



RESILIENCE FIRST

SURVIVE & THRIVE

## Resilience First Panel Discussion Summary

**‘Futureproofing the Hospitality Sector’**

**in partnership with ICAEW**

**Chair:**

**Jean Devlin**, Partner, Control Risks

**Speakers:**

**Kate Nicholls OBE**, Chief Executive, UKHospitality

**Sacha Lord**, Night Time Economy Adviser, Greater Manchester, Co-Founder of Parklife Festival and Co-Founder of The Warehouse Project

Two years on from the UK’s first lockdown, the hospitality sector faces major challenges when one considers the global uncertainty the pandemic continues to generate, the labour and supply fallouts from Brexit, and, of course, the urgent action needed by all to tackle climate change. Economic pressures from the latest impacts from the Russia-Ukraine conflict now come into the mix. Resilience First brought together experts to discuss how this is affecting hospitality in the UK and what are the real trials facing the sector.

### **Introduction by Chair**

Following remarks by Mike Rooney on behalf of Resilience First and Simon Gray on behalf of ICAEW, **Jean Devlin, Partner at Control Risks** set the scene for the panel discussion. She emphasised the importance of social consumption to the overall UK economy and the high proportion that the sector contributes to employment in the UK. Economic shocks change consumer behaviour and part of the discussion will be about how the hospitality sector has been impacted by the pandemic, and how it adjusts to cope. The pandemic and its effects are not over yet, and Control Risks continues to monitor rates. Infection rates are high, currently, although with vaccination, natural immunity and improved treatments and therapeutics, lockdowns are less likely. Disruption to business continues, though, for example, due to sickness rates or changing work patterns. The unique nature of the UK economy, in terms of demographics and the strong contribution of social consumption, meant that the effects as we moved through the pandemic were different from other European countries and, whilst the economy has picked up, the size of the hospitality sector remains below pre-pandemic levels. Notwithstanding the pandemic, the hospitality sector will now also be affected by developing inflation pressures, particularly through wage inflation.

## **How is the hospitality sector coping with the impact from the pandemic and other emerging pressures?**

The Chair invited both speakers to address how the sector is currently coping with the effects from the COVID pandemic and emerging economic threats from the conflict in Ukraine.

**Kate Nicholls, Chief Executive at UK Hospitality**, reported that the sector is a leaner industry than went into the pandemic with about 10% of hospitality businesses lost. The two years since the pandemic began has seen around a two-thirds drop in expected revenue and many businesses now have lower cash reserves. Several factors have intensified the effects, including timing of lockdowns at traditionally busiest periods and the difficulty in retaining and recruiting staff to meet demand affecting the ability to fully re-open. She described the quintuple effect that hospitality businesses were now facing: National Insurance changes, labour costs and wage rate inflation, business rate support being withdrawn, VAT at 20%, removal of insolvency protection and the rate moratorium. The sector now must absorb economic effects anticipated from the Ukrainian conflict and, in particular, highlighted the impacts on energy and food prices and the possible effect on consumer confidence.

**Sacha Lord, Night-time Economy Advisor in Greater Manchester** echoed these comments and the problems the sector had absorbed during the pandemic. He acknowledged that the governments intervention on furlough, VAT reduction and business rates measures significantly reduced the number of potential business failures within the sector. Other measures, such as curfews and disparities in tier lockdowns had, however, not worked well and created difficulties. Pressures from the Ukrainian conflict, as outlined by Kate, would inevitably now lead to renewed business failures with job losses in the sector and the next few weeks were a critical period. He reflected on how the industry would absorb the stress in the coming weeks and highlighted the need to make staff and livelihoods within the hospitality sector the key consideration and not just focus on finances and the bottom line. He acknowledged that staff welfare and mental health had not always been given the prominence in the industry that it now deserves.

### **Discussion on the impacts of the pandemic and emerging pressures**

The panel were able to reflect on what these impacts and pressures may mean for the hospitality sector and what measures may assist the industry's resilience:

- The hospitality sector demonstrated a surprisingly high level of resilience during the pandemic and the numbers of business failures could conceivably have been much higher. It is possible that one of the main reasons for this is that there are a high proportion of small businesses within the sector. Whilst they benefited from government interventions during the pandemic, as did all business, they were able to show a remarkable level of agility and adaptability to survive the various restrictions and lockdowns
- The single most current threat to the sector was inflation and inflationary pressures were likely to be noted over a prolonged period. For example, food prices would likely be more affected next year by reductions in this season's wheat production in Russia and Ukraine
- Food prices would be going up in the immediate term as sanctions on Russia and economic pressures from the conflict take hold

- The margins available to businesses already on the brink are limited and may disproportionately affect premises in areas of existing greater deprivation who cannot introduce significant price increases. Kate reflected on the impact of the humble UK fish and chips as the cost of white fish, potatoes, peas, and the energy to cook them have all sky-rocketed and how this could bring about the demise of many local fish and chip shops
- Extending the lower rate of VAT, extending business rates relief, and extending loan recovery schemes could ease the current and developing cashflow crisis for businesses in the hospitality sector
- We need a strategy for dealing with high numbers of vacancies in the sector
- City centre recovery is variable with London probably suffering more than most other UK city centres currently as it doesn't have a residential population in the way that many other city centres do. London, and to a lesser extent, Edinburgh, are also noticeably more affected at this time as they ordinarily have higher proportions of visitor volumes than other cities and this may continue to be impacted due to the Ukrainian conflict, particularly discouraging visitors from north America. City centre hospitality trade is re-growing, though, it needs a re-think on public policy and planning and development for UK city centres

### **Protect Duty**

Sacha Lord was able to discuss some of the thinking around the forthcoming Protect Duty and how this related to the experience in Manchester following the bombing of the Arena in 2017. He supports the idea of enhancing protection and has been involved in events after the bombing and understood the changes that organisers must consider in light of the bombing. The scale of event would need to be assessed in any proposal for a new duty, particularly if there are measures for smaller community facilities and Sacha reflected on the implications of implementation of measures even at larger events and venues.

### **Speakers' Biographies:**

#### **Jean Devlin**

Jean is a Partner at Control Risks and manages Control Risks' client engagement and business development in the United Kingdom and Ireland. She coordinates across Control Risks' dedicated account management function and subject matter experts, to ensure solutions are best aligned to clients' needs in the market. She is responsible for managing client relationships, business development and managing consulting engagements for a range of clients.

She has extensive experience advising clients on investment decisions, ethics and compliance issues, operational analysis and complex problem solving. She has particular expertise in the field of business and human rights, including investment in post-conflict environments, as well as in extractives, power and infrastructure, pharmaceuticals, and agriculture.

#### **Kate Nicholls OBE**

Kate Nicholls was appointed CEO of UKHospitality in April 2018, having previously worked as CEO and Strategic Affairs Director of the ALMR. After gaining a degree in English and a post-graduate diploma in competition law, Kate worked as a researcher in the House of Commons and European Parliament before joining Whitbread as Government Relations

Manager, starting her careers in hospitality in 1993. Kate was Director at one of the largest independent public affairs companies, working with a number of hospitality, retail, and leisure accounts before establishing her own strategic communications consultancy in 2000. She is a graduate of Fitzwilliam College, Cambridge, and Kings College London.

### **Sacha Lord**

Sacha Lord is Night Time Economy Adviser for Greater Manchester, Co-Founder of Parklife festival and Co-Founder of The Warehouse Project. In his role as Greater Manchester's first ever Night Time Economy Adviser, Sacha works with the Mayor of Greater Manchester, Andy Burnham, and the Greater Manchester Combined Authority (GMCA) consulting on all issues relating to the night-time economy, providing a voice for workers, operators, and the industry as a whole. To date, Sacha has announced a raft of recommendations to improve safety, transport, and cultural diversity in the region, including the development of night-time transport links.

In addition, and as a defining part of the Manchester music scene, Sacha has co-founded some of the biggest and best music events in Europe including The Warehouse Project and the UK's largest metropolitan festival, Parklife, which has hosted some of the biggest names in music, including Snoop Dogg, Liam Gallagher and Skepta.