

COVID-19 support through the business rates system: how does the pattern of support vary across England?

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Executive summary

Since March, governments across the world have introduced a range of policies to help support businesses, households and public services during the coronavirus crisis. Two of the largest schemes in England relate to the business rates system. First, the government is waiving business rates for the whole of 2020–21 for most businesses in the retail, hospitality and leisure sectors at a cost of around £10 billion. Second, grants of £10,000 and £25,000 are being made available to businesses, with eligibility depending on the rateable value of the properties they occupy, the sector they are in and a number of other factors. Local authorities have been provided with over £12 billion to fund these grants. Similar schemes operate in Scotland, Wales and Northern Ireland, albeit with some differences in eligibility rules.

These schemes and their design and implementation matter. They have been put in place to help otherwise viable businesses survive the coronavirus crisis, enabling a faster and fuller economic recovery. Differences in the degree of support provided to businesses in different sectors can potentially be justified by the uneven impacts of the crisis on sales and profitability. However, sectoral and especially geographical differences in the levels and timeliness of support could also mean increased risk of business failure and slower recovery in certain parts of the country, with potentially long-term effects on employment and prosperity.

Grants, reliefs and rateable values

- **Grant funding is focused on the retail, hospitality and leisure sectors.** Most properties in these sectors are entitled to grants of £10,000 if their assessed annual rateable value is £15,000 or less, or £25,000 if it is £15,001 to £50,999. In contrast, properties in other sectors are only automatically entitled to grants of £10,000 if they are eligible for small business rate relief (SBRR): that is, their assessed rateable value is less than £15,000 *and* the business occupying them occupies little or no additional property. However, some small businesses whose property is excluded from these main schemes may be given discretionary grants by their local authority (LA).
- **The support provided to the retail, hospitality and leisure sectors is highly non-linear with respect to rateable value, creating inequities and risking distortions to competition.** For example, a property with a rateable value of £15,000 is eligible for total support of £17,485, while one with a rateable value of £15,001 is eligible for £32,485.50. In other words, an increase in rateable value of £1 is associated with a near-doubling of the amount of support. In contrast, the fact that properties with rateable values of £51,000 or above are ineligible for grants means support almost halves from £50,449 to £26,112 at that point. Such big discontinuities could have been avoided by tapering support, as is done with SBRR where the discount is gradually reduced from 100% to 0% for rateable values between £12,000 and £15,000.
- **Differences in rateable values and sectoral composition mean the share of properties entitled to support varies significantly across the country.** For example, while across England around 70% of non-domestic properties have a rateable value of £15,000 or below, making them potentially eligible for £10,000 grants, less than a third have values low enough in Kensington & Chelsea and Westminster, and less than a half

do in four additional London boroughs as well as Cambridge and Oxford, reflecting high property prices. In contrast, over 80% of properties have a rateable value of £15,000 or less in 40 LA areas, concentrated in coastal areas and the North. The highest shares are Isles of Scilly (89%), Torridge in Devon (88%) and North Norfolk (87%).

- **For the retail, hospitality and leisure sectors specifically, over 20% of properties in London have values too high to be eligible for grant funding, compared with less than 10% in the North, Midlands and South West of England.** However, higher values also mean that a third of properties in these sectors in the capital could be entitled to grants of £25,000, compared with around one-sixth in the North, Midlands and South West. Differences can be even greater at the individual LA level: over half of such properties in the City of London, Kensington & Chelsea and Westminster are above the cut-off for any grant support, compared with less than 5% in 30 mostly rural LAs.
- **One option to address this would be to set different grant eligibility thresholds for different regions of the country to reflect differences in rateable values.** For example, ensuring the same proportion of properties in London were entitled to £10,000 and £25,000 grants as nationally would require an almost doubling of thresholds in London: from £15,000 to £29,250, and from £51,000 to £97,000. Separate thresholds for inner London would have to be around three times as high as the current national thresholds, and around four times the thresholds required in the North, Midlands and South West.
- **Spending on rates relief for the retail, hospitality and leisure sectors is concentrated on the most expensive properties and in areas with higher rateable values.** For example, the top 1% of properties are worth at least £420,000, meaning they are entitled to relief of at least £215,040. In contrast, the median property is worth just £8,900 and is entitled to £4,417, which may have already been covered by the existing SBRR scheme.
- **The mean amount of relief being provided to properties is highest in areas with major retail centres,** including parts of the North such as Cheshire West & Chester, Gateshead, Newcastle-upon-Tyne and Trafford. However, these figures can be affected by the value of a relatively small number of particularly large properties (such as department and major high-street stores). Areas with high median amounts of relief – which are not distorted by such outliers – are much more heavily concentrated in London and its environs where property values and rents are highest. Reliefs for properties in Westminster amount to £943 million, over 9% of the national total, reflecting the fact properties in this LA represent over 8% of all rateable value in the retail, hospitality and leisure sectors.

The grants paid out by local authorities

- **Local authorities have identified 955,000 properties as being eligible for grant funding – 48% of all properties, and 67% of those whose sector and rateable value are such that they could potentially be eligible for a grant.** In one in ten LAs, less than 57% of those potentially eligible actually are eligible, whereas in another one in ten LAs it is more than 76%. To some extent, this is driven by sectoral structures: more urban LAs with a high share of office and industrial occupiers – which need to be in

receipt of SBRR to be eligible for grants – have lower rates of eligibility; in contrast, rural and coastal LAs with a high share of hospitality occupiers – which do not need to be in receipt of SBRR to be eligible – have higher rates of eligibility.

- **Local authorities have so far paid out grants to 87% of properties they have deemed eligible for support, up from 73% at the start of May.** In one in ten LAs this share is less than 81% and in another one in ten it is more than 96%, with only a slight narrowing in this gap during May. LAs where a larger number and proportion of properties have been identified as eligible for grants have been slower in paying out. LAs where a larger share of properties are in the industrial, utilities, warehousing or public sectors, or are in the retail, hospitality and leisure sectors but are likely to be ineligible (such as beach huts, moorings, parking and stables), have also been slower. However, even taken together, these factors explain only 25% of the variation in the proportion of grants paid out. This suggests that some LAs have been more cautious in authorising payments and/or had less capacity and/or been less efficient at making payments swiftly.

Government funding for the grant schemes

- **One in five LAs will spend more than their initial allocations of funding from the government for the grant scheme if they eventually pay grants to all properties they have identified as eligible.** These are concentrated in inner London and the Home Counties. Another one in four will spend less than their initial allocations, with a particular concentration on the coasts of the South East and East of England. These geographic patterns suggest systematic biases in the estimates of grant eligibility used by the government to allocate funding to councils. In particular, seven of the ten LAs that look set to spend the least of their allocation are the seven where beach huts make up more than 10% of properties. This suggests the Department for Business, Energy and Industrial Strategy (BEIS) did not account for such properties likely being ineligible due to the rules of the grant scheme when it made initial funding allocations.
- **Those spending more than their initial allocation could have an aggregate ‘overspend’ of just over £200 million, based on the average grant payment per property so far, which BEIS has said it will cover in full with top-up funding.** However, those LAs spending less could have an aggregate ‘underspend’ of more than £800 million, which the government has yet to confirm it will attempt to recover in full. This means the scheme could cost £600 million less than the government originally budgeted for.
- **Part of the underspends will be recouped by making LAs with underspends pay for at least part of the cost of additional discretionary grants in their areas.** This could amount to around £360 million of the total £617 million LAs will be allowed to spend on discretionary schemes. It will still leave LAs with around £460 million of unspent funding, with over one-fifth of this accounted for by just three coastal LAs: East Suffolk (£22 million), Bournemouth, Christchurch & Poole (£35 million) and Tendring (£43 million). Allowing LAs to keep such large sums would be inequitable, so plans to ‘claw back’ remaining unspent money should be confirmed, including the potential to recycle this for general-purpose funding for all LAs.

1. Introduction

Since March, the UK government has introduced a range of policies to help support businesses, households and public services during the coronavirus crisis. This includes wage subsidies for furloughed employees and grants for the self-employed, tax deferrals, special loan schemes, additional funds for the NHS and changes to regulations on evictions.

Two of the largest schemes in England relate to the business rates system. First, the government is waiving business rates for the whole of 2020–21 for most businesses in the retail, hospitality and leisure sectors. Second, grants of £10,000 and £25,000 are being made available to businesses, with eligibility depending on the rateable value of the properties they occupy, the sector they are in and a number of other factors. Similar schemes operate in Scotland, Wales and Northern Ireland, albeit with some differences in eligibility rules.¹

Differences in rateable values and sectoral composition mean these schemes are providing different amounts of support to businesses in different parts of the country. This short report explores these patterns for England, finding that properties in London, where values are higher, are eligible for substantially greater rates relief, on average, but are less likely to be entitled to grant funding. It then examines how the grant eligibility thresholds could be reformed if the government wanted them to reach a similar proportion of businesses across each region. Finally, it examines how much different English local authorities (LAs) have spent on these grants so far, and how their final levels of spending are likely to compare with the amount of funding provided by the Department for Business, Energy and Industrial Strategy (BEIS) for the scheme.

These issues matter. Reliefs and grants have been put in place to help otherwise viable businesses survive the coronavirus crisis, enabling a faster and fuller economic recovery. Differences in the degree of support provided to businesses in different sectors can potentially be justified by the uneven impacts of the crisis on sales and profitability. However, sectoral and especially geographical differences in the levels and timeliness of support could also mean increased risk of business failure and slower recovery in certain parts of the country, with potentially long-term effects on employment and prosperity.

The rest of the report proceeds as follows. Section 2 explains the reliefs and grant schemes that have been put in place. Section 3 uses information from the Valuation Office Agency (VOA) on the rateable values and sectors of properties to show how the share of properties *potentially* eligible for different types of support varies across England.² Section 4 then uses data from LAs on properties they have identified as actually eligible for grants and their expenditure on grants so far to explore variation in actual eligibility, speed of payment of grants and likely over- and under-spends of government funding for the grant schemes. Section 5 concludes.

¹ For example, in Wales, properties with rateable values of more than £500,000 are excluded from the relief scheme. In Scotland, airports and associated handling businesses are covered, and reduced rates of grant are paid for second and subsequent properties owned by a business.

² Specifically, we use properties' special category codes (which include categories such as office, industry, shop, restaurant, holiday home) as proxies for the sectors properties are in. These codes are operational codes used by the VOA to classify properties for administrative purposes. They reflect the nature of the property for valuation purposes and may not always reflect the actual chosen or subsequent use by occupiers or owners.

2. What support is available?

Business rates are taxes paid by occupiers of non-domestic (e.g. commercial, charity and public sector) property, with the amount payable depending on the 'rateable value' of the property. The Valuation Office Agency (VOA) maintains a list of properties in England (as well as Wales) and their respective values, which are currently based on open-market rental values as of April 2015.

A range of reliefs (i.e. full or partial discounts) are available for particular occupiers and particular types of properties.³ As part of its response to the coronavirus crisis, the UK government has significantly increased the number of properties eligible for 100% relief at a cost of more than £10 billion in 2020–21. It has also introduced grant schemes that it budgeted to cost over £12 billion for occupiers in receipt of small business rate relief, one of the pre-existing reliefs, and for businesses in some sectors occupying properties with a rateable value of up to £51,000. A smaller discretionary grant scheme (budgeted to cost up to £0.6 billion) has also been more recently set up for businesses excluded from the main grant scheme.

Expanded business rates relief

The biggest new relief is the 'expanded retail discount', which provides a 100% relief to businesses in the retail, hospitality and leisure sectors, meaning that they will not be required to pay any business rates in 2020–21.⁴ This is expected to cost £10.1 billion across England and to benefit the occupiers of 358,000 properties, implying a mean relief amount of almost £28,300 per property.⁵

The amount of relief increases with rateable value. For example, the relief for the most expensive 1% of properties in these sectors (with a rateable value of £420,000 or more) is at least £215,040 (and an average of £556,780). And for the top 10% of properties it is worth at least £30,460. On the other hand, for the over two-thirds of properties in these sectors with a rateable value of less than £15,000, the relief is worth at most £7,485, and in many cases nothing, because the occupier is already entitled to a 100% discount under the small business rate relief (SBRR) scheme.

Grant funding for businesses

In order to provide more support to the occupiers of low-value properties, the government announced two grant schemes at the end of March. These provide up-front cash to businesses, with LAs already having distributed £10.2 billion of a budgeted £12.3 billion as of 7 June. This contrasts with the new rates reliefs, where support is

³ See <https://www.gov.uk/apply-for-business-rate-relief> for a full list of reliefs available across England. LAs also have powers to offer discretionary reliefs, but the aggregate value of these is low.

⁴ A full list of eligible property and business types and other rules is available at <https://www.gov.uk/government/publications/business-rates-retail-discount-guidance>.

⁵ The government has also announced a 100% relief for properties used by providers of childcare to under-5s, which is expected to cost a further £89.3 million. It has not been possible to identify the number of properties or providers likely to benefit from this relief, and so it is not discussed further in this report.

effectively provided over the 10 or 12 months that businesses would normally pay their bills.

- Under the Small Business Grant Fund (SBGF), most businesses in England that are in receipt of either SBRR or rural rate relief (RRR) will be eligible for a grant payment of £10,000.⁶ Car parks and parking spaces and properties ‘occupied for personal use’ (with private stables, beach huts and moorings given as examples) are excluded, as are businesses that were in liquidation as of 11 March.
- Under the Retail, Hospitality and Leisure Grant Fund (RHLGF), businesses in receipt of the expanded retail discount will be eligible for a cash grant of £10,000 per property for properties with a rateable value of £15,000 or less, and £25,000 per property for properties with a rateable value between £15,001 and £51,000. The same exclusions as for the SBGF also apply to the RHLGF, and each property can only receive a grant from one of the grant schemes.

At the start of May, the government announced an additional grant scheme: the Local Authority Discretionary Grants Fund (LADGF). This will allow LAs to award additional grants (of £0 to £10,000, or of £25,000) to businesses ineligible for the main schemes, with the government asking them to prioritise the following:

- small businesses with fixed property costs that do not have their own ‘property’ as defined by the business rates system, such as those in shared offices or flexible workspaces and regular market traders;
- bed and breakfasts that pay council tax rather than business rates; and
- charities in receipt of charitable relief that would otherwise be eligible for SBRR or rural rate relief.⁷

Total expenditure will be capped at 5% of the amount allocated to the main schemes: £617 million across England.

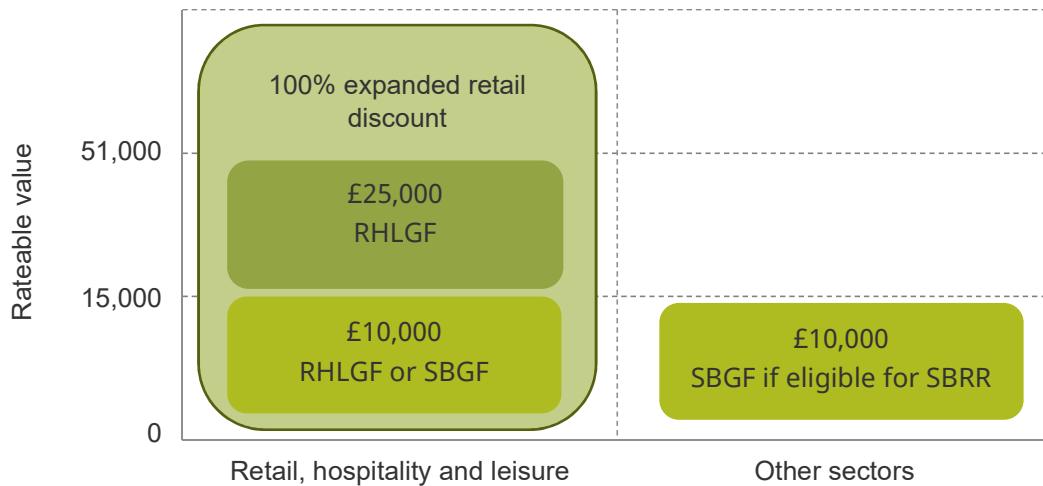
Summary of mandatory support by sector and rateable value

Figure 1 summarises the support available to occupiers of properties in different sectors with different rateable values as a result of coronavirus-related measures.

⁶ To be in receipt of SBRR, businesses must occupy a property with a rateable value of less than £15,000 and, if they occupy more than one property, each additional property must have a rateable value of no more than £2,899 and the total rateable value of all properties must be less than £28,000 (London) or £20,000 (outside London). For properties not satisfying all these criteria (e.g. because a property is occupied by a chain with multiple locations), RRR is available to village shops and post offices with rateable values up to £8,500 and pubs and petrol stations with rateable values up to £12,500, where the business is the only one of its kind in the area and the population is less than 3,000.

⁷ See <https://www.gov.uk/government/publications/coronavirus-covid-19-guidance-on-business-support-grant-funding>.

Figure 1. Support available to businesses by rateable value and sector

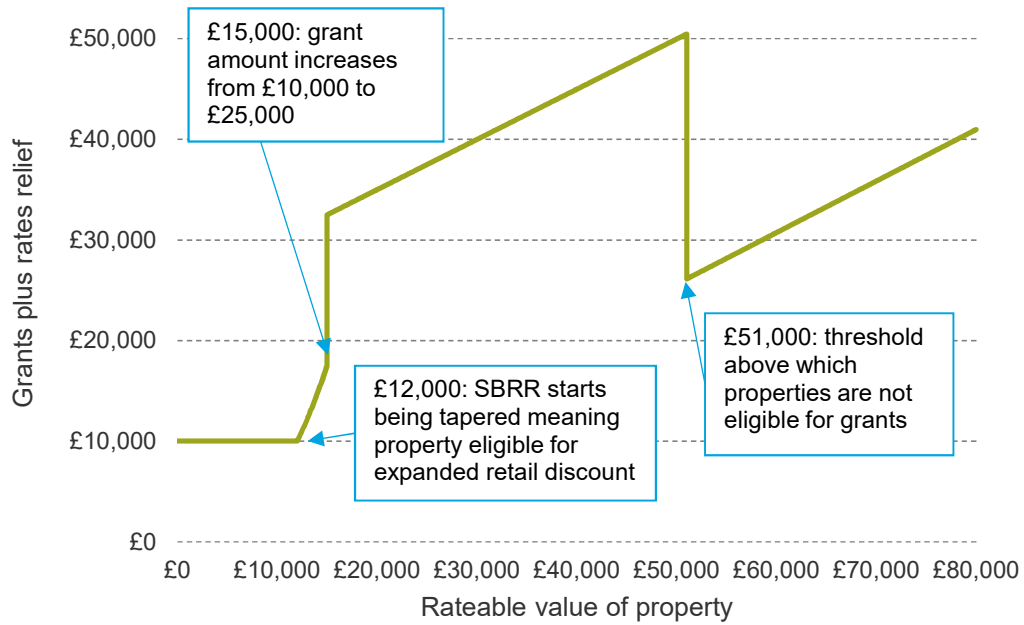


Figures 2 and 3 show the total value of coronavirus-related support to occupiers of properties of different rateable values in the retail, hospitality and leisure sectors, and other sectors, respectively. They illustrate clearly how:

- The total amount of support via grants and reliefs provided to occupiers in the retail, hospitality and leisure sectors is highly non-linear with respect to rateable value, due to the use of discrete thresholds for grant eligibility. For example, a property with a rateable value of £15,000 is eligible for total support of £17,485 (the £10,000 RHLGF or SBGF and £7,485 in expanded retail discount), while one with a rateable value of £15,001 is eligible for £32,485.50 (the £25,000 RHLGF and £7,485.50 in expanded retail discount). In other words, an increase in rateable value of just £1 is associated with a near-doubling of the amount of support. In contrast, the fact properties with values of £51,000 or above are ineligible for the RHLGF means support almost halves from £50,449 to £26,112 at that point. Such big discontinuities in the amount of support provided can create horizontal inequity and they risk inappropriate distortions to competition; they should have been avoided. This could have been done by tapering support as with the SBRR, which in England is tapered from 100% to 0% for rateable values between £12,000 and £15,000. The discontinuous structure likely reflects the speed with which the grants were designed and implemented.
- Properties in the retail, hospitality and leisure sectors are eligible for much more support overall than those in other sectors, except for those with a rateable value of £12,000 or less and already entitled to full SBRR, where support is the same (the £10,000 SBGF).⁸ While impacts of the coronavirus crisis may reasonably be expected to differ by sector, it is implausible that they would vary in this way. This structure again likely reflects the speed of design and implementation.

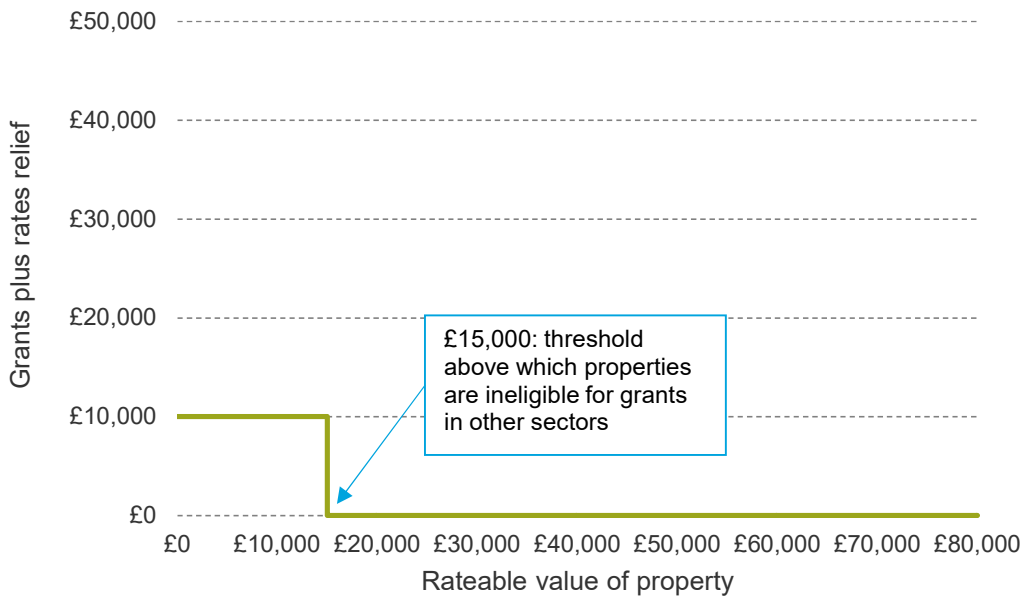
⁸ Those occupying properties with a value between £12,001 and £15,000 are entitled to partial SBRR.

Figure 2. Value of total support from expanded reliefs and grant schemes for properties in retail, hospitality and leisure sectors, by rateable value



Note: Assumes the occupier is eligible for SBRR (see main text for eligibility criteria).

Figure 3. Value of total support from expanded reliefs and grant schemes for properties in other sectors, by rateable value



Note: Assumes the occupier is eligible for SBRR (see main text for eligibility criteria).

3. What do rateable values imply for support in different LA areas?

The features of the schemes described above, combined with geographical differences in property prices and rents and sectoral composition, mean that different amounts of support are being provided to businesses in different parts of the country.

The differences in rateable value and sectoral composition are illustrated in Figures 4–7, which break down properties in each LA area into the following categories:

- 1. Rateable value of £15,000 or less** Excluding parking and other types of properties explicitly excluded from support, there are 1.3 million properties in England with a rateable of £15,000 or below, making up around 70% of all such properties. Approximately 0.75 million are in receipt of SBRR (the rest either being ineligible, or otherwise not claiming the relief). Most (but not all) of these will be eligible for the SBGF. Around 0.5 million are in the retail, hospitality and leisure sectors. Most (but not all) of these will be entitled to either the SBGF or the RHLGF and, if not already covered by SBRR, will be entitled to full rates relief via the expanded retail discount.
- 2. Retail, hospitality or leisure sector with rateable value between £15,000 and £51,000** Based on their classification and rateable value, around 0.15 million properties in England (8.2%) may be eligible for the larger £25,000 grant through the RHLGF. These will also be newly eligible for 100% rates relief.
- 3. Retail, hospitality or leisure sector with rateable value of at least £51,000** A further 84,000 properties (4.5%) have rateable values of at least £51,000, making them ineligible for any grant funding. However, they will benefit from 100% rates relief, saving the occupiers of most of these at least £26,112 in business rates in 2020–21.
- 4. Other sectors with rateable value over £15,000** The remaining 0.34 million non-domestic properties in England (18%) will receive no support through either of the grant funding schemes, and will not be eligible for any additional rates relief. (They may be eligible for existing reliefs such as charities relief or empty properties relief though.)

The figures show clear differences in the proportions of properties in each category across the country. In particular:

- The proportion of properties with a rateable value of £15,000 or below, and hence potentially eligible for a £10,000 grant under the SBGF or RHLGF, is under a third in both Westminster and Kensington & Chelsea, and under 50% in four additional London boroughs (Camden, Hammersmith & Fulham, Islington and Richmond-upon-Thames) as well as Cambridge and Oxford. More generally, the share of properties potentially eligible for this grant is relatively low in London and its environs, where property values and rents are relatively high. In contrast, over 80% of properties have a rateable value of £15,000 or less in 40 LA areas. These are concentrated in coastal areas, the Lake District and parts of Lancashire and Yorkshire, where there are many smaller low-value properties, in many cases in the hospitality sector (such as holiday homes).

Figure 4. Share of properties that are in any sector and have rateable value of at most £15,000

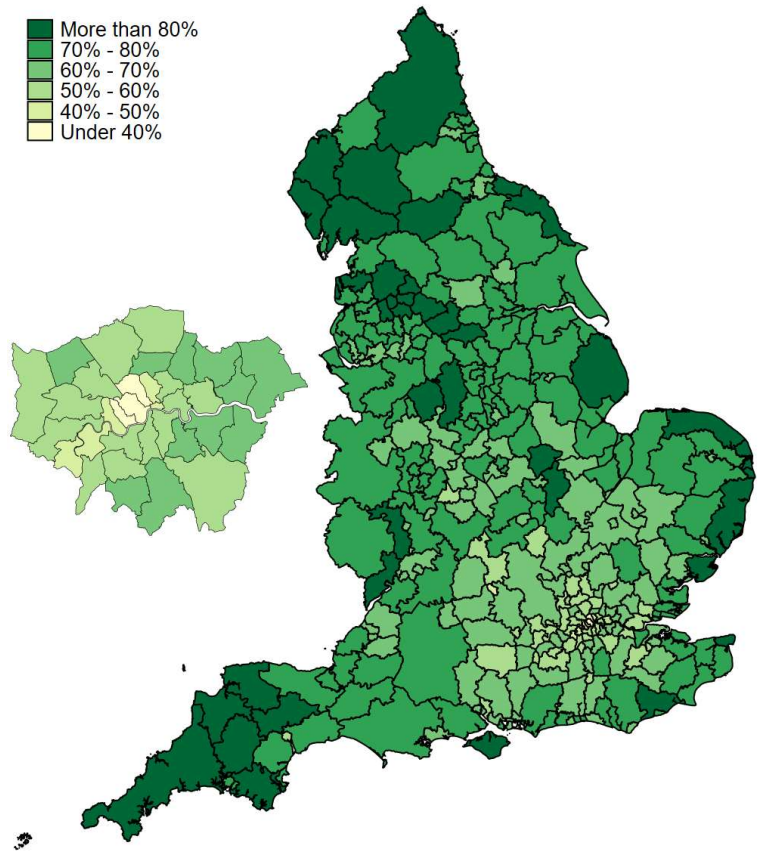
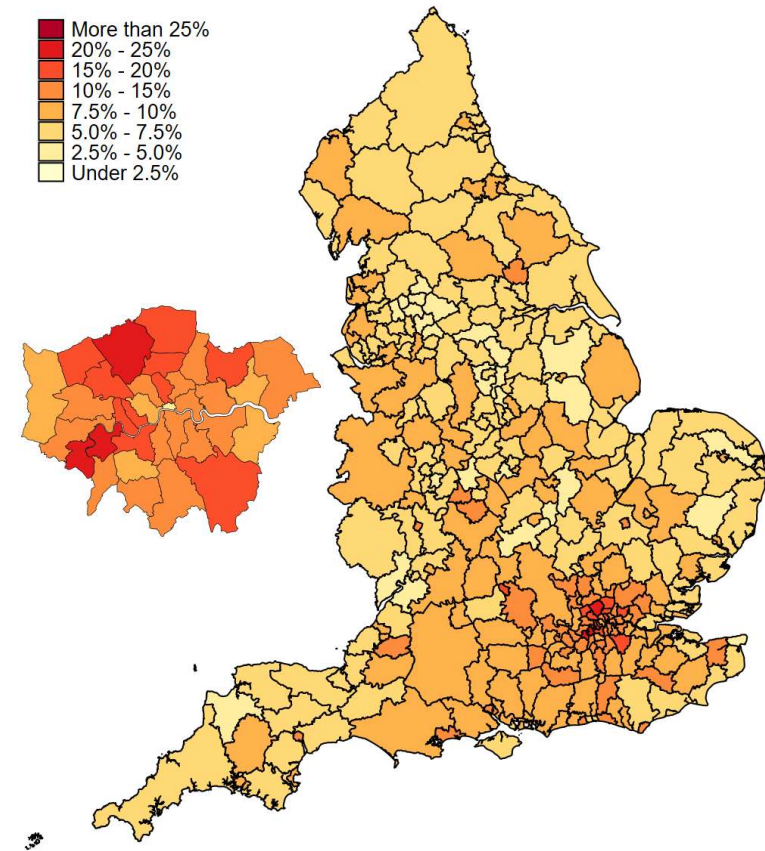


Figure 5. Share of properties that are in the retail, hospitality or leisure sector, rateable value £15,000-£51,000



Note: Excludes properties that were zero-rated or ineligible for grant funding based on their sector description (e.g. car parking, moorings). Estimation of which are included in retail, hospitality and leisure sectors based on sector description and government guidance on eligibility for the expanded retail discount. This includes those identified by the LGA as potentially eligible despite not being explicitly mentioned in MHCLG guidance. See <https://www.local.gov.uk/coronavirus-business-rates-relief-hospitality-and-leisure-sector>. Source: VOA ratings list, downloaded 20 March.

Figure 6. Share of properties that are in the retail, hospitality or leisure sector, rateable value of at least £51,000

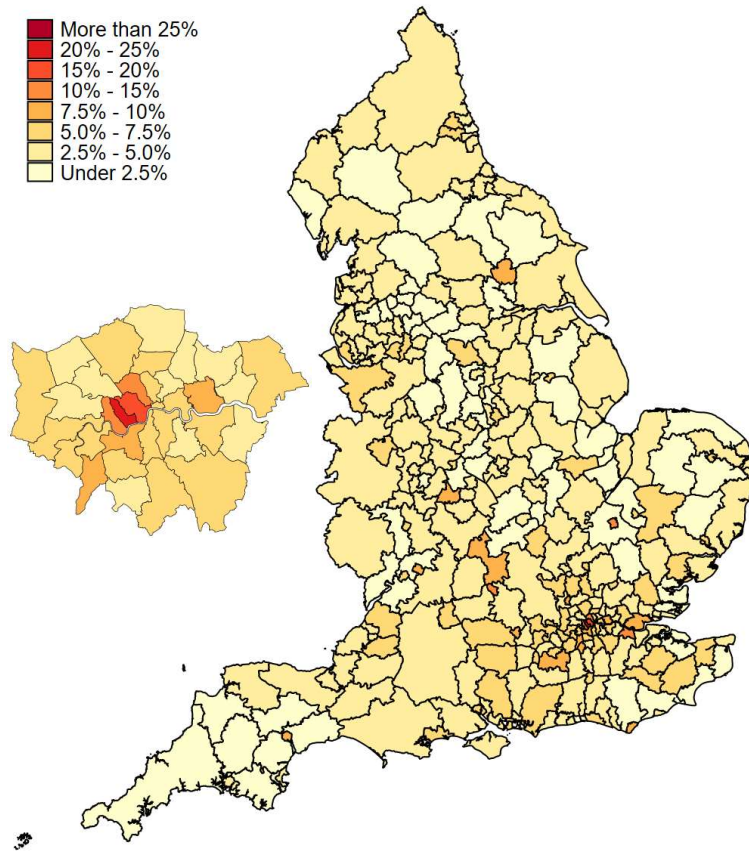
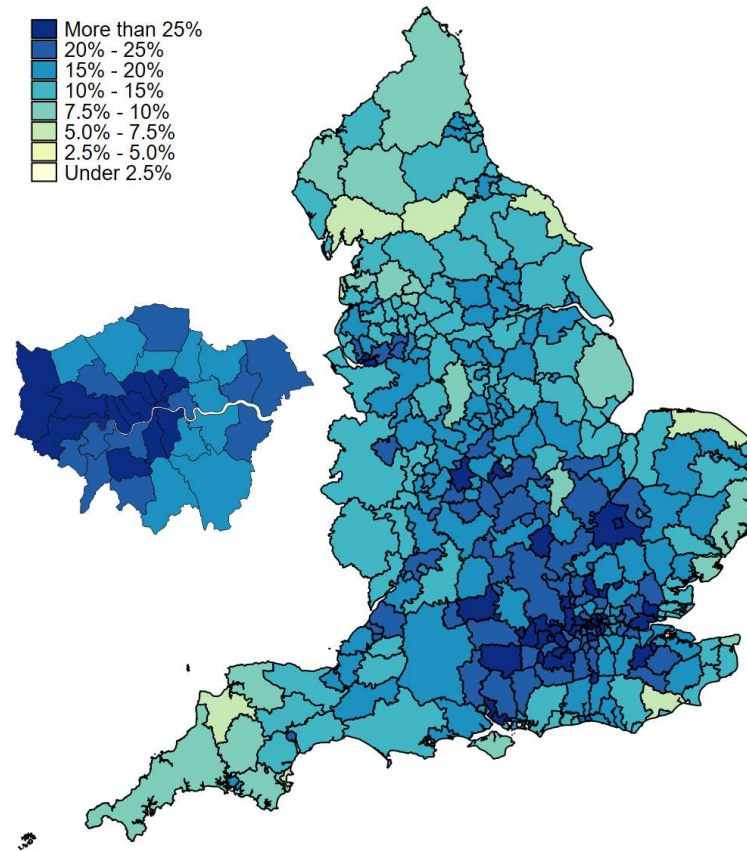


Figure 7. Share of properties that are in other sectors, rateable value over £15,000



Note: Excludes properties that were zero-rated or ineligible for grant funding based on their sector description (e.g. car parking, moorings). Estimation of which are included in retail, hospitality and leisure sectors based on sector description and government guidance on eligibility for the expanded retail discount. This includes those identified by the LGA as potentially eligible despite not being explicitly mentioned in MHCLG guidance. See <https://www.local.gov.uk/coronavirus-business-rates-relief-hospitality-and-leisure-sector>. Source: VOA ratings list, downloaded 20 March.

- The share of properties that are potentially eligible for the £25,000 RHLGF is highest in parts of London (exceeding 20% in Barnet and Richmond-upon-Thames), as well as nearby towns and cities where property values and rents are relatively high – such as Brighton, Cambridge, Oxford, St Albans and parts of Surrey. It is below 5% in 29 LA areas, with a particular concentration in parts of Lancashire and Yorkshire where low values and rents mean a particularly high proportion of properties have values of £15,000 or below. Further south, it is more likely to be due to having a relatively high proportion of properties being in other sectors (e.g. offices, industrial or public sector properties) and therefore ineligible for grants or reliefs if their rateable value is over £15,000.
- The share of properties that are potentially eligible for the expanded retail discount but ineligible for the RHLGF is highest in Kensington & Chelsea (22%) and Westminster (16%), reflecting the high property values and rents in these areas. Other LAs with a high share of properties in these categories include relatively affluent towns and cities with significant retail sectors (such as Cambridge, Kingston-upon-Thames, Guildford, Oxford and York), and those housing major shopping centres such as Cherwell ('Bicester Village'), Dartford ('Bluewater'), Hammersmith & Fulham ('Westfield London'), Newham ('Westfield Stratford) and Thurrock ('Lakeside'). In contrast, in many rural areas, as well as more urban parts of Lancashire and Yorkshire, fewer than 2.5% of all properties are in this category.
- The share of properties in other sectors and with a rateable value of over £15,000 – and hence ineligible for the main COVID-19 relief or grant schemes – is highest in London and its environs, reflecting high property values and rents. Of the 40 LAs where such properties account for more than 25% of all properties, for example, only three are outside London, the East or South East. The share of such properties is lowest in more rural tourist areas, where relatively more properties are in the hospitality sector in particular and large properties in other sectors are relatively rare. These include the Isles of Scilly (3.3%), Scarborough on the Yorkshire coast (5.6%), North Norfolk (6.3%) and Torridge in Devon (6.4%).

Table 1 summarises the results for each region of England, illustrating the clear difference between London and the rest of the country, and the somewhat smaller differences between the East and South East of England and other regions of England further away from London.

Taken together, these patterns mean that businesses occupying properties in London and its environs are less likely to receive coronavirus-related business rates reliefs and especially grant funding than businesses elsewhere in the country, and particularly than in rural and tourist-focused areas. This reflects the higher rateable values in the former areas, which means both high-value retail, hospitality and leisure properties that are eligible for reliefs but not grants, and properties in other sectors with a value of more than £15,000 that are eligible for no support, make up a larger fraction of all properties. However, these higher rateable values mean retail, hospitality and leisure properties in London and its environs are more likely to be eligible for £25,000 rather than £10,000 grants, and will receive more in the way of rates relief.

Table 1. Share of properties in each category by rateable value and sectoral composition, by region

Region	Rateable value £15,000 or below	RHL sector with rateable value between £15,000 and £51,000	RHL sector with rateable value at least £51,000	Other sectors with rateable value over £15,000
North East	76.1%	6.7%	3.7%	13.4%
Yorkshire and Humber	75.8%	6.3%	3.5%	14.4%
North West	75.4%	6.6%	3.6%	14.3%
South West	74.6%	7.6%	3.8%	14.1%
East Midlands	74.2%	6.7%	3.4%	15.7%
West Midlands	72.3%	6.9%	3.7%	17.0%
East of England	69.7%	7.9%	4.0%	18.4%
South East	65.7%	9.3%	5.0%	20.0%
London	51.1%	12.7%	7.7%	28.5%
England	69.1%	8.2%	4.5%	18.2%

Note: RHL = retail, hospitality and leisure. Excludes properties that were zero-rated or ineligible for grant funding based on their sector description (e.g. moorings, car parking). Estimation of which are included in retail, hospitality and leisure sectors based on sector description and government guidance on eligibility for the expanded retail discount. This includes those identified by the LGA as potentially eligible despite not being explicitly mentioned in MHCLG guidance. See <https://www.local.gov.uk/coronavirus-business-rates-relief-hospitality-and-leisure-sector>.

Source: VOA ratings list, downloaded 20 March.

How many retail, hospitality and leisure properties might be eligible for grants of different sizes?

The ratings list kept by the VOA suggests that a total of around 735,000 properties in the retail, hospitality and leisure sectors could be eligible for COVID-19 related support – although not all of these will actually be eligible.⁹ Based on their rateable values alone, across England as a whole, 67.8% of these properties may be eligible for a £10,000 grant and a further 20.8% for a grant of £25,000. This leaves 11.4% which will definitely be ineligible for grant funding.

⁹ Based on sector category description as recorded in the VOA ratings list and guidance on eligibility for the expanded retail discount. Excludes properties that are ineligible for grant funding based on their sector description (e.g. moorings, car parking) or that were zero-rated. Also excludes properties listed under 'retail – financial and other A2 uses'; while most will be ineligible, some of these will be eligible for grants (and relief), but it is not possible to identify these based on the categories in the VOA data. Includes empty properties, which will not be eligible for grants; whether a property is empty or occupied is not recorded in the VOA data.

However, these proportions vary significantly across the country, as illustrated in Table 2 and Figures 8–10.

Table 2, for example, shows that in the North East, North West, Yorkshire & Humber and the South West – the regions with the lowest average rateable values – three-quarters of retail, hospitality and leisure properties have a rateable value that means they could be eligible for a grant of £10,000, while only one in six could expect grants of £25,000 and fewer than one in ten expect no grant funding at all. In contrast, in London, where rateable values are much higher, one in three have a rateable value such that they could receive the largest grant of £25,000, but more than one in five are above the upper threshold for grant eligibility.

Figures 8–10 illustrate the variation across LAs. Figure 8 shows, for example, that over 80% of properties in these sectors have a rateable value of £15,000 or below – making them potentially eligible for a £10,000 grant – in large parts of the far north of England, the Pennines region, coastal East Anglia and Devon and Cornwall. These are areas with low property values and/or high numbers of small properties, often providing tourist accommodation. In contrast, under 20% have a rateable value in this range in Camden, the City of London, Kensington & Chelsea and Westminster. And apart from these extreme examples, in 18 other LA areas in London and its environs, fewer than 50% of properties in these sectors have a rateable value making them potentially eligible for a £10,000 grant.

Table 2. Share of retail, hospitality and leisure properties in each rateable value band, by region

Region	£15,000 or below	£15,000 to £51,000	At least £51,000
Yorkshire and Humber	75.5%	15.8%	8.7%
North East	75.2%	16.0%	8.9%
South West	74.9%	16.8%	8.3%
North West	74.6%	16.5%	8.9%
East Midlands	73.5%	17.7%	8.8%
West Midlands	71.8%	18.3%	9.9%
East of England	69.0%	20.6%	10.3%
South East	62.8%	24.2%	13.0%
London	45.9%	33.7%	20.5%
England	67.8%	20.8%	11.4%

Note: Excludes properties that were zero-rated or ineligible for grant funding based on their sector description (e.g. moorings, car parking). Estimation of which are included in retail, hospitality and leisure sectors based on sector description and government guidance on eligibility for the expanded retail discount. This includes those identified by the LGA as potentially eligible despite not being explicitly mentioned in MHCLG guidance. See <https://www.local.gov.uk/coronavirus-business-rates-relief-hospitality-and-leisure-sector>.

Source: VOA ratings list, downloaded 20 March.

Figure 8. Share of retail, hospitality and leisure properties that have rateable value of at most £15,000

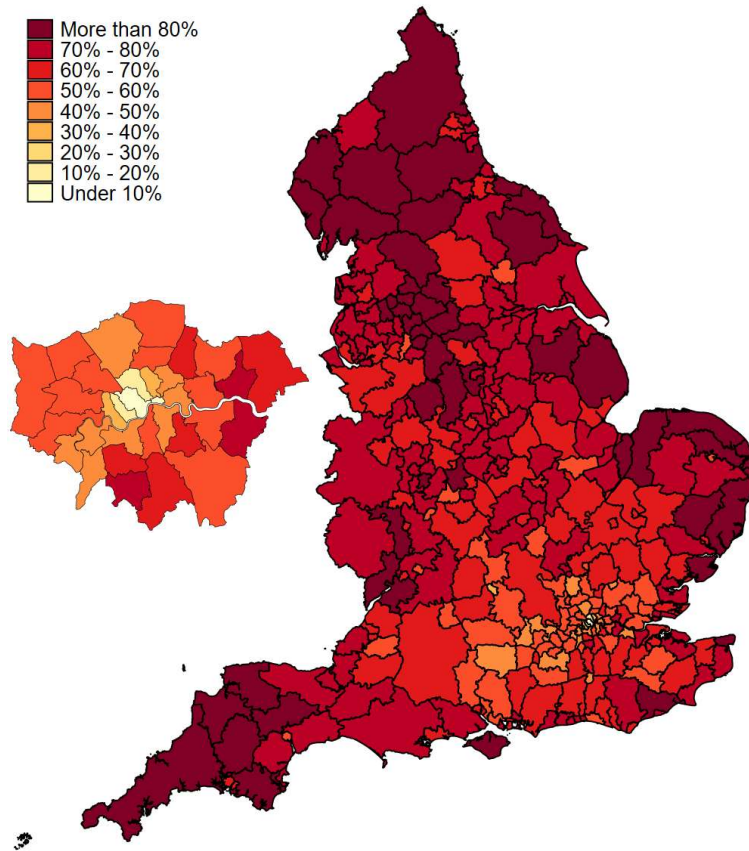
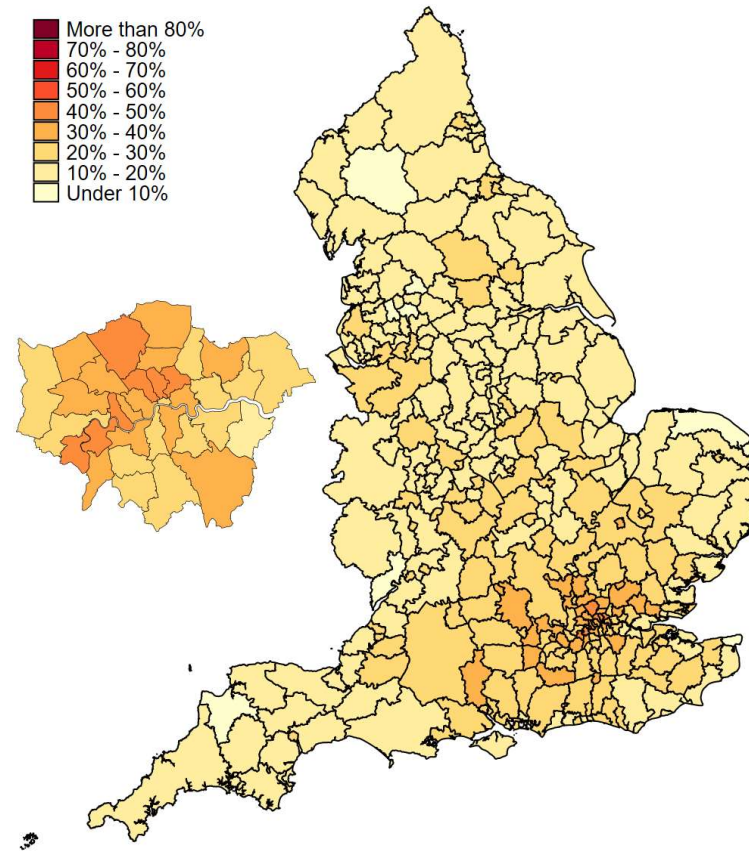
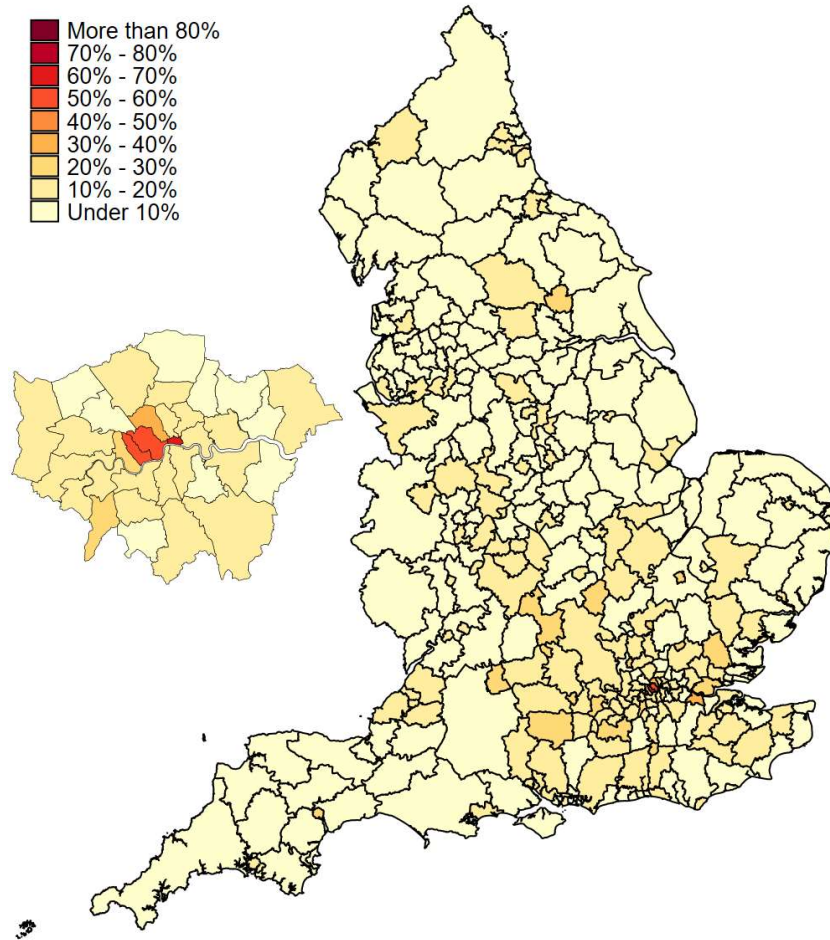


Figure 9. Share of retail, hospitality and leisure properties that have rateable value between £15,000 and £51,000



Note: Excludes properties that were zero-rated or ineligible for grant funding based on their sector description (e.g. car parking, moorings). Estimation of which are included in retail, hospitality and leisure sectors based on sector description and government guidance on eligibility for the expanded retail discount. This includes those identified by the LGA as potentially eligible despite not being explicitly mentioned in MHCLG guidance. See <https://www.local.gov.uk/coronavirus-business-rates-relief-hospitality-and-leisure-sector>. Source: VOA ratings list, downloaded 20 March.

Figure 10. Share of retail, hospitality and leisure properties that have rateable value of at least £51,000



Note: Excludes properties that were zero-rated or ineligible for grant funding based on their sector description (e.g. moorings, car parking). Estimation of which are included in retail, hospitality and leisure sectors based on sector description and government guidance on eligibility for the expanded retail discount. This includes those identified by the LGA as potentially eligible despite not being explicitly mentioned in MHCLG guidance. See <https://www.local.gov.uk/coronavirus-business-rates-relief-hospitality-and-leisure-sector>.

Source: VOA ratings list, downloaded 20 March.

On the other hand, Figure 9 shows that the LAs with the share of retail, hospitality and leisure properties with rateable values making them potentially eligible for £25,000 grants is highest in London and its environs: the only LA outside London, the East and South East in the top 50 LAs for this measure is Solihull, an affluent suburb of Birmingham, ranked 45th.

And Figure 10 shows that over half of properties in these sectors are ineligible for grants because their rateable value is at least £51,000 in the City of London, Kensington & Chelsea and Westminster. Most of the 21 other LAs where the share exceeds 20% are affluent towns and cities in the East and South East of England (e.g. Cambridge, Guildford, Milton Keynes, Oxford) or contain major shopping centres (e.g. Cherwell, Dartford, Thurrock).

How could different thresholds for eligibility equalise levels of support across the regions of England?

Of course, in the same areas where high rateable values mean low grant eligibility, they also mean that rates reliefs are more valuable. In other words, occupiers of retail, hospitality and leisure properties in expensive Westminster may be less likely to receive a grant, but the rates relief they are receiving is likely to be much higher too – an issue we examine shortly.

However, grants and rates relief differ in a crucial respect. That is that grants are being paid as fast as LAs can process them, and are therefore providing immediate support to businesses' cash flow. In contrast, the expanded reliefs are providing support in smaller instalments over the course of the year, as eligible businesses no longer have to pay their monthly business rates bills.

The use of national thresholds (of £15,000 and £51,000) to determine grant eligibility despite large differences in rateable values across the country therefore means the immediate support to businesses' cash flow being provided by the government varies significantly across the country. Businesses in areas where rateable values mean grant funding is less generous (i.e. because rateable values are especially low) or unavailable (i.e. because rateable values are especially high) may be more likely to suffer cash-flow problems than businesses elsewhere in the country.

An alternative approach that could help reduce this issue – albeit at the cost of some greater complexity – would be to set different thresholds for grant eligibility in different parts of the country, to reflect differences in rateable value distributions.

Table 3 shows an example of such a scheme, setting separate thresholds for each of the nine official regions of England (as well as separate thresholds for inner and outer London) so that the same proportion of properties in each is potentially eligible for a £10,000, £25,000 or zero grant. It shows that apart from London and to a lesser extent the South East, the thresholds required in each of the other regions of England would be relatively close, and below the existing national thresholds. Reducing thresholds in these ways would reduce the share of properties eligible for at least some grant in these regions (because of the lowering of the upper threshold for the £25,000 grant), but a larger share of those eligible for grants would receive the larger grant (because of the lowering of the lower threshold for the £25,000 grant). Thus, the mean grant paid to retail, hospitality and leisure sector properties in these regions would rise.

In contrast, the grant eligibility thresholds required for London (and especially inner London, if that were treated separately from outer London) would be much higher than the national thresholds currently used. Using these would mean that a higher share of properties (89% as opposed to 80%) in the capital would be potentially eligible for at least some grant funding, although a substantially lower fraction would be entitled to the £25,000 grant than at present (21% as opposed to 34%). Thus, the mean grant paid to retail, hospitality and leisure sector properties in London would fall.

Of course, other reforms to the schemes would be possible. If it were felt that having different thresholds for each region was too complicated, grouping areas into three

groups (e.g. inner London, outer London and the South East, and the rest of England¹⁰) would be simpler but still get us much closer to equal proportions of properties qualifying for different amounts of grant support across the country. On the other hand, the use of different thresholds in different regions could also be accompanied by a more gradual tapering into and out of grant support, as discussed in Section 2. This would be more complicated than the example illustrated in Table 3 but would avoid inequitable and potentially distortive ‘cliff edges’ in support.

Differences in when operating restrictions are relaxed (e.g. most retail is able to open from 15 June, but restaurants and bars will still be closed), the speed with which demand recovers following reopening, and rateable value distributions (see the appendix) may also warrant consideration of different levels of support being provided to different subsectors of the retail, hospitality and leisure sectors in future.

Table 3. Counterfactual thresholds that would equalise the proportion of properties in the retail, hospitality and leisure sectors eligible for each grant

Region	Threshold below which properties would be eligible for:	
	£10,000 grant	£25,000 grant
Yorkshire and Humber	£11,250	£37,500
North East	£11,250	£39,000
South West	£11,500	£36,500
North West	£11,500	£39,250
East Midlands	£12,250	£39,250
West Midlands	£13,000	£43,750
East of England	£14,500	£46,500
South East	£18,000	£59,500
London	£29,250	£97,000
<i>Of which: inner London</i>	£47,500	£146,000
<i>outer London</i>	£19,750	£54,000
England	£15,000	£51,000

Note: Thresholds above which at least 68% of properties in the retail, hospitality and leisure sectors would be eligible for a £10,000 grant, and a further 21% for the £25,000 grant, matching the shares across England that are eligible using the current national thresholds.

Source: Authors’ calculations based on VOA ratings list, downloaded 20 March.

¹⁰ As with so-called ‘area cost adjustments’ used in local government funding – which depend in part on differences in rateable values – it would also be possible to assign some LAs in both the East and South East to the middle group, with others (further away from London) assigned to the rest-of-England category.

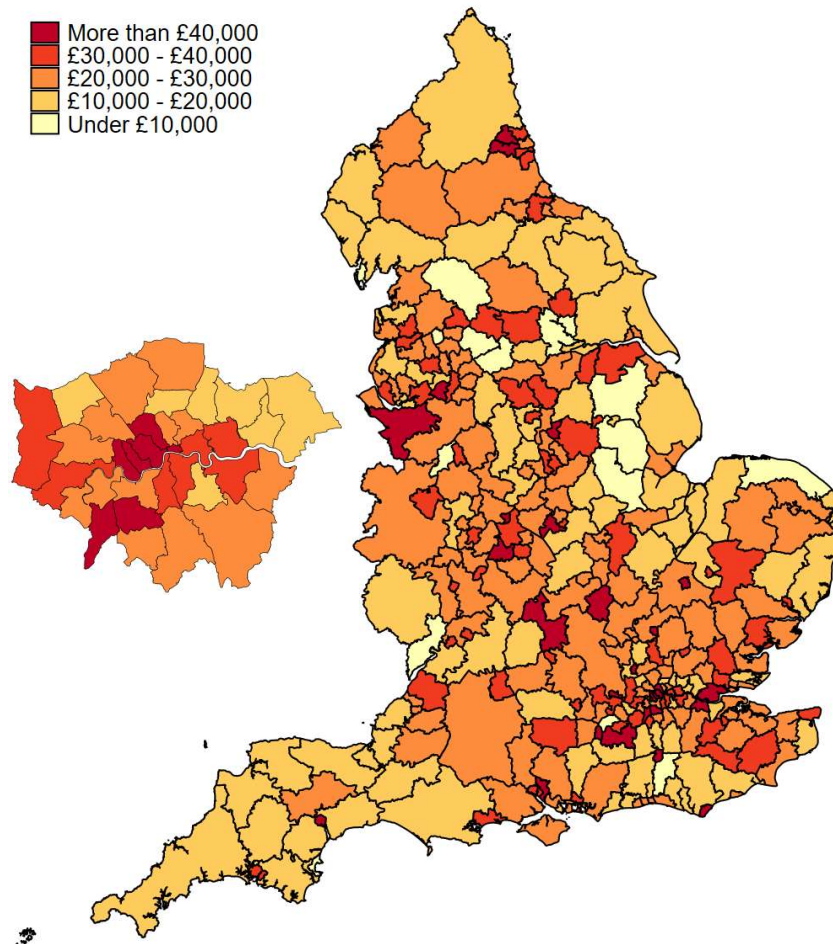
How much rates relief are businesses getting?

The amount of rates relief businesses occupying properties in the retail, hospitality and leisure sectors will receive unambiguously increases with rateable values. This is not only because business rates are calculated as a proportion of the rateable value of a property; many of the more than two-thirds of such properties that have a rateable value of less than £15,000 would have already been entitled to SBRR.

Figure 11 shows the mean amount of relief per property receiving the expanded retail discount, by LA area.

The mean for England as a whole is £28,227, but in one in ten LA areas the mean is less than half this, at £14,000 or less, while in another one in ten LA areas it is more than 50% higher, at £38,000 or more. Areas with low mean relief amounts are typically rural, and include many coastal and tourist areas, such as North Norfolk, West Lindsey and North

Figure 11. Mean value of expanded retail discount per property in receipt of the discount



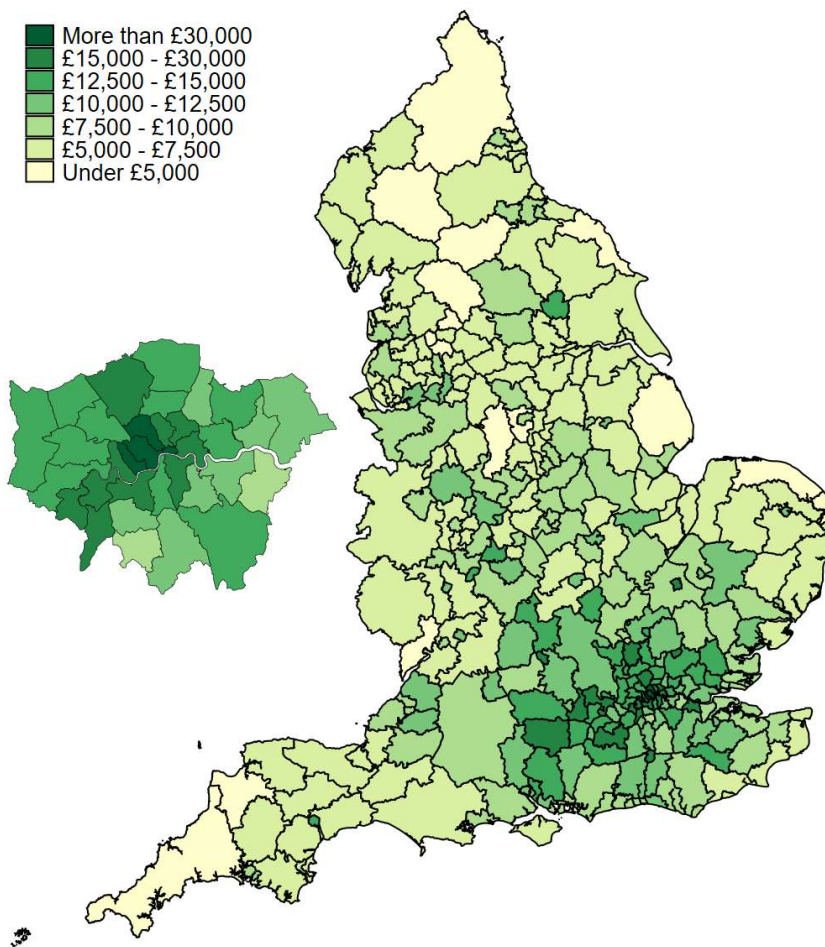
Note: Total cost of the expanded retail discount, divided by the number of hereditaments eligible for the discount at 1 April 2020. For some authorities, this includes the cost of increasing the retail discount from 33% to 50%, as announced in January 2020, as well as the further increase from 50% to 100% and significant expansion of eligibility in response to the coronavirus crisis.

Source: MHCLG statistics. Additional NNDR data collection exercise, April 2020 (revised).

and South Kesteven in Lincolnshire, and Torbay in Devon. Areas with high mean relief amounts are typically LAs with major retail centres, including several in the North such as Cheshire West & Chester, Gateshead, Newcastle-upon-Tyne and Trafford. The highest is Westminster, however, with a mean relief of £127,400 and a total cost of reliefs of £943 million – over 9% of the total for England, despite Westminster containing just 1.3% of properties in the retail, hospitality and leisure sector (although these represent 8.2% of all rateable value).

However, these means can be affected by the value of a relatively small number of particularly large and valuable properties (such as department stores and major holiday parks). They also exclude the value of reliefs that properties were already enjoying, for example, via SBRR.

Figure 12. Median rateable value of properties in retail, hospitality and leisure sectors



Note: Excludes properties that were zero-rated or ineligible for grant funding based on their sector description (e.g. moorings, car parking). Estimation of which are included in retail, hospitality and leisure sectors based on sector description and government guidance on eligibility for the expanded retail discount. This includes those identified by the LGA as potentially eligible despite not being explicitly mentioned in MHCLG guidance. See <https://www.local.gov.uk/coronavirus-business-rates-relief-hospitality-and-leisure-sector>.

Source: VOA ratings list, downloaded 20 March.

Figure 12 shows how the median rateable value of properties – which is not distorted by either outliers or existing reliefs – varies across LA areas. It shows that the median value of properties – and hence the median value of reliefs – is generally highest in London and surrounding areas, and lowest in rural and coastal areas, as well as some more urban parts of the North. The median retail, hospitality and leisure property in Westminster has a rateable value of £70,000, for example, entitling it to rates relief of almost £36,000 (but making it ineligible for grant funding, as discussed above). Outside London, the LAs with the highest median rateable values are Cambridge and Oxford: both £22,000, implying median relief of just under £11,000. The areas with the lowest median rateable values are tourism-focused Great Yarmouth (£3,250), Torrington (£3,600) and Richmondshire (£4,000). Across England as a whole, the median property has a rateable value of £8,900, and so may be entitled to rates relief of at most £4,417, as this may have already been covered by the existing SBRR scheme.

4. How has the grant scheme been working so far?

We now turn to examine the properties identified as actually being eligible for grants by LAs and the grants that have been paid out up to and including 7 June.

Actual eligibility differs from potential eligibility given the conditions occupiers have to satisfy to be eligible for grants: if they are outside the retail, hospitality and leisure sectors, they have to be claiming SBRR; and they must not be using the properties for 'personal use' (such as private stables, moorings or beach huts). In addition, retail, hospitality and leisure sector properties are only eligible for the RHLGF if they are generally open to the public. LAs are responsible for applying and interpreting these rules, and may be applying them with differing degrees of stringency.

The Department for Business, Energy and Industrial Strategy (BEIS) allocated funding to pay for the grants to LAs in advance, based on unpublished estimates of grant eligibility. Differences between these estimates and LAs' decisions on actual eligibility will mean that top-ups to and clawbacks of the initial funding provided to different LAs will be needed to avoid unfair shortfalls or windfall gains.

How many properties do authorities estimate are eligible for grant funding?

As of 7 June, LAs estimated that 954,517 properties would be eligible for grant funding. This is 48% of all non-domestic properties in England and 67% of those whose sector and rateable value are such that they could potentially be eligible for a grant.

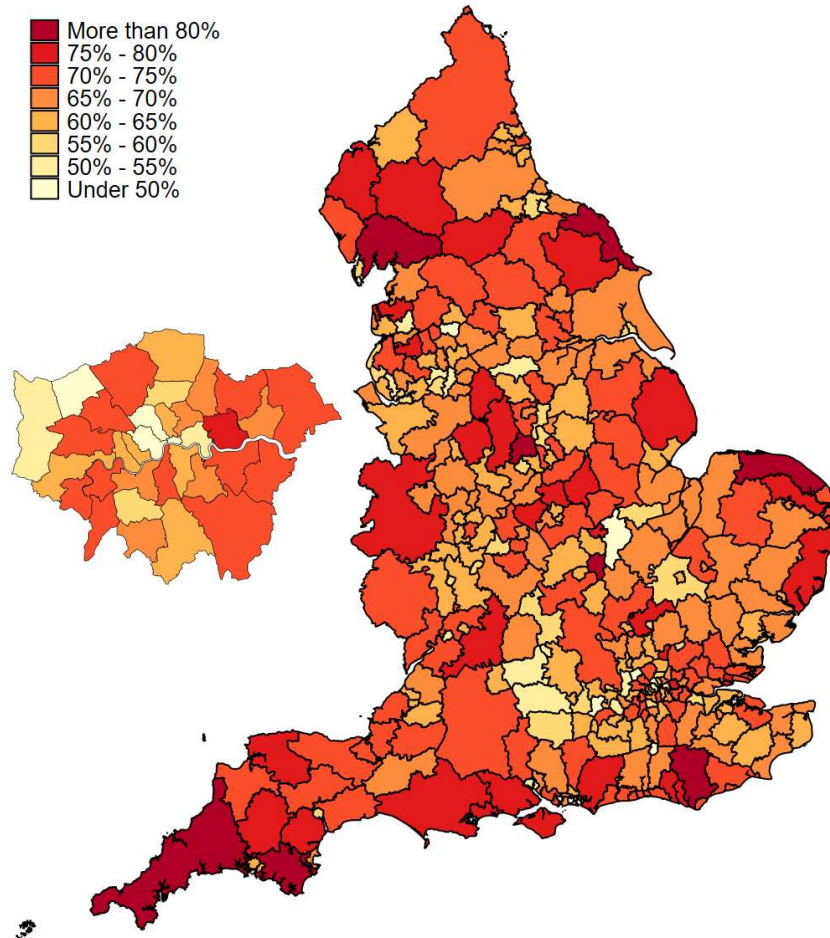
In a tenth of LAs, fewer than 37% of all properties have been deemed eligible for grants, while in another tenth of LAs it is more than 62%. These patterns are driven largely by the distribution of rateable values and the sectoral composition of properties. In line with the analysis of the previous section, properties in London and its environs, where property values and rents are relatively high, are least likely to have been identified as eligible for grant funding. Rural and tourist areas with a high share of properties in the retail, hospitality and leisure sectors have the highest shares that are eligible. In Cornwall and in South Lakeland, for example, holiday homes make up fully 28% of all non-domestic properties, pushing up the overall share of non-domestic properties that are eligible for grants.

Overall, variation in rateable value and high-level sector explains approximately 70% of the variation in the proportion of properties that are eligible for grant funding. But there is also significant variation in the share of properties whose sector and rateable value are such that they could *potentially* be eligible for grants that LAs have identified as *actually* being eligible for grants. In one in ten LA areas it is less than 57% and in another one in ten it is more than 76%.

This is illustrated geographically in Figure 13. It shows that LAs where a higher share of properties potentially eligible are actually eligible are concentrated in rural and tourist-focused areas including Cornwall, Devon, Dorset, parts of the east coast, the Lake District

and the Peak District. This reflects the high concentration of properties in the hospitality sector in these areas, making them eligible for grant funding even if they are not entitled to SBRR. In contrast, areas where actual eligibility is low relative to potential eligibility are especially concentrated in inner London, Berkshire, Greater Manchester and a range of urban and suburban LAs across the country. To some extent, this reflects the high share of properties from the office, industrial and other sectors among properties with a rateable value low enough to be potentially eligible for grant funding: such properties are only actually eligible if the occupier is entitled to SBRR.

Figure 13. Share of properties potentially eligible based on sector and rateable value which LA has identified as actually eligible



Note: Number of hereditaments that had been identified as in scope by local authority as of 7 June, as a percentage of the total number of hereditaments listed in the VOA data (downloaded 20 March) that were potentially eligible for either SBGF or RHLGF based on their sector and rateable value.

Source: BEIS transparency data covering payments made to 7 June, <https://www.gov.uk/government/publications/coronavirus-grant-funding-local-authority-payments-to-small-and-medium-businesses>; VOA ratings list, downloaded 20 March.

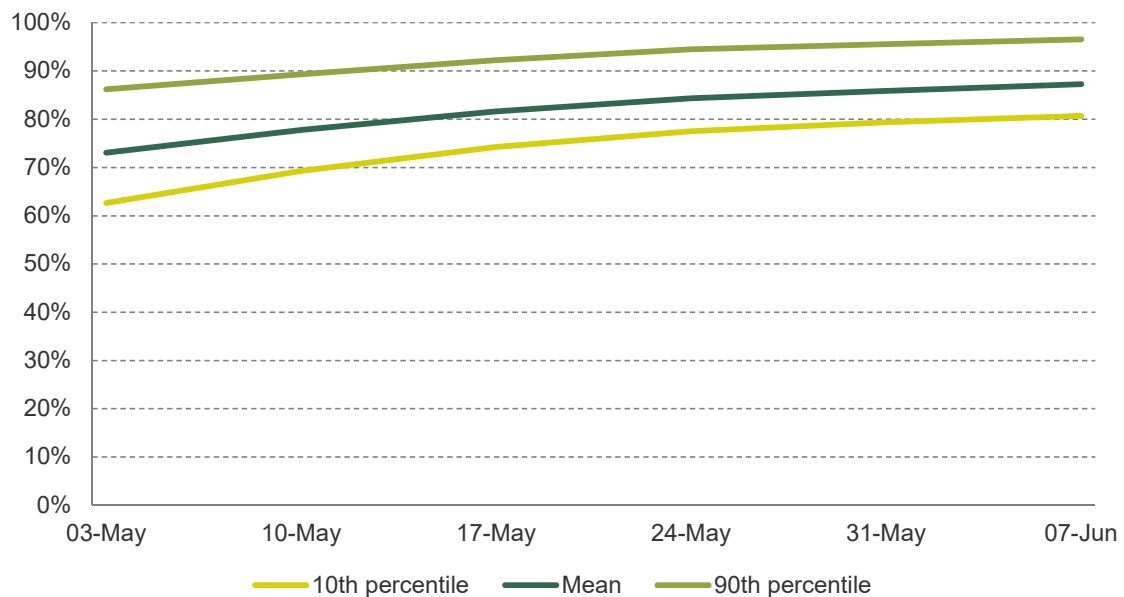
How many grants have been paid out?

As of 7 June, 832,595 properties had received grant payments: 87.2% of those identified as eligible. This is up from 85.9% the previous week, and 73.1% at the start of May.

The pace with which grants have been paid out varies across LAs. In one in ten, more than 96.6% of occupiers of properties deemed eligible have received grants (and it is more than 99% in 12 LAs). In another one in ten, it is less than 80.7% (and less than three-quarters in East Suffolk, Sandwell and Wealden). These gaps have narrowed only slightly since the start of May, as LAs that were initially slower in paying out grants have only been very slowly catching up with those that were quicker, as shown in Figure 14.

Local authorities in which a larger number and proportion of properties have been identified as eligible have, on average, been slower in paying out grants. LAs where a larger share of properties are in the industrial, utilities, warehousing or public sectors, or are in the retail, hospitality and leisure sectors but are likely to be ineligible (such as beach huts, moorings, parking and stables), have also been slower. In both instances, this suggests the volume and complexity of LAs' workload in confirming eligibility and paying grants out has affected the speed of payments. However, even taken together, these factors explain only 25% of the variation in the proportion of grants paid out. This suggests that some LAs have been more cautious in authorising payments and/or had less capacity and/or been less efficient at making payments swiftly.

Figure 14. Share of properties identified as in scope for grants which had received payments



Note: Number of properties that had received payments by the given date, as a percentage of the number identified as being eligible as of 7 June.

Source: BEIS transparency data covering payments made as of 7 June, <https://www.gov.uk/government/publications/coronavirus-grant-funding-local-authority-payments-to-small-and-medium-businesses>.

How much will LAs pay out in grants, and how does this compare with the funding they have been allocated?

The amount LAs will pay out in grants in total will depend on whether all outstanding grants are actually paid, as well as the proportions that are £10,000 and £25,000 grants. If, for example, the proportions are the same as they are so far for each LA, we estimate that the total value of grants will amount to £11.7 billion if all outstanding grants are paid, around £0.6 billion less than the total funding allocated to the grant scheme (£12.3 billion). In order to exceed its initial budget, outstanding grants would need to average £17,271 (implying 48% would have to be £25,000) as opposed to an average so far of £12,284 (meaning 15% have been £25,000). On the other hand, if all outstanding grants were £10,000, the scheme would cost £0.9 billion less than budgeted for.

However, the picture differs across LAs, which were allocated funding up front based on estimates by BEIS of the proportion of properties eligible for grants in each LA area. While BEIS has committed to fund the scheme in full by topping up allocations for LAs that overspend these initial allocations, it is worth examining the number and characteristics of LAs that are likely to find themselves under- or over-spending in each of these situations.

Figure 15 splits LAs into four groups: (a) those that will spend more than their initial allocations even if all remaining grants are £10,000; (b) those that would spend more if the average grant value were the same as the average so far; (c) those that would spend less if the average grant value were the same as the average so far; and (d) those that will spend less even if the average grant value for those still to be paid were the maximum £25,000.

The figure shows that around one in five LAs will overspend their initial allocations even if all their remaining grants are £10,000, with a particular concentration of these in inner London and in the Home Counties. Another one in four LAs will underspend their initial allocations even if all their remaining grants are the maximum £25,000, with a particular concentration of these on the coasts of South East and Eastern England, as well as Worcestershire, Teesside and Durham. These geographic patterns suggest systematic biases in BEIS's estimates of grant eligibility – with underestimates more likely in areas with high rateable values, and overestimates in areas where a particular type of hospitality property is common – beach huts, an issue we discuss more below.

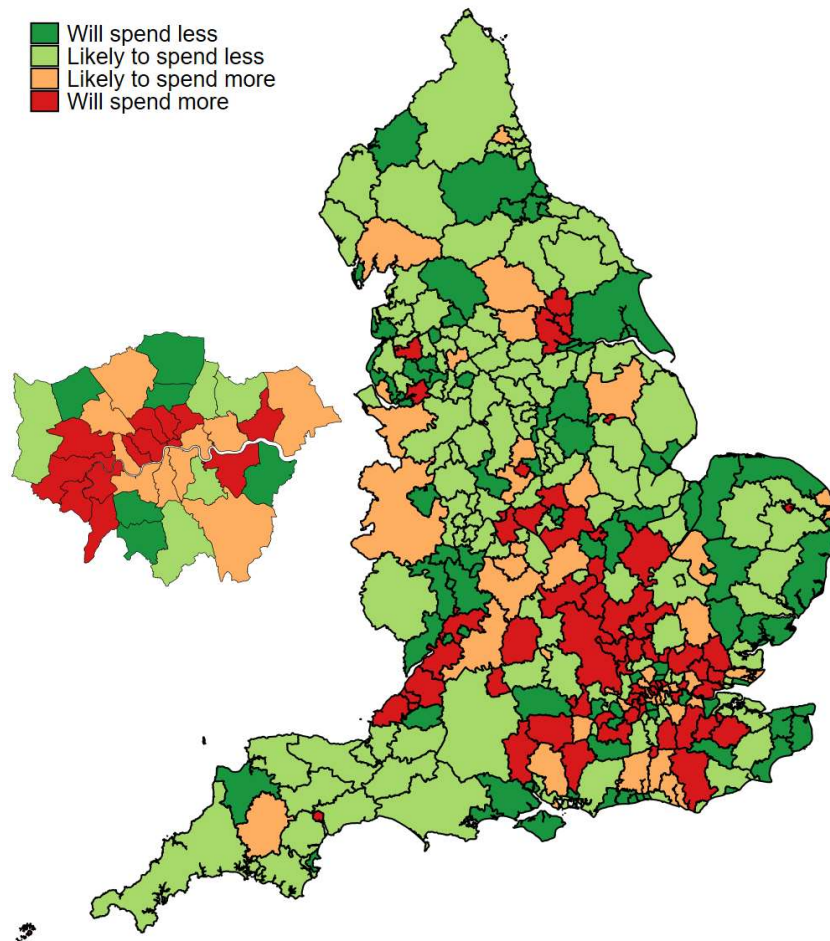
Figure 16 shows how much each LA would under- or over-spend relative to its initial allocation if the average grant value outstanding is the same as the average grant value so far. On this basis, around one-third of LAs would spend more than their initial allocation, requiring a top-up, while two-thirds would spend less. However, in a majority of cases, these 'under- and over-spends' would be relatively modest: equivalent to 10% or less of initial grant allocations for around 70% of LAs.

Local authorities that would spend more than their initial allocation would spend in aggregate £210 million more than they were initially allocated. Thirteen LAs have already paid out more than the funding they were initially allocated, with Westminster spending 14% more than its allocation, for example. Based on current average grant values, Camden would spend the most relative to its initial allocation: it has only paid grants to 78% of properties it has identified as eligible but has already spent 95% of its initial

allocation. At this rate – unless the average payment falls – it would spend 22% more than its initial allocation by the time all grants were paid.

Based on current average grant values, those spending less than their allocations would spend £814 million less than they were allocated. For instance, Tendring in Essex has already made payments to 95% of those eligible but has only spent 39% of its allocated funding. It is likely to ‘underspend’ by the most, both as a proportion of its initial allocation (59%) and in absolute terms (£47 million). In fact, seven of the ten LAs likely to spend the least of their allocated funding are those where beach huts make up more than 10% of their hereditaments, suggesting that BEIS may not have accounted for these likely being excluded from the scheme when it allocated funding between LAs.

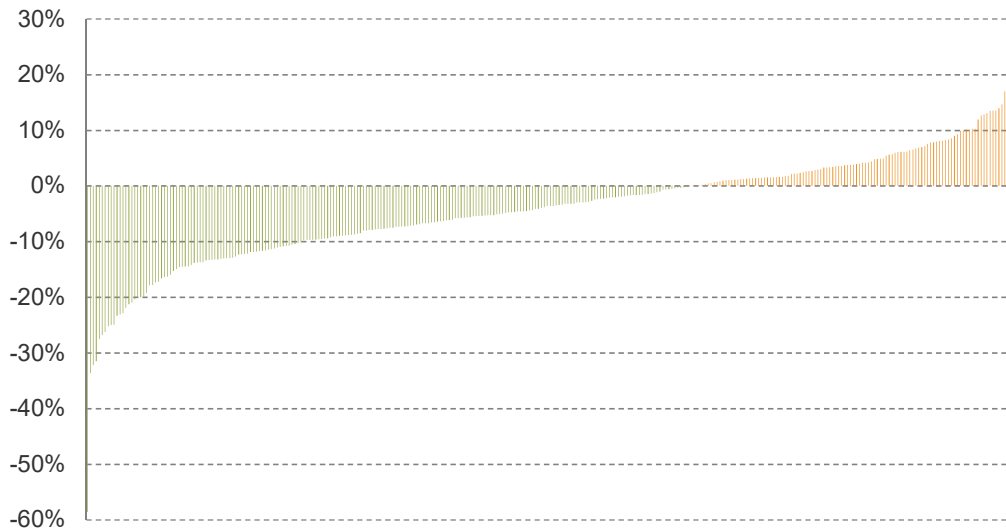
Figure 15. Local authority spending on grants relative to their initial funding allocation if all eligible properties receive grants



Note: See text for definitions. Note that LAs classed as spending more than allocated may spend less if they do not pay grants to 100% of the properties they have identified as being eligible for grants.

Source: Authors' calculations based on BEIS transparency data covering payments made to 7 June.

Figure 16. Local authority spending on grants relative to their initial funding allocation if all eligible properties receive grants of the same average value



Note: Each authority is shown by a vertical bar, ranked left to right by percentage likely under- or over-spend.

Source: Authors' calculations based on BEIS transparency data covering payments made to 7 June.

Funding the Local Authority Discretionary Grants Fund

If, let alone how and when, BEIS intends to recover any unspent funds from such LAs has not yet been made fully clear. However, it has said that LAs that have underspent their initial allocation will be expected to use remaining moneys to fund either partially or fully the LADGF scheme for small businesses ineligible for the main grant schemes.

Expenditure on the LADGF will be capped at 5% for each LA, which equates to a total of £617 million across England. Assuming that the average outstanding grant amount for each LA under the standard scheme is the same as its average grant amount so far, approximately £356 million of this will be covered by 'underspends', with £260 million of additional funding required for LAs that have either overspent or are set to underspend by less than 5%.

Even after accounting for the 'clawback' of this unspent money to fund the LADGF, the gross underspend by LAs would still amount to £458 million, or just under 4% of the cost of the two schemes. This unspent funding would be highly concentrated in a few LAs though, with a fifth accruing to three coastal LAs: £22 million to East Suffolk, £35 million to Bournemouth, Christchurch & Poole and £43 million to Tendring. Allowing LAs to keep such large sums would be inequitable, especially in a context of the income squeeze and cost pressures on local government as a whole. Plans to 'claw back' remaining unspent money should therefore be confirmed, including the potential to recycle this for general-purpose funding for all LAs to address the impact of COVID-19 on their communities and finances.

5. Conclusion

The scale of support currently being provided to businesses and households by the government is unprecedented. The business rates reliefs and grants in England analysed in this paper are set to cost between £22 billion and £23 billion in 2020–21, more than one-and-a-half times what is likely to be spent on policing and fire services during the same period. Waiving business rates bills for the retail, hospitality and leisure sectors, and providing grants to the occupiers of almost half of all non-domestic properties in the country, will undoubtedly provide important support to both cash flow and balance sheets: businesses will be more likely to survive, and economic recovery will be stronger than in the absence of these schemes. And the schemes had to be designed and implemented rapidly given the sudden and large impacts of the coronavirus crisis on economic activity.

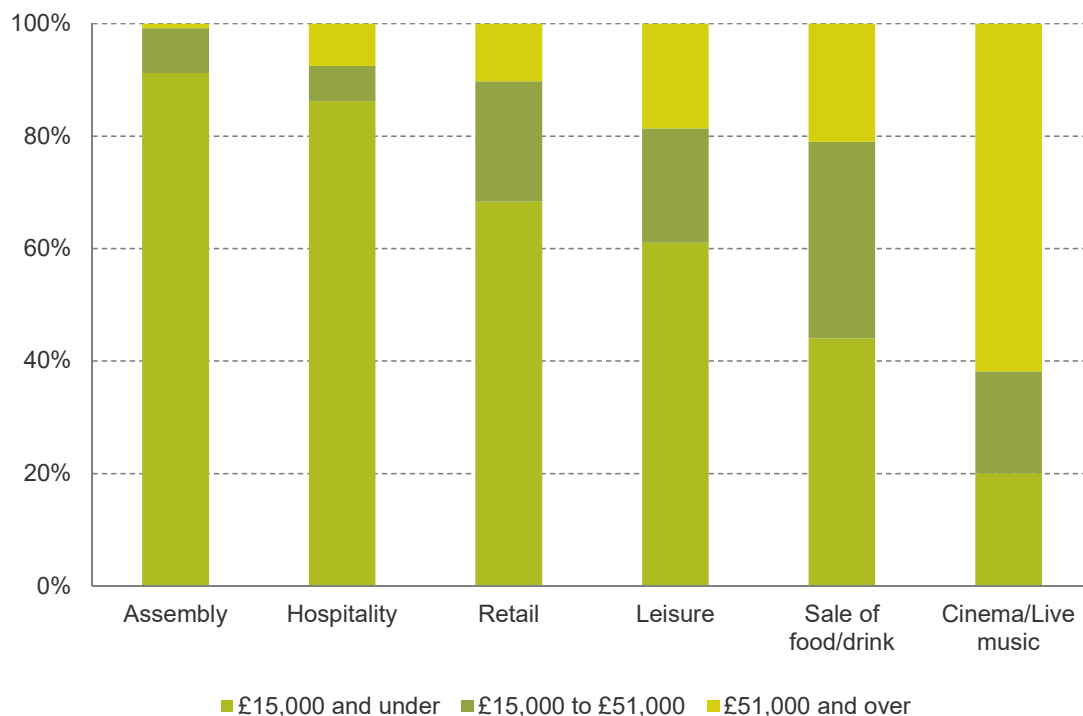
Even so, two changes to the grant scheme would have made it more equitable and better targeted at supporting businesses through their current challenges; they should certainly be considered if the schemes are (fully or partially) extended into 2021–22. First, having different thresholds for grant eligibility in different parts of the country – such as inner London, outer London and environs, and the rest of England – would ensure more comparable levels of immediate funding being provided to businesses in different parts of the country. Second, sharp cliff edges in grant support – which create inequity and risk inappropriate distortions to competition – should (and could in future) be avoided through the use of gradual tapers. Both changes would add somewhat to the complexity of the scheme but are unlikely to be insurmountable challenges: SBRR is currently withdrawn using a taper, and different thresholds apply in London and the rest of the country for some elements of the business rates system already. In any case, as some parts of the economy and potentially some regions recover more quickly, and the government seeks to reduce borrowing levels, any support provided in 2021–22 is likely to be more targeted (and hence more complex).

Local authorities were provided with funding rapidly so that they could pay grants to businesses as quickly as possible. The lack of a centralised database bringing together information on rateable values and eligibility for SBRR and other reliefs means that it was inevitable the initial allocations provided to them would differ from the final cost of the grants paid out. In most cases, the differences are relatively small. However, in a few cases, LAs are likely to spend several tens of millions of pounds less than they have been allocated, suggesting initial allocations of funding did not take account of properties likely to be ineligible for grant support, such as beach huts. Overall, more than £400 million of funding will likely have to be clawed back from LAs initially allocated too much funding – which could potentially be recycled for more general financial support for local government to address the cost of the coronavirus crisis.

Finally, slow rates of payment of grants by some LAs – only part of which appears to be driven by the volume and complexity of caseloads – are a reminder that this crisis is stretching the capacity of government, local and national. LAs are good at helping each other via peer learning and support, and increasing numbers collaborate on back-office functions. Given this, there may be scope for LAs that have paid out all or the bulk of their grants to help expedite payments in LAs currently lagging – providing potentially vital support to businesses more quickly.

Appendix

Figure A. Share of properties that are in the retail, hospitality and leisure sectors, by detailed sector and rateable value band



Note: Excludes properties that were zero-rated or ineligible for grant funding based on their sector description (e.g. car parking, moorings). Estimation of which are included in retail, hospitality and leisure and the specific sectors based on sector description and government guidance on eligibility for the expanded retail discount. This includes those identified by the LGA as potentially eligible despite not being explicitly mentioned in MHCLG guidance. See <https://www.local.gov.uk/coronavirus-business-rates-relief-hospitality-and-leisure-sector>.

Source: VOA ratings list, downloaded 20 March.