

Item: 11

Enterprise and Infrastructure Committee: 8 September 2026.

Road Asset Replacement Programme – Expenditure Outturn.

Report by Head of Finance.

1. Overview

- 1.1. This report presents the expenditure outturn position as at 31 March 2026 in respect of the approved Road Asset Replacement Programme for financial year 2025/26.
- 1.2. 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.
- 1.3. Delivery of these planned programmes of work are thereafter monitored throughout the financial year by the relevant service Committee or Sub-committee.
- 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 in financial year 2025/26.

Project Description	Outturn 2025/26	Annual Budget 2025/26	Overspend/ (Underspend)
Road Asset Replacement Programme	£1,560,006.	£1,500,000.	£60,006.

- 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 outturn position of expenditure incurred for financial year 2025/26 in respect of the approved Road Asset Replacement Programme, as detailed in section 1.5 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 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 annual road asset improvement programme, funded through the approved capital programme, is referred to the Enterprise 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 – Outturn.

Development Infrastructure - Roads Environmental Services
Roads Asset Replacement Programme

Asset type	Cost Code	Location	Outturn 2025/26	Allocated Budget 2025/26	Overspend/ (Underspend)	Description	Project Update
Footpaths and Kerbing		Royal Oak Road, Kirkwall	£98,309	£75,000	£23,309	Lay new kerbs and surface	Work complete. 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. Therefore there has been an overspend.
		Additions to Approved Programme					
		Various signage improvements	£1,363	£0	£1,363	Signage costs wrongly assigned to Capital. Will be corrected by journal entry.	Complete.
Associated Infrastructure	C25205001		£99,672	£75,000	£24,672		
Drainage		Atlantis Lodge, A965, Firth	£18,862	£100,000	(£81,138)	Upgrade existing drainage and outfall	Works ongoing. Further investigations suggest that more extensive works are required. As a result, this project has come in over budget and some of this project will extend into next financial year. The contract is awarded through Engineering Services on Roads Services behalf as a whole cost for the project. The contractor invoices for a total amount at monthly intervals based upon the percentage of total works completed at that point in time. This is not broken down between drainage, surfacing and reconstruction, therefore the majority of the costs for this project have been allocated to the Reconstruction cost code C25 213 001 for simplicity in managing on the external contract.
		Additions to Approved Programme					
		A966 Norseman (2022-23)	£132	£0	£132	Retention payment from 2022-23 to external contractor.	Retention payment released for works completed in 2022/23.
Drainage	C25207001		£18,994	£100,000	(£81,006)		
Bridges and Structures		Branstane Road, Westray	£26,288	£30,000	(£3,712)	Carry out repairs on bridge structure	Works Complete.
		Germiston Road, Orphir	£0	£40,000	(£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)	Carry out repairs on sea wall	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.
		Additions to Approved Programme					
Bridges and Structures	C25202001		£26,288	£100,000	(£73,712)		
Street lighting system upgrade		Royal Oak Road, Kirkwall	£109,338	£95,000	£14,338	Replace columns, cabling and control systems	Work complete. Due to the nature of the work - particularly challenges with underground apparatus and varying ground condition - it is difficult to accurately budget for this type of work. Therefore there has been an overspend.
		Additions to Approved Programme					
		Islands View Road	£8,310	£0	£8,310	Defective columns upgraded	Works Complete. Electrical safety inspection carried out in late 2025 identified that these 2 columns were severely corroded. Works were added to the programme due to underspend elsewhere and the poor condition of the asset. Additional works approved by Director of Infrastructure and Organisational Development.
Street Lights	C26101001		£117,648	£95,000	£22,648		

Development Infrastructure - Roads Environmental Services
Roads Asset Replacement Programme

Asset type	Cost Code	Location	Outturn 2025/26	Allocated Budget 2025/26	Overspend/ (Underspend)	Description	Project Update
Surface Treatments		St Catherine's Place, Kirkwall	£39,722	£85,000.00	(£45,278)	Inlay Surfacing	Works complete April 2025. This project had very few complications therefore was undertaken in a very efficient and effective manner leading to a considerable underspend. This has been reallocated to other projects.
		West Castle Street, Kirkwall	£29,194	£15,000.00	£14,194	Inlay Surfacing	Works now complete. 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. Therefore there has been an overspend.
		A965 near Atlantis Lodges, Finstown	£0	£30,000.00	(£30,000)	Inlay Surfacing	Works ongoing. Further investigations suggest that more extensive works are required. As a result, this project has come in over budget and some of this project will extend into next financial year. Please note that the majority of the costs for this project have been allocated to the Reconstruction cost code C25 213 001 for simplicity on the external contract.
		Work Road, St Ola	£48,645	£100,000.00	(£51,355)	Overlay Surfacing	Works complete May 2025. This project had very few complications therefore was undertaken in a very efficient and effective manner leading to a considerable underspend. This has been reallocated to other projects.
		B9052 Graemeshall, Holm	£0	£50,000.00	(£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	£10,000.00	(£5,757)	Test Holes	Works complete.
		Additions to Approved Programme					
		A966 Norseman (2022-23)	£340	£0	£340		Retention payment released for works completed in 2022/23.
		A960, St Ola	£10,773	£0	£10,773	Inlay Surfacing	Works complete. A safety inspection and several complaints from the public identified an area of significant subsidence at this location. Due to this being on a prominent A Class road with large traffic volume this project has been added to the programme due to underspend on other projects and available resources to complete the work before the end of the financial year. Additional works approved by Director of Infrastructure and Organisational Development.
		Glaitness Road, Kirkwall	£15,039	£0	£15,039	Inlay Surfacing	Works complete. This project was identified for repair works in a future asset replacement programme. The work has been brought forward and added to the programme due to underspend on other projects. Additional works approved by Director of Infrastructure and Organisational Development.
		Germiston Road, Orphir	£8,753	£0	£8,753	Overlay Surfacing	Works complete. This project was identified for repair works in a future asset replacement programme. The work has been brought forward and added to the programme due to underspend on other projects and available resources to complete the works before the end of the financial year. Additional works approved by Director of Infrastructure and Organisational Development.
Surface treatments	C25211001		£156,709	£290,000	(£133,291)		
Road Reconstruction		A965 Rennibister	£161,559	£250,000	(£88,441)	Haunch reconstruction	Works now complete. 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. Therefore there has been an underspend which has been reallocated to other projects.

Development Infrastructure - Roads Environmental Services
Roads Asset Replacement Programme

Asset type	Cost Code	Location	Outturn 2025/26	Allocated Budget 2025/26	Overspend/ (Underspend)	Description	Project Update
		A965 near Atlantis Lodges, Finstown	£253,061	£75,000	£178,061	Haunch reconstruction and associated drainage works	Works ongoing. Further investigations suggest that more extensive works are required. As a result, this project has come in over budget and some of this project will extend into next financial year. The contract is awarded through Engineering Services on Roads Services behalf as a whole cost for the project. The contractor invoices for a total amount at monthly intervals based upon the percentage of total works completed at that point in time. This is not broken down between drainage, surfacing and reconstruction, therefore the majority of the costs for this project have been allocated to the Reconstruction cost code C25 213 001 for simplicity on the external contract.
		A961 Burray - Echnaloch to Northfield	£234,680	£235,000	(£320)	Haunch reconstruction	Works complete.
		A964 Orphir Germiston to Smoogro	£262,202	£275,000	(£12,798)	Haunch reconstruction	Works complete. There is a slight underspend which has been allocated to other projects.
		West Castle Street, Kirkwall	£4,632	£5,000	(£368)	Carriageway reconstruction	Works complete.

Development Infrastructure - Roads Environmental Services
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Asset type	Cost Code	Location	Outturn 2025/26	Allocated Budget 2025/26	Overspend/ (Underspend)	Description	Project Update
		Additions to Approved Programme					
		A966 Norseman (2022-23)	£730	£0	£730	Retention payment from 2022-23 to external contractor.	Retention payment released for works completed in 2022/23.
		A966, Rendall	£177,747	£0	£177,747	Haunch reconstruction	Works complete. This project has been added to the programme due to underspend on other projects. 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. Therefore there has been an overspend on this project. Additional works approved by Director of Infrastructure and Organisational Development.
		Germiston Road, Orphir	£46,084	£0	£46,084	Haunch Reconstruction	Works complete. This project has been added to the programme due to underspend on other projects and available resources to complete the works before the end of the financial year. Additional works approved by Director of Infrastructure and Organisational Development.
		A964, Orphir	£0	£0	£0	Haunch reconstruction	This project had been added to the programme due to underspend on other projects. Given the scope of works on A966, Rendall this project did not take place. Additional works approved by Director of Infrastructure and Organisational Development.
Road Reconstruction	C25213001		£1,140,695	£840,000	£300,695		
Total			£1,560,006	£1,500,000	£60,006		
Contact Officer - Team Manager Roads Support - Extension 2318							