



Item: 20

Policy and Resources Committee: 18 February 2025

Capital Expenditure Monitoring

Report by Head of Finance

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. For all other capital projects, the Council adopted a Capital Project Appraisal process in order to priorities projects to be added to the capital programme. The Policy and Resources Committee recommends whether or not individual capital projects that come forward as part of the Capital Project Appraisal process should be added to the capital programme.
- 1.4. Delivery of the approved capital programmes are thereafter monitored throughout the financial year by the Policy and Resources Committee.
- 1.5. On 24 September 2024, the Policy and Resources Committee recommended approval of the revised capital programmes for 2024/25, which were updated throughout the year for any exceptional items added through delegated authority, or Committee approval, where required.
- 1.6. The table below provides a summary of the position as at 31 December 2024, across both General Fund and Non-General Fund capital programmes in respect of the actual expenditure incurred against the budgets for financial year 2024/25.

General Fund	Actual Spend £000	Annual Budget £000	Estimated Out-turn £000	Variance £000
Service Committee				
Orkney Health and Care	2,422	2,900	3,372	472
Education, Leisure and Housing	674	3,215	2,641	(574)
Development and Infrastructure	1,144	5,066	3,106	(1,960)
Policy and Resources	2,010	3,569	3,811	242
Expenditure Totals	6,250	14,750	12,930	(1,820)

Non-General Fund	Actual Spend £000	Annual Budget £000	Estimated Out-turn £000	Variance £000
Service Committee				
Education, Leisure and Housing	1,687	1,963	1,825	(138)
Development and Infrastructure	340	744	606	(138)
Expenditure Totals	2,027	2,707	2,431	(276)

Total Capital Programme	8,277	17,257	15,361	(2,096)
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1.7. Appendix 1 to this report provides a detailed analysis of capital expenditure, together with project updates received from the Services in respect of the General Fund and Non-General Fund capital programmes.

2. Recommendations

2.1. It is recommended that members of the Committee:

- i. Note the summary financial position as at 31 December 2024, in respect of the General Fund and Non-General Fund capital programmes, as detailed in section 1.6 of this report.
- ii. Scrutinise the detailed analysis of expenditure figures and project updates, attached as Appendix 1 to this report, in order to obtain assurance regarding significant budget variances and progress being made with

delivery of the approved General Fund and Non-General Fund capital programmes.

For Further Information please contact:

Shonagh Merriman, Service Manager (Corporate Finance), extension 2105, Email shonagh.merriman@orkney.gov.uk

Implications of Report

- 1. Financial:** The Financial Regulations state that approval by the Council of the Capital Programme constitutes approval of the individual projects or provisions contained therein. 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 capital expenditure incurred against approved budgets within the General and Non-General Fund capital programmes is referred to the Policy and Resources Committee.
- 4. Human Resources:** Not Applicable.
- 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.
- 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:** Up to date IT systems should help reduce risk to the Council.
15. **Cost of Living:** Not Applicable.

List of Background Papers

[Policy and Resources Committee: 24 September 2024 - Capital Slippage and Acceleration](#)

Appendix

Appendix 1 – Capital Expenditure Monitoring as at 31 December 2024.

Approved Capital Programme	Project Sponsor	Financial Year 2024/25				Future Years		Total Project Summary			
		Spend to 31-Dec £000's	Approved Budget £000's	Estimated Out-turn £000's	/(Under) Spend £000's	Budget 2025/26 £000's	Budget 2026/27 £000's	Spend to Date £000's	Project Budget £000's	Estimated Out-turn £000's	Over/(Under) Spend £000's
Planning											
Active Travel Fund	Susan Shearer	1	435	200	(235)	0	0	1	435	435	0
Projects which are being put forward to benefit from this funding are: - Weyland Bay, Kirkwall Coastal Route - circular footpath and cycleway. A successful grant application was made to Scottish Government Active Travel Tier 2 fund, with £200k awarded for this project. Tender has been awarded; - Shapinsay School - car parking/pedestrian segregation. Design works are currently underway; - Pierowall Village - street lighting to existing footpath to assist residents and visitors to the youth club and care home to make active travel journeys in the Autumn/Winter months. Tender has been awarded; - Stromness - street lighting to existing footpath and steps that links the Co-op to Back Road in Stromness. Tenders being evaluated.											
Total Planning		1	435	200	(235)	0	0	1	435	435	0
Development											
Dounby Visitor Infrastructure Hub	Sweyn Johnston	64	981	500	(481)	0	0	86	1,003	1,003	0
The project, at the Market Green in Dounby - situated between the Smithfield Hotel and the Community School pitch - will see the erection of a new toilet block with campervan waste disposal facilities, creation of a car park with electric vehicle chargers, and associated landscaping and access alterations. The project is currently expected to be completed by April 2025.											
Total Development		64	981	500	(481)	0	0	86	1,003	1,003	0
Operational Environmental Services											
Burial Grounds - Mainland Extensions	Lorna Richardson	9	95	20	(75)	0	0	1,013	1,099	1,032	(67)
There are some legal fees outstanding regarding the purchase of the land for the extension at St Olaf's, which are anticipated to be concluded this financial year.											
Burial Grounds - Mainland Major Improvements	Lorna Richardson	5	0	5	5	0	0	121	116	142	26
A programme is being developed to address outstanding improvements, which will be implemented in 2025/26.											
Total Operational Environmental Services		14	95	25	(70)	0	0	1,134	1,215	1,174	(41)
Roads											
Cycling, Walking & Safer Routes / 20 mph scheme	Lorna Richardson	50	0	100	100	0	0	Annual Programme			
Programme of works approved and monitored by Development and Infrastructure Committee. This expenditure relates to the completion of the 20mph speed limits being installed at Isles schools and is funded by a contribution from the Renewable, Redevelopment and Regeneration Fund.											
Roads Asset Replacement Programme	Lorna Richardson	444	1,021	965	(56)	1,500	1,500	Annual Programme			
Programme of works approved and monitored by Development and Infrastructure Committee.											
Cursiter Quarry Expansion	Lorna Richardson	6	851	348	(503)	0	0	1,337	2,182	1,679	(503)

Approved Capital Programme	Project Sponsor	Financial Year 2024/25				Future Years		Total Project Summary			
		Spend to	Approved	Estimated	/(Under)	Budget	Budget	Spend	Project	Estimated	Over/(Under)
		31-Dec	Budget	Out-turn	Spend	2025/26	2026/27	to Date	Budget	Out-turn	Spend
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Phase 2 expansion works are complete with the exception of the overburden strip, restoration works within the existing quarry and planting works. Equipment is being purchased to enable this work to be carried out in-house.											
Phase 3 expansion of the Cursiter Quarry Expansion was removed from the Capital Programme following a recommendation by the Policy and Resources Committee on 18 June 2024.											
Coastal Change Adaptation	Lorna Richardson	0	200	12	(188)	0	0	186	360	360	0
Light Detection and Radar (LiDAR) survey work to provide vital data on potential Orkney-wide coastal erosion and flooding issues was completed in 2023. The data set is being used by the Council to create a Coastal Change Adaptation Plan (CCAP). Tenders for the project have been received and are under evaluation, with the intention to award the contract before the end of the financial year. The development of the CCAP is scheduled to take place over an 18-month period, spanning 2025/26 and into 2026/27.											
Salt Storage Facility	Lorna Richardson	365	401	401	0	0	0	640	676	676	0
The contract for design, supply and construction of a storage facility to provide covered storage for road salt was awarded in May 2023 with construction and handover completed in October 2024. Out-turn costs are still being finalised but are expected to be within budget.											
Total Roads		865	2,473	1,826	(647)	1,500	1,500	2,163	3,218	2,715	(503)
Transportation											
Airfield Buildings - Papay and Stronsay	Jim Buck	189	988	450	(538)	0	0	213	1,012	1,012	0
Construction of new airfield terminal buildings and car-parks commenced at Papa Westray in July 2024 and Stronsay in August 2024. Programme completion for both islands is now expected October 2025.											
Community Bus Fund	Jim Buck	0	94	94	0	0	0	0	94	94	0
OIC have received £35k from the Community Bus Fund, and £21k from the Local Authority Direct Award grant scheme, which will fund the purchase of two wheelchair accessible EV buses. The expected shortfall in funding will be covered by a contribution from the Sustainable and Green Transport Fund. The first bus was delivered in December, and the second is anticipated to arrive by the end of January 2025.											
Airfield Buildings - Eday and Westray	Jim Buck	11	0	11	11	1,088	266	11	1,384	1,384	0
Procurement and contract award(s) for the construction of new airfield terminal buildings and car-parks at Eday and Westray to be placed by 31 March 2025 with works on-site to commence shortly thereafter.											
Total Transportation		200	1,082	555	(527)	1,088	266	224	2,490	2,490	0
Scapa Flow Oil Port											
Minor Improvements	Jim Buck	0	150	150	0	150	150	Annual Programme			
Programme of works approved and monitored by Harbour Authority Sub-committee.											
Total Scapa Flow Oil Port		0	150	150	0	150	150	0	0	0	0

<i>Approved Capital Programme</i>	Project Sponsor	<i>Financial Year 2024/25</i>				<i>Future Years</i>		<i>Total Project Summary</i>			
		Spend to 31-Dec £000's	Approved Budget £000's	Estimated Out-turn £000's	/(Under) Spend £000's	Budget 2025/26 £000's	Budget 2026/27 £000's	Spend to Date £000's	Project Budget £000's	Estimated Out-turn £000's	Over/(Under) Spend £000's
Miscellaneous Piers											
Minor Improvements	Jim Buck	213	300	291	(9)	300	300	Annual Programme			
Programme of works approved and monitored by Harbour Authority Sub-committee.											
Kirkwall Pier Water Break Tank System	Jim Buck	99	139	129	(10)	0	0	235	275	265	(10)
The design, supply, and installation of a new water break tank and pump system at Kirkwall Pier have been completed. All site works were finished by September 2024, and commissioning was completed in December 2024. The system is now operational. The contractor is scheduled to be on-site during the week commencing 10 February to address minor snagging.											
Reclamation at Hatston Pier - Ph 1	Jim Buck	28	36	36	0	4,588	2,944	139	7,793	7,793	0
The development of Phase 1 of the Orkney Logistics Base is currently delayed due to pending statutory consents from the Planning and Marine Departments. Procurement for the design and construction of Phase 1 began in April 2024, with the initial stage of supplier selection now complete. The second stage of procurement is expected to start in early 2025, contingent upon obtaining the necessary consents. Consequently, the revised completion date for Phase 1 is now projected for 2028.											
Total Miscellaneous Piers		340	475	456	(19)	4,888	3,244	374	8,068	8,058	(10)

Approved Capital Programme	Project Sponsor	Financial Year 2024/25				Future Years		Total Project Summary			
		Spend to 31-Dec £000's	Approved Budget £000's	Estimated Out-turn £000's	Over/(Under) Spend £000's	Budget 2025/26 £000's	Budget 2026/27 £000's	Spend to Date £000's	Project Budget £000's	Estimated Out-turn £000's	Over/(Under) Spend £000's
Other Housing											
Housing Loans	Frances Troup	0	585	585	0	585	585	Annual Programme			
Due to the nature of the programme, spend against the annual programme will be solely dependent on the number of loan requests received and subsequently approved or not.											
Total Other Housing		0	585	585	0	585	585	0	0	0	0

Housing Revenue Account											
Carness	Frances Troup	62	0	62	62	0	0	4,880	4,736	4,880	144
Project now complete with final retention released. The project overspend is a result of the works having to be phased due to planning restrictions, which created delays and inefficiencies in the ordering of raw materials. The project also fell during COVID-19 restrictions, creating further inefficiencies with social distancing and restrictions on site.											
Moar Drive	Frances Troup	288	301	301	0	0	0	742	755	755	0
Planning approval was awarded in May 2023 with pre-commencement conditions. These conditions have been met and approved, allowing works to commence on-site. Practical completion is expected in February 2025.											
Carness Phase 2	Frances Troup	144	469	269	(200)	0	0	2,557	2,882	2,882	0
Following procurement for Phase 2 of the social housing development at Carness Road in Kirkwall, the project budget was not sufficient to cover the market costs. However, additional grant funding was received from the Scottish Government that allowed the project to be increased and proceed. Works were completed and handed over to Housing in July 2024 with a 12-month construction retention period for defects (July 2025).											
House Purchases	Frances Troup	1,193	1,193	1,193	0	0	0	2,088	2,088	2,088	0
Purchase of seven properties and required works to meet the Scottish Housing Quality Standard and Energy Efficiency Standard for Social Housing. All purchases will attract Scottish Government funding to cover some of the costs.											
Total Housing Revenue Account		1,687	1,963	1,825	(138)	0	0	10,267	10,461	10,605	144

Education											
Extension to St Andrew's School	Peter Diamond	(317)	0	54	54	0	0	4,424	4,324	4,478	154
The phased construction of a new-build nursery and extension to the PE hall, along with improvements to the existing school, was completed in June 2023 (Phase 1) and December 2023 (Phase 2). Internal snagging works were finished in February 2024, with some external snagging works still outstanding, which will be resolved within this financial year. The delay in the construction programme resulted in additional costs related to site management and welfare facilities during the extension period.											
New Kirkwall Nursery	Peter Diamond	812	2,126	1,562	(564)	0	0	1,836	3,150	3,150	0
Construction of the new nursery adjacent to the Orkney College campus of the University of the Highlands and Islands (UHI) in Kirkwall began on-site in June 2023. Final completion is now anticipated in March 2025, primarily due to programme delays related to the mains water connection.											
School Kitchen Improvements	Frances Troup	14	25	14	(11)	0	0	276	270	276	6
Funding was received in 2022/23 from the Scottish Government in relation to Free School Meals Expansion, to fund upgrades to school kitchens. All capital works have now been completed which includes a range of installations including ovens, blast chiller, fridges and freezer, large scale dishwasher, etc. across a variety of schools including Dounby, St Andrews, Glaitness and Stromness Primaries and Stromness Academy											
Total Education		509	2,151	1,630	(521)	0	0	6,536	7,744	7,904	160

Approved Capital Programme	Project Sponsor	Financial Year 2024/25				Future Years		Total Project Summary			
		Spend to 31-Dec £000's	Approved Budget £000's	Estimated Out-turn £000's	Over/(Under) Spend £000's	Budget 2025/26 £000's	Budget 2026/27 £000's	Spend to Date £000's	Project Budget £000's	Estimated Out-turn £000's	Over/(Under) Spend £000's
Leisure & Cultural											
Refurb. improve Scapa Flow Visitor Centre and Museum	Frances Troup	(11)	15	12	(3)	0	0	4,678	4,699	4,694	(5)
Construction and exhibition works for the refurbishment and new-build elements have been completed, with final retentions released. The project was a finalist for the Art Fund Museum of the Year Award in 2023. Final external funded spend commitments are currently being closed off in 2024/25, prior to the full project closure.											
Papdale East Play Park	Frances Troup	0	68	68	0	0	0	681	749	749	0
Project now complete with final snagging to be resolved this financial year.											
Ness Campsite	Frances Troup	10	29	17	(12)	0	0	473	413	480	67
Works to the existing campsite building and grounds were complete in April 2022, however, the sewerage connection works were delayed a year to allow for SEPA approval, and for Scottish Water time to undertake their Drainage Impact Assessment. Following this period, the scheme was re-designed to connect to the mains sewerage network in Stromness, via a new pumping chamber. The specification and works involved were considerably greater than initially designed and budgeted for. Retention to be released April 2025 following end of defects period.											
Playpark Renewals	Frances Troup	4	78	40	(38)	128	0	80	282	282	0
This work is 100% funded with grant allocated to OIC, as part of the General Capital Grant from the Scottish Government. In 2024/25 the Council was awarded £77k which will be used to make small improvements to playparks under the Council's control. Permission has been granted by Scottish Government to carry forward unspent funding to 2025/26 under a substitution arrangement.											
Shipwreck Tank	Frances Troup	57	77	77	0	0	0	57	77	77	0
National Heritage Memorial Fund funded project to build a custom designed 8m stainless steel tank for the 17th Century shipwreck discovered in Sanday. The freshwater tank has been fabricated with the shipwreck timbers submerged in September 2024 to prevent deterioration for two to three years while research is carried out into the ship's identity and significance.											
Viking Gallery	Frances Troup	95	198	198	0	53	13	95	264	264	0
The current Viking Gallery in the Orkney Museum is relatively small. This project aims to redevelop three areas: the existing Viking, Pict, and Iron Age galleries. The current interpretation is outdated, presenting these periods as distinct phases with abrupt transitions, rather than the gradual evolution that actually occurred. The new galleries will feature the best of contemporary museum practices, incorporating a mix of interpretive techniques such as written text, images, cased artefacts, film, and interactive technology (e.g., VR, touchscreens). This project was added to the capital programme under delegated authority and is fully funded by a generous bequest to the Orkney Islands Council. The final designs are complete, and installation is expected to be finished by March, with a public opening in April.											
Moodie Treasures (Melsetter)	Frances Troup	10	14	14	0	0	0	10	14	14	0
The acquisition of the Moodie Treasures is now complete, with the collection having arriving in Orkney during January. However, the final invoices from the shippers are still pending, so the final grant claim has not yet been submitted. Nevertheless, everything is expected to be finalised well before the end of the financial year. This project was added to the capital programme under delegated authority and is fully grant funded.											
Total Leisure & Cultural		165	479	426	(53)	181	13	6,074	6,498	6,560	62

<i>Approved Capital Programme</i>	Project Sponsor	<i>Financial Year 2024/25</i>				<i>Future Years</i>		<i>Total Project Summary</i>			
		Spend to 31-Dec £000's	Approved Budget £000's	Estimated Out-turn £000's	Over/(Under) Spend £000's	Budget 2025/26 £000's	Budget 2026/27 £000's	Spend to Date £000's	Project Budget £000's	Estimated Out-turn £000's	Over/(Under) Spend £000's
Social Care											
New Care Facility, Kirkwall	Stephen Brown	2,422	2,900	3,372	472	2,258	0	11,383	14,119	14,444	325
The construction of the 40-bed care facility at Soulisquoy in Kirkwall is making progress, but it is behind schedule. The new expected completion date is May 2025, instead of the original June 2024. The delays are due to issues with utility applications and connections, additional work required for the new entrance and haul road off Glaitness Road, and setbacks in providing detailed designs and project resources, which have affected critical path activities.											
Total Social Care		2,422	2,900	3,372	472	2,258	0	11,383	14,119	14,444	325

<i>Approved Capital Programme</i>	Project Sponsor	<i>Financial Year 2024/25</i>				<i>Future Years</i>		<i>Total Project Summary</i>			
		Spend to 31-Dec £000's	Approved Budget £000's	Estimated Out-turn £000's	Over/(Under) Spend £000's	Budget 2025/26 £000's	Budget 2026/27 £000's	Spend to Date £000's	Project Budget £000's	Estimated Out-turn £000's	Over/(Under) Spend £000's
Central Administration and Asset Replacement											
IT replacement programme	Kenny MacPherson	306	484	486	2	600	600	Annual Programme			
Programme of works approved and monitored by Asset Management Sub-committee.											
Plant & Vehicle Replacement	Lorna Richardson	547	1,734	1,709	(25)	1,400	1,400	Annual Programme			
Programme of works approved and monitored by Asset Management Sub-committee.											
Miscellaneous Property	Kenny MacPherson	23	0	23	23	0	0	348	0	348	348
Installation of new roller door to the Herring Factory. Works complete.											
Total Central Administration and Asset Replacement		876	2,218	2,218	0	2,000	2,000	348	0	348	348
Corporate Property Improvements											
Corporate Improvement Programme	Kenny MacPherson	1,134	1,351	1,593	242	2,000	2,000	Annual Programme			
Programme of works approved and monitored by Asset Management Sub-committee.											
SRF Property Maintenance	Kenny MacPherson	0	119	0	(119)	119	119	Annual Programme			
Programme of works approved and monitored by Asset Management Sub-committee.											
Total Corporate Property Improvements		1,134	1,470	1,593	123	2,119	2,119	0	0	0	0

Approved Capital Programme Service Summary	Financial Year 2024/25				Future Years		Total Project Summary			
	Actual Spend £000's	Annual Budget £000's	Estimated Out-turn £000's	Over/(Under) Spend £000's	Budget 2025/26 £000's	Budget 2026/27 £000's	Spend to Date £000's	Project Total £000's	Estimated Out-turn £000's	Over/(Under) Spend £000's
General Fund Summary										
Other Housing	0	585	585	0	585	585		Annual Programme		
Social Care	2,422	2,900	3,372	472	2,258	0	11,383	14,119	14,444	325
Education	509	2,151	1,630	(521)	0	0	6,536	7,744	7,904	160
Leisure and Cultural	165	479	426	(53)	181	13	6,074	6,498	6,560	62
Planning	1	435	200	(235)	0	0	1	435	435	0
Development	64	981	500	(481)	0	0	86	1,003	1,003	0
Roads	865	2,473	1,826	(647)	1,500	1,500	2,163	3,218	2,715	(503)
Transportation	200	1,082	555	(527)	1,088	266	224	2,490	2,490	0
Operational Environmental Services	14	95	25	(70)	0	0	1,134	1,215	1,174	(41)
Central Administration and Asset Replacement	876	2,218	2,218	0	2,000	2,000	348	0	348	348
Corporate Property Improvements	1,134	1,351	1,593	242	2,000	2,000				
	6,250	14,750	12,930	(1,820)	9,612	6,364	27,949	36,722	37,073	351
Non-General Fund Summary										
Housing Revenue Account	1,687	1,963	1,825	(138)	0	0	10,267	10,461	10,605	144
Scapa Flow Oil Port	0	150	150	0	150	150	0	0	0	0
Miscellaneous Piers	340	475	456	(19)	4,888	3,244	374	8,068	8,058	(10)
Strategic Reserve Fund	0	119	0	(119)	119	119				
	2,027	2,707	2,431	(276)	5,157	3,513	10,641	18,529	18,663	134
Total Capital Programme	8,277	17,457	15,361	(2,096)	14,769	9,877	38,590	55,251	55,736	485