Budget 2021

Make UK’s submission to HM Treasury for Budget 2021

Introduction

1. From the first industrial revolution to the fourth, manufacturing has been the UK’s economic engine, and its source of innovation, wealth and prosperity; we remain one of the world’s top ten manufacturing nations and we are a larger part of the economy than either the financial services or construction sectors. And there is scope for more. The manufacturers we represent consistently demonstrate their ingenuity and resilience, providing technological solutions to the biggest societal challenges we face. From healthcare to climate change, clean transport and green energy, manufacturers are providing the solutions. Together, industry is changing, adapting and transforming to meet the needs of the ever evolving UK and worldwide economies. A forward-thinking, bold and versatile sector, manufacturers are engineering the future. In 2021 by backing UK manufacturing and its people, we can strengthen the UK’s industrial base, and increase productivity and wealth creation across every region, boosting our economy and helping to deliver the much needed levelling up agenda.

2. By any measure 2020 was a challenging one for the UK economy, with the experience of the manufacturing sector no exception. The pandemic and its impact on our people arrived in what was already a challenging external environment, with companies preparing for a very different trading relationship with our biggest export market, the European Union (EU). When the pandemic first struck, far from battening down the hatches, UK manufacturers led the response. Up and down the country they supported the production of ventilators and supplied critical PPE products for our treasured health service. The food and drink sector broke records to ensure that supermarket shelves were stocked and the pharmaceutical industry ensured that medicines were supplied to hospitals, care homes and GP surgeries in the most challenging of circumstances. Companies large and small made huge changes sometimes overnight to comply with public health measures and kept production lines flowing to ensure that essential goods remained available to consumers. In a time of crisis, UK manufacturing stepped up and delivered.

3. However, the job is not yet complete. Manufacturers continue to adapt to these changing times: they have altered production processes, increased investment in digital and green technologies and have embraced new ways of working for many employees. These are profound changes, likely to stay beyond the pandemic. Contrary to the suggestions of a ‘return to normal’, manufacturers intend on building on these new ways of working recognising that improving agility in an environment where shocks and uncertainty are increasing in frequency, will be imperative to future success.

4. Importantly, whilst many parts of the sector have been working at full capacity to support the nation during this most demanding of years, others have suffered catastrophic collapses in demand for lengthy periods. Whilst export orders are starting to build again, much of the UK’s automotive industry has suffered for many months with fleet sales and commercial vehicle orders

being particularly negatively affected. Similarly the aviation industry – one of the jewels in the UK's crown – has been damaged by a substantial global reduction in orders for new planes whilst those firms involved in the supply of service parts have had empty order books due to the grossly reduced volume of flights.

5. It is no exaggeration to say that action to support the manufacturing sector through the pandemic and to make changes needed for the future has never been more urgent.This is before we even fully adapt to the structural changes that will be caused by the changing nature of our trade with the EU. The sector will of course play a key role in assuring its future, as it has many times before. But, at this moment, Government support is also necessary for our sector to survive, and thrive in the short, medium and long term. The Budget provides an opportunity, not just to tackle an immediate crisis but to put in place foundations for the future. A future that puts UK manufacturing front and centre of a renewed industrial base in the UK. A future that will support UK manufacturers to create high-quality jobs. And a future that allows manufacturers to build a digital yet sustainable future for generations to come.

Overview of Covid-19 impact on UK manufacturing

6. The last few years have been a uniquely turbulent one for UK manufacturing, as businesses have dealt with both trade uncertainty from its most important partner, the EU, and the impacts of Covid-19. As a result, firms have witnessed declining orders and output for a prolonged period of time, all the while both employment and investment intention levels have been falling too. Make UK's *Q2 2020 Manufacturing Outlook* reported record-breaking negative balances on output and orders, at -56% and -52% respectively, as the impact of the first lockdown weighed heavily on an industry that understood very little about the virus at the time. Proceeding surveys for Q3 and Q4 indicated the industry was showing some recovery, however in many cases this was misleading, as a large share of businesses were starting from a base of zero or little output. All key metrics on average remained negative till the end of the year indicating that rather than recovering, the sector is seeing a slowdown in decline.

7. The impact of Covid-19 on employment has been hard on the manufacturing sector. Despite the sector being exempt from lockdown restrictions, the fall in demand, domestically and across borders, has inevitably resulted in significant job losses. Make UK's *Manufacturing Monitor* survey most recently showed 49% of manufacturers have already made workers redundant, with a further 48% either planning to, or considering, making further redundancies over the next 6 months. According to the ONS, between January 2020 and September 2020 employment in manufacturing declined by 202,000. The trends in employment are worrying, and are aligned with the OBR's expectation for the unemployment rate to peak in Q2 this year. The extension of the Job Retention Scheme to April 2021 will go some way to protecting jobs however, it is currently still unknown what proportion of roles furloughed will still be redundant post April 2021.

8. More concerning is the low level of investment intention revealed by UK manufacturers, which for the last three quarters have reported consistently negative balances. Securing a trade deal with the EU, albeit creating many non-tariff barriers for businesses, will provide some clarity for businesses as they plan forward and will see investment intentions improve to some extent. However, we predict that to get back to pre-Covid and pre-Brexit levels will take many years, impacting on business recovery. Make UK's *Executive Survey 2021* found more manufacturers are looking to invest in expanding market access, supply-chain resilience, building a workforce fit for the future as well as exploring new products and service offerings. The survey revealed that four in ten manufacturers are actively planning new product development, 28% are planning to invest in new digital technologies whilst 42% are now looking to invest in green technologies.

9. Despite these positive intentions and the UK securing a last minute deal with the EU, the majority of the risks identified by manufacturers in the *Executive Survey 2021* pertain to issues around non-tariff barriers such as customs delays (47%) and regulations (39%). This is alongside the added risk of further national lockdowns, as the sector remains pessimistic about a swift recovery in 2021. The start of 2021 has resulted in many manufacturers taking a highly cautious approach to restarting trade with the EU, as many businesses holding off exporting or important goods until there is more clarity on what is required of them at borders. This cautious approach may lead some to believe there are no delays at customs or other non-tariff barriers when in reality manufacturers have themselves slowed down trade in order to assess the situation.

Overview of support required for manufacturing

Urgent support to tackle the immediate impact of Covid-19
Retain the Job Retention Scheme until at least the end of Q3 and reinstate the Job Retention Bonus
Reinstate VAT cut on PPE
Waive business rate bills for SMEs as well as businesses impacted by Covid-19 for the remainder of the financial year
Make Government support conditional on beneficiaries adhering to the Prompt Payment Code.
Introduce financial instruments that allow manufacturing businesses to manage their debt sustainably
Embed a turnaround culture from the outset

Building a strong industrial base
Commit to supporting a new Manufacturing Skills Taskforce, driven by industry for industry
Agree a longer-term commitment to increase capital allowances
Greater fiscal incentives for R&D including doubling R&D tax credit and including capital expenditure into the qualifying costs.
Support manufacturers to recruit and retain Apprentices
Prevent a technical skills crunch and reform the Apprenticeship Levy
Accelerate Kick Start applications and look to extend programme beyond the end of the year

Start up to scale up
Introduce a Job Creation Scheme (JCS)
A start-up to scale-up initiative to help micro manufacturers grow and create jobs of the future
Task the National Infrastructure Commission to set up a ‘Future Infrastructure Group’

Digital and Green
Introduce a net zero industry support package
Reward businesses who reach targets and offer greater support for those where the transition will be a challenge
Embed net zero within the education curriculum including further and higher education courses
Digital skills account for lifelong learning
Roll out Made Smarter across regions
Make digital connectivity the priority to levelling up

Navigating our new partnership
Vouchers for advice and support relating to exporting processes and customs training support
Tax cuts or rebates for three years to help firms cope with the additional costs of EU export paperwork
A mechanism for EU Regulatory Tracking, Monitoring and Support
Increasing resource and participation in Trade Accessing Programmes and related and targeted trade events
Setup a manufacturing supply chains task and finish group with leading industry experts

Urgent support to tackle the immediate impact of Covid-19

10. *The pandemic has significantly impacted the manufacturing industry. Much of the support that Government has introduced, such as the Job Retention Scheme, has been welcomed. However, the support needs to focus on a wider section of the business community, covering sub-sectors that have so far missed out. This third, national lockdown, is having an impact on our sector. Indeed, 63% of companies saying they are feeling the same, negative impacts as previous lockdowns – sales and orders are taking a battering once again, the use of the furlough scheme is on the rise, and further redundancies are being considered. Those that are experiencing a significant lapse in demand need urgent support. They also need a long-term plan. Any immediate response to the pandemic announced in the Budget must be alongside a longer-term Covid recovery plan which goes hand in hand with a robust industrial strategy.*

11. **Retain the Job Retention Scheme until at least the end of Q3 2021 and reinstate the Job Retention Bonus.** The Job Retention Scheme continues to be a valuable policy initiative for retaining jobs within the manufacturing industry. With the third national lockdown now underway, manufacturers are once again being hit with lower sales and orders; as well as decreasing operating levels. The JRS enables them to retain, often highly skilled, employees during these times. Therefore Government should retain the JRS in its current form and continue to offer the Scheme to critically important sectors - including but not limited to automotive and aerospace - and not just during periods of national lockdown. In addition, Government should look to reinstate the Job Retention Bonus which was promised to employers who continued to employ previously furloughed staff. The Bonus, which should have been made available to businesses during January 2021, was budgeted into many companies' business plans - some have been left with a considerable hole in their finances. Finally, Government should look at extending the JRS for self-isolating employees.

12. **Reinstate VAT cut on PPE**. When the pandemic first hit and the demand for PPE requirements across hospitals and care homes was required the Government cut VAT on PPE products. Since 1 November 2020 VAT has applied again to PPE with firms being advised to reclaim as a business expense. With demand from healthcare providers as well as industry once again rising as the pandemic takes its toll, Government should immediately cut VAT on all PPE products.

13. **Waive business rate bills for SMEs as well as businesses impacted by Covid-19 for the remainder of the financial year.** Make UK's calls for a review of business rates predates the Covid-19 crisis and we are pleased that a review is underway to which Make UK has submitted evidence. However, with the Covid-19 pandemic creating cash flow challenges, particularly for SMEs a relief on business rates would both immediately and effectively bolster SMEs cash flow. Indeed 60% of manufacturers said that a cut to business rates would have an immediate and positive impact on the manufacturing industry. [1]The focus should firstly be on SMEs, however, Government should also explore how it can waiver business rate bills for any size company impacted by Covid-19. This would put manufacturing on par with other sectors that have been offered support.

14. **Make Government support conditional on beneficiaries adhering to the Prompt Payment Code**. At a time when many manufacturers are struggling in regards to cash flow, it is critical that supply chain companies are paid on time. Many businesses are seeing significant delays and extensions to payment terms. Therefore Government should make it a condition that any beneficiaries of Government support must adhere to the Prompt Payment Code. A recent Make UK polling of manufacturers revealed overwhelming support for this intervention.

[1] Make UK, Manufacturing Monitor #4 (May-June 2020)

15. **Introduce financial instruments that allow manufacturing businesses to manage their debt sustainably.** Manufacturers currently find themselves in the midst of a cash flow crisis, the severity of which is comparable to the Global Financial Crash in 2008/9. In many cases, businesses have increased their level of debt during the pandemic to ensure business continuity, both from private lenders and Government schemes such as the Coronavirus Business Interruption Loan Scheme (CBILS). While output is starting to show signs of recovery, uncertainty in the trading environment has meant that these manufacturers can't be certain of their short term trading circumstance, and whether suitable cash will be flowing in to both keep the business afloat, and to service their debts. The Government should ensure that these businesses, especially those who have taken out Government backed loans, are not suffocated by their debt obligations in the short term in order to enable these businesses to recover from the economic impacts of the pandemic to their fullest potential. If businesses are not afforded the financial space they need to restart production in earnest, there will be severe economic consequences for the UK's production industry in the medium to long term.

16. **Embed a turnaround culture from the outset:** As we emerge from the pandemic and the associated public health measures, a turnaround culture - the sustainable return to viability of an underperforming organisation - will be essential to the recovery of individual businesses and UK Plc as a whole. For some businesses, insolvency (business administration, liquidation, company arrangements, and receivership) is inevitable. For viable businesses, turnaround is effective in the informal space between underperformance and full distress, using financial and operational restructuring and improvement tools to resuscitate companies that have been brought to the edge of insolvency. Using a turnaround approach achieves the best possible outcomes for all stakeholders – including creditors, owners, shareholders, employees and the community in which businesses operate. Avoiding unnecessary insolvency will be crucial to recovering viable businesses, protecting supply chains, and achieving the best overall outcomes for taxpayers.

17. When the myriad of important government schemes are withdrawn, there will be a crucial window of opportunity for businesses to create the space to recover and build a long-term plan in response, to avoid unnecessary insolvencies and accelerate the national recovery. As part of a long-term recovery plan, government and the business community should work together promote a turnaround culture and use the UK's turnaround expertise to: i) provide immediate viability to businesses, delivering on a plan for recovery that may involve restructuring debt, building working capital back up, transforming operational models and cost bases, and strengthening supply chains to build resilience and ii) Ensure future growth, working from the underlying business value to adapt the business model or business offering to meet changed needs and markets.

Building a strong industrial base

18. *Central to rebuilding our economy, communities and creating jobs in the coming years will be putting the UK manufacturing sector at the heart of our economy. The manufacturing sector is well placed to boost productivity, power economic growth, and deliver shared economic growth across all regions of the UK. To build a strong industrial base Government must work with the sector to outline the critical role it will play in the upcoming refreshed Industrial Strategy. Manufacturing is already the largest sector in many of the areas likely to focus in the levelling up work. Strengthening the manufacturing will have both a disproportionately positive impact in these areas but will also deliver results more swiftly, given the existing foundations. As a result, Government should also:*

19. **Commit to supporting a new Manufacturing Skills Taskforce, driven by industry for industry:** People and the skills they possess are the most valuable asset of a business. The 'stop-start' of the JRS has created unfortunate gaps forcing businesses to make redundancies, while rethinking their future. Many would like to re-orientate themselves towards a more resilient, sustainable future and are wanting to hire skilled staff, senior management with sustainability credentials or apprentices with digital and green skills. More than ever, industry needs to come together to deliver on the skills agenda, but needs Government's support to do so. Make UK, together with the TUC, sector skills bodies and other manufacturing trade associations have formed a new Manufacturing Skills Taskforce to get the job done. We call on Government to commit its support to the Taskforce to drive forward this agenda and safeguard skills for our industry's future.

20. **Agree a longer-term commitment to increase capital allowances.** Make UK welcomes the decision by Government to extend the £1m limit capital investment allowances for a further year, however, there is no certainty after that period. In manufacturing the level of investment in assets is high, therefore the Government should keep this increased rate and guarantee it for a minimum of five years to coincide with a long-term industrial strategy. With 71% of manufacturers planning to increase spending on Industrial Digital Technologies in the next two years and two-fifths of manufacturers % planning to invest in green technologies - it is vital that such plans translate into action. Not only would this measure spur much needed investment in capital expenditure in the immediate term, but in the mid to longer-term it would support Government and industry's efforts in achieving net zero and positioning the UK as a leader in digital manufacturing.

21. **Greater fiscal incentives for R&D including doubling R&D tax credit and including capital expenditure into the qualifying costs.** While our survey data shows that awareness of grant schemes is very low - 77% hadn't heard of the Industrial Strategy Challenge Fund, the majority are aware of (and most have used) fiscal incentives such as investment allowances and R&D tax credits. These have an important part to play, particularly in delivering the significant uplift in private sector R&D spend that is needed to deliver the Government's 2.4% GDP target. Government must improve the effectiveness of the R&D tax credit scheme by simplifying the application process; speeding up payment as well as doubling the R&D tax credit expenditure. In addition, Government should look at models put forward to include capital expenditure within R&D tax credits. This is a model we are currently consulting with our members on, as well as reduce employer NICs on staff involvement in research and development to reaffirm its commitment to being a world leader in science and AI.

22. **Support manufacturers to recruit and retain Apprentices.** Continued support for apprenticeships in the form of employer incentives to recruit is welcomed but it is simply not enough. In manufacturing, where engineering apprenticeships are high quality and high cost, a £2,000 incentive is not sufficient for employers to commit to what is typically a four year apprenticeship. If the Government wanted to incentivise employers in sectors such as manufacturing to recruit new apprentices, then covering the costs, including wages of the apprentice when they are not in the workplace (typically the first year) would be more of an incentive and better value for money.

Prevent a technical skills crunch and reform the Apprenticeship Levy: With commitments from employers to start apprenticeships falling and a real risk of a technical skills crunch in the years ahead, Government must take action now on the Apprenticeship Levy. Make UK continues to call for greater flexibility for Levy paying employers, who are cash strapped due to the crisis, yet have Apprenticeship Levy funds that they cannot use. Government should allow Levy paying employers to use their funds on wider training costs including capital expenditure. The start-up costs for apprenticeships in manufacturing and engineering are significant. Employers should be able to access their Levy funds to pay for this, instead of paying from wider training budgets, which due to the pandemic are increasingly non-existent. We also repeat our asks to extend the lifetime of Levy funds upwards of 24 months. Some 30% of manufacturers put their apprenticeship training on hold during the first national lockdown, and the numbers of employers planning to recruit apprentices this year is at 45%, compared to 75% in any other year. Levy paying employers should not be penalised for having to make difficult decisions on apprentice recruitment during the pandemic. The funds should be made available to them once we move into recovery and recruitment picks up once again.

23. **Accelerate Kick Start applications and look to extend programme beyond the end of the year.** The Kick Start programme is a worthy initiative but one that for many small businesses is hard to implement. The ability of small businesses to now use a gateway to act on their behalf has been a really positive step. Initially three-quarters of manufacturers said they wouldn't use the Kick Start scheme but a quarter would with the support of an intermediary. We are proud to say that Make UK is an intermediary for its members. However, it has not been without its challenges. There have been significant delays to the programmes and a number of obstacles faced. It is vital we iron out these issues and don't lose momentum of those employers that are interested. Moreover, with recruitment still at a low and redundancies still being considered, Government should work with the industry including the Manufacturing Skills Taskforce to explore whether the deadline for offering placements up until (December 2021) should be extended. This scheme may be more beneficial once recruitment begins to pick up again but employers are not in a position to employ more full-time permanent staff.

Start up to scale up

24. *Successfully rebuilding our economy will rely on businesses up and down the country investing, recruiting and innovating. We must make sure that we are creating a business environment where manufacturers can start up and scale up. This has the potential to unlock economic growth, support regional communities and create good jobs. Harnessing the power of the UK manufacturing sector will be critical to help revive and rebalance our regions and economy. Government can support business to make the UK a great place to do business by:*

25. **Introducing a Job Creation Scheme (JCS).** Before the Job Retention Scheme (JRS) was extended, the Government was prepared to utilise a new Job Support Scheme (JSS) to subsidise part-time hours for employers. It became clear that the original system was insufficient to protect high-skill jobs amongst struggling businesses. However, a proposal that supports part-time work as a business slowly generates orders can be a strong recovery tool. The issue with the JSS is that it could only be used by businesses that had workers on PAYE before a certain date. However, many businesses that cannot save their workers today, may be looking to hire once economic activity returns. Particularly start-ups that started during the pandemic (as is common during economic downturns) that may not have sufficient funding to afford high-skill workers on 100% of their hours at the initial stages of their growth but could do so at a reduced capacity with subsidised wages (upon a condition that the employee on such a scheme would eventually be converted to a full-time worker). A Job Creation Scheme (JCS) would be an effective tool used by Government to support the growth of start-ups and SMEs. The impact of supporting businesses grow at its early stages would promise to deliver significant returns for the UK economy by increasing jobs and value-added output. A JCS would simply be redefined from what is already built by the JSS, rewired to focus on new businesses. Whilst the JRS and JSS only provide incentives to reduce redundancies, the JCS provides a solution for the large population of workers who have already been made redundant due to the pandemic.

26. **Implementing a start-up to scale-up initiative to help micro manufacturers grow and create jobs of the future.** The pandemic has inevitably led to job losses. We have made the case to protect jobs and future proof our workforce with a widespread retraining and reskilling programme. We have also recommended building Government's Job Retention and Job Support Scheme to look at how we can incentivise the creation of new jobs through a Job Creation Scheme. It is vital that Government continues to focus on how to create the jobs of the future – particularly around the digital and green agenda – with micro-firms – many of which are starts up as a consequence of the pandemic. Government should work with industry on how to support micro businesses to scale up and speed and address the barriers in doing so. Such an initiative would benefit from the involvement of Catapult Centres where Innovation Hubs are already supporting start up activity.

27. **Tasking the National Infrastructure Commission to set up a 'Future Infrastructure Group'**. This Group would be set up to support the development and implementation of the infrastructure element of the upcoming Industrial Strategy refresh. A central body will be critical in planning effective infrastructure commissioning and spending decisions so that the UK cannot just keep up with international competition, but to excel in the long term. The Group can provide evidence-based recommendations on how best to achieve the need to upgrade and renew current physical infrastructure. Make UK research found that manufacturers want to see a greater emphasis on local infrastructure projects over national ones (40%), this means prioritising investment into local road and rail transport connections to support the mobility of people within different regions[2]. Crucially the Group should support the transition to digital and green future through investment in digital infrastructure. Make UK research found that 41% of manufacturers wanted improved digital connectivity in towns and rural areas. With rapid digitisation and changing working behaviours, this has only accelerated the need for better digital connectivity across not just the manufacturing sector but the economy.

[2] Make UK / RSM Reviving and Rebalancing Regional Economies through Manufacturing (November 2020)

Digital and Green

28. *As we look ahead, our digital and green future will go hand in hand. Transitioning to towards a more sustainable economy will require accelerating investment in digital and green technologies and creating the jobs to support the green revolution. Manufacturers have ambitious plans, and Government can support these plans, tackling the barriers to achieving this, from financing digital and green technology to the mammoth upskilling and retraining programme required, to cultural change.*

29. Net zero and wider sustainability considerations should be part of Covid-19 short-term recovery plans, with a long-term view, to coincide with a robust industrial strategy. A sudden and dramatic pandemic has understandably resulted in short-term reactive support from government. Whilst this has been a life-line for many companies, climate change is a long-term challenge, which requires looking ahead and planning well beyond five-year government cycles, and more so for several decades. Digitalisation also goes hand in hand with the green industrial revolution as it enables the monitoring and control of not only the visible (capital assets) but the invisible (e.g. energy waste) and welcomed digitalisation initiatives could benefit from being tied together with green technology initiatives.

A net-zero industry support package: Businesses need to have immediate support and for the first few years to enable to kick-start the green industrial revolution and longer-term support to meet the ambitious but necessary net-zero targets. Supporting businesses on their journey now at low cost will make them more resilient to any future pandemics and climate change and should dovetail with the shorter-term and longer-term recovery plans. Government should put in place a net zero industry support package including:

(i) **Help for businesses on their first step to Net Zero by measuring their carbon footprint measurement:** A carbon footprint calculator from a trusted source should be made available and help (grants) with investment in new software and hardware that will allow all businesses to measure their own emissions so they have a baseline position to work from.

(ii) **Develop new long-term green finance products**. Where the repayments are based on the projected business's profit from the investment e.g. for costly robots or other assets) should be more widely available. The Contract for Difference models, which were successful in the energy sector could be replicated in other sectors. More flexibility by enabling the bundling of finance to mitigate short payback investments with long payback ones could enable businesses to manage their overall finance more easily.

(iii) **Introduce a fund for managers and leaders to train in sustainability**. Only 4% of board directors have sustainable credentials, and it has been demonstrated that the move towards a more sustainable business is driven mostly by the top management. Government should work with wider stakeholders, including the green Jobs Taskforce, to develop, introduce and fund a national training sustainability leadership programme enabling managers to attend quality training courses on net zero awareness. This includes private finance and the literacy and confidence of companies using financial services should be built up to understand and request climate-aligned financial products.

30. **Reward businesses who reach targets and offer greater support for those where the transition will be a challenge**. Government should explore how it can incentivise companies to meet targets looking at options such as increased tax relief on capital investments or reductions in corporate tax or including encouraging then mainstreaming finance disclosure using the Taskforce for Climate-related Finance (TFCD) criteria to fully disclose businesses' climate risks as soon as possible. This should help re-direct capital towards lower carbon alternatives. Government should also explore how to identify the biggest contributors to carbon output and support them with a dedicated budget to put a strategy and implementation plan in place to help their transition.

31. **Embed net zero within the education curriculum including further and higher education courses**. The next generation are our future leaders, whose jobs will see net zero and sustainability embedded within them. Net zero should therefore be embedded in education and training. There are some positive steps already taken by Government including the establishment of the Green Advisory Panel within the Institute for Apprenticeships. Government should build on this throughout the education system.

32. **Digital skills account for lifelong learning.** What is becoming increasingly important is both the need for digital skills and the need for greater support for lifelong learning. Yet this remains a gap in current Government support. We know that employees will need to skill and reskill throughout their careers and employers will, and do, support in many cases to undertake such training. However, there is a wider economic benefit to be had from investing in lifelong digital skills training. Therefore Government should introduce a digital skills account for employees that can be accessed to undertake either company specific or more general digital skills training. The funding of which could be taken from the National Skills Fund, which now incorporates the funds from the National Retraining Scheme.

33. **Roll out Made Smarter across regions.** It was a disappointment not to see any further support for the national roll out for Made Smarter programme at the 2020 Spending Review. As the evidence provided by Make UK shows that this programme delivers and supports the adoption of new technologies among small companies and is the most reliable and consistent from all of the schemes that are currently operating. We welcomed the announcement that the Made Smarter Pilot was extended and will continue hundreds of small and medium companies in the North to adapt new technologies, invest in new talent and communities. It was tested and evaluated and it works well for the SMEs which are the majority of the UK business ecosystem. Government must build on the Made Smarter North West pilot success and replicate it nationally, with a complete roll-out across all regions. One in five ccomapnies in the North West are in the revolution phase of digital adoption, second only to the South East at 33% - this demonstrates that the Made Smarter scheme is working.The pilot saw small businesses not only financially helped to purchase IDT investments, but they had access to a complete advisory service taking them through the technologies which would best benefit their companies, mentoring in how to optimally utilise them sitting alongside support for change management skill building.

34. **Make digital connectivity the priority to levelling up.** Digital Infrastructure underpins the economic, cultural and social infrastructures to develop places where people want to live, work and visit. For businesses this is crucial to more productive economic activity - that is why 69% of manufacturers said they plan on investing in their IT infrastructure in the next 12 months[3]. But

[3] Make UK / RSM Reviving and Rebalancing Regional Economies through Manufacturing (November 2020)

since the Government launched its digital strategy in 2017, progress has been slow. Many manufacturers are located in rural areas where connectivity can be severely limited, directly impacting their ability to do business. As a result, 41% of manufacturers said the Government should prioritise digital connectivity in towns and rural areas, to unlock productivity but crucially drive greater innovation[4]. As part of the refreshed Industrial Strategy Government should set out plans to implement a national rollout of 5G and ultrafast broadband within the next 2 years. The success of local economies depends on all our businesses using the best digital technology and data to drive innovation, resilience and productivity. Better digital infrastructure can support manufacturers become more productive and competitive**.**

[4] Make UK / RSM Reviving and Rebalancing Regional Economies through Manufacturing (November 2020)

Navigating our new partnership

35. *Manufacturers are adapting to a new global trading environment, and supporting them to compete in a new global trading environment is critical. With 95% of UK companies already sending goods overseas, ensuring we continue to have a manufacturing sector that can compete globally is important. Building on the existing UK-EU relationship will be vital. But it's also vital to make sure businesses, particularly SMEs, which are often the most innovative, are able to take advantage of the new international opportunities to fully maximise the potential trade benefits. Government can support manufacturers by:*

36. **Vouchers for advice and support relating to exporting processes and customs training support.** The Government must work with industry to upskill the sector to understand and manage complex trade and customs procedures. This must include clear UK guidance and support as seen in other countries, such as the Netherlands where companies are offered €2,000 to support Brexit preparedness activities and Ireland where vouchers for €5,000 have been made available. We recommend that the government explores a similar voucher scheme to help upskill the sector and help develop the knowledge to help companies export. In addition, Government should look at using tax incentives or direct grants for companies to develop in-house customs expertise. This will be increasingly important as employers navigate through the new customs systems and accompanying rules.

37. **Tax cuts or rebates for three years to help firms cope with the additional costs of EU export paperwork**. We recommend that the Government uses of tax cuts or rebates to offset the new costs associated with trading with the EU. It is estimated that upwards of 400 million new forms will need to be submitted, often by companies who lack experience in this area, at what some have estimated at a cost of £13bn each year. [5]As part of the EU's Covid-19 recovery fund and the 2021-2027 EU budget a €5bn new special Brexit Adjustment Reserve was created. The Reserve will be used to "counter adverse consequences in Member States and sectors that are worst affected.

38. **A mechanism for EU Regulatory Tracking, Monitoring and Support**. Establish a mechanism for Government and Industry to track EU regulatory development to understand the impact on our trading relationship, including a new cross Government Unit that will track, monitor and analyse EU policy developments and consult with industry on the impact of the policy developments on UK trade with the EU. Examples of EU policy developments that could impact UK trade include the proposal for a Carbon Border Adjustment Mechanism.

39. **Increasing resource and participation in Trade Accessing Programmes and related and targeted trade events.** We recommend an ongoing package of grants and practical support to assist exporters to attend trade shows and similar events. This will assist exporters (particularly SMEs) in gaining essential market knowledge and making new contacts. Over a third (34%) of manufacturers said an increase in export support would have a positive and immediate impact on manufacturing. [1] We suggest widening the access and opportunities of the current Trade Access Programme to ensure that it remains agile and as representative as possible for both business sector representation and size of exporter. It will be important to strengthen representations from SME and 'resource limited' firms, and others who are gaining an understanding of export opportunities.

40. **Set up a manufacturing supply chains task and finish group with leading industry experts.** Building a strong industrial base will require resilience and agility to mitigate future external shocks to the sector and wider economy. One way manufacturers are already doing this is to

[5] HMRC Impact Assessment (2020

look to reshoring and on-shoring manufacturing activities. Make UK's *Executive Survey 2021* found that a quarter of companies are looking to re-shore overseas activities, while 25% are looking to identify new or additional suppliers in the UK as a high priority.[6] Exploring how best reshoring and on-shoring of manufacturing activity can be achieved, and what parts of the manufacturing supply chain can reasonably be transferred back to the UK, should be a primary focus for Government. Make UK analysis last year found that over a third of manufacturers reported that they intend to moderately increase their use of UK-based suppliers in the next two years, with a further 12% indicating a significant increase. Evidently, manufacturers are looking to diversify their supply chains as a way of spreading risk, using local suppliers is one option. Increasing the use of local suppliers was in the top three strategies manufacturers reported to have undertaken to improve their supply chain performance last year. A task and finish group with leading manufacturing industry experts, alongside the Department for Business, Industrial Strategy and Energy, can help to explore this and develop a coordinated vision for on-shoring and reshoring manufacturing activity as part the refreshed Industrial Strategy.

For further information

Verity Davidge
Director of Central Policy
020 7654 1572
vdavidge@makeuk.org

Cate Sleep
Head of Public Affairs

020 7654 1530
csleep@makeuk.org

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[6] Make UK, Executive Survey 2021: Building Agility in Manufacturing (January 2021)