

The logo for the Engineering and Machinery Alliance (eama) features the lowercase letters 'eama' in a bold, red, sans-serif font. The letters are contained within a white rectangular box that has thin horizontal lines above and below the text.

Engineering and  
Machinery Alliance

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# 2024 Budget Submission

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February 2024

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The Engineering and Machinery Alliance of trade associations submits the following points and recommendations ahead of the Budget on March 6th

## Context

1. EAMA welcomed the long-term commitment to full expensing that the chancellor announced at the fiscal event last autumn. This was an important step which will give companies greater confidence to plan and will encourage investment, as business looks for clarity, consistency and certainty.
2. The Advanced Manufacturing Plan, published last autumn, was an important recognition of the vital importance of the manufacturing sector to the future health of the UK economy. Dame Angela McLean's review of advanced manufacturing re-inforced the message. We agree with the review's opening statement that "the UK's advanced manufacturing sector is of critical importance to our future prosperity, our global competitiveness, and our ability to drive the sustainable economic growth"; and we welcome its assertion that it is process that makes manufacturing advanced. These are starting points for reversing the historic decline of manufacturing in the UK, the imperative contained in the Levelling Up White Paper (February 2022). That revival can be across a broad range of sectors and specialisms; but there is much more to be done.
3. We welcome the Harrington Review of Foreign Direct Investment (FDI), also published last November, but with qualifications. We need FDI that genuinely increases long term value in the UK economy and that protects and develops UK intellectual property – not all FDI does so. Alongside the drive to attract inward investment but there must also be a strong focus on developing engineering and manufacturing companies that are already here. Without that, the UK risks becoming, at best, a low value assembly destination for large manufacturers.
4. There is great opportunity in such an integrated approach. It would do much both to strengthen domestic investment and to convince potential inward investors that the UK will have the pipeline of talent and supply chain support to make it an attractive destination in which to commit their resources.

5. EAMA and its members have positive engagement with government on policy issues, which we value greatly. A recurring theme in this submission is that there are opportunities for government to work more closely with trade associations such as ours, to achieve shared goals. EAMA's members, certainly, are willing to be challenged.

## Skills

6. UK national capability in engineering needs to be strengthened and this will require action at many levels. We often hear about the need for more Green/Net Zero skills but we would put it much more broadly. In a report last year, Engineering UK noted that “25% of all jobs posted in the UK are for engineering roles”; and that the number of engineering jobs in 2030 will be greater than it is now in every area of the country. ([Engineering skills needs – now and into the future - EngineeringUK | Inspiring tomorrow's engineers.](#)) We need to take action to strengthen our ability to recruit and train engineers.
7. Trained and talented engineers are essential for the innovation and quality needed to develop the UK as a competitive, growing and environmentally sustainable economy. They create wealth and maintain international competitiveness. The value of engineering's analytical approach is valued, not only within the engineering world but ironically also in financial services, where engineers have built successful careers. The risk to the UK of failing to strengthen its engineering base is that we shall lack the capability to maintain an advanced and internationally competitive economy and that the advanced manufacturing plan fails to deliver. Conversely, we have an opportunity to build on current strengths and move the economy forward.
8. Engineering must become more strongly embedded in the school curriculum. Schools must be resourced and also encouraged to strengthen their involvement with engineering and manufacturing. Ofsted rules should be amended to recognise and reward initiatives with local employers. We have no doubt that companies in the industry would respond positively at local level with staff time and other investments – examples already exist where schools respond positively to engineering firms. Trade associations, including those in EAMA, are well-placed to encourage firms in their sectors. We take the opportunity to highlight that EAMA member associations are already pro-active and imaginative in doing what they can to promote engineering to young people and to support members, on their own initiative. There is potential for our trade associations to partner with government to do more.
9. We must halt and reverse the decline of engineering training and education provision in further and higher education. The crisis in the Further Education sector (FE) is unlikely to be solved by increased funding alone, not least given current spending constraints. The private sector must have a greater involvement, while being held to high standards. Private sector providers are increasingly preferred by companies and have the ability to be more flexible in recruiting and retaining trainers.
10. It is essential that we maintain standards in Higher Education. Centres of excellence appear to find it increasingly challenging to justify enrolling UK students for degree courses and we see growth in degree apprenticeships in engineering. These have many positives but they are best suited to large companies. The supply of graduate engineers to the industry as a whole must not be compromised by a fall-off in the availability of high-quality engineering degree. If engineering degree apprenticeships are to be expanded – and they may well bring great benefit - positive steps must be taken to facilitate the participation of SMEs.
11. Government, rightly, attaches much importance to digital skills. But the basic engineering understanding

remains essential to creating innovation and intellectual property and must not be neglected. Digital skills cannot be a substitute, but rather basic engineering understanding and digital skills should complement each other, to maintain and develop UK capability and competitiveness.

## Innovation

12. We see a need for government to give greater leadership in helping to facilitate the development of UK engineering and manufacturing. Stronger co-ordination between DBT, DSIT and DESNZ, particularly in relation to SMEs and to develop and commercialise technology, is required. We welcomed the increased funding for Made Smarter Adoption announced last November but we would like greater urgency from DBT in giving the coherent national lead that will make it effective for the sector across the country. We also urge greater clarity as to the targets and performance of the High Value Manufacturing Catapult in relation to SMEs.
13. The Recovery Loan Scheme is due to end in June. It should be significantly extended, with particular focus on sectors and companies that are competing in international markets, and a review made available to highlight how it has worked in practice.
14. Full expensing will encourage innovation at company level through the adoption of new technology. It would benefit the machinery sector if this were extended to leasing and rental, and we support the case made by that sector.

## Export support

15. UK expertise in advanced engineering is much wider and has much greater potential that appears to be recognised by DBT, which appears to have narrowed its focus considerably over the past two-to-three years.
16. We regret the withdrawal of support for SMEs to attend trade shows abroad. Even in an age of greater digital communication, attendance at shows has greater value and should be encouraged.
17. We urge DBT to take a broader and more collaborative view of export potential. Members are frustrated by a marked reduction in working with sector trade associations in the past two-to-three years, in contrast to the commitment to closer working indicated in the 2018 Export Strategy.
18. We welcome UK Export Finance's General Export Facility, which we recommend to member firms. It should be promoted more strongly.

## Energy

19. The issue of high energy costs to UK industry must be addressed, as it reduces UK international competitiveness. UK engineering and manufacturing is committed to working towards net zero

goals. However, energy costs to industry put UK producers at a disadvantage against even European competitors and transitioning over the next five-to-ten years will be especially challenging. Government should work with industry to highlight best practice and to support investments to reduce energy use.

## Prompt payment

20. The government's payment and cash flow review report, published in November 2023, contained recommendations which will have a significant impact on poor payments practises, if implemented. It is clear that in the machinery sector, as in other parts of the economy, payment periods are being stretched to unacceptable levels. We have examples of large companies unilaterally moving payment terms to 120 days from invoice. Such abuse of market position threatens the survival of some companies and greatly restricts the ability of others to invest and to develop. The cumulative effect is damaging to the economy and it is important that the government continues to show leadership in promoting good practice and requiring it through public procurement contracts. In addition, good payment practice should be a requirement for receiving government support, for example loan guarantees, capital grants and research funding. Companies receiving such support should not at the same time be delaying payments of money due to suppliers.

Jack Semple

Alliance Secretary

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Engineering and  
Machinery Alliance

Engineering and Machinery Alliance Limited  
62 Bayswater Road, London W2 3PS

 **020 7298 6450**

 [info@eama.info](mailto:info@eama.info)

 [www.eama.info](http://www.eama.info)

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