



Built Environment Committee

Corrected oral evidence: High streets in towns and small cities

Tuesday 19 March 2024

10.45 am

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Members present: Lord Moylan (The Chair); Baroness Andrews; Lord Bailey of Paddington; Baroness Eaton; Lord Faulkner of Worcester; Viscount Hanworth; Baroness Janke; Lord Mair; Baroness Miller of Chilthorne Domer; Baroness Warwick of Undercliffe.

Evidence Session No. 5

Heard in Public

Questions 76 - 92

Witnesses

I: Kate Nicholls OBE, CEO, UKHospitality; Andrew Tighe, Strategy and Policy Director, British Beer & Pub Association.

Examination of witnesses

Kate Nicholls and Andrew Tighe.

Q76 **The Chair:** Welcome to this meeting of the Built Environment Select Committee at the House of Lords and to the fifth evidence session in our inquiry into high streets in towns and small cities. Today we welcome two witnesses: Kate Nicholls, who is the chief executive of UKHospitality, and Andrew Tighe, who is the strategy and policy director at the British Beer & Pub Association. My name is Daniel Moylan and I chair the committee. I am not going to introduce individually the members of the committee at the moment but I will when they ask their questions. In any event, everyone has a name tag in front of them to help you identify us should you need to do so.

We always find that these sessions are very informative and helpful. The danger is that they run on too long. I have the unadmired and unlovely task of trying to keep everyone within the time limits that we set for ourselves, so I would be very grateful if members can keep their questions short and crisp with not too many supplementaries and if witnesses can be fairly brief in their answers. Bear in mind that everything is being transcribed so, unless we are being very dense, there should be no reason for repetition of the same points over and again. If we could all work to those guidelines we should get through in a reasonable time.

The first question falls to me and it is for both of you: how do you define a high street in a town or small city, what do you think its purpose is, and do the hospitality and leisure sectors have a role to play in high street renewal other than pursuing individual business interests? If you think that they do, how is this being practically delivered by companies in the sector?

Kate Nicholls: Thank you very much for giving us the opportunity to give evidence to you today. Hospitality and high streets have a symbiotic relationship; they are intimately intertwined. Both have at their heart delivering services to customers and to people who live, work and play in and visit those areas—the high streets in small towns that you are focused on. I would define a high street in a small town as exactly that: a place that is curated and created to provide the services that the local community needs, however that local community is defined; it tends to be people who travel from a relatively short distance to come in or visit as part of a tourist or business activity that they are engaged in.

On the second part of your question, we are intimately involved in high street renewal over and above what our businesses do and how they succeed. The degree to which we are able to do that obviously depends on the ability of the business in that location to make a profit. However, if you think about placemaking at its heart, and creating places that people want to live, work and invest in, you need to have a good-quality hospitality offer to provide the foundational underpinning and the infrastructure. It is part of the critical infrastructure of that place to provide those services.

To give you some examples of how our businesses are involved in that, they will often be involved in business improvement districts that look at placemaking in and around their location, whether that is creating events and activities, putting in planters and creating safe lighting and safe places to sit, or creating a curated space in the public realm. They also often bring back businesses and properties to life and make them open to the public again. Thinking about town centres and city centres, I was recently at Bury St Edmunds, where the Wetherspoons has gone in and invested in the Corn Exchange. That big public building is now open to the public in the same way that, although at a different end of the scale, Raffles, The Old War Office, down the road is now open to the public again because the hospitality sector has gone in there, invested in and created it and saved the building.

To a lesser extent, in suburban and small town centres and high streets, companies such as Loungers have brought back to life retail shops or department stores that have closed down. If you do not have the investment coming through from hospitality, you have empty businesses and voids. Those businesses and premises have now been brought back to life and made available for use. Alongside that, you will get reinvigoration and attraction of other services—education hubs, health hubs, retail coming back, small independent businesses—creating places where people want to come back to visit, invest and play.

Andrew Tighe: I will not repeat what Kate said, but from a pub perspective, while there is no legal definition of a high street or a town centre, it is pretty clear how operators who invest in those areas perceive high streets and town centres. A lot of the insight and analysis that we work with will set that out. For example, around 32% of pubs are classified as high street pubs by one of the market research agencies, so around a third of pubs will be on high streets. That is nearly 14,000 pubs in the UK. Those pubs tend to be larger pubs because there is busy footfall and they are open through the day. If you think about the jobs that those pubs support on the high street, that is probably 250,000-plus jobs throughout the UK just in pubs. They are crucial to the survival and regeneration of those high streets.

Kate mentioned a couple of companies. A good example is from where I live in Broadstairs, in Thanet, Kent. Loungers has just opened a new outlet in an old Debenhams store in the shopping centre in Broadstairs, as well as opening outlets in Macclesfield and Bracknell. Kate also mentioned Wetherspoons, which has been investing in high streets for years and years now. The service it provides—the value for money—is crucial.

We are also seeing a change in the way that people behave and shop, particularly with the movement online. If we want high streets, shopping centres and town centres to survive they have to be more than just retail spaces. If people come out, they want to eat and have a drink. The shopping is all part of that. Without that mixed experience, those high streets and centres will struggle, whether in terms of new housing

developments and new shopping hubs or existing high streets. Operators are investing in both and will do, if they possibly can, to support those high streets.

- Q77 **The Chair:** Can I come back to the word Ms Nicholls used: that the high street is a “curated” space? Other than where BIDs exist, is it not the case that lots of our high streets are not really curated by anybody? Local authorities are responsible for the maintenance of the highway, the street lighting and things like that. There are some high streets, such as Marylebone High Street or Sloane Street—although that is not really a high street—where a single landowner has all of the shop units. They can curate who the tenants are and determine the retail character of the street, but it is very rare indeed to find that. The vast majority are owned by multiple landlords and there is not force for curating. Although one can talk about BIDs, they are relatively rare, as is single ownership, and a lot of high streets are uncurated. How do the hospitality and leisure and pub sectors contribute more than simply the pursuit of their own business and the benefits that come from a successful business? I do understand that that includes jobs and people having something they want to buy available to them.

Kate Nicholls: There are over 300 BIDs across the country, so there is quite a large number.

The Chair: There is a number. Whether it is a large number or—

Kate Nicholls: There is a number and they are vehicles through which you can bring together the public sector, the private sector and a range of business interests to look at what goes on in a community, high street or town centre. Those are the formal mechanisms. There is a large number of other informal mechanisms by which the same parties can be brought together. You are right that there will be areas where that is not curated and not done formally, but the exemplar of best practice is where you can bring that together to try to curate an area. Over and above that, you have local neighbourhood plans, and the local authority uses planning and licensing policies to look at town centres, city centres and high streets within its area to determine to what use it would like to see certain premises put.

Over and above that, as a sector we clearly have a vested interest in making sure that the places that we invest in are safe, well-run and attractive. Businesses work and co-operate at a local level to do that. A number of industry-led schemes enable us to come together informally to look at those areas and places, such as Best Bar None and Purple Flag. The Association of Town & City Management works with the hospitality sector to look at what “good” looks like in a high street space. Local authorities are all looking at ways they can improve their high streets and address the empty properties and premises that we see in a number of locations. There is a lot of good practice out there that is facilitated.

- Q78 **The Chair:** I am going to quibble with you. The local authority has very little discretion about the grants of licences. There are only four grounds

on which a licence can be refused under the current legislation and they are very narrow and specific. Also, planning is more difficult because of the creation of use class E, which means that a lot of change can take place over which the local authority has no say.

At the end of this exercise we will be making recommendations. I will put this to you and you can say no. If BIDs are as you have described—I forget the words you used but they will be written down somewhere; I think you said “best practice model” or something like that—do you think that part of the answer would be the rollout of BIDs on a much wider scale?

Kate Nicholls: BIDs work because they are grass roots up and organic. That is where you get groups of individuals in the high street and town centre, businesses, local authority and enforcement bodies that all want to work together to create a good place for their local community and in that local area. I do not think that mandating them is the answer but they are an example of how you can use a formal vehicle to bring groups together to look at how to create a good sense of place.

I understand what you are saying about limited grounds on planning and licensing, but both those regimes require the local authority to set out a policy for its aspiration for the place. They enable a dialogue between those who are looking to invest in a place—which is what our businesses are seeking to do: to invest and bring new jobs, new growth and direct inward investment to provide support for local businesses and residents—about what the place that you want to create is and where it is right to be able to develop.

Andrew Tighe: To add to that quickly, we will probably come to talk in a while about the Hospitality Sector Council. One of the great pieces of work that was done through that was bringing together all the best practice of strategic local partnerships that businesses were involved in and that stakeholders were aware of so that they could be looked at and potentially replicated across the country in different local authority areas. We hope that that is being rolled out via the LGA through to local authorities to have a look at whether BIDs, or something that is quite specific to an area, can be replicated. There has been quite a lot of work looking at this.

Q79 **Lord Bailey of Paddington:** Are there different reasons for the growth among various subsectors—for example, restaurants versus fast-food takeaways, which are quite prevalent on high streets? What are the reasons for particular business types taking off?

Andrew Tighe: As consumer trends have changed, and habits have changed post-pandemic, that has impacted different parts of the sector in different ways. Nightclubs have probably been hit the hardest across hospitality. Some restaurant chains have had difficulty as well, and others less so. Part of it is ultimately driven by demand and supply and what consumers want. All the recent survey work says that the thing that people look forward to most, even in a cost of living crisis, is eating and drinking out. Therefore, we feel that there remains a strong demand to

go back to pubs and restaurants. There is still very much a desire for that, but of course the sector as a whole has been hit in different ways through the pandemic and through changes in habits and in demographics.

Kate Nicholls: In the decade after the financial crash we saw quite a large amount of investment in new openings. Eating out is a relatively modern development and phenomenon, with a growth in casual dining and fast-casual or fast-food outlets on high streets. There was an investment equivalent to about £10 billion a year. In the first half of that decade there were about five new openings a day. As Andrew said, that was largely driven by consumer trends and different ways of wanting to go out. People were eating and drinking out while they were on a high street or shopping, rather than having a destination in mind where they were going out specifically to eat and drink. We saw changes in planning that accommodated that and a decline in retail at the same time post the financial crash.

A number of factors came together and we saw a rapid development and attraction of inward investment into high streets and town centres in the casual dining space. As Andrew said, that had already slowed before we went into the pandemic. Over the course of the pandemic we saw big changes in the way we use high streets, town centres and city centres. Changes in the mix are coming through as a result.

You asked specifically about fast-food outlets. Clearly, certain sites in a high street cannot accommodate a bar, a restaurant or a bigger-footprint outlet and some empty premises can accommodate a fast-casual—things such as Wasabi that have developed and opened over recent years—or smaller footprints where it is just a takeaway sandwich shop or a coffee shop. That is responding to consumer demand, available space and the cost of doing business. Premises that have a more limited service or counter service rather than full service will have a lower footprint and a lower cost for business rates, rent, labour and energy—all of the pressures that have built up on hospitality over the last three to five years. That is why you see certain service styles coming through, but ultimately it is consumer driven.

Lord Bailey of Paddington: How sustainable are these businesses? Is this a fixed trend for the next five to 10 years or are these businesses just a result of the pandemic and we will see another rapid change?

Kate Nicholls: I do not think that these businesses are a result of the pandemic. What we saw during the pandemic was a contraction. In the five years from 2010 post the financial crash, when a large amount of foreign direct investment came through into hospitality, there were about five openings a day. Between 2015 and 2018 it had slowed to two openings a day. During the pandemic there was a rapid contraction.

The heart of your question is how viable and sustainable these businesses are in our high street model. We have been tested in the most extreme of circumstances over the three years since 2020. There was the pandemic,

then we came out and those businesses faced a supply chain crisis, an inflation crisis, war in Ukraine and a cost of doing business and cost of living crisis. A large number of outlets failed during that process.

We are now into a steady state. If we look at future growth, the prospects are positive for hospitality. As Andrew said, it remains a top priority for consumers. Four out of 10 consumers say that they are looking forward to going out to hospitality in the next month. Seven out of 10 say that it is the treat where, as soon as they have some disposable income, they will spend it to socialise safely with family and friends. That socialising is a key factor for consumer demand.

There is a chain that is set fair for growth if we get the conditions right. For the next five years the forecast is that the sector will grow by 6% year on year, but most of that is towards the back end of that five-year period because of challenges in getting through the Covid-related debts, the current crisis with inflation and interest rates, and the cost of doing business. As that starts to come down, businesses will become more profitable and viable. Over the last year we have switched from having two-thirds operating at or below breakeven to two-thirds of the sector now being back into profit. Those businesses are not yet able to invest, grow and expand, but the sector will be able to continue to invest in our high streets and town centres.

To put it in context of the baptism of fire and the testing time that we had during Covid, across the UK as a whole we lost about 14% of hospitality businesses. In our high streets and town centres, we lost 25% of restaurants and 31% of nightclubs and late-night bars. They are already lost. The key now is whether we can create the conditions where these businesses can grow, recover and invest again, because the health of our high streets depends on them being able to come back and invest.

Andrew Tighe: The additional point that I will make is that it has become more and more apparent that, because it is so tough still, you have to get your offer absolutely right. The service and the value have to be exceptional because people's expectations have changed. If they are not going out as much, or money is tight when they do go out, they want to have a good experience that will make them come back again. When you are operating on very tight margins, it is hard work. However, as Kate says, the opportunity is there.

Q80 **Baroness Janke:** My question is about hospitality and retail. You say that these go very well together and complement each other, but I have an experience from my area where retail businesses are quite buoyant but there are increasing numbers not so much of restaurants but of cafés, which are taking up shop space and requiring that cars be removed. Is there an effect of hospitality areas putting too much pressure on retail and driving out some of the retail uses?

The Chair: Is it changing the character of the high street?

Kate Nicholls: High streets evolve by their very nature, and certain things come full circle. The oldest use of the historic high streets in our market towns is hospitality, with the coaching inn that provided a place where people could have something to eat and drink while they were travelling or while they were going out. It is undoubtedly the case that people like to have spaces where they can eat and drink if they are going out and shopping. The key is getting the balance right. Across the UK as a whole, roughly about a quarter of high street uses are hospitality. It is individual—in certain places you will undoubtedly have more—but the balance seems to be about right.

The other research trend we have from look at those areas is that if there is a good-quality, vibrant, dynamic, well-maintained hospitality offer alongside the same equivalent retail offer, the dwell time and the spend in retail is higher. They are complementary offers. That is why retailers like to have coffee shops, cafés, restaurants, pubs and bars around them and vice versa. It creates the footfall where you get people going alongside each other and complementary uses. We need to make sure that we have the balance right, but at the moment hospitality is filling premises that would otherwise remain empty, rather than driving out retail. In high streets in places such as Richmond and Hexham, we have seen the department stores close and mixed-use developments come in, with residential, new experiential leisure and competitive socialising, which is proving quite popular. That supports the local independent businesses and the retailers alongside it, but the key is getting the balance right.

Q81 **Baroness Janke:** The typical argument that I have put to me is that people sit in a café for an hour and a half or two hours with one coffee, and they do not necessarily stop and buy anything. That is the argument that I get.

Kate Nicholls: That is undoubtedly a challenge for the hospitality business that has to keep the doors open, pay the energy costs and pay their staff on somebody having only one cup of coffee, but at least you are getting somebody coming into a high street.

The Chair: One cup of coffee and a laptop.

Kate Nicholls: At least you are getting somebody into a high street. It plays into the evolving nature of what a high street is. As retail moves online, retail spaces will often literally be shop windows for people to look and browse. Maybe they buy online or maybe they buy while they are there. People also come in and use different spaces to work because people work from home. They do not work from their office so they work in third spaces and hybrid spaces. The high street cannot be preserved in aspic; it has to evolve to meet changing consumer needs. That will also involve different uses other than just hospitality and retail.

Our operators want a place where people feel they need to go. In my local high street, children are going to tutors for maths and English. We have a health hub on the high street and there are drop-in health

centres. People are using the services in a high street very differently from how they might have been used before. They might go and have a meal but also do some shopping.

It will change and it is not a one size fits all, but I do not think that the old dynamic of hospitality coming in and pushing out retail is fair. It goes back to the point about the need to make sure, however difficult the tools are, that you try to curate what is needed in that space to create places that people actually want to come to.

Q82 The Chair: Mr Tighe, would you like to answer Baroness Janke's question about the balance and the character of the high street? Are we seeing too many licensed outlets at the expense of retail?

Andrew Tighe: I do not think so; it is about getting the balance right. We are seeing what were empty premises becoming new hospitality outlets. For the overall character of the high street to be maintained and for them to be places where people still want to come, it is important that those premises are filled and that there is that balance.

The other point I will make is on the social value that places offer, particularly pubs but other places where people come together. It is more than just profit maximisation and making a profit from every square foot you have. It is a place where people come to socialise, feel welcome and perhaps spend too long with a single drink than the operator would like, but that is the purpose of those places. There are not many public spaces where people come to gather now. Pubs play a crucial role on high streets and back streets.

Kate Nicholls: One further observation is that you are seeing changes not just in the type of premises on a high street. Over the past 10 or 15 years there have been significant changes in the way those premises operate and what is provided as a service. What might have been a very drink-led pub or bar on a high street 10 years ago will now be providing coffee, food, different uses.

Q83 Lord Mair: Baroness Janke mentioned night-time activity. My question expands on that. It is primarily for Andrew but we would like Kate's views as well. Does a higher concentration of hospitality outlets on the high street risk greater disorder or local communities feeling less safe, especially at night? What impact does this have on visits to the high street for other uses? This question is really about pubs.

The Chair: Or licensed premises generally.

Andrew Tighe: It is pleasing to report that the trends we are seeing are going in the opposite direction. Over the past 20 years, alcohol-related violence has halved. There has been a big change in how town and city centres are managed. Operators have systems and provisions in place to avoid situations where people feel unsafe or unwelcome. Kate mentioned things such as National Pub Watch, Best Bar None, Ask for Angela and Ask for Clive, which are about making sure that people feel safe and have somewhere to go to if they are concerned on a night out.

The changing nature of high streets and having properties that are more spread out, rather than two or three pubs and bars and a nightclub concentrated in one area, which is perhaps what we saw 20 years ago, has led to the positive trends that we see now. With young people in particular, there is less binge drinking, people drink less alcohol and go out and drink alcohol-free beers and non-alcohol alternatives. That younger demographic is also driving the change that we are seeing. Of course there will still be incidents, but in the vast majority of places we hope that town and city centre are increasingly safe and welcoming places, and that people can enjoy the nightlife and a vibrant night-time economy. Of course, when residents move into what were primarily commercial spaces the balance has to be there and they need to feel safe. That is where things such as planning and licensing come in.

The Chair: They are not always moving into what were primarily commercial spaces. Where I live and in large parts of, say, Kensington, there are purpose-built blocks of flats that had retail premises built into them from the outset, 40 or 50 years ago. It is not that they are simply moving in to occupy spaces that were parts of shops.

Lord Mair: Does Kate have anything to add to what Andrew said?

Kate Nicholls: I will be very brief. It is important to note two things. One is that a third of a town centre's income and turnover is generated after 6 pm. Having those later-night uses draws visitors in over that important shoulder period when we are trying to boost revenue and income for the high street by getting more people to go to retail. Having the later-night use brings people in at an earlier period of the day and sustains and supports turnover in daytime businesses that blend into evening and go later into the evening. There is an important reason to be able to visit. Therefore, provided that you get the balance right, as Andrew says, that you have the controls in place to make sure that there is no disorder and that there is a balance on residential use, you can have a very beneficial impact on the health and well-being of a town centre.

The second point is that hospitality businesses on the high street that are open later into the evening literally provide light and life for those who are walking through what otherwise might be dark, empty spaces. When I come home, I am happier walking through the area where the hospitality businesses are than through a deserted retail environment. That is paraphrasing, but we create light and life in town centres and high streets. We create safe spaces. If the pubs, bars and nightclubs that UKHospitality represents are open, they will have door staff and security staff, who not only protect the premises and the customers within it but have a role to play in making sure that the public realm is safe. It means that you have people who are out there. We also invest in things such as Street Pastors and street angels. I hate to come back to BIDs, but they also invest in patrols.

It is not always a bad thing. Provided that we have controls and restrictions in place, we can have a very beneficial impact for day-time businesses, early-evening businesses and through into late night.

Q84 **The Chair:** This question is not scripted but relates to the night-time. I noticed on Twitter that there is a lot of complaint from people—especially to do with London, but it may apply to the rest of the country—that it has now become almost impossible to get a meal after 9 pm or a drink after 10.30 pm or 11.00 pm. Places are closing much earlier. This question may be more for Andrew because it is essentially about licensed premises—or maybe not. Is this for economic reasons or because of tighter local authority restrictions?

Andrew Tighe: I would say primarily the former. We are seeing a change in how people work. In London, for example, a lot is condensed into Tuesday to Thursday, as fewer people are coming in on a Monday or a Friday. Since the pandemic, we have also seen people start to go out earlier and go home earlier. People say, for going out to restaurants, that 6 pm is the new 8 pm. Even for going for a drink, if people are commuting they often finish at 9 pm, get on the train and go home. It is a challenge for the businesses that operate in the centre of London that offer later-night hospitality and entertainment, such as drinking and eating. There has been pressure with the costs that they faced through Covid and the energy crisis. We have heard about the number of nightclubs that have closed. The circumstances have meant that it has become quite difficult for operators in those environments to continue doing what they were doing before, which maybe has led to a contraction of opportunity and choice.

However, as we have talked about already, we will come through this. As things improve, as inflation comes down and the economy picks up, people will find ways to bring people back into town and city centres to enjoy the nightlife and make sure that they have the offer that tourists and people coming to London want to see. I think it is a transition from the very difficult period that we have been going through to a new normal.

The Chair: So working from home is definitely a factor?

Andrew Tighe: We certainly see that with footfall.

Kate Nicholls: Just so the committee is clear, our membership is 95% of the pubs, clubs and bars, as well as restaurants and hotels. We have that breadth of experience across the whole of hospitality to consider.

There is a difference between what is happening in our city centres, which I know is not what you are looking at in this inquiry, versus the towns and high streets that are outside of those major city centres. Our city centres are undoubtedly impacted by working from home. The recovery post-Covid varies across the week, but if you look across the whole of last year and compare it to 2019, London and our major city centres are tracking at about six to 10 percentage points below the rest of the country. There is a real difference between rural, suburban and our city centres. There is less of an impact on high streets in smaller town centres as people tend to work and go out and socialise in those areas, but there is undoubtedly an impact on city centres. For the last week,

across the UK as a whole, we were at about 110% of pre-Covid levels of trading. In London it was 105%, in city centres it was 106% and in high streets generally it was 109%. That gives you that difference. There is a difference between London, Manchester, Newcastle and Birmingham, which are impacted by working from home.

In answer to your specific question, there is also a difference between London—I always hate generalising on what is happening based on a small number of postcodes within the centre of London—and the rest of the country. In the centre of London, when you see anecdotally on Twitter the difficulties in finding a late-night drink, a late-night meal or late-night hospitality when you come out of the theatre, that is undoubtedly due to local authority licensing and planning restrictions. There are policies for the central activity zone that go across a number of local authorities, but a number of local authorities that touch on that area have zoning, cumulative impact policies and restrictions on hours. They curate that space for what they want to see, control the environment within which they want to see it, and take into account the range of views that we have discussed already, when you have mixed-use, residential use and the usage needs of different business owners and operators. In the centre there is an exacerbation by licensing and planning controls that restrict the hours of operation.

The Chair: You are right to remind us that our inquiry is not focused on major cities, but if I can summarise, because it is interesting to understand the different effects, you are saying that there are policies in the central activity zone in London that have this effect, and those policies do bite. Generally speaking, a different layer is that large cities with central business districts have suffered from working from home in that the period: use has contracted and people tend to go home earlier. Outside those areas, in suburban and rural areas, there has been no or very little impact and the hours of operation of hospitality premises remain largely what they were.

Kate Nicholls: Yes, that is a good summary. The only additional point is that the hours of operation pre-date Covid. There will undoubtedly be some operators that are choosing to restrict their hours and have longer licensing hours, but the licensing controls and conditions pre-date Covid in the city centres.

Q85 **Baroness Warwick of Undercliffe:** There has been a lot of concern about the future of the high street, which has resulted in what sometimes seems like a plethora of government schemes in response. However, you have both been very optimistic about the future of the high street. Therefore, is there any need for government to be involved at all in supporting businesses on the high street? Are high streets able to deliver success themselves?

Andrew Tighe: Of course we would like government to be able to step back and businesses to grow their business, do what they do best and provide the service that they do. Unfortunately, we are a very heavily regulated business. Whichever way you look at it, we are a people-

intensive, property-based business that sells alcohol. Because of that, we are among the most highly taxed and regulated. When you take into account things such as planning, licensing and local infrastructure, an awful lot of levers are outside the control of pubs and wider hospitality.

To give an example, we estimate that, on a £4.80 pint of beer, all a publican has left is 12 pence as their net margin. However, if you take just the tax on that it is £1.52, so a third is going on tax in business rates, alcohol duty and VAT. We have also seen huge increases in energy bills, driven not through anything that the businesses have done themselves. We have seen big increases in the national living wage and the national minimum wage over the last few years; because we disproportionately employ a lot of young people in our sector and there are a lot of entry-level jobs, that bites and has impacts on wider pay differentials.

We have an unbalanced situation where we think that the tax and regulation on our sector is disproportionate to the hard work and reward—certainly currently—that publicans and hospitality businesses can enjoy. Therefore, although we are optimistic, it is vital that a fiscal and policy framework is in place that allows those businesses to thrive. This is why we talk about business rates reform, lower rates of VAT and focus on beer duty, because these things are hugely material.

Kate Nicholls: I echo Andrew's optimism generally, but there is so much more that we could do to be able to grow and recover more rapidly. To put those tax figures into context at a macro level, the sector as a whole generates £140 billion-worth of revenue and £93 billion-worth of GVA, and 38% of that comes back to the Government in one form of tax or another. That is £54 billion—the police and security budget. Pre-Covid, the tax burden was around 30%, so you can see that it has grown over time. The biggest barrier to us being able to do more, invest more and grow more is the tax barrier that we have identified. Looking at business rates in particular, our turnover is roughly equivalent to 5% of GDP and we pay 15% of business rates. If you think about what more could be done to stimulate good places, good high streets, if you reduce that barrier and burden we could undoubtedly do a lot more.

There are two areas where government—local, national or regional—could get out of the way to free up businesses to do more of what they do best and invest more. One is business rates reform. It is undoubtedly the case that you would get more sensible discussions on investment in high streets and small town centres if you reformed business rates to make it less of a burden on bricks and mortar and looked at the balance with clicks and mortar.

The second is planning. We did a recent survey of our members and 90% of them currently have planning applications in with local authorities. These are relatively small-scale changes, such as adding rooms, changing a kitchen or adding a small extension on the back of a premises. Some 40% were delayed by more than 50 weeks, so that has taken out an entire season of trading for those businesses. If you could get the fast-

track planning process that has been talked about to look at the smaller-scale applications that are relatively uncontroversial and are currently clogging up the system it would give local authorities the resources to look in more detail at the bigger planning applications that need a greater intensity of assessment. In some respects it is about getting out of the way to free businesses up to do more of the good things that they can do in their town centres and high streets.

Baroness Warwick of Undercliffe: Could I ask one very quick supplementary?

The Chair: Yes, you can, but I am going to put a bit of pressure on time.

Baroness Warwick of Undercliffe: I just note that neither of you has mentioned any of the positive interventions that have been made from time to time. What you are saying is that they do not work; what works is government getting out of the way.

Andrew Tighe: There has been some positive intervention in business rates relief, the support through Covid, the grants. Through the Hospitality Sector Council—we might come on to it if there is time—there has been an extension of pavement licences. There has been the High Streets Task Force. There have been lots of positive initiatives.

Kate Nicholls: That has been galvanising and gathering together examples of good practice and spreading them around the country. You can see that happening where there have been government interventions to identify that good practice. I recently judged one of the towns fund applications. There is some great work coming through in Armagh, Worcester, Caerphilly and Ripon, with a real coming together of groups galvanised by the High Streets Task Force to look at what they could do in their local areas to bring more footfall in, give services that local residents want and get the business backing to go alongside this.

Baroness Warwick of Undercliffe: So there will be some data on things that work?

Andrew Tighe: Yes.

Q86 **Baroness Miller of Chilthorne Domer:** Kate, you touched on this in an earlier question. I would like both of you to expand on the specific geographies and types of place that suffer especial challenges, whether rural areas or seaside towns. Could you expand on the specific challenged areas?

Andrew Tighe: There has been a particular challenge in areas where people have less money to go out and there is less employment. We have seen high streets in those areas particularly suffer, as you say. This is why the role that pubs and hospitality have to play becomes even more important. Where there is less other employment, the opportunities that the hospitality sector and pubs provide for employment is huge.

It is not only that; there is community cohesion as well. We did a recent report with Localis, a policy think tank, on the social value of pubs. It found that 68% of people felt that pubs in their local area were important in tackling loneliness and social isolation. Critically, in areas that are challenged, where people are on their own and do not have much, the ability to get out and have time in a pub or a hospitality venue is vital. In coastal areas, rural areas and areas of high social deprivation, the sector is perhaps even more important.

Kate Nicholls: I echo Andrew's point. We see challenges particularly in coastal and rural areas of high deprivation. The key point is that we are looking at other issue. You do not have a challenge just with hospitality in a particular area; alongside it you have issues with other critical infrastructure—housing, transport, connectivity. They are all interrelated. In the areas that have those particular problems you see high streets that are not thriving, that I am not as optimistic about, where it is very difficult to attract hospitality investment. That is the key: do we have the headroom within the sector to be able to invest in those areas? For places such as Weston-super-Mare or Redcar, it is hospitality that will lead regeneration, if it is going to come. We are a very powerful tool for levelling up and regeneration, but the businesses need to have the profitability to be able to do that. The local areas that face those other connectivity challenges are that much further behind in the priority area of where that investment will be spread.

Q87 **Baroness Miller of Chilthorne Domer:** That leads me on neatly to the supplementary: what do you think is the role of local authorities in ensuring a thriving high street?

Kate Nicholls: Local authorities have an absolutely critical role. They are the local groups and decision-makers on planning and licensing, and have a requirement to plan positively and proactively to make sure they have the infrastructure they need to support their ambitions to develop their high streets. That might not be curating in the way that we were talking about earlier, because they are not the landlord, but they certainly have the ability to bring people together, set a vision and try to deliver it. They can be a force for good in galvanising that collective discussion.

Q88 **Viscount Hanworth:** Andrew, I should like to ask a question about the structure of the ownership of pubs and how this might affect their ability to adapt to changing circumstances in the high street. Perhaps one might begin by describing the various categories of ownership.

Andrew Tighe: Certainly. One of the strengths of the pub sector, and how it has managed to survive and thrive over hundreds of years now, is the variation and evolution of the different business models.

If you take the roughly 46,000 pubs in the UK, around 10,000 are directly managed pubs. They are managed by the pub company or brewer, they will employ all the staff and they run the pubs directly. Those are often larger pubs based in town and city centres where it makes sense to have that business model. Then there are about 15,000 pubs that are tenanted

and leased partnerships. This is where the brewer or the pub company owns the building but it is run as an individual SME by a partner businessperson. That partnership is about ensuring that the pub can thrive under that model. The third model is the independent free trade—pubs that are totally independent. They either own the business themselves, or they might rent it from a commercial landlord or have a mortgage on it. About 50%¹ of the pubs in the UK are now run under that model.

You also have a very small but growing number of community-owned pubs. It is obviously great when a community comes together to buy its local pub. However, we always say that even a community pub has to be commercially viable for the long term. Unfortunately, you cannot rely on volunteers and good will for ever, with people losing the money they have put in. There is a great example of the first community pub and café in Brighton, the Bevy. It is a fantastic place. It has senior lunches, after-school craft clubs and a disability disco. The local MP does a surgery there. It has been open for 10 years now but has struggled to make any money since it has opened. Sadly, it had to close temporarily in February because of its utility bills and things. It is still going but it is a struggle and it is losing money every month. While it is great, as we have talked about, there has to be a regulatory and tax framework that allows those businesses to survive. It is horses for courses with the appropriate business model for an individual pub.

Viscount Hanworth: Am I right that in the olden days, when I was young, pubs were tied mainly to breweries?

Andrew Tighe: Yes. Under the tenanted/leased partnership there will still be those that have a rent agreement and a supply agreement with the brewer or pub company that owns the building. That is within the 15,000 leased and tenanted model. These will mostly have a supply agreement with a brewer or a pub company.

Viscount Hanworth: From which category of ownership have the gastropubs emerged preponderantly?

Andrew Tighe: They are probably a mixture of independent and managed pubs.

Viscount Hanworth: I imagine it is mainly independent.

Andrew Tighe: Yes.

Kate Nicholls: Yes, it is mainly independent. They will often be single-site or multiple lessees that come under the model that Andrew described: they will take on a premises, lease it from the pub company or the brewer, and then have the freedom to set up and be entrepreneurial. That is where you saw the flourishing of gastropubs in the 1990s and early 2000s, getting rid of the old-fashioned brewery tie, when you had

¹ Approximate proportions. More detail in written submission

the beer orders going through, and there was a shake-up of the industry as a result. The interest in more restaurant-led and food-led businesses went into hospitality from 2010 onwards.

The Chair: Is it fair to say that the majority of pubs are owned by either a brewery or the management?

Kate Nicholls: No, that would not be fair to say. It is probably about a third, a third, a third, roughly, across them.

The Chair: What is the third third?

Kate Nicholls: As Andrew said, a third will often be managed and owned by the company that operates them. Those are some of the bigger pub chains and real estate companies. A third will be leased and tenanted to an individual entrepreneur of the type we were talking about.

The Chair: Leased and tenanted from a brewery?

Andrew Tighe: A brewery or a pub company.

Kate Nicholls: Or a commercial landlord: commercial landlords are increasingly in the sector as well. It will be a landlord who does not operate the premises itself but leases it to an entrepreneur.

Viscount Hanworth: Do franchises exist?

Andrew Tighe: A leased and tenanted partnership is like a franchise—a pub equivalent, perhaps.

Kate Nicholls: Franchises are obviously more common.

The Chair: I am asking this because of the economic effects of the business rates, which is a question that has come up. I would like a bit more information on this. We are very happy to take evidence in writing afterwards. Is it something that you might be able to look into for me?

Andrew Tighe: So a detailed breakdown of the ownership models and numbers?

The Chair: Not that detailed, but a crude breakdown.

Andrew Tighe: We can follow that up.

Kate Nicholls: We can also include restaurants and hotels in that so that you have that broader model of which are leased.

The Chair: Separated out?

Kate Nicholls: We will separate them out, yes.

The Chair: I suspect that, on the high street, most cafés are renting in the same way that a shop rents—from an external landlord who is purely a financial investor—whereas in the pub business everybody is involved in the same business, they just do different bits of it, although you say

there are now commercial landlords.

Kate Nicholls: Yes, there is a very big difference, particularly in the high street and town centre market. It is not that everybody is the same. A lot of the pubs and bars in our high streets and town centres are more equivalent to the leasing and ownership model that you see across restaurants and cafés than the old-fashioned, traditional brewery model. The majority of specific locations in high streets and town centres have a commercial landlord, not an industry landlord. Between us, we can provide you with a comprehensive overview with those separated out. The key point is that, irrespective of the ownership, the operator is the person who pays the business rates.

The Chair: Yes, but the economic benefit of a reduction in business rates will flow through to the landlord.

Kate Nicholls: It would go to the operator.

The Chair: This is an argument that we can have, but it will go, in time, to the landlord.

Q89 **Baroness Eaton:** Mr Tighe, you have already mentioned the Hospitality Sector Council and my question is about that. Can you tell us how well it delivers for the sector? Have the Government acted on its recommendations?

Andrew Tighe: It has played a positive and important role since the pandemic. It is probably the first time that hospitality has been recognised within government as such an important part of the economy and something that absolutely needs focus on as we recover from the pandemic. It provides a single point and a conduit into other government departments as well. There has been a lot of good work, a lot of which Kate and others have led, that has facilitated some strong recommendations, best practice and things that the sector would like to see. The council has helped to enable the unblocking of some of those challenges. That is absolutely right when it comes to making regulation better. Of course we would have loved to have seen it achieve more. We have put forward proposals on business rates reform through the council. We have not quite achieved that yet but we have had strong support from the team there. I am trying to keep my answers brief.

Q90 **Baroness Eaton:** The Government have a hospitality sector strategy. Has that been delivered and made a difference?

Kate Nicholls: It is a work in progress. It is underneath the sector council. I am a member of the sector council, and of the Tourism Industry Council and the Food and Drink Sector Council, so I can see how it works across government. The sector council is hugely important because it was the first time that we had a group brought together for the hospitality sector within government. Other sectors have had that. It co-creates solutions and works across different government departments because most of the areas that impact on hospitality businesses are not within the

control of the sponsoring department but rest with others. So the council is hugely important.

The first time that the strategy was put in place came out of the Covid pandemic. When Ministers came together to discuss it and put it in place it was about ensuring that the sector was recognised as strategically and economically important across government. That was an important point to make. It is looking at the three-year period of recovery—we are two years into that strategy so it is still a work in progress—to see what is needed to help with recovery post-Covid and grow demand and footfall; to build resilience in the businesses that had been so devastated by the pandemic, particularly with access to finance; and to see what conditions are needed for growth and to achieve full potential. With everything else that has come as side winds, that latter third of the strategy is the one that is the least well developed and taken forward, but they are still areas that we are working on.

In those areas, there are a lot of co-created solutions on sustainability, carbon net zero, skills and training. We have done some brilliant pilot schemes with the DWP; Minister Opperman and Minister Churchill have worked with us to ensure we can take those forward. They have looked at what we could do to upskill and give a private sector kickstart/restart boot camp to people who are economically inactive or more vulnerable and need more support to come into hospitality. It has had an 85% success rate, which is one of the positive things to have come out of the council.

Baroness Eaton: There is supposed to be a high street committee, but I gather that it has not met. Do you know anything about that and why not?

Kate Nicholls: Of the sector council itself or separately?

Baroness Eaton: I thought it was of the sector council.

Kate Nicholls: The sector council has set up a new working group. The only reason that it has not met is because it is brand new. My group changed from looking at the changing nature of what was happening across the recovery period from Covid. I chair the council's recovery and resilience group and its tourism and hospitality skills board. Other areas changed as well. We had a local communities and local economy group that concluded its workstream; it was then felt that the next important point was to look at high streets. That is very pertinent to your inquiry, but also looking at things such as business rates, planning, and the Landlord and Tenant Act—what was needed as the next set of reforms to get a real renaissance in our town and city centres and our high streets.

Q91 **Lord Faulkner of Worcester:** Last but not least, because it is a subject that we have referred to quite a bit this morning, is business rates. It is fair to say that other witnesses have talked about business rates, and there are not many fans for the system that is in place now. Mr Tighe, you referred to your proposals for change. Could you summarise them for

us?

Andrew Tighe: Certainly. At its very simplest, it is a permanent recognition of the disproportionate burden that pubs and hospitality face through the system. The retail, hospitality and leisure relief has been particularly important for the SMEs that have benefited from it; it has been vital, with the energy crisis and the burden of rates they were paying, to enable them to survive over the last couple of years, but that comes to an end in March next year. They will face a cliff edge of £12,000, £15,000, £30,000, whatever it might be, on their business rates bill. We need a permanent solution.

Business has changed. There are more businesses online. Pubs cannot go online, sadly. Hence, calling for a permanently lower hospitality multiplier is the last bit of reform that we would like to see. Business rates are obviously important for the revenue stream that they create for local authorities and that needs to be protected, but we feel that our sector specifically faces a disproportionate burden through the system and needs a permanent solution. That is what we are calling for. It is quite simple. Arguably, it could have paid for itself through a 2% online sales tax, but the Government decided not to go down that route. Of course, there are other ways within the business tax system that you could make up that revenue.

Lord Faulkner of Worcester: Would it be fair to say, though, that you have not had much of a positive response from the Government so far?

Andrew Tighe: We have had some positive noises but not the reform that we would like to see. There have been some changes to the system, such as more frequent revaluations. Also, when you have a new investment in a pub or a property you have a year before it impacts your business rates, for example, because when you invest in a property your turnover goes up and your business rates go up. There is that, so there have been some things that the Government have very much supported, but that fundamental piece has so far just been extending a relief. It only covers smaller businesses, so that is where we need something permanent.

Q92 **Lord Faulkner of Worcester:** Did the relief that you have help to make the sector a bit more competitive?

Andrew Tighe: Absolutely.

Kate Nicholls: It was absolutely critical to the survival of large parts of the sector during the Covid pandemic and beyond. A 75% rate relief was very significant. As Andrew said, we can send those proposals to you. They were put through the sector council, and they have the support of all of the trade associations and businesses on the sector council. We can share those.

We need to see something that is less of a sticking plaster. We are going from one year to the next, so businesses and local authorities cannot plan. We now have a three-year revaluation cycle for business rates. We

would argue for a permanent lower multiplier that lasts for the three-year period, so that both sides can have the certainty to invest and take it further forward. It would help to rebalance the system to support the bricks and mortar businesses that are so critical and cannot move away from the high street, versus those that are out of town.

Lord Faulkner of Worcester: The last thing you want is a cliff edge in a year's time.

Kate Nicholls: Yes, and a year-long solution does not work in anybody's interests.

The Chair: Thank you. That brings us to the end of our evidence session. We are extremely grateful to Ms Nicholls and Mr Tighe for the time that they have given us and the very full and informative answers that we have received.