



UKHospitality submission to 2025 Spending Review

Executive Summary

UKHospitality is the UK's leading trade association for the sector, representing pubs, restaurants, hotels, coffee shops, nightclubs, holiday parks, and more. Hospitality is a cornerstone of the UK economy, generating £140 billion in activity, employing 3.5 million people, training 2 million annually, contributing £54 billion in taxes, and investing £7 billion in local communities each year.

Our sector drives growth, regenerates high streets, and tackles economic inactivity—helping create thriving places where people want to live, work and invest.

However, business confidence has plummeted following October's Budget. Changes like the Employer National Insurance Contribution threshold reduction risk derailing growth plans. From April, the sector faces a £3.4 billion cost increase, with further costs from the Employment Rights Bill in 2026. **We urge the Government to delay threshold changes to assess their impact on part-time and flexible employment, as well as workforce returners.**

Our spending review submission focuses on five key priorities aligned with Government's missions and objectives:

1. **Growth:** Support inbound tourism, regenerate high streets, and break down regulatory barriers to innovation and investment to deliver on the UK's growth mission.
2. **Employment & Skills:** Build on existing programmes to upskill workers, supercharge social mobility, and accelerate employment reforms.
3. **Infrastructure:** Increase grid capacity, improve transport networks, and incentivise co-investment to help hospitality thrive and support net zero goals, while increasing funding for public-sector catering.
4. **Government Structures:** Ensure Government has the resources and structures to deliver reforms on business rates, employment rights and high streets effectively.
5. **Taxation:** Reduce the rising tax burden to free up the sector to grow, invest, employ, and offer affordable services to our customers.

Hospitality is ready to deliver on Government ambitions, but we need a collaborative approach to unlock its full potential.



Spending to unleash hospitality's growth and employment potential

1. Growth

The hospitality sector shares Government's ambition for growth. While the Budget in Autumn 2024 has dented confidence within the sector, and led to increased costs and, inevitably, increased prices, hospitality is resilient and will aim to deliver economic activity. Our success would also deliver on wider objectives, including high-street regeneration and boosting overseas visitor numbers.

- Boosting tourism

The Government has committed to attracting 50 million international tourists by 2030, up from the current level of 38 million. This is a bold target that has been warmly welcomed by the hospitality and tourism industry. To complement this, there should be a parallel focus on domestic tourism.

There are very successful initiatives in place to support tourism growth, but these could deliver even more with additional resource, delivering financial returns for Government. VisitBritain has delivered effective campaigns to promote the nation to international visitors and is estimated to deliver £21 for the economy for every £1 spent. **We urge Government to increase funding for VisitBritain to bring marketing spend in line with comparator nations, with an additional £29 million in funding each year (in line with the ask of the Tourism Alliance).**

Local Visitor Economy Partnerships (LVEPs) have been a great success in bringing local areas together to make a compelling tourism offer. They have demonstrated the strength of devolution and collaborative working. The involvement of regional Mayors, such as Tracy Brabin in West Yorkshire, has galvanised this process. **Government should allocate central funding to facilitate further roll-out of LVEPs and enhanced activity to share growth around the nation.**

- Regenerating high streets

High streets are symbolic for local communities. They generate local pride when they function well and can be an embarrassment when they become run-down. People judge economic success by how they see their local area. Increasingly, hospitality is the key element of high streets, with the decline of retail. We foresee future high streets being a combination of hospitality, leisure, personal care, convenience and specialist retail, alongside an expansion of housing.

High streets have been hampered over the last two decades by an unsustainably high business rates burden, though the Government's proposed reforms should go some way to remedy this. Yet, there is more that is needed. Local authorities lack the funds to invest and increasingly local businesses are funding their local areas through Business Improvement Districts. This is not sustainable.

A central resource needs to be created that supports all local areas to boost their high streets. This should include **resources for businesses and local authorities to draw upon, as well as instruction to focus on a pro-business environment.** Business rates also remain a concern and we propose that **Government sets aside a fund for local authorities to draw down on to provide targeted support through discretionary business rates relief.**



- Innovation

Innovation is central to boosting productivity, creating new propositions and enriching the experiences of customers. Hospitality is constantly innovating but can be held back, as a low-margin sector, from investing more in innovation. This can be product development or deployment of technology. AI take-up is encouraging but could go further, as the Prime Minister has proposed. **Government should create a £20 million Hospitality Innovation Fund to develop new products that drive productivity growth.**

- Business rates reform and transition in the 2026 revaluation

The reform of the business rates system is long overdue. Government's proposals to introduce a reduced multiplier for hospitality, retail and leisure are extremely positive, though this is tempered by plans for an additional levy on hospitality properties with a rateable value over £500,000. It is important that **Government ensures that the new reduced multiplier can come into effect from 1st April 2026 and that the maximum available reduction is secured.**

April 2026 is also the date from which revaluation will apply, rebasing rateable values based on April 2024 values, from the current April 2021 levels. This is likely to see significant increases in hospitality rateable values, as this is comparing to a point when the vast majority of hospitality was closed due to the ongoing pandemic. **We recommend an early commitment from Government to introduce transitional relief from April 2026.**

- Regulating for growth

The Chancellor's recent intervention to advise regulators to focus on growth was extremely welcome. Regulators play an important role in overseeing parts of the economy and will always have a focus on risk. However, it is clear there are areas where overly prescriptive interpretation of regulation has become unnecessarily burdensome. Even in the week of the Chancellor's edict to regulators, we saw the Advertising Standards Authority come out with a draconian interpretation of rules that could effectively bar many food brands from advertising even their healthier options.

Such measures are clearly anti-growth and often nonsensical. **Government should re-assert its direction to all regulators to minimise regulatory activity that impinges on business growth unless there is an explicit harm involved, including ensuring that regulation is not drawn too widely or applied overzealously.**

- Review of existing legislation

The burden of legislation and regulation on business remains too high. There have been roadmaps, reviews, red-tape challenges and bonfires of regulation over the years – none of these have delivered light-touch regulation. UKHospitality has worked with the Department of Business & Trade, through the Hospitality Sector Council, to identify regulation that can safely be removed. While progress has not been as rapid as we would like, there have been notable successes. A particularly irksome example is the need for businesses to take out adverts in local newspapers, sparsely read, for business critical licence applications. **Government must bring together a Cabinet Office-led, cross-departmental taskforce to take action on deregulation, with clear targets.**



- Covid loan reform

While most sectors have moved on from the impact of Covid, hospitality remains scarred, through permanently changed consumer and business habits but also through debt. Many businesses took on substantial loans simply to survive. These were initially on relatively low interest rates but these have escalated in recent years. This acts as a barrier to investment and growth. **We recommend that Government works with the banking and hospitality sectors to broker a route to restructuring loans over a longer period**, with no impact on credit ratings.

2. Employment & skills

To drive growth, we need to boost productivity and increase the labour market. Skills development and tackling economic inactivity are key to this. Once more, this is consistent with Government's ambitions around skills reform and Get Britain Working.

- Supporting sectoral skills schemes

The hospitality sector has been developing a Hospitality Skills Passport (HSP) to provide transferrable evidence of training at entry-level and beyond to employees. This has the dual benefit of incentivising training and providing employers with assurance that basic competencies are met, dramatically reducing the need for duplication of training.

The training needs have been embedded into apprenticeship training, college courses, internal training schemes and Government-backed training, such as the DWP Sector Based Work Academies (SWAPs).

This is similar to the [Energy Skills Passport](#), launched in January, and supported by Government. To take the HSP to the next level there needs to be investment in digital platforms to create a streamlined journey for workers and businesses. **We would like official Government backing for the scheme in hospitality and co-funding of approximately £200,000 to rapidly roll the scheme out.**

- Back-to-work training

It is widely recognised that the country has a problem with high levels of economic inactivity, which are restricting growth and denying millions of people the opportunity to improve their lives. Over the last 18 months, we have worked closely with DWP on training programmes to assist the unemployed and inactive back into work. Our input into SWAPs has seen an industry-led focus on helping people into work, with substantially improved results of people into work, compared to existing schemes.

To roll this out further, and get thousands more people into work, **we need to ensure that Adult Skills Funding is directed to the right training schemes that help us to deliver this scheme. Government should also ringfence £20 million of existing funding specifically for hospitality SWAPs.** This would deliver people into work, with an industry-recognised Hospitality Skills Passport, and drive up the level of people in employment towards Government's target of 80%.



- Driving skills development

The hospitality sector has welcomed the Government's proposed reforms to adult skills, particularly the reform of the Apprenticeship Levy into a Growth and Skills Levy. The establishment of Skills England brings a holistic approach to skills delivery. **We urge Government to proceed rapidly in both the full deployment of Skills England and the change to the Growth and Skills Levy.**

In the meantime, we have heard from businesses that they are pausing apprenticeship training until they understand the future landscape. We believe that this uncertainty is unhelpful and **can be fixed by clear direction from Government on its timescales for reform.** Until this is given, **it would be appropriate for Government to signal its support for apprenticeships at all levels, and ensure that SME funding is retained.**

One of the major barriers to apprenticeships is the associated costs for businesses that cannot be covered by the Levy. This affects both small and large businesses. **Any reform of the system should look at wrap-around funding for businesses and resources to support with the wider infrastructure needed to deliver training,** whether it is apprenticeships or other vocational training. This primarily focuses on the administrative burden that falls on business, and the on-cost of off-the-job training.

Finally, we **believe that hospitality should be considered for the new Foundation Apprenticeships.** The eight industrial strategy sectors were allocated funding to pioneer these courses at the launch of Invest2035. While full details of how they would operate are not clear, the shorter, focused nature that they engender is perfectly suited to the hospitality sector. As a sector that provides the foundations for the high growth sectors identified, we believe there is strategic value for Government in adding hospitality to the list of sectors involved. The cost is likely to be negligible.

3. Infrastructure

To allow for growth and the effective delivery of business and Government goals, there is a need for ongoing investment in infrastructure, particularly around grid connection, transport and the transition to net zero. There also needs to be a clear focus on ensuring a sustainable public sector catering provision.

- Grid connectivity

The hospitality sector has identified electrification of their operations as a key pillar of its decarbonisation plan. To support broader objectives, the sector has also been installing electric vehicle charging facilities. However, a lack of grid capacity is holding back these ambitions, and the costs quoted for businesses to invest in expanded grid capacity are prohibitive.

Government must work with businesses, including in hubs around high streets, to create a model for rapidly increasing grid capacity at local level.

- Transport

Transport can be a major factor in the success of a business, in terms of attracting both customers and team members. Whether that is a rural business, a town or city centre, it is vital that local public transport is able to move people around. We have seen very positive developments from Combined Authorities in this area, with ambitious plans from the Mayor of



West Yorkshire on improved mass transit and the establishment of Transport for Manchester particular highlights. **Combined Authorities should receive the ability and funding to improve public transport links within and between their areas.**

The public bus network has seen positive support in recent years, with reduced fares, but there needs to be an ongoing focus on delivering bus networks. **There is potential for tripartite action between local government, businesses and bus providers – this should be rapidly developed through DWP and the DBT.**

- Transition to net zero

As well as broader public infrastructure, there needs to be an infrastructure switch within businesses as we move towards net zero. After several years of perma-crisis, the ability for hospitality businesses to invest in the move to net zero is limited, behind the level of ambition the sector has.

We propose that Government establishes a hospitality-specific green investment fund that incentivises deployment of decarbonising technologies. This would help to develop products, ensure broad roll-out and de-risk investment.

- Public sector catering

Restrictions on spending on public sector catering have led to a dramatic reduction in the amount of money available to provide the requisite quality food in the public sector. This must be addressed to ensure that public services, like schools, hospitals and prisons continue to function effectively and provide healthy lifestyles.

A particular example is of free school meals. The funding for provision has dropped dramatically over the past ten years in real terms, and significantly lags behind the key input costs, chiefly labour and food costs. **We propose that Government overhauls the school meals system by increasing the per meal funding allowance to c.£3.50, ensures that funding for school meals is ring-fenced so it can only be spent on school meals (any surplus would be returned to Government) and an expansion of eligibility for free school meals to those whose parents are in receipt of Universal Credit.**

This should be accompanied by a wider review of the funding levels of all types of public sector catering to ensure that it is set at the correct level.

4. The machinery of Government

Government plays a critical role in establishing the framework in which businesses operate, and this clearly needs to be financed. It is important that central Government has the resource to understand the needs of business, for agencies and local governments to be able to carry out their responsibilities and facilitate flourishing businesses and that legislative reform is carried out in the most effective manner possible. Below we set out how we believe the spending review can deliver these objectives for the hospitality sector.

- Civil service infrastructure

Pre-pandemic, there was a feeling that there was a limited understanding (and potentially interest) within Government of how the hospitality and associated sectors, like tourism, operated. The pandemic highlighted the importance of hospitality to Government, the economy



and to the British people. As a result, civil service structures were enhanced to listen to and act on the views of the sector.

These included a dedicated hospitality team within DBT, a tourism team within DCMS and greater recognition of hospitality within DEFRA. This has made a huge difference in terms of engagement and ultimately in delivery of policy, with much more consideration of the sector's needs. **We recommend that existing civil service structures to support the sector are maintained and consideration given as to how to increase their influence.**

As well as civil servants, structures have been put in place to facilitate a two-way dialogue between Government and industry. These have provided useful insights in both directions and allowed frank and honest conversations about the challenges that both parties face. We support the continuation of the **Hospitality Sector Council, Visitor Economy Advisory Council and the Food & Drink Sector Council.**

To increase the influence of these bodies, **we have put forward a proposal for a Foundation Economy Sector Council, that brings together the views of these and other sectors, that underpin the Industrial Strategy sectors.** This would have a representative on the Industrial Strategy Advisory Council.

- JobCentre funding

This document earlier set out how the sector can deliver thousands of jobs for those currently out of work, driving up the employment rate, through reforms to funding streams and ringfencing existing resource. To support that, **we believe that additional funding needs to be provided to JobCentres to equip them to enhance their activity to get people into work.** Local co-ordinators for SWAPs, particularly in hospitality, can ensure wider engagement from business and jobseekers, providing a smoother route into training and employment.

- Regulatory Policy Committee

Both existing and future regulation can impact growth, as we set out above. We believe the Regulatory Policy Committee (RPC) has a crucial oversight role in ensuring that regulation is delivered in the most evidenced, effective and efficient manner. It is critical that the role of the RPC is enhanced, businesses are able to input views on impact assessments in good time, and that Ministers and officials must pay due regard to its recommendations and concerns.

- Planning

The planning system in England, and across the UK, has been in disarray for too long. There are interminable delays, bizarre processes and inconsistent decision-making that delay or deter investment, holding back growth. We are finalising a report with case studies highlighting the flaws in the systems and improvements that could be made.

Higher fees for planning applications have been introduced and there does not seem to be any marked improvement in the planning system. We believe that part of this is that there is a fundamentally flawed process in place. **We proposed a streamlined planning process, with automatic approval of low-impact planning changes.** In addition, **there should also be a much clearer pre-application process where businesses are given advice on how to succeed with applications,** rather than a system where applications are rejected without



consideration. **There must also be a more responsive system where the time taken for decisions is dramatically reduced.**

- Valuation Office Agency

The Valuation Office Agency (VOA) values properties as part of the business rates system and processes appeals. Given that business rates are such a significant cost burden on hospitality, compared to other sectors, it is important that valuations are accurate and that errors can be redressed.

The backlog of appeals that the VOA has experienced, despite reforms to introduce a more focused Check, Challenge, Appeal system remains concerning. **There needs to be additional resource to make sure that the VOA can effectively deliver the 2026 revaluation and process the backlog of appeals and future appeals**, especially given the 2026 revaluation is likely to deliver significant changes in rateable values.

- Delivering effective legislation

Government has set out an ambitious set of reforms for coming years. This includes the Employment Rights Bill, business rates reforms, the move to a Growth and Skills Levy and the establishment of Skills England, Martyn's Law, the Tobacco and Vapes Bill and much more. It is **important that Government is sufficiently resourced to consult carefully with businesses to ensure the detail of reforms allows for deliverable policy outcomes, and with due regard to new regulators being established to ensure businesses are not held back unnecessarily.**

5. Tax burden on hospitality

The Spending Review obviously focuses on Government expenditure, however the level of expenditure identified is dependent on consistent growth across the economy. As a sector, hospitality is eager to play its part in delivering growth, and already delivers an estimated £54 billion to the Treasury annually. Yet, growth is restrained in the sector by an extremely high tax burden, higher than any other sector. The changes to employer National Insurance Contributions and the lowering of business relief will add to the pressures on business.

While taxes are considered at the Budget, **we propose a review of the overall tax burden on the hospitality sector, to be conducted by Government and the industry, to find the appropriate level to promote growth and support Government finances.** This could be instigated through the Hospitality Sector Council, for example.