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By e-mail

To: Local Authority Directors of Finance
c/c: Chief Executives of Scottish Local
Authorities
Directors of Economic Development and
Regeneration

18 September 2020

Dear Director of Finance

TOWN CENTRE FUND - CAPITAL GRANT 2020-2021

1. The Scottish Ministers, in exercise of their powers under legislation detailed in Schedule 1 of this Offer Letter, hereby offer to local authorities (“the Grantees”) grant totalling £18 million STERLING (with individual allocations as per Schedule 2), payable in the financial year 2020-21, to finance capital investment, subject to the terms and conditions set out below at paragraph 2 onwards.

Definitions and Interpretation

2. In these Conditions, the words and expressions set out in Schedule 3 shall have the meanings ascribed to them in that Schedule.
3. In these Conditions, unless the context otherwise requires, words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders.
4. The headings in these Conditions are for convenience only and shall not be read as forming part of the Conditions or taken into account in their interpretation.
5. Except as otherwise provided for in these Conditions, any reference to a clause, paragraph, sub-paragraph or schedule shall be a reference to a clause, paragraph, sub-paragraph or schedule of these Conditions.

Purpose of the Grant

6. The Scottish Government is delivering £30 million capital into regeneration in 2020-21 as part of the £230 million economic recovery stimulus package, particularly aimed at supporting construction activity across Scotland. The Scottish Government agreed with COSLA and local authority Leaders that £18 million will be provided to local authorities through the Town Centre Fund. **Funding allocations are in Schedule 2.**

Conditions of the Grant

7. **All grant expenditure must be complete by 31 March 2021.** Expenditure is defined as *"It is expected that work will be completed; or, at least work or contracts signed or commenced within 2020/21"*.
8. The grant is for capital expenditure which is additional to that which is already or would otherwise be allocated to the 2020-21 budget, and should not substitute for existing spend.
9. Decisions on use of funding will reside with the grantee. However, the aim of this additional £18 million fund is to stimulate local construction activity and support employment across Scotland, and local authorities should ensure this is prioritised in investment decisions. Local authorities should also make investment decisions in the context of national and local commitments to town centres including the Town Centre First Principle and the Town Centre Action Plan; and more recently, the Place Principle.
10. The Grant may also be used to fund third party capital expenditure in the current year, either directly or through the provision of grants to third parties (public sector bodies, private sector bodies or individuals) which would, if incurred by the local authority, be capital expenditure. Limitations apply and these are detailed in Schedule 1.
11. There is an assumption that the Grant will be applied to finance local authority capital programmes before the application of any other capital or revenue resources such as capital receipts or borrowing.
12. Should any grant be used to fund third party capital expenditure and that third party is another local authority or a public body the grant must be used by that third party in the financial year 2020-21. Should the grant be made to a local authority controlled company or other body that will be consolidated into the council's group accounts the grant must be used by that body in the financial year 2020-21.
13. For the avoidance of doubt no part of the grant may be transferred to the Capital Fund, nor may any part of the grant be used to meet the costs of debt redemption.
14. No part of the grant may be used to fund any 'capital' injection into a Public Private Partnership (PPP) or similar scheme without the written consent of Scottish Ministers.
15. Where the local authority provides grant to any person, whether for use by that person or by a third party, the conditions attaching to the grant award must ensure that the expenditure it funds would, if incurred by the authority, be capital expenditure. The grant conditions must also ensure that the eligible costs exclude reclaimable Value Added Tax. Where the grant is to another local authority or public body, or a body that is consolidated into a local authority group accounts, the conditions attaching to that grant award must ensure the grant is fully used in the financial year 2020/21.
16. Any grant paid to a third party subsequently repaid to the local authority, may only be used to fund further capital investment as permitted by this agreement. This condition only applies where the grant is repaid within five years of the original grant payment.
17. If the Grantee does not use the grant in the financial year 2020-21, unused grant is to be repaid to the Scottish Government unless otherwise agreed in writing by Scottish Ministers.

18. No part of the Grant shall be used to fund any activity or material which is party political in intention, use, or presentation or appears to be designed to affect support for a political party.
19. Revisions to the conditions of this offer shall be subject to the written agreement of the Scottish Ministers.

Conditions of grant – reporting of 2020-21 expenditure

20. The Grantee shall keep the Scottish Ministers informed of the use of their grant through the submission of:
 - **a grant return by Monday 30 November 2020.** If local authorities believe that they cannot spend all of their available funds this financial year, it would be helpful to have early notice of that by end of November to allow funds to be reallocated to other projects which can be delivered in that timescale.
 - **an end of year report in April 2021** which details financial expenditure; shows how this was additional to existing spend; profiles delivery; and, outlines anticipated impact and outcomes and how these will be measured.
 - **an evaluation in autumn 2021 capturing project completions.**

The Scottish Government will issue templates for all of these returns. It is expected that the grantee will notify the Scottish Ministers as soon as possible if an underspend is anticipated.

21. A statement of compliance with the Conditions of Grant will be included in the Final Capital Return 2020/21 which must be certified by the grantee's Director of Finance or equivalent.
22. The Grantee shall also provide any other information that the Scottish Ministers may reasonably require to satisfy themselves that the expenditure is consistent with the Agreement. The Grantee shall provide the Scottish Ministers with prompt access to any information they reasonably require to ensure compliance with these Conditions.
23. The Grantee shall keep and maintain for a minimum period of 5 years after the expenditure occurs, adequate and proper records and books of account recording all receipts and expenditure of monies paid to it by the Scottish Ministers by way of the Grant. The Grantee shall afford the Scottish Ministers, their representatives, the Auditor General for Scotland, his/her representatives and such other persons as the Scottish Ministers may reasonably specify from time to time, such access to those records and books of account as may be required by them at any reasonable time in response to a written request for such access from the person seeking it. The Grantee shall provide such reasonable assistance and explanation as the person carrying out the inspection may from time to time require.
24. Where the grantee uses the Town Centre Fund Capital Grant to fund third party capital projects the grant should be treated, for annual accounts purposes, as service revenue income in the Comprehensive Income & Expenditure Statement (CIES). This will therefore require that General Capital Grant used to support third party capital expenditure be matched, on the same CIES service line, to the grant paid out or direct expenditure paid by the authority.

Payment of Grant

25. The Grant shall be paid by the Scottish Ministers to local authorities on the return of grant acceptance.

Confidentiality and Data Protection

26. To comply with section 31(3) of the Public Services Reform (Scotland) Act 2010, the Scottish Ministers publish an annual statement of all payments over £25,000. In addition, in line with openness and transparency, the Scottish Government publishes a monthly report of all payments over £25,000. The Grantee should note that where a payment is made in excess of £25,000 there will be disclosure (in the form of the name of the payee, the date of the payment, the subject matter and the amount of grant) in the both the monthly report and the annual Public Services Reform (Scotland) Act 2010 statement.

Default

27. The Scottish Ministers reserve the right to withhold, make deduction from or require repayment of grant monies where the conditions included in this Agreement are not met.

Variation

28. Any variation to this Agreement will only be valid when confirmed in writing by the Scottish Ministers.

Corrupt Gifts and Payments of Commission

29. The Grantee shall not offer or give or agree to give any person any gift or consideration of any kind as an inducement or reward in relation to this Grant. The Grantee shall ensure that its employees shall not breach the terms of the Prevention of Corruption Acts, 1889 to 1916 in relation to this or any other grant.

Continuation of Conditions

30. These Conditions shall continue to apply for a period of 5 years after the end of the financial year in which the final instalment of the Grant was paid.

Compliance with the Law

31. The Grantee shall ensure that in relation to expenditure funded with this Grant, they and anyone acting on their behalf shall comply with the relevant law, for the time being in force in Scotland.

Acceptance of grant

32. To accept the grant offer on the terms and conditions as set out in the letter and schedules, we require a letter from the Council signed by the Director of Finance (or equivalent). The letter must identify the grant being accepted on the terms and conditions set out in this grant offer letter. A suggested format is set out below. Please send your acceptance letter to Alex McGhie (alex.mcghie@gov.scot), electronically as an attachment to an email. This should arrive **no later than Wed 30 September.**

33. If you would like any further information, please contact Iain Murray, Regeneration Policy Officer at ian.murray@gov.scot

Paul Tyrer
Deputy Director

To be returned on Council headed paper

Date

TOWN CENTRE FUND CAPITAL GRANT 2020/21 - GRANT ACCEPTANCE

On behalf of [local authority] I accept the offer of grant from the Scottish Ministers dated 18 September 2020 on the terms and conditions as set out in the letter and annexed Schedules.

Signature:

Director of Finance (or equivalent)

[name]

SCHEDULE 1

1. The Grant may only be used to fund capital expenditure of the local authority, or any third party capital expenditure incurred, whether or not disbursed in the form of grants, by any persons (public sector bodies, private sector bodies or individuals) towards expenditure which would, if incurred by the local authority, be capital expenditure. In permitting the grant to be used to fund third party capital expenditure reliance is placed on specific legislation. As such the use of the grant to fund third party capital expenditure is limited to the subject of the specific legislation listed below. Local authorities should assure themselves that any grant payments that they may make to any person would be permitted by the legislation listed below.

2. Nothing in the legislation should be interpreted as enabling the grant to be used for any revenue expenditure other than that outlined in condition 2.3.

GRANT MAKING POWERS OF SCOTTISH MINISTERS – LEGISLATIVE DETAILS	
<i>Condition 2.2: The Grant may be used to fund capital expenditure of the local authority</i>	
Section 37 of the Local Government in Scotland Act 2003	Scottish Ministers may make grants to local authorities in respect of their capital expenditure. Capital expenditure is that expenditure that falls to be capitalised in accordance with proper accounting practices (section 39 of the Act)
<i>Condition 2.3: The Grant may be used to fund third party capital expenditure, either directly or through the provision of grants to third parties (public sector bodies, private sector bodies or individuals) which would, if incurred by the local authority, be capital expenditure. Grant making powers are as detailed below:</i>	
Section 37 of the Local Government in Scotland Act 2003	Scottish Ministers may make grants to local authorities in respect of their capital expenditure. Reliance is placed on this section to allow Councils to make grants to other Councils or other local authorities such as Regional Transport Partnerships.
Section 13 of The Flood Prevention (Scotland) Act 1961	Expenditure incurred by a local authority in carrying out flood prevention operations in accordance with a flood prevention scheme. Flood Prevention Schemes are those which have been promoted by the authority and confirmed by Scottish Ministers in accordance with legislation
Section 21 of the Coast Protection Act 1949	Scottish Ministers may make grants towards any expenditure incurred under this Act by a coast protection authority, or incurred by a local authority in carrying out of coast protection work under the enactments relating to roads.
Section 70 of the Transport (Scotland) Act 2001	Scottish Ministers may make grants to any persons for any purposes relating to transport. Reliance is placed on this section to allow unitary authorities (councils) to make grants to regional transport partnerships or bridge authorities.

<p>Section 126 of the Housing Grants, Construction and Regeneration Act 1996</p>	<p>Expenditure incurred in connection with activities which contribute to the regeneration or development of an area.</p> <p>Extract from Act provision:</p> <p>Activities which contribute to the regeneration or development of an area include, in particular—</p> <ul style="list-style-type: none"> (a) securing that land and buildings are brought into effective use; (b) contributing to, or encouraging, economic development; (c) creating an attractive and safe environment; (d) preventing crime or reducing the fear of crime; (e) providing or improving housing or social and recreational facilities, for the purpose of encouraging people to live or work in the area or of benefiting people who live there; (f) providing employment for local people; (g) providing or improving training, educational facilities or health services for local people; (h) assisting local people to make use of opportunities for education, training or employment; (i) benefiting local people who have special needs because of disability or because of their sex or the racial group to which they belong.
<p>Section 90 (1) (a) of the Housing Scotland Act 2001</p>	<p>Grants for housing purposes</p> <p>(1) The Scottish Ministers may make grants to a local authority for the purposes of—</p> <ul style="list-style-type: none"> (a) the authority's functions in connection with— <ul style="list-style-type: none"> (i) providing, improving, adapting, repairing, maintaining and managing housing, (ii) undertaking, and assisting the undertaking of, the development, redevelopment and improvement of the physical, social, economic and recreational environment related to housing, (iii) preventing or alleviating homelessness,
<p>Section 96 of the Housing (Scotland) Act 2006</p>	<p>Any power of a local authority to make grants or loans (including the powers to make payments under section 91(1) and to provide assistance under section 95(1)(b)), and any function of a local authority in relation to the making of grants or loans, under this Part is exercisable by the Scottish Ministers as it is by the local authority.</p>
<p>Section 153 (1) and (3) of the Environmental Protection Act 1990 as amended by SSI 83 of 2002</p>	<p>Scottish Ministers may give financial assistance for environmental purposes. Section 153 (1) includes:</p> <ul style="list-style-type: none"> (nn) any scheme for the storage, treatment or disposal of any material or product for the purpose of preventing or reducing environmental damage.

SCHEDULE 2

DISTRIBUTION OF TOWN CENTRE FUND CAPITAL GRANT 2020/21

The Town Centre Fund Grant offer per local authority is set out below:

Local Authority	Allocation
Aberdeen City	£ 484,000
Aberdeenshire	£ 1,179,000
Angus	£ 387,000
Argyll and Bute	£ 444,000
City of Edinburgh	£ 954,000
Clackmannanshire	£ 245,000
Dumfries and Galloway	£ 548,000
Dundee City	£ 264,000
East Ayrshire	£ 611,000
East Dunbartonshire	£ 339,000
East Lothian	£ 462,000
East Renfrewshire	£ 353,000
Falkirk	£ 711,000
Fife	£ 1,560,000
Glasgow City	£ 1,096,000
Highland	£ 1,066,000
Inverclyde	£ 235,000
Midlothian	£ 331,000
Moray	£ 443,000
Na h-Eileanan Siar	£ 80,000
North Ayrshire	£ 507,000
North Lanarkshire	£ 1,168,000
Orkney Islands	£ 72,000
Perth and Kinross	£ 714,000
Renfrewshire	£ 527,000
Scottish Borders	£ 511,000
Shetland Islands	£ 73,000
South Ayrshire	£ 382,000
South Lanarkshire	£ 902,000
Stirling	£ 387,000
West Dunbartonshire	£ 307,000
West Lothian	£ 658,000
Scotland	£ 18,000,000

This follows the same TCF allocation methodology as agreed between Ministers and Council Leaders in March 2019: Based on an equal weighting of the number of towns in a local authority (determined by the NRS Settlements and Localities data, where a town is a locality with a population equal to or greater than 1,000 people) and the local authority population.

SCHEDULE 3

DEFINITIONS

“Agreement” means these Conditions and the Grantee’s acceptance of these Conditions;

“Capital Expenditure” means that expenditure on the Town Centre Fund

“Conditions” means these grant conditions;

“Financial Year” means a period from 1 April in one year until 31 March in the next;

“Grant” means the grant offered by the Scottish Ministers to the Grantee as specified in the Award Letter, as varied from time to time in accordance with these Conditions;

“Grantee” means the local authority to which the Grant will be payable as specified in Schedule 2.

“Payment” means each of the payments specified in Schedule 2 hereto.

“Proper accounting practices” is to be construed in accordance with section 12 of the Local Government in Scotland Act 2003

“Third party in the public sector” means another local authority or a local authority controlled company or other body that will be consolidated into the Grantee’s group accounts.

SCHEDULE 4

TOWN CENTRE CAPITAL FUND 2020-21 - GUIDANCE NOTE

Purpose

1. The purpose of this note is to provide local authorities as “grantees” guidance on the aims and allocation of the ring-fenced £18m Town Centre Fund for 2020-21, to be distributed through the local authority capital settlement.

Town Centre Fund 2020-21

2. On 16th June 2020, the Cabinet Secretary for Finance announced a £230 million Economic Recovery Stimulus Package to help invigorate Scotland's economy. The package:
 - **bolsters the remaining pipeline of 2020-21 construction activity - to give additional support to the sector as re-start is now s underway;**
 - Accelerates digital transformation, and supports the most vulnerable groups to access digital services;
 - brings-forward an early boost to our ambition for a green economy; and
 - Supports promising, early stage growth companies through existing Tech-start and Scottish Investment Bank initiatives.
3. As part of this recovery package, the Cabinet Secretary for Communities & Local Government announced on 10 September 2020 that **£30m capital funding for regeneration** would be invested through two existing funding mechanisms, the Town Centre Fund and Regeneration Capital Grant Fund (RCGF). This aims to stimulate local construction activity across Scotland and support disadvantaged areas in the recovery.
4. Town Centre Fund and RCGF are delivered in partnership with COSLA and through local authorities as grantees. We duly engaged with COSLA and the Settlement & Distribution Group on plans for allocating funding this way, subsequently agreed by Council Leaders. The agreed approach involves £18m through Town Centre Fund in 2020-21, and £12m being invested through RCGF. **The Town Centre Fund local authority allocations are summarised in Schedule 2** and follow the same Town Centre Fund allocation methodology as agreed between Ministers and Council Leaders in 2019.

Wider expectations and support

5. The aim of this additional £18 million fund is to stimulate local construction activity and support employment across Scotland, and local authorities should ensure this is prioritised in investment decisions. **All grant expenditure must be complete by 31 March 2021**, therefore it is expected that local authorities will prioritise projects which are established and can progress in time to meet this deadline. Expenditure is defined as *“It is expected that work will be completed; or, at least work or contracts signed or commenced within 2020/21”*.

National and local commitments

6. COVID-19 has had a profound impact on the way that we work and has changed our perceptions of the communities around us. It has forced us to look local. That theme runs throughout our Programme for Government (PfG) 2020-21 with new commitments around **local supply chain development and 20 minute neighbourhoods** - where people can meet their needs within a 20 minute walk from their house – enabling people to live better, healthier lives and supporting our net zero ambitions. As part of the Work Local Challenge Programme we will work with partners on innovation and deployment of local work hubs and office space solutions to enhance workplace choices.
7. This is also the time to build on the progress we have been making **on Community Wealth Building**. This is a way of working that looks to reorganise our local economies to maximise local

opportunities and resilience – ensuring that local people and businesses have a genuine stake in producing, owning and enjoying the wealth they create.

8. We will develop a network of **Climate Action Towns** targeted at small towns with little historical involvement in climate action. This will support them to reduce what they use, recycle more, and cut their emissions and become carbon neutral, as part of our aim to ensure that Scotland's response to the global climate emergency is a truly national endeavour.

Town Centre Action Plan

9. The Town Centre Action Plan published in 2013 was the Scottish Government's response to the National Town Centre Review. It focused on national and local solutions, encouraging action across public, private and community sectors. The Scottish Government and local government subsequently agreed the **Town Centre First Principle (TCFP)**, which requested that government, local authorities, the wider public sector, businesses and communities put the health of town centres at the heart of proportionate and best value decision making. The Scottish Government and COSLA agreed to adopt the **Place Principle** to help overcome organisational and sectoral boundaries, to encourage better collaboration and community involvement, and improve the impact of combined energy, resources and investment. The principle was developed by partners in the public and private sectors, the third sector and communities, to help them develop a clear vision for their place.
10. We are taking forward a **collaborative review of the progress and scope of the Town Centre Action Plan**. This will build on our UK leading town centre first approach which has shaped recent announcements by our counterparts elsewhere in the UK. The purpose of this review is to consider the impact and lessons from the TCAP, and the impact of COVID-19 on our town centres, as part of a wider package of national towns recovery and renewal work.
11. Empowered communities, localism and valuing the skills and assets of our communities have long been central to our approach to regeneration. The review provides an opportunity to amplify that by embracing the Place Principle and TCFP, promoting town centre living, building a future that takes account of our ambitions for a healthier, greener country, and with a focus on social renewal and equality through the Social Renewal Advisory Board.

Scotland's Towns Partnership

12. The Scottish Government funds Scotland's Towns Partnership to provide information, support and services which contribute to the vibrancy, vitality and viability of our town centres and neighbourhoods; and, to support the development of partnerships including Business Improvement Districts.
13. There are a range of tools and resources to support how partners can understand, audit, plan, and improve their town centres. It is expected that local authorities will use a range of tools and approaches to ensure investment decisions are based on an understanding of town centre performance and ownership; shared visions and plans with local communities, partnership and stakeholders fully engaged; and, identification of physical infrastructure changes that will contribute to maximisation of investments and achievement of those visions.

Tools and resources

- [Understanding Scottish Places](#) (USP): a unique and dynamic online tool which shows how every town in Scotland with a population of 1,000 or more is interacting with its surrounding settlements and performing against a range of indicators and inter/dependency relationships.
- [USP Your Town Audit](#): add to USP a six-day study which provides the standard benchmark for measuring the health of a Scottish town.
- [Place Standard](#): a framework designed to support communities, public, private and third sectors to work efficiently together to assess the quality of a place.
- [Town Centre Toolkit](#): guidance on designing and planning town centres to be attractive,

accessible and active, focusing on urban design, quality, sustainability and use of town assets.

Support

14. Additional support is offered by Scotland's Towns Partnership in partnership with other key organisations such as: Scottish Futures Trust; Scottish Enterprise, Highlands and Islands Enterprise, or South of Scotland Economic Partnership, and Architecture and Design Scotland to support the development of investment decisions or work with local authorities individually or across neighbouring or regional authorities, to build momentum, share learning, and to maximise funding.
15. Local authorities will have their own good practice in terms of monitoring and evaluating the benefits, impacts and outcomes of investment as part of relevant strategies and programmes; and, to ensure that they meet their duty to achieve Best Value. Additional support could also be offered to discuss how best to identify and collect data; assess impact; and, share formats that could contribute to consistent and wider learning.