



National Manufacturing Debate 2018 - Will the published industrial strategy help rebuild manufacturing?

Presented by Atul Kariya



MHA statistics

We are a UK association of independent accountants and business advisers

- 8 member firms

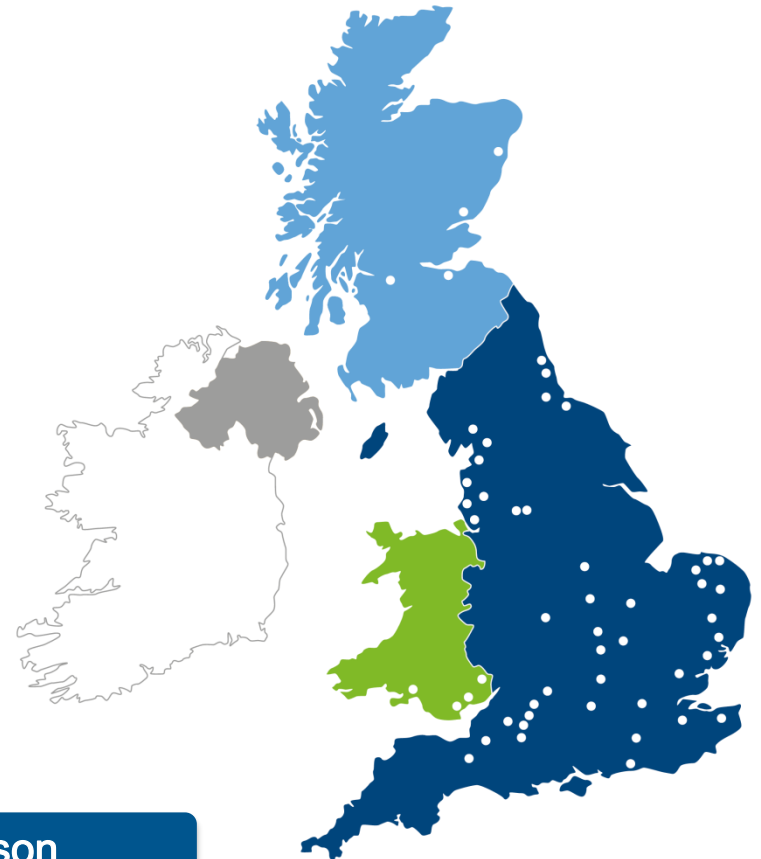
- Over 50 offices nationwide

- c.179 partners and c.2200 staff

- c. £130 million turnover

- UK member of Baker Tilly International

- 9 Board members, 2 from MHA MacIntyre Hudson





Our annual report

Sponsored by Lloyds Bank with support from IMechE

- Now in it's sixth year
- Sector trends
- Over the past 6 years we have surveyed over 2,500 clients & contacts
- National and international clients





Our aim

- What do our clients want?
- What would our clients like to see?
- Government researchers have asked for our opinion



Key trends over the last 5 years

People

- Big skills gap – inability of businesses to recruit skilled labour

Ideas

- R&D tax credits –67% of SME businesses do not claim R&D a 2% increase from first survey in 2013.

Outlook

- Since 2013 - Despite the political, economic and global uncertainties the sector has out-performed all expectations over the last 5 years



5 foundations of productivity

Our five foundations align to our vision for a transformed economy



UK R&D overview



R&D recap

SME

- Every £100 invested by an SME they will get £19 back through corporation tax
- And a further £24 through R&D tax credit system
- 43% funding through the tax system

Large company

- A large company would also get £19 back
- Plus £8 back through tax credits
- 27% funding through the tax system

UK R&D overview



UK stats

- £2.9bn R&D support - up 150% in 5 years
- £1.3bn claimed by SME's
- 50% is in London and the South East
- 26,000 claims – up 150% in 5 years
- 21,000 by SME's
- Manufacturing - Highest R&D claimed - £890m
- Manufacturing - Highest number of claims – 7,200



What our clients and contacts say.....

- 88% are investing in R&D (2015 – 79%)
- BUT 43% did not claim for R&D tax credits

Why.....

- Awareness
- Understanding
- Time and effort

UK R&D overview



UK V. France

Tax rates

- UK: 19% reducing to 17%. Profit from patents, potentially 10%
- France: 28% -33%

R&D tax reliefs

- UK: 2 regimes, depending on stage of R&D and company size
- SME: 25% - 33.35% - Large: 9.72%
- France: Appears more generous;
- 2 regimes, CII (innovation): 20% (only for SME) CIR (research): 30%

People



What our clients and contacts say.....

- Biggest challenge in business
- 75% clients had issues recruiting (2013 – 73%)
- 46% of respondents have skilled vacancies

2016 the solution was.....

- 16% use automation
- 16% flexible working etc

People



2018 current trends.....

- Shift in mind set and focus...
- 82% are looking to technology and AI
- 53% would rather invest in technology than people

People



Apprenticeship levy

Has it worked?

- Fall in numbers
- Lack of take up
- Red Tape V. Benefit

Why?

- It hasn't really engaged employers – just another cost
- funds raised do not cover training costs
- Not sector specific
- Some employers are realigning existing roles to be called apprenticeships – not really the point

Industrial Strategy - opinion



60% of our respondents don't feel the strategy goes far enough to address the sector issues.

We agree!

Food for thought



A few suggestions...

- Instead of apprenticeship levy
- Nil NIC/PAYE and enhanced tax credits for all apprenticeships
- Upfront funding for R&D projects specifically for manufacturing companies
- Sector specific



**Thank you for
listening**

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