corporate Contracts Register.

There was a lack of officer awareness of the need to complete PDRs/update the Contracts Register.

This breach was identified during the 2023/24/25 Facilities Management Health & Safety Compliance (Corporate Assets) Audit. Management have agreed to review contractual arrangements for all major cumulative spend with third party suppliers for key compliance areas to ensure formal contracts and PDRs are in place, in accordance with Financial Regulations. Procurement will be consulted with for future arrangements and the Corporate Contracts Register will be updated.

➤ Br8, Customer Arts & Property, Russell Cotes Museum, £30,000

A curatorial research grant of £30k for Russell Cotes Museum was obtained by officers before getting Chief Finance Officer (CFO) approval, as required by Financial Regulations.

There was a lack of officer awareness of the need to obtain prior CFO approval for external funding.

Management explained that due to the limited lead in time for submitting a bid for funding officers omitted to secure CFO approval beforehand. Management advised that officers would be reminded of the need to obtain the prior approval of CFO for grant applications.

➤ Br9, Customer Arts & Property, Facilities Management – BCP Homes, £47,303

An officer in the Facilities Management Team did not raise an official BCP order for property render work totalling approximately £47k. A PDR was also not completed as required and therefore not entered on contracts register.

There was a lack of officer awareness of the need to raise official BCP orders and to complete a PDR/update the Contracts Register.

The Head of Facilities Management advised he will raise the issue at the next team meeting and will also liaise with the Procurement Team on future tender requirements across BCP Homes and Facilities Management.

➤ Br10, Customer Arts & Property, Russell Cotes Museum, £27,130

An art fund grant of £27,130 for Russell Cotes Museum was obtained by officers before getting Chief Finance Officer (CFO) approval, as required by Financial Regulations.

There was a lack of officer awareness of the need to obtain prior CFO approval for external funding.

Management explained that due to the limited lead-in time for submitting a bid for funding, officers omitted to secure CFO approval beforehand. Management advised that officers would be reminded of the need to obtain the prior approval of CFO for grant applications.

➤ Br11, Planning and Transport, Off-Contract Agency Worker, £21,756

The corporate contract for appointing temporary agency workers (Comensura) was not used for a temporary officer covering a 3-month period of approximately £21,756.

There was an officer misunderstanding regarding the need to use the Council's temporary agency worker corporate contract.

After liaison with Procurement and HR Teams, the service is now compliantly procuring temporary agency workers via Comensura. HR have also reminded officers of the correct process for engaging temporary agency workers.

➤ Br12, Customer Arts & Property, Poole Museum, £22,000

Despite liaison with Procurement, an officer did not raise an official BCP order for branding consultant work totalling approximately £22k. A PDR was also not completed as required and therefore not entered on contracts register.

There was a lack of officer awareness of the need to raise official BCP orders and to complete a PDR/update the Contracts Register.

A PDR was completed retrospectively and officers reminded of the need to complete PDRs in a timely manner for approval and raise official BCP orders.

5. Whilst no breaches of Financial Regulations is the preferable position, the relatively low number of breaches in overall context suggests a good level of understanding of the requirements amongst managers and officers in the majority of service directorates and has resulted in general compliance with the Financial Regulations.
6. The common theme within the twelve breaches shown above is that the commissioning officer was unaware of the requirements of the Financial Regulations. The most common corrective actions have included targeted or bespoke training to individuals, statements and expectations made at team meetings for all colleagues to hear and formal written instructions being provided to individuals.

7. Certain line managers have also been reminded that they are responsible for equipping officers with adequate training or instruction to undertake roles or activity, in this case commissioning roles and activity, competently and in line with Council requirements and for adequate performance management.
8. While it is not possible to say that there have been no further breaches, at the current time none have been brought to the attention of, or have been identified by, the Head of Audit & Management Assurance or the Head of Procurement & Contract Management for the reporting period considered here. Should previous period 'breaches' be identified, they will be reported to Audit & Governance Committee during the next available reporting period.

Procurement Decision Records (PDRs)

9. There were 212 PDRs approved during 2024/25 totalling approximately £200m.
10. PDRs are required at set 'gateways' to document the approach and decisions taken in the stages of the procurement process for contracts exceeding £5,000. There is a more complex formal process for contracts exceeding £30,000.
11. PDRs are completed by officers responsible for the procurement process and authorised by the senior responsible officer, normally the service director and Head of Procurement & Contract Management. A copy of the PDR is sent to the Procurement & Contract Management Team to arrange for the details therein to be uploaded to the Council's Contract Register.
12. From the 2024/25 Financial Regulations, as approved by this Committee, the concept of waiving (a waiver of) financial regulations was removed. Instead, the four categories that were known as waivers, shown in the table below, are now incorporated into the PDR. Fundamentally this new process is more efficient and avoids duplication.

PDRs of all contract values	i.	Accelerated procurement where the Council would suffer significant negative impact if the full operational or strategic procurement approach is applied.
	ii.	Unable to invite or obtain 3 bids or competition absent for technical reasons
	iii.	Payments in advance for goods, services or works
	iv.	Propose not to use an available Corporate Contract

13. Should any of the four categories feature in any of the 212 PDRs, it remains a requirement that they are reported annually to Audit & Governance Committee on the basis that they are circumstances where the expected and normal procurement related activity, requirement or expectation could not be followed for some good reason.
14. In 2024/25 a total of 28 (of 212) PDRs were included in one of the four categories. The contract value of these relevant PDRs totalled £4.2m (this is a rounded figure).
15. A summary by classification type of PDR is set out in the table below, with comparison to the last two financial years. More detail of each relevant PDR for 2024/25 is set out in Appendix 1.

PDR Circumstance (Part G Para 5)	Total PDRs 2024/25	Total Waivers 2023/24	Total Waivers 2022/23
i. Accelerated procurement where the Council would suffer significant negative impact if the full operational or strategic procurement approach is applied.	0	0	19
ii. Unable to invite or obtain 3 bids or competition absent for technical reasons	23	21	28
iii. Payments in advance for goods, services or works	5	12	4
iv. Propose not to use an available Corporate Contract	0	2	0
Total	28	35	47
Total Value	£4.2m	£0.7m	£3.2m

16. If a member of this Committee has a question pertaining to any specific relevant PDR in the Appendix 1, then it may be necessary to answer the question outside of the committee meeting as the Head of Audit & Management Assurance may not have detailed explanations to hand for all 28 records.

Options Appraisal

17. An options appraisal is not applicable for this report.

Summary of financial implications

18. An effective and transparent breaches/ PDR governance process maximises the chances of achieving value for money when procuring goods, services or works.

Summary of legal implications

19. An effective and transparent breaches/ PDR governance process maximises the chances of complying with Public Contract Regulations 2015/Procurement Act 2023.

Summary of human resources implications

20. There are no direct human resource implications arising from this report.

Summary of sustainability impact

21. There are no direct sustainability impact implications from this report.

Summary of public health implications

22. There are no direct public health implications from this report.

Summary of equality implications

23. There are no direct equality implications from this report.

Summary of risk assessment

24. Failure to have appropriate financial regulations and procurement rules which ensures accountable and transparent processes are in place puts the Council at risk of challenge.

Background papers

None

Appendices

Appendix 1 – Relevant Procurement Decisions Records 2024/25