



UK Hospitality landscape

A comprehensive review and analytical perspective



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Executive summary

The hospitality sector is a vital part of the UK's economic and social landscape. Food services (including restaurants, pubs and clubs) account for over 50% of the sector's total Gross Value Added (GVA) contribution and employment.

- The hospitality sector is a vital part of the UK's economic and social landscape. **Food services (including restaurants, pubs and clubs) account for over 50% of the sector's total Gross Value Added (GVA) contribution and employment.**
- **95% of hospitality businesses have faced rising wage costs YoY.** At the same time, they have also faced increased costs for food (89%), insurance (84%) and energy (57%).
- With favourable conditions (macro environment and policy), the wider hospitality sector could **increase its direct contribution to the economy by £29 billion and create 500,000 new jobs by 2027.**
- Brexit and other geopolitical factors have significantly disrupted the UK's hospitality market, with major impacts on employment, workforce size and operational activities.
- The industry has high hopes of the newly formed government, with key expectations including VAT reduction and relaxation in business rates.
- Hotels are investing in technologies like Artificial Intelligence (AI) and the Internet of Things (IoT) etc, to increase work efficiency and provide better customer service.
- The sector faces risks related to **supply chain vulnerabilities, cyber security and labour shortages**, which pose challenges to customer experience and operational efficiency.
- **Staff shortages** in UK hospitality, exacerbated by **high inflation**, are expected to cause disruptions that could extend beyond 2025.
- The hospitality industry is the **second most crime-prone sector in the UK.**
- The sector is moving towards sustainability by **adopting energy efficiency, using renewable energy, leveraging emerging technology and supporting local commodities.**
- The Employment (Allocation of Tips) Act 2023, that comes into effect on 1 October 2024, **will require hospitality businesses to distribute 100% of customer tips to staff**, with no exceptions except for standard-rate tax deductions.



Chapter 1

Industry overview

Insights – wider hospitality sector in the UK

- The hospitality sector is a key driver of the UK economy, particularly in terms of employment, and is the third largest employer in the UK. Unlike sectors with regional concentrations, hospitality is a leading employer across the country, consistently ranking among the top five employers in every region. ^[1]
- Food services (including restaurants, pubs and clubs) account for over 50% of the sector's total economic contribution and employment. ^[1]
- Although hospitality accounts for the largest portion of international visitor spending in the UK, it is primarily a domestic-facing industry and UK household spending makes up the majority of the sector's GVA contribution.
- Key players in the sector – InterContinental Hotels Group, Accor SA, Whitbread, Mitchells & Butlers, Greggs, Costa Coffee etc.

Significance to economic growth

	SIC Classification	Wider Hospitality Sector
Number of Businesses	226K	–
Employment	2.7Bn	3.5Mn
GVA (2022)	£74Bn	£93Bn

Figure 1. Hospitality Sector Contribution to the UK Economy ^{[1] [2] [3]}

Note – SIC Classification of the sector includes only accommodation and food services, whereas the wider hospitality sector includes catering, events and recreational activities, in addition to accommodation and food services.

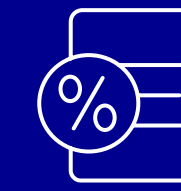


The hospitality sector continues to encounter significant challenges, including the cost-of-living crisis, staff shortages and escalating operational costs due to economic downturns. A study by UKHospitality (conducted in Q3'2024) reveals that 95% of hospitality businesses have faced rising wage costs YoY. Similarly, businesses have also faced increased costs for food (89%), insurance (84%) and energy (57%). [5] Despite these challenges, the sector has demonstrated overall resilience and adaptability, leading to a positive outlook for growth.

Here are some key figures for the sector's prospects :

- According to a study by Toast, **78% of UK restaurateurs predict YoY growth in 2024 and 40% are very likely to expand their business this year.** [6]
- The resurgence of portfolio transactions has bolstered UK hotel investment in H1 2024 with **investments totalling £3 billion** – a substantial increase from 2023. The **second half of 2024 is expected to yield further robust activity**, with more hotel portfolios seeking to change hands. [7]
- A Deloitte study shows that hospitality leaders and investors have **identified London as the most attractive European city for hotel investment in 2024**. Most respondents also **forecast an increase in London's Revenue Per Available Room (RevPAR) for the year, with 54% expecting a growth of 4-7%**. Additionally, 72% forecast RevPAR growth of 1-5% across the UK. [8]
- With favourable conditions (macro environment and policy), the wider hospitality sector could **increase its direct contribution to the economy by £29 billion and create 500,000 new jobs by 2027.** [9]

Economic Contribution – Other Important Statistics* [4]



55bn tax receipts generated in 2022
Majority of this (57%) comes from VAT on sales



£20bn export value in 2022



£7bn business investment in 2022

*Wider hospitality sector



SMEs in the sector

In the UK hospitality sector, SMEs make up over 99% of all businesses and account for 50% of the sector's total turnover as well as GVA. ^[3]

SMEs have been severely impacted by the economic downturns in recent years. 77% of hospitality venues lost since before the pandemic were SME businesses. ^[10] However, the sector is demonstrating growing resilience and, according to a study conducted by Novuna, 30% of SMEs anticipate growth in Q3 2024. ^[11]

	GVA	Share of Total GVA
Micro businesses (1-9 employees)	£14bn	16%
Small businesses (10-49 employees)	£19bn	21%
Medium businesses (50-249 employees)	£13bn	14%
Total SMEs	£46bn	50%
Large businesses	£47bn	50%

Figure 2. SME Contribution to the Wider Hospitality Sector GVA (2022) ^[3]





Chapter 2

Macro-economic overview



Geopolitical issues

Brexit impact on the UK hospitality industry.

The Office for National Statistics (ONS) estimates that, in 2019, 12.3% of UK hospitality workers were EU nationals. Approximately 120,000 EU workers have left the UK sector since that year, contributing to a significant skills gap in the industry.^[13]

- **Impact on operations** – The ability of hospitality businesses to operate was also directly impacted by the labour shortage. Many businesses have been compelled to shorten their hours of operation or even close on some days. **According to reports, a number of bars and restaurants have cut back on their hours of operation by as much as 30%, which has a negative effect on their earnings.**^[14]
- **Increase in the minimum salary threshold for a skilled work visa** – The minimum wage for a skilled work visa has increased to **£38,700**, which is more than many restaurant staff earn. Previously, it was **£26,000**. According to Glassdoor, the average pay for waiting staff in London in 2024 is estimated to be **£28,000**.^[14]



Election 2024

Hospitality businesses strongly support changing business rates, as promised by the new government, to help lower costs. This should be a priority in the upcoming budget, with **80% of respondents believing it would positively impact their business.** ^[15]

In England, the Labour Party has promised to replace the current business rates system.

Besides reforming business rates, **85% of businesses believe that reducing VAT for the hospitality sector would help them grow.** Additionally, **34% think that lowering alcohol duty would also be beneficial for their business growth.** ^[15]

Challenges in UK trade: geopolitical tensions, non-tariff barriers, and declining exports

The Labour Party has pledged to change the Apprenticeship Levy into a new system called the Growth and Skills Levy.

- Geopolitical tensions, such as the Russia-Ukraine conflict, have further complicated trade flows.
- **Non-tariff barriers:** The Trade and Cooperation Agreement (TCA) introduced non-tariff barriers, such as increased paperwork, which have complicated trade processes with the EU, even in the absence of actual tariffs.
- **Delayed EU border checks:** The decline in EU imports may be partly due to the delayed rollout of EU border checks, which has added another layer of complexity to the trade process.
- **Trade deficit:** The total goods and services trade deficit widened by £5.5 billion to a deficit of £14.6 billion in the three months to July 2024 [16]. This was driven by increased imports of goods.
- **Decline in exports:** In July 2024, the value of UK goods exports fell by £3.4 billion (10.8%) compared to the previous month. This decline was observed in both EU and non-EU markets. ^[16]



Growth rates in UK hotel industry

The UK hospitality sector has shown remarkable resilience and growth, as evidenced by the latest macroeconomic data. The report highlights a significant increase in Revenue Per Available Room (RevPAR), alongside impressive room occupancy rates in London and across England. This upward trend reflects the sector's recovery and adaptation in the post-pandemic era, driven by a surge in domestic tourism and a gradual return of international visitors.

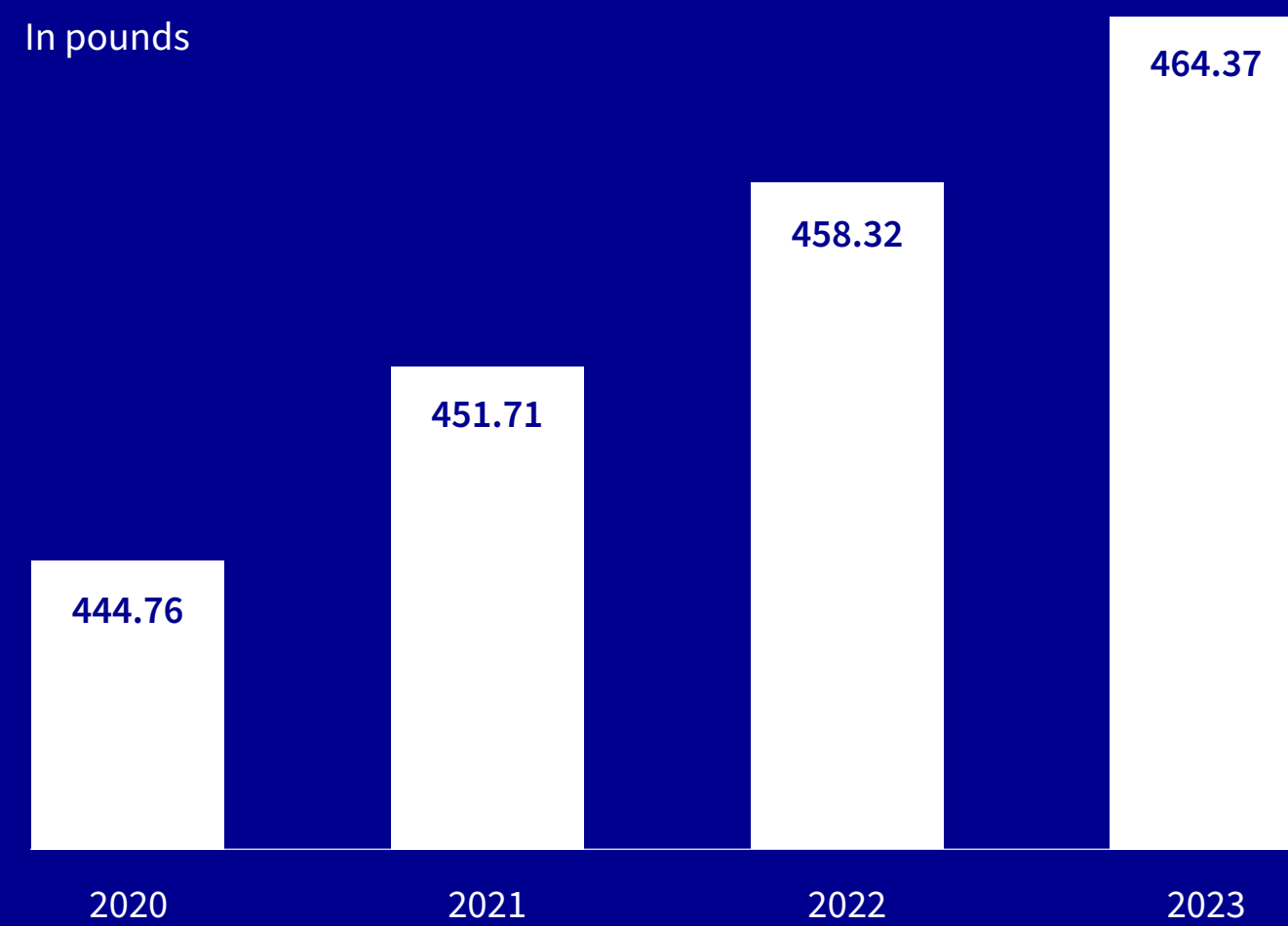


Figure 3. Revenue per available room (RevPAR) is rising in the UK (2023).^[17]

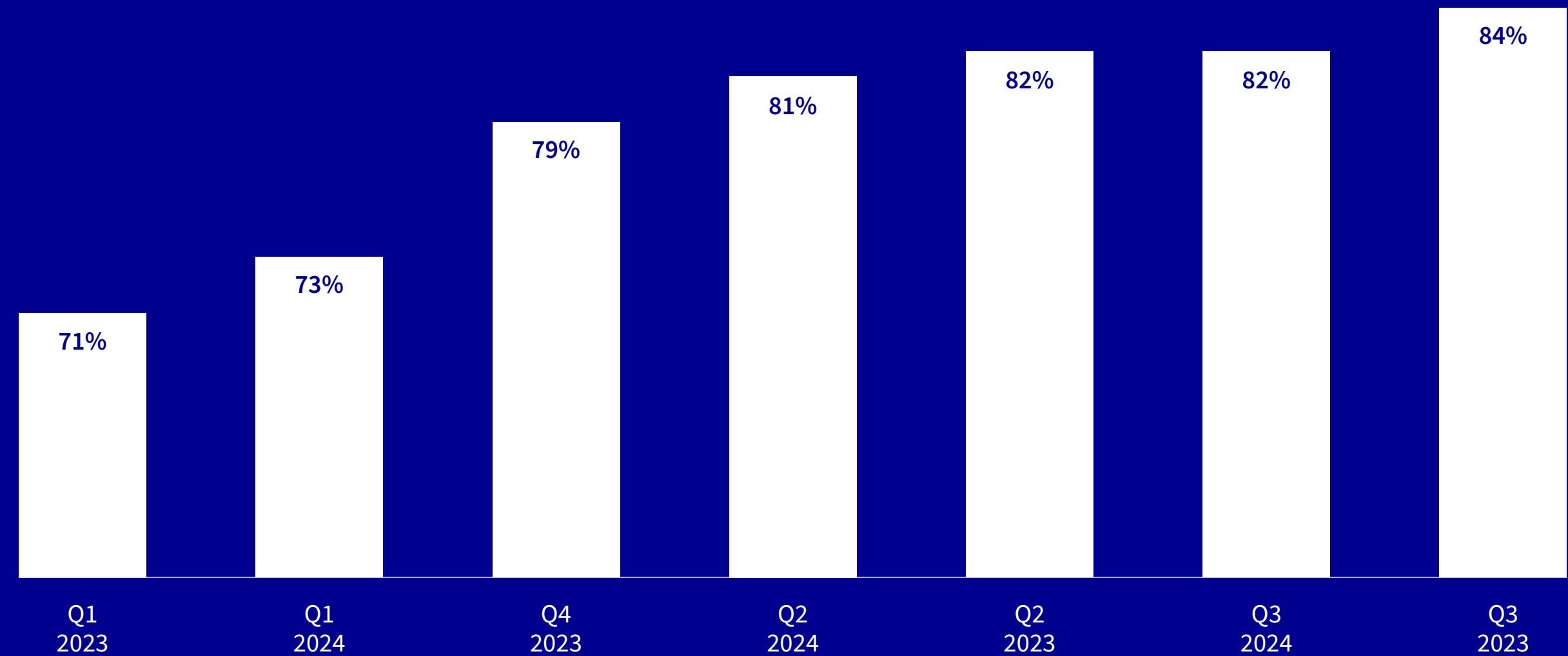
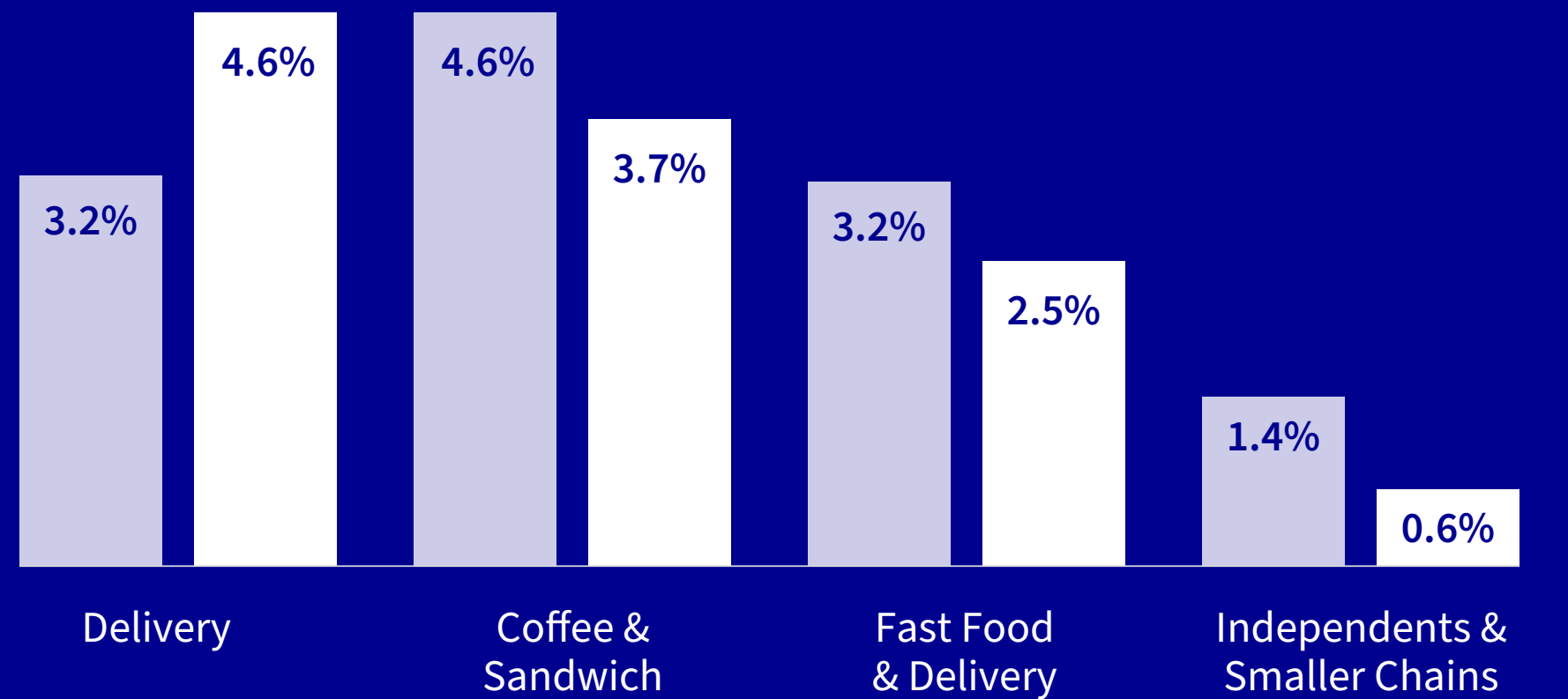


Figure 4. Hotel occupancy rate in London^[18]



Figure 6. Sales

■ Last 12 weeks
■ Latest 4 weeks



Short-term impact

European Championship ^[20]

UK hospitality sales increased by 1.6% compared to the previous year during both the 12-week and 4-week periods ending on July 16, 2024, which included EURO 2024. Delivery, Coffee & Sandwich, and Fast Food & Takeaway remain the top-performing sectors over the longer term. However, Pubs & Bars have seen a significant boost in sales, largely due to England's successful run to the EURO 2024 final on July 14.

Throughout the entire tournament, Pubs & Bars' year-over-year performance fluctuated by +4.7%.



Impact of climate Change on yields (wine & olive oil)

Impact on wine production

Businesses in the UK wine sector are acutely aware of the risks and opportunities posed by climate change and are taking comprehensive measures to prepare their operations accordingly. Climate change influences a wide range of decisions, from the products and services offered, to the selection of equipment, as well as contracting and pricing strategies.

The climate crisis resulted in the UK experiencing its second-hottest year on record last year (2023). While rising temperatures are creating increasingly favourable conditions for grape growing in Britain, extreme heat poses a significant threat to traditional wine regions like Spain, Italy and southern California, where harvests are expected to decline dramatically.

WineGB Report ^[21]:

- **Vine plantings:** There has been a 74% increase in vine plantings, expanding from 4,000 hectares (9,884 acres) to a projected 7,600 hectares by 2032. This expansion is expected to yield a potential 24.7 million bottles.
- **Production growth:** Between 2017 and 2022, wine production in England and Wales more than doubled, rising from 5.3 million to 12.2 million bottles.

Rising temperature will bring more production of wine in the upcoming years

A report by Reading University in December 2022 found that, due to the impact of climate change, a fifth of the UK may have suitable weather conditions to grow Chardonnay grapes for still wines by 2050. This highlights the significant shifts in agricultural potential driven by changing climate patterns. ^[21]

The research model developed by Biss and Professor Richard Ellis, a crop science expert, identified that by 2050, 20-25% of UK land may be suitable for growing Chardonnay grapes. This finding underscores the potential for significant agricultural shifts due to climate change. ^[21]

The Climate Resilience in the UK Wine Sector Project revealed that by 2040, the growing season within England and Wales will become warmer by up to 1.4°C. This increase in temperature is expected to expand the area suitable for growing Pinot Noir, particularly for sparkling wine production. ^[22]



Impact on olive oil production

Juan Antonio Polo Palomino, head of the olive oil technology and environment department at the International Olive Council (IOC), has highlighted the impact of exceptionally hot summers on olive production. For two consecutive years, there have been extremely low yields. This decline in production has led to a significant rise in olive oil prices.

According to the Office for National Statistics (ONS), the average price of olive oil has surged to £8.04 (US\$10.06) per bottle, marking a 39% increase from £5.78 (US\$7.23) in 2023 and a 108% rise since 2022. ^[23]

The European Union (EU) is a major player in the global olive oil market, producing approximately 67% of the world's supply. This production is based on around 4 million hectares of olive groves. Typically, EU countries produce about 2 million tonnes of olive oil and 900,000 tonnes of table olives annually.

However, recent data from the EU Commission indicates a significant decline in production for the 2022-23 season. Overall EU production fell by 39%, resulting in just 1,385 million tonnes of olive oil. ^[24]

Adverse weather conditions have impacted several countries, leading to a significant decrease in global olive oil production, affecting its availability and cost worldwide.

- Italian production decreased by 27%, dropping from 329,000 tons to 241,000 tons.
- Portugal experienced a 39% decline, with production falling from 206,000 tons to 126,000 tons.
- Greece saw a 47% increase in production, rising to 340,000 tons.
- Moroccan production fell by 22% to 156,000 tons.
- Tunisia saw a 25% decrease, bringing their production down to 180,000 tons. ^[24]

The decline in olive oil production is expected to have several impacts on the UK hospitality sector in 2024:

Higher prices: As the cost of olive oil increases sales will go down. ^[25]

Supply chain strain: The reduced availability of olive oil will strain supply chains, making it harder for UK hospitality businesses to secure consistent supplies. ^[25]

Ingredient substitution: Restaurants and hotels may need to adjust their menus to use alternative oils or reduce the use of olive oil in their dishes. ^[26]

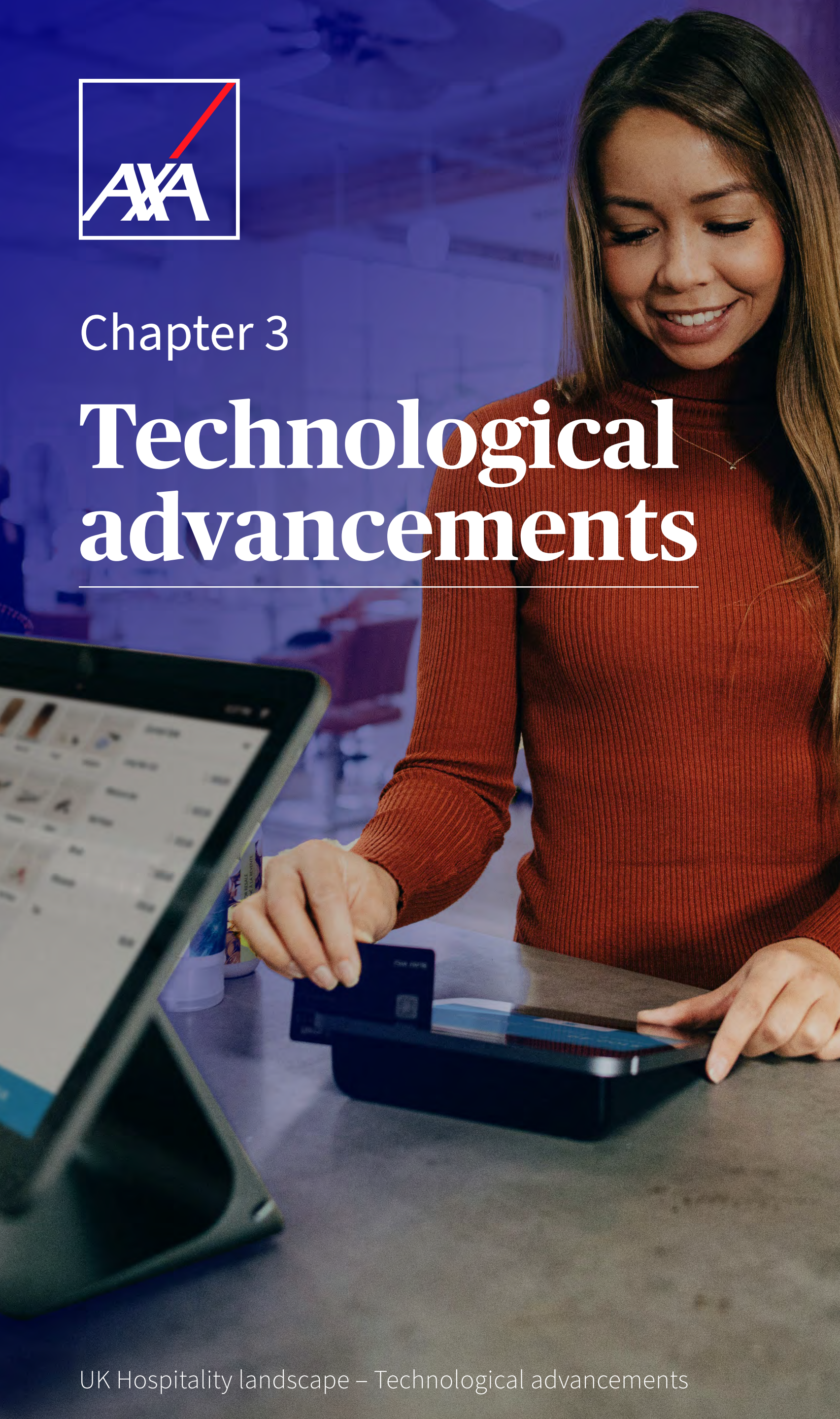
Cost management: Some establishments might opt for lower-quality olive oils or blends, which could affect the overall dining experience. ^[26]

Health consciousness: Despite higher prices, the demand for olive oil might remain strong due to its health benefits. This could lead to a shift in consumer preferences towards dishes that use olive oil, even if they come at a premium. ^[27]



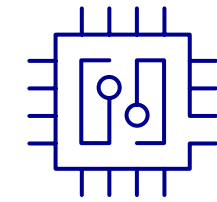
Chapter 3

Technological advancements

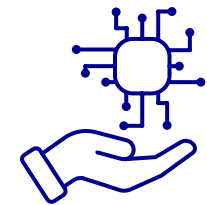


The hospitality sector in the UK has experienced a technological boom with businesses launching thousands of websites, social media pages and apps in recent years.

UK Hotel Industry Outlook on Technological Changes ^[31]



43% of hospitality venues **think they already have** all the **software solutions** they require



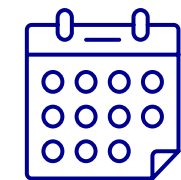
30% classed themselves as **early-adopters of tech**



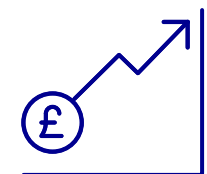
33% of hospitality venues adopted tech because of **staff requirements**



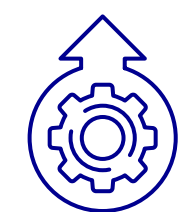
Customers accounted for **28% of the adoption of new technology**, followed by **competitors 20%**



95% of venue operators think **reservation software is crucial**



46% expect their **budgets** for technology to **increase in 2024**



Almost **25%** of the hospitality venues have **upgraded** or **introduced solutions in the past year** (2022-23)



AI in UK hospitality

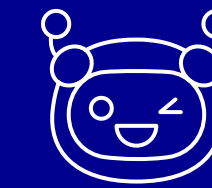
AI is used in routine tasks, customer support, improving efficiency and enhancing decision-making by mimicking human intelligence.

AI's ability to analyse large amounts of data, predict trends and make smart decisions is changing how **hospitality businesses work**. With AI, companies can now offer personalised experiences, make operations more efficient, improve customer service with smart chatbots and virtual assistants, and greatly enhance security.

The future of AI in hospitality promises a transformation in both guest interactions and back-office operations. For hoteliers, understanding the changing needs and desires of future consumers is essential to effectively implementing innovative technologies. Tailoring AI solutions to meet the varying preferences of future consumers on a micro-segment basis, considering different brands and locations, is key for successful implementation.

Preparing the workforce for the technological shift brought about by AI is vital, as **employees need to adapt to a data-driven environment to remain integral to operations**. Addressing ethical and privacy concerns in AI usage, especially concerning sensitive guest data and ensuring transparent interactions, is a top priority to maintain trust and compliance. Managing the rapid advancement of the technology while maintaining stability in guest services and operations is a challenge that requires a thoughtful and strategic approach.

Generative AI in UK hospitality ^[32]



52% of customers believe **generative AI** will be used for **customer interactions**



44% believe it will be employed for **guest engagement**



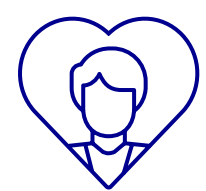
IoT in UK hospitality^[33]

The Internet of Things (IoT) can revolutionise the hospitality industry by changing how hotels, resorts, cruise ships, casinos, restaurants and other leisure businesses collect data, interact with guests, and automate tasks. When combined with **mobile technology and data analysis, IoT brings a new way of operating in hospitality**. It allows businesses to enhance guest experiences with new amenities and services, streamline operations to cut costs and boost productivity, understand guest preferences for more personalised offerings, and improve efficiency by monitoring key infrastructure and optimising processes.

Reason behind the implementation of IoT devices in UK hospitality:



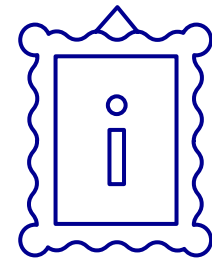
68% of pub-goers in the UK want **quicker service**



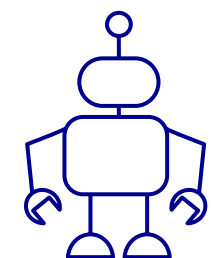
70% of travellers are willing to **spend extra** for **personalised hotel experiences**

How IoT can make the hospitality industry efficient

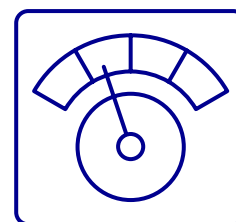
IoT solutions offer the hospitality industry a chance to enhance customer service, streamline operations and deliver unique services.



Smart devices that transform regular mirrors into interactive information hubs, allowing guests to control room functions, ambience and entertainment.



Autonomous indoor delivery robots that use sensors, AI and machine learning. They can operate elevators and navigate crowds to handle room deliveries quickly, safely and reliably.



Thermostats that can learn guest preferences and adjust the room temperature automatically. Similarly, lighting systems can create a personalised atmosphere.








Chapter 4

Associated risks



Cyber security

The hospitality industry is the **second most crime-prone sector** in the UK, with increasing vulnerability to cyber threats due to its reliance on **Internet of Things devices, extensive supply chains and the vast amount of sensitive customer data** it processes. Notable data breaches affecting leading hotel chains like **MGM Resorts (2023), Holiday Inn (2022) and Marriot Group (2018)** suggest that cybercriminals are persistently drawn to targeting the hospitality sector.

-  **36% of UK accommodation & food sectors** have been affected by **cyber threats** ^[34]
-  **90%** of hospitality **data breaches** come from **external actors**
-  **91%** of cyber fraudsters are **financially motivated** and **9%** are engaged in **espionage** ^[36]
-  **72%** of UK **hospitality firms** consider **cybersecurity a high priority**, compared to 75% of overall businesses ^[35]
-  Employees from **84% of businesses** in the UK travel & hospitality sector are **not being trained to deal with cyber-attacks**



Labour shortage

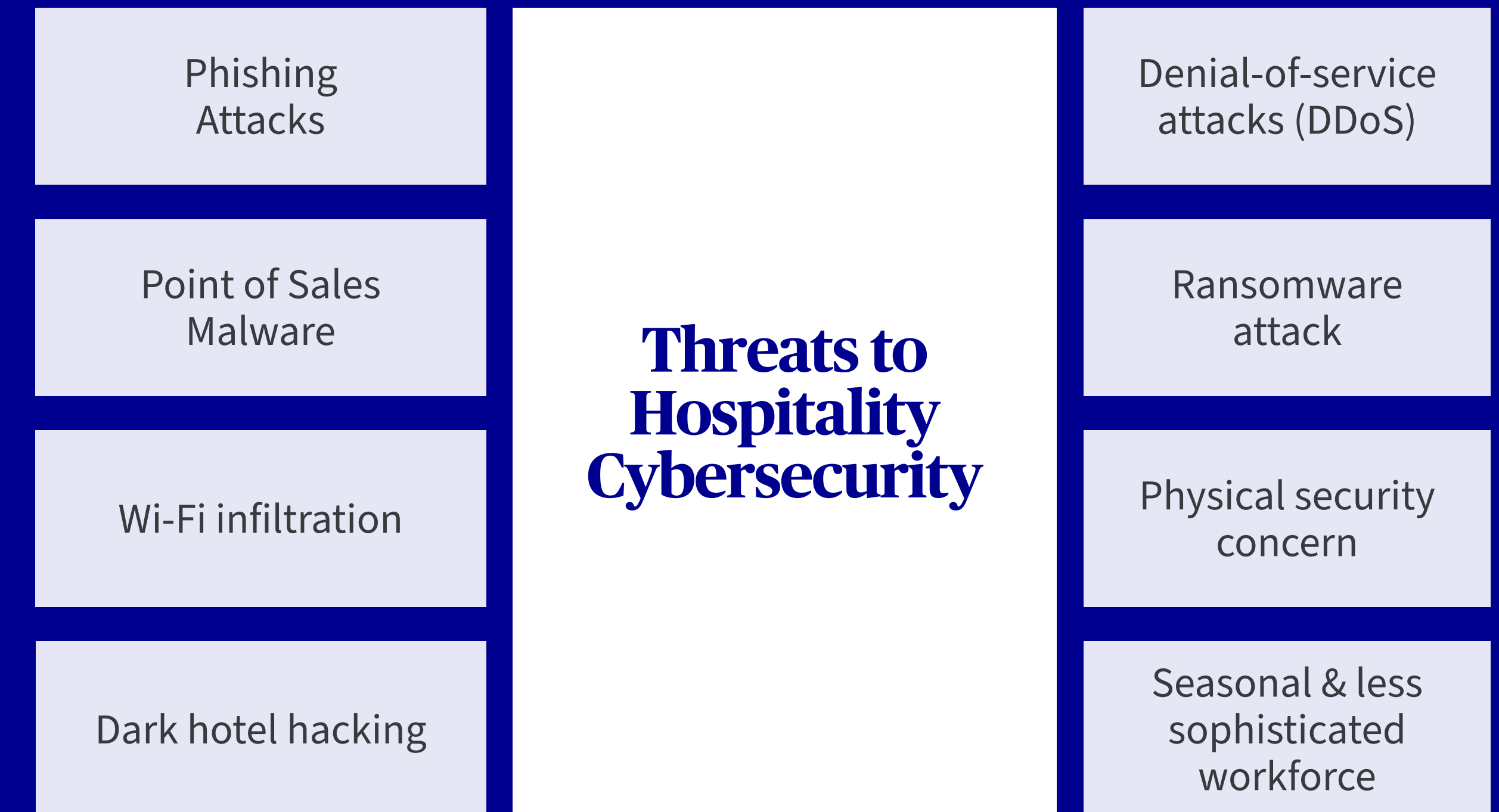
Labour shortages have been a persistent challenge in the hospitality industry, exacerbated by restrictive immigration policies following Brexit. Since then, hospitality vacancies in the UK have surged by 72%, while the number of EU workers in the industry has dropped by 26%.

Approximately 6% of hospitality staff resign every month, as businesses struggle to find suitable replacements. ^[38]

The most significant decline in overall employment has been observed in **accommodation and food services**, with many pubs and restaurants cutting back their hours due to the ongoing labour shortages. Recruiting and retaining employees for crucial roles such as **housekeeping, front desk operations and food services** has become increasingly difficult.

Staff shortages in UK hospitality, exacerbated by **high inflation**, are expected to cause disruptions that could extend beyond 2025. Significant changes, such as **personalisation, self-check-in, AI usage and more**, have swept through the hospitality industry, making it hard for staff to adapt and keep pace.

Threats to Hospitality Cybersecurity in the UK:



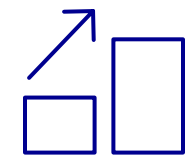


Staff shortages in UK hospitality, exacerbated by **high inflation**, are expected to cause disruptions that could extend beyond 2025. Significant changes, such as **personalisation, self-check-in, AI usage and more**, have swept through the hospitality industry, making it hard for staff to adapt and keep pace.

A key promise in the Labour Party's manifesto is **addressing the skills shortage by linking immigration and skills policy**, which could have a profound impact on the hospitality industry. The Labour Party intends to introduce **workforce and training plans** aimed at upskilling resident workers.

Steps taken to address the concern: **Introducing flexible working hours (58%), increases in wages (52%) and recruitment (43%)** [39]
68% of UK hospitality managers believe that their **company's current training programmes** help employees stay engaged and motivated [39]

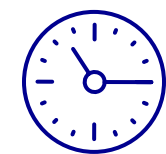
Cyber fraud's impact on UK retail enterprises



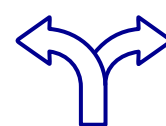
The UK hospitality industry said their current **staff shortage is 48% higher than pre-Covid** [40]



The UK hotel sector experienced **chef shortages** ranging from **10% for head chef** up to **21% for production chef** [40]



54% of UK hospitality staff shortages are **caused by unsociable hours** [38]



94% of hospitality employees would stay with a company longer if there were **opportunities for career advancement** [38]



The **main cause** for the labour shortage is **long working hours (69%), high stress levels (68%) and understaffing (64%)** [39]



Supply chain disruption

Supply chain disruptions have become a significant challenge for the UK hospitality sector. The global pandemic has severely impacted **international trade and transportation, causing delays in the delivery of crucial supplies.**



Supply chain disruptions are leading to a variety of business challenges, such as last-minute menu changes that **fail to meet customer expectations (57%) and increased stress on the workforce (54%)**^[41]



UK hospitality operators have seen **price rises of up to 30%** due to supply chain breakdowns^[41]

Hoteliers are grappling with shortages and postponed shipments of everything from linens and toiletries to food and beverages. These challenges make it difficult to uphold consistent quality standards and meet guest expectations.

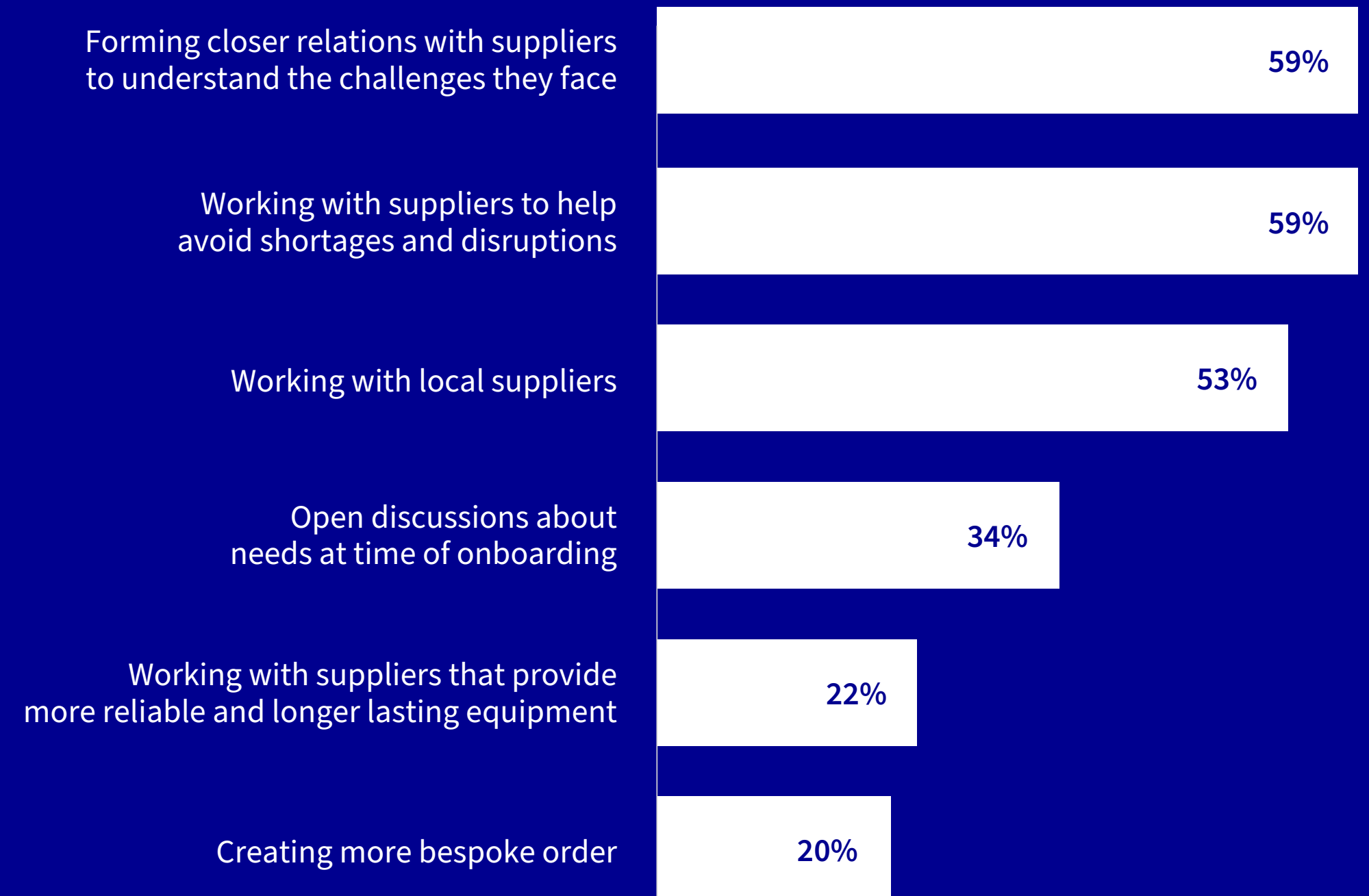


Figure 8. Steps taken by UK operators to build supply chain resilience^[41]



Supply Chain Resilience in UK Hospitality

The state of play in the hospitality sector in 2024 is marked by resilience, adaptation and transformation. The industry is recovering from the pandemic and other issues, but still faces challenges. Additionally, supply chain disruptions are impacting the availability and cost of goods, further complicating the recovery process for many businesses.

In 2024, the UK hospitality industry is tackling supply chain issues through a combination of innovative strategies and resilience:

- Businesses are increasingly turning to local suppliers to reduce dependency on international shipments and mitigate delays.
- Many are adopting advanced technology solutions to streamline inventory management and improve forecasting accuracy.
- Collaborative efforts within the industry, such as shared logistics and bulk purchasing agreements, are also helping to alleviate some of the pressure.

Since 2023, the hospitality sector has faced significant challenges, with **57%** of businesses reporting **negative impacts on staff mental health**. Additionally, **56%** have **reduced menu variety**, **46%** report **poor customer service**, and **37%** have had to offer **smaller portion sizes**.

These issues are compounded by price increases of up to **30% in ingredients**, catering equipment, labour and fuel/energy, making it even more difficult to recover and thrive.^[41]

Despite challenges with rising costs and supply chains, UK operators have been taking **steps to make their supply chain relationships more reliable**.





Impact of increased energy cost on UK hospitality

A recent survey by UKHospitality targeting individuals running pubs, bars, restaurants and other hospitality businesses has shed light on the severe impact of the ongoing energy crisis on the industry. ^[29]

- **Widespread concern:** A staggering **86%** of respondents expressed concern or significant concern about **rising energy costs**.
- **Soaring bills:** The average energy bill for these businesses has surged by **81%** compared to 2022 and is now three times higher than in 2021.
- **High-risk contracts:** Businesses that locked into energy contracts during the peak of the crisis (between July and September) are particularly vulnerable. Nearly half (**46%**) of these businesses feel they are at **risk of failure within the next 12 months**.
- **Energy prices as a major risk factor:** An overwhelming **92%** of those at risk cite energy prices as a significant contributor to their precarious situation.

To manage rising costs, three-quarters of UK hospitality businesses reported having to increase prices. Additionally, over 60% have reduced staff hours, 40% have decreased their workforce, and 50% are now operating with reduced trading hours. ^[30]

A UKHospitality survey revealed that the majority of hospitality businesses in the UK have been forced to raise their prices and cut staff hours in a bid to offset rising energy costs, which have increased by an average of 238%. ^[30]

Average energy costs



To manage rising costs, three-quarters of UK hospitality businesses reported having to increase prices. Additionally, over 60% have reduced staff hours, 40% have decreased their workforce, and 50% are now operating with reduced trading hours. ^[30]

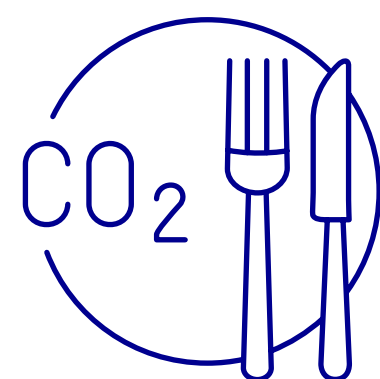


Chapter 5

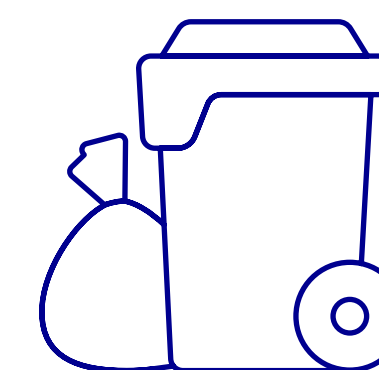
Sustainability

Overview

The UK hospitality sector is increasingly focused on sustainability, driven by both environmental concerns and consumer demand for greener practices.



15% of greenhouse gas emissions come from the **hospitality sector** ^[42]



920,000 tons of food waste generated annually by **hospitality firms** ^[42]



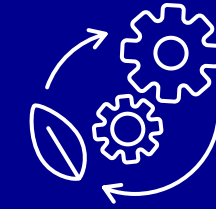
£1.3 + billion annual **energy costs** for hospitality businesses ^[42]



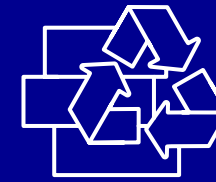
Sustainable Approach

- By utilising **energy efficiency** (such as room occupancy sensors, weatherstripping, LED lighting replacements), **renewable energy** (such as geothermal, biofuel and hydrogen fuel cell technology), **biodiversity** and **emerging technology** (such as automated energy management systems and sensors), the hospitality industry is moving towards sustainable operations to achieve net-zero carbon emissions by 2050.
- The **emphasis on local and sustainable sourcing** reflects a growing trend in the hospitality sector to enhance sustainability, support local communities and meet consumer demands for ethical and environmentally friendly dining experiences.
- Embracing **waste reduction and circular economy** practices in hospitality not only supports environmental sustainability but also provides economic benefits by **lowering costs related to waste disposal and procurement**.

Since 2023, all hospitality businesses in England are legally required to separate food waste from general waste and have it collected separately. This initiative is part of waste management strategies aimed at reducing greenhouse gas emissions and combating the effects of climate change.



58% of consumers would want to stay in accommodation with **green awards** and **environmentally friendly** practices ^[42]



71% of millennials expect hospitality businesses to **address climate change** in their management practices ^[43]



72% of hospitality experts **prioritise sustainability** within their businesses over the coming year ^[43]



Tourism is responsible for approximately **5% of global CO₂ emissions** ^[44]



Chapter 6

Regulatory environment

New regulations and schemes in retail

Employment (Allocation of Tips) Act 2023

The Employment (Allocation of Tips) Act 2023 will come into effect on 1 October 2024. The new act will **require hospitality businesses to distribute 100% of customer tips to staff, with no exceptions except for standard-rate tax deductions.** Additionally, employers must ensure fairness and transparency while dividing tips among staff. [45] It is estimated that this act could result in an additional £200 million in revenue being directly given to hospitality employees. [46]

However, a study by Three Rocks indicates that the implementation of the act may place considerable financial strain on hospitality businesses. According to the study, **83% of respondents expect to incur compliance costs of at least £12,000 a year, with a further 18% expecting costs could escalate by £60,000 to £360,000 a year.** [47]

Increase in National Minimum Wage (NMW)

On 1 April 2024, the rates of NMW increased in accordance with the Low Pay Commission's recommendations. [48]

	21 and over	18 to 20	Under 18	Apprentice	
Rates April 2024 onwards	£11.44	£8.60	£6.40	£6.40	
	23 and over	21 to 22	18 to 20	Under 18	Apprentice
Rates April 2023 to March 2024	£10.42	£10.18	£7.49	£5.28	£5.28

This increase in minimum wage **creates a ripple effect across hospitality businesses that employ entry-level workers, part-time workers and students, primarily on minimum wage.** Higher wage rates directly translate to increased labour costs, which can increase financial strain, especially on SMEs. Consequently, hospitality businesses might need to re-evaluate their pricing strategies to offset the increased costs.



Anticipated regulations

Business Rates Reform

The Labour Party's election manifesto prioritised the reform of business rates in the hospitality sector, with a commitment to rebalancing the tax burden between high street and online businesses. The current Retail, Hospitality and Leisure Business Rates Relief scheme is set to expire in April 2025, leading to an anticipated rise in rates. Hospitality businesses are hopeful that this long-standing issue will be tackled within the first 100 days of the new government.^[49]

According to a study by UKHospitality, hospitality businesses are in favour of reforming business rates, with **80% of respondents stating that it would positively impact their operations.**^[5]

Introduction of Martyn's Law

The Terrorism (Protection of Premises) Draft Bill, also known as Martyn's Law, was included in the King's Speech on 17 July 2024 as part of the legislative agenda for the forthcoming parliamentary session.^[50] Named in honour of Martyn Hett who was killed alongside 21 others in the Manchester Arena terrorist attack in 2017, the UK-wide legislation **would impose requirements on certain premises and events to increase their preparedness for, and protection from, a terrorist attack** by implementing proportionate measures.^[51]

Although no date has yet been set for the introduction of the legislation, it would impact hospitality businesses in the UK, including locations used for purposes such as entertainment and leisure, food and drinks, events etc.



Impact of alcohol duty reform on UK hospitality

As of 1 August 2023, the previous government implemented a new duty reform expected to significantly impact producers, consumers and the hospitality industry. These changes included a freeze on duty rates for beer, spirits, and most ciders, while wine duty rates increased in line with inflation.

The Wine and Spirit Trade Association of the UK has expressed strong disapproval of the increase in alcohol taxes. The association highlighted that the industry is facing an exceptionally challenging period due to these tax hikes, coupled with other rising costs. This difficult environment is made worse by a prolonged cost of living crisis for consumers and persistently high inflation, particularly affecting food and drink prices.

The duty reform does have positive aspects. The implementation of standardised Alcohol Duty bands marks a significant improvement in simplifying the taxation process within the hospitality and leisure industry. By classifying alcoholic beverages according to their alcohol by volume (ABV), the new duty rates strive to provide clarity and uniformity, ensuring that both producers and consumers have a transparent understanding of the tax implications for each product.

Some points related to the new duty reform: ^[28]

- For alcoholic beverages with an ABV of less than **3.5%**, the duty is **£9.27** per litre of alcohol.
- Still cider with an ABV **between 3.5% and 8.5%** is subject to a duty of **£9.67** per litre of alcohol.
- Sparkling cider with an ABV between **3.5% and 5.5%** incurs a duty of **£9.67** per litre of alcohol.
- Beer with an ABV between **3.5% and 8.5%** has a duty rate of **£21.01** per litre of alcohol.
- Spirits, wine, and other fermented products with an ABV between **3.5% and 8.5%** are taxed at **£24.77** per litre of alcohol.
- Sparkling cider with an ABV between **5.5% and 8.5%** is also taxed at **£24.77** per litre of alcohol.
- Alcoholic products with an ABV between **8.5% and 22%** have a duty of **£28.50** per litre of alcohol.
- For alcoholic beverages exceeding **22% ABV**, the duty is **£31.64** per litre of alcohol.

Alcohol Type	Previous Duty Rate	New Duty Rate	Percentage Change
Beer (Draught)	5%	9.2%	+4.2%
Cider (Draught)	5%	9.2%	+4.2%
Wine (Draught)	20%	23%	+3%
Spirits (Draught)	20%	23%	+3%

Figure 7. Duty Reform ^[28]



The new alcohol duty reform in the UK, effective from 1 August 2023, is expected to have a mixed impact on the hospitality industry:

- **Simplification and clarity:** The reform introduces standardised duty bands based on alcohol by volume (ABV), which simplifies the taxation process and provides clarity for both producers and consumers.
- **Draught relief:** A reduced tax rate for draught alcoholic products under 8.5% ABV, packaged in containers of at least 20 litres, will benefit pubs and bars by lowering costs and encouraging the sale of draught beverages.
- **Increased wine duty:** The duty on wine has increased in line with inflation, which could negatively impact businesses that rely heavily on wine sales.
- **Operational adjustments:** Businesses will need to adapt to the new duty structure, which may involve changes in pricing, inventory management, and marketing strategies.





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UK Hospitality landscape

A comprehensive review and analytical perspective