

**Item: 11**

**Enterprise and Infrastructure Committee: 3 February 2026.**

**Road Asset Replacement Programme.**

**Expenditure Monitoring.**

**Report by Head of Finance.**

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## **1. Overview**

- 1.1. To demonstrate a focus on maintaining existing assets of the Council and ensuring that our buildings and infrastructure are maintained at levels expected by the Orkney public and that our IT, plant and vehicles achieve modern standards of security, safety and emissions, annual capital improvement and replacement programmes of work are agreed by the relevant service Committee or Sub-committee.
- 1.2. Delivery of these planned programmes of work are thereafter monitored throughout the financial year by the relevant service Committee or Sub-committee.
- 1.3. The Road Asset Replacement Programme budget was temporarily increased to £1.5 million for financial years 2025/26, 2026/27 and 2027/28, as a result of a recommendation by the Policy and Resources Committee on 18 June 2024, to demonstrate a focus on maintaining existing assets.
- 1.4. The annual Road Asset Replacement Programme for financial year 2025/26 was approved by the Development and Infrastructure Committee on 4 February 2025.
- 1.5. The table below provides an overview of the expenditure incurred for the period 1 April to 31 December 2025.

| <b>Project Description</b>                  | <b>Expenditure<br/>as at 31<br/>December<br/>2025.</b> | <b>Annual<br/>Budget<br/>2025/26</b> | <b>Probable<br/>Out-turn<br/>2025/26</b> | <b>Overspend/<br/>(Underspend)</b> |
|---------------------------------------------|--------------------------------------------------------|--------------------------------------|------------------------------------------|------------------------------------|
| <b>Road Asset Replacement<br/>Programme</b> | £703,975.                                              | £1,500,000.                          | £1,506,266.                              | £6,266.                            |

- 1.6. Appendix 1 to this report provides a detailed breakdown of the approved programmes of work for financial year 2025/26, including individual project updates.

## 2. Recommendations

- 2.1. It is recommended that members of the Committee:
- i. Note the summary position of expenditure incurred as at 31 December 2025, against the approved Road Asset Replacement Programme for 2025/26, as detailed in section 1.4 of this report.
  - ii. Note the detailed analysis of expenditure figures and programme updates in respect of the approved Road Asset Replacement Programme for 2025/26, attached as Appendix 1 to this report.

### For Further Information please contact:

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### Implications of Report

1. **Financial** The Financial Regulations state that Corporate Directors can incur expenditure within approved revenue and capital budgets. Such expenditure must be in accordance with the Council's policies and objectives and subject to compliance with the Financial Regulations.
2. **Legal** Regular financial monitoring and reporting helps the Council meet its statutory obligation to secure best value.
3. **Corporate Governance** In terms of the Scheme of Administration, monitoring, on a quarterly basis, the levels of expenditure incurred against the approved road asset improvement programme, funded through the approved capital programme, is referred to the Development and Infrastructure Committee.
4. **Human Resources** N/A
5. **Equalities** Equality Impact Assessment is not required for financial monitoring.
6. **Island Communities Impact** Island Communities Impact Assessment is not required for financial monitoring.
7. **Links to Council Plan** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
  - ☐ Growing our economy.
  - ☐ Strengthening our Communities.
  - ☐ Developing our Infrastructure.

☐ Transforming our Council.

- 8. Links to Local Outcomes Improvement Plan** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:

☐ Cost of Living.

☐ Sustainable Development.

☐ Local Equality.

☐ Improving Population Health.

- 9. Environmental and Climate Risk** Where resources allow, improvement works can include 'greener' solutions.

- 10. Risk** Improvement of existing assets can help reduce risks associated with these assets.

- 11. Procurement** Any contractual arrangements require to comply with the Financial Regulations and Contract Standing Orders.

- 12. Health and Safety** Well-maintained assets will assist the Council in complying with relevant Health and Safety requirements for both staff and the public.

- 13. Property and Assets** Included throughout the report and detailed in the Appendix.

- 14. Information Technology** N/A.

- 15. Cost of Living** N/A.

### **List of Background Papers**

Development and Infrastructure Committee, 4 February 2025, Road Asset Replacement Programmes for 2025 to 2028.

### **Appendix**

Appendix 1 – Road Asset Replacement Programme 2025/26 Q2.

Development Infrastructure - Roads Environmental Services  
Roads Asset Replacement Programme

| Asset type                                             | Cost Code | Location                                        | Actual Expenditure as at 31/12/2025 | Allocated Budget 2025/26 | Probable Outturn 2025/26 | Overspend/ (Underspend) | Description                                                                    | Project Update                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------|-----------|-------------------------------------------------|-------------------------------------|--------------------------|--------------------------|-------------------------|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Planned programme approved at D&I Committee 04/02/2025 |           |                                                 |                                     |                          |                          |                         |                                                                                |                                                                                                                                                                                                                                                                                                                                                                               |
| Footways and kerbing                                   |           | Royal Oak Road, Kirkwall                        | £38,602                             | £75,000                  | £50,000                  | (£25,000)               | Lay new kerbs and surface                                                      | Work commenced in September and is currently ongoing, with completion expected by mid-January 2026. Due to the nature of the work—particularly challenges with underground apparatus and varying ground conditions—it is difficult to accurately budget for this type of work. An underspend is currently anticipated; however, as work is ongoing, this position may change. |
|                                                        |           | Additions to Approved Programme                 |                                     |                          |                          |                         |                                                                                |                                                                                                                                                                                                                                                                                                                                                                               |
|                                                        |           | Various signage improvements                    | £1,363                              | £0                       | £0                       | £0                      | Signage costs wrongly assigned to Capital. Will be corrected by journal entry. | Complete - costs to be journalled to revenue.                                                                                                                                                                                                                                                                                                                                 |
| Associated Infrastructure                              | C25205001 |                                                 | £39,965                             | £75,000                  | £50,000                  | (£25,000)               |                                                                                |                                                                                                                                                                                                                                                                                                                                                                               |
| Drainage                                               |           | A965 Finstown at Atlantis Lodges                | £162                                | £100,000                 | £85,000                  | (£15,000)               | Upgrade existing drainage and outfall                                          | Works ongoing. Further investigations suggest that more extensive works are required. As a result, some of this project will extend into next financial year, with the delay to works resulting in an underspend against the 2025/26 budget allocation.                                                                                                                       |
|                                                        |           | Additions to Approved Programme                 |                                     |                          |                          |                         |                                                                                |                                                                                                                                                                                                                                                                                                                                                                               |
|                                                        |           | A966 Norseman (2022-23)                         | £132                                | £0                       | £132                     | £132                    | Retention payment from 2022-23 to external contractor.                         | Retention payment released for works completed in 2022/23.                                                                                                                                                                                                                                                                                                                    |
| Drainage                                               | C25207001 |                                                 | £294                                | £100,000                 | £85,132                  | (£14,868)               |                                                                                |                                                                                                                                                                                                                                                                                                                                                                               |
| Bridges and structures                                 |           | Branstane Road, Westray                         | £26,288                             | £30,000                  | £26,288                  | (£3,712)                | Carry out repairs on bridge structure                                          | Works complete.                                                                                                                                                                                                                                                                                                                                                               |
|                                                        |           | Germiston Road, Orphir                          | £0                                  | £40,000                  | £0                       | (£40,000)               | Carry out repairs on bridge structure                                          | Due to ongoing design complications and the increasing scale of works required, this project has been moved into 2026/27. Underspend to be utilised on additional Reconstruction projects.                                                                                                                                                                                    |
|                                                        |           | Houton Road, Orphir                             | £0                                  | £30,000                  | £30,000                  | £0                      | Carry out repairs on sea wall                                                  | Design ongoing, works to be complete by end of March 2026.                                                                                                                                                                                                                                                                                                                    |
|                                                        |           | Additions to Approved Programme                 |                                     |                          |                          |                         |                                                                                |                                                                                                                                                                                                                                                                                                                                                                               |
|                                                        |           |                                                 | £0                                  | £0                       | £0                       | £0                      |                                                                                |                                                                                                                                                                                                                                                                                                                                                                               |
| Bridges and structures                                 | C25202001 |                                                 | £26,288                             | £100,000                 | £56,288                  | (£43,712)               |                                                                                |                                                                                                                                                                                                                                                                                                                                                                               |
| Street lighting system upgrade                         |           | Royal Oak Road, Kirkwall                        | £75,586                             | £95,000                  | £95,000                  | £0                      | Replace columns, cabling and control systems                                   | Works started in September and currently ongoing. Expected to complete in Mid Jan 2026.                                                                                                                                                                                                                                                                                       |
|                                                        |           | Additions to Approved Programme                 |                                     |                          |                          |                         |                                                                                |                                                                                                                                                                                                                                                                                                                                                                               |
|                                                        |           |                                                 | £0                                  | £0                       | £0                       | £0                      |                                                                                |                                                                                                                                                                                                                                                                                                                                                                               |
| Street lights                                          | C26101001 |                                                 | £75,586                             | £95,000                  | £95,000                  | £0                      |                                                                                |                                                                                                                                                                                                                                                                                                                                                                               |
| Surface Treatments                                     |           | St Catherine's Place, Kirkwall                  | £39,722                             | £85,000                  | £40,000                  | (£45,000)               | Inlay Surfacing                                                                | Works complete April 2025. Analysis of this work is ongoing in order to establish the factors leading to the underspend position.                                                                                                                                                                                                                                             |
|                                                        |           | West Castle Street, Kirkwall                    | £29,194                             | £15,000                  | £29,194                  | £14,194                 | Inlay Surfacing                                                                | Works now complete.                                                                                                                                                                                                                                                                                                                                                           |
|                                                        |           | A965 near Atlantis Lodges, Finstown             | £0                                  | £30,000                  | £30,000                  | £0                      | Inlay Surfacing                                                                | Works planned as part of drainage upgrade, February 2026.                                                                                                                                                                                                                                                                                                                     |
|                                                        |           | Work Road, St Ola                               | £48,645                             | £100,000                 | £48,645                  | (£51,355)               | Overlay Surfacing                                                              | Works complete May 2025. Analysis of this work is ongoing in order to establish the factors leading to the underspend position.                                                                                                                                                                                                                                               |
|                                                        |           | B9052 Graemeshall, Holm                         | £0                                  | £50,000                  | £0                       | (£50,000)               | Overlay Surfacing                                                              | Due to overall capital underspend in previous financial year these works were brought forward and completed in the last few weeks of 2024/25                                                                                                                                                                                                                                  |
|                                                        |           | Investigation works for 2026 Surfacing projects | £4,243                              | £10,000                  | £10,000                  | £0                      | Test Holes                                                                     | Design works ongoing.                                                                                                                                                                                                                                                                                                                                                         |
|                                                        |           | Additions to Approved Programme                 |                                     |                          |                          |                         |                                                                                |                                                                                                                                                                                                                                                                                                                                                                               |
|                                                        |           | A966 Norseman (2022-23)                         | £340                                | £0                       | £340                     | £340                    | Retention payment from 2022-23 to external contractor.                         | Retention payment released for works completed in 2022/23.                                                                                                                                                                                                                                                                                                                    |
|                                                        |           | A960, St. Ola                                   | £10,773                             | £0                       | £10,773                  | £10,773                 | Inlay Surfacing                                                                | This project has been added to the programme due to underspend on other projects.                                                                                                                                                                                                                                                                                             |
|                                                        |           | Glaitness Road, Kirkwall                        | £13,164                             | £0                       | £13,164                  | £13,164                 | Inlay Surfacing                                                                | This project has been added to the programme due to underspend on other projects.                                                                                                                                                                                                                                                                                             |
| Surface treatments                                     | C25211001 | Germiston Road, Orphir                          | £0                                  | £0                       | £80,000                  | £80,000                 | Overlay Surfacing                                                              | This project has been added to the programme due to underspend on other projects.                                                                                                                                                                                                                                                                                             |
|                                                        |           |                                                 | £146,081                            | £290,000                 | £262,116                 | (£27,884)               |                                                                                |                                                                                                                                                                                                                                                                                                                                                                               |

Development Infrastructure - Roads Environmental Services  
Roads Asset Replacement Programme

| Asset type                                                    | Cost Code | Location                              | Actual Expenditure as at 31/12/2025 | Allocated Budget 2025/26 | Probable Outturn 2025/26 | Overspend/ (Underspend) | Description                                            | Project Update                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------|-----------|---------------------------------------|-------------------------------------|--------------------------|--------------------------|-------------------------|--------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Road Reconstruction                                           |           | A965 Rennibister                      | £161,559                            | £250,000                 | £200,000                 | (£50,000)               | Haunch reconstruction                                  | Works now complete. Awaiting final invoices from external contractor. Due to the nature of the work—particularly challenges with underground apparatus and varying ground conditions—it is difficult to accurately budget for this type of work. An underspend is anticipated.               |
|                                                               |           | A965 near Atlantis Lodges, Finstown   | £0                                  | £75,000                  | £55,000                  | (£20,000)               | Haunch reconstruction and associated drainage works    | Works ongoing. Further investigations suggest that more extensive works are required. As a result, some of this project will extend into next financial year, with the delay to works resulting in an underspend agaisnt the 2025/26 budget allocation.                                      |
|                                                               |           | A961 Burray - Echnaloch to Northfield | £234,680                            | £235,000                 | £235,000                 | £0                      | Haunch reconstruction                                  | Works complete.                                                                                                                                                                                                                                                                              |
|                                                               |           | A964 Orphir Germiston to Smoogro      | £18,793                             | £275,000                 | £312,000                 | £37,000                 | Haunch reconstruction                                  | Works ongoing, programmed to finish February 2026. Scope of works has increased in order to catch up with previously planned work subsequently removed from prior year programmes, resulting in an anticipated overspend, however this can be contained within the overall programme budget. |
|                                                               |           | West Castle Street, Kirkwall          | £0                                  | £5,000                   | £5,000                   | £0                      | Carriageway reconstruction                             | Works now complete. Still awaiting final costs.                                                                                                                                                                                                                                              |
|                                                               |           | Additions to Approved Programme       |                                     |                          |                          |                         |                                                        |                                                                                                                                                                                                                                                                                              |
|                                                               |           | A966 Norseman (2022-23)               | £730                                | £0                       | £730                     | £730                    | Retention payment from 2022-23 to external contractor. | Retention payment released for works completed in 2022/23.                                                                                                                                                                                                                                   |
|                                                               |           | A966, Rendall                         | £0                                  | £0                       | £120,000                 | £120,000                | Haunch reconstruction                                  | This project has been added to the programme due to underspend on other projects.                                                                                                                                                                                                            |
|                                                               |           | A964, Orphir                          | £0                                  | £0                       | £30,000                  | £30,000                 | Haunch reconstruction                                  | This project has been added to the programme due to underspend on other projects.                                                                                                                                                                                                            |
| Road Reconstruction                                           | C25213001 |                                       | £415,762                            | £840,000                 | £957,730                 | £117,730                |                                                        |                                                                                                                                                                                                                                                                                              |
| Total                                                         |           |                                       | £703,975                            | £1,500,000               | £1,506,266               | £6,266                  |                                                        |                                                                                                                                                                                                                                                                                              |
| Contact Officer - Team Manager Roads Support - Extension 2318 |           |                                       |                                     |                          |                          |                         |                                                        |                                                                                                                                                                                                                                                                                              |