



# Manufacturing

## Specialist Manufacturing Accountants

## Newsletter

Spring 2016

### Introduction

Welcome to our Spring 2016 manufacturing newsletter.

Following a year in which the manufacturing sector faced significant regulatory and financial challenges, and despite 2016 looking to continue that trend, many are quite optimistic about the long-term future of UK manufacturing. The ongoing success of the UK automotive sector is an excellent example of how innovation, reinvention and quality can help British companies overcome the challenges that a strong pound, regulatory changes and rising costs pose. In this newsletter we look at the success of the UK automotive sector, the state UK manufacturing sector as a whole and review the recent 2016 Budget from a manufacturing perspective.

### In this issue we look at:

- 2016 Budget manufacturing review
- UK automotive driving the manufacturing sector
- UK manufacturing report 2016 – a promising future?
- Important changes to Employment Allowance
- Is now a good time to outsource your payroll?

We hope you enjoy this edition of our newsletter and, as always, please get in touch if you would like any further information.



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### Hawsons are specialist manufacturing accountants

Hawsons has a dedicated team of specialist manufacturing accountants. Our specialist team offers a wide range of services which are tailored to meet your individual needs. Our understanding of the issues faced by the manufacturing businesses means that we can proactively seek out ways for you to maximise your profitability and minimise your tax liabilities.

Our specialist team acts for a large number of manufacturing organisations across each of our Sheffield, Doncaster and Northampton offices. For more information on our manufacturing expertise, including the services we offer and our experience, please visit:

[www.hawsons.co.uk/manufacturing](http://www.hawsons.co.uk/manufacturing)



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# 2016 Budget manufacturing review

On 16 March, the Chancellor delivered his first Budget of 2016. In this article we summarise the key points and developments arising from the recent Budget and focus specifically on what the changes may mean for the manufacturing sector.

## 2016 Budget manufacturing impact

Chris Hill, Partner at Hawsons, commented: “Whilst many of the challenges facing the UK manufacturing sector are of a global nature and occur in the global economy, there are a number of measures that the government could have introduced to give this struggling sector a much needed confidence boost.”

“There was no real mention of manufacturing in the Chancellor’s Budget, which will come as a surprise given the headlines the UK manufacturing sector has been making this year; most notably with the decline in the steel sector and pressures on employment. Having said that though, manufacturers will be relieved that the Chancellor did not add to employment costs as the sector gears up for the new National Living Wage and apprenticeship levy, and the reduction in corporation tax rates is very welcome news.”

### Apprenticeship levy

The 2016 Budget was coined as ‘a Budget that backs small businesses’ and there were a number of measures that the Chancellor introduced that will bring good news for smaller manufacturers and their owners. For larger manufacturers and multinationals, however, there was little good news to shout about. In particular, there was no additional details given about the new apprenticeship levy and how it will work in practice. There was no mention at all of the new levy in the Chancellor’s Budget. This is an important change to employment tax and a key issue for the manufacturing sector.

### Business rate relief for small businesses

The Chancellor announced a progressive approach to business rates, with the business rate relief for small businesses more than doubling from £6,000 to £15,000. This increase to the annual limit will exempt nearly thousands of small businesses, with 250,000 businesses paying less in business rates.

### Energy

The Chancellor said: “Many have complained bitterly to me about the complexity of the Carbon Reduction Commitment. It’s not a commitment; it’s a tax. So I can tell the House: we’re not going to reform it. Instead I have decided to abolish it altogether. And to make good the lost revenue – the Climate Change Levy will rise from 2019.”

### Freezing of fuel duty

The fuel duty freeze will be extended for another year, taking it to 6 years at the current rate at the end of 2016/17. This is good news for both drivers and business owners and will be welcomed across the country. The freezing of fuel duty will particularly those who use vans or who take delivery of goods where using large amounts of fuels is unavoidable. As an example, the Chancellor announced that this would see a saving of an average of £270 for small business with a van.

### Dividends

Chris added: “As well as the apprenticeship levy, there was another glaring exemption for owners in the Chancellor’s Budget – dividends. There were no announcements on the forthcoming dividends changes, which will see the proposals go ahead as planned. The changes are going to have major implications for business owners and some were hoping for a backtrack from the government that was not forthcoming.”

## More information

**Please get in touch with your local office specialist for more information and to book your free initial meeting.**

You can find more manufacturing analysis at <http://www.hawsons.co.uk/manufacturing-2016-budget-review>

You can find more information on the 2016 Budget at [www.hawsons.co.uk/guide-2016-budget](http://www.hawsons.co.uk/guide-2016-budget)

# UK automotive driving the manufacturing sector



The UK automotive sector is in a period of sustained growth, overcoming challenging export conditions, investing highly in research and development and leading the way to the long term future success of the whole UK manufacturing sector.

Research from The Society of Motor Manufacturers and Traders (SMMT) found that that UK automotive manufacturing sector had its best year for a decade, making more cars than any year since 2005.

- Car manufacturing in the UK hits a 10-year high (growing 3.9% to 1,587,677 vehicles)
- More cars exported than ever before (growing 2.7% to 1,227,881 vehicles)
- Increasing demand for British cars sees domestic production rise (growing 8.1% to 359,796 vehicles)

## UK automotive sector achieves period of year-on-year growth

Chris Hill, Partner at Hawsons, commented: “Following a year when the global automotive sector made the headlines for all the wrong reasons, it is refreshing to see the UK automotive manufacturing sector continue to flourish. The number of cars manufactured in the UK is yet to reach the goal of two million or more vehicles by 2020, but over the past three or four years the sector has achieved a period of noteworthy year-on-year growth.”

“UK car manufacturing has a long heritage of first-class innovation and design and on the back of increased business and consumer confidence the sector is going from strength to strength. We have spoken in detail about the number of UK manufacturers driving growth and productivity through innovation and reinvention.”

“Our last manufacturing newsletter talked about research from the government which highlighted that the UK manufacturing sector now accounts for almost a third of all R&D claims submitted in the UK, equating to over £600m of relief claimed. The UK automotive sector epitomises this strive for innovation; developing new models, new systems, new production facilities and new ways of working. There is undoubtedly a sustained drive towards innovation and the pace of technological change is accelerating...and it’s paying off.”

## How is the UK automotive manufacturing sector breaking new records?

“The automotive sector is not unlike many other of the UK manufacturing sectors in which British companies are perhaps struggling to compete on a global level – there are significant opportunities for growth, but fierce competition, increases in labour costs and a lack of qualified and skilled engineers. I think one of the big differences however is the sector’s upturn and success in exporting. Despite the ongoing export challenges that an increasingly strong pound brings the UK automotive sector last year exported more cars than ever before. Nearly four out of every five cars that are manufactured in the UK are exported; highlighting continuing strong foreign demand.”

## Challenges ahead for the sector

One of the biggest challenges facing the UK automotive sector (and the manufacturing sector as a whole) is the shortage of skills. A recent report indicates that there are around 5,000 vacancies in the automotive sector, with the struggle to recruit and retain highly skilled workers holding back further growth. It is very important that the sector overcomes the shortage of skilled workers to maintain its high productivity levels; productivity levels that have been the driving force behind the success of the sector in recent years.

Chris added: “Although there are many challenges still to be met - such as rising regulatory costs, rising energy costs, the improving strength of the pound, increases in supplier costs as they look to pass on rising wage bills, the skills gap, technology and automation – it looks like the UK automotive sector is poised to continue its positive developments and make more cars than ever before.”

For more information please contact Chris on [cih@hawsons.co.uk](mailto:cih@hawsons.co.uk) or 0114 266 7141 or contact your local office specialist.

# UK manufacturing report 2016 – an uncertain present but a promising future?

With the pound strengthening against the euro, the global collapse in the demand for UK steel, the ongoing skills shortage and the forthcoming rises in wage bills with the introduction of the new National Living Wage, UK manufacturers are once again facing a challenging year ahead...but new research shows there is optimism for the future.

In its latest annual manufacturing report Barclays has found that optimism is at the second highest level records since the report began in 2007. More than 84% of respondents said they were either very or quite optimistic about the UK economy over the next 12-36 months.

## The skills gap is the big challenge for UK manufacturing

The biggest worry on the horizon for UK manufacturing remains in the area of skills; with an ageing workforce and a looming shortage of qualified, highly-skilled employees entering the sector. This is an area that we have covered before and, despite businesses making some promising progress, it still remains an area of concern.

Chris Hill, Partner at Hawsons, commented: "UK manufacturing has moved on from a low skilled, highly physical workforce and there are now a number of vital technical and practical highly skilled positions that need to be filled. Looking at the responses from the Barclays report, it is clear to see that manufacturers are finding it difficult to employ people with skills in engineering, automation and toolmaking. It is also clear - and very worrying - to see that manufacturers are still finding that the vast majority of new recruits are poorly prepared for work. This again reinforces the notion that both the government and the UK manufacturing community need to do more to raise awareness of manufacturing and engineering to help schools and young people develop a better understanding for entering the sector."

"This is of course what is already starting to happen through a number of different manufacturing projects and will continue to happen over the next few years, particularly with the announcement of the new apprenticeship levy in the recent summer Budget. For the long-term success of the UK manufacturing sector it is vital that businesses attract and train the right people to the right level of skill."

## Increasing cash flow and reducing costs remain key priorities

This year's Barclays UK manufacturing report shows a continuation of the attention around finance and monitoring costs within the sector. This continued focus is not really surprising though, particularly with the forthcoming introduction of the new National Living Wage and the ongoing onset of auto enrolment putting growing pressure on margins and the bottom line.

Although manufacturing is one of the sectors that will see the least direct wage increases through the introduction of the new National Living Wage – estimated to be around 5% by 2020 – the impact on prices of raw materials, other input costs and some revenue streams may be significant. The introduction of the new wage rates will have a knock-on effect for many manufacturing businesses as suppliers and customers look to pass on their increased costs by raising prices or reducing demand.

Maintaining a strong and healthy financial position over the next few months is going to be a big challenge for many UK manufacturers.

## Could online accounting be the answer?

Chris added: "Small business technology has come a long way in recent years with technology now shaping our daily lives; the way we shop, the way we book our holidays and the way we do our accounting. The growing emergence of online accounting is a very important development for smaller businesses."

One of the biggest benefits of online accounting is having real-time access to your financial information, wherever in the world you may be, just like with your internet banking. Gone are the days of being months behind on your accounts. This is important as it can allow business owners and accountants to monitor cashflow and signpost any potential financial problems. With UK manufacturers continuing to have a strong focus on finances – particularly in terms of improving cashflow and raising finance - online accounting provides an excellent opportunity to do just that.

For more information please contact Chris on [cih@hawsons.co.uk](mailto:cih@hawsons.co.uk) or 0114 266 7141 or contact your local office specialist.



# Important changes to Employment Allowance

The National Insurance Contributions (NIC) Employment Allowance was introduced from 6 April 2014. It is an annual allowance which is available to many employers and can be offset against their employer's NIC liability.

From April 2016, the government will increase the NIC Employment Allowance from £2,000 to £3,000 a year.

To ensure that the NIC Employment Allowance is focussed on businesses and charities that support employment, from April 2016, companies where the director is the sole employee will no longer be able to claim the Employment Allowance.

As well as the changes to Employment Allowance on 6 April 2016, the new National Living Wage – the new minimum wage for those aged 25 and over – also comes into force). The new rates will have a big impact on wage bills for many businesses.

Announcing the changes to Employment Allowance in the recent 2015 Autumn Statement, Osborne said he recognised that the 50% increase in the Employment Allowance was intended to help address this issue of increasing wage bills.



## Good news for small businesses

HM Treasury calculations estimate that up to 90,000 employers will see their employer NICs liability reduced to zero following the changes on 6 April 2016. The changes will help support those businesses in absorbing their additional wage costs. The increase will mean that businesses – including those in the manufacturing sector - will be able to employ four workers full time on the new National Living Wage without paying any NIC.

**For more information please contact your local specialist.**

# Is now a good time to outsource your payroll?

As the tax year draws to a close we ask: what actions could you take to make your life easier from 6 April, taking some of the stress out of running your business and giving you more free time on evenings and weekend? Outsourcing your payroll will not only likely save you time and money, but it's actually probably easier than you think too.

**Once you have decided to switch, let us know and we will take care of the rest. It's as simple as that.**

## An accurate and efficient payroll service

Many small business owners are finding running their payroll an increasingly complex and time-consuming task, particularly as the compliance obligation on employers has never been greater! Whatever size of business you run, now is a good time to consider outsourcing your payroll.

At Hawsons we provide a friendly and personal service that is accurate and will save your company time and money. We have a dedicated team of experienced staff who will liaise with your company to ensure the payroll is completed by the deadline and is compliant with the ever increasing rules and regulations, particularly with the onset of auto enrolment. You can also rest assured that we will take care of your auto enrolment obligations and ensure your staff are paid accurately and on time.

Our team act for a large number of clients, ranging from small businesses with only 1 or 2 employees up to large business with more than 200 employees. Our aim is to replicate the benefits of an in-house payroll services, so you can be sure that:

- We are not a bureau or call centre
- You will have the rigid benefits of an in-house payroll function i.e. flexible and responsive
- You can tailor our service to meet your specific needs and base our pricing structure accordingly, with no hidden costs!
- You will be provided with an integrated and fully comprehensive service
- You will have a dedicated personal contact that is readily available if issues arise

**Please get in touch with your local office specialist for more information and to book your free initial, no-obligation consultation.**



## Spring 2016

Registered to carry on audit work in the UK and Ireland and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

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Find out more about how Hawsons can help your business.

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