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**By e-mail**

To: Local Authority Directors of Finance

Chief Executive of Scottish Local  
Authorities (COSLA)

Our ref: A19830217  
07 March 2018

Dear Director of Finance

**GENERAL CAPITAL GRANT 2018-19**

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 £598.282 million STERLING (with individual allocations as per Schedule 2), payable in the financial year 2018-19, to finance capital investment, subject to the terms and conditions set out below at paragraph 3 onwards.
2. The grant offer reflects the amounts in the Local Government Finance Settlement 2018-19 (Finance Circular 4/2018). It includes any additional amounts agreed by Scottish Ministers to be paid as General Capital Grant. There are no undistributed amounts.

**Definitions and Interpretation**

3. In these Conditions, the words and expressions set out in Schedule 3 shall have the meanings ascribed to them in that Schedule.
4. 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.
5. 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.
6. 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

7. The Grant is to enable local authorities to finance capital investment in a way which ensures the delivery of their Single Outcome Agreement and contributes to the national Strategic Objectives and Purpose.

## Conditions of the Grant

8. The Grant may be used to fund capital expenditure of the local authority.
9. 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.
10. The Grant must be used in the financial year 2018-19. 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.
11. 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 2018-19. 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 2018-19.
12. 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.
13. 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.
14. 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 2018-19.
15. 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.
16. If the Grantee does not fully use the grant in the financial year 2018-19 any unused grant is to be repaid to the Scottish Government unless otherwise agreed in writing by Scottish Ministers.
17. 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.
18. Revisions to the conditions of this offer shall be subject to the written agreement of the Scottish Ministers.

## Conditions of grant – reporting of 2018-19 expenditure

19. The Grantee shall keep the Scottish Ministers informed of the use of their grant through the completion of Capital Returns issued by the Scottish Government.
20. A statement of compliance with the Conditions of Grant will be included in the Final Capital Return 2018-19 which must be certified by the grantee's Director of Finance or equivalent.
21. 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.
22. 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.
23. Where the grantee uses the General 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

24. The Grant shall be paid by the Scottish Ministers to local authorities in instalments on or about the 15th of each month of the financial year 2018-19.

## Confidentiality and Data Protection

25. 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

26. 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

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

## Corrupt Gifts and Payments of Commission

28. 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

29. 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

30. 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

31. 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 Nadiyah Abdullatif (Nadiyah.Abdullatif@gov.scot), preferably electronically as an attachment to an email or in hard copy to Nadiyah at the address on the top of this letter. To enable us to make the first payment in April we require your response no later than **21 March 2018**.

Yours faithfully

*Hazel Black*

**Hazel Black**  
**Head of Local Authority Accounting**

To be returned on Council headed paper

Date

## GENERAL CAPITAL GRANT 2018-19 - GRANT ACCEPTANCE

On behalf of [  ] I accept the offer of grant from the Scottish Ministers dated 7 March 2018 on the terms and conditions as set out in the letter and annexed Schedules.

Signature:

Director of Finance (or equivalent)  
[  ]

## 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.

<b>GRANT MAKING POWERS OF SCOTTISH MINISTERS – LEGISLATIVE DETAILS</b>	
<b><i>Condition 2.2: The Grant may be used to fund capital expenditure of the local authority</i></b>	
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)
<b><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></b>	
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.
Section 126 of the Housing Grants, Construction and Regeneration Act 1996	<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> <p>(a) securing that land and buildings are brought into effective use;</p> <p>(b) contributing to, or encouraging, economic development;</p> <p>(c) creating an attractive and safe environment;</p> <p>(d) preventing crime or reducing the fear of crime;</p> <p>(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;</p> <p>(f) providing employment for local people;</p> <p>(g) providing or improving training, educational facilities or health services for local people;</p> <p>(h) assisting local people to make use of opportunities for education, training or employment;</p> <p>(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>Grants for housing purposes</p> <p>(1) The Scottish Ministers may make grants to a local authority for the purposes of—</p> <p>(a) the authority's functions in connection with—</p> <p>(i) providing, improving, adapting, repairing, maintaining and managing housing,</p> <p>(ii) undertaking, and assisting the undertaking of, the development, redevelopment and improvement of the physical, social, economic and recreational environment related to housing,</p> <p>(iii) preventing or alleviating homelessness,</p>
Section 96 of the Housing (Scotland) Act 2006	<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>
Section 153 (1) and (3) of the Environmental Protection Act 1990 as amended by SSI 83 of 2002	<p>Scottish Ministers may give financial assistance for environmental purposes. Section 153 (1) includes:</p> <p>(nn) any scheme for the storage, treatment or disposal of any material or product for the purpose of preventing or reducing environmental damage.</p>

## SCHEDULE 2

### DISTRIBUTION OF GENERAL CAPITAL GRANT 2018-19

The General Capital Grant offer per local authority is set out below:  
The grant will be paid in monthly instalments.

£m Authority	General Capital Grant - Settlement
Aberdeen City	23.677
Aberdeenshire	37.135
Angus*	12.601
Argyll & Bute	12.938
Clackmannanshire	5.425
Dumfries & Galloway	21.667
Dundee City	20.158
East Ayrshire	12.689
East Dunbartonshire	9.567
East Lothian	12.057
East Renfrewshire	7.166
Edinburgh, City of	49.405
Eilean Siar	8.069
Falkirk	14.559
Fife	32.675
Glasgow City	68.017
Highland	40.985
Inverclyde	8.282
Midlothian	9.777
Moray**	10.833
North Ayrshire	0.000
North Lanarkshire	29.763
Orkney Islands	6.389
Perth & Kinross	16.831
Renfrewshire	16.094
Scottish Borders	26.135
Shetland Islands	6.612
South Ayrshire	11.064
South Lanarkshire	27.607
Stirling	10.601
West Dunbartonshire	14.478
West Lothian	15.026
<b>Total</b>	<b>598.282</b>

\* Includes a reduction for the return of grant for the Brechin Scheme (£0.117m).

\*\* Includes an increase for the additional grant due for the Forres (River Findhorn & Pilmuir) scheme (£0.132m).



## Flood scheme funding included in the grant totals above

<b>Council</b>	<b>Flood Scheme</b>	<b>Total 2018-19 £m</b>
Aberdeenshire Council	Stonehaven	8.841
Aberdeenshire Council	Huntly	-0.663
Angus Council	Arbroath	-0.338
Argyll & Bute Council	Campbeltown	0.083
Comhairle nan Eilean Siar	South Fords	0.000
Dumfries & Galloway Council	Dumfries/ River Nith/ Whitesands FPS	0.906
Dumfries & Galloway Council	Stranraer work item 4 &6	-0.128
Dumfries & Galloway Council	Langholm	0.100
Dumfries & Galloway Council	Newton Stewart/ River Cree	1.200
Dundee City Council	Broughty Ferry	1.654
Dundee City Council	Dundee	0.574
East Ayrshire Council	New Cumnock	0.600
East Dunbartonshire Council	Park Burn	0.060
East Lothian Council	Musselburgh	1.809
East Lothian Council	Haddington	0.000
Falkirk Council	Grangemouth FPS	1.173
Fife Council	Kinness Burn	0.192
Glasgow City Council	White Cart Water Phase 3	1.664
Glasgow City Council	Camlachie Burn	0.830
Highland Council	Smithton and Culloden	9.093
Highland Council	Caol and Lochyside	0.294
Highland Council	Drumnadrochit	0.196
Inverclyde Council	Inverclyde FPS - Glenmosston Burn	0.000
Inverclyde Council	Inverclyde FPS - Coves Burn	-0.300
Inverclyde Council	Inverclyde FPS - Bouverie Burn	0.000
Inverclyde Council	Quarrier's Village	0.000
Moray Council	Newmill	0.000
North Ayrshire Council	Millport Coastal	-5.256
North Ayrshire Council	Upper Garnock FPS	-7.476
North Ayrshire Council	Mill Burn Millport	0.080
Orkney Islands Council	Kirkwall	0.000
Perth & Kinross Council	Comrie	0.560
Perth & Kinross Council	Milnathort	0.000
Perth & Kinross Council	South Kinross	0.000
Perth & Kinross Council	Scone	0.060
Scottish Borders Council	Hawick	11.703
Stirling Council	Bridge of Allan	-0.274
Stirling Council	Stirling	0.753
Stirling Council	Callander	0.075
West Dunbartonshire Council	Gruggies Burn	5.520
	<b>Total</b>	<b>33.585</b>

## SCHEDULE 3

### DEFINITIONS

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

“**Capital Expenditure**” means that expenditure on General Fund (excluding the Housing Revenue Account) services of the authority which, in accordance with proper accounting practices, falls to be capitalised.

“**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.