



The Power of Pubs

PROTECTING SOCIAL INFRASTRUCTURE
AND LAYING THE GROUNDWORK
FOR LEVELLING UP

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Executive Summary

The case for place when it comes to treating Britain's pubs with fair consideration is, at core, as simple as it is heartfelt. Where there's a pub, there's a community. After nearly a year of lockdown measures of varying degrees, the future of the public house as a cornerstone of community life is under existential threat. Writing in 1912, Hilaire Belloc warned: "change your hearts or you will lose your inns and you will deserve to have lost them". Should such a calamity unfold, Belloc added that "you will have lost the last of England". This report looks at the attempts made in 2020 by the UK government to avert this tragic scenario. Throughout 2020, hospitality as an industry and particularly the pub sector were not considered fairly or their venue safety accurately in previous iterations of social restrictions. For example, the transmission risk of pubs was treated far more seriously than in non-essential retail, and the restrictions placed on the businesses more onerous. Inconsistent messaging and a sense of moving goalposts frustrated the sector and drained the financial reserves of publicans and breweries.

This is particularly troubling given the economic and social vitality of the sector, as well as its potential importance to recovery and growth. Pubs support 884,860 jobs across the UK, £12.1bn of wages, and £23.4bn of GVA across the country. They are a key part of the foundational economy in our cities and towns. Aside from the economic impact of the lockdown on pubs, their closure has had a wider impact on community cohesion up and down the country. Pubs form a vital part of social infrastructure in place and are anchors that tie the community together. This is particularly true for rural towns and villages. As one of the biggest contributors to the UK economy, the sector has a vital role to play in the recovery and levelling up journey of the country as well as in maintaining community cohesion and social resilience well beyond the pandemic.

It is in everyone's interest to tackle the pandemic and ensure that the most vulnerable in our society are protected. This has been a guiding thought for all governments across the world. It is equally true that in so doing attention must be given to those sectors of our economy that are primed to lead recovery at the local and national level. This report evaluates the response and restrictions regarding the pub sector in 2020 then looks at the importance of the sector to the nation's local economies and communities, before providing some recommendations to ensure the strong recovery of the sector.

The pandemic response and its costs

In March 2020, after it became apparent that the coronavirus pandemic was taking hold across the UK, the government moved to implement a string of measures aimed at curbing its spread. After a national lockdown was announced, all shops trading in non-essential goods, including pubs, were told to close. While some establishments were able to stay open for delivery and takeaway services, the lockdown resulted in the hospitality sector in large parts ceasing to trade completely. After a period of almost four months of closure, on 4th July 2020 the government announced that pubs and restaurants were able to open once again, provided that they 'adhere to COVID secure guidelines'. This preceded a gradual reopening, accompanied by the Eat Out to Help Out scheme, followed by an abrupt reversal, a system of localised lockdowns, the regional 'tiers' system and finally a return to full national lockdown at the beginning of 2021.

On the other side of the initial impact of COVID-19, the government published a policy paper in November collecting four types of evidence which 'are consistent in their view that hospitality venues are a significant risk for transmission'. The industry has pushed back on this, in large part because the government failed to take into consideration the varying public health safety measures the industry has been adhering to when allowed to trade. The overarching problem with this debate over the nature of different restrictions is that poor data and an inability to effectively track and trace individuals makes it near impossible to assert with full confidence which setting, under current conditions, poses the biggest risk to transmission. For example, hospitality has been linked with the surge in cases seen in the North of England in the second half of 2020 but data on outbreaks from PHE differs – according to this data, just 3.5 percent of the total infections linked to institutions in England in the week to 4th October occurred in hospitality settings. Furthermore, outbreak data requires two or more cases to be tracked to the location - relying on multiple externalities, including people getting tested and reporting accurately to the Test and Trace programme of every location they visited – something which is widely acknowledged to have been a failure across the UK throughout 2020.

Throughout this extremely trying period, inconsistent messaging and decision-making devastated the hospitality sector far beyond what was necessary in response to a national emergency. With hospitality businesses preparing for the Tier system according to Government guidance then being made to close overnight, major chunks were taken out of the already severely-damaged cashflow of Britain's pubs. The ad hoc nature of announcements and rumours of announcements regarding restrictions placed on their opening and closing has compounded the effects of the pandemic's economic hit to the pubs sector. For a

sector that is one of the largest contributors to the national economy, as well as being a vital social anchor for communities, this position is untenable.

The differing impact in place

The pandemic and the policies enacted in response have had a social as well as economic cost. The pub's role as a social anchor is central in helping build a sense of community cohesion. **For many people, a visit to their local pub serves as an occasion to leave their house and socialise with neighbours and friends, helping prevent social isolation and loneliness. For this reason, extended restrictions, and possible permanent closure, of rural pubs could threaten the social fabric of many communities.** The closure of pubs in rural areas greatly inhibits the ability for social exchange and leads to the decline of several other community initiatives taking place at the local level. An increasing number of groups have been highlighting this issue. One such is the Countryside Alliance, which is a campaigning organisation promoting the rural way of life, that has been active in highlighting the importance that pubs play in rural communities across the country.

The issue cuts not only along lines of rurality but also material deprivation. Not addressing the precarious situation that pubs have found themselves in as a result of extended restrictions, and what this means for their future in our communities, will result in more continuing to close permanently, with potentially disproportionate damage to areas already dealing with deprivation. **Research carried out by Local Trust shows that 'a lack of places to meet (community centres, pubs, or villages) ... make[s] a significant difference to social and economic outcomes for deprived communities. Areas of deprivation that lack these community assets have higher levels of poverty, unemployment, and poor health than others, leading to them being 'left behind'.** Working to avoid the further closure of community assets in left behind areas and ensuring that these areas directly benefit from the levelling up agenda has to be the government's priority moving into recovery. Especially given the overlap between the left behind areas and the red wall seats won in the last general election in areas including Blyth and Newton Aycliffe.

Pubs, levelling up and the local state

Around one in twenty people in England, Scotland and Wales are employed in food and beverage service activities at any given time. This illustrates the importance of the sector to the 'foundational economy' – that base on which growth and innovation are built –

and emphasises the importance to the entire levelling up project of reinforcing the pubs and the wider hospitality industry. Going forward, a change of course that values the industry's potential as a leader in the pandemic recovery and to levelling up efforts needs to be in place. The government showed its commitment to levelling up in the 2020 Spending Review, and in making clear that the agenda is still very much at the top of its priority list, announced the creation of the Levelling Up Fund to 'invest in local infrastructure and support economic recovery'. Alongside this, the UK Shared Prosperity Fund, set up to replace European Structural and Investment Funds, will have a total value of £1.5bn a year, supporting places including 'former industrial areas, deprived towns, and coastal communities'. Taken together, both funds are central to closing the gap of regional inequality and deliver on the government's pledge of levelling up the UK. It is vital that the sector is factored into the distribution of these funds. **Current levels of support are inadequate to protect local economies from the shock of a sudden downturn in the pub sector.**

Moving forward, future government support for the sector needs to be further reaching and more nuanced to local need. It is urgent that it reflects the true economic cost of continued restrictions and local need in facing associated challenges. **While support for any sector needs to be considered in the balance of unprecedented national debt which requires prioritisation of growth-boosting and revenue raising policies, the positive effect of pubs on the national fiscal situation in normal times is clear. Pubs are a major beneficiary to the Treasury. They hold the potential to generate the income needed to lower national debt and kickstart the economy again, but must be helped in trading to remove accumulated debt of the last year and generate income and employment in their communities, providing career opportunities for hundreds of thousands of young adults.**

The pub and wider hospitality sector will be crucial in the medium and long term not only for our economic recovery but also the social resilience of communities across the UK. Given this, they should play a central role in any local recovery plan. What this role will be will differ depending on each localities circumstance. What is required in an urban setting, in line with the demands of the night-time economy, would not be the same for rural towns and villages. This once again illustrates the inherent problem with the blanket restrictions placed on the sector over the last year. Particularly in rural England, the 'substantial meal' requirement and ban on household mixing greatly inhibited the pubs' role as a community anchor. **The value and wide geographic spread of the industry render pubs**

crucial to levelling up. For central government and the mission to do so alongside recovery, the challenge is to ensure that pubs which have had a particularly damaging year are well-supported to at first survive, then to thrive as a key plank in the platform to level up Britain.

The Budget 2021 was delivered on Wednesday 3 March. On the whole, it is promising for pubs and breweries in the short term. Key measures announced include an extension to the jobs retention scheme until September. As well as an extension of the reduced VAT rate of 5% until 30 September, with a 12.5% rate applying for subsequent six months afterwards – although the lack of a VAT extension to alcoholic beverages places ‘wet-led’ pubs who do not serve food at a disadvantage. Businesses in the hospitality sector will be provided 100% business rates relief until 30 June, with a 66% relief applying for the remaining nine months. In addition to this, beer duty has been frozen for another year.

To help businesses as the country comes out of lockdown, the government is providing ‘Restart Grants’ up to £18,000 per premise for those in the hospitality sector who might be closed until the latter period of the roadmap.

The total cost of the scheme is £5bn. Moreover, in recognising the place of pubs at the heart of communities, the government has announced a £150m Community Ownership Fund to help community groups bid up to £250,000 matched funding to help them buy back local assets, including pubs, as community owned businesses.

These announcements are a welcome boon for the sector, which has long been lobbying for some of the key measures put in place. It is estimated that the reduced VAT rates of 5% and then 12.5% will be worth £485m to pubs. These measures will be vital to the successful re-emergence of pubs and their contribution to kickstarting the economy again, helping the nation recover, and level up our communities. However, for these same reasons clear longer term certainty is needed. Measures announced around business rates relief, beer duty, and VAT reductions need to be reassessed with a sector specific focus in mind to ensure that they are able to bounce back stronger and lay the foundation for our national economic renewal.

Accurately and efficiently targeting support to the sector will require taking advantage of the relationship between pubs and the local state. Due to the way the local state is regulated, there are a number of ways to support pubs both as businesses and as community assets through the institutional architecture of the local state. As well as the formal role of licensing venues, local authority licensing teams also fulfill a crucial business support function. As the interface between the

hospitality sector and the state at the local level for many publicans, particularly those running small businesses with limited capacity to obtain formal legal and regulatory advice, local authorities have been a key resource throughout the pandemic. As the government looks to implement its roadmap to recovery, making use of the knowledge and networks of local government will be crucial in providing clarity to business and in flagging up areas potentially in need of specific, target support. For example, issuing central government grants to pubs in 'left behind' towns or areas of extreme rurality could be achieved through the local licensing team.

The social role of pubs

Social infrastructure is the locus of the small-scale connections that are created from people who share a common interest that builds up civic life. Therefore, pubs as physical assets often act as centres of community life and assume the role of being social anchors that bind people together. Highlighting the threat to community cohesion in the absence of social infrastructure, the Left Behind Neighbourhoods APPG assessed the impact of the pandemic on areas lacking places for social interaction and found lower levels of mutual aid activity occurring than the UK average. **This typifies how communities lacking social infrastructure are less able to withstand shock and organise themselves when facing local socio-economic challenges. In this context, the threat posed to pubs by the pandemic not only affects the industry itself but poses huge risks for the strength of this nation's communities.**

Pubs and other civic spaces are part of the scaffolding that helps create a strong community identity. They are vital third spaces that need to be protected and grown. The role that they play as key social infrastructure in place that contribute to the fabric of civic life demonstrates their importance as community anchors. Particularly in rural England, the pub's central role in civic life is of great importance. This has been emphasised in a recent campaign by the not-for-profit organisation Pub is the Hub, "Join Inn – Last Orders for Loneliness". Once the pandemic subsides, the organisation's regional advisers will be on the ground to provide tailored support to publicans. Despite the restrictions, five pilot projects have been set up in areas including Norfolk, Cornwall, and Lincolnshire all with the aim of understanding what the main priorities are for each area in tackling loneliness. The ambition is that once lockdown ends, lessons learnt can be rolled out nationally.

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