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# Manufacturing Insight

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## Chris Hill Senior Partner



### Introduction

Welcome to our latest manufacturing newsletter. Since our last edition in June, Covid-19 restrictions have begun to be lifted as life returns to some sort of normality.

In this edition of our manufacturing newsletter we discuss how the costs of running a factory have increased at a record rate as costs of equipment and materials increase. Furthermore we look into why the government have delayed implementing new UK manufacturing safety rules until 2023.

As always we hope you enjoy the contents of this newsletter and please do not hesitate to contact us if you have any questions about any of the articles in this newsletter.



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## Government delay implementing new manufacturing UK safety standards

The government has decided to give manufacturers an additional year to comply with the new UKCA mark. The UKCA mark is a safety regulation that will be used to certify that a wide range of manufacturing products meet UK safety standards. Manufacturers were due to comply with this new requirement from 1 January 2022. However, the government decided to extend this deadline by a year to 1 January 2023. Therefore, UK manufacturers will continue to follow the rules of the EU's CE mark for an additional year.

### Why has the government decided to extend?

The government has said that they have decided to extend this deadline due to the fact that firms are currently struggling with the disruption caused by

Brexit and the global pandemic. Therefore, they would like to give manufacturers more time to adapt to these new rules.

Business leaders said that implementing the rules in 2022 would have a significant effect on the economy at such a delicate time. In addition, these changes would have forced some companies to follow both rules if their business exported manufactured products into EU countries. However, the government believes that this will allow the UK to control and maintain its own high-level safety standards.

This rule is the latest of post-Brexit rules to be delayed by the government following fears of how the new rules will affect the overall economy during a global pandemic. It is likely that we will see the implementation of other new rules delayed as the UK's primary focus is to build the economy back to pre-pandemic levels.

### Up next:

New £20M funding launched for UK manufacturers

NIC reliefs set for freeports

Apprenticeship cash boost







## New £20M funding launched for UK manufacturers

A new £20M funding programme is set to launch across the UK for manufacturers. The aim of the programme is to help manufacturers overcome supply chain issues caused by the global pandemic. The programme will aim to do this by assisting manufacturers with the integration of advanced digital technologies. The funding has come from UK Research and Innovation and the Made Smarter Innovation programme who will be contributing a combined £10M between them. In addition, £10M has been invested by the private sector.

### How will manufacturers benefit?

The partners of this programme will work with technology companies, researchers, and academics across the UK to develop an ecosystem for UK manufacturers that is resilient, competitive, and sustainable. This will enable UK manufacturers to solve multiple challenges that they face in today's supply chain.

### What projects will the funding be used for?

The Made Smarter Digital Supply Chain Innovation Hub will work together with UK based manufacturers and universities on multiple projects that aim to increase current expertise and increase

commercial integration of industrial digital technologies. This includes:

**The Last Mile Living Lab:** This is used to develop and investigate the challenges and often expensive last mile of delivery and how to improve the efficiency and cost of this.

**Digital Enabled Manufacturing Sourcing:** The aim of this project is to increase capacity utilisation and production flexibility.

**Differentiator:** A project that aims to deliver new supply chain models for medicine, on-demand.

**The Connect Tempest:** This project aims to invent a digital test bed to increase innovation across a number of tiers of supply chain networks that is also collaborative and secure.

The announcement of this new funding is exciting for manufacturers across the UK, especially after such a difficult year due to the pandemic. This new funding will enable manufacturers to implement new technology and innovation to become more efficient and help them recover from the global pandemic.



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## NIC reliefs set for Freeports

Freeport operators will be able to take advantage of a zero rate of secondary national insurance contributions (NICs) for employees, the government has announced.

The National Insurance Contributions Bill 2021, which legislates reliefs for those operating in Freeports, has now been published.

The Bill confirms that from April 2022, organisations with employees spending 60% or more of their time in a Freeport site will be eligible for relief on secondary Class 1 NICs for 36 months. The relief will be available to new employees earning up to £25,000 per annum.

In 2020 the government consulted on proposals to create up to ten Freeports across the UK. A UK Freeport will be a geographical area with a diameter up to 45km which is closely linked to a seaport, airport or rail port. East Midlands Airport, Felixstowe and Harwich, Humber, Liverpool City Region, Plymouth and South Devon, Solent, Teesside and Thames have been successful in the Freeports bidding process for England.

The government is now proposing a range of measures covering customs, tax reliefs, planning, regeneration funding and innovation to create Freeports as national hubs for global trade and investment across the UK.



## Apprenticeship cash boost

The government has confirmed that employers of all sizes in England can now apply for £3,000 in extra funding to help them take on new apprentices.

The boost to the apprenticeship incentive scheme was confirmed by Chancellor Rishi Sunak in the Budget in March.

The claims portal opened on 1 June and businesses can apply for £3,000 for each new apprentice hired as a new employee from 1 April until 30 September.

The cash incentive is designed to help more employers invest in the skilled workforce they need for the future as part of the government's Plan for Jobs.

The government says the scheme builds on action already underway to protect, support and create more jobs while bringing the UK's skills and education system closer to the employer market.

The Chancellor commented:

'Young people have been hit especially hard by the crisis – which is why our Plan for Jobs, launched last year, is focused on helping them get the skills they need to get the jobs they want.

'By boosting the cash incentives for our apprenticeship scheme we're improving opportunities for young people to stay in and find work – this could not be more important in our economy's recovery.'

Find out more and apply at [www.gov.uk/guidance/incentive-payments-for-hiring-a-new-apprentice](https://www.gov.uk/guidance/incentive-payments-for-hiring-a-new-apprentice).



## Rising factory costs could lead to increasing prices of British made goods

In June 2021 the cost of running a factory increased at a record rate. This news caused concerns that prices of British-made goods will rise during the second half of 2021. According to the IHS Markit monthly survey of the manufacturing industry, manufacturers paid higher prices for essential manufacturing components and raw materials in June than in April and May which were record increases in themselves.

MAKE UK (an industry lobby group for businesses in manufacturing and engineering) said its members were holding back from increasing prices earlier this year, as they wanted to see if the cost of materials would start to level off. However, because the prices of materials have continued to increase, manufacturers are now starting to increase prices for consumers. This trend is most likely to continue until the end of the year.

Economist James Brougham, who works for MAKE UK, has said that a number of different factors are causing prices for key components and materials to increase. Firstly, there is an increasing global demand for these components and materials as lockdown measures continue to ease. Secondly, the current supply issues are made worse in the UK because Brexit is still causing delays at UK ports.

The Bank of England governor has recently said that inflationary pressures would continue for several months. He predicts that we are likely to see a recovery to our previous trend of low growth and low inflation later in 2021.

### What next?

We would welcome the opportunity to work with you and your business and are more than happy to come out and speak to you to identify where we might be able to help. If you would like further details on any of the above, please get in touch.

# Get in touch



## Our specialist manufacturing accountants

Hawsons has a dedicated team of specialist manufacturing and engineering accountants in Sheffield, Doncaster and Northampton.

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 and engineering businesses means that we can proactively seek out ways for you to maximise your profitability and minimise your tax liabilities.



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