Labour Future:
A Plan for Revitalising Britain's High Streets

Labour Future

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LABOUR FUTURE

Labour Future envisions a Labour Party that genuinely represents working people in every community across the UK. Our vision emphasises national unity, advocating for policies that deliver tangible improvements to people's lives, regardless of geography.

Key priorities include revitalising British industry through investment in manufacturing and support for local businesses, addressing the housing crisis with increased house-building initiatives and planning reform, and ensuring robust public services. Additionally, Labour Future champions fair wages, stronger worker protections, and the right to union representation.

We strongly believe that a Labour government should also seek to take advantage of our new economic freedoms outside the European Union.

Through these commitments, Labour Future aims to foster a whole-nation Labour Party, deeply rooted in the traditions of working people, and dedicated to building a fairer, more prosperous future for all.

EXECUTIVE SUMMARY

Labour's 2024 General Election manifesto placed economic growth at the heart of government. It is the central mission of the government. **Delivering that growth requires a renewed partnership between government, local communities and the small businesses that form the backbone of Britain's economy.** The Labour government inherited an economy that was stagnant and unstable. The government has stabilised the economy and despite the huge global challenges facing the UK and increased pressures on spending the government must now relentlessly focus on delivering economic growth.

Across the United Kingdom, high streets continue to face significant challenges. Changes in consumer behaviour, rising operating costs, the growth of online retail and years of underinvestment have contributed to declining footfall and increasing vacancy rates in many town centres.

In addition, the scourge of dodgy shops selling vapes, drugs and other contraband make town centres a less desirable place for shoppers. At the same time, small and medium-sized enterprises continue to face barriers to growth despite their crucial role in job creation, innovation and local wealth generation. Inflation remains a challenge due the ongoing wars in Ukraine and the Middle East.

Small businesses play a central role in achieving this objective. They account for over 99 per cent of businesses in the United Kingdom and employ millions of people. They are often deeply rooted in their communities and contribute significantly to local economic resilience, from pubs to coffee shops many are the cornerstone of town or village life.

This paper sets out **six policy proposals** to support Labour's commitment to economic growth, opportunity and community renewal:

1. Reforming business rates to level the playing field between high streets and online giants
2. A Town Centre Living Programme to bring vacant upper floors back into use as housing
3. A Small Business Energy Security Programme to reduce and stabilise energy costs for SME
4. An SME Procurement and Local Growth Charter to open up public contracts to local suppliers
5. Town Centre Growth Zones offering targeted tax and planning incentive

Raising the VAT registration threshold to £150,000 to remove a barrier to business growth.

Together they would strengthen local economies, support entrepreneurship, and create more resilient town centres. Growth is not an abstract economic statistic. It must be reflected in stronger local economies, rising living standards and visible improvements in communities across Britain.

However, too many town centres continue to struggle. The challenge facing government is not simply to preserve traditional retail models but to **support the evolution of high streets into modern centres of economic, social and community activity.**

The following proposals seek to address these challenges through practical measures that reflect Labour's values of fairness, partnership, opportunity and community empowerment.

HIGH STREET BUSINESS RATES REFORM

Business rates[1] remain one of the most frequently cited concerns among small business owners. Independent retailers, cafés and hospitality businesses often face disproportionately high fixed costs compared with larger online competitors. Business organisations have repeatedly called for business rates reform[2]. It should be noted that in 2020 the then government introduced the Digital Sales Tax[3].

Without reform, many otherwise viable businesses will continue to struggle to invest, expand and create jobs.

In 2024 the Labour manifesto promised, "the current business rates system disincentivises investment, creates uncertainty and places an undue burden on our high streets. In England, Labour will replace the business rates system, so we can raise the 29 Change Labour Party Manifesto 2024 same revenue but in a fairer way. This new system will level the playing field between the high street and online giants, better incentivise investment, tackle empty properties and support entrepreneurship."[4]

Labour has committed to reforming business rates. The commitment should introduce a comprehensive programme of business rates reform that includes:

- Enhanced relief for independent businesses., recognising the challenges that independent businesses face against larger commercial coopetitors.
- A permanent Town Centre Relief Scheme to support towns centres up and down the country that have suffered long-term decline.

- Stronger penalties on long-term vacant commercial premises and extra powers for local authorities to bring them into public ownership and public good.

Labour has consistently argued that economic growth should be broad-based and support communities across the country. Reforming business rates would help level the playing field between large online operators and local independent businesses while encouraging investment in town centres.

The physical improvement of high streets as a result of Labour's reforms will stand a demonstration to communities of the change that can be achieved with Labour. Reducing fixed costs for businesses would free up businesses, particularly independent businesses to grow their operation. Firms will be able to invest in recruiting more staff, reducing the unemployment numbers and welfare costs. They will also be able to train and upskill staff, making the workforce more versatile supporting a skilled economy.

They may decide to improve premises, requiring subcontractors and other skilled labour, creating a local circular economy supporting other businesses.

Increasing productivity could be another key outcome, as firms will be able to invest in technology, machinery or other automation to increase output, driving growth. Expanding their operations would be another key outcome, enabling a business to gain a greater market share, ultimately meaning a greater contribution to the exchequer.

A thriving high street contributes to local pride, community cohesion and public confidence. Visible improvements in town centres help demonstrate that government is delivering meaningful change to communities.

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[1] https://www.gov.uk/introduction-to-business-rates
[2] https://www.thetimes.com/business/companies-markets/article/business-rates-rethink-100000-tax-hit-sf6xfl7gf
[3] https://www.gov.uk/government/publications/introduction-of-the-digital-services-tax/digital-services-tax
[4] https://labour.org.uk/wp-content/uploads/2024/06/Labour-Party-manifesto-2024.pdf

TOWN CENTRE LIVING PROGRAMME

One of the biggest challenges facing high streets is a lack of footfall. Over the last few decades local authorities have permitted out of town shopping centres, as well as supermarkets drawing people out of town centres. The most successful town centres increasingly have people living in them rather than relying solely on shoppers travelling in, and therefore the government should look specifically at a policy that will increase footfall in town centres.

The Government should consider **establishing a Town Centre Living Programme, with associated funding that would enable local authorities to purchase and then undertake conversations of vacant upper floors into housing for local people, encouraging town centre living.** This would be in keeping with National Planning Policy to ensure the viability of town centres[5].

Specific grants could be provided for bringing empty properties back into use which will help local authorities reduce their housing waiting lists and bring people into town centres.

Support key worker housing[6] in town centres by examining low interest develop loans for key worker housing providers, or looking what tax incentives could be given, such as exemptions on stamp duty. Government could also mandate that surplus public land in town centres should be prioritised for key worker housing.

As part of the programme the government should incentivise residential conversions by cutting VAT on commercial to residential conversation materials. In addition, government could compel local authorities to speed up determination times on such conversions. The government should ensure all local plans promote mixed-use development in town centres to ensure a diverse population able to access different aspects of social and economic life in town centres.

This directly supports Labours manifesto commitment to build more homes and to support our high streets by enabling housing delivery and the regeneration of our high streets. It will create sustainable communities in town centres ultimately reducing pressure on greenfield sites which face ever increasing burdens from development.

Ultimately, perhaps the most obvious benefits from having More residents in town centres is more local customers for local businesses, spending their money locally. It will contribute to increasing evening economy activity, supporting the nighttime economy and local businesses. This will lead to lower vacancy rates meaning more revenue for district councils and public services. All of this will contribute to a greater sense of public safety through increased activity supported by the Home Secretary's[7] clampdown on illegal vape and contraband shops[8].

This is the type of practical place-based reform that resonates across Labour's coalition because it addresses, housing shortages, the decades long problem of declining town centres, and supports local economic growth.

[5]https://assets.publishing.service.gov.uk/media/67aafe8f3b41f783cca46251/NPPF_December_2024.pdf
[6] https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim21735
[7] https://www.gov.uk/government/ministers/secretary-of-state-for-the-home-department#:~:text=Shabana%20Mahmood%20was%20appointed%20Secretary,Department%20on%205%20September%202025.
[8] https://www.gov.uk/government/news/new-high-street-unit-set-up-in-nationwide-blitz-on-dodgy-shops

SMALL BUSINESS ENERGY SECURITY

One of the greatest challenges facing many small businesses is the rising and often unpredictable cost of energy. Independent retailers, cafés, restaurants, pubs, hairdressers, convenience stores and small manufacturers are particularly exposed to fluctuations in electricity and gas prices[9]. Unlike larger corporations, many small firms lack the purchasing power, financial reserves or specialist expertise required to manage energy costs effectively. As a result, high energy bills continue to place pressure on profitability, investment and employment.

Labour's commitment to economic growth and clean energy[10] presents an opportunity to address this challenge through the creation of a Small Business Energy Security Programme. The objective would be simple: reduce operating costs for small businesses while strengthening the long-term resilience and sustainability of Britain's high streets.

The programme would **provide targeted support for small and medium-sized enterprises to invest in energy efficiency measures and local energy generation.** This could include grants and low-interest loans for insulation, modern heating systems, solar panels, battery storage technology, energy-efficient lighting and smart energy management systems. By helping businesses reduce consumption and generate a proportion of their own energy, government can lower costs while improving energy security.

A key feature of the programme should be the creation of Local Business Energy Partnerships. Working through local authorities, combined authorities and chambers of commerce, businesses would be encouraged to form purchasing groups that can negotiate more competitive energy contracts.

This collective approach would give small firms some of the advantages currently enjoyed by larger organisations.

The programme aligns closely with Labour's wider economic and environmental objectives. By reducing operating costs, businesses will have more resources available for investment, recruitment and growth. Lower overheads can help independent firms remain competitive, particularly in town centres where many businesses continue to face pressure from online competitors and changing consumer habits.

The community benefits are equally significant. Thriving local businesses contribute to vibrant high streets, create employment opportunities and support local supply chains. Every pound saved on unnecessary energy costs is a pound that can be reinvested into staff, premises or services. This helps strengthen local economies and supports Labour's ambition to ensure that growth is felt in every part of the country.

The programme would also contribute to the Government's clean energy mission. Helping thousands of businesses improve energy efficiency would reduce carbon emissions while demonstrating that environmental responsibility and economic growth can go hand in hand.

Rather than viewing the transition to clean energy as a burden, businesses would experience it as an opportunity to reduce costs and improve resilience.

Ultimately, a Small Business Energy Security Programme represents a practical Labour solution to a real-world problem. It combines support for enterprise with support for the clean energy transition, helping businesses lower costs, strengthen communities and contribute to a more resilient and prosperous economy. By investing in the long-term sustainability of small businesses, Labour can help ensure that Britain's high streets remain vibrant centres of economic and community life for decades to come.

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[9] https://www.standard.co.uk/business/small-business-owners-warns-energy-bills-cost-month-b1277110.html
[10] https://www.gov.uk/missions/clean-energy

SME PROCUREMENT AND LOCAL GROWTH CHARTER

Many small businesses struggle to access public procurement opportunities because of complex bidding processes and contract structures that favour larger organisations. Local contractors prefer to deal with local authorities and in many cases local authorities don't have their own onboarding process for local suppliers.

The Labour government should Introduce a **Procurement charter requiring public bodies to increase local SME participation in procurement, based on the Preston model[11]** and alongside this, ensure that procurement procedures are simplified where possible. To allow smaller firms to be able to compete, contracts should be broken into smaller lots with a local supplier focus and to ensure accountability annual SME procurement numbers should be made publicly available by all local authorities and public bodies.

Labour has long supported the principle that public spending should generate wider economic benefits. Procurement policy can be used to strengthen local economies and support wealth creation and outside the European Union we are free to determine our own procurement arrangements[12].

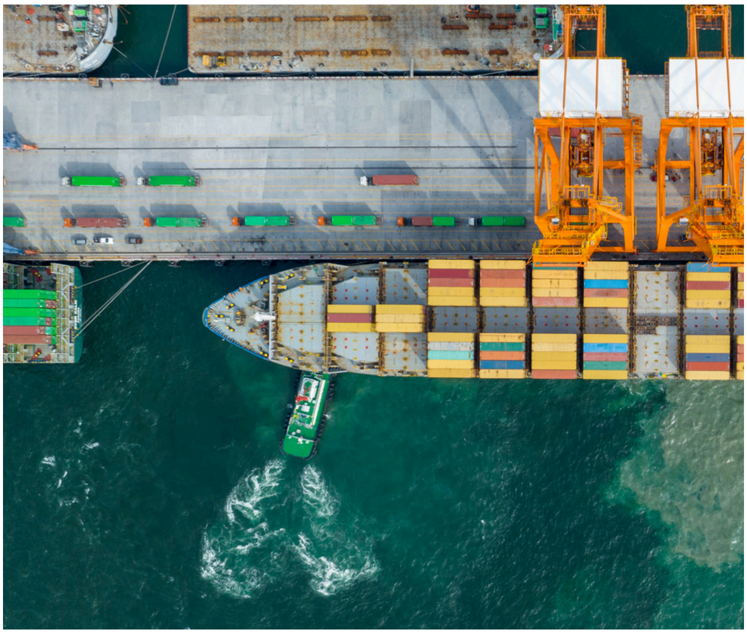
Increasing SME participation in procurement would support business growth, innovation and job creation and would be a sign of confidence by the Labour government in small business, and sole traders. The more money that is retained in the local community through the awarding of local contracts will result in more money circulating within local economies delivering local growth.

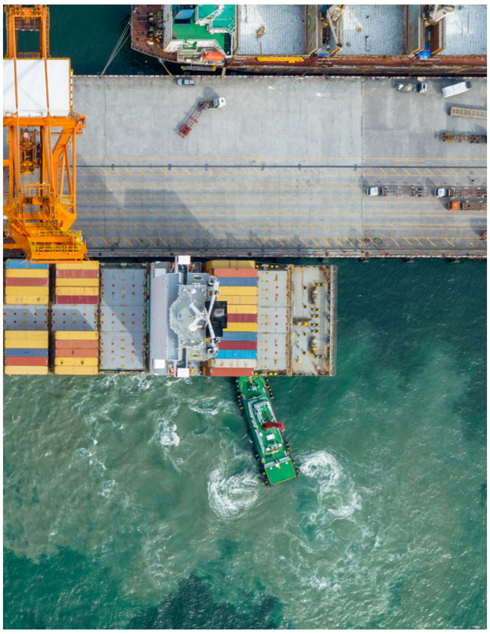
[11] https://www.preston.gov.uk/article/1339/What-is-Preston-Model
[12] https://www.gov.uk/government/collections/transforming-public-procurement

TOWN CENTRE GROWTH ZONES

Some communities face deeper structural challenges and require targeted intervention to stimulate investment and business creation. While some believe there is not a role for the state in driving growth, Labour believes in actively supporting enterprise and facilitating growth in local economies.

The government should explore **creating Town Centre Growth Zones to drive growth. These would be like Free Ports[13] offering a range of business incentives to drive local growth.** A range of methods could be deployed in these Town Centre growth zones, such as temporary National Insurance incentives to make taking on employees cheaper. Other enhanced capital allowances to allow businesses to expand and invest. Other start up support such as exemptions on corporation tax for the first few years of a new business. Combined with planning reforms such as accelerating planning decisions.





As we explored earlier in the paper, increasing the footfall in town centres is vital, and therefore other incentives for residential development above commercial premises could also be of huge added value. Council tax deductions or exemptions determined locally but supported by government would incentivise living in town centres.

This proposal reflects Labour's commitment to active government working in partnership with business to support growth and opportunity. It also employs policy initiatives that are sympathetic with enterprise, and which can build a broad coalition for local growth. We know that targeted incentives can attract investment, support entrepreneurship and create jobs in areas most in need of economic renewal.

[13] https://www.gov.uk/guidance/freeports

RAISING THE VAT THRESHOLDS

Small businesses are the backbone of Britain's economy. They create jobs, support local communities, drive innovation and provide the goods and services that sustain our high streets. If Labour is serious about delivering economic growth in every part of the country, it must ensure that government policy supports entrepreneurs and small firms rather than creating barriers to expansion.

One reform that deserves serious consideration is **raising the VAT registration threshold from its current level to £150,000.** Such a change would provide immediate support to thousands of small businesses while encouraging growth, investment and job creation.

The current VAT threshold[14] creates what economists often describe as a "cliff edge". Many small businesses approaching the threshold face a significant increase in administrative costs and pricing pressures once they become VAT registered. As a result, some firms actively restrict their growth to avoid crossing the threshold. This cannot be good for productivity, economic expansion or entrepreneurship. The current threshold is a complete disincentive for businesses to expand.

Raising the threshold to £150,000 would remove this barrier for thousands of businesses. It would allow sole traders, family firms, independent retailers, cafés, tradespeople and local service providers to grow with confidence. Rather than worrying about additional bureaucracy and tax compliance, business owners could focus on winning customers, investing in their premises and employing more people.

For Labour, the economic case is compelling. Small businesses account for most firms operating in the UK[15] and employ millions of people. Helping these businesses grow contributes directly to Labour's mission of raising living standards and strengthening local economies. A higher threshold would increase cash flow, reduce administrative burdens and free up resources for investment.

The proposal also aligns with Labour's commitment to wealth creation. Economic growth does not come solely from large corporations and major infrastructure projects. It also comes from thousands of local businesses expanding, hiring staff and serving their communities. By removing a significant disincentive to growth, Labour would be backing the entrepreneurs and family businesses that underpin local prosperity.

There are important community benefits too. Across Britain, many high streets continue to struggle with vacant premises and declining footfall. Independent businesses often provide the character and identity that distinguish one town centre from another. They are more likely to employ local people, purchase goods from local suppliers and keep wealth circulating within the local economy.

Supporting these businesses strengthens communities. A thriving independent café, butcher, florist or bookshop does more than generate economic activity; it contributes to community life, local pride and social cohesion. Labour has consistently argued that economic growth should be felt in every neighbourhood and every town. Raising the VAT threshold would help make that ambition a reality. The reform would be particularly beneficial in areas outside London and the South East, where many businesses operate on tighter margins and face greater economic challenges. It would therefore support Labour's wider objective of spreading opportunity and growth across every region of the United Kingdom. Critics may argue that increasing the threshold would reduce tax revenues. However, this view overlooks the wider economic effects. Businesses that are able to grow, invest and employ more people generate additional income tax, National Insurance contributions and corporation tax revenues over time. The long-term gains from stronger economic activity may outweigh any short-term reduction in VAT receipts. Takin more people into employment means less welfare spending[16], which Labour also needs to tackle. Ultimately, raising the VAT threshold to £150,000 is a pro-growth, pro-enterprise and pro-community reform. It would remove a barrier to expansion, support local businesses, strengthen high streets and help deliver Labour's mission of economic renewal. At a time when Britain needs growth, confidence and investment, backing small businesses in this way would be both economically sensible and consistent with Labour's values of opportunity, prosperity and community.

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[14] https://www.gov.uk/vat-rates
[15] https://commonslibrary.parliament.uk/research-briefings/sn06152/[
[16] https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-guidance-and-methodology/benefit-expenditure-and-caseload-tables-information-and-guidance

CONCLUSION

By reducing barriers to investment and supporting entrepreneurship, these policies contribute directly to Labour's growth mission. Supporting small businesses creates employment opportunities and pathways to economic success in communities across the country.

The proposals place local authorities and communities at the centre of decision-making. The Small Business Energy Security Programme supports Labour's commitment to reducing energy costs while accelerating the transition to cleaner energy sources.
High streets remain among the most visible indicators of local economic health. Their renewal demonstrates that growth is being delivered in every part of the country.

The future success of Britain's economy depends upon the success of its local economies.

Small businesses and thriving high streets remain essential to creating jobs, generating investment and building strong communities. The Government therefore has an opportunity to place small business growth and town centre renewal at the heart of its economic strategy.

The proposals set out in this paper offer a practical framework for achieving that ambition. By combining investment, reform and local empowerment, Labour can deliver visible improvements in communities across the country while advancing its wider mission of economic growth and national renewal.
A stronger high street is not simply a retail objective. It is a statement of confidence in Britain's towns, communities and local economies. It is through those communities that Labour's mission for growth will ultimately succeed.

ADVISORY COUNCIL

Our Advisory Council provides political leadership to Labour Future. Reports produced by Labour Future are not necessarily the views of members of the Council.

Tristan Osborne was elected Labour MP for Chatham and Aylesford in 2024. He previously served on Medway Council from 2011 to 2024, including as Cabinet Member for Community Safety and Enforcement. A former geography teacher, he also worked as a business consultant.

Lord Maurice Glasman is a political theorist, Labour Life Peer and founder of Blue Labour. He advised Ed Miliband from 2010 to 2015 and is a Senior Lecturer at London Metropolitan University, where he directs the Faith and Citizenship Programme. He also writes for several publications.

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Graham Stringer served as Labour MP for Manchester Blackley and later Blackley and Broughton from 1997 to 2024. He was previously Leader of Manchester City Council and later supported the Vote Leave and Labour Leave campaigns. He also served on the House of Commons Panel of Chairs.

Paul Embery is a former London firefighter and Fire Brigades Union regional secretary. A Brexit campaigner, he is now an author and political commentator who has written for UnHerd and HuffPost and appeared on GB News. He is a Labour member and supporter of Blue Labour.

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GLOSSARY

Business Rates
A tax paid by businesses occupying commercial property, based on the property's rateable value.

Business Rates Reform
Changes to the current rates system intended to reduce costs for smaller firms, support investment and create fairer competition between physical and online businesses.

Carbon Emissions
Greenhouse gases released through economic activity. Reducing emissions is a central objective of clean energy policy.

Clean Energy Transition
The shift from fossil fuels towards renewable and lower-carbon energy sources.

Community Wealth Building
An economic approach that seeks to retain spending, investment and jobs within local communities rather than allowing wealth to flow elsewhere.

Footfall
The number of people visiting a town centre, shopping area or high street. Higher footfall generally supports local businesses.

Growth Mission
The Government's stated objective of increasing economic growth, productivity, investment and living standards.

Independent Business
A locally owned business that operates independently rather than as part of a large chain or corporation.

Key Worker Housing
Housing targeted at essential workers such as teachers, healthcare staff, police officers and firefighters.

Local Business Energy Partnerships
Proposed groups of businesses that would collectively negotiate energy contracts to secure lower prices and improve energy resilience.

Mixed-Use Development
Development that combines residential, commercial, retail and community uses within the same area.

National Insurance (NI)
A tax on earnings paid by employees and employers that helps fund public services and welfare programmes.

Procurement
The process through which public bodies purchase goods, services and works from suppliers.

SME (Small and Medium-Sized Enterprise)
A business with relatively modest turnover and employee numbers. SMEs account for the vast majority of UK businesses.

SME Procurement Charter
A proposed framework requiring public bodies to increase participation by local SMEs in public contracts.

Small Business Energy Security Programme
A proposed scheme providing grants, loans and support to help SMEs reduce energy costs and improve efficiency.

Town Centre Growth Zones
Proposed designated areas offering incentives such as tax reliefs, planning reforms and business support to encourage investment and job creation.

Town Centre Living Programme
A proposed initiative encouraging residential development in town centres, particularly through converting vacant upper floors into housing.

VAT (Value Added Tax)
A consumption tax charged on most goods and services sold in the UK.

VAT Registration Threshold
The turnover level at which a business must register for VAT. The paper proposes increasing this threshold to £150,000.

Vacancy Rate
The proportion of commercial properties that are empty within a town centre or high street.

Wealth Creation
The generation of economic value through business activity, investment, innovation and employment growth.

Working Capital
The funds available to a business for day-to-day operations and growth.

Circular Local Economy
An economic model where money spent locally continues to circulate within the community through local suppliers, contractors and businesses.

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