

**UNLOCKING PUBS' POTENTIAL**

**TO: THE ALL PARTY PARLIAMENTARY BEER GROUP**

**RE: PARLIAMENTARY INQUIRY MAY 2019 - CALL FOR EVIDENCE**

**FROM: Pub is The Hub**

**May 2019**

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## **TO: THE ALL PARTY PARLIAMENTARY BEER GROUP**

### **UNLOCKING PUBS' POTENTIAL**

#### **PARLIAMENTARY INQUIRY MAY 2019 - CALL FOR EVIDENCE**

##### **1. THEME – PART 1**

Pubs are a force for good – economically and socially in our communities.

###### **a. INTRODUCTION**

Over the past 17 years at Pub is The Hub, we have found that our support of diversification schemes enables a small business or enterprise such as a good pub with a willing licensee and staff to help provide services or other general activities, which the local neighbourhood feel they have lost or have become an urgent need.

Pub is The Hub is an independent, voluntary body, with 12 Advisors in England, 1 in Scotland and 1 in Wales. We are seeing major increase and change in the demand for a variety of activities to be based in the pub, particularly for rural residents. These activities give people the confidence and the opportunity to join in with their neighbourhood, get about and socialise more - especially relevant with an older population.

We have seen that these pubs can be a force for good through the support of a good licensee, who is able to provide a warm, welcoming environment that is open long hours to meet up. They can work closely with their community to make a huge difference in addressing the growing need for services and activities found lacking in communities today.

Everyone seems to know the scale of the task faced in local areas, with the constant closure of essential services and amenities, but very few actually do anything practical about it or to help – good pubs can play a vital part in supporting this social role.

Whilst initially our earlier projects focussed on services such as village stores or Post Offices, with a greater understanding of the issues of isolation and anxiety found today in many communities, we are now seeing community cafes, play areas, neighbourhood IT training facilities opening in pubs, all making a huge difference to the quality of life of all age groups.

Through our voluntary support and activities, we are also trying to ensure now that experiences we gain in certain regions are then shared.

For example, the provision of micro-libraries in Cornwall or literacy classes in Wiltshire. Initiatives or contacts which can be promoted nationally to other areas, where local awareness, motivation or support may be lacking.

We believe our programme can help a little in overcoming the sense of isolation or anxiety found in many of these remoter areas today.

The future of the rural (and often the urban) economy needs to ensure that the role of other small businesses, such as pubs, is respected and supported. Licensees are people who live and work in their community and are well-connected, as well as providing local employment opportunities.

There is a perception that the majority of funding available to support services in local areas is only set up to support community groups or social enterprises, and this can present an unfair disadvantage for pubs as small business owners.

We also find that licensees, as busy people, do need the help of our Advisors on the ground to support and 'hand-hold' many projects to really get them off the ground, in addition to making small support grants available.

We have increasingly found that diversification, as well as helping communities socially, can be the name of the game in improving the wider perception and understanding of the pub business itself.

The key is not just understanding what local customers want, but being able to help them with their priorities.

A programme which can help pubs to widen their social remit while increasing their viability can greatly help in these challenging times. Whilst plenty of pubs already know about small scale diversification, such as offering teas and coffees, the best type of diversification is to provide the local community something it desperately lacks and which residents miss.

This predicament is not exclusively a rural issue as one faces the alarming prospect of the massed closure of banks, cash points and Post Offices, with a fifth of the population now having to travel many miles just to reach a bank.

#### **b. THE PUB IS THE HUB COMMUNITY SERVICES FUND (CSF)**

Our own fund was launched in 2013 as a 'fund of last resort' for licensees who were unable to get funding locally for diversification projects, following all the cutbacks of 2008 and the later recessions.

During 18 years of Pub is The Hub, over 500 projects have been helped and advised nationally and we have just achieved our 109<sup>th</sup> completion directly through our Community Services Fund.

It is interesting to note that from these **109** CSF completions, there are **33 different categories of services or activities**.

Services range from village stores to Post Offices and community cafes, with activities ranging from local libraries, IT training centres, children's playgrounds, local allotments and even travelling theatre, where 75 performances took place in pubs last summer around the country with 'Inn Crowd'.

It is found that the growth in community cafes in pubs is attracting a wider cross section of local communities than those who would just support the pub itself. It therefore helps and enables the pub to be more truly the Hub of the whole community.

These 109 completions, part-funded through our Community Services Fund resulted in an investment from Pub is The Hub of over **£350,000**, but this leveraged an additional **£762,000** from other private and local funding.

The current completed CSF projects are now supporting a total population of 121,837 residents and have created **49** full time jobs, **105** part-time jobs and **108** jobs were also protected and secured within the pubs themselves.

In March this year, the MHCLG, through the Community Pubs Minister Jake Berry MP, kindly announced a grant of £188,000 to the Community Services Fund in view of its success and this has resulted in an increase in applications to the CSF.

This extra funding has enabled our regional Advisors to visit more new pub projects than ever and offer not only advice and support but the encouragement of a small grant to inspire interested applicants.

**76** potential new projects have already been identified, with 3 already being completed, 9 completing legal agreements and 40 currently in the process of submitting applications. In addition, following the increase in grant, we have seen keen interest and new proposals coming from many new pubs, interested in diversifying.

In terms of the tenure of completed projects, we currently find that 44% are leased or tenanted (usually from pub-cos), 35% are free houses, 13% are in private ownership or privately leased and 8% are community owned (these are pubs we have encouraged to diversify to broaden the offer to their community).

(See appendices of completed and current project achievements and range of services/activities).

### c. LOCAL COMMUNITY SERVICES CHAMPIONS PROGRAMME (LCSC)

Our Local Community Services Champions programme is designed to work with individual local authorities and community organisations to identify their priority needs and the areas for the provision of services and activities and support and show how some local pubs can help in these specific areas.

It has been all about developing a collaborative strategic plan to identify the gaps in local services via a detailed mapping and economic survey carried out in partnership with CGA and supporting local pubs in those areas to consider providing much needed amenities.

Over 12 local authority Champions programmes have worked well in identifying and addressing local needs, particularly in Cornwall, Norfolk, Sussex, Wiltshire, Suffolk, Essex and the Scottish Borders. Strong relationships with local authorities have been forged over the years and one of our longest, with South Norfolk and Norfolk County Councils stretches back over 13 years now. (Martin Wilby, Cabinet Member of Norfolk County Council, has kindly agreed to give evidence if required).

In June this year, following a similar two year strategic mapping exercise and study of priorities with the local authority we will launch a new Hub programme across the whole of **Staffordshire**, chaired for us by Keith Bott of Titanic Brewery and helped by other pub cos and organisations around Burton on Trent. We hope local pubs may be able to help provide amenities confirmed as essential needs by the local authority.

These Local Community Services Champions programmes have also encouraged some local authorities to make donations themselves in to our Community Services Fund.

For example, Norfolk County Council, Cornwall Rural Community Council, North Yorkshire County Council and Wiltshire County Council, along with Scottish Government, have all supported the Fund with projects on the condition that they help identified priorities within their counties/regions.

### d. SOCIAL VALUES

In order to try to evaluate the role of pubs as a force for good, we are measuring the social value and impact of pub diversification projects, over and above their business or economic value.

We have a personal belief that rural pubs have two values, their business value and the value of their social benefits to society, which could equal their resultant true asset value.

Our use of social value measurement would be relevant to the HM Treasury 'Green Book' and to Section 17.2 of the Companies Act of this year, where organisations are asked to try to quantify social values they may be creating as a responsible approach to business. This is appropriate to the pub business.

Social value can be measured for different purposes, for individual projects or for whole programmes and we hope to be able to build a picture of the social value both of pub premises and of the licensees to their communities. We hope this will be a helpful tool, providing hard evidence in the future that pubs are a force for good in their communities. Perhaps people will start to see the pub premises as an intrinsic part of their lives; somewhere warm and welcoming to meet up and offering interesting activities for all, but with many important intangible values.

Any future strategy, however, needs to take account of the impact of different policies on rural and urban areas, so that both these areas receive equal attention and fair and equitable support. For example, thriving rural communities are vital to the UK economy, but they face particular challenges around distance, sparsity and demography and it is important that in pulling together recommendations, all types of areas are considered fully, not just in one area or with one solution.

For example:

Urban areas are defined as settlements with populations of 10,000 or more people. Rural areas are those areas outside of these settlements. They make up over 80% of England's land and are home to around 17% of the English population, nearly 9.3m people.

However, rural areas are not all the same and they will include towns (below 10,000 people), villages, hamlets and isolated dwellings or open countryside.

Rural area types can vary from sparsely populated areas in the country through to areas adjacent to larger urban areas.

It is important that the individual characteristics of these differing rural areas are considered, with the rural urban classification the basis for this analysis.

**Rural areas are important because nationally they provide positive opportunities, including:**

- Economy: they contribute 15.8% of England's GVA, worth an estimated £246bn (2017).

- There are over 500,000 registered businesses in rural areas (24% of all registered businesses).
- A greater proportion of small businesses and many pubs (16,514) are in rural areas compared with urban areas (17,393 pubs). These employ an average of 6 employees per registered business, compared with an average of 13 employees in urban areas.
- Rural registered businesses employ 3.5m people.

**They also present challenges.**

**In demographics:**

- There are more elderly and fewer younger people in rural populations compared with urban ones.

**In access to services:**

- The combination of distance, transport links and low population density in rural areas can lead to challenges in accessing and providing services, hence the importance of the pub as a last remaining business.

**In service infrastructure:**

- Lower levels of digital infrastructure for broadband and mobile can limit growth in productivity anywhere in the UK. In rural areas, topographical challenges and lower population density mean deployment costs for new infrastructure are often higher than for urban areas.

**In employment:**

- The provision of a variety of employment opportunities, the availability of people with the right skills and access to training can all be lower in rural areas.

You will also be aware of constant repetitive debate on pubs opening and closing, which has been a topic of conversation since Christopher Hutt published 'The Death of the English Pub' in 1973 (Arrow Books Ltd).

While various licensees struggle to make them pay, so other larger pubs continue to be developed and opened both by pub companies and newly formed pub organisations on a weekly basis and although the numbers have declined, the number of outlets owned by larger retail chains has stayed almost steady for over 20 years. In fact, employment in rural pubs has gone up almost 24%, whilst employment in urban sites has declined by over 2%.

There is a 'broad brush' of conflicting information, depending upon the political point organisations are trying to make.

We consider that a small village pub can never make a fortune, but it is certainly a way of life for the licensees that run it and therefore operators both large and small need an all-embracing strategy.

(See later statistics on pub openings and numbers).

## 2. THEME – PART 2

### **Policy proposals that would allow pubs to compete on a more level playing field.**

We need to ensure that all pub businesses, particularly those that directly help their communities, are well connected and supported in these rapidly changing times.

We need to recognise today that, in addition to the 49,000 pubs said to be operating, there are now approximately 70,000 more On Licenses, competing from the restaurants, hotels, bars market than existed 40 years ago and there has been the arrival of many pop up pubs in former shop premises in the High Street. (Often rated as shops, not pubs).

There is also a forecast that there will be 33,000 coffee shops in a few years' time. Therefore, every encouragement and inspiration should be given to using the resources of a traditional pub as a small business, with its existing staff, to offer services and activities to the community.

We have found that our free package of advice and support (which is funded through donations) for pubs and their communities hoping to relocate/reintroduce services and activities which have been lost, has helped many pubs diversify. However, far more resources are needed to help pubs diversify in these changing and challenging times.

Although Pub is The Hub is perceived as just working in rural areas, we do in fact work on any urban initiatives when asked.

However, if we were asked to publicise and provide urban advice and support widely, we would need to raise additional funding to cover the increase in workload, which is difficult to achieve with the current funding we find available.

For example, it costs approximately £500k per annum to run our current advisory programme, together with the Community Services Fund.

This figure would probably need to double to support a well- publicised urban initiative as well, but we think the benefits would be considerable - ours is a simple message to convey, i.e. we are doing 'exactly what it says on the tin!'

Most licensees who run Pub is The Hub schemes say that it has made the pub itself more appealing and helped the general appeal of the pub's business and employment of staff, but more than anything has improved the standing of the pub in the community or neighbourhood and brought people to the pub who would not normally have visited.

### 3. THEME – PART 3

**Pubs are facing significant headwinds and policy proposals that would allow pubs to compete.**

- a. As mentioned previously, one of the challenges that individually owned pubs as small businesses face (and indeed also Pub is The Hub) is they are seen as organisations creating profit from running a small business.

Many funders could consider pubs providing services to their communities as a worthwhile activity and via a grant application they should really be willing to fund.

**However, virtually no funders consider privately owned small businesses as being eligible to apply for funding, because of the perceived 'profit' which is usually minimal, but they will fund cooperatives, community groups or social enterprises.**

This then places individually owned or run pubs at a great disadvantage in diversifying, compared with the funding available for community ownership from organisations such as Power to Change, who provide large grants to purchase or invest for community pub properties, often through the 'More Than A Pub' or Assets of Community Value legislation, but avoid helping privately owned pubs, which they treat separately as a business.

- b. **A national diversification fund, available to all pubs, which could provide services for rural or suburban communities, regardless of ownership, would greatly encourage all licensees to consider helping meet the priority needs in their neighbourhood.**

We must recognise, however, that not all licensees and their staff would be prepared to enter into such ventures. It needs a special type of dynamic person with strong beliefs to commit to this arduous support work, because you are running both a thriving business and supporting community activities (both a business and a social role).

One issue many small pub owners have is the growing combination of overheads over which they have little control (e.g. rates, electricity, day to day expenses).

With the level of competition from other pubs (on-trade) or supermarkets (off-trade) and the growing number of restaurants, coffee shops and other pop-ups, little margin exists to increase prices.

It also needs to be recognised that with the additional number of other On-Trade premises licenses (approximately 70,000) combined with the opening of larger pubs today, which are usually a mix of a bar, restaurant and accommodation employing over 30 people, that small units do face a competitive disadvantage.

- c. As mentioned, whilst the media focus on pub closures, there are also a great many new openings, often from smaller start-up companies today, which can virtually equal closures and probably provide an increase in the range of trading space available and resultant higher turnover.

Similar, perhaps, to the opening of a large supermarket, which can close 6-8 local shops.

However, the key thing to remember is that new licensed premises are still being built and the industry remains very dynamic and responsive to consumer changes in taste and the local economic conditions in which pubs trade.

The real time to worry is perhaps when they are not being opened?

## Pub Closures and Openings – December 2017 – December 2018

### Closures

By Ownership	Dec 17 – Jun 18	Jun 18 – Dec 18	Total
Free House	650	489	<b>1139</b>
Managed	111	86	<b>197</b>
Non-managed	558	322	<b>880</b>
<b>Total</b>	<b>1319</b>	<b>897</b>	<b>2216</b>

(44 per week)

### Openings

By Ownership	Dec 17 – Jun 18	Jun 18 – Dec 18	Total
Free House	550	442	<b>992</b>
Managed	116	151	<b>267</b>
Non-managed	58	35	<b>93</b>
<b>Total</b>	<b>724</b>	<b>628</b>	<b>1352 (26 per week)</b>

Net Loss 864 (16 per week)

### Closures

By Location	Dec 17 – Jun 18	Jun 18 – Dec 18	Total
High Street	481	351	<b>832</b>
Rural	345	235	<b>580</b>
Suburban	493	311	<b>804</b>
<b>Total</b>	<b>1319</b>	<b>897</b>	<b>2216</b> (44 per week)

### Openings

By Location	Dec 17 – Jun 18	Jun 18 – Dec 18	Total
High Street	361	361	<b>722</b>
Rural	115	97	<b>212</b>
Suburban	248	170	<b>418</b>
<b>Total</b>	<b>724</b>	<b>628</b>	<b>1352</b>

### Pub Numbers

Country Description	High Street	Rural	Suburban	Total
GB	15588	16514	17393	<b>49495</b>
England	13449	13652	15140	<b>42241</b>
Scotland	1484	1288	1384	<b>4156</b>
Wales	655	1574	869	<b>3098</b>

*(Source: CGA Mapping 2019)*

#### d. Rating Commentary

Many rural pub businesses operate in a different context and with different challenges to their businesses than in towns or other urban centres. Whilst rural rates relief and smaller business rates relief reflects some of these challenges to an extent, more could be done to reflect the challenges of rurality in business rates design.

The current system, whilst seeking not to penalise the local pub business for supporting their communities, does not really encourage pub licensees to carry out that extra activity and give that commitment to provide essential services or amenities that perhaps were previously provided by the local authority. (In a way, a form of Gift Aid!)

For example, although some rural pubs now host the last remaining village store or Post Office or run community events, these do not appear to be factored into the decision process for calculating rates or determining eligibility for relief.

*(House of Lords Select Committee on the Rural Economy – ‘Time for a Strategy for the Rural Economy’ – published 27<sup>th</sup> April 2019).*

The answer is to encourage and support wherever possible, community based pubs of any ownership, to diversify and improve the wider social appeal of the pub and we have included a schedule of recent case studies and examples of activity throughout the country.

#### 4. GENERAL

Seeing the pub as the hub for lively conversation, meeting people and helping overcome current isolation and anxiety problems brought about by the closure of local services, is a wonderful way of optimising the pub’s resources for the benefit of all in the community.

We hope our credentials as an independent advisory organisation can further improve the chances of a natural home for many services and activities as well as expanding the role of the local pub.

#### 5. APPENDICES

- *Infographic - Pub is The Hub Community Services Fund – Apr 2013 – Sep 2018*
- *Pie Charts*
  - *Completed Projects by County*
  - *Completed Projects by Activity and Service*
  - *Projects being Processed by County*
  - *Projects being Processed by Activity and Service*
- *Gov.UK Press Release – ‘New funding boost to support rural pubs’*
- *Morning Advertiser 3.12.18 – ‘Diversification is the name of the game’*
- *‘Time for a Strategy for the Rural Economy’ – HOL Select Committee Apr 2019*
- *Pub is The Hub Newsfeed – ‘Bird in Bush leads community services revival’*

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