



ADAM SMITH
INSTITUTE



LAST ORDERS

**A report by Sacha Lord, Night Time Economy
Adviser in association with The Adam Smith
Institute**

FOREWORD

THE ADAM SMITH INSTITUTE

When writing about bankruptcy, the American novelist Ernest Hemingway once famously said that it first happens slowly, and then all at once.

For too many UK hospitality businesses, this phenomenon – first slowly, then all at once – will be a familiar feeling. Over the last few years, the sector has faced incredible external pressures, from Covid-19 lockdowns and increased energy prices to the Government's proposed NICs increase. For many businesses, attempts to improve the situation by providing new services are hamstrung by restrictive planning and licensing laws. In combination, this 'perfect storm' is making it impossible for many businesses to keep their doors open.

As the **Adam Smith Institute** wrote last year, in our *On The Rocks* research paper, nightlife in the UK is in a state of crisis. But it isn't just bars, pubs, and clubs – it's restaurants, cafes, and all of the other businesses which create the UK's world-leading hospitality offering. More and more of these businesses are finding it impossible to continue operating, at a time when the economic fundamentals don't make sense.

And this isn't just an individual tragedy, as much-loved family businesses are forced to close – it's bad for our economy, and it's bad for our communities.

The second-order impacts of hospitality businesses closing their doors – less tax revenue, fewer employees, less work for suppliers – are enormous, and come at a time when our national economy is in desperate need of growth. Traditionally, retail spending has helped to power that growth – but when prices climb, thanks to rising energy prices and staffing costs, we shouldn't be surprised when consumers choose to save their money instead.



In recognition of the scale of this challenge, national and local policymakers alike should implement a series of liberalising measures, designed to lift the burden on the hospitality sector in general, and the night-time economy in particular, offering a much-needed lifeline to a sector in crisis.

Put simply, we will not save UK nightlife by adding more costs and more regulations, nor by suggesting that this upheaval comes as the result of changing consumer habits. We need to back our hospitality paper, getting the state out of the way wherever we can, by liberalising rules and lifting cost burdens.

Our favourite late-night haunts, as well as our economy as a whole, might just depend on it. It's time to give them the support that they deserve. We can all drink to that.

**SAM BIDWELL IS THE DIRECTOR OF THE NEXT GENERATION
CENTRE AT THE ADAM SMITH INSTITUTE.**



INTRODUCTION

Sacha Lord

UK nightlife is facing a crisis like never before.

As someone who has spent years championing this industry, I know how resilient, creative and vital it is – not just for social cohesion but for jobs, businesses, and the wider economy. But right now, the pressures on the sector are simply too much.

Rising energy, food and wage costs, combined with a cost-of-living crisis, mean that while venues might still see footfall, the numbers just don't stack up. Customers, particularly younger people, have less disposable income, while businesses face soaring costs that are pushing them to the brink.

At a recent roundtable in Westminster, which I hosted alongside industry leaders and policymakers, the reality was laid bare:

- The hospitality sector faces a £3.4 billion tax bill.
- Operating costs have increased 30–40% in the past year.
- 85% of businesses are planning to cut hours or salaries.
- 97% of operators have frozen investment, stalling growth and innovation through fear of what's to come.

Beyond these financial pressures, high energy costs, excessive regulation and a shift towards home-based socialising are creating a perfect storm. Without urgent intervention, we risk widespread closures, job losses and irreversible damage to the UK's world-renowned nightlife and hospitality sectors.



A sector on the brink

This sector isn't just about pubs, bars, clubs and late-night venues – it's a cornerstone of the UK economy and a major driver of tourism, employment and local regeneration. But it remains overlooked in policy decisions, and the businesses that shape our cities and communities are struggling to stay afloat.

And this isn't just about losing businesses – it's about the impact on the entire ecology, the suppliers who rely on the sector, the communities that need these spaces to appease loneliness and the culture that makes our towns and cities so unique. The warnings are loud and clear and unless action is taken, the consequences will be felt far beyond this sector.

Finally, I want to personally thank everyone who has contributed to this report, as well as those who continue to fight for the future of nightlife and hospitality. From venue operators and industry leaders to the policymakers who have been willing to listen, your input is invaluable and your commitment to keeping this sector alive doesn't go unnoticed.

This report outlines where the nightlife and hospitality industries find themselves, the challenges ahead and the scale of the crisis we face. Now, it's over to those in power to listen, engage, and act—before it's too late.

**SACHA LORD IS A NIGHT TIME ECONOMY ADVISER AND CHAIR
OF THE NIGHT TIME INDUSTRIES ASSOCIATION (NTIA)**



HOSPITALITY

**£54
billion**

in tax receipts to
the Treasury

3.5 M

in employment

9,000

pubs at risk of
closure in 2025

+

**“7 IN 10
BUSINESSES ARE
EITHER BARELY
BREAKING EVEN
OR LOSING
MONEY”**

- INDUSTRY BODY



STATE OF THE SECTOR

THE KEY CHALLENGES



The UK's nightlife and hospitality sector is facing an unprecedented crisis, with rising costs, shifting consumer behavior and regulatory burdens creating a perfect storm for businesses.

While it has always been a resilient and adaptable industry, the combination of tax hikes, energy costs, licensing barriers and changing social habits is pushing many operators to breaking point.

Without immediate action, the consequences will be severe – not just for hospitality, but for local economies, cultural vibrancy and unemployment across the UK.

The challenges outlined below reflect urgent concerns raised to me, at our recent roundtable in Westminster, and direct from landlords, owners and employees across the sector.



UPCOMING TAX CHANGES: A SECTOR UNDER SIEGE

From April 2025, the hospitality sector faces a staggering £3.4 billion tax bill, with increases in National Insurance, minimum wage and employment regulations piling further financial pressure onto businesses already struggling to break even.

- Many experienced operators are looking to close their sites, unable to sustain unviable financial models.
- Zero-hours contract workers and younger employees – a major part of the hospitality workforce – face a **75% tax increase**, reducing disposable income and further impacting trade.

If we continue down this path, without any deferrals, many pubs, bars and restaurants will be forced to close, and job losses across the sector will be unavoidable, leaving a wave of unemployment in its wake.



LOSS OF CONFIDENCE: THE HIGH COST OF DOING BUSINESS

Operators are getting by on razor-thin margins, yet costs have soared by 30-40% since pre-pandemic levels.

Independents are particularly at risk, with some facing additional £30,000 – £80,000 in costs when the new tax changes are introduced from April. Many of these are still trying to recover from the impact of Covid lockdowns.

With confidence plummeting:

- 85% of businesses plan to cut staff hours or salaries.
- 99% are raising prices to cope with inflation.
- 97% have frozen investment, halting industry growth.

Businesses simply cannot absorb these costs and unless urgent measures are introduced, failures will accelerate.



VAT: A TAX AT ODDS WITH EUROPEAN COUNTERPARTS

The UK has one of the highest VAT rates for hospitality in Europe, despite leaving the EU – something previously cited as a barrier to lowering rates.

This disproportionate tax burden **makes the UK less competitive than our European counterparts**, where other countries have used lower VAT to support hospitality and stimulate growth.

The industry is desperately calling on the UK government to follow suit with a sector-specific VAT reduction before more venues disappear for good.

ALCOHOL DUTIES: HELPING SUPERMARKETS, HURTING PUBS

The current alcohol duty system favours large retailers, leaving pubs and bars at a disadvantage. While supermarkets and brewers benefit, small venues (many of whom rely on alcohol sales to survive) are left struggling.

- **88% of operators said the 1p drop in alcohol tax on draught beer would have little-to-no impact on their trading.**

A 1p reduction in draught beer will not offset rising prices elsewhere, or 8p increases on other drinks. This unfair system undermines the role of hospitality venues in local communities and discourages people from going out, further weakening the sector.





BUSINESS RATES: A LOOMING FINANCIAL CLIFF EDGE

Hospitality businesses face a steep rise in business rates from April 2025, with the current 75% relief dropping to 40%, adding thousands to annual costs.

- **1 in 10 businesses say they will close without an extension to the relief.**
- **6 in 10 will be forced to raise prices or cut staff to stay afloat.**

The average pub's business rates bill will jump from £3,938 to £9,451, while restaurants will see increases from £5,051 to £12,122.

Pubs face needing to sell an extra 60,000 pints a year just to cover the increase.

While the Government plans to lower business rates from 2026, that does nothing to prevent the immediate financial hit next year, which could push thousands of venues to breaking point.

PLANNING & LICENSING: A SYSTEM THAT HOLDS BUSINESSES BACK

The current planning and licensing system is inconsistent and restrictive, preventing businesses from adapting to new challenges.

- Small-scale applications, like adding a beer garden or extending a venue, are held back by bureaucracy and delayed unnecessarily.
- Policing approaches vary by region, making licensing an unpredictable and often unfair process.

If we want hospitality to grow, we must reduce red tape and streamline planning and licensing laws, allowing businesses to evolve with consumer demand, wherever they are.

LONELINESS: THE LOSS OF COMMUNITY SPACES

Pubs, clubs, and hospitality venues are essential social hubs, particularly in rural areas and their closure is only worsening issues such as social isolation and loneliness, particularly among older people.

- 64% of people say that their pub is one of the main places they socialise in.
- 86% say that when a pub closes, the community suffers.

Without pubs and community spaces, mental health and well-being will suffer, creating additional pressure on public health services.

"COUCH CULTURE": THE SHIFT AWAY FROM GOING OUT

Consumer behavior has fundamentally changed in recent years, with a new wave of young people adopting a "couch culture" which is reducing nightlife footfall.

- **850,000 young people turned 18 during lockdowns**, many of whom never had the chance to experience going out in their formative years.
- Social anxiety is now a key factor, with Gen Z and young Millennials opting for home-based socialising over nights out.
- And as people can now order food, drink and entertainment at home with ease, venues have to work harder than ever to convince them to go out.

The hospitality sector must adapt, but the Government must also recognise that businesses need support to re-engage this lost audience and consumers need support with the soaring cost-of-living.

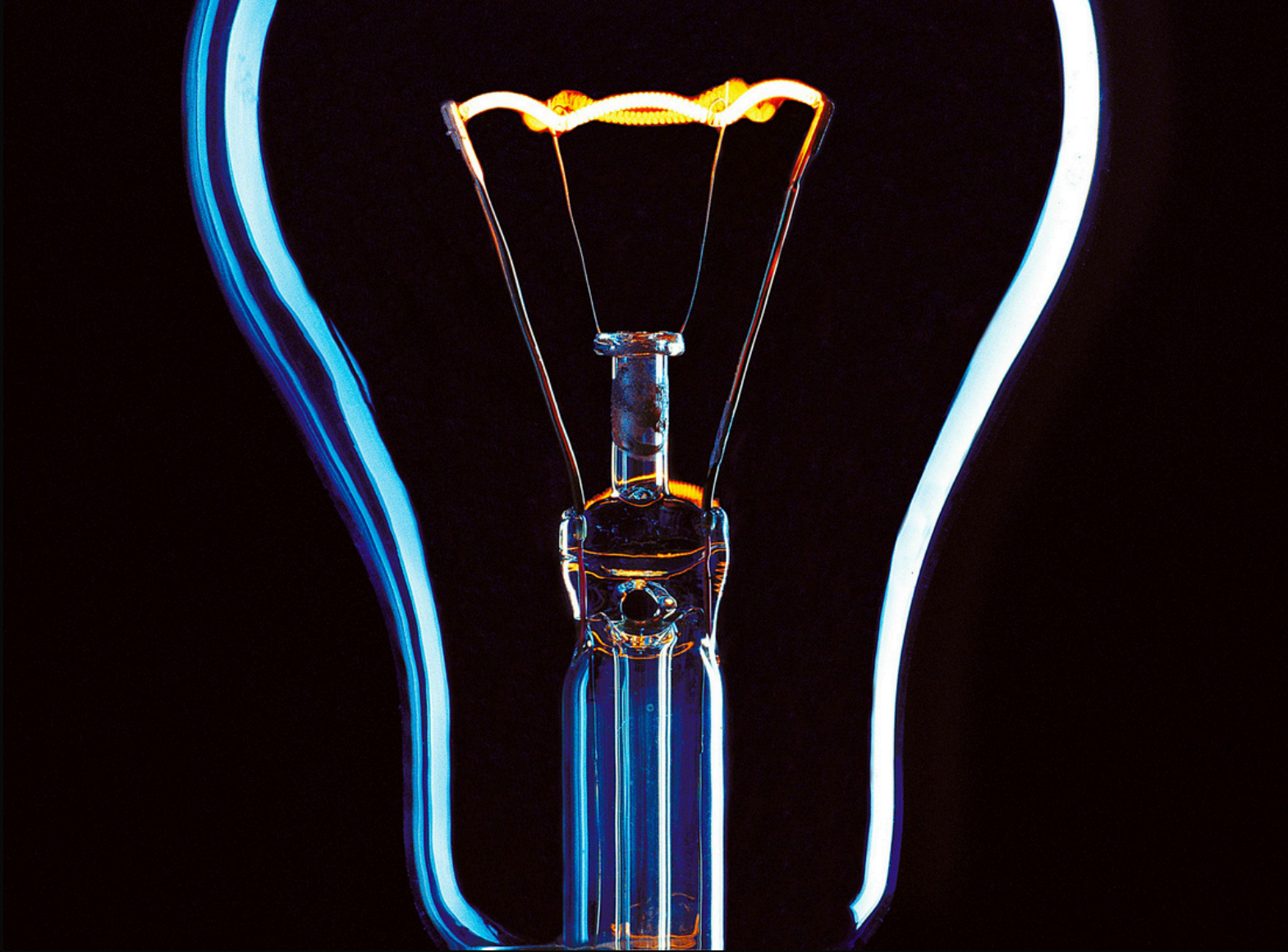


“They can entertain themselves, they can communicate, they can order food, they can order drink, they can do all of these things from home. We are battling that couch culture element.” - Industry Leader

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**“WE’RE
BATTLING FOR
PEOPLE’S TIME”**

**- SUPPLIER TO THE
INDUSTRY**



ENERGY COSTS **A SYSTEM THAT HOLDS BUSINESSES BACK**

Energy is now the second biggest cost for nightlife and hospitality businesses ahead of rent and business rates.

- While wholesale energy prices have stabilised, the reality is that costs remain far higher than pre-pandemic levels, and they aren't expected to drop significantly.
- The night-time economy faces higher energy rates than retail, despite being equally vital to local economies.

Businesses need more targeted energy relief or many will simply be unable to cover basic running costs.

SAFETY & SECURITY: **A GROWING CONCERN FOR YOUNG WORKERS**

Young people working in nightlife are facing increased safety concerns, which are influencing their career choices and willingness to take late-night roles.

- **Safety and security are now the biggest concerns for under-30 hospitality workers.**
- **Inconsistent policing and poor transport infrastructure in rural areas make working in late-night venues less attractive and more risky.**
- **The industry is also struggling to fund and offer strong professional development pathways, making it harder to retain talent.**

If these issues aren't addressed, the industry will lose a generation of hospitality workers, making recovery even harder.

Hospitality ranks as a **top five employer in every region of the UK**, accounting for up to 12% of every regional workforce, and **just over half (51%) of the workforce in UK pubs is aged between 16 and 24.**

Without our sector, the unemployment rate will soar, leaving a generation of young workers on the breadline.

“The sector shapes our high streets. It brings people in, it occupies a significant presence in our town centers, and it gives young people work. I started my own working career in hospitality” - Conservative MP

**“I’VE BEEN IN
THIS INDUSTRY
FOR 47 YEARS,
AND THIS IS BY
FAR THE WORST
ENVIRONMENT I
CAN EVER
REMEMBER.”**

**- NATIONAL
OPERATOR**



A SECTOR IN URGENT NEED OF SUPPORT

These challenges are not just short-term issues, they are systemic threats to the survival of UK hospitality. Without urgent government action, we risk:

- **THOUSANDS OF BUSINESSES CLOSING**
- **HUNDREDS OF THOUSANDS OF JOB LOSSES**
- **A LASTING CULTURAL AND ECONOMIC DECLINE**

The next section of this report outlines the key recommendations needed to protect and revitalise the nightlife and hospitality sector.



RECOMMENDATIONS

OUR ASKS TO GOVERNMENT



Future Roadmap

1. IMPLEMENT A SECTOR-SPECIFIC VAT REDUCTION



A VAT cut for nightlife and hospitality businesses would provide immediate financial relief, enabling venues to keep price competitive, attract consumers, invest in staff and avoid closures.

Many European countries have already implemented this strategy to stimulate hospitality recovery. The UK must follow suit before more businesses collapse.

2. DEFER THE REDUCTION IN BUSINESS RATE RELIEF



The decrease in business rate relief from 75% to 40% in April 2025 will have a severe financial impact on the hospitality sector.

The Government should strongly consider extending the relief period and implementing long-term business rate reforms with haste to prevent hospitality businesses from facing an excessive financial strain.

Supporting larger businesses will help establish stability, creating anchor points that benefit smaller independents and contribute to the revitalization of high streets.

3. RETHINK THE TAX BURDEN ON HOSPITALITY

The sector is overloaded with pre-profit taxes, hitting businesses before they even have a chance to break even.



Corporation tax is a fairer alternative – one that taxes profitability rather than survival.

Reducing or deferring tax increases, particularly for struggling venues, would allow businesses to regain stability and invest in their future.

4. SUPPORT HIGH STREETS WITH HOSPITALITY-LED REGENERATION

If the Government is serious about high street regeneration, it must recognise the role of hospitality in that vision. This means:



- Investing in business support in left-behind areas.
- Streamlining licensing and planning to encourage new hospitality ventures.
- Providing targeted funding to ensure hospitality is part of regeneration strategies.

Without this, we risk further business failures, leading to empty high streets and economic decline in towns and city centers.

5. RETHINK NATIONAL INSURANCE

Policies like the National Insurance increases add yet more financial pressure at a time when businesses are already struggling.



With the majority of our sector comprising small independent businesses, we propose a revenue-banded system where businesses are categorised based on their income, ensuring that smaller operators receive greater financial support, such as lower NIC rates or increased business rate relief.

These measures would give venues time to adapt without further risk of job cuts, investment and hiring freezes or closures.

6. CONDUCT A FUNDAMENTAL REVIEW OF ENERGY COSTS

Energy prices are now the second biggest cost for hospitality businesses, yet government action has been minimal.



A sector-specific energy strategy is needed to:

- Ensure fairer pricing for hospitality venues compared to retail.
- Explore energy efficiency incentives to help businesses reduce long-term costs.



The hospitality sector has weathered crises before, but without urgent action, we risk losing thousands of venues along with the jobs, culture, and economic activity they support.

Targeted tax relief, investment in high streets, and fairer energy policies will allow businesses to survive now and thrive in the future.

The Government must recognise hospitality as an essential sector, not just for the economy but for social well-being and community identity of our Great country.

**THE TIME TO ACT IS
NOW, BEFORE WE CALL
LAST ORDERS FOR THE
FINAL TIME.**



ABOUT

Sacha Lord

Sacha Lord is one of the UK's most outspoken Night Time Economy Advisers, and co-founder of The Warehouse Project – the world's biggest nightclub, and Manchester's Parklife festival, the largest metropolitan festival in Europe.

Appointed by Andy Burnham, Mayor of Greater Manchester, in 2018 to lead Greater Manchester's night time economy, Sacha stepped down in January 2025 to voice concerns on a wider, national level.

In April 2024, Sacha Lord released his inaugural biography, *Tales From the Dancefloor*, which became a Sunday Times Best Seller upon publication.

A vocal campaigner for the sector, Sacha has appeared on BBC Question Time, Politics Live, LBC James O'Brien, Sky News, Good Morning Britain and ITV News among others.

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ABOUT

The Adam Smith Institute

The Adam Smith Institute is one of the world's leading think tanks, recognised as the best domestic and international economic policy think-tank in the UK and ranked 1st in the world among Independent Think Tanks by the University of Pennsylvania.



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INSTITUTE

It has always been a practical think tank rather than an academic organisation, and despite its strict political independence, it has endeavoured to work with policymakers to deliver real change, and to make free market ideas reality.

As well as engaging in traditional think tank activities – like conducting research, publishing reports, and holding seminars and conferences – the Institute has also, throughout its history, paid a great deal of attention to developing the next generation of policymakers and opinion formers, with its well known and highly regarded youth programmes forming a major part of its activities.

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**“PEOPLE USE THIS
TERM ‘PERFECT
STORM’ TIME AND
TIME AGAIN. I
THINK, I THINK WE
NOW ACTUALLY
HAVE IT. WE NOW
UNDERSTAND WHAT
IT REALLY IS.”**

**- NATIONAL PUB
OPERATOR**

**A report by Sacha Lord, Night Time Economy
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Statistics within this report are attributed to:

UK Hospitality

Night Time Industries Association (NTIA)

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