

British Beer and Pub Association – Supplementary written evidence (HSC0018)

Submission by the **British Beer and Pub Association** following an in-person evidence session with Andrew Tighe, Director of Strategy and Policy. This response is longer than the requested 6 pages as it responds to questions specifically asked of the Committee and expands on topics previously discussed in oral evidence as requested by the Committee.

1. How do you define a high street in a town or small city and what is its purpose?

a. Does the hospitality and leisure sector have a role to play in high street renewal beyond pursuing individual business interest? If yes, how is this being practically delivered by companies?

b. Do hospitality companies see a benefit to being on the high street compared to out-of-town retail parks?

- We don't work to a fixed definition of a high street although operators will be pretty clear when investing what they consider to be one, and certainly the research companies we work with that supply insight and monitor trends will categorise pubs based on location. For example, taking latest pub numbers and closures last year from CGA:

CGA 2015-23			Dec-23	
Location	change	% change	Total	
High Street	-2,076	-13%	13,801	32%
Rural	-3,205	-18%	14,050	33%
Suburban	-3,387	-18%	15,145	35%
	-8,668		42,996	

- So with almost one-third of pubs on high streets, these remain a vital part of investment plans and this share was increased. These will also tend to be larger sites, so between them providing upwards of c.250,000 vital jobs with associated career opportunities.
- In addition, the Pubs Guide which serves as guidance from the Valuation Office Agency for agents who are valuing pubs have defined the category as 'city and town centre houses'. The VOA considers pubs in this category as those which are:
 - Situated **within the main pub circuit** or situated within the pub circuit but may be on the periphery or otherwise less visible to it.
 - Are likely to have **strong trade at both lunchtime and evening sessions**, and **can capture further trading**

elements such as breakfasts, morning or afternoon coffee, or late night trade as well as those which just have strong trade at lunchtime and evening.

- **Good to moderate levels of footfall** related to nearby commercial elements such as retail, leisure or late-night venues
- Hospitality is part of the critical infrastructure for high streets, providing locals and visitors places to eat, drink, and gather in our town and city centres. They are also economic multipliers, bringing more people in and keeping them in city centres longer as they provide a place to rest and recharge.
- Hospitality is critical for the survival and regeneration of high streets. Changing shopping habits as more customers move online leads to increasingly empty shop fronts. The continued importance of eating and drinking out make multi-offering vital not just in traditional high streets but new shopping hubs in areas of regeneration and new house building.
- For example, there are places where large shopping centres are closing and hospitality are taking their place. Just one of our members, Loungers, can serve as an example, although there are many more; Loungers recently invested in several sites that were formerly shops or chain restaurants, bringing new jobs and tax revenue, as well as preventing empty shop fronts and keeping customers flowing, in places like Broadstairs, Bracknell, and Macclesfield, where they have taken the place of a closed-down Debenhams (in part), Prezzo, and Poundland respectively.
- We've also seen companies like Wetherspoons investing in high streets for years and continuing to do so. Their success has been driven by focus on value for money, serving quality cask beer, great service, and adaptation to new technology.
- Beyond just economic investment, pubs also play a crucial societal and community role:
 - A recent report from Localis¹ found that that 81% of Brits believe pubs are important in bringing people together, 68% of Brits say that that pubs help combat loneliness in their local area and that £100 million raised by pubs every year for charity.
 - Pubs often host community events, social clubs, MP surgeries, and even a warm place for the vulnerable or lonely. This is social and community value that is so often forgotten.
- However, it is still tough to get the mix right on high streets. The offer needs to exceed consumer expectations, the scale needs to be right, and there needs to be enough variety of choice to suit changing consumer demands.

¹ *Inn-Valuable, Localis, 2023*

2. Are there different reasons for growth among the various sub-sectors, for example, restaurants versus fast food takeaway shops?

- The split of venues on the high street will be changing because of the lasting impacts of Covid, but also due to consumer preferences changing. For example, working from home has changed how people socialise in city centres.
- Late night venues really suffered since Covid and some concepts that expanded rapidly pre-Covid have been particularly vulnerable to a downturn in trade. Growth of home delivery also will have impacted parts of the sector.
- Data shows eating and drinking out is something people do not want to give up on and is now an engrained part of our lives. 67% agreed that eating and drinking out was the treat they look forward to the most².

a. How sustainable is this growth and does it present a risk of widespread high street decline, like that following the collapse of retail, if fortunes change?

- It is important to distinguish between growth of unsustainable ventures and the realignment of the high street offering. In addition, in the context of hospitality, growth is coming in the face of awful headwinds and several years of hard times.
- We have already seen a huge number of pubs and hospitality businesses close in recent years – 1,000 pubs in last 2 years and a much higher proportion of restaurants/nightclubs. Arguably some chains expanded quickly in the boom of casual eating and then were hit by the storm of Covid, energy crisis, wider inflation and cost of living crisis, thereby impacting their viability.
- Therefore, sustainability will always be driven by the things that have always been true: sound business fundamentals, right offer, right location, exceptional value and service, embracing and adapting to change - BUT it is really, really tough even with all those things in place.
- Often the cost base is controlled by factors outside a publican's control. We are a labour-intensive, property-based sector selling alcohol and among the most highly taxed and regulated industries. Licensing, planning, local infrastructure, taxation, availability and cost of labour (NLW) are all crucial factors to the profitability of a venue and are established at a level far above the venue itself.
- 1 in 3 pounds spent in a pub go to the Government in taxes, including through business rates, alcohol duty and VAT. Once you factor in costs

² CGA Consumer Pulse Survey, Jan 2024

like energy, staffing, food and more, the publican is left with just 12p earnings on a £4.80 pint.

b. Does an increase of hospitality on the high street risk undermining its retail character?

- No, it does the absolute opposite. Of course, a balance is necessary to ensure continued mixed-use and diverse spaces, but a wider offer is massively enhanced by hospitality and way retail itself will survive on the high street.
- When the temptation is increasingly to shop online, having dedicated city centres or high streets with a variety of shops and hospitality venues which can provide a break in a weekend shopping spree or a place to meet with friends increases the likelihood that customers will make a point of visiting their local high street.

c. Does a higher concentration of hospitality outlets on the high street risk greater disorder or local communities feeling less safe, especially at night, and what impact may this have on visits to the high street for other uses?

- The evidence suggests otherwise – alcohol related violence has fallen by 50% since 2000, binge drinking and underage drinking have also both fallen sharply and increasingly young people are not drinking at all.
- Challenge 21/25 has been a successful campaign to clamp down on underage drinking and subsequent anti-social behaviour; of those who admitted getting alcohol underage, only 2% of school aged children cited getting their alcohol from pubs and 6% retail while 70%+ get alcohol underage from family and friends
- The industry is part of many schemes to promote healthy, inclusive, and safe spaces surrounding pubs and licensed venues. These include, Local Partnership schemes, National Pubwatch, Best Bar None, Business Improvement Districts, Purple Flag accreditation, Ask for Angela/Ask for Clive, Strategic local partnerships providing transport and security and Community Alcohol Partnerships. The industry also continues to support the Home Office's "Enough" campaign to prevent violence against women and girls. We create safer and welcoming environments with all stakeholders working together.
- In addition, a nighttime environment is often made safer by the presence of open businesses, other patrons, additional lighting, and venue security. Many people, women in particular, feel more comfortable walking along a street late at night if there are venues like pubs open, as opposed to a street with shops closed for the night, or even vacant altogether.

- Finally, licensing conditions will often compensate for the impact that a licensed venue may have on a local area, including restrictions on drinking outside after a certain hour to limit noise leakage.

3. Is there any need for Government to be involved in supporting businesses on the high street or are businesses able to deliver success themselves?

- Government role for our sector is CRITICAL and the support during Covid was invaluable. As a labour-intensive, property-based sector selling alcohol we are among most highly taxed and regulated sectors.
- Some of the key levers of success and the cost base are controlled by others – so how licensing, planning, local infrastructure, taxation, availability and cost of labour (NLW) change are crucial indicators and can greatly impact a pub's prospects.
- You can see below the changes in the last five years, while turnover and gross margins are up, it doesn't go nearly far enough to cover the cost and regulatory increases. It is important to note that the publican in place at this pub would be paying themselves from the net income of the pub.

For a typical £10k turnover per week (pre-pandemic) wet led pub this has had the following estimated impact on their P&L:

	2019	2024	2019 vs 2024
Turnover (excl. VAT)	£520,000	£679,536	+£159,536
Cost of Sales	£223,600	£293,922	+£70,322
Gross Margin	£296,400	£385,614	+£89,214
Wages and Salaries	£119,600	£171,028	+£51,428
Rates	£18,148	£19,364	+£1,216
Utilities (inc. water and waste)	£20,800	£41,184	+£20,384
Other Costs	£93,600	£133,848	+£40,248
Total Operating Costs	£252,148	£365,424	+£113,276
Net Income (excl. machine income)*	£44,252	£20,190	-£24,062
Net margin	8.5%	3.0%	

- This is why we consistently call for a clear and fair regulatory and taxation environment within which we can operate.
- Taxes account for £1.52 (33%) of the average pint, from which a publican's net income is 12p (3%) even before wages costs driven up by NLW and energy costs driven up through war in Ukraine. Below you can see the increase in the price of a pint over the last year.

				change	% change
		£4.80	Price of a pint, 2024	£0.99	26%
Tax	£1.52	£0.80	VAT	£0.17	26%
		£0.49	Duty (4.5% abv)	£0.00	0%
		£0.11	Business Rates	£0.00	3%
		£0.10	Employment Taxes	£0.03	38%
		£0.02	Corporation Tax	£0.01	38%
		Other costs	£3.16	£1.24	Cost of sales (less duty)
		£0.91	Wages	£0.25	38%
		£0.24	Utilities	£0.12	91%
		£0.77	Other costs	£0.21	38%
Income	£0.12	£0.12	Pub income	-£0.15	-56%

4. What local circumstances best facilitate a thriving hospitality sector and are there specific geographies or types of places which face specific challenges?

a. What is the role of local authorities in ensuring a thriving hospitality sector in their area?

- Local authorities have a large role to play in planning, which can make or break a high street. Tens of millions of pounds in growth investment in pubs alone is tied up in planning related red-tape and where no decisions are being made. Between government and local government, the issue of planning needs sorting out. We have made several recommendations for alleviating this pressure in the past, including fast track applications which are basic or uncontroversial, mediation, and more officers.
- Local authorities should also seek to facilitate strategic local partnerships (the Local Economies and Communities Working Group of the Hospitality Sector Council has done work on this, looking at best practice from across the country in their recent report), supporting proven initiatives like Pub is the Hub. We recommend strongly that local authorities work with the likes of Pub is the Hub to enable diversification of services and further draw people into high streets and town centres as well as in more suburban and rural areas. There is some great examples of pubs offering post office services, a community café or garden, library/tourist information centres, parcel drop off/collect service among other things.

- Public transport and maintenance of public spaces is also key to not only providing connectivity to shared spaces but encouraging investment and increasing pride of place.
- Licensing decisions have a real impact on the hospitality sector. This includes opening hours, pavement licences, event licences, music/sound restrictions, and more. For example, as town centres continue to develop, the now established Agent of Change principle should be properly considered in all planning applications for residential buildings in mixed areas. Therefore, if a developer builds a block of flats next to a pre-existing licenced venue, they should be required to properly sound-proof the building and not instead result in appeals to the council to change the licence for the venue, harming a pre-existing business. This could also apply to purpose built mixed-use residential/commercial buildings as raised by the Chair in oral evidence session.
- Finally, local authorities should consider a change of mindset, where their approach instinctively favours an unnecessarily precautionary approach to new licensed premises and instead move to a presumption of contribution, both economic and social, to local growth.

b. Are there specific business models which work better for pubs? For example, what are the strengths of independent or community pubs?

- The model of pub is dependent on a number of factors – size, location, offer, freehold owner, customer mix/demographic, etc.
- A critical strength of the pub sector and its ability to survive and thrive over hundreds of years is the range and evolution of various business models; from brewery/pub company managed, to leased/tenanted partnership, to an independent pub and more recently community owned pubs.
- Current breakdown of the UK's pub estate is³
 - 20% managed
 - 30% L&T partnership
 - 50% independent
 - (very small % as community owned)
- The BBPA represents half of all pubs in the UK – the vast majority of managed and L&T models. Independent pubs are not typically represented by large membership bodies but work with our sister organisation the British Institute of Innkeeping, if they are members of a trade body at all.
- While giving evidence on 19th March 2024, the Committee asked BBPA Director of Strategy and Policy Andrew Tighe to expand on

³ BBPA Statistical Handbook, 2023

the breakdown of pub ownership models and the structure of business rates payment therein.

- **Managed pubs:** for managed pubs, the majority will be freehold owned by a brewer or pub company, although some in cities may be commercial leases from a head landlord. The brewer or pub company will usually operate the pub directly, employing staff, conducting improvements, paying all bills and, will therefore, pay business rates. In most cases, managed pubs are ineligible for business rates relief due to state subsidy rules as they often exceed the £110,000 threshold currently in place due to the number of pubs they own.
- **Leased and Tenanted:** in a L&T partnership model, there is more variety, but typically the publican will operate as a small business, renting the building from a pub company or brewer and usually with a supply agreement for beer, cider and potentially other drinks. The publican will employ staff and pay all the bills, with varying arrangements between the two parties on additional business support and services and respective repairs and maintenance responsibilities. The pub company or brewer landlord will often conduct large improvement projects to maintain their building stock and ensure the pub continues to meet customer demands.

Some publicans may take on more than one pub from a brewer or pub company but most L&T partnership pubs will have benefited from the RHL business rates relief and subsequent reduction in costs which has been a critical lifeline since the pandemic and continues to be so.

- **Independents:** These pubs are not owned by a brewer or pub company landlord and are often owned outright (or have mortgage) and are directly operated by publicans or some will be let on a standard commercial lease to the publican. They too would be responsible for staffing and paying all bills including business rates and so, crucially, benefit from current business rates relief.

Whilst these are the three main pub models there are variants within these including some more akin to more traditional franchises and profit-sharing models seen in other sectors. BBPA members are brewers and pub companies who account for the majority of the managed and tenanted/leased pubs set out in the table below⁴.

TABLE E5 – OWNERSHIP OF PUBLIC HOUSES IN THE UK

⁴ Although some do, most independent pubs will not in themselves belong to a Trade Association

(Source: BBPA)

Year	Managed		Tenanted and Leased		Independent	Total
	Brewers	Pub companies	Brewers	Pub companies		
1990	13,800		29,700		20,000	63,500
1991	11,600	3,200	17,900	9,500	20,000	62,200
1992	11,100	3,300	14,600	12,600	20,000	61,600
1993	11,800	2,200	14,400	12,600	20,000	61,000
1994	11,900	2,300	14,100	12,400	20,000	60,700
1995	9,800	4,800	12,400	14,000	20,000	61,000
1996	10,400	4,500	11,900	14,000	20,000	60,800
1997	10,400	4,600	11,500	14,300	19,800	60,600
1998	10,200	4,900	9,500	16,800	19,600	61,000
1999	11,300	3,700	9,100	18,000	19,400	61,500
2000	5,300	9,100	5,900	21,300	19,200	60,800
2001	4,400	8,300	5,700	23,300	19,000	60,700
2002	4,000	7,700	5,800	23,800	18,800	60,100
2003	2,500	8,800	5,800	23,700	18,600	59,400
2004	2,700	8,000	6,200	23,700	18,400	59,000
2005	2,700	7,500	6,700	23,500	18,200	58,600
2006	2,500	6,500	6,900	23,900	18,400	58,200
2007	2,700	6,400	6,700	23,600	18,100	57,500
2008	2,400	6,200	6,700	22,700	18,900	56,900
2009	2,400	6,100	6,500	22,300	18,600	55,900
2010	2,300	5,400	6,400	18,800	22,500	55,400
2011	2,300	5,300	6,200	17,500	23,400	54,700
2012	2,200	5,400	7,100	14,400	24,700	53,800
2013	2,300	5,200	7,000	13,800	24,200	52,500
2014	3,300	4,500	6,500	13,000	24,600	51,900
2015	3,500	5,000	5,900	11,900	24,500	50,800
2016	4,000	5,200	5,400	11,700	24,000	50,300
2017	4,000	5,400	7,000	9,300	22,650	48,350
2018	3,900	5,300	6,700	8,900	22,800	47,600
2019	3,900	6,000	6,000	7,900	23,400	47,200
2020	2,500	7,300	5,600	8,300	23,100	46,800
2021	2,800	7,200	5,300	8,100	22,950	46,350
2022	2,800	7,450	5,150	7,800	22,600	45,800

- The number of pubs in the UK has fallen by 25% (15,000) since 2000.
- Brewers own a sixth of all pubs. Around a third are owned by pub companies and the remainder are independent.

5. What does the Hospitality Sector Council deliver for the sector, and do you feel the Government has acted on its recommendations?

a. Has the Government's Hospitality Sector Strategy been delivered and made a difference?

- The HSC has provided recognition of the importance of the sector for the first time, a single conduit into Government across a range of issues, and there have been successes in terms of better regulation (support on pavement licences, off-trade takeaway sales) but several suggestions have hit dead ends.

- It has facilitated the development of strong reports and recommendations across various workstreams to support sector recovery and underpin the growth of local economies, high streets and communities covering areas such as:
 - **Business rates reform:** solutions to address disproportionate rates burden via a hospitality specific multiplier
 - **Blueprint of best practice strategic local partnerships** for underpinning local economies and communities
 - **Scaling up local community initiatives:** For example, Only a Pavement Away and Pub is the Hub; looking at industry success stories for frameworks to maximise the potential for these
 - **Access to finance:** to unlock investment through government backed loans, government and sector best practice guides to accessing finance; extended covid-recovery loans
 - **Licensing and planning deregulation:** Use classes; pavement licensing; fast track planning approval, mediation; 'takeaway pints'; reduce planning delays; removing advertising requirements in local papers for licensing variations
 - **Employment & Skills;** development of a Universal Skills Passport, immigration: reducing red tape; expand shortage occupation list; expand youth mobility scheme; increase working hours for foreign students; immigration skills charge review
- A recent report by Think Tank Localis, recommended that going forwards consideration of a Minister for Pubs at Minister of State level with cross government remit; plus a task force set up looking a fiscal and regulatory structure to support long term growth.

6. You have called for a reform of business rates; how do you see your recommendations working in practice and has the Government responded appropriately?

a. Has the Retail, Hospitality and Leisure Business Rates Relief made hospitality outlets more competitive on the high street?

- Relief has been an absolute lifeline for the 80% of pubs run as SMEs but a permanent solution is clearly needed for the sector as a whole.
- We have proposed rebalancing the burden of business rates: pubs pay 2.5% of rates bill but are only responsible for 0.5% of rateable turnover. Pubs alone overpay by £400m.

- A solution to this could be a hospitality-specific multiplier reset at no more than 35p in the £1 (and arguably lower) bringing it back to effectively what it was when the current regime was introduced in 1990. Business rates multiplier used to be a third of assessed Rental Value and it has now grown to over half!
- Put another way, business rates can be 3-4%+ of turnover; most sectors less than half of that and many less than 1% overall.
- Business environment has changed hugely; as we move into a digital world, pubs cannot go-online or simply shift their location. High streets have become high tax areas.
- We supported a 2% on-line sales tax to offset lower rates income from pubs or hospitality sector but not taken forward. In lieu of that, income could be maintained by rebalancing with adjustments within current rates system for those supplying goods directly to consumers via online shops.
- Current system takes no account of wider social value of pubs. Localis report found that 68% reported that their local pub is important in tackling loneliness and social isolation and over 80% agree they bring communities together. Pubs often host non-commercial events like clubs and social events, especially in low-trade times.
- There has previously been recognition of the unfair burden on pubs even pre-Covid through the implementation of a Pub-Specific relief.

21 March 2024