



PAUL HOLMES MP
Member of Parliament for Eastleigh

Budget and Spending Review Briefing – Autumn 2021

Dear friends,

It has been a very busy few weeks in Westminster as the Chancellor delivered both his Autumn Budget and the Spending Review 2021 at the end of October, which allocates departmental budgets for the next three years. While I know you will all have been following the announcements of the Budget and Spending Review, I wanted to take this opportunity to draw out a few key highlights of mine as well as a few important announcements for Hampshire and the Solent region. I hope this serves as a useful summary.

A key point of reassurance from the Chancellor was the progress made with our economic recovery and the resilience of the British economy. The Office of Budget Responsibility (OBR), who monitor the public finances and provide independent forecasts, have revised down the economic damage done to our economy by the pandemic from 3 per cent to 2 per cent of GDP and consequently, economic growth has been revised up, the unemployment forecast has been revised down and wages are rising.¹

Another important comment from the OBR was its assessment of the Government's policies for supporting the economy. Indeed, the OBR commented that the 'Government's plan has proven to be remarkably successful'.

Looking at the next stages of our economic recovery, it is imperative that we consolidate and strengthen our public finances. In order to do this, Rishi has introduced two new rules to our Charter for Budget Responsibility which means underlying public sector debt as a percentage of GDP must be falling and that the Government should only borrow to invest in capital projects. With the measures set out in the Budget Spending Review, we will be meeting our fiscal rules by 2024 while also supporting our economic recovery².

Key measures for businesses

The changes set out in this Budget and Spending Review will back businesses and assist them with tax cuts and incentives to invest:

Business Rates

Retail leisure and hospitality business were amongst the hardest hit by the pandemic, these businesses will qualify for a 50 per cent discount on their businesses rates worth up to £110,000 per business. The planned increase in the business rates multiplier has also been scrapped which will save businesses a further £4.6 billion.

Research and innovation, business rate reliefs, improvement incentives and green investment

A new system of rate reliefs and incentives worth £750m will support improvements and green investments. To further support investment, the Treasury are extending the £1 million Annual Investment Allowance for a further year.

¹ OBR, Economic & Fiscal Outlook, P61, October 2021, [link](#)

² HM Treasury, Autumn Budget October 2021, [link](#)



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We also need to boost innovation by investing in our world-leading research and development sector. The Government are on track reach our target to increase annual public R&D investment to £22 billion (reaching it in 2026-27) and we will spend £20 billion every year by 2024-25 – a cash increase of 50 per cent – taking total public investment in R&D including our tax reliefs to 1.1 per cent of GDP, up from 0.7 per cent in 2018, and well in excess of the OECD average of 0.7 per cent.

Key measures for families and the cost of living

Cutting tax for low-income families by reducing the Universal Credit taper rate

We know that work is the surest route out of poverty. To ensure work pays and to help the lowest-income families in the country, the Universal Credit taper rate will be cut by 8 pence, taking it down from the current 63p to 55p. We will also be increasing the Work Allowance by £500 per year. Taken together, this is a tax cut for 2 million low-income families worth £2.2 billion next year, or an extra £1,000 for those on Universal Credit.

Fuel Duty Freeze

Due to rising global oil prices, the average cost of filling up the typical family car has gone up by £3.40 in the last eight weeks alone and the costs for businesses have risen substantially. I'm delighted that the Chancellor has frozen fuel duty for the twelfth year in a row equating to a £1.5 billion tax cut for families and businesses.

Boosting pubs by cutting beer duty

The Government also introduced a new Draught Relief which will apply a new lower rate of duty on draught beer and cider – cutting duty by 5 per cent, the biggest cut to cider duty since 1923 and the biggest cut to beer duty for 50 years. This will boost British pubs by nearly £100 million a year – and means a permanent cut in the cost of a pint by 3 pence.

Public investment and infrastructure priorities

We also had a major package of investment announced for transport, infrastructure and housing which will help power growth and help all regions of the UK fulfil their economic potential. In total, we will be investing £100 billion on our roads, railways and broadband. This includes £16 billion on roads and £35 billion on railways including local schemes such as £2.1 billion for local roads upgrades and £5 billion for buses, cycling and walking schemes.

Housing

Ministers are providing a multi-year settlement for housing worth nearly £24 billion – including £11.5 billion to build 180,000 new affordable homes, the largest cash investment in a decade. The Government are also investing an extra £1.8 billion in housing supply to bring 1,500 hectares of brownfield land into use, meeting our commitment to unlock 1 million new homes. We are also confirming £5 billion to remove unsafe cladding from the highest risk buildings, partly funded by the Residential Property Developers Tax, to be levied on developers with profits over £25 million, at a rate of 4 per cent.



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Regional Benefits

I was also very pleased to see several announcements that will have a particular benefit locally:

Help for Regional Airports

The announcement of a new lower rate of Air Passenger Duty for domestic flights within the UK will make a huge difference. Currently, flights within and between the four nations of the UK pay the same duties as international flights. From April 2023, flights between airports in England, Scotland, Wales and Northern Ireland will be subject to a new lower rate of APD than international flights, cutting duty by half for 9 million passengers.

Furthermore, a special scheme for fixed costs and the business rates of regional airports, such as Southampton Airport, will also continue for a further six months amounting to a 1- year business rate holiday.³

Local Transport Projects

The Government announced £63 million investment in Southampton and the wider area through the Transforming Cities Fund, including plans for developing new rapid bus links. We also saw £7 million development funding announced to restore passenger rail links between Totton and Fawley⁴.

Skills funding

Barton Peveril College was awarded £4.5m from the Department of Education to create a new Business School and Business Hub which will ensure learners gain the skills they need to progress and help the economy grow.

Yours sincerely,

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³ HM Treasury, Autumn Budget October 2021, P65, [link](#)

⁴ HM Treasury, Autumn Budget October 2021, P76, [link](#)