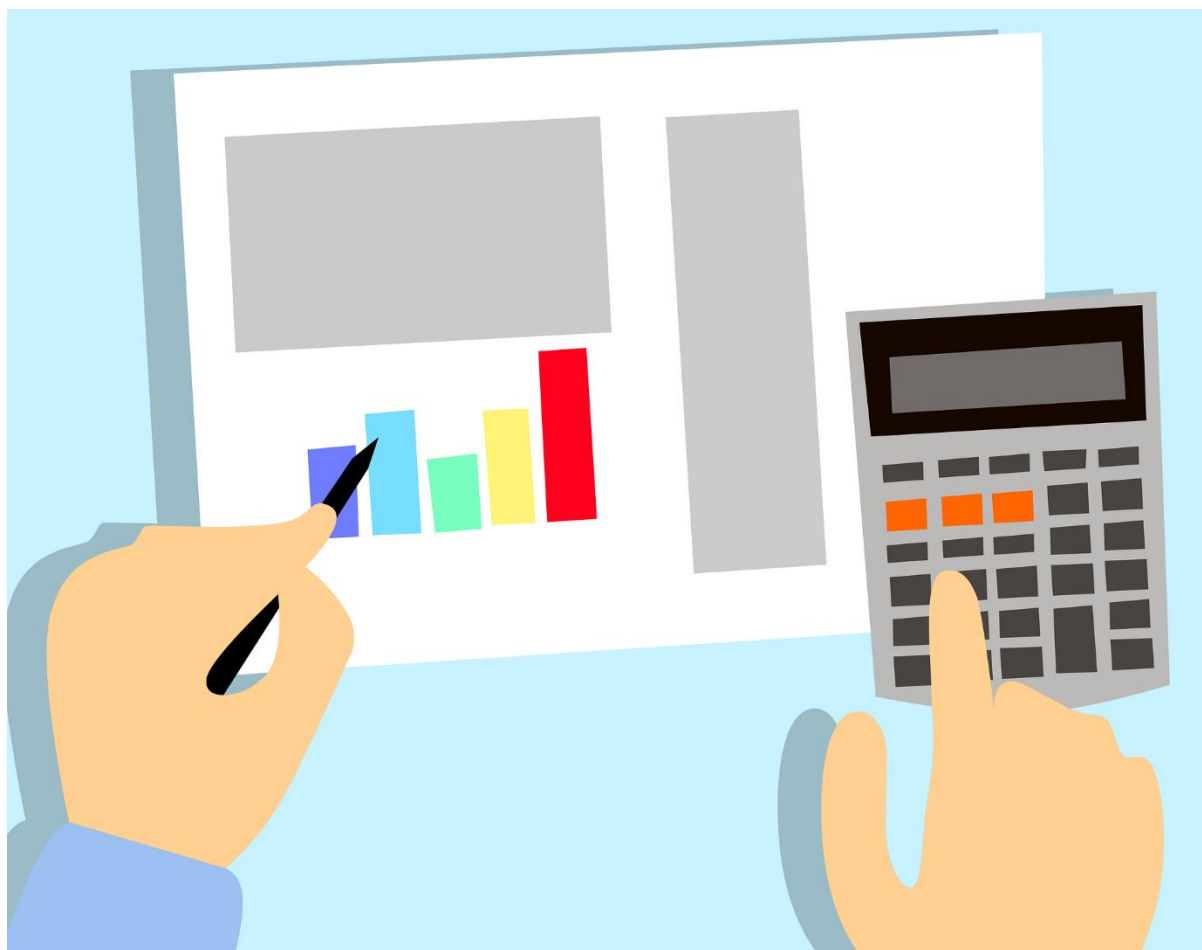


How Labour's November Budget is Killing Small and Local Businesses



On 26 November 2025, Chancellor Rachel Reeves delivered the Labour Party's Autumn Budget, setting out ambitions to stabilise public finances, ease the cost-of-living crisis, support public services (particularly the NHS) and create conditions for sustainable growth and investment. Headline promises included cutting household energy bills through the "Warm Homes Plan," lowering inflation and protecting public spending, while signalling a broadly pro-business approach.

However, beneath these stated aims, the Budget delivers a far less reassuring picture for many small and local businesses. While a handful of targeted measures offer limited relief, they are overshadowed by rising costs and policy changes that are likely to intensify financial pressure across the local economy throughout 2026 and beyond.

Reduction in Business Rates: Helpful, but Limited

One of the few measures to receive cautious approval is the planned adjustment to business-rate multipliers from April 2026. Smaller retailers, cafés, pubs, salons and other high-street businesses operating from modest premises will benefit from a reduced rate, intended to alleviate some fixed-cost pressures.

Yet many business owners view this relief as modest at best. After years marked by volatile energy prices, disrupted supply chains, and weakened consumer confidence, the reduction is unlikely to offset broader cost increases elsewhere. For many, it feels less like meaningful support and more like a partial concession that fails to address the scale of the challenges they face.

Local business representatives have warned that while any reduction is welcome, it will do little to protect firms already operating on razor-thin margins.

Apprenticeship Funding: Long-Term Promise, Short-Term Reality

The expansion of apprenticeship funding for under-25s has been promoted as a way to support local workforce development. Sectors such as hospitality, retail, childcare, trades and administrative services may benefit from subsidised training and reduced recruitment costs.

However, some employers remain sceptical. While apprenticeships can help address long-term skills shortages, they do little to relieve immediate pressures on cash flow, staffing costs and day-to-day survival. For businesses already struggling to stay afloat, the ability to invest time and resources into training schemes may be a luxury rather than a realistic option.

Rising Costs Overshadow Budget Support

The most significant concern for small and local businesses is the sharp rise in operating costs driven by Budget decisions. The increase in the national minimum wage scheduled for 2026 is expected to hit labour-intensive sectors particularly hard. Cafés, restaurants, shops, care providers, salons and independent hospitality venues already face high staffing costs, and many fear the increase will force difficult choices around staffing levels, opening hours or pricing.

With consumer spending still fragile, passing these costs on to customers risks reduced footfall and lost trade. For many small and local businesses, there is simply no room left to absorb further increases.

Compounding this are frozen tax thresholds and proposed changes to pension salary-sacrifice arrangements, which are likely to increase payroll taxes and administrative burdens. These changes disproportionately affect small and local businesses as well as sole traders, many of whom lack the resources to manage growing compliance demands.

Small and Local Businesses Pushed to the Edge

Small and local businesses remain the backbone of the local economy, yet this Budget offers them little reassurance. While apprenticeships and limited rate relief provide some support, they are eclipsed by rising wage bills, higher taxes and ongoing uncertainty. For many firms already weakened by the punitive October 2024 Budget, this latest package risks pushing them closer to the edge.

Looking Ahead: Survival, Not Growth

While the Budget theoretically leaves room for adaptation and innovation, in reality, many small and local firms face survival rather than expansion. Investing in apprenticeships, improving efficiency or pursuing new growth opportunities may be out of reach for businesses grappling with mounting costs and shrinking margins.

Worryingly, an increasing number of small and local businesses are choosing to sell up or shut down altogether, unable to absorb the cumulative impact of this Budget alongside the already damaging October 2024 measures. For these firms, optimism has been replaced by resignation and without further, more meaningful support, the local trading landscape in the UK risks long-term erosion.