Stopping the decline of our high streets

Briefing | Alex Chapman | January 2026

Executive summary

A U-turn on pubs' business rates may be the right short-term move, but it won't fix the endemic challenges facing high streets. For that, we need wholesale reform. New Economics Foundation analysis has found that spending on alcohol consumption in bars, restaurants and pubs fell by around 60% in real terms between 2000 and 2024, but the amount spent in such venues abroad has increased by 60%, also in real terms. This comes on top of the struggles that British pubs and hospitality venues are facing from higher labour and supply costs, unfair taxation and falling household purchasing power. Taking these trends together, tinkering with the tax system will not overhaul the crises facing British hospitality. Instead, the government should use this moment to take bold action to alleviate the cost pressures these businesses and left-behind communities face, by addressing not just tax levels but the broader system of incentives. This means a new approach to business rates that is fairer, more efficient and more productive.

Pubs need the bold reform they were promised

At last year's budget, the government announced changes to the business rates system. However, following intense lobbying and push back from the pub sector, the Treasury has suggested a U-turn of sorts could be coming.

A U-turn on pubs' business rates may be the right short-term move to prevent pubs closing, but it won't fix the endemic challenges facing high streets. For that, we need wholesale reform.

Britain is operating two parallel economies. In one, business is booming with FTSE 100 stocks at record highs.[1] In the other, the real economy, stores are closing and unemployment is rising. Because the public use the real economy as a bellwether for the wider state of the UK, it'll be hard to stop the sense of economic decline without turning our high streets around.

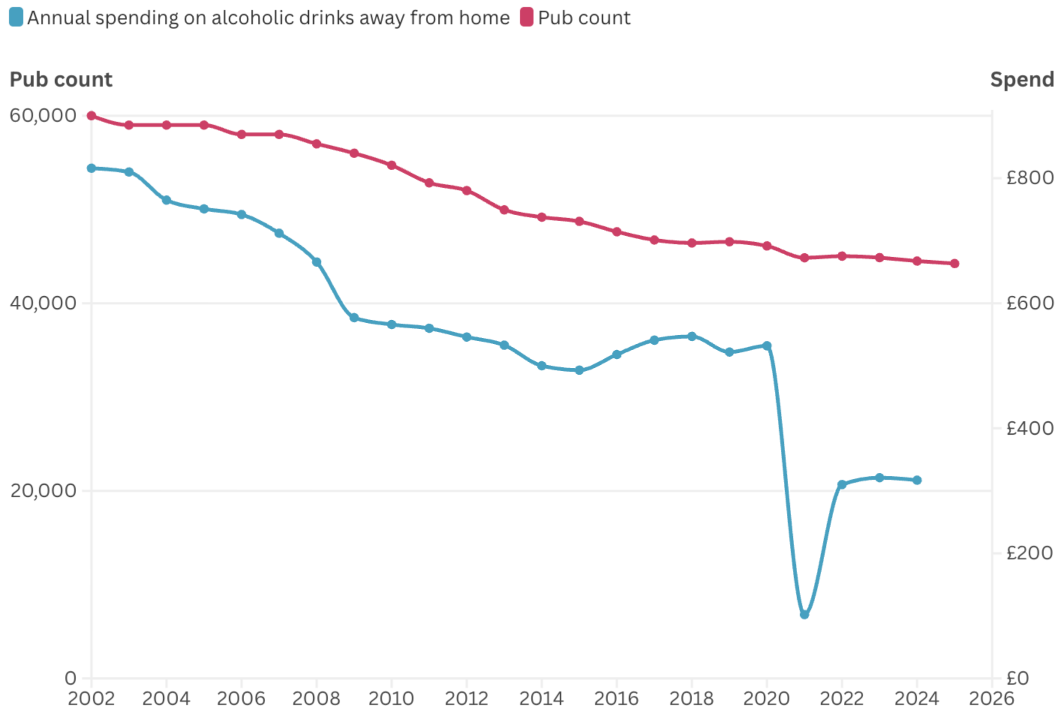
Britain's pubs are a stark example; their number is down about 25% since the turn of the millennium (Figure 1). But the reasons for this decline are more complex than a simple tax tweak is likely to fix. As with many (former) fixtures of the high street, pubs have suffered from a decline in spending. Household spending on "drinking alcohol outside the home" has fallen

[1] Peachey, Kevin. (2026). *The FTSE 100 has hit a record high. Is now the time to start investing?* BBC. https://www.bbc.com/news/articles/cy0958w1y1go

fast, and following a downward jump post-pandemic sits at around 60% below its level in the year 2000 in the latest data (down around £500 per year in 2024 prices). While restaurants and cafes have fared slightly better, their share of household spending is also down since the turn of the millennium (-16%). In total, the average annual household budget captured by pubs, bars, restaurants and cafes has declined by around £660 (-36%) in real terms.

Rising prices haven't helped: price inflation on a pint has significantly outpaced wider inflation since the millennium, at 140%, compared with just 82% in the wider economy, taking the price of a pint[2] (draught lager) from around £2 to just under £5. The industry has responded to the decline in spending on alcoholic products with a reasonably successful[3] recent push for no/low alcohol substitutes, but this hasn't been enough to stop the slide, with the number of pubs in the UK falling by around 265 last year (ONS business count).

Figure 1: Average annual household spend on alcohol consumed away from the home, in 2024 prices, and the UK pub count



Source: NEF analysis of the Family Spending Workbook (LCFS), ONS UK Business Count, House of Commons Library.

A range of factors have contributed to rising pub prices, including increases in alcohol duties, business rates, and energy costs. But it seems unlikely that price factors alone can explain the industry's rapid decline. Over the first eight years of the series, 2000-2008, real household

[2] Office for National Statistics. (2026). *RPI: Ave price - Draught lager, per pint.* https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czms/mm23

[3] Sheffield Addictions Research Group. (2025). *New report reveals further growth and key trends in alcohol-free and low-alcohol drinks market.* https://sarg-sheffield.ac.uk/news-media/new-report-reveals-further-growth-and-key-trends-in-alcohol-free-and-low-alcohol-drinks-market/

disposable incomes were rising quickly[4] (by modern standards), but spending on drinking out still declined. This suggests we are also looking at changes in consumer behaviour.

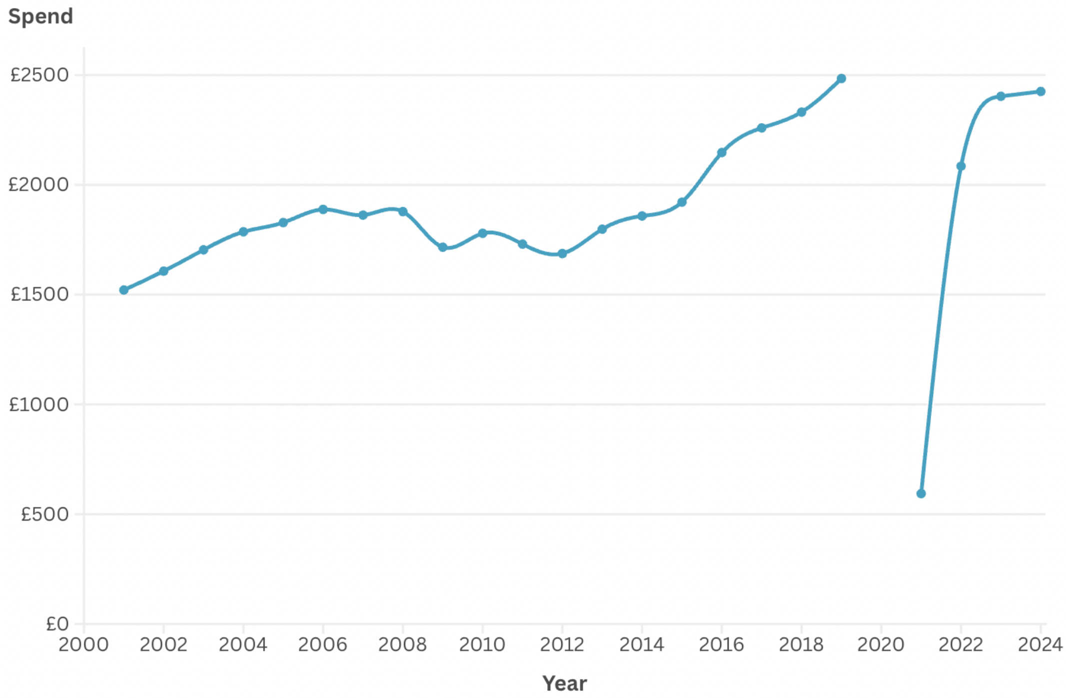
Average individual alcohol consumption fell by around 10% between 2000-2022[5], but this was more than offset by population growth, which increased around 17%. The total units of alcohol consumed by UK residents likely increased over the period, so how can the troubles faced by pubs be explained? Alcohol spending hasn't switched to the supermarket and domestic consumption, as many have assumed. That too has declined, down 15% since the millennium, according to NEF analysis of the Family Spending Workbook (LCFS). Post-pandemic, the rise of home and hybrid working patterns may have cost pubs some sales, as "post-work drinks" have taken a hit. But there's also data to suggest that a lot of British spending on drinking has flown overseas.

British households do less of their drinking in British pubs, and a lot more of it in pubs and bars in places like the Canary Islands, the Balearic Islands, and Greek islands. These foreign businesses compete for the same pot of UK household leisure spending, a pot which hasn't grown in real-terms in 20 years, and they are winning.

Between 2000 and 2024, the average annual amount a UK household spent abroad rose from around £1,500 to almost £2,500 in 2024 prices (Figure 2), an increase of just under £1,000 or 60%. Of this sum, around 20%[6] is typically spent in restaurants, bars, and pubs. As this share has remained stable over time, we can deduce that real household spending in restaurants, bars, and pubs in foreign countries has also risen by around 60% since 2000.

[4] Office for National Statistics. (2025). *The effects of taxes and benefits on household income, disposable income.* estimate
https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/householddisposableincomeandinequality
[5] The Global Health Observatory. (2025). *Alcohol, total per capita (15+) consumption (in litres of pure alcohol) (SDG Indicator 3.5.2). World Health Organisation.* https://www.who.int/data/gho/data/indicators/indicator-details/GHO/total-(recorded-unrecorded)-alcohol-per-capita-(15-)-consumption
[6] Government of the Netherlands. (2025). *What is the demand for outbound tourism on the European market?* https://www.cbi.eu/market-information/tourism/trade-statistics

Figure 2: Average annual household spend overseas in 2024 prices



Source: NEF analysis of data from the International Passenger Survey (IPS), adjusted for CPIH inflation

Taken on top of the long-documented struggles that British pubs and hospitality venues are facing from higher labour and supply costs, unfair taxation and falling household purchasing power. It's clear tinkering with the tax system will not fix the crises facing British hospitality.

Instead, the government must use this opportunity to take bold action to alleviate the cost pressures that these businesses and left behind communities face, addressing not just tax levels but the broader system of incentives and the industrial strategy the UK operates. This means a new approach to business rates that is fairer, more efficient and more productive.

The bold action needed to turn pubs' fortunes around

The Labour manifesto of 2024 has been criticised for its lack of ambition and scope, but on business rates, a key tax when it comes to managing the high street, ambition and a full replacement was promised. That promise has thus far not been delivered.

As the government has acknowledged, the legacy system is unfair, unproductive and doesn't support investment in the real economy. The current system taxes productive business improvements at the same rates as land and harms the real economy and jobs it supports.

NEF published a proposal[7] for an overhaul of business property taxes in 2023. It is more urgently needed than ever to support struggling hospitality venues and make the business rates system fairer, more efficient for local economies and more productive.

We proposed that business rates be split into two taxes, a devolved property tax and a national land value tax.

The property tax

For pubs and highstreets to be attractive destinations for British households, we need to rebuild the local character and community, sometimes called "sense of place" that makes a high street a nice place to pass time. We need to answer the question, why should someone spend their money in their local community instead of Tenerife or Mallorca? Towns and communities need the freedom to innovate and specialise their offer. This could mean focusing on local green space, artistic heritage, architecture, or small businesses, or just making trips cheaper. The aim is to bring back a sense of community pride and belonging. Achieving this demands devolved powers and funding, allowing local decision makers, who know what makes their community tick, to help local business thrive.

Our analysis suggested that councils only have control over around 2-4% of business rates collected, with a heavy focus on the retention of additional growth rather than the pre-existing tax base that contributes the vast majority of receipts. NEF's proposal creates a property tax that is retained and set locally and paid by property occupiers. Our proposal suggests that the property tax rate be set at 35% of the rateable value of the property, excluding land. This represents a significant reduction in the tax rate faced, both because the value of the land is excluded from the calculation, and because the rate is lower than at present (in the range of 38%-51%). Having this tax fully devolved would increase councils' direct control from 2-4% today to around 20% of the revenue currently collected under business rates and give them to opportunity to vary these rates.

The land tax

Second, to bring people back to the high street we must invest. We need to shift the incentives so that land-hoarding is penalised and investment is rewarded. Currently, by increasing business rates when the value of a property increases, we disincentivise investment (because investing will increase its value and the applicable tax charge). Instead, we should shift the burden onto those who hoard land for its value, not for its use. A large proportion of the value of land, derives from its location relative to public infrastructure and people, and as such, the public should benefit from any increase in its value. This means reforming business rates to place the burden on landlords and land values not businesses and their capital assets.

NEF's proposal introduces a land value tax. The land value tax would be set and redistributed by central government to ensure help goes to the places that need it most. To disincentivise

[7] Arnold, S., Krebel, L., & Stirling, A. (2023). *A taxing problem - Reforming business rates in England. New Economics Foundation.* https://neweconomics.org/2023/11/a-taxing-problem

hoarding of unproductive land, the land value tax rate is set higher, at 54% in our model (which was calibrated to ensure the overall policy change is cost-neutral to government). But this is illustrative only. This higher rate attached to land value would see higher taxes levied on areas like London, where land values are excessive, and lower rates in the wider regions of the UK. This differential, which can be tweaked according to the policy-maker's priorities, can act to help rebalance the UK economy.

How this proposal supports pubs

This proposal is revenue neutral, but changes can be made to rates and relative shares between the two taxes to either boost local revenue streams or save local businesses more cash. It is a fairer, more efficient and productive system, that will offer relief to the real economy, incentivise productive investment and stimulate economic activity across regional and local economies.

A move this like would inject cash into our struggling pubs, bars and restaurants and reduce the risk of closures – particularly in left behind areas. By shifting most of the burden of business taxation onto land values, as opposed to rental value, it also improves the incentives for business investment, which can be mean more staff and so more job creation.

The NEF proposal also allows local authorities to keep significantly more of the revenue they generate and allocates more funding to deprived areas than the current system. This means high streets outside of high-cost London are likely to see their business rates fall.

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