

CAPITAL STRATEGY 2026-27

1. Introduction

1.1 The Community Safety Plan gives an overview of the priorities and plans of the Service. The five key priorities are:

- Making safer and healthier choices
- Protecting you and the environment from harm
- Being there when you need us
- Making every penny count and
- Supporting and development our people.

1.2 The Medium-Term Financial Plan, including the Capital Strategy, sets out the financial and investment strategy required to meet these strategic priorities.

1.3 The Capital Strategy is informed by the six key strategies covering Asset Management Strategy, Community Safety Strategy, Environmental Sustainability Strategy, Equality, Diversity and Inclusion Strategy, ICT Strategy and People Strategy.

1.4 Capital expenditure represents investment in new, enhanced or replacement assets such as buildings, vehicles, operational and other equipment and information technology (both hardware and software).

2. Aims of the Capital Strategy

2.1 The principal aims of this Capital Strategy are to:

- provide a framework for capital funding and expenditure decisions, ensuring that capital investment is in line with the Authority's priorities, supports service provision to the communities of Dorset and Wiltshire, and is managed effectively
- ensure that the value of the Authority's existing assets is enhanced / preserved
- explain how the Authority will identify and evaluate bids for capital resources and any implications for the revenue account
- describe the sources of capital funding available for the medium term and how these might be used to achieve a sustainable capital programme.

3. Managing capital expenditure

- 3.1 The Capital Programme is prepared annually through the budget setting process and reported to the Authority for approval in February each year. The programme sets out the capital projects taking place in the financial years 2025-26 to 2028-29. The capital programme is updated in June (to reflect the outturn of the previous financial year and any slippage, as well as adding any new requirements) and December (reflecting progress in the current year and adding any further new requirements).
- 3.2 All projects within the programme will be financed in accordance with the agreed funding strategy. Within the available resources, bids for new capital projects are evaluated and prioritised by the Strategic Leadership Team prior to seeking Authority approval.
- 3.3 A budget manager is responsible for the effective financial control and monitoring of each element of the programme. Budget variances are reported to the Treasurer, and where corrective action cannot be taken to bring overspends back within budget, the additional costs will be reflected in the next update of the capital programme. Additionally, where expenditure is required or anticipated which has not been included in the Capital Programme, then a revision to the Capital Programme is required before that spending can proceed.
- 3.4 Any changes or revisions to the Capital Programme must be approved firstly by the Strategic Leadership Team, then by the Authority. The Chief Fire Officer and the Treasurer may approve an increase in the capital programme of up to £50,000 and the Chief Fire Officer and Treasurer, in consultation with the Chairman of the Authority, may approve an increase of up to £250,000. In both cases the approved expenditure must be reported to the Authority. Revisions to the Capital Programme will be taken to Authority as and when required.

4. Capital expenditure programme to 2028-29

- 4.1 The forecast capital expenditure requirements for 2025-26 to 2028-29 are shown in the table below. The capital budget for 2026-27 recommended for approval is £17.767m.

	Estimate 2025-26 £000	Estimate 2026-27 £000	Estimate 2027-28 £000	Estimate 2028-29 £000
Property/Estates	2,088	11,193	5,826	1,227
Vehicles	3,910	2,903	2,418	2,418
Equipment	529	1,264	4,052	2,592
Information & Communication Technology	1,440	2,036	1,075	580
Operational Comms	710	371	569	152
Total Capital Programme	8,677	17,767	13,940	6,969
Prudential Borrowing	6,769	5,909	7,614	5,143
Revenue contributions/ reserves	1,908	11,858	6,326	1,826
Total Capital Financing	8,677	17,767	13,940	6,969

Property / Estates

- 4.2 The most significant aspect of the planned capital programme for 2026-27 is the progression of the project to provide future-proofed operational training facilities at Devizes Training Centre and Weymouth Fire Station. The tender process for both sites has now completed with work due to start imminently. Indicative work plans suggest spending across both sites could reach £9.5m in 2026-27. Both projects will complete in 2027-28.
- 4.3 The wider estates programme includes the outcomes of property conditions surveys, identifying the property assets in most need of attention now and over the next few years, based on risk and priority, and generally reflects a 7-year refresh cycle. Cyclical maintenance costs totalling £1.25m are forecast for 2026-27 with works planned at nine sites. Plant and equipment maintenance costs of £0.15m are also forecast.

Vehicles

- 4.4 Vehicles are regularly reviewed and are subject to the long-term vehicle replacement policy. The 2026-27 capital programme includes replacement of four large fire appliances, seven officer response vehicles and several other smaller vehicles. Over the medium term there is provision to replace four large fire appliances per year, alongside several other specialist and smaller vehicles. The budget provision includes the allocation of funding for an additional Unimog vehicle. Work will commence on this project shortly, with delivery estimated for 2028.
- 4.5 The requirements for specialist and general vehicles are all reviewed through the Resourcing and Savings Programme. Each project looks at the best way

of providing the required functions, and covers consideration of vehicles, equipment, technology and crewing requirements.

Equipment

- 4.6 Significant levels of spend are planned across the three-year period. The focus of the programme for equipment in 2026-27 is split between the need to support operational equipment requirements linked to the vehicle replacement programme and cyclical replacement of hoses, gas tight suits, firefighter helmets and fire kit. Preparation work for the breathing apparatus replacement tender process scheduled for 2027-28 will also continue.

Information Technology and Communications

- 4.7 Ongoing ICT requirements are aligned to the plans set out in the ICT Strategy, which includes information governance and security, operational communications, ICT resilience, technology management, digital transformation, and business intelligence and data management.
- 4.8 The capital programme includes the equipment and systems requirements to support the strategy including the ongoing investment required to replace the mobilising system used in Fire Control. The testing environment for the new system should be available in Q1 2026-27, with a projected go-live date of February 2026.

Operational Communications

- 4.9 Annual projects typically cover the requirement to support communication requirements linked to the vehicle replacement programme. Mobile data hardware replacement is also scheduled for 2026-27, with fireground radio replacements scheduled for 2027-28.

5. Financing the Capital Programme

- 5.1 Capital expenditure is generally funded by a number of sources, namely capital receipts, revenue contributions, specific grants and contributions and through prudential borrowing.

Capital receipts

- 5.2 Capital receipts from the disposal of existing capital assets can only be used to fund expenditure on new capital assets. At the current time all available capital receipts of the Authority have been used to finance previous capital expenditure programmes.

Revenue contributions

- 5.3 The Authority can make revenue contributions to the cost of its capital expenditure, either direct from its revenue budget or from earmarked reserves. Previously the Authority has been able to use reserves to offset long term borrowing in supporting its capital investment plans. Savings planned in previous revenue budgets and changes to the reserves strategy have allowed the Authority set aside funds to support future capital investment and reduce borrowing costs. The revenue budget also includes an annual contribution of £1.78m to support the financing of the capital programme.
- 5.4 Whilst the allocation of funding for projects across the Service are typically viewed as capital spend, there will be occasions where costs need to be recognised as revenue expenditure. This is particularly common for cloud-based systems and licences, where no underlying assets is effectively owned by the Service. Where necessary, expenditure will be charged to the revenue budget and the revenue contribution to capital outlined above will be adjusted accordingly.

Specific grants and contributions

- 5.5 Specific grants for capital funding have not been provided by the Government since 2013/14, and we do not anticipate any new capital grants for 2026-27.

Prudential borrowing

- 5.6 The Authority will first utilise all of the funding streams highlighted above as the cheapest form of funding, but any shortfall of funding must be made up from prudential borrowing.
- 5.7 The Prudential Code for Capital Expenditure for Local Authorities allows local authorities to undertake unsupported borrowing. This type of borrowing has revenue implications for the Authority in the form of financing costs, which vary depending on the amount and the length of any loan taken out. The Authority looks to match its borrowing with the lifespan of assets purchased.
- 5.8 The capital financing budget currently includes provision for prudential borrowing of £5.9m in respect of 2026-27 programme, with a further £12.7m to be borrowed over the following two years to 2028-29. The estimated total over the three years is therefore £18.6m.

Leasing

- 5.9 At the present time, new leases are not recommended as a source of capital funding unless there are exceptional circumstances. This is because other sources of finance usually offer greater benefits, especially in terms of cost.

6. Debt and borrowing

Capital financing and debt

- 6.1 The Authority has used internal borrowing for the financing the capital programme for several years, i.e. rather than borrowing we have used internal cash flows as this has been more efficient and economical, particularly when investment returns have been at historically low levels.
- 6.2 The Authority is expected to set its own borrowing limits based on revenue affordability and risk and these are shown in the table below.

	Estimate 2025-26 £000	Estimate 2026-27 £000	Estimate 2027-28 £000	Estimate 2028-29 £000
Authorised limit	32.764	37.284	43.529	46.999
Operational boundary	30.264	34.784	41.029	44.499
Capital financing requirement	50.523	52.499	55.947	56.496
Gross debt	28.875	33.416	39.358	43.265

- 6.3 The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. It includes other long-term liabilities, such as Private Finance Initiative (PFI) debt and finance leases, although these liabilities include their own borrowing facilities so the Authority is not required to separately borrow for these schemes.
- 6.4 The difference between the CFR and the actual Gross Debt amount indicates the level of internal borrowing the Service has utilised, commonly referred to as under borrowing. This is forecast to be £28.8m at the end of 2025-26. This reflects the current investment rates available, which are significantly lower than the external borrowing rates the Service can access. This position should improve with time, and this difference can be seen to be reducing over the next three financial years.
- 6.5 Such a position is not sustainable in the longer term and needs to be balanced with how we utilise our reserves and balances and ensuring that our cash balances are adequate. The Authority last undertook long-term borrowing of £5m in November 2021 and have utilised short-term borrowing in the period since to support day-to-day cashflow where needed due to the increase in borrowing rates available. The Authority does not expect to borrow before the end of the 2025-26 financial year due to prudent cashflow planning.
- 6.6 The savings made in capital financing costs allow the Authority to set aside funding each year to reduce the long-term capital financing and

borrowing requirements. This is a sensible strategy to reduce the pressure on future budgets from unsustainable rises in capital financing costs. It would be prudent for the Authority to set aside further sums when circumstances allow.