



The Economic Contribution of Licensed Premises in Westminster

Westminster City Council

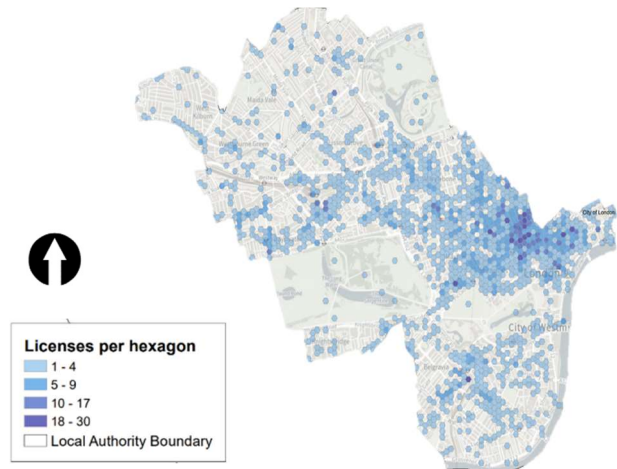
Introduction and Context

As a renowned national and city-wide hub for nightlife and entertainment, licensing in Westminster plays a crucial role in shaping the identity and economics of the borough.

- Westminster has the largest evening and night-time economy (ENTE) in the UK, larger than Edinburgh, Manchester, and Birmingham combined.¹
- There are around 4,000 licensed premises² in Westminster, the majority in the West End and St. James' wards.³
- Licensed premises in Westminster contribute up to £3.7bn in economic activity (GVA) and employ approximately 80,000 people.
- Licensed premises also generate a range of indirect economic benefits, including an additional £1.2bn spent in local supply chains and £300m in tax through business rates revenue each year (UK).

A significant majority of newly licensed premises are granted in the West End and St. James' wards, before the pandemic (2018/19) these wards accounted for around 75% of all new licences.⁴ While there was a temporary decrease in new license issuance during the pandemic, post-pandemic their share of new licences has been falling (67% in 2022). Conversely, wards like Bayswater have seen an increase in their share, perhaps indicating a shifting trend.

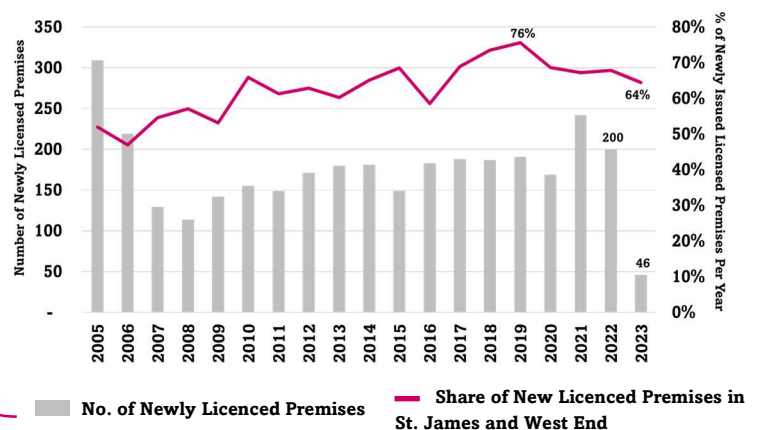
Spatial Distribution and Density of Licensed Premises in Westminster (May 2022)



The high concentration of licensed premises in Westminster, particularly in the West End, are often linked with several negative externalities, such as crime and disorder, as outlined in the Council's Cumulative Impact Assessment

However, in contrast, this report focuses on highlighting the broad set of channels through which licenced premises may support the Westminster economy. Understanding these contributions, while acknowledging the economic costs that may be generated from the cumulation of licensed premises and their customers, is an important first step to helping the council, residents and stakeholders better understand the economic significance of licensed premises and inform a holistic discussion of their public value.

Number of newly licensed premises in Westminster and the proportion located in West End and St James' Wards



NOTE: Licensing or licensed premises in this document refers to licences that permit the sale of alcohol, regulated entertainment and/or late-night refreshment under the Licensing Act 2003.

Direct Economic Contributions: Key Findings

Licensed premises in Westminster⁵ contribute up to £3.7bn in economic activity (GVA), accounting for approximately 5% of the Westminster economy, and employ an estimated 80,000 people.⁶

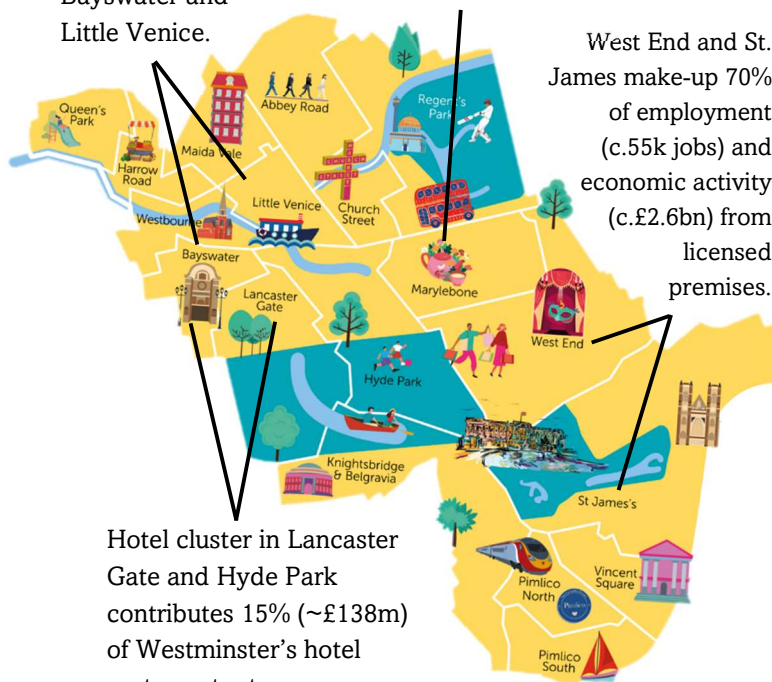
Restaurants/cafes clusters represent 49% of licensed premises in both Bayswater and Little Venice.

Marylebone ranks third in economic impact by licensed premises, generating 7,000 jobs and £330m in GVA.

West End and St. James make-up 70% of employment (c.55k jobs) and economic activity (c.£2.6bn) from licensed premises.

Hotel cluster in Lancaster Gate and Hyde Park contributes 15% (~£138m) of Westminster's hotel sector output.

Licensed restaurants and cafes account for the largest share of employment (~40%), employing approximately 31,800 people. In comparison Theatres generate the greatest output in terms of economic value (GVA £998m).



Premise Type | GVA | Employment

Theatres | £998m | 11,500

Hotels | £942m | 18,300

Restaurant | £915m | 31,800

Shops | £361m | 5,200

Casinos | £242m | 3,200

Pubs/Bars | £159m | 5,500

Nightclubs | £93m | 3,200

The economic value of licensed premises not only bear significance for Westminster but also form a crucial engine for **the regional (London) and UK-wide evening and night-time economies**. For instance, the UK theatre industry finds its economic heartbeat in Westminster, accounting for 37% of its GVA in London and 25% nationally.

“London’s West End enjoys a symbiotic relationship with the rest of London and across the nations”.

Fiona Allen, President of UK Theatre⁶

Among the c.80,000 people employed in Westminster's licensed premises; many are local residents.

For example, 6,400 residents are employed in accommodation and food services and 2,800 in entertainment activities. Despite some concerns around job quality and stability in certain parts of the ENTE, licensed premises still provide a source of stable income, valuable skills, and a strong foundation for future careers, especially among younger residents.

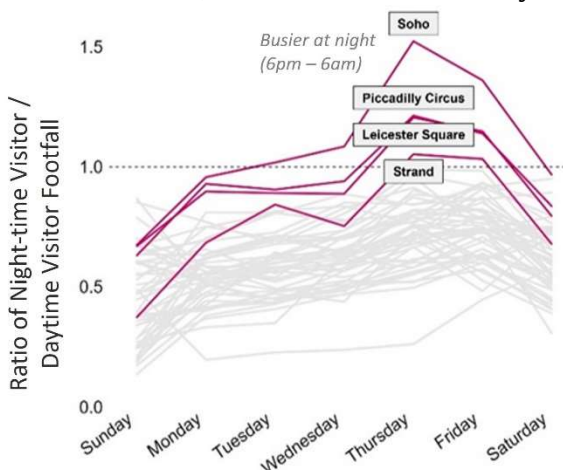
Indirect Economic Contributions: Key Findings

Beyond their direct impact, licensed premises deliver several other indirect economic contributions.



Footfall and Visitor Spending

Licensed premises fuel the ENTE, which draws a significant number of visitors to Westminster⁹, with certain areas (Strand, Soho, Piccadilly Circus and Leicester Sq.) attracting more visitors in the evening than the day across certain days.¹⁰ The ENTE generates substantial indirect benefits, acting as an anchor for visitors, whose expenditure on accommodation, dining, shopping, and other activities, boosts the local economy.



Supply Chain Impacts

Licensed premises also play a pivotal role in generating a cascade of supply chain impacts. On average, in 2019, **38% of purchases made by Westminster's licensed premises were in-region purchases (within Westminster), totalling £1.2bn in spending.**



Job Creation and Cross-Sectoral Dependency

Licensed premises also play a pivotal role in the creation of jobs in other sectors. This includes procuring services from related industries, such as security and marketing. Furthermore, other businesses in the area share a symbiotic relationship with licensed premises, for example restaurants/bars experience higher demand pre-theatre hours.



Tax Revenues

Licensed premises and their operation will also contribute to the public finances through taxation. This includes tax faced by most businesses (inc. VAT, business rates and corporation tax), as well as specific excise taxes (e.g., alcohol duty).

Indicative analysis indicates that **licensed premises in Westminster may contribute approximately £300m in business rates each year** (exc. any relief of rates).¹¹ More widely, the tax collected by licensed premises could be around £24bn-£44bn nationwide¹² and while further work is needed to isolate the contribution of licensed premises in Westminster, given that 5% of the economic output from these sectors comes from within Westminster¹³, the contribution to the public finances is not insignificant.



Property Values

Licensed premises can have a significant impact on property values. Clusters of licensed premises and a thriving ENTE can enhance location desirability, leading to higher asset values as individuals and businesses seek vibrant neighbourhoods and areas of high footfall. While landlords often benefit, existing renters and businesses are likely to face increasing challenges around rising rents and noise/anti-social behaviour.¹⁴



Place Identity and Culture

Licensed premises play a role in shaping the identity and 'character' of Westminster neighbourhoods. The distinct experiences offered can contribute to placemaking and strengthens community cohesion (Roberts et al, 2020) by transforming generic spaces into vibrant destinations.¹⁵ Licensed venues also provide a **platform for social interaction and collaboration** with local artists and performers, supporting creative industries. However, an overabundance of licensed premises can also alienate and isolate certain groups (such as ageing populations) and some perceive them, to negatively affect the historic local character of their neighbourhood.

Additional Analysis and Further Considerations

While licensed premises and the associated ENTE generate many positive and negative consequences, these often accrue to different groups, effectively creating 'winners' and 'losers'. Consequently, licensing can be a double-edged sword, for example residents living in the immediate vicinity of licensed venues may bear the cost of noise pollution, while other residents further away may enjoy the leisure benefits of these venues.

It is also important to consider the 'opportunity cost' of licensed premises, and what highstreets may look like without them. This is often inter-linked with vacancy rates. In areas where vacancy rates are low, the opportunity cost of licensed premises are likely to be high as the available space would likely be occupied by an alternative establishment that might offer different level of social value.

However, in areas characterised by high vacancy rates, the substitute for licensed premises may be another unoccupied property, therefore the opportunity cost of licensing is low. For instance, a licensed premise in Greek Street where vacancy rates are around 3% may be otherwise occupied, whereas a premises in Victoria Street where vacancy rates are much higher (17%), may otherwise be vacant.¹⁶ However,

businesses may avoid locating themselves in areas primarily occupied by the ENTE, because the lower daytime foot traffic in such districts might not align with their target market or chosen operating hours. In this case, opportunity cost may be low regardless of vacancy rates.

Another key consideration is the additional economic agglomeration benefits derived from the concentrated clustering of licensed premises. A key attraction of areas like the West End to businesses, visitors and residents is the proximity of a diverse array of different entertainment venues. This diversity of choice also allows individuals to utilise the offering of these areas without a strictly planned itinerary and be assured a venue will be open to meet their needs. Therefore, an important aspect of the economic value of licensed premises is the way they co-exist in a given space. This highlights the need for careful place-shaping considerations to maximise the potential of licensed premises. The question of finding the right balance or 'optimal mix' is crucial - too many licensed premises can lead to negative externalities, while too few may hinder the vitality and attractiveness of the area.



References

¹ In terms of gross domestic product | Source: Inclusion in the Evening and Nighttime Economy Task Group Report, Westminster City Council, October 2019

² Premises at which entertainment and certain other activities including the sale of alcohol are provided are required to be licensed under the Licensing Act 2003

³ Analysis of the Council's internal database, Uniform, May 2023

⁴ In this context, 'new licences' refers to new licences granted to new premises rather than new licences granted for existing premises or any other reason (e.g. shadow licences, licences for additional activity).

⁵ Licensed premises analysed in this report include: (1) Restaurants and Cafes, (2) Shops, (3) Pubs and Bars, (4) Nightclubs, (5) Hotels, (6) Theatres, and (7) Casinos. These selections were based on descriptive statistical data on the numbers of licensed premises in Westminster, as well as premises that are typical of discussions, and resident concerns, around licensing. These premise types were then identified across data sets by reviewing the Standard Industrial Classification (SIC) codes. Business types and their corresponding SIC codes are listed below:

SIC Category	Business Type
Restaurants and Cafes	56101: Licensed restaurants
Shops	47110: Retail sale in non-specialised stores with food, beverages or tobacco predominating
	47250: Retail sale of beverages in specialised stores
Pubs and Bars	56302: Public houses and bars
Hotels	55100: Hotels and similar accommodation
Theatres	90010: Performing arts
	90020: Support activities to performing arts
	90040: Operation of arts facilities
Nightclubs	56301: Licensed clubs
Casinos	92000: Gambling and betting activities

NOTE: Due to the granularity of SIC codes, these classifications are also likely to include some degree of the activity derived from non-licensed premises, and so may over-estimate the economic impact of some premise types. For instance, 'hotels and similar accommodation' will encompass a broad range of hotel-related activities, some of which would not be licensed or a part of the ENTE.

Occasionally in our analysis, the course-granularity of SIC code presented a data limitation. For example, in some instances to understand the impacts of "Restaurants and Cafes", SIC code 5610 was used. SIC code 5610 contains not only "56101: Licensed restaurants" but also "56102: Unlicensed restaurants and cafes" and "56103: Take-away food shops and mobile food stands".

⁶ GVA: Regional gross value added (balanced) by industry: all ITL regions, Table 3c: ITL3, current price estimates, pounds million, ONS, April 2023 | Employment: Business Register and Employment Survey : open access, Westminster Employment Count 2021 (latest), NOMIS, Accessed August 2023.

⁷ <https://officiallondontheatre.com/news/15-5-million-attend-london-theatres-2018/#:~:text=%E2%80%9CLondon's%20West%20End%20enjoys%20a,End%20productions%20touring%20the%20UK.%E2%80%9D>

⁸ ONS, Census 2021, TS063 – Occupation “All usual residents aged 16 years and over in employment the week before the census”, April 2023

⁹ BT Footfall Data, June 2023 (Fridays).

¹⁰ Fridays, 6am-6pm (day) and 6pm-6am (night), June 2023. ‘Certain days’ in this report is describing Thursdays and Fridays. NOTE: Because unique geographical hexagons are used, please note that the regional classification used here is not wards or high streets like in other sections. So, whilst a particular hexagon is best described as Soho, that figure may not represent Soho in its entirety.

¹¹ This total business rates payable by businesses thought to be operating as licensed premises. This is calculated by taking the 2023 Rateable Value of these premises and multiplying by either the small business multiplier (0.499) or standard multiplier (0.512) depending on whether the rateable value is equal or larger to £51,000. Note: Many business are likely to qualify for business reliefs or transitional reliefs, these are difficult to identify and so are not factored into this analysis and so this is likely an over-estimate. The property types included in this analysis are detailed below:

- Bars (valued on floorspace), Bowling Alleys, Casinos and Gambling Clubs, Clubhouses, Concert Halls, Convenience Stores, Cricket Grounds (County), Food Courts, Hotels and Hostels, Hypermarkets/Superstores (over 2500m²), Licensed Sports, Social and Private Members Clubs, Night Clubs and Discotheques, Public Houses/Pub Restaurants, Restaurants, Sales Kiosks, Sports Grounds, Theatres and Wedding and Function Venues.

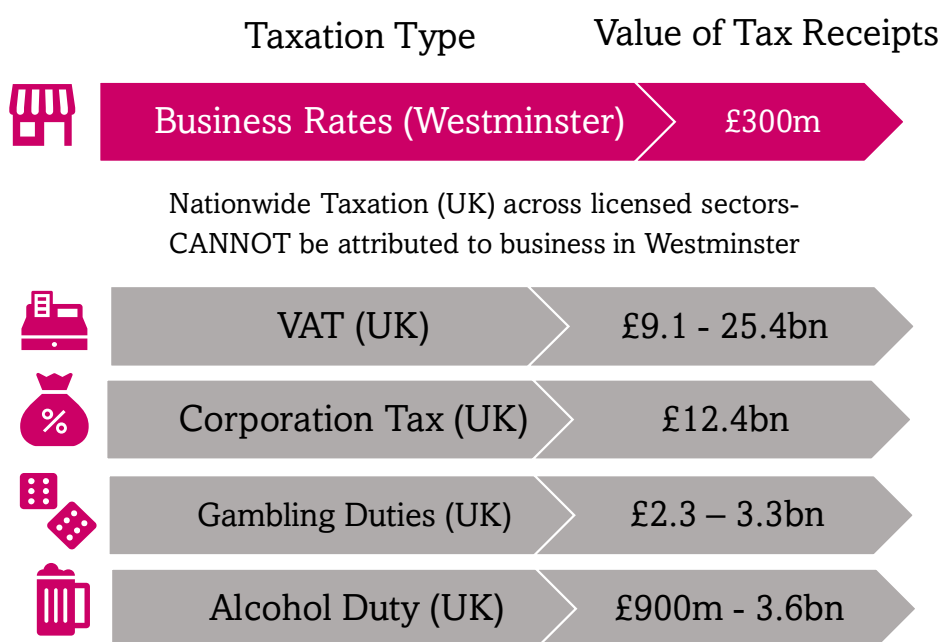
¹² This has been calculated by amalgamating national data on VAT receipts, gambling taxes, alcohol duty and corporation tax that can be assumed to be attributed to the activity of licensed premises. This has been done using the same broad 2-digit SIC codes used in previous analysis (see endnote 5 for more detail):

- 47- Retail trade
- 55 - Accommodation
- 56 - Food and beverage service activities
- 90 - Creative, arts, and entertainment activities
- 92 - Gambling and betting activities

NOTE: Due to the granularity of SIC codes, these classifications are also likely to include some degree of the activity derived from non-licensed premises, and so may over-estimate the economic impact of some premise types. Upper bound figures use total revenue from all five 2-digit sectors identified above where as minimum bounds excludes those retail trade (47) and accommodation (55) as they are likely to contain a large volume of non-licensed activity also.

All figures from 2022-23, sources found below:

- [Annual UK VAT Statistics 2022-23.ods \(live.com\)](#)
- [UK alcohol duty tax receipts 2023 | Statista](#)
- [UK betting tax receipts 2023 | Statista](#)
- [Corporation Tax statistics data tables 2022.ods \(live.com\)](#)



¹³ Calculated using the same broad 2-digit SIC codes associated with licensed premises used in previous analysis, gross value added (GVA, 2019, current price estimates) values for these SIC classifications nationally are compared to values from Westminster to calculate Westminster' contribution. Highlighted value in yellow is one used in report.

SIC Classification		Westminster - GVA	UK – GVA	%
47	Retail trade	3,587	101,584	4%
55	Accommodation	991	12,157	8%
56	Food and beverage service activities	1,624	36,525	4%
90-91	Creative, arts, entertainment and cultural activities	1,564	10,710	15%
92-93	Gambling and betting; sports and recreation activities	746	16,722	4%
TOTAL		8,512	177,698	5%

¹⁴ Various sources and articles, including:

- <https://www.egi.co.uk/news/dawn-of-midnight-for-londons-night-time-economy/>
- <https://www.thepinknews.com/2017/08/02/g-a-y-owner-launches-bid-to-save-soho-nightclub-after-extreme-rent-rises/>
- <https://www.tandfonline.com/doi/full/10.1080/09654313.2020.1726294>

¹⁵ Roberts, M. & Eldridge, A. & Osborn, G. & Flacks, S., (2020) “The Night and Cultural Benefit: The Case for A Holistic Approach to Licensing”, *Entertainment and Sports Law Journal* 18(1), 9. doi: <https://doi.org/10.16997/eslj.245>

¹⁶ Local Data Company, Data Pack for London Borough of Westminster, Live and Vacant Store Records, June 2023. NOTE: The statistics used refer to vacancy rates for specific street names, “Victoria Street” and “Greek Street”, rather than designated high street areas or other larger defined output areas.