AUDIT AND GOVERNANCE COMMITTEE

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<tr><td>Report subject</td><td>Annual Breaches of Financial Regulations and Procurement Decision Records Report 2025/26</td></tr>
<tr><td>Meeting date</td><td>30 July 2026</td></tr>
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<tr><td>Executive summary</td><td>
This report sets out all breaches of Financial Regulations (the Regulations) and the four circumstances described in Part G, Paragraph 5 (para 5), recorded within Procurement Decision Records (PDRs), where circumstances exist where the expected and normal procurement related activity, requirement or expectation could not be followed for some good reason, during the 2025/26 financial year.
Circumstances described in Financial Regulations paragraph 5 are:
i. Standard competition requirements not followed as they would likely cause harm to health or property.
ii. A particular supplier is required because competition is absent for technical reasons
iii. Payments in advance for goods, services or works
iv. Spot-purchase (i.e. off-contract) when buying against a compliantly procured contract was an option.
An analysis of breaches and PDRs highlights the following:
<table>
<tr><td></td><td colspan="2">2025/26</td><td colspan="2">2024/25</td><td colspan="2">2023/24</td></tr>
<tr><td></td><td>Breaches</td><td>PDRs (para 5)</td><td>Breaches</td><td>PDRs (para 5)</td><td>Breaches</td><td>Waivers</td></tr>
<tr><td>Total (count)</td><td>19</td><td>133</td><td>12</td><td>28</td><td>7</td><td>35</td></tr>
<tr><td>Total (£)</td><td>£48.3m</td><td>£21.2m</td><td>£29.2m</td><td>£4.2m</td><td>£15.4m</td><td>£0.7m</td></tr>
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Whilst no breaches of Financial Regulations is the preferable position, the relatively low number of breaches suggests a good level of understanding of the requirements among managers and officers across most service directorates, resulting in general compliance with the Regulations.
The breaches were primarily due to a lack of awareness of Financial Regulations, which is being addressed through targeted training and guidance, alongside reminders to managers of their responsibility to ensure staff are properly trained and managed.
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.
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	There were 382 PDRs approved during 2025/26 totalling approximately £231m and of these 133 were circumstances as described in Financial Regulations Part G Paragraph 5 which require reporting to this committee. 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	**It is RECOMMENDED that:** **The Audit & Governance Committee note the breaches of Financial Regulations and relevant Procurement Decisions Records that occurred during 2025/26.**
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	Aidan Dunn, Chief Executive
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Wards	Council-wide
Classification	For Information

Background

1. 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).

2. 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 (PCM) 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 2025/26 financial year nineteen breaches of Financial Regulations have been identified, totalling £48,264,240 (compared to twelve breaches, totalling £29,162,090 in 2024/25). Details of the nineteen breaches, listed in highest to lowest order of contract value, are outlined below.

   - 1, Investment and Development, Housing Delivery, £30,188,170 (br14)

     Procurement was involved with the pre-construction phase of residential construction of 110 homes and a PDR of £513,610 was approved. However, Procurement was not involved in the actual construction phase and there was no PDR approval for this phase. The final contract total value (including construction) was £30,701,780, therefore the breach value of £30,188,170 is the difference between the two.

     There was a lack of officer awareness of the need to complete a PDR as it was wrongly assumed that a PDR was not required as Cabinet and Council has approved the work.

     This breach was identified during the 2025/26 Housing Acquisitions Audit. Management agreed to review contractual arrangements for all significant cumulative spend with housing acquisition related suppliers to ensure PDRs are in place in accordance with Financial Regulations.

     Housing Delivery procedures have now been formally launched, including formal training for all Housing Delivery Team staff. Staff have been briefed by senior management, setting out actions to prevent the breach occurring in the future, and reminded of the need to comply and consult with the procurement team if unsure about any related issues. Within the new procedures, reference to Financial Regulation compliance has been highlighted with checklists and corresponding gateway forms to check compliance.

   - 2, Housing & Public Protection, Housing Operations, £15,725,710 (br17)

     BCP Council (& the preceding legacy Councils) have spot purchased B&B / Hotel accommodation to provide Emergency housing for those to whom a statutory duty is owed under Homeless Provisions legislation (Housing Act 1996).

As Emergency accommodation options are limited, very few Guest Houses & B&B providers in the market are willing to agree to ad hoc placement bookings at a reasonable nightly rate. Premier Inn and Travelodge are used as a last resort due to cost and availability and particularly when level or lift access is required for people who are disabled.

Further to an internal audit of Procurement & Contract Management within Housing & Protection Directorate, it was identified that no PDRs have ever been considered for this area of expenditure. The only credible explanation for this being one of this practice and requirement being carried over from legacy Councils, despite Financial Regulations (from 2022/23) requiring a PDR to this effect.

An agreed PDR for 15mths has addressed the immediate breach, and the following procurement improvement actions are planned:

- Implement a long-term procurement strategy for temporary and emergency accommodation, informed by a project to review temporary accommodation and general fund housing stock.
- Establish quarterly leadership oversight of procured contracts through a PDR log.
- Undertake a directorate-wide skills audit and develop a training plan to address procurement and contract management knowledge gaps.
- As part of budget monitoring and regular supplier spend analysis, ensure that necessary PDRs are in place.
- Introduce performance reporting to monitor the quality, value, and effectiveness of procurement and contract arrangements.
- Review major expenditure to ensure PDRs are in place for all applicable activities.

➢ 3, Investment and Development, Housing Delivery, £1,035,000 (br9)

There was no PDR in place for the purchase of three turnkey properties for the Housing Acquisitions Programme.

There was a lack of officer awareness of the need to involve the Procurement team in all procurement processes.

This breach was also identified during the 2025/26 Housing Acquisitions Audit and action taken by management to address this breach is detailed in ref1 (br14) above.

➢ 4, Investment and Development, Housing Delivery, £500,000 (br12)

Conveyancing work was procured after an existing legal services procurement framework had expired. This work was continued to be procured without a contract, new framework agreement or PDR in place for 2023/24 and 2024/25.

There was a lack of officer awareness of expiry of the legal services procurement framework.

This breach was also identified during the 2025/26 Housing Acquisitions Audit and action taken by management to address this breach is detailed in ref1 (br14) above.

- <u>5, Customer & Property Operations, Russel Coates Museum, £200,315 (br4)</u>

  A funding bid was submitted through a partnership with a charity without obtaining prior CFO approval for the external funding.

  Russel Coates Museum will receive £100,315 directly over 5 years and a further £100,000 which will be used for joint activities with partners.

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

  The Service Manager has been reminded of requirement to seek CFO sign off on external funding bids, even where they are being submitted under partnership arrangements.

- <u>6, Investment & Development, Housing Delivery, £93,214.62 (br1)</u>

  A supplier for architectural and principle designer services for the regeneration and redevelopment of the former Poole College site was continued to be used after the original contract expired.

  There was a lack of continued communication between the client officer and procurement team which resulted in this breach.

  A new PDR has been approved to cover the additional services still required.

- <u>7, Environment, Coroners & Mortuary Service, £91,190 (br15)</u>

  Coroner Services were procured without the involvement of the Procurement team, creating a PDR and without being recorded on the contracts register for the following hospitals:
  - University Hospital Southampton
  - Great Ormond Street Hospital
  - Dorset County Hospital NHS Foundation Trust

  There was a lack of officer awareness of the need to complete a PDR.

  The service has requested advice from the Procurement team on the future completion of necessary PDRs.

- <u>8, Commercial Operations, Seafront Operations, £83,525.32 (br2)</u>

  Walkie-talkies and other seafront related equipment was hired by the Seafront Team without involving the Procurement team/ completing a PDR or obtaining quotes from 2021 through to 2026.

  There was a lack of officer awareness of the need to complete a PDR.

  Management engaged with the Procurement team and completed a retrospective PDR covering the expenditure for April 2025 - March 2026.

- <u>9, Environment, Green Spaces and Countryside, £67,729.27 (br5)</u>

A PDR was in place for environmental improvement works, however the value of the contract increased and no further PDR was created in advance of completing the works.

There was a lack of officer awareness of the need to complete a PDR for extending the contract value.

A retrospective PDR has been created to state the price increase of the contract and officer is now aware to always include the full available amount within the original PDR.

- 10, Investment and Development, Housing Delivery, £56,000 (br10)

  Valuations for property purchases were being carried out by a supplier on behalf of BCP Council without a contract or PDR in place.

  There was a lack of officer awareness of the need to Involve the Procurement team in all procurement processes where the whole life contract value is over £30,000.

  This breach was also identified during the 2025/26 Housing Acquisitions Audit and action taken by management to address this breach is detailed in ref1 (br14) above.

- 11, Customer & Property Operations, Facilities Management, £51,730.21 (br18)

  There was no PDR in place or requested involvement from the Procurement team regarding the additional works\ increased costs for beach hut balustrade replacement.

  There was a lack of officer awareness of the need to complete a PDR.

  Procurement engaged with the officer regarding the breach and provided guidance on how future awards should be conducted.

- 12, Investment and Development, Housing Delivery, £35,000 (br13)

  Asbestos surveys for property purchases were being carried out by a supplier on behalf of BCP Council without a contract or PDR in place for 2023/24 and 2024/25.

  There was a lack of officer awareness of the need to confirm corporate contract arrangements were in place with supplier.

  This breach was also identified during the 2025/26 Housing Acquisitions Audit and action taken by management to address this breach is detailed in ref1 (br14) above.

- 13, Investment and Development, Housing Delivery, £31,000 (br11)

  Valuations for property purchases were being carried out by a supplier on behalf of BCP Council without a contract or PDR in place for 2023/24 and 2024/25.

  There was a lack of officer awareness of need to Involve the Procurement team in all procurement processes where the whole life contract value is over £30,000.

  This breach was also identified during the 2025/26 Housing Acquisitions Audit and action taken by management to address this breach is detailed in ref1 (br14) above.

- <u>14, Investment and Development, Housing Delivery, £29,740 (br16)</u>

  The Procurement team was not involved for the initial spend of £27,420 for land surveys but were later engaged when an additional £2,320 was required to complete the service.
  There was a lack of officer awareness of the need to complete a PDR.

  Action taken by management to address this breach is also covered in ref1 (br14) above.

- <u>15, Planning & Transport, Sustainable Transport (Operations Team), £26,740 (br6)</u>

  In line with Financial Regulations separate prices were secured via an approved framework arrangement in advance of awarding the works for four surveys undertaken to monitor and evaluate traffic/bus journey time improvements at the Liverpool Victoria gyratory. However PDRs were not completed for each individual piece of work exceeding £5k.

  There was a lack of officer awareness of the need to complete a PDR. The officer has since left the Planning and Transport Service, their successor is fully aware of the need to complete PDRs.

  The principal impact of this breach was that the Council's specialist procurement advisers, the PCM Team, did not have the opportunity to review the proposal and provide advice before the contract was signed and the purchase order issued. PCM has subsequently confirmed that it would not have expected to challenge the proposed route to market had a Procurement Decision Request (PDR) been submitted at the time.

- <u>16, Commercial Operations, Seafront Operations, £25,000 (br7)</u>

  Initial hire of matting and fencing was required as part of the emergency health and safety response following a cliff slip, however this was subsequently identified as being required long-term. No PDR was completed for the subsequent work.

  There was a lack of officer awareness of the need to complete a PDR.

  A retrospective PDR was created and a reminder to Managers and staff was issued to follow due process and Procurement regulations.

- <u>17, Commercial Operations, Seafront Operations, £9,250 (br3)</u>

  Hire of a tractor for the Seafront Cleansing team was arranged by a Senior Ranger with a supplier without the completion of a PDR or engagement with the Procurement team and without the line managers knowledge.

  There was a lack of officer awareness of the need to complete a PDR.

  All staff have had training and awareness from the Procurement team and reminded about Procurement guidelines through refresher meetings.

- <u>18, Customer & Property Operations, Poole Museum, £8,268 (br8)</u>

Additional accessibility consultancy services were purchased without a further PDR being put in place.

There was a lack of officer awareness of need to complete PDR for extending the contract value.

PDRs are now completed in liaison with the Procurement team which would have prevented this breach from occurring.

- 19, Customer & Property Operations, Poole Museum, £6,658 (br19)

Initial consultancy costs were estimated at £4,950. After a one-year delay and agreed additional work, the final invoice totalled £6,658 and no subsequent required PDR was completed.

There was a lack of officer awareness of the need to complete a PDR.

PDRs are now completed in liaison with the Procurement team which would have prevented this breach from occurring.

5. 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 among managers and officers across most service directorates, resulting in general compliance with the Regulations.

6. The nineteen breaches identified share a common theme: commissioning officers were not fully aware of the requirements set out in the Financial Regulations. Corrective actions have primarily focused on targeted or bespoke training, reinforcing expectations through team briefings, and issuing formal written guidance. In addition, line managers have been reminded of their responsibility to ensure officers are appropriately trained and supported to carry out commissioning activities in line with Council requirements, alongside maintaining effective performance management.

7. All nineteen breaches have been reported to the Procurement & Contracts Board who have considered the lack of commissioning officer awareness issue and to ensure that required training is provided.

8. During the year, the Procurement & Contract Management Team issued a communication to all colleagues, see Appendix 1 – Preventing Breaches Comms Example. This summarised the most common causes of accidental breaches and included key reminders to support compliance, particularly in relation to the procurement of personnel services and the importance of completing procurement decision records.

9. The Procurement & Contract Management Team developed a standard training resource titled ‘Training (General) - PDRs and avoiding breaches (ONB008)’. The training frames requirements for Procurement Decisions Records (PDRs) as fundamental records of procurement-related decisions, not necessarily records of competitive procurement. The training also describes how record keeping requirements are anchored in Procurement Act 2023 (PA23) - Section 98 – Record keeping: This is the core and explicit statutory duty requiring retention of procurement decision records. Contracting authorities must keep records sufficient to explain a “material decision” made for the purpose of awarding

a public contract, or entering into a public contract. Through the risk lens, this reduces procurement challenge risk by enabling the council to explain decisions rather than reconstruct them and directly supports PA23 transparency objectives with an outcome focused test ("can you explain the decision?"). This training is now routinely delivered to services and service management teams as opportunities arise.

10. 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)

11. There were 382 PDRs approved during 2025/26 totalling approximately £231m.

12. 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.

13. 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 input to the Council's Contract Register in the public domain.

14. 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.	Standard competition requirements not followed as they would likely cause harm to health or property.
	ii.	A particular supplier is required because competition is absent for technical reasons
	iii.	Payments in advance for goods, services or works
	iv.	Spot-purchase (i.e. off-contract) when buying against a compliantly procured contract was an option.

15. Should any of the four categories feature in any of the 382 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.

16. In 2025/26 a total of 133 (of 382) PDRs were included in one of the four categories. The contract value of these relevant PDRs totalled £21.2m (this is a rounded figure).

17. 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 2025/26 is set out in Appendix 2.

PDR Circumstance (Part G Para 5)	Total PDRs 2025/26	Total PDRs 2024/25	Total Waivers 2023/24
i. Standard competition requirements not followed as they would likely cause harm to health or property.	5	0	0
ii. A particular supplier is required because competition is absent for technical reasons .	103	23	21
iii. Payments in advance for goods, services or works.	25	5	12
iv. Spot-purchase (i.e. off-contract) when buying against a compliantly procured contract was an option.	0	0	2
Total	**133**	**28**	**35**
Total Value	**£21.2m**	**£4.2m**	**£0.7m**

18. If a member of this Committee has a question pertaining to any specific relevant PDR in the Appendix 2, 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 133 records.

Options Appraisal

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

Summary of financial implications

20. 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

21. 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

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

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

26. 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 - Preventing Breaches Comms Example
Appendix 2 – Relevant Procurement Decisions Records 2025/26