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# Manifesto for Manufacturing

Audit / Tax / Advisory / Risk

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The Confederation of British Metalforming (CBM)  
The Technology Supply Chain  
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**Acknowledgements for specific contributions by:**

Stephen Morley, President of the CBM  
Rachel Eade MBE, Chair at UK Metals Council  
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Gareth Jones, MD of In-Comm Training Group  
Andrea Wilson, Director of Hone-All Precision Ltd.

# Introduction

*“We need a hero within the corridors of power.”*

“Government policy is most often informed by OEM’s, large businesses, or career civil servants. As a result, we see decisions made, policies implemented, and support offered – the majority of which are not fit for purpose for the SME community. Listening to SME business prior to deciding what will help them, alongside the application of common sense and simplicity, with the addition of accountability, will save this (and future governments) billions in wasted, over-administered and underutilised support.”

**Andrea Wilson – Director, Hone-All Precision Ltd.**

The UK manufacturing sector has been a major contributor to the success and wealth generation of the UK economy, global development and influence, for centuries.

As an island nation, the country’s forefathers, realised that with limited natural resources, to be a successful trading nation, and to provide sustainable income for the exchequer, the UK needed to add value by virtue of innovation, creativity, entrepreneurship and skilful hard work.

The vision and inspiration of the pre-Victorian enlightenment, driven by the likes of the Lunar Society, provided the building blocks for what became the ‘Industrial Revolution’ and created a string of manufacturing, agricultural and engineering successes of which examples continue and remain, throughout the globe.

Stephen Morley summarises: “Manufacturing is a cornerstone of our GDP, and it has been proven time and time again that, when manufacturing is strong, the UK economy is in a good place”.

British engineering and ingenuity and innovation has also played a key role in keeping the UK and the people of the world, safe, free, fed and watered and it continues to do so.





## Relevance and importance today

Much has been said and written about the demise of UK manufacturing; however, the traditions established centuries ago have refused stoically to die, despite relative neglect by successive governments: (87% say that government support for the sector is inadequate (source Crowe UK/CBM Manufacturing Outlook Survey'24 (MOS24).

Today, the UK's manufacturing and engineering sector continues to innovate, create wealth and provide employment at higher than the national median average pay rates for individuals of all kinds of social, economic, gender and cultural backgrounds, while retaining the kudos of Made in Britain.

Moreover, UK manufacturing remains to be the eighth largest, globally, by output value. *Click to view source* →

Manufacturing has always been a medium for 'levelling up', well before politicians, conceived or adopted the concept, with its relative ease of access and constant demand for new and innovative products.

The individuals involved in the sector, its supply chain and the companies they work for contribute by earning, learning, thriving, adding value, and paying taxes. This collective effort enables the economy to support public services.

Economists, and media commentators who have traditionally been the advisors to successive governments, often refer to the manufacturing sector as representing just 10-12% of the nations Gross Domestic Product (GDP) and thus is of limited importance.

In fact, the real influence of UK manufacturing is much more.

In their 2024 report 'The True Impact of UK Manufacturing', Lloyds Bank, (working with Oxford Economics and the Manufacturing Technologies Association), identify that the sector is worth £518 billion to the UK economy (23.1% of GDP).

Without manufacturing, the country would not have goods to trade and the foundations of the UK's financial services and legal sectors, so often vaunted as the main driver of the economy by economists and news media, would suffer in both volume and global relevance.

For a sector that is so important to the nation's finances and the prosperity, health, social and religious freedom and ultimately the security of its people, the absence of a dedicated government minister around the cabinet table, representing the interests of manufacturers and engineers across the whole supply chain, continues to baffle; especially against a background of global unrest, conflict and with the urgent need to decarbonise the planet.

Andrea Wilson says "We need a hero within the corridors of power. Government policy is most often informed by OEM's, large businesses, or career civil servants. As a result, we see decisions made, policies implemented, and support offered – the majority of which are not fit for purpose for the SME community. Listening to SME business prior to deciding what will help them, alongside the application of common sense and simplicity, with the addition of accountability, will save this (and future governments) billions in wasted, over-administered and underutilised support".

Rachel Eade adds "SMEs are critical in the UK's manufacturing supply chain; they represent the largest group of the economy – with no dedicated Minister for the sector. SME manufacturers are the designers, innovators and just in time deliverers of UK Manufacturing. Give them a voice".

This manifesto therefore compiles the views and needs of real businesses in the sector and makes firm recommendations to fill the 'red box' of such an individual, (whoever they may be and whatever their political persuasion, even if they sit on the cross benches as non-party political) to drive forward the UK's manufacturing and engineering sector for the future benefit of the country.

Stephen Morley continues "The actions highlighted in this document are crucial in ensuring no further harm comes to manufacturers who contribute so much to GDP and our trade balance. We need to create the right environment that encourages our manufacturers to deliver growth and wellbeing to the British people and our economy; compelling reasons why we need a dedicated Minister for Manufacturing".

This manifesto draws on the views of the sector as to what their issues are, what isn't working and what needs to be changed to get things working.





A knowledgeable, dedicated voice around the cabinet table at 'number 10' will be equipped here with solutions to effectively drive the engine room of the economy for the future.

Crowe and its contributors believe that adoption of this manifesto and a commitment to providing that individual advocate by any political party, will garner support from the sector leaders, business owners and the thousands that work for them, both at the ballot box and thereafter, to help make things happen.

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**Rachel Eade MBE – Chair, UK Metals Council**

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**Stephen Morley – President, The Confederation of British Metalforming**



## Source information

Crowe UK has had a dedicated manufacturing business unit for over 20 years and from its position as chartered accountants and advisors to the sector, it is well placed to track the challenges that members of the sector face.

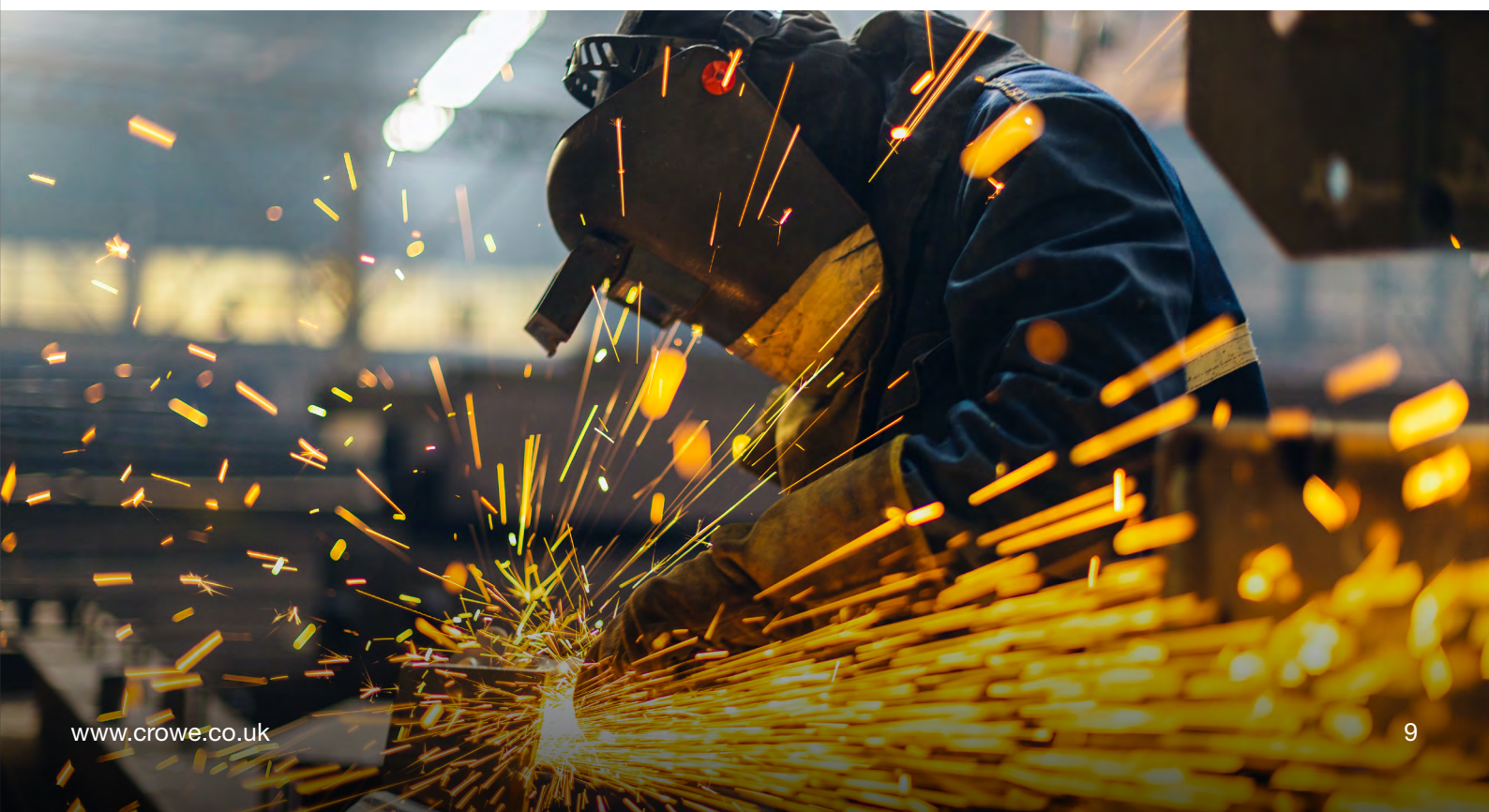
The firm's manufacturing business network has brought together manufacturers over the years to share best practice, insight, to collaborate; and it has been the firm's role to facilitate and curate this over that time. The firm has drawn takeaways from those sessions to help support and produce this manifesto.

*Click to view our Manifesto video →*

In conjunction with the Confederation of British Metalforming (CBM), Crowe have conducted a national manufacturing survey for the past six years. This document draws on those findings, together with the outputs from two specific manufacturing round tables conducted with manufacturers and connectors in the sector in the spring of 2024.

In addition, the manifesto benefitted from the insights of businesses of various sizes in the manufacturing sector at various events across the UK.

Individual contributors also have extensive experience and networks within the manufacturing sector at all levels. Their insight is invaluable.



# Findings and recommendations

The key areas for attention in the sector as strategic challenges are identified as the following 'pillars':

- A)** Skills and education
- B)** Investment, digitisation and innovation
- C)** Energy, decarbonisation, and the route to net zero
- D)** Supply chain strategy and security
- E)** Access to finance and funding

Each pillar is addressed in detail, with key contributory input from members of the industry as appropriate, including a summary of key strategic strategies and actions.



## **A) Skills and education | Page 12 →**

- Change the messaging concerning the sector. It's not dying, dirty, dangerous, a 'dead end' or badly paid.
- Strategic review, refocus of education engagement and provision with manufacturing.
- Overhaul and simplification of the apprenticeship system and its funding processes, including introduction of a tax credit based system.
- UK graduate and post graduate training incentives.
- Supported graduate level study fees for science, technology, engineering, and mathematics (STEM) subjects.
- Original Equipment Manufacturing (OEM) support schemes to be connected by a requirement for them to invest in training and education.



## **B) Investment, digitisation and innovation | Page 20 →**

- Reintroduction of enhanced Research and Development (R&D) relief at 130% uplift for Small to Medium Sized Enterprises (SMEs) with regulation for advisors preparing claims.
- Training and education measures to build UK cyber resilience and secure supply technology supply chains.
- Better communication of support and funding streams (see pillar **E**).
- Funded support for manufacturing industry cyber security accreditation.
- Made Smarter campaign needs accountability.



## **C) Energy, decarbonisation, and the route to net zero | Page 26 →**

- Strategic financial support for manufacturing businesses to decarbonise as part of a single national strategy and scheme for assistance.
- Equalisation of UK commercial energy rates to an equivalent with competitors.
- A UK based future energy generation and supply chain strategy to include all green energy sources; including but not exclusively, renewables based on UK sourcing/procurement.
- A reshoring initiative to provide funding and support for reshoring to the UK of products and components currently produced abroad.
- Support for the export of ethically and green produced products.
- Extension and implementation of Carbon Border Adjustment Mechanism (CBAM) to protect 'home grown' production.
- Sponsorship at government level of software solutions for CBAM and other supply chain requirements, recording and returns.
- National standardisation of criteria required to help understand net zero and carbon neutral expectations and requirements.



## **D) Supply chain strategy and security | Page 33 →**

- Root and branch risk assessment covering supply chains and national infrastructure plans of UK steel production, manufacturing, engineering, and technology dependent production processes. Gap analysis and actions to close such gaps.
- Limitation of 'safeguarding' to products where there is adequate and ongoing UK capacity.
- Public sector procurement process that favours UK suppliers as a point of preference.
- A campaign to promote and support re-shoring.
- Utilisation and support of the SME supply chain.



## **E) Access to finance and funding | Page 37 →**

- A national capital grants scheme for digitisation of manufacturing processes and decarbonisation.
- Adoption of a 'funding flowchart' as a government sponsored resource.
- SME access to finance investment readiness matched funding, to support qualified accountants' fees in preparing funding applications.
- SME finance to use accountants to generate business plans, strategies, cashflow forecasts.



## A) Skills and education

*“There is a disparity between national and regional skills agenda’s, educational pathways need realigning to enable people to develop with ease into their chosen career.”*

**Gareth Jones – MD, In-Comm Training Group**

In 2022–23, total public spending on education in the UK stood at £116 billion (including the cost of issuing student loans and in 2023–24 prices). In real terms, this represents an 8% or £10 billion fall since 2010–11 (IFS.org.uk).

The manufacturing sector comprises OEMs such as Jaguar Land Rover (JLR), Nissan, JCB, Kipling, David Neiper etc. who, design, engineer, assemble and sell the end product, supported by several tiers of their supply chain that provide components and services supporting that production. This supply chain, typically made up of SMEs, is essential to OEM success.

Stephen Morley: “The government has listened to those able to shout the loudest, those that wield the most political influence. It has failed to reach out and speak to the right people, those working relentlessly on the ground for the good of ‘UK PLC’ especially SMEs”.

Rachel Eade: “SMEs are critical to all stages of UK manufacturing and enable the responsiveness of just in time manufacturing”.

Successive governments have strived to support OEMs in maintaining UK production facilities which is to be commended. However, in an economic environment where the absence of indigenous raw materials and with the added challenges presented by Brexit, the real attraction for OEMs to keep making in the UK, is the ready availability of a continuing skilled workforce working throughout its supply chain.

Gareth Jones recently conducted the ‘In-Comm 2024 training barometer’ (ITB24) and comments: “There has been plenty of debate about a disjointed national training picture that isn’t aligned for industrial needs, and this is clear from the findings of ITB24”.









He continues: “The vast majority (72%) [of ITB24] believe that there isn’t enough national Government support for training, with 44% wanting better funding for apprenticeships and 39% to boost upskilling”.

The last 12 months have been dominated by global pressures outside of industry’s control, with a cocktail of difficulties, ranging from supply chain disruption and conflicts in Europe and the Middle East, to far reaching political uncertainty and high inflation.

“With all these pressures in mind, we are pleasantly surprised that so many businesses have prioritised meeting their skills gaps over cutting budgets in the face of soaring prices”.

He continued: “In our opinion, this shows an overwhelming desire by our sector to support the development of apprentices and to address the burning issue of skills, making sure that a lack of talent - both now and in the future - is not a barrier to UK manufacturing making the most out of its recent resurgence”.



Unfortunately, there is a clear indication that the existing UK education and apprenticeship system is not supporting the continuum of that workforce. The sector faces a real succession challenge as key skills are held by an ageing workforce and the quality and quantity of the next generation entering the sector just isn't enough, as things stand. The manufacturing industry is left to largely fend for itself in an increasingly challenging economic environment.

Successive Manufacturing Outlook Survey (MOS) results have repeatedly voted the current apprenticeship system as not fit for purpose and MOS24 identified that 27% of respondents saw lack of skills as a barrier to growth, an increase on the MOS23 figure of 5%. It's getting worse.

Business engagement with the primary and secondary education sector, is clearly not good enough. Integration with national curriculum requirements and lack of knowledge of what manufacturing is really like, results in all too many clever young people, avoiding (and being encouraged to do so by their teachers and parents) a career in the sector, with the misguided belief that it is dying, dirty, low paid and unsafe; a matter which was discussed in depth which was discussed in depth at our last roundtable event at Warwick Manufacturing Group. The truth is that the vast majority of manufacturing environments are, if fact, light, clean; and of course, safe.

They are cradles of exciting, world changing innovation and technological advancement, and this should be clearly promoted as a way of driving active recruitment to the workforce.

Rachel Eade adds: "The reduction of design and technology in schools does not support careers in engineering."

There is a real need to change this narrative and for the national curriculum to adequately fund careers advisors in schools and clearly, a 'champion' for the sector at the centre of government would be an excellent focal point for this.

The initiative that was Urban Technical Colleges, which takes in people at age 14 to study and work in engineering, has achieved patchy results, with many educational establishments being reluctant to support them as it damages their own funding and potential for exam/OFSTED success. Unfortunately, 'you get what you measure' and in a results driven environment, the current position is that schools are tempted to do the best for the school, rather than the students or the wider economy.

The 16 plus apprenticeship position, is little better.

Worryingly, there is both anecdotal and statistical evidence of apprentices not completing their courses; even where individuals are attracted to the sector, all too many don't stay the course.

According to Mike Dimmack, Business Improvement Lead at Make UK, "there is also a real concern over the ability of the current system to create future managers, leaders or entrepreneurs".

Twenty or so years ago, key investment in post war best practices in management and productivity, taught and developed in the likes of Rover Group, BMW, Ford and Vauxhall, spawned a raft of engineers who joined together or created their own part of the supply chain; drawing on the knowledge that they have gained as part of the automotive OEM management training programmes, which are now much less prevalent.

These individuals are now approaching retirement age and there is a clear skills gap which is widening.

Gareth Jones identifies that "there are apparent disparities between national and local policies and that the existing apprenticeship system is often too rigid to suit all business needs and also the needs of and attraction to apprentices themselves".

Jones favours a more modular approach that includes options for technical, administrative and leadership skill sets, as is necessary for specific required roles; enabling a more bespoke apprenticeship and also a provision that can, he continues, "educate and inspire NEETS to go into manufacturing and build a career rather than be consigned to a lifetime in the benefits system".

Frequently, funding for operational expenses lacks the necessary support to invest in capital equipment, which is essential for providing training on the appropriate machinery. The courses often exist in locations based on the availability of capital investment support from local or regional governments rather than the geographical ideal, borne of actual manufacturing demand. This can, and has resulted in training facilities failing due to lack of take up. The demand for courses is there but just not in the right location, whether for access, transport links, or proximity to appropriate employers.

It is very evident that the bureaucracy attached to the apprenticeship system is off putting for manufacturers and apprentices themselves. A whole industry has grown around the administration surrounding the apprenticeship system with too much of the apprenticeship levy, collected from larger employers, being appointed to the administration of the system, rather than educating the next generation of the UK manufacturing workforce.

Rachel Eade adds: “Upskilling of existing employees is not eligible under apprenticeship funding but as technology penetrates further this upskilling is critical and should be eligible”.

An enhanced tax credit system, refundable/set off against a company’s liability to employers’ national insurance and the apprenticeship levy, will provide immediate cashflow benefit, as well as help to limit administration burden and provide better business incentives for upskilling. Coupled with a more flexible learning structure, with a modular approach that is not predicated on age or extended time periods, this will provide increased knowledge base, improve completion rates and opportunity for more people of varying abilities to participate.



In addition, roundtable events revealed a shortage of quality tutors to teach apprentices as the salary structures in the education sector cannot compete with the demand for such individuals, compared to the income that can be commanded by working on the shop floor.



A slimmed down apprenticeship process with more emphasis 'on the job' training and tutoring will enable more senior engineers to both 'teach and do' with classroom work being much more targeted to specific needs.

It is not considered that this needs significant additional financial commitment from the exchequer, as the existing funding base, being the apprenticeship levy, need not change; just a better deployment of the cash raised, to its real purpose, rather than bureaucracy.

In respect of graduate intake in engineering and technology-based roles, it is known that there is a severe shortage, borne, in part, of the costs associated with gaining a degree.

Rachel Eade adds: "There is evidence that many mature and skilled older candidates, are undertaking a degree as their employer's retention activities. This should not be the focus for apprenticeships."

This has influenced some students to adopt the apprenticeship option as a solution but at a time when the armed forces lack graduate engineers, as well as the commercial world there is a strong case for supporting study fees for STEM based relevant degrees or even a financial incentive for companies and organisations to sponsor degrees; again, a monetary credit, perhaps against the apprenticeship 'account' that a company has, would be a solution for this.

At present, companies in need of graduate level expertise commonly need to incur the administration and related cost of securing a UK working visa for graduates from outside the UK and of course, this may cause security issues in certain protected manufacturing sectors. This also puts the continued expertise of UK universities at some level of risk. Critically it limits the quality of academics feeding into universities and colleges, making the teaching shortage even worse.

One of the 'unsung heroes' of university and manufacturing business collaboration is the Knowledge Transfer Partnership scheme (KTP). This initiative drives innovation joining academia with business in a positive way. However, it, like some many other initiatives, is not adequately marketed. Busy manufacturers don't have the time to research and understand what's available to them. A suggestion in pillar (e), below will assist with this and other under-exploited schemes.

Crowe recommends fostering OEMs sponsored graduate and post graduate training programmes as conditions of future government investment in factory plants and facilities.

*“The vast majority (72%) believe that there isn’t enough national Government support for training, with 44% wanting better funding for apprenticeships and 39% to boost upskilling.”*

**Gareth Jones – MD, In-Comm Training Group**

*“The reduction of design and technology in schools does not support careers in engineering.”*

**Rachel Eade MBE – Chair, UK Metals Council**

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**Mike Dimmack – Business Improvement Lead, Make UK**

## B) Investment, digitisation and innovation

*“The recent change to R&D tax credits has had an impact on innovation. A number of our manufacturing members have stopped claiming this relief due to the issues raised by the Chancellor and horror stories from boutique consultancies who have over-claimed on their behalf leaving them to deal with HMRC investigations and pay the money back. This leaves less money in the pot to invest.”*

**Dr Richard Fallon Bsc. Msc. – MD, Technology Supply Chain**

Productivity statistics have gone backwards in the UK manufacturing sector over the last few years and the reasons for this are interpreted by the sector as having been caused by: inter alia, the four reasons outlined below.

# 1

Capital grant schemes predicated on job creation and/or safeguard.

# 2

A reluctance to make necessary investment based on risk payoff, being insufficient compared with the need to deliver results for shareholders and or funders.

# 3

Lack of understanding of the existing support available to help.

# 4

Lack of an industrial strategy that sets out targets and support.





The result is that much of the sector is continuing to ‘make do and mend’ with increasingly antiquated, analogue and carbon rich, production processes.

Incentives from governments elsewhere in Europe and beyond, are anecdotally shown to be more attractive, which has in turn fostered investment in international businesses away from the UK; this in turn affects jobs, tax revenues and strategic UK supply chain capability adversely, as referred to in pillar **E**).

Crowe conducted a study of the ‘robot count’ in the UK compared to Europe and the rest of the world, just prior to the pandemic. . The identification of the need to reinvest in digitised, additive and robotic capability is only just restored to 2019 levels in the spring MOS24 (71%). In the intervening period, understandably, as businesses have had other pressing issues to deal with, investment in digital processes and skills, has remained as a low priority.

It is essential that for the UK sector to compete on a global stage, decarbonise, re-shore and provide a strategic manufacturing base, that re-investment in Industry 4.0 technology is ramped up.

Global events will naturally provide barriers to investment, as businesses won’t take risks, (public limited companies have share prices to protect and SMEs their very livelihoods). Although the adoption of full expensing by the government in 2023, was a step in the right direction, the related cash inflow from the attendant tax relief is neither immediate, nor adequately sufficient, to pump prime necessary investment.

More support is needed. Crowe’s recommendations to achieve this are covered in pillar **E**).

Many manufacturers are already discovering the capabilities of artificial intelligence (AI) in the design and production management of their systems.

Manipulation of data collected from sensors on the latest machinery coupled with the capabilities of AI will provide powerful insight into productivity, efficiency and accuracy.

However, this development will require appropriate skills to unlock the potential of AI and the skills shortages, referred to in pillar **A**).



Gareth Jones comments: “The impact of AI on skills doesn’t appear to be having a big impact on the companies surveyed in ITB24. Just 6% of firms admit to embracing Artificial Intelligence to boost their skills. Whilst supply chains and back-office processes seem to be the main early adopters, there is still some way to go to educate businesses on how it can be used to develop workforces and support upskilling”.

Gareth concluded: “I believe it will follow the same trajectory as Industry 4.0 and digitisation. Once slow to be adopted, data is the new gold and enabling companies to make informed real-time decisions and actions”.

In addition, roundtable events revealed a shortage of quality tutors to teach apprentices as the salary structures in the education sector cannot compete with the demand for such individuals, compared to the income that can be commanded by working on the shop floor.



Crowe suggest that appropriate strategic focus on data security is applied to key aspects of the UK supply chain and that this too, interlocks with the plan for pillar **A**).

In addition, to protect the security and efficacy of supply chains, grant support for cyber security accreditation should be part of the strategic supply chain protection package.

It is regrettable to note that a clear minority of SME manufacturers and technology businesses, who made incorrect R&D claims, have dictated the HMRC ‘belief’ that all SMEs are largely ineligible.

Ironically, the messaging that actively encouraged claims, just a short time ago, is now reversed to a level where businesses are now disincentivised to make claims, as:

- The monetary value of claims is reduced
- The level of specific detail and therefore financial commitment is increased.

Ultimately, companies can no longer cover the costs of enquiries into their claims as part of a professional fees insurance policy; underwriters now specifically exclude them. In a sale situation, historical claims are commonly the subject of warrant and indemnity provisions.

As a result, on top of a disinclination to claim, there is now a disinclination to innovate at all. It is inappropriate to assume that the only businesses that innovate are pre revenue, research organisations. SME manufacturers constantly innovate to drive productivity and decarbonisation to meet the demands of customers operating in global supply chains.

In rightly going after businesses who have sought to manipulate the system, the law of unintended consequences, has contrived to limit innovation.

Richard Fallon: “The recent change to R&D tax credits has had an impact on innovation. A number of our manufacturing members have stopped claiming this relief due to the issues raised by the Chancellor and horror stories from boutique consultancies who have over-claimed on their behalf leaving them to deal with HMRC investigations and pay the money back. This leaves less money in the pot to invest.”

The firm recommends the reintroduction for R&D relief at a 130% enhancement level for all SMEs with the caveat that the newly adopted reporting structure is maintained and that the costs of submission for relevant approved claims should be available for addition to the claim. Anti avoidance can be maintained by requiring that claims are prepared and submitted by members of ICAEW, ACCA or CIOT, all of whom are regulated for quality and ethics by their respective professional bodies.



## C) Energy, decarbonisation and the route to Net Zero

*“Our 2024 Manufacturing Outlook Report showed an encouraging 70% of businesses having taken steps to decarbonise in the last 12 months which showed a significant uptick on the same results for just last year. However, it remains to be seen whether the extent of decarbonisation is truly an effective ‘sea change’ or rather an exercise in ‘greenwashing’.”*

**Johnathan Dudley FCA. AMSF. – Head of Manufacturing Business, Crowe UK**

It is certain that some measures have been considered more from the point of view of saving power costs rather than a desire to decarbonise. The energy crisis adversely affected the manufacturing sector significantly.

Government encouragement for businesses to fix their pricing subsequently backfired when global prices fell back and thus many companies found themselves caught in expensive contracts.

While the effect of this is now unwinding, it remains baffling that overall energy costs in the UK are substantially greater than competitors in Europe, where it is noted most UK power suppliers now have their ownership.

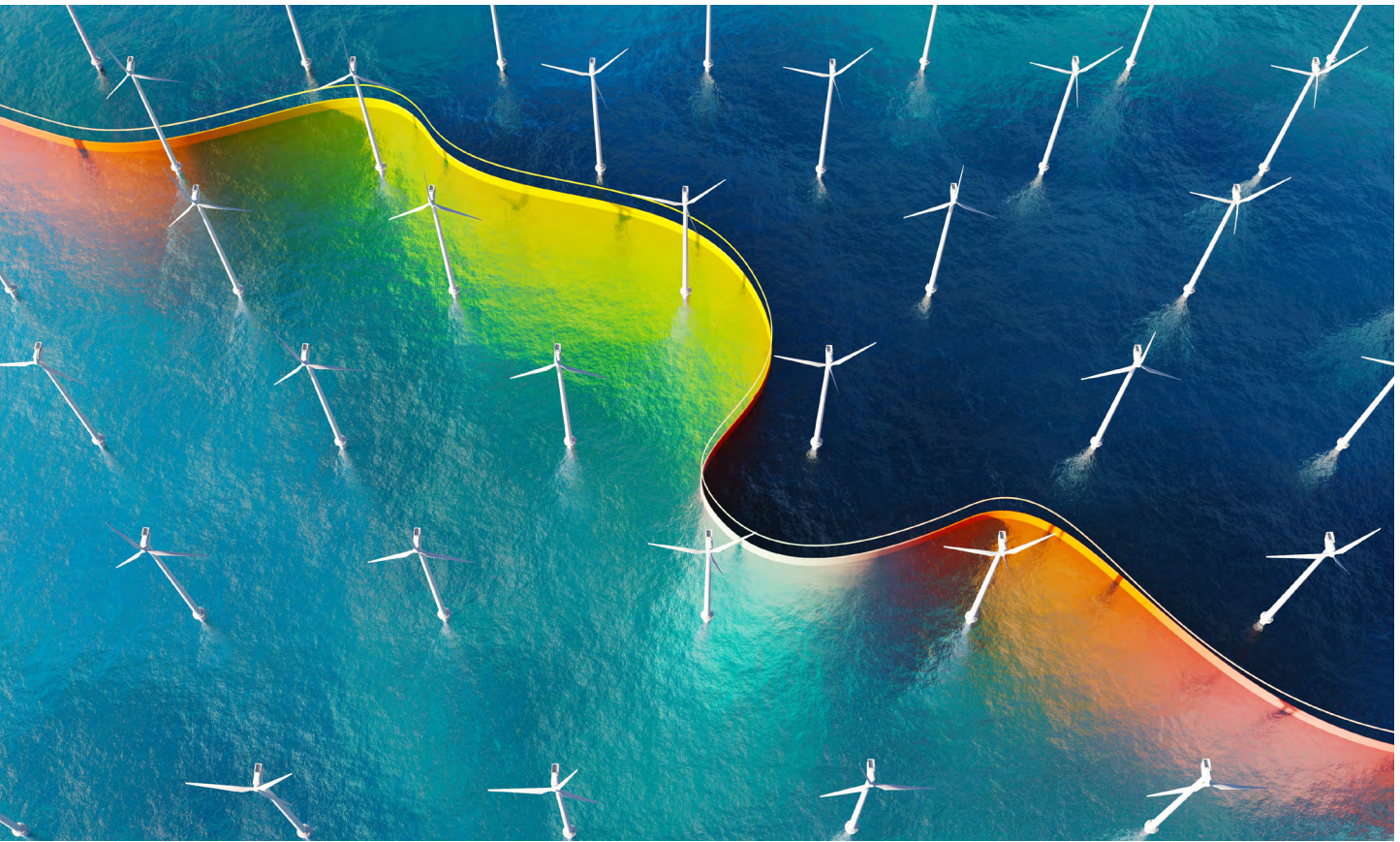
In addition, the drive to Net Zero is focused on driving away from hydrocarbons in manufacturing processes, which is logical; however, conversion to electric power is increasing overall costs as electricity is much more expensive than gas.

Manufacturing businesses in the sector have considered investing in solar arrays on their factor roofs. However, this is not always possible due to the structure of buildings and specifically, they may not have a south facing aspect.









Other challenges that businesses face is the sheer cost of scaffolding and compliance with Health and Safety ‘working at height’ provisions to enable the arrays to be installed. The associated costs can often dwarf the cost of the solar arrays themselves, rendering it uneconomical, especially where premises are on relatively short leases.

In addition, provision of power to what are expensive and sensitive machines from renewables, whether solar or via a wind turbine creates electrical ‘spikes and troughs’ which can impinge performance, stop, or even damage machinery. It is possible to regulate this by the use of software to manage the power supply in conjunction with power from the national grid and batter backups. All of this requires additional cost however and not all manufacturing businesses, particularly SMEs in the all-important supply chain, don’t have the money.

The reality is that the electrification of manufacturing processes traditionally powered by fossil fuels will cost more money and this cannot always be passed on to customers.

Of course, the route to net zero is much more than renewable energy sources. Clarity of the plan, timescale and support costs are critical to adoption across the manufacturing supply chain.

It is known that there are certain, very beneficial decarbonisation consultancy initiatives and follow up capital grants available, via certain local authorities and metropolitan authorities; some of which overlap and compete with one another.

Knowledge, and therefore take up of these grants, is therefore not what it could be, which is a shame.

Richard Fallon: “Numerous members tell us that support is often more valuable than grant funding. For example, WMG [Warwick Manufacturing Group] has helped many high-energy users reduce their energy consumption, which is a significant year-on-year saving, often dwarfing a one-off grant for £100,000.”

This report recommends this is not perpetuated as a ‘postcode lottery’ and that a single national scheme, with central communication and messaging, adopted to support manufacturing decarbonisation, and energy saving, regardless of its location in the UK; otherwise, the effect will be to just, once more, ‘export’, what is a globalised issue. This again should be an item for inclusion on the Funding flowchart identified at pillar **E**).

It is also recognised that an energy system based purely on renewables is not going to drive total net zero success. A balanced manufacturing energy strategy must include the phasing out of fossil fuels and investment into research into other sources of clean power generation, of course nuclear. But also hydrogen based technologies; the UK manufacturing sector can innovate and take the world lead in these and other ‘green’ initiatives, with adequate, joined up, government support and advocacy, for both supply infrastructure and use.

Reshoring is seen as a key aspect of decarbonising the UK supply chain as well as providing strategic security for UK based short supply chains. The COVID-19 global pandemic exposed the extent to which the UK was short of supply for raw materials and components and the lessons learned at that time must not be forgotten.

Gareth Jones, commenting on his ITB24 results says “Last year, the Barometer reported that just 28% of manufacturers had enjoyed reshoring success and, despite a campaign to promote the virtues of bringing work home, this figure has decreased to just 18% in 2024”.

Nearly half continue to state that they don’t have the skills they need to make reshoring happen, which poses the question ‘what we can do to change this?’.



Gareth went on to add: “There is a big piece of work to be completed here; firstly, to understand what bringing work home looks like and then what support UK companies need to do to make this happen.

This could be from the perspective of nearshoring their own supply chains or taking advantage of global customers looking to move work away from China, India, and volatile areas of the world.

Skills and the whole productivity discussion will be so important here in deciding whether businesses actually want to battle for reshoring work or if it is actually easier to win work in domestic supply chains”.

The need to provide visibility to customers of the origin of supply lines, low carbon materials and production processes and more, in the future presents both opportunity and imperative for UK manufacturers to shorten supply lines; what could be better than reshoring key products and processes?

Again, there needs to be a financial pump prime here. Crowe recommends existing government investment in products and processes is appointed to projects that reshore manufacturing processes to the UK as a matter of priority.

At present, so much of what is consumed in the UK is imported. Not only is there inherent uncertainty as to whether these goods, processes or products are exposed to aspects such as slave labour, unsafe or high carbon production processes, there is also an absolute question over the carbon benefit of shipping products around the globe when then could be re-shored or near-shored. This also supports our economy, it isn't viable to the world above at present.

The gradual implementation of CBAM around the world will assist with avoiding this; and the planned UK CBAM will be going some way to protect UK industry.

However, at present, the items and products covered are limited. For example, transport costs are excluded entirely, as are plastics and critically, most finished products.

The EU are already discovering the risk of moves in Euroland to import more finished products to avoid CBAM administration and levies and thus undermining production with Europe. This surely must be avoided by the UK and also, the UK, in terms of protecting our manufacturing base and promoting ethical and carbon neutral produced exports.



At present manufacturing see CBAM as a negative; a big administrative burden with a confusing and somewhat baffling indication on how and what data to collect. Yet another 'cost of net zero'.

There is a clear need to change the approach to this initiative to one which shows the benefits to UK businesses of CBAM. It goes without saying that a 'Minister for Manufacturing' would be a key figure to communicate this benefit.

Businesses will need assistance with the cost of compliance and there will be a need to use high level influence to align CBAM requirements across borders; failure to do so will otherwise be a further barrier to international trade.

This will require input from various government members but again, there is a clear benefit in the process being led and coordinated by an individual with practical knowledge of the need to make this work within the UK manufacturing sector. The process cannot be left to civil servants.

The implementation of UK CBAM will naturally generate revenue for the exchequer, at a rate currently uncertain. Crowe contends these funds are 'earmarked' to provide ongoing assistance to UK businesses in their route to net zero.

In addition, there needs to be a coordination, at government level, that influences key software providers to enable data concerning CBAM inputs into MRP [Manufacturing Resource Planning] and ERP [Engineering Resource Planning] solutions as well as capturing other relevant supply chain security data covering rules of origin, anti-modern slavery and other EDI requirements. Integration with OEM systems will also be a key benefit in minimising the administrative and bureaucratic impact of supply chain compliance, generally; and providing a basis to facilitate independent audit procedures to be expedited at low cost too.

Also, there needs to be early liaison and coordination with software houses to enable the digital assembly and preparation of CBAM returns, quickly and effectively; otherwise, the real progress made in digitising VAT returns will be lost, if a manual process for CBAM is introduced.

*“Last year, the Barometer reported that just 28% of manufacturers had enjoyed reshoring success and, despite a campaign to promote the virtues of bringing work home, this figure has decreased to just 18% in 2024.”*

**Gareth Jones – MD, In-Comm Training Group**



## D) Supply chain strategy and security

*“For many businesses who trade internationally; Brexit, the Ukraine Russia conflict and ESG initiatives have meant that importing and exporting has become more difficult than ever. Not to mention the everchanging rules and regulations; most recently CBAM.”*

**Stephen Morley – President, The Confederation of British Metalforming**

The COVID-19 pandemic taught us the importance of secure and robust supply chains. The challenge is not just to learn from that experience, but to also act on it.

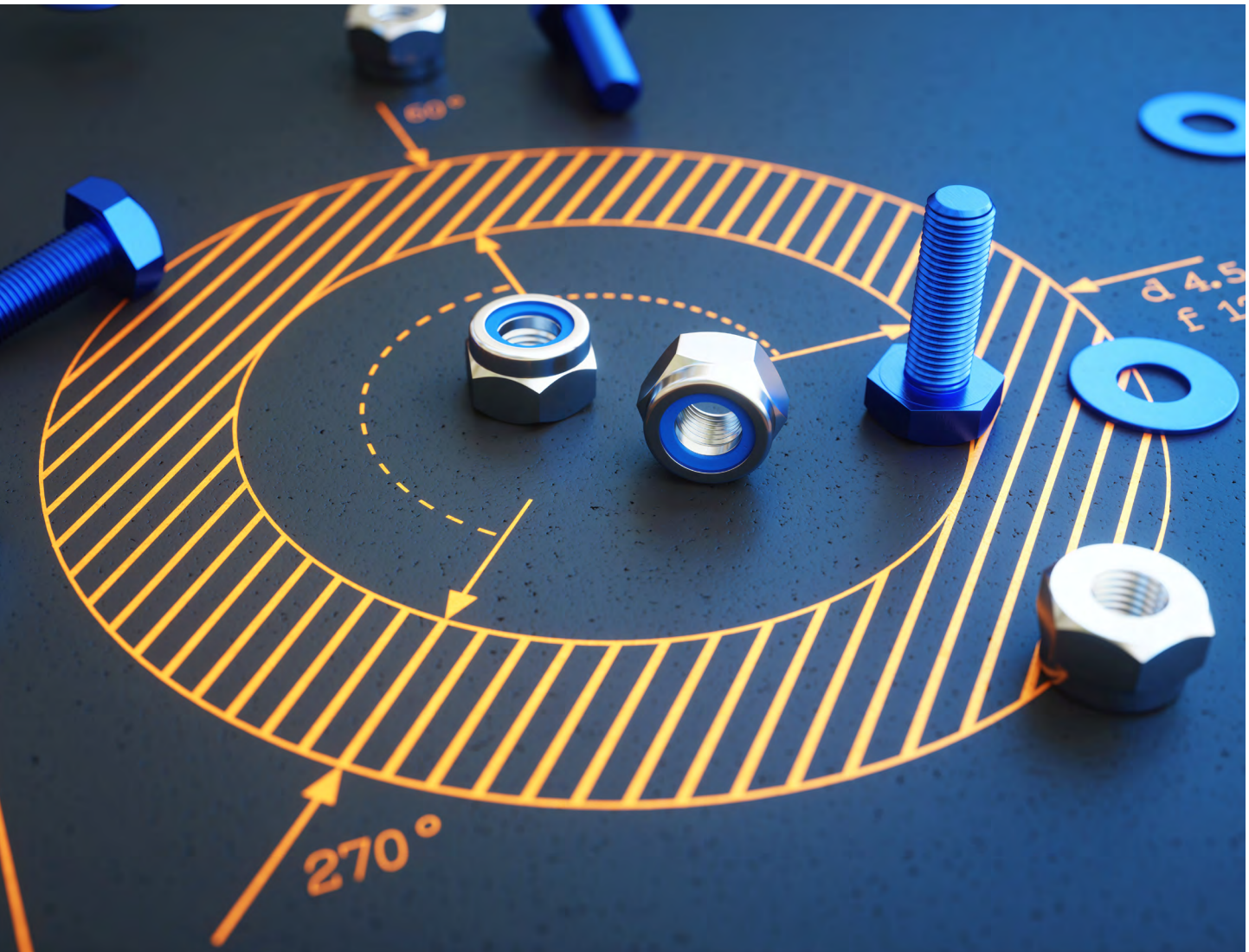
Any manufacturing or process industry requires security and stability of its supply chains in terms of energy pillar **C**), labour, pillar **A**) and raw materials.

In addition, it needs availability and access to plant machinery and technology, skills, and the logistics framework to manufacture and deliver their products.

Over the last few years, supply chains have been interrupted, not only by the global pandemic but, also, inter alia, by:

- Volcanic and seismic activity.
- Blockage to a major seaway.
- Manipulation of global markets and supply by state supported stockpiling.
- Fire and flood.
- Shortages in base commodities.
- War.

Extreme weather and natural phenomena are increasing, for whatever reasons and sadly the ‘man made’ interventions show no sign of decreasing either.



On top of the above, other measures have been taken, within the UK's control, that further restrict and risk UK supply chains, in particular:

- The imminent significant scaling back of UK steel production with the closure of the Port Talbot blast furnaces with no replacement production for at least two years.
- The ongoing imposition of 'steel safeguarding' quotas for key steel grades where UK supply is wholly insufficient (or even non-existent) for UK demand, resulting in its manufacturing base being immediately rendered uncompetitive compared to other global manufacturers. Further, as was made clear by UK Steels at the 2024 Make UK conference, the removal of capacity in Port Talbot later this year will bring testing/research into reprocessing scrap to create special grade steels, for the future, to a halt.

- Public sector procurement has typically been predicated on a policy of securing the lowest price for supply. This caused complete reliance upon imported personal protective equipment (PPE) from the far east at the start of the global pandemic which, in the end, resulted in an actual cost that was far more than would have been, had supply chains been established domestically over a sensible time frame.

The UK, as an island nation needs to take the steps necessary to protect national security, feed the nation, keep it healthy and continue to function, regardless of the impact of 'outside' elements; and there is also a need to cease measures that contrive to make matters worse due to unintended consequences.

A risk assessment is needed to ensure the UK's strategic manufacturing base is protected against future circumstances outside its control. This needs to extend beyond high value manufacturing, aerospace and advance automotive propulsion; to all strategically important supply chains to the country, including food and beverages and construction infrastructure projects.

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Key actions that could be urgently addressed pending such a strategic risk assessment.

1

Urgent discussions to maintain steel production and blast furnace capacity in the UK (in Port Talbot and elsewhere) while new facilities are built, commissioned and come on stream.

2

Limit of steel safeguarding quotas and related duties to steel grades where there is continuing UK steel production only.

3

Strategic action to encourage and secure UK supply for technology components, medical supplies, and defence equipment, to include essential drugs, PPE, semi-conductors and military hardware, equipment and ammunition.

4

A re-shoring campaign backed with appropriate support.

These latter points will no doubt command investment in new and short supply chains but to the extent that expenditure can be restricted to the UK, then this will itself generate manufacturing economic growth and tax flows back into the exchequer.

## E) Access to finance and funding

*“Access to grant support needs to be universally available with dedicated manufacturing specialists available to support applications and guide manufacturers in their growth strategies.”*

**Rachel Eade MBE – Chair, UK Metals Council**

Crowe UK’s 2023 and 2024 Manufacturing Outlook Reports showed that a significant number of respondents (52% and 43% respectively), funded their businesses over the last two years, from within existing resources.

It is evident that some businesses are sitting on cash balances and are reluctant to invest if it depletes their cash reserves or requires borrowing.

Other businesses, used Coronavirus debt provision to support working capital during various lockdowns and to bridge fund losses in a lending model that necessarily belied traditional banking criteria. While this lending is now being paid down, many businesses have continued to struggle as a result of increased raw material prices, necessary stockpiling due to short supply, the energy crisis and ongoing financial uncertainty causing interruptions to trade.

The need to re-tool, invest in digital manufacturing processes and decarbonise has a cost. There is a need to stimulate investment from those that can afford it and support those who need a deposit, which should not come from what is an already stretched cashflow.

While there are some finance support schemes available across the country, with varying fund holders, in certain specific industries there is insufficient visibility of the availability of these funds and they are significantly biased towards loan schemes and equity capital.

Richard Fallon says: “The biggest barrier to investment is available cash. Manufacturers tell us a grant that covered 10% off the cost of new machinery would allow them to access asset finance and make the investment.



“Some are happy for new jobs to be a condition of getting a grant, while others say they cannot find people to take on the roles they have so they are looking to automate these positions rather than employ more people.

“Grants need to be based on the size of the investment. This type of support would go a long way to helping manufacturers to invest so as to increase productivity and efficiency and achieve net zero targets”.

In terms of comments on the current availability of funding support, there is a running thread that emerges from Crowe’s research that assistance and support for UK manufacturing cannot be subjected to a postcode lottery, nor restricted to Investment zones, Enterprise zones etc., and not placed in the hands of local or regional government.

Rachel Eade comments: “Access to grant support needs to be universally available with dedicated manufacturing specialists available to support applications and guide manufacturers in their growth strategies”.

The vast majority of manufacturing supply chains are working with a localised workforce who are in short supply and generally ‘immobile’ economically.



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All too often the finance required by individual businesses, while significant, is not enough to merit giving away capital and the UK approach is different to that on continental Europe, where many UK SME’s already have presences.

The extent of the problem is typified by an example of a manufacturer based in Leicestershire with a sister company in Germany.

A need for funding for investment was identified and investigations made as to funding that was available to support it in the UK. There was an offer of equity capital support but the company in the end, has made the decision to invest in Germany, where grants and soft loans have been offered.

The disparate availability of support also causes significant issues and ultimately removes the benefit of a single piece of messaging with availability for all. Again here, the example of the reaction to the pandemic can be drawn upon, to apply proven best practice.

A nationally available grants and loan package was rapidly communicated and deployed and generally worked very effectively.

At the time, Crowe UK created a 'Funding Flowchart' (FF) that mapped funding assistance for manufacturing (and other) businesses and this model was regularly updated, published and shared through social media and other digital communication channels; it was also referenced by public sector officials, banks and other lenders and other professional firms.

*Click to view our Funding Flowchart →*

Later versions included 'hotlinks' and contact details, which in many cases took the reader directly to the detailed source of the loan/grant/assistance, and often the application form itself.

Crowe believes FF assisted in getting the messaging of the availability of finance out there and critically, the assistance was chiefly deployed directly from central government, working closely with lending institutions and the British Business Bank.

Of course the urgency that was attached to the need to deploy financial assistance, quickly, merited some measures that, in hindsight, and with the luxury of more time, could have been approached better. However, having all the possible assistance available on a single page, by passing or signposting, where necessary, third party agencies and 'fund holders' simplified the messaging and got assistance out, to where it was needed.

Many schemes are available to support capital investment and decarbonisation from various funds held by differing organisations, some of which overlap and even compete with one another. However, some businesses have reported that these funds all too often do not get drawn down. Crowe strongly contends that this is due to lack of communication and knowledge rather than lack of need.

UKTI and UKEF have a number of initiatives that are aimed at assisting businesses building export led, growth initiatives; but these are currently predicated on ability to communicate and in the case of UKEF schemes, a sponsoring bank making their customer aware. All too often, however, they don't.

A single centralised resource would assist in getting the assistance available out there and the experience of developing the FF could be adopted and developed to cover assistance in the key pillars of government support for manufacturing.

Access to finance will always be dependent on availability of key financials, including management accounts and financial forecasts. Absence of this information results in proposals being delayed or ignored (known in finance as ‘the slow no’).

Often, SME manufacturers do not have the expertise to prepare this information ‘in house’ in a manner that is acceptable to a bank or financial institution; and the initial workings are often threatening affordability for smaller entities.

Crowe’s research has confirmed that banks do have money to lend; they have limited people applying and those that do, all too often lack the required financials to secure funding. This was underlined and confirmed at our manufacturing outlook survey launch event in May 2024.

This is seen as a key barrier to future investment and growth and support of the other four key pillars in this manifesto.

It’s recommended matched fund be made available for small company manufacturers to match fund fees for preparation of a financial package to support a debt, investment or grant application for a digitisation, capital, decarbonisation, upskilling or reshoring programme by accredited qualified firms of Chartered Accountants (ICAEW or ICAS) or Chartered Certified Accountants (ACCA). These organisations have self-regulating quality assurance programmes and there is therefore the assurance that companies receiving the grant will be properly advised.

Applying a grant ceiling of £5,000 per company would enable a good financial package to be prepared, developed and finalised; increasing the amount of successful applications for support.





## Start the conversation

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## About Crowe UK

Crowe UK is a leading audit, tax, advisory and risk firm with a national presence to complement our international reach. We are an independent member of Crowe Global, one of the top 10 accounting networks in the world. With exceptional knowledge of the business environment, our professionals share one commitment, to deliver excellence.

We are trusted by thousands of clients for our specialist advice, our ability to make smart decisions and our readiness to provide lasting value. Our broad technical expertise and deep market knowledge means we are well placed to offer insight and pragmatic advice to businesses of all sizes, professional practices, social purpose and non profit organisations, pension funds and private clients.

We work with our clients to build something valuable, substantial and enduring. Our aim is to become trusted advisors to all the organisations and individuals with whom we work. Close working relationships are at the heart of our effective service delivery.

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