The EAMA Handbook

A practical guide of tips, checklists and information to help manufacturers make it

Produced in association with
Close Brothers Asset Finance

2012 Edition

Close Brothers
Asset Finance

eama
Engineering and
Machinery Alliance

Economic austerity
We're still lending

Close Brothers Asset Finance have been supporting investment in UK manufacturing businesses for over 25 years. Our support has been continuous, we have been ever present even when other lenders have retreated; something we are very proud of and especially noticeable in more recent years.

Our wide range of innovative and competitive asset finance products are aimed at UK manufacturing businesses of every size. In particular, we pride ourselves on supporting UK SME's by providing funding solutions both for investment in new technology and in assisting companies to raise additional working capital.

Telephone: 01244 853430
Email: manufacturing@closebrothers.com
Website: www.closeasset.co.uk

Close Brothers
Asset Finance

The Handbook

The EAMA Handbook presents information, tips and checklists to help manufacturing related businesses make the most of their entitlements.

This is the third edition since it was first published in 2004. This updated version is based on advice received. But the pace of change in all sectors, tax, employment, skills, exporting and grants is so fast that we have had to completely revise the publication.

Much of the information in the Handbook is relevant to businesses of any size.

However, there are schemes that are restricted to small or small and medium-sized companies or groups (commonly referred to as SMEs).

Although governments and international organisations quite often target SMEs for special financial business support there is no single definition either nationally or internationally.

So, always check if you believe your company may fall just outside the relevant definition for the allowance you're interested in. You may well find you're included.

Below are a couple of examples to show why it's worth checking.

According to the UK Companies Act 2006, a company is an SME if it meets two of the following criteria:

	Turnover	*Balance sheet total*	*Number of employees*
Small company	*not more than £6.5 million*	*not more than £3.26 million*	*not more than 50*
Medium-sized company	*not more than £25.9 million*	*not more than £12.9 million*	*not more than 250*

On the other hand, the European Commission adopted a Recommendation in 2003 incorporating a third category called micro enterprises as well as small and medium sized ones. To fit into one of these three categories a firm must meet one of the financial measures as well as the employee count:

	Turnover	*Balance sheet total*	*Number of employees*
Micro company	*not more than €2 million*	*not more than €2 million*	*Less than 10*
Small company	*not more than €10 million*	*not more than €10 million*	*not more than 50*
Medium-sized company	*not more than €50 million*	*not more than €43 million*	*not more than 250*

Mechanical engineering is a UK manufacturing success, regularly reporting a positive trade balance against phenomenal international competition. If you would like more information about this or what EAMA is doing to try to further this performance, please visit our website: **www.eama.info**

If you would like to contribute to a future edition or have comments or questions about the Handbook or EAMA please send an e-mail to **info@eama.info**

Handbook Contents

Finance – helping to keep you in charge when you want to raise finance 5

Government backed grants, loans and equity finance

Commercial finance

Funding options

Raising finance checklist

Top tips

Some tax guidance

R&D tax credits – investing in R&D can directly boost your bottom line

More about the Business Growth Fund – minority equity investment in your company

Export – developing your business in foreign markets 15

UK Trade and Investment Services – expert support when you are ready to export

UK Export Finance – support that reduces overseas sales risks

More about the Export Enterprise Finance Guarantee – finance scheme for smaller exporters with limited collateral

Advice – advice to help you build your business 20

Business Link – an on-line one-stop advisory service

Manufacturers' Automation Grant – government support for companies to test the benefits of automation

Manufacturing Advisory Service

Carbon Trust – how to save money with existing and with new plant

Top ten tips to minimise employment headaches

Developing the skills of your people – there's plenty of support to help companies raise the skills of their workforce

Talent Retention Solution – finding and in extremis redeploying the skills your company uses through your sector

EAMA – helping companies make it in Britain 31

Finance - helping to keep you in charge when you want to raise finance

There have been considerable changes in the business finance market in recent years. Here Ben Hobson, editor of Enterprise Funding Magazine summarises what's available.

What you need to know about raising finance

In the last four years the influence of new government policies combined with the effects of a severe economic downturn have led to dramatic changes in the market for business finance and the sources of advice on where to find it.

Gone are Regional Development Agencies (replaced by Local Enterprise Partnerships), gone is the Business Link network (which is now a much enhanced online advisory service) and gone are a large number of grants. Moreover, the availability of finance from High Street banks – the traditional mainstay of business lending – is now uncertain for a great many firms.

But it is not all bad news. New government-led funding initiatives are under way, the non-banking commercial finance sector is getting stronger, local business support services are gaining influence and new finance innovations and online funding options are emerging. For those businesses that are informed, well-prepared and ambitious to grow, the right finance and advice is available.

Government-backed grants, loans and equity

The majority of the government's recent policies on business finance have largely aimed to mop up the problems caused by the bank-led credit crisis. To an extent, much of what exists now is focused on stimulating economic growth, which means that some grants and government loans come with employment and investment stipulations. Here are the main ones:

- *National Loan Guarantee Scheme* – Commonly known as "credit easing", the NLGS is a £20bn government loan guarantee scheme put together with most (but not all) of the main High Street lenders. The main focus is on reducing the interest payable on business loans by 1 percent. Businesses still need to get credit approval from a bank but achieving that should mean access to a cheaper loan.

- *Enterprise Finance Guarantee Scheme* – The EFG is for SMEs that do not have the collateral or credit history to secure a normal bank loan. Under EFG terms, the government guarantees 75% of the value of lending in an individual loan to a business. Recently the scheme was extended to 2013-14 and now accepts applications from businesses with a turnover of up to £41m, seeking up to £1m worth of loans. **www.bis.gov.uk/policies/enterprise-and-business-support/access-to-finance/enterprise-finance-guarantee** (See page 18 for more about the Exporters EFG)

- *Business Finance Partnership* – This £1.2bn fund has been set up to invest via non-banking channels and the majority of it is being distributed to individual fund managers that will lend directly to businesses. At least £100m has been assigned to non-traditional lending channels, which could include peer-to-peer platforms and supply chain financing.

- *Business Growth Fund* – This £2.5bn equity scheme was set up in 2010 by the country's largest banks following discussions with the government on ways to stimulate economic growth. It makes equity investments of £2.5m - £10m in growing companies. **www.businessgrowthfund.co.uk** (See page 14 for more about the BGF)

- *Regional Growth Fund* – The £2.4bn government-backed RGF is operating across England until 2015. It focuses on projects and programmes that create economic growth and sustainable employment. **www.bis.gov.uk/rgf**

- *RGF & Banks* – To improve the reach of the Regional Growth Fund and get it out to smaller firms, the government has begun circulating funds through commercial lenders, which are distributing it to SMEs via their own conventional lending structures.

- *Regional equity and loan funds* – An alternative way of tapping into government funding at a regional level can be done through one of a growing number of Community Development Finance Institutions, which support firms that have been turned down by mainstream lenders. More information on those can be found through the Business Support Finder at **www.businesslink.gov.uk** or at **www.cdfa.org.uk**

- For more information about government-supported Access to Capital schemes, including export finance, visit: **www.bis.gov.uk/policies/enterprise-and-business-support/access-to-finance**

Commercial Finance

In the wake of the credit crunch, the market for commercial lending has developed, with non-bank lenders increasing their influence in parts of the market where High Street banks have become more risk-averse. For businesses, this means there has never been a more important time to assess the options carefully.

- Opinions are divided on how High Street banks have reacted to the economic downturn and the impact this has had on lending to businesses. Nevertheless, conventional loans and overdrafts remain the most popular finance route. Information on products and suppliers is available on the Business Finance Finder at Business Link: **www.improve.businesslink.gov.uk/resources/business-finance-finder** (see also page 20)

- *Asset Finance* – such as leasing, hire purchase and refinancing – can be among the most attractive forms of finance for businesses that want to release the capital tied up in plant and machinery for anything from boosting cashflow to making new investments. All the banks have asset finance divisions but it could be worth considering a specialist asset lender that has knowledge of your sector. More details about this can be found via the Finance & Leasing Association at **www.fla.org.uk**

- *Invoice Finance and Factoring* – which involves borrowing money against receivables – can be useful options for businesses with specific finance requirements. Ninety percent of the industry is dominated by the main banks but there are also a significant number of independent providers. Find out more about these via the Asset Based Finance Association at **www.abfa.org.uk**

- Tough economic conditions and internet innovation have inspired a new generation of finance options for businesses, spanning debt, equity and even invoice finance. Operators claim the services are better priced and more flexible than other forms of finance. For information on these visit the Next Generation Finance Consortium at **http://ngfc.org.uk** or the Peer2Peer Finance Association at **www.p2pfinanceassociation.org.uk**

Funding Options

Choosing the right finance option from the most appropriate supplier is an essential decision for any business. For instance, using an overdraft to pay for equipment could cripple cashflow, whereas hire purchase or leasing could make much more sense. Here are some pointers:

- *Cashflow / working capital:*
  - Overdraft
  - Invoice finance
  - Shareholder funds
  - Refinance unencumbered equipment
  - Release equity by restructuring existing finance agreements
- *Property*
  - Mortgage from bank or specialist lender
- *Equipment & Machinery*
  - Hire Purchase or leasing through an asset finance company
  - Rental
  - Loan
- *Vehicles*
  - Leasing & Contract Hire
  - Hire Purchase
  - Loan

Raising Finance Checklist

Before applying for finance it is essential that any business carries out an assessment of precisely what it needs in order to avoid poor decisions that could eventually prove costly or even disastrous. For many businesses, the services of an accountant could prove useful in this exercise.

Things to think about:

- What type of finance is appropriate?
  - What will the funds be used for?
  - How long will it be needed for?
- Is there a detailed Business Plan in place, including the cashflow forecasts that all lenders will want to see? The business's ability to repay will be critical in any application.
- Are the directors prepared to offer personal guarantees?
- Can the business offer assets to guarantee the finance?
  - If not, does that change the types of finance providers that the business will approach?
- Is there an opportunity to apply for a government-backed grant scheme that might make borrowing cheaper?

Summary

Given the considerable changes in the market for business finance in recent years, it is vital that firms understand their own requirements and the options available to them and recognise that diversifying their sources of finance across the most appropriate lenders is likely to be the most effective strategy.

For more information please go to Enterprise Funding Magazine at **www.enterprise-adviser.com** or call **Ben Hobson**, Editor, on **0121 722 3540**

Top Tips: Concerned about cash flow

For growing businesses, astute cash flow management can mean the difference between sustained expansion and sudden disaster. If all the other metrics are positive but you are still struggling to pay your staff and suppliers, it is time to take a closer look at the books.

Spot the problem

Your turnover is growing, profits are up but cash is short. It can take a while for a business to recognise cash flow problems when all the other metrics are positive. However, missing vital signs early on can cause problems and eventually prove fatal. Running out of cash to pay staff and suppliers is a problem that affects growing businesses as well as struggling ones so you need to keep your eyes open.

Payments in

Credit control is a key issue. How long is it taking for customers to pay invoices? Are you putting enough effort into chasing payments? Specifically, if payments in are taking longer than it takes you to pay suppliers then you could be on a slippery slope. Implement strict payment terms for customers and keep a close watch on your debtor list.

Payments out

Take full advantage of the payment terms you are offered – and don't pay suppliers too quickly. Again, you need to ensure that that cash is 'flowing' in and out of the business in a controlled way. For rapidly growing businesses that are buying increasing amounts of stock and taking on extra staff, this is particularly important because small slippages can mushroom into major problems. Businesses that operate in cyclical or seasonal markets should be particularly wary of the payments in/payments out issue.

Financial control

Establish a system that lets you see which payments are coming and when you can expect them as well as what cash is being paid out. At the very least this will mean you can spot problems early on and attempt to plan for them before a crisis emerges.

Get the right finance

Cash flow bottlenecks can often be a symptom of growth and, to a degree, your own success. Banks and other specialist financial firms are well versed in this type of problem. Rather than asking the bank for a loan or overdraft, consider whether more flexible instruments, such as asset finance or invoice finance, would better suit your needs. When cash is tight, the value of unencumbered machinery can be released by specialist asset finance providers, giving you breathing space and the opportunity to invest.

Seek advice

At best, poor cash flow management can constrain growth, alienate suppliers and upset the bank. At worst, running out of cash - regardless of turnover and profitability - can cause more severe problems and even insolvency. It is essential to spot problems early.

Some tax guidance

Ian Jardine looks at some of the tax opportunities and pitfalls that shouldn't be overlooked.

Capital allowances

The Annual Investment Allowance (AIA) provides tax relief of £25,000 on plant and machinery from 6 April 2012. In addition from the same date the writing down allowance reduced to 20%.

Green plant

If you buy energy saving plant and machinery you can claim the 100% first year allowance. The qualifying plant is listed at **www.eca.gov.uk**. There is a mechanism whereby companies can claim a tax credit by using First Year Allowances on energy saving plant and machinery and green plant and machinery to create a loss.

Green commercial vehicles

A 100% First Year Allowance is available until 5 April 2015 on the purchase of ZERO EMMISSION GOODS VEHICLES. These vehicles must not be capable of emitting CO_2 under any circumstances and must be designed for carrying goods.

Approved tax efficient investments

In addition to ISAs, Enterprise Investment Schemes, the new Seed Enterprise Investment Schemes and Venture Capital Trusts there is Business Premises Renovation Allowance (BPRA).

BPRA provides tax relief at your highest rate of tax, via capital allowances on the cost of renovating or converting 'qualifying business properties that have remained empty for at least a year in designated disadvantaged areas into qualifying business premises'.

There are providers who offer these products which are based on this form of investment. They are available to companies and individuals. Originally intended to be available on expenditure between 11 April 2007 and 10 April 2012, it is expected that it will be extended for a further 5 years from April 2012.

BPRA, ISAs, SEED and VCTs all provide alternatives to pensions.

Dividends vs salary

Take a low salary and pay yourself the balance in dividends? There is a trap.

The National Minimum Wage (NMW) applies to all employees including directors. Pay below it and you could fall foul of the NMW. HMRC police the NMW.

If you are a director of a family company without a specific employment contract you may be OK. Otherwise take advice and err on the safe side and pay £12,000 per year in salary before looking at dividends.

There is not much evidence that this is being used to pursue director/shareholders. But the NIC on £12,000 is £2230!

Be aware that the government is looking at whether some method can be found by which the advantages of paying dividends can be overcome by the operation of the tax and National Insurance systems.

Director's loan accounts

If a director's loan account is overdrawn by more than £5,000 even for a single day, a Benefit in Kind (BiK) charge is triggered. Even if this overdrawn position is corrected shortly afterwards, the BiK is not removed.

It can be avoided by charging interest at the official rate on the loan. If the loan is not repaid within nine months of the company year end the company must pay Corporation Tax at 25% on the value of the loan. This tax can be reclaimed once the loan has been repaid but not until 9 months after the end of the year in which the loan was repaid.

The HMRC 'Directors Loan Account Toolkit' provides a guide to the most common problems. If a dividend or bonus is to be voted to clear a director's loan account – ensure that the director concerned is beneficially entitled to the money before the year end – minute of a directors' meeting will suffice.

Where did my Personal Allowance go?

If you earn over £100,000 per year including Benefits in Kind, you will lose your allowance at the rate of £1 for every £2 above £100,000.

At £116,210 you have no personal allowance left!

If you are planning remuneration watch this trap. You could end up paying 40% tax on £8,105 (£3,242) when you used to have £8,105 tax free!

The basic rate band, the level at which you start to pay higher rate tax after deductions, has been reduced from to £34,370 and will be further reduced to £32,245 from 6 April 2013.

National Insurance

If you earn above £42,484 (approx) the Employees NIC contribution has risen to 2%. The employers' contribution has also risen from 12.8% to 13.8%.

For further information please contact Jardines, Chartered Certified Accountants
tel: **020 8688 3141** or **info@jardines.co.uk**

R&D tax credits - *investing in R&D can directly boost your bottom line*

The R&D tax relief programme is split into two schemes – (1) the SME Scheme and (2) the Large Company Scheme. Only companies that meet the definition of a small or medium sized enterprise (SME) can claim under the SME Scheme. An SME is generally defined as an enterprise which has fewer than 500 staff and either turnover of less than €100m or total assets of less than €86m.

A R&D tax relief claim needs to pass two broad areas of compliance, financial qualification and technical qualification.

The R&D tax relief programme is administered through the corporate tax process. Companies should submit a R&D study to Her Majesty's Revenue and Customs (HMRC) which quantifies the relief or credit due and qualifies the technical activity performed.

SME scheme

From 1 April 2011 the deduction for qualifying R&D expenditure was increased from 175% to 200% when computing the tax bill for SMEs. For example, a SME with £100,000 in qualifying R&D expenditure can claim £200,000 (£100k x 200%) as a deductible expense in the tax computation.

Legislation will also be introduced in Finance Bill 2012 to increase the additional deduction by a further 25% from 1 April 2012. For example a SME with £100,000 in qualifying R&D expenditure can claim £225,000 (£100k x 225%) as a deductible expense in the tax computation.

SMEs can surrender tax losses related to R&D for a cash payment of up to 25% of the R&D spend identified.

Large Company Scheme

A large company can deduct 130% of its qualifying R&D expenditure in its tax computation. For example, a large company with £100,000 in qualifying R&D expenditure can claim £130,000 (£100k x 130%) as a deductible expense in the tax computation. For large companies there is no refundable cash cheque if you are loss making.

Other proposed revisions include:

- Scrapping the rule limiting a SME company's payable R&D tax credit to the amount of PAYE and national insurance contributions (NICs) it pays;
- Scrapping the £10,000 minimum expenditure condition for all companies; and,
- Changes to allow for the provision of relief for work done by subcontractors under the large company scheme.

Technical qualification

A company should prepare a technical report to accompany the tax compliance submission. This technical report must qualify the activities of the company as meeting the definition of R&D (as defined in the 2004 DTI Guidelines). Only projects which advance science or technology through the resolution of technological uncertainty will meet this definition. The creation of a new product, process, material, device or service would be considered R&D provided the creation incorporates or represents an improvement in science or technology. Similarly, the appreciable improvement of a product, process, material, device or service such will also be considered R&D if the improvement is in the underlying science or technology.

Written by: Greg Howe
Operations Director – Braithwaite Tax Recovery Consultants Limited
Co-author of book: Tottel's Research and Development Tax Credits

For further information please contact Roy Charlton Senior Technology Consultant **rcharlton@btrcl.co.uk tel. 0845 331 3149** or visit **www.btrcl.co.uk**

If you wish to research information directly R&D Relief is claimed on the company tax return and should usually be claimed within 2 years of the end of the relevant Corporation Tax accounting period. There are guidelines set out on the HMRC website which help to identify whether a project falls within the definition of allowable R&D.

Visit **www.hmrc.gov.uk/ct/forms-rates/claims/randd.htm** for detailed information

Stop Press

In addition in the March 2012 Budget the government said that it will introduce an 'above the line' R&D tax credit from April 2013 with a minimum rate of 9.1 per cent before tax. It means loss making companies will be able to claim a payable credit.

More about the Business Growth Fund - *minority equity investment in your company*

The Business Growth Fund (BGF) has been established to help Britain's fast growing smaller and medium sized businesses. BGF provides long-term equity investment for those growing companies that today do not have enough access to this source of capital. Growth potential is the key criteria. BGF invests between £2m and £10m in return for a minority stake in a business.

We typically invest in privately owned, profitable companies with a turnover between £5m and £100m. BGF invests in all sectors of the economy with the exception of financial services and property, through its local investment teams and offices across the UK. As these investments are made directly from BGF's balance sheet we are able to take a long term view.

We are investors, not lenders; we provide equity, not debt. As equity investors we can look to the longer term prospects of a company and ensure it is properly capitalised. Banks, quite rightly look to a shorter period and are focussed on repayment of their debt. Their credit and risk criteria are naturally very different to that of an investor who can consider a broader range of factors. Equity investment is an alternative that we would encourage fast growing smaller and medium sized businesses to consider.

Successful entrepreneurs tell us that they don't want ever more debt. What they do want is a long term partner with access to new ideas, experience and relevant networks. They also tell us that they don't want to lose control of their business, which is why we only ever take a minority stake.

We recognise that to succeed, companies need more than just money: confidence and capabilities are critical too. Alongside our investment we provide practical and strategic support directly through the investment team and wider BGF infrastructure, through non-executive involvement at board level, and through access to our broader networks.

BGF is an independent company with capital of up to £2.5 billion, backed by five of the UK's main banking groups - Barclays, HSBC, Lloyds, RBS, and Standard Chartered. This means we work closely with the banks and through our investments we can often help to unlock bank debt for companies. But, BGF is managed completely autonomously with a wholly independent management team.

For more information please see **www.bgf.co.uk**
Or contact: **William.Gresty@bgf.co.uk** or **Richard.Pugh@bgf.co.uk**

Export - developing your business in foreign markets

UK Trade & Investment Services - ***expert support when you are ready to export***

UKTI Trade Development Service Portfolio

A comprehensive package of tailored training, planning and support to help companies to do business overseas. Services include training and workshops, one-to-one support from an International Trade Adviser (ITA), sales leads from UKTI's extensive overseas network, research, events, trade shows and market visits.

Passport to Export

Especially designed to support new and less experienced exporters to gain the skills and confidence they need to succeed. Businesses receive up to six days' one-to-one mentoring and consultancy from an experienced ITA. Grants are available on a match-funded basis and ITAs can signpost other UKTI services that would benefit the business.

Gateway to Global Growth

Gateway to Global Growth is a free service to experienced exporters which offers a strategic review, planning and support to help grow your company's business overseas. Solutions could be complex requiring both UK Trade & Investment services and those offered by other public or private sector organisations. It could involve the acquisition of specialist information and skills or guidance on how to achieve a specific objective. It may even involve sharing your experience and problems with other experienced exporters.

Overseas Market Introduction Service (OMIS)

Invaluable support from the overseas network of UKTI staff in UK embassies and high commissions around the world. Staff with on-the-ground experience can provide: an overview of the market, feedback on the demand for products or services and a list of contacts (including making the initial approach). They can also organise events, set up appointments and conduct research.

Export Marketing Research Scheme (EMRS)

Support for organisations wishing to carry out overseas field research prior to developing a market entry strategy. The EMRS provides professional advice and support, as well as a grant for eligible companies.

Export Communications Review (ECR)
A service to help companies improve the way they communicate with overseas customers. ECR advisers carry out an audit of all communications with overseas customers (verbal, written, electronic etc.) and identify any gaps or problem areas. Companies receive a tailored list of recommendations to improve their language and cultural capabilities.

Tradeshow Access Programme (TAP)
Grant support for eligible companies to attend trade shows overseas, so they can test markets and build relationships with buyers, agents, distributors and customers. Companies usually attend as part of a group, led by an accredited trade association.

Market Visit Service (MVS)
A programme of Trade Missions to overseas markets, with support both within the UK and from locally based UKTI staff. Eligible companies can receive grant support and organise embassy briefings and one-to-one appointments with potential customers and suppliers. The ideal way for businesses to gain first-hand knowledge of a marketplace.

Register for alerts on the UKTI website
We encourage UK businesses (those with an active UK trading address) to register at the UKTI website **http://www.ukti.gov.uk/ukti/registration** - over 30,000 business users are currently registered. Once your registration is approved you can set up your account to receive e-mail alerts for business opportunities, sector, market and event information when they are published.

Find out more at: **www.uktradeinvest.gov.uk/ukti/our_services**

UK Export Finance - ***support that reduces overseas sales risks***

UK Export Finance is there to help UK exporters win more business overseas by taking some of the risk out of selling goods abroad and in doing so help firms manage their finances better and even get access to monies earlier than they would without the cover UK Export Finance can provide.

UK Export Finance is the UK's official export credit agency. They provide services such as:

- insuring UK exporters against non-payment by their overseas buyers
- helping overseas buyers to purchase goods and/or services from UK exporters by guaranteeing bank loans to finance those purchases
- insuring UK investors in overseas markets against political risks.

The amount and terms of support available depend on the risk involved. They work closely with exporters, project sponsors, banks and buyers.

How to apply

The steps you should take to apply for any of their products are:

1. Check the product guide on their website for more information and the type of cover available. You can find the individual guides in products and services at **www.ukexportfinance.gov.uk/**
2. Make sure you meet the criteria for applying
3. Contact UK Export Finance to find out more about applying.

Many of their products are actually delivered through the banks. But if you need to know more get in touch with UK Export Finance Customer Service: Tel: **+44 (0)207 5127887** (business hours) or by e-mail **customerservice@ecgd.gsi.gov.uk**

For a full listing of all their products go to **www.ukexportfinance.gov.uk/products-and-services**

For example: The Bond Support Scheme

UK Export Finance provides partial guarantees to banks under a master bond support agreement in respect of UK exports. Where a bank issues a contract bond (or procures its issue by an overseas bank) in respect of a UK export contract, UK Export Finance can typically guarantee 50 per cent of the value of the bond and up to 80 per cent for advance payment and progress payment bonds.

This means:

- the guaranteed bank is able to issue the bond (or procure its issue by an overseas bank) even if it doesn't have sufficient risk appetite on the exporter for the full amount;
- the bank receives a guarantee from UK Export Finance to cover the percentage of the amount due to it if the exporter fails to reimburse the bank following a call being made on the bond by the buyer
- the bank can, for the duration of the guarantee, increase its risk appetite for the exporter
- for advance payment and progress payment bonds, the bank can increase the amount of working capital it makes available to you as the exporter.

Risks covered

The guaranteed bank is protected against your failure to reimburse it under its counter-indemnity if a bond is called and the bank is obliged to pay the beneficiary (buyer).

Conditions apply

The following criteria must be met:

- the guaranteed bank should normally be incorporated in an EU or OECD country and be regulated by a regulator acceptable to UK Export Finance
- the exporter must be carrying on business in the UK;
- the bonds required should normally have a value of more than £1m (see note below); and
- the export contract must have a minimum of 20% UK content.

Note:

For bonding requirements under £1m, the Department for Business Innovation and Skills (BIS) Export Enterprise Finance Guarantee (ExEFG) Scheme may be more appropriate. However, UK Export Finance will consider any applications that cannot benefit from support under the ExEFG. (See below for more details about the ExEFG)

More about the Export Enterprise Finance Guarantee - ***finance scheme for smaller exporters with limited collateral***

BIS | Department for Business Innovation & Skills

The Export Enterprise Finance Guarantee (ExEFG) is a relatively new loan guarantee scheme, based on EFG, but aimed specifically at viable SMEs seeking short term export finance facilities but that lack the security to obtain normal commercial export facilities.

The scheme provides accredited lenders (initially the big five banks) with partial guarantees (60%) to ease export finance facilities of between £25,001 and £1 million for terms of up to 2 years for purposes that are not permitted under EFG.

Unlike EFG, which is a government subsidised aid scheme operating under the de minimis (EU State Aid) regulations and thus cannot be used to aid export activities, ExEFG operates as a commercial scheme on a non-aid basis.

Types of export finance products eligible to be guaranteed include:

- Trade Loans (including Letters of Credit, Export Collections, pre-export finance / import credit facilities, export invoice finance, investment term loans)
- Export Bonds, Guarantees & Indemnities
- Other Contingent Liabilities (including foreign exchange hedging)
- Any combination of the above via Trade Multi-Option Facility.

N.B. Overdrafts, including trade related overdrafts are ineligible

Purposes for which that finance may be utilised include:

- Working capital to fund the purchase of materials etc in order to manufacture goods for sale internationally
- Depositing performance bonds and similar instruments in order to satisfy requirements of an overseas customer
- Exporting overseas sourced goods produced to the design / specification of the business, even if those goods are shipped directly to a third country and do not originate from the UK or touch UK shores
- Importing of goods for subsequent re-export following value added activity by the business in the UK
- Promotional and related activities focused on increasing exports, such as an advertising campaign outside the UK, the establishment of a representative office outside the UK, or the appointment of an overseas agent; or the setting up of a distribution network overseas.

Application process

Businesses seeking export finance that believe they may fit the ExEFG eligibility criteria should approach one or more of the participating banks.

The lender will typically assess the business against their normal commercial lending criteria for instance with regard to the viability of the business, the ability to service the facility, and the availability of existing security, in order to determine whether they wish to lend.

There is no automatic entitlement to receive a guaranteed loan nor is there any pre-qualification process for it. Decision-making on individual facilities is fully delegated to participating lenders and integrated with the commercial decision to lend. BIS plays no role in the application or decision making process.

For more details please see:
www.bis.gov.uk/policies/enterprise-and-business-support/access-to-finance/ex-efg

Advice - advice to help you build your business

Business Link - *online one-stop advisory service*

Business Link is the government's online business advisory service. An online tailorable service almost like a mentor: **www.businesslink.gov.uk/bdotg/action/home**

It contains essential information, support and services for you and your business – whether you work for a large organisation or are on your way to starting up.

Business Link is the first place to go to find guidance on regulations and to access government services. It also has a number of useful online tools, calculators, and best practice case studies and provides access to funding options, as well as wider support.

Here are just a few of the things you can do on Business Link website:

- File your VAT and PAYE returns from the Do it Online area
- Create a personalised list of tasks to assist you when setting up your business with the Start-up Service
- Search for public sector procurement opportunities using the Contracts Finder service
- Search the Business Support Finder for grants, loans, expertise and advice for which your business may be eligible
- Advertise a vacancy on Jobcentre Plus via Employer Direct

In the Help Section you can browse topics, ask questions, and give feedback or find a contact.

Here are two other examples:
Finance Finder: A searchable database of publicly backed and private sources of finance that can help you with your business plans depending on your company's stage of development (start-up, grow up or exit).
www.improve.businesslink.gov.uk/resources/business-finance-finder?offset=10

Mentoring: Running a business can be a lonely occupation at times. Insight from others, who may have had to face the same or similar issues can be immensely helpful. Mentorsme is a free online gateway providing access to quality-assured business mentoring organisations across Britain.
www.mentorsme.co.uk

Manufacturers Automation Grant - *Government support for companies to test the benefits of automation*

Automating Manufacturing
Ensuring the UK's Economic Growth

Automation needn't cost a fortune and doesn't have to be complex, yet it can cut your manufacturing costs, be flexible to changes in product and demand, improve your quality and be environmentally friendly.

Currently there's a government funded programme (through to the end of March 2013) that gives UK manufacturers the opportunity to take a practical look at what successfully implemented automation could do for their operations in terms of productivity, waste reduction, greater precision and ultimately increased competitiveness.

The programme is managed by the British Automation and Robot Association (BARA) as a two stage process.

Programme

Support is available in two stages, first an overview of manufacturing operations to identify potential opportunities to apply automation and second more detailed support to develop those opportunities through to implementation.

In the **Manufacturing Review** an expert will diagnose your manufacturing activities focused on realistic opportunities to improve some of the production operations which are then summarised in a report along with initial recommendations for the development of each opportunity.

If you like what you hear, you then proceed to the second stage of **Implementation Support** and a more detailed intervention developing the outcomes from the Manufacturing Review the aim being to provide you with the knowledge and information required to plan and successfully implement the automation solution.

Timing and costs

The Manufacturing Review is free of charge. The initial visit will typically require half of a day on site. The review meeting would normally be arranged at the time of the initial visit and would normally take place within 2 weeks of the initial visit.

The need and content of any Implementation Support (which benefits from a 50% grant) will be determined at the follow up meeting which completes the Manufacturing Review. The charge to the client will be £400 per day (including any expenses) for a maximum of 20 days of support. For any further work the full charge of £800 per day will be made.

In the first six months 150 companies took up the free review. It takes 5 minutes to apply for an Automating Manufacturing review. To apply please contact **grant.collier@ppma.co.uk** or for further information call **Grant Collier** on **020 8773 8111**.

Manufacturing Advisory Service

manufacturing advisory service

All manufacturing businesses in England can use the new Manufacturing Advisory Service.

There are five different levels of service. Some of them are free.

1 FREE helpdesk and research service - A quick query service. MAS experts are there to answer questions on a wide range of technical issues or are prepared to spend up to 2 hours researching your problem.
Call **0845 658 9600** or email: **advice@mymas.org**

2 Manufacturing Review FREE to SME manufacturers - Experienced manufacturing advisors can carry out a hands-on assessment and diagnostic of your business to highlight opportunities or action you can take to improve operational performance.
All initial advice relating to this is also free of charge.

3 Events - training and networking events to help improve awareness and skills related to manufacturing issues and best practice. See the events section on the MAS website for details of the events on in your area.

4 Subsidised Consultancy Support for SMEs - MAS can provide up to 50% of the cost of an expert to help you improve your business, at two different levels:
- Up to £1,000 and 50% subsidy towards basic improvement projects
- Step-Change – up to £3,000 and 50% subsidy towards more complex projects

5 Signposting and Referral - for non-manufacturing queries, such as human resources, legal or environmental issues, MAS works closely with a range of organisations to ensure manufacturers have access to a full range of business support services.

The MAS programme has always aimed to improve the competitiveness of manufacturing businesses. The common services and support MAS provides focuses on:

- *Innovation* – helping firms to grow top line sales through new product development, innovation and business strategy programmes.
- *Strategy* -- schemes for growth that combine best practice with tailored regional plans designed to increase efficiencies and reduce costs.
- *Operational improvement* -- identifying constraints, quantifying impacts and designing transition plans to realise targeted operational output.
- *Supply chain* -- realising efficiencies through improved coordination with suppliers and customers.
- *Finance* - providing consultancy tailored to firms' financial requirements including manufacturing market insights, bespoke research into key markets, one-to-one strategic support and financial consulting from manufacturing experienced staff.
- *Technology* - helping companies to gain a competitive advantage through the exploitation and commercialisation of technology.

To find out more about the programme go to **www.mymas.org** or call an adviser on **0845 658 9600**.

The Carbon Trust- *how to save money with existing and with new plant*

CARBON TRUST

The Carbon Trust is a not-for-profit company providing specialist support to help business boost business returns by cutting carbon emissions, saving energy and commercialising low carbon technologies

Guidance for small and medium size businesses

1. *The basics*

   These are the first steps that a small business should take. There is no cost associated with implementing them, but they are proven to be effective measures.

   a. *Switch Off*

      Educate staff to 'Switch Off' all non essential equipment whenever practical and safe; such as computer equipment, lighting, ventilation systems, air compressors, machine tools and process equipment etc.

   b. *Heating temperature control*

      12% of all energy consumed by manufacturing industry is used for space heating. Make sure you are not overheating the workplace by following recommended temperature guidelines:

Offices	19-21°C
Workshops	16-19°C
Heavy work	11-14°C
Stores	10-12°C

   c. *Heating time control*

      Use your controls to match the heating times to occupancy patterns

2. *Compressed air operation and maintenance – check for leaks*

   At a typical cost of £1/kWh, compressed air is one of the most expensive resources on site. Simple measures to minimise wastage and optimise running conditions can therefore give very quick returns.

   1. Listening for leaks (out of hours when production equipment is quiet)
   2. Washing up liquid applied to joint and other areas will help locate leaks
   3. Ultrasonic detection which can be undertaken during working hours.

For larger or complex installations consider using services offered by a specialist contractor.

3. *Install lighting controls - occupancy and daylight sensors*

   Daylight and Occupancy Controls ensure your lights are only on when required.
   An occupancy detector (with built-in daylight sensor), might typically cost around £250 (plus VAT) to install using a contractor.
   If suitable, installing lighting controls could save you up to 30% on your lighting costs.

4. *Do not leave roller doors open*
   Leaving roller doors open when the heating is in use wastes a significant amount of energy. Occupant comfort levels will be also be adversely affected. Shutting your roller doors is a simple and quick way of keeping your energy costs under control.

   If you have roller doors which are in regular use and are often left open then this recommendation will be applicable to you. Educate staff and implement a policy to ensure warehouse / workshop doors are closed whenever practical. If heating turns off when doors are opened, then there is an incentive for people to keep them closed. Talk to qualified heating engineers about simple 'interlock' controls linking the operation of a roller door with space heaters so that they switch off automatically when doors are opened.

Sourcing high quality suppliers and proposals

If you are ready to embark on an energy efficiency project Carbon Trust Implementation Services can help you run tenders and provide you with access to accredited suppliers that have proven their expertise and demonstrated a strong track record in energy efficiency.

If for instance you need to source good quality suppliers and competitive quotes to install new lighting, heating or compressed air equipment, Carbon Trust Implementation Services can help.

Financing scheme

Carbon Trust Implementation Services offers leases, loans and other financing options in partnership with Siemens Financial Services from £1,000 upwards with no maximum to all types of organisations.

The financing scheme is:

- *Convenient and fast* - arranged with you direct or through your chosen recognised Energy Efficiency Financing supplier
- *Affordable* - designed so that financing payments are offset against the anticipated energy savings
- *Easier budgeting* - payments are fixed, not subject to fluctuations in interest rates
- *Tax efficient* - payments may be offset against tax, depending on individual circumstances
- *Future proofed* - allows the flexibility to change with your business requirements
- *Conserves* cash flow and capital to invest in other business areas

For further information, please visit **www.carbontrust.co.uk/implementation**
or call **0845 6008683**

Top ten tips to minimise employment headaches

By Michael Hibbs, Partner at Birmingham-based law firm Shakespeares

1. *Get recruitment right. Key steps to take are:*
    - Carry out appropriate checks to verify a new or prospective employee's immigration status.
    - Seek references.
    - Avoid discriminatory adverts or stereotyping.
    - Provide all employees with a written statement of the terms of their employment when they join the business.
    - Check qualification certificates and ask for originals.

2. *Review new starters after three, six and nine months.* After two years' continuous employment, (for employees after April 2012) employees qualify for a range of employment rights, including the right to protection from unfair dismissal. It's often safer, although not completely risk-free, to remove an unsuitable employee before they have completed two years' service.

3. *Regularly review your staff documentation.* Look at all relevant policies, procedures and other contractual documents. Employment terms and conditions and policies and procedures should not only be tailored to your businesses needs but should also include provisions that will protect you as an employer. Have you got the right policies in place to allow you to take appropriate action? Consider when you last reviewed your policies. Employment law changes constantly and so what may have been suitable two years ago may now be out of date!

4. *Keep accurate and comprehensive personnel records* relating to appraisals, absences, training, disciplinary and grievance matters and any actions you take in relation to your employees. These will help ensure consistency of treatment and reliable benchmarking, for example of attendance. If you can't evidence it by a written record – it didn't happen! We have encountered a number of scenarios where employees deny having ever seen their employment contract!

5. *The disciplinary and grievance procedures* are two of the most important procedures that an employer can have and following at least basic procedures covering disciplinary and grievance issues are not optional. Make sure you have read the ACAS Code on Discipline and Grievance.

6. Be conscious of and alert to actions which could give rise to claims for *discrimination*. Discrimination can take various forms such as on the grounds of an employee's sex, race, age, religion, sexual orientation or disability. Ensure you have an appropriate policy in place regarding this.

7. *Offer training* to those managers/senior employees who will be applying any policies and procedures so that they know how to implement the appropriate procedure in practice. Keep records of such training as it could provide you with a useful defence if you face claims.

8. Be aware that to avoid claims of unfair dismissal an employer must show a potentially *fair reason for dismissal*. These are: conduct, capability (health or performance), redundancy, breach of statutory enactment (for example no valid work permit to work in UK) and some other substantial reason justifying dismissal.

9. *Always act consistently* and before taking formal disciplinary action follow a fair procedure, in all cases incorporating the statutory minimum procedures. The appropriate procedures to be followed will vary according to the reason for the proposed dismissal. The attitude and conduct of staff may be seriously affected if management fails to apply the same rules and considerations to each case.

10. *Be proactive instead of reactive.* The amount you will pay for ensuring you have the right mechanisms in place at an early stage can be substantially lower than paying for problems that will arise in the long term.

For further information please contact **Michael Hibbs** on **0121 631 5367** or by email at **michael.hibbs@shakespeares.co.uk.**

Developing the skills of your people - *there's plenty of support to help companies raise the skills of their workforce*

Many companies say that skills represent one of their biggest challenges, where to find the skilled people they need when the company is growing or how to introduce existing employees to new skills.

Recognising the scale of change that's needed to raise skills levels, government has created a range of schemes that provide some financial support, information and advice to help each business upskill.

Whichever scheme you access, you need to make sure that you are advised by someone who really understands your sector and its needs, as well as all the training that's available. So do insist on this. That way you will get someone who will understand your situation so much better, saving you valuable time.

So, if you are a member of a trade association, check with them first. See what advice they can offer. They may have a special training scheme that will help you train your people in-house or professionally on a shared cost basis with other colleagues from other companies with similar requirements.

If you are in engineering or manufacturing more generally you should also contact Semta.

semta
people · productivity · performance

Semta (Science, Engineering and Manufacturing Technologies) is the national body set up to help engineering companies like yours find and fund the training that you want for your people.

If you **want to take on an apprentice, Semta** have a dedicated apprentice management service that will look after all the tricky administration for you down to even recruiting the apprentice if you wish.

See **www.semta.org.uk/employers/semta-apprenticeship-service**

If you're an SME and the apprenticeship is relatively straightforward, the service will be free and if it's for your first apprentice the government will pay you £1,500 towards the costs of taking someone like this on.

As one of the leading sector skills councils, Semta works with the national Skills Academy for manufacturing, helping to make sure it's a centre of excellence tackling the sector's priorities **(www.nsa-m.co.uk/)**

Semta works with businesses of all sizes – from the smallest to the largest.

More broadly, Semta is working on three initiatives that may well be relevant to your business:

- Supporting the supply chain helping companies improve their capacity and capability within their supply chain.
- Increasing the take up of apprenticeships by helping companies particularly SMEs to recruit and train an advanced or higher apprentice.
- Increasing SMEs' graduate take up by helping smaller firms connect better with universities and through the recruitment process.

To find out more, contact **01740 627 000** or visit **Semta** and its other organisations:

- **www.semta.org.uk**
- **www.nsa-m.co.uk**
- **www.eal.org.uk**
- **www.engineeringdiploma.com**

Talent Retention Solution - ***finding and in extremis redeploying the skills your company uses through your sector***

Finding the right people with the right skills can be a major barrier to growth for companies in advanced manufacturing and engineering (AME).

But now there's a possible solution that you should examine in closer detail. And even better, if you're an SME, it's free to use.

The UK-wide Talent Retention Solution (TRS) is an online tool to help you manage your skills needs. Whether you're looking for new people or having to downsize, the Talent Retention Solution could well be the only deployment tool you'll need. It may help you save on your recruitment and outplacement costs.

TRS is an online searchable database that enables employers and individuals to share information about themselves and their requirements directly on a confidential basis. So it's a secure way for you to advertise your vacancies to your target audience – people in the sector looking for new roles.

It has been designed specifically to meet both the recruitment and redeployment needs of AME sector users across the United Kingdom.

Once you have registered you have access to a national pool of engineering talent and you are able to contact individuals directly and manage your own vacancies.

The TRS system can also support individuals who are at-risk, when a company has to reduce the numbers it employs by helping them in their search for a new job elsewhere.

So the other side of the service is that through TRS individuals can promote themselves directly to prospective employers in the same sector within a controlled and confidential environment that aims to rapidly match their talent to other companies' needs.

To find out more go to **www.talentretention.biz** You can then click the **'Register with TRS button'** to gain access to a pool of prospective employees, contractors or secondees within your business sector and geographical region.

The Engineering and Machinery Alliance - *helping firms make it in Britain*

eama
Engineering and
Machinery Alliance

The Engineering and Machinery Alliance (EAMA) was created by a group of engineering related trade associations that shared a common wish to keep on delivering a better service to their members, while also championing the cause of mechanical engineering.

Today, the alliance represents the interests of 1,700 mechanical engineering firms in 12 trade associations. These associations provide many different services including:

General advice -- Either direct or by signposting member firms to independent sources on topics such as grants, training and marketing.

Representation to government and more generally -- Mechanical engineering firms and their sort are the bedrock of UK manufacturing. The trade associations give their members the chance to express grass roots views to government, Parliament, The City and the media.

The European dimension -- Member firms can get their views across on impending EU regulations and directives to the Commission and Parliament because EAMA is a member of Orgalime, the Brussels-based federation representing European mechanical and electrical engineering.

Technical information, trade associations can lighten the load -- Whether it's environmental law, health and safety requirements, the latest industry statistics or new standards of conformity, 'technical' information is important to all companies whatever their size. There's just too much of it. Trade associations are well adapted to help unravel the opportunities, priorities and implications through co-operative effort, whether it's technical papers, R&D programmes, standards or statistics.

Training programmes -- Associations provide 'best practice' programmes, management training, sales & marketing seminars, as well as specialist skills training for their members from health & safety to finance and credit control.

Export promotion -- Services provided include general advice, translation services, market intelligence, chaperoned overseas visits, overseas offices, overseas exhibitions, outward missions and support for overseas funding support and applications.

The following are members of the Engineering & Machinery Alliance

Agricultural Engineers Association (AEA)
www.aea.uk.com

British Automation & Robot Association (BARA)
www.bara.org.uk

British Paper Machinery Suppliers Association (BPMSA)
www.picon.com

British Plastics Federation (BPF)
www.bpf.co.uk

British Turned Part Manufacturers Association (BTMA)
www.btma.org

Confederation of British Metalforming (CBM)
www.britishmetalforming.com

Gauge and Toolmakers Association (GTMA)
www.gtma.co.uk

Manufacturing Technologies Association (MTA)
www.mta.org.uk

Polymer Machinery Manufacturers and Distributors Association (PMMDA)
www.pmmda.org.uk

Printing Industry Confederation (PICON)
www.picon.com

Processing and Packaging Machinery Association (PPMA)
www.ppma.co.uk

UK Industrial Vision Association (UKIVA)
www.ukiva.org.