

# **Pubs and Places:**

**The social value of community pubs**

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## **Summary**

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# Executive summary

Community pubs are one of Britain's oldest and most popular social institutions. However, they are currently under pressure, with 39 pubs now closing every week. This report assesses the social value of community pubs, showing why pubs matter and why we should be concerned about the current state of the pub trade.

## **An audit of Britain's community pubs**

This report's audit of community pubs shows that their numbers have been falling gradually for decades, but that closure rates have accelerated in the last two years.

Why are so many pubs closing? A number of connected factors have all played a role:

- Alcohol consumption tends to rise and fall with economic prosperity and the recent downturn in the economy has affected pub incomes.
- Many of the old industrial and village communities surrounding local pubs have changed out of all recognition, reducing the number of devoted pub regulars in some areas.
- Tastes and lifestyles have changed with more people drinking wine and fewer people drinking beer, the mainstay of most pub income. The pub has faced competition from alternative leisure pursuits, such as the restaurant and the cinema. There has also been a significant rise in the number of people drinking at home, rather than in pubs and bars.
- Beer prices have gone up in pubs and bars much faster than in shops and supermarkets and supermarket discounts are thought to be one of the major factors in falling pub incomes.
- Pub operators have faced rising costs as beer prices have increased and major legislative changes have imposed significant additional costs.
- There is evidence that tenants of some of the large pub companies are finding it hard to compete because of the higher prices they are paying for their tied beer. There is also a lack of transparency in the way some pub companies calculate their rents.

## **Why do pubs matter?**

Pubs are more than just private businesses selling alcohol – very many pubs also play an important role at the heart of their local communities:

- Pubs provide a meeting place where social networks are strengthened and extended: the pub scored the highest of any location in our survey asking people where they get together with others in their neighbourhood.
- Pubs inject an average of £80,000 into their local economy each year. Pubs add more value to local economies than beer sold through shops and supermarkets, simply because they generate more jobs. Beer sold through

pubs also generates more funding for the public purse than beer sold through the 'off trade'.

- While alcohol is linked to problems around crime and disorder, very little of this comes from community pubs serving residential areas.
- Pubs are perceived by people to be the most important social institution for promoting interactions between people from different walks of life.
- Pubs host a wide variety of community oriented events and activities that add considerably to local civic life.
- Many community pubs are becoming hosts for a range of important public services, including post offices and general stores and providing broadband internet access.
- Community pubs, or at least pubs with certain characteristics, also have a cultural as well as a practical community value. This is because pubs are felt to offer things such as tradition and authenticity that are becoming rarer in a world transformed by global commercial pressures.

### **Time for change**

The current policy framework regarding community pubs contains three major flaws:

- It is far too indiscriminate: all licensed premises have to carry the burden of new regulations and increased taxation, but the smaller community pubs that cause so few of the problems are those least able to take on these additional costs. We need a more nuanced approach that targets the problem drinking places and rewards and incentivises pubs that play a positive role in their local communities.
- It is counter-productive, particularly in terms of tackling crime and disorder: by making beer in pubs more expensive while beer in shops and supermarkets gets relatively cheaper, policy is drawing people out of the regulated and supervised drinking environment of the pub.
- Policy fails to recognise that very many pubs are more than just businesses and perform important community functions which if lost can have a serious impact on the quality of local community life.

### **Recommendations**

To provide greater support to the majority of well-run community pubs, ippr recommends:

- **Business rate relief for 'centres of community':** where pubs act as local community hubs they should be granted 50 per cent mandatory business rate relief. We have produced a method for measuring the social impact of a community pub which could be used to determine which pubs should qualify.
- **Eligibility for third sector finance:** some pubs could apply to become Community Interest Companies and apply for third sector grants and loans to develop the community-oriented side of their business.

- **Reform of planning law:** to provide greater protection for community pubs. In the absence of nationwide reform, local authorities should use the Sustainable Communities Act to help them safeguard pubs as important local amenities.
- **Buying pubs:** existing tenants should be given the first option of buying their pub if it is put up for sale.
- **A minimum price for a unit of alcohol:** to prevent irresponsible promotions and close the gap between the on and the off trades, a minimum price should be introduced.
- **Beer duty:** there should be no further increases in beer duty at a time of escalating pub closures. The Government should abandon its current 'beer duty escalator'.
- **The relationship between the large pub companies and their tenants:** this relationship needs to be rebalanced. The way the beer tie is currently operated needs to be reformed and a mandatory code of conduct should be introduced to ensure that rents are calculated in a transparent way and that there is an independent and accessible arbitration system to settle disputes between pubcos and their tenants.
- **Diversification:** pubs themselves need to diversify what they offer and keep pace with consumer tastes and demand.
- **Training and development:** the pub trade needs to develop a stronger culture of training and professional development.

There is no one magic bullet that will simultaneously solve the problems facing Britain's community pubs. However, taken as a whole, the package of measures recommended here should ensure that local pubs can continue to play a role in supporting community life for many generations to come.