

MANUFACTURING MAGAZINE



Queen Elizabeth II
1926 - 2022

Queen Elizabeth II was one of the most influential women of all time. Her Majesty had a significant impact on the manufacturing industry and British enterprise as a whole. Over the years, more than 800 British businesses boosted their revenue by an average of 10% from supplying their products "by appointment to Her Majesty the Queen." This is alongside the prestigious Queen's Award for Enterprise, which has recognised thousands of UK businesses for outstanding achievement in innovation, international trade, sustainable development and promoting opportunity through social mobility, and has been running since 1966.

With the rest of the nation, we have been taking time to reflect and thank our Queen for a very long life of service, dedication and stability that none of us could ever hope to emulate.

WELCOME TO THE SECOND EDITION OF OUR MANUFACTURING MAGAZINE

We continue to see challenges with spiralling inflation, rising interest rates and the threat of recession. The pressures on energy prices continue to break new records and this is putting significant strain on manufacturers, many of which are not able to pass on these additional costs to their customers.

In this edition, we focus on what action manufacturers can take to inform themselves and take positive steps to safeguard their businesses in these difficult times. In particular we look at how to get the best management information from your financial systems to aid decision making, and also provide an update on the Customs Declaration Service.

In addition, its not all doom and gloom as demonstrated by one of our clients, Vertically Urban, who are breaking barriers with new technologies in efficient farming techniques in the UK – please do take a look at our Insider Insights article to find out more.

We do hope you enjoy.

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THE INTRODUCTION OF THE CUSTOMS DECLARATION SERVICE (CDS):

INDUSTRY UPDATE AND NEXT STEPS

We recently held a roundtable discussion with customs brokers, forwarders and importers/exporters to discuss the move to CDS. Below we share some observations and comments from the roundtable.

The transition to CDS will potentially have a bigger impact on the industry than Brexit. Businesses must prepare now for the changes which came into effect on 30 September 2022.

The main concern in the transport and logistics industry is that many customers of customs brokers and freight forwarders, particularly smaller businesses, have not prepared for the CHIEF switch off and transition to CDS.

CDS itself appears to have issues where there are differences between the test and live environments and also the time taken to complete a declaration has significantly increased, at least initially.

ARE BUSINESSES PREPARED FOR THE INTRODUCTION OF THE CDS?

Businesses must be aware that they will need to register for CDS through a Government Gateway account, select a payment method to use on the financial dashboard and authorise their customs brokers and freight forwarders to use their deferment account, if they have one. A new direct debit instruction will also need to be set up, as CDS uses a different bank account to CHIEF, so the bank must be contacted. Customs brokers and freight forwarders will also need to be given authorisation to act within CDS, by their customers, so it is important to do this.

Failure to do the above, will result in the entry not being accepted by CDS.

Larger traders that import and export frequently appear to be reasonably well prepared, but less so for the smaller ones. Training is essential before a business can consider going live on CDS. There are recommended CDS training programmes available, for example, the BIFA e-learning training course, in conjunction with ASM UK, is recommended and details the differences between CHIEF and CDS.

“ **It is also important for businesses to familiarise themselves with the new CDS documentation, such as the CDS tariff, which also includes all the customs declaration rules and guidance. It is essential for businesses to contact software providers and bridge any gaps between the old and new systems, to avoid duplication of entries where possible.** ”

TEST & LIVE ENVIRONMENTS

Currently, it appears that not many businesses have used the live platform. Those that have already started to use CDS are still using the Trader Dress Rehearsal (TDR) function. There are concerns that the TDR and CDS do not mirror each other completely and that until businesses go live on CDS, they will not appreciate the impact of the change and the time involved.

As it stands, it is taking a lot longer to prepare a declaration under CDS, which could have an impact on resource which is already under pressure. Therefore, businesses should plan accordingly. It would also appear that there is no requirement to use the TDR function before going live, so in theory, businesses can go straight to the live environment, without any testing or training.

DELAYED IMPLEMENTATION AND CONTINGENCY PLANNING

In dealing with HMRC about the expected go live dates, there has been discussion around contingency plans for the possible scenario where goods do not move, and ports and airports suffer delays. This could lead to storage and logistical issues, due to the lack of documentation being successfully and accurately completed to allow goods to be moved.



What would HMRC's plan be for this potential outcome, as surely they cannot risk ports and airports grinding to a halt?

One view, shared recently by BIFA members, is that HMRC might employ a similar contingency plan to the delayed declaration procedure as they did with Brexit, in order to ensure goods still move - even if the declaration has to follow. However, the concern here again, is that this could result in non-compliance, putting businesses at risk of exposure with HMRC, and at the time we have gone to press we have not heard of any such measures.

NON-COMPLIANCE

There are concerns over the accuracy of declarations and non-compliance going forward, with incorrect tariffs potentially being applied, due to the complexity and lack of understanding of CDS. CDS is open to many potential workarounds, which users are likely to find and use, however, this will have consequences.

WHAT NOW?

From the manufacturer's viewpoint, the CDS transition is yet another challenge to overcome. Following COVID and Brexit, businesses are fatigued, which is a possible reason for why the take up has been slow. That said, the CDS transition has been in planning for nearly ten years, although it has also been pushed back on several occasions, which is probably why businesses have not invested too early.

The key now for customs brokers and freight forwarders, is to get customers talking, making them aware of the change and educating them.

The potential impact on businesses will be unknown, until CDS goes live for everyone, and CHIEF is decommissioned. As with all change, there will be initial challenges for businesses to overcome and with prices to move goods already increased since COVID and Brexit, this

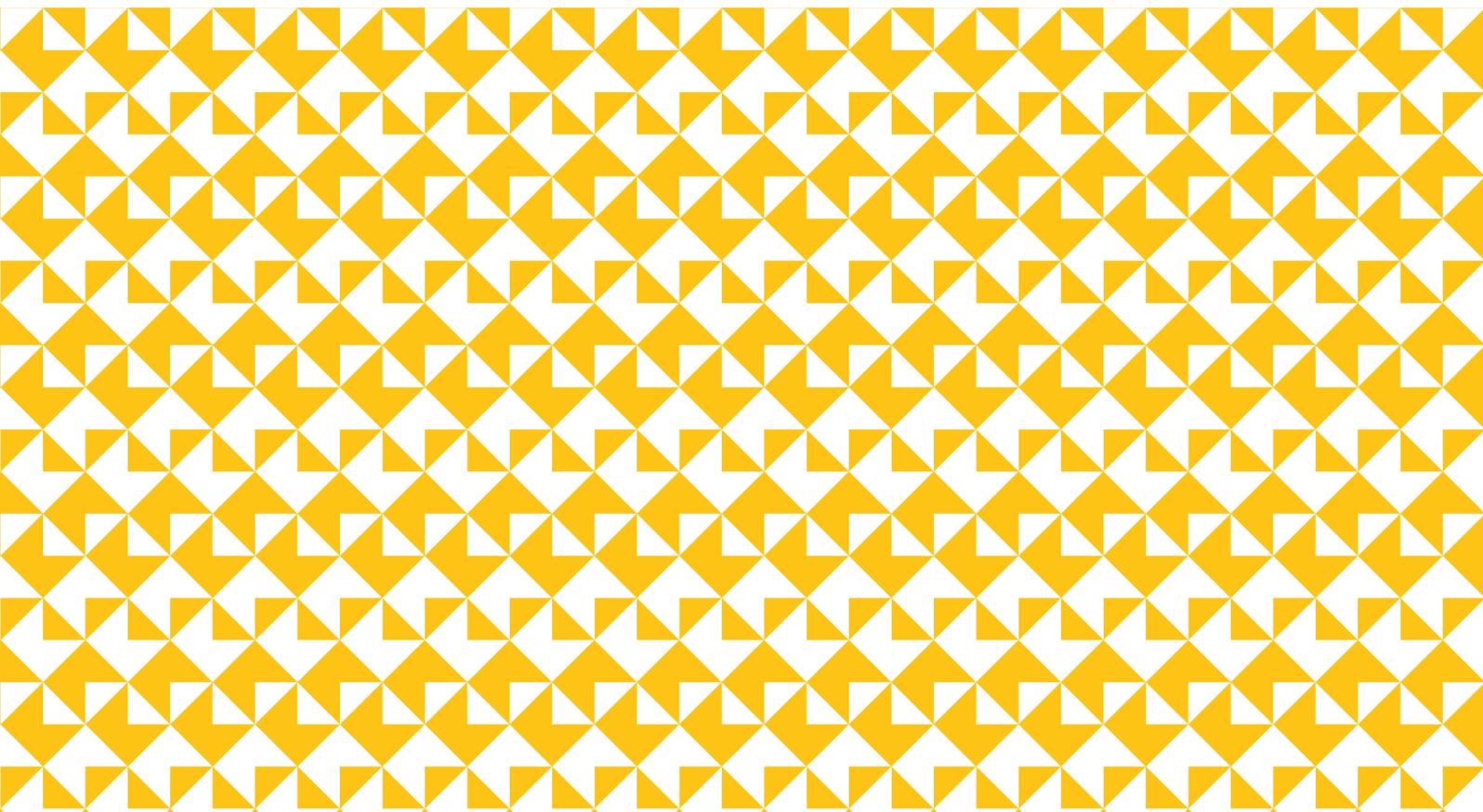
particular change must be well managed and monitored by businesses. However, the intention of CDS is clearly to provide businesses with an updated and modernised import/export system, to replace CHIEF, which has been in existence for almost 30 years.

It is essential that companies take this change seriously and invest in the right people and time to keep on top of the changes and deadlines, as they happen.

Please act now if you have not already done so and contact your customs broker, freight forwarder, or Menzies, for guidance.



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INSIDER INSIGHTS

**INTERVIEW WITH
NEIL ARDEN
MARKETING MANAGER,
VERTICALLY URBAN**



**VERTICALLY
URBAN**

‘Why ship iceberg lettuce from Africa when you can grow it in Hull?’

Vertically Urban design and manufacture a range of high-quality horticultural LED lights for vertical farms and glasshouses. We spoke to their Marketing Manager, Neil Arden, to understand more about the company and the significant increase in the popularity of vertical farms.

DEMAND FOR LOCALLY SOURCED FOOD

Vertical farms have seen a real increase in demand over the last few years, due in no small part to market pressures in the food supply chain. We all saw the empty shelves at the start of the pandemic. This was followed by the War in Ukraine, with increasing petrol prices putting supply chains under considerable pressure. These challenges, combined with climate change, are driving both individuals and businesses to

take more responsibility for their actions – including sourcing food locally and reducing mileage. This creates a strong position for local farming and in particular vertical farms. These can be situated next door to supermarkets, flats, etc. – and are so discreet, that often no one knows they’re there!

“

Any way you look at it, by 2050 we need to be able to feed 9 billion people sustainably across the globe.

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WHAT MAKES VERTICALLY URBAN UNIQUE?

Vertically Urban has embraced advances in LED technology, creating innovative and increasingly efficient products. For example, their Horti-blade which, at only 8mm thick, is the thinnest luminaire on the market, an important feature in vertical farms where space is at a premium. Fully encased in food safe polyurethane resin, the Horti-blade is protected from water ingress and is easy to keep clean. It’s also one of the most effective and efficient grow lights available.

The company has also invested heavily in plant science and have both an in-house plant scientist and a fully featured development grow lab. This has been crucial in the development of their proprietary ‘lighting recipes’ that can tune growth to the exact customer specification.

Not ones to rest on their laurels, the team at Vertically Urban is now utilising its experience to create an advanced cloud-based artificial intelligence control system for vertical farms. The goal is for HORISS, as it is known, to eventually be able to monitor and control every aspect of the vertical farm environment, detecting issues with growth early on and

taking remedial action to ensure a successful crop. This degree of AI control will unlock the potential of future farms, producing consistently reliable crops using as few resources as possible and with minimal human input. Crucially, unlike larger and less agile corporates, Vertically Urban have the capacity to work in partnership with their customers to create a bespoke package for each project. They have a genuine focus on design and innovation and work hard to produce some of the best products on the market.

UK MANUFACTURING

In the experience of Vertically Urban, UK manufacturing remains well-regarded around the globe and the hunger for British-made products shows no sign of waning with customers willing to pay the premium price that it attracts, over products from the far east for example.

Vertically Urban proudly manufacture all their products in their state-of-the-art factory not far from Leeds. Their commitment to quality is evident, working with only a selected group of tier 1 suppliers they ensure that the best available components are used to manufacture their luminaires at every stage of the process. This obsession with quality is one of the reasons why they are rapidly building a reputation as one of the most trusted companies in the industry.

The client base of Vertically Urban is extremely varied, ranging from traditional farmers to tech investors with no engineering or growing experience, from local individuals growing in a garage to multimillion pound mega projects based all around the world.

THE FUTURE OF VERTICAL FARMS

Whether it's a supermarket chain building resilience in their supply chain, or a restaurant owner trying to become more self-sufficient and reduce costs. One thing is constant...we need to keep up with the demand for food and keep people fed now and looking to the future, 'there is a big shortfall between the amount of food we produce today, and the amount needed to feed everyone in 2050.' (WRI, 2018). Estimates vary, but it is thought that we'll need to increase what we grow by up to 70% to account for this higher demand, against the backdrop of traditional farmland being lost to climate change at an alarming rate.

Vertical farming is very much seen as a part of the solution to this conundrum and the revenue for global vertical farms looks set to increase exponentially over the next few years - from around £3 billion now, it is expected to be worth over £30 billion by 2030.

The biggest concern around vertical farms has always been the energy required to run them, but recent advances in both LED and renewable energy technology have opened the door to economic and ecological viability.

In recent years, there has been an explosion in the popularity of vertical farms, in particular with large, well-known companies looking to invest for a variety of purposes. For example, M&S is collaborating with an agri-tech firm to bring fresh crops to its London stores. Ocado has invested in the region of £17m to develop vertical farms to grow herbs and leafy greens next to its distribution centres and Emirates Airlines has recently opened the biggest ever vertical farm in Dubai to service its catering department.

Any way you look at it, by 2050 we need to be able to feed 9 billion people sustainably across the globe. Vertical farming and the wider controlled environment agriculture sector is emerging as the most promising solution with the potential to not only grow the sheer amount of food required but also growing it exactly where it is needed.



We are delighted to once again be the **Headline Sponsor** for the **2023 Food Manufacture Excellence Awards!**

It is set to be another fantastic event, celebrating the successes in the industry.

You can find more information and purchase tickets here:



NATIONAL MANUFACTURING DAY

For National Manufacturing Day on 7 July, Menzies celebrated with a firmwide paper aeroplane competition. The challenge included who could create the best production line, with the least wastage, with points for the branding too!



TEN TIPS FOR CHANGING ERP SYSTEMS

As a manufacturing business grows there will become a point in time where you need to upgrade your ERP systems to improve your reporting capability and insight to enable you to make smarter business decisions.

ERP (Enterprise Resource Planning) Systems are used by companies to manage day-to-day activities such as accounting and compliance, procurement, risk management and supply chain operations.

Changing systems can fill most business owners or directors with dread but there are steps you can take to make the process as seamless as possible. Phil Wright and Aaron Jervis outline their top 10 tips for getting a system change right.

1

AGREE WHY YOU NEED THE CHANGE

Often the directors may feel they have outgrown their current system or that there will be limitations as the business grows. A change in ERP system impacts a number of different business areas so all views should be considered.

Agreeing as a team what the existing limitations are and the business impact they are having is crucial to get to the 'must haves' from a new offering.

2

PREPARE A DETAILED SPECIFICATION

Once you've decided that a change is required we'd recommend you take the opportunity to pool ideas from across the business. A period of 'consultation' to obtain everyone's thoughts at a very micro level will assist with writing a detailed dossier. This specification should be a stand-alone document that contains the 'must haves', 'needs' and 'wants' from all facets of the business i.e. procurement,

production, finance, sales and admin.

3

FUTUREPROOF

Consider where the business is now and what the lifespan of a new system might be. This will impact the cost but if your 'must haves' are likely to change in a short timeframe then a higher capability product could be worth the investment now, especially where changes in product offering or processes may be anticipated.

4

AGREE INTERNAL RESOURCES FOR THE PROJECT

A change of system needs someone internally to work with the system provider. This person needs to be the conduit for scoping, timings and deliverables. With several people in the business making requests it's too difficult to capture and ensure all needs are met. One person with ownership of a central document that can be shared and reviewed with the system provider, in order to understand project progress against milestones is recommended.

5

TRY A NUMBER OF SUPPLIERS

If you have a specification document you can put this out to 'tender' with a number of potential suppliers. Brand loyalty may be misplaced as different versions can bear no resemblance to your existing system and so it's worth considering new offerings. We would recommend discussing with customers and suppliers in your industry to find out systems that have worked well and

perhaps ones that haven't been as successful, and why. Engaging with a third party, although bringing extra costs, to sit in between you and the end software provider can be very beneficial. They can support in the specification, tender and implementation process to ensure requirements are met and also assist with (potentially) complex decisions that may be required throughout the process, using their experience to ensure the right outcome for you.

6

DON'T UNDERESTIMATE HOW MUCH TIME THIS WILL ABSORB

To meet the service provider's commitment they will need information and deliverables from you in an agreed timeframe. If this isn't met then it impacts the whole project schedule which could be expensive in time and money.

7

AGREE THE SCOPING DOCUMENT AND COSTS

Once the system provider has visited and put together a detailed scope this needs to be carefully reviewed to make sure you're getting exactly what you require (this could be a long document but shouldn't be skimmed). We have seen clients suffer by not having a clear signed off scope agreed with the system provider and the project has not gone to plan.

This is the point that costs have to be agreed. This will normally be a combination of software cost, consultancy fees (for the install and any bespoke development) and training to ensure consistent 'best practice' usage across

the business. We would also recommend you find out at the earliest point as to whether you require any additional hardware to run this new package which can significantly increase outlay, although many ERP systems are Cloud based which takes away additional hardware spend.



AGREE MILESTONES FOR PAYMENT

We would recommend that payment instalments follow a clear breakdown of the scope into smaller chunks, or 'milestones'. Sit down with the system provider throughout the process and agree where each deliverable has been met (this should be signed off by both parties) which would then trigger an invoice and payment.



AGREE INITIAL SUPPORT

Having support when your new system goes live is crucial. Don't cut costs in this area. Work with the system provider to have a block of on-site support when you've gone live alongside typical telephone support to alleviate any issues as soon as possible. Disruption can have a real negative short-term impact so paying for a consultant on site is worth it in the long run.



ONGOING MAINTENANCE PACKAGE

So, you've invested in your new software which hopefully brings a new-found utopia and more information and insight than you know what to do with, so here

is where you need to agree a support package. This should be designed to include telephone support, ongoing staff training, report writing and regular system updates so your system is always running optimally, so you can get the most return on your investment.

Phil Wright and Aaron Jervis are part of Menzies Outsourcing team, helping businesses to unlock their potential through systems and business analysis.



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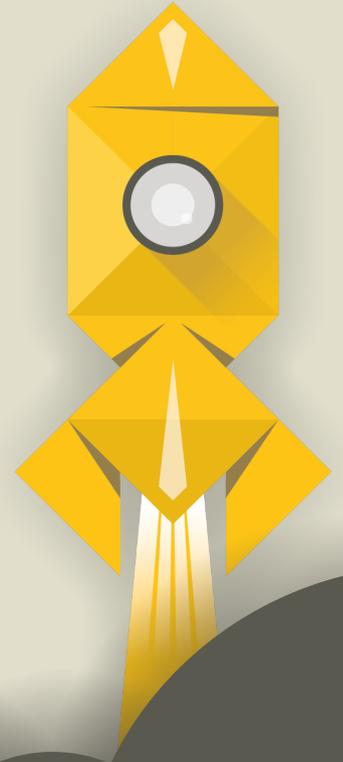
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