



leonid.

INSIGHTS INTO THE UK R&D TAX TALENT LANDSCAPE.

Highlighting the path to growth
for UK R&D Tax Consultancies.

Q1 2022



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1. FORESIGHT

The UK's R&D tax incentives programme is a key driving force in the UK economy, which every year, helps the country to attract and secure the latest global talent and economic activity.

In recent years, we've also seen the UK's R&D tax incentives initiative being used as a way to re-align UK economic growth with other key initiatives such as environmental sustainability, the digital transformation, and social equality.

Collating together the latest R&D tax incentives information and statistics, Leonid aim to empower our clients to identify the best routes for growth when it comes to expanding your reach. Through careful planning and research, Leonid are able to act as a key business partner, helping you to identify the top regions, industries and personnel skill sets to focus on to expand your business activity across 2022.

In the following report, you'll find all the latest information you need for getting ahead in the R&D tax consultancy industry this year.

By Emily Anderson

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R&D Tax and Grant Funding UK

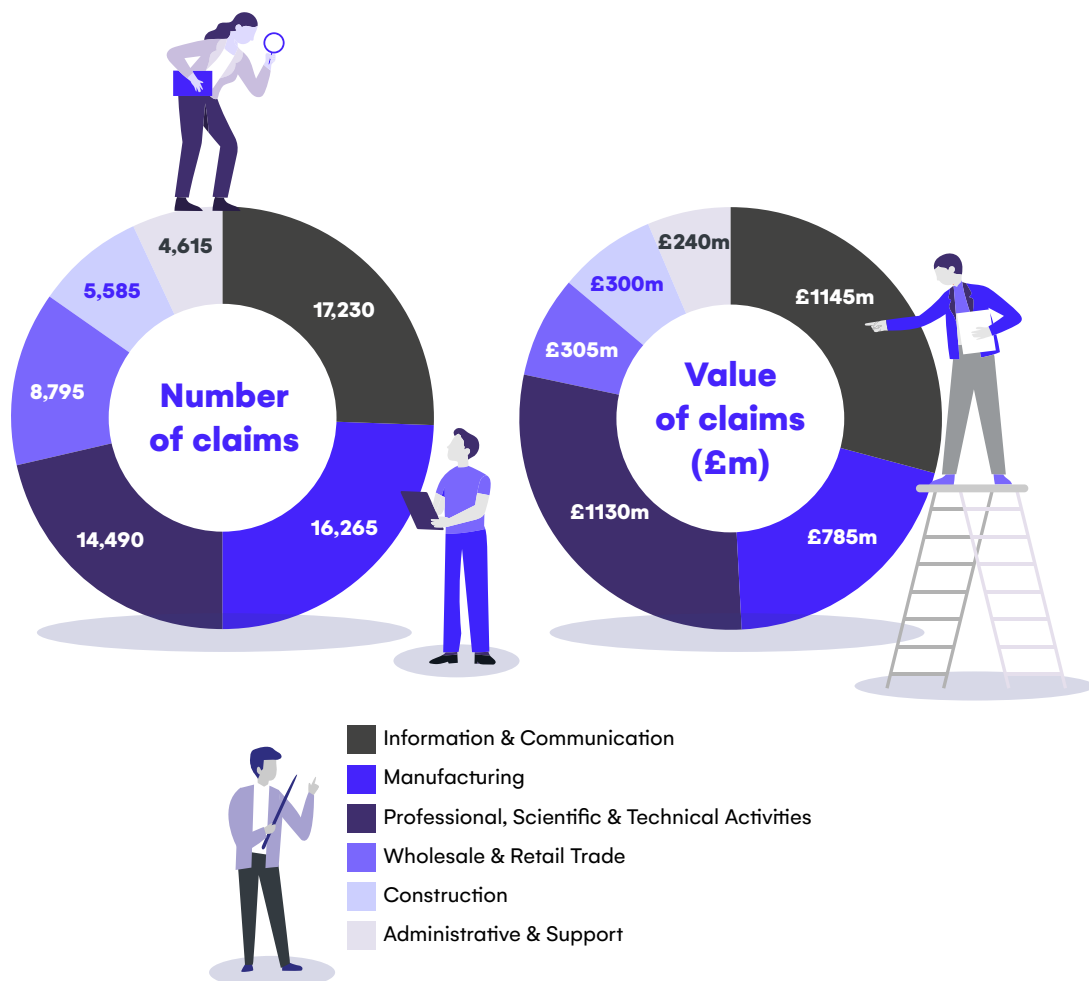


2. THE UK R&D TAX LANDSCAPE

The total number of R&D claims for the year ending March 2020 is estimated to be 85,900 – an increase of 16% from the previous year. If this is any indicator from the previous year, current R&D activity is not planning to slow down. Below, we will take an in-depth look at some insights into the R&D tax industry from 2021 and what it means for this upcoming year for R&D tax companies and employees of the industry.

2.1 R&D TAX ACTIVITY IN UK INDUSTRIES

Whilst R&D activity continues to soar in the UK, so does the demand for R&D tax expertise. Below is a breakdown of R&D tax credit claims per business sector for the tax year 2019–2020.



The Information and Communication Sector

From this data, we can see that the Information and Communication sector had the highest number of claims in the latest available data from HMRC. This is not surprising considering information and technology communications are of central importance to societal and economic development in today's world. Some of the top innovations currently in this sector include the development of 5G, blockchain, conversational computing, deep learning, haptic reality, everything as a service (XaaS).

The top cities in the UK for Information and Communications Innovations include:

- 1 Cambridge
- 2 Reading
- 3 London
- 4 Manchester
- 5 Edinburgh

However, while the Information and Communication sector has the highest number of claims within the UK, we're still fairly behind when compared to other countries with significant investments in this industry.

Amount of Venture Capital Investment in tech companies by country

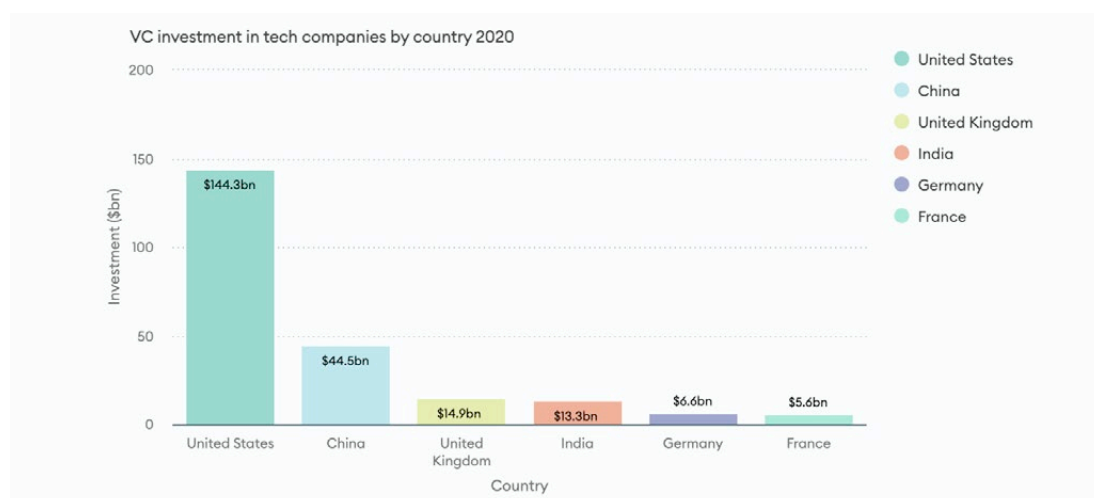


figure 1 Source: Tech Nation — The future of UK tech built — 2021 <https://technation.io/report2021/#global-tech-investment>

Despite this data, the report also indicates that the UK is one of the most popular places currently for foreign investors to invest in tech companies. In 2020, 63% of investment into UK tech companies came from overseas investors, up from 50% in 2016.

The Manufacturing Sector

Aside from the Information and Communication sector, the UK manufacturing industry is also seeing significant R&D Tax claims currently. The UK manufacturing sector is one of the country's biggest economy drivers, employing around 2.7 million people and contributing 11% of GVA. Not to mention, manufacturing accounts for 45% of total exports from the UK and currently represents a staggering 69% of all business research and development.

In the below graph, we can see that the UK is the 9th largest manufacturer in the world by output, indicating significant opportunity to specialise in R&D claim activity for this sector.

Britain is the 9th largest manufacturer in the world by output

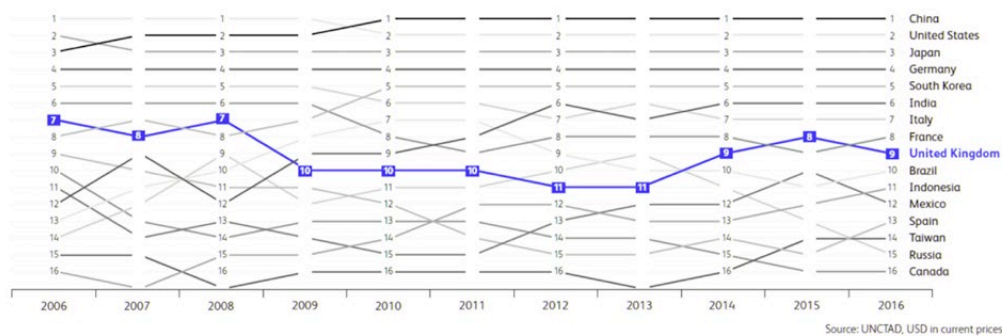


Figure 2 Source: The Manufacturer <https://www.themanufacturer.com/uk-manufacturing-statistics/>

According to Advanced Manufacturing, an annual event organiser for the manufacturing sector, their 2018 report on manufacturing hotspots indicates the following cities as the most active:

- 1 Sheffield
- 2 Bristol
- 3 Milton Keynes
- 4 Cambridge
- 5 Nottingham

Other UK R&D industry hotspots

As for the other listed industries, these also play a large part in UK R&D activity and contribute a significant amount to the UK economy. While competition in an industry as niche as R&D tax can be high in the likes of the Information and Communication and Manufacturing sectors, smaller R&D industries such as construction and retail can be considered as strategic areas to target in a saturated market.

2.2 R&D CONSULTANCY COMPANY LANDSCAPE

The UK R&D landscape can be split into a few different types of R&D Tax Consultants that dominate the sector. First, there are larger corporations that will have an R&D tax credit team embedded into the organisation. We typically see this within the manufacturing and technology sectors where demand is high and in-house needs are essential.

On the other hand, the UK also has a high proportion of UK R&D consultancies, boutiques and sole traders who specialise in providing R&D tax services to organisations with a need to file R&D claims. Below, we'll look at the top consultancies dominating the sector currently and how they are distributed across the UK.



BIG 4–Top 10 Accountancy firms

The teams are usually split into separate financial and technical consulting teams and can also be split into industries. The consultants will tend to become more specialised as they progress within the company either in the technical narrative or financial compilations and computation. In the Big 4/5, the clients tend to be bigger, so consultants tend to have had more exposure to RDEC schemes than the smaller independents specialising in SMEs.

Whilst it's a great achievement to have a Top 10 on your CV, candidates tend to move from accounting firms for two main reasons. Firstly, they want to do '360' consulting, rather than being inch wide mile deep. Secondly — and particularly prevalent in the bigger firms — they're bound by the organisational structure and HR policies of the whole entity; this results in a typically slower progression and lower compensation.

Bigger Independent Consultancies

Similarly to the Big Four, typically the teams tend to be split into financial and technical (although not in all cases). Well established, they typically have an international presence or holding company. They tend to provide very good training for newcomers to the industry and offer a career structure more progressive than those in the accounting firms.

Candidate may typically look to leave independents due to changes in management and/or acquisitions, or — in most cases — for a promotion to become a bigger fish within a smaller pond.

Boutiques (<30 headcount)

Some boutiques will specialise in specific industries that are high in demand such as construction or Software/IT; usually this is down to the network of the Founder(s), but most firms in this category will work across all industries.

Consultants tend to be '360', meaning they do both the financial and technical side of the claims. Boutiques will typically have a client portfolio of SMEs and therefore consultants gain more client exposure. Depending on the size of the company and its maturity, there can be exceptional growth opportunities if the business has good leadership.

Candidates typically look to leave smaller boutiques for one of a few reasons. Smaller boutiques in their infancy whilst boasting to be 'agile', can be unstructured. With a record number of UK R&D Tax boutiques incorporated in 2021, there is an abundance of options available but often the leadership may not be sufficient with the appropriate focus on quality.

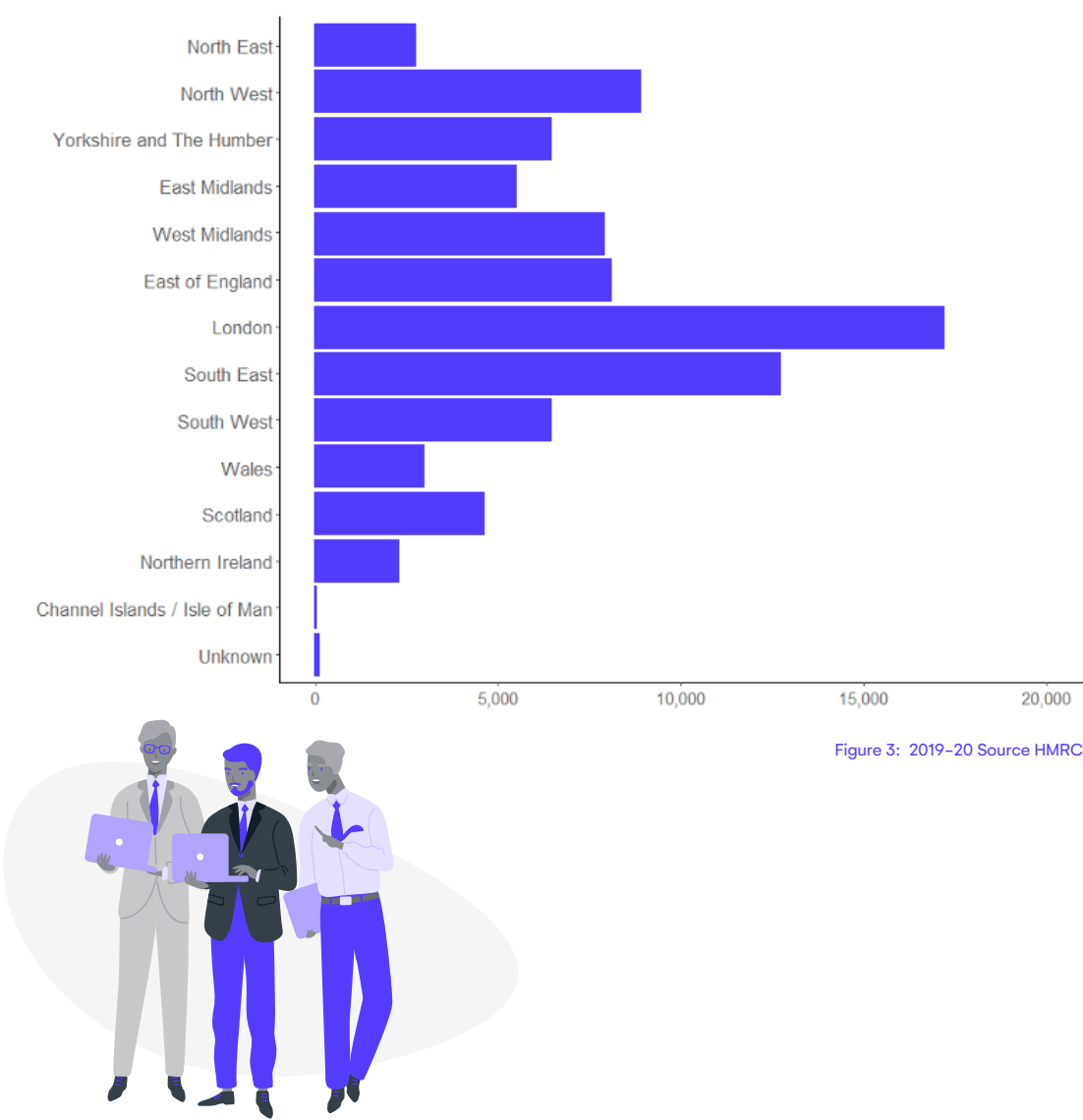
Sole traders

There are several sole traders or firms of <5 employees who will also offer R&D tax consulting services. These tend to be more lifestyle businesses without ambition to grow, and usually with working with a/some freelancer(s) to cover additional requirements.

2.3 CONCENTRATION OF CLAIMS BY LOCATION

There is a concentration of claims by companies with registered offices in London (20% of total claims and 31% of total amount claimed) and in the Southeast (15% of total claims and 18% of total amount claimed). The East of England has the third largest amount claimed with 11% of the total but is the fourth largest region based on the number of claims. The Northwest has the third largest number of claims but is the fifth largest region based on the amount claimed.

The proportions of claims and amount claimed by region are similar to those seen in recent years.



3. RECRUITING R&D TAX CONSULTANTS

3.1 CURRENT CANDIDATE POOL

The increasing demand for R&D tax relief means there is a candidate deficiency. Leonid have identified which candidates are the scarcest, based on their background, experience, and location.

3.2.1 INDUSTRY/ACADEMIC BACKGROUND

There is a direct correlation between the industries from which there are the highest number of claimants and the backgrounds of the consultants which are the highest in demand. The rarest profiles are:



IT/Software

Information & Communication is the industry where there are the most claims, and therefore the highest demand for technical specialists. They have high employability rates in sectors other than that of R&D tax, with salary expectations going beyond those offered currently in the R&D tax industries. This has led to a significant premium on IT/Software candidates' salaries.



Civil/Structural Engineering:

There has been a recent significant rise of construction claims from previous years which bring them into the top 5 industries with the higher number of claimants. This is in line with the increasing demand for consultants specialised in construction.



Accounting + tax qualifications: fully qualified CTA/ATT/ACA/ACCA

Many R&D tax consulting firms do not require qualified candidates as they will not offer a service including the CT600 submission; also smaller boutiques who focus on SME claims do not require this level of financial literacy. It's more common to see these qualifications within accounting firms; some support employees whilst they complete the qualifications and others don't, but this allows some candidates to continue working and be trained as they get fully qualified. From a recruitment perspective, it's important to ascertain if a study debt will be outstanding in the case of a move.



The two pathways most commonly followed to achieve the tax qualifications

are: Association of Taxation Technicians (ATT) : A specific Tax Technician qualification that gives you an overview of the fundamentals of tax in the UK; and the Chartered Institute of Taxations (CTA) : these are courses aimed at tax professionals and qualified accountants, widely regarded across the industry as the ‘gold standard’ Chartered Tax Advisor qualification. You can also find joint programs including both of the above, and even ACA/CTA joint programmes.

3.2.2 SENIORITY

The most sought after profiles are those with 1–3 years’ of experience. Depending on where they’re trained, candidates at this level can typically manage a process end-to-end whilst not already being at Manager level and coming at a premium.

Typically beyond 3 years, candidates will be in a ‘Senior’ or team leadership position. 5+ years is the typical level to achieve a Manager title in the industry (although within IT/Software it can be significantly less). This is of course a broad statement; where candidates have had significant prior commercial experience this progression may be expedited.

3.2.3 LOCATION

The 'Golden Triangle' (between Oxford, Cambridge, and London) is where the majority of R&D tax consultancy talent is located. These regions offer competitive salary and benefits, which can pose a challenge to consultancies hiring outside these regions (up North, naturally salaries tend to decline along with cost of living).



The COVID-19 pandemic has created a huge cultural shift in the workplace not exclusive to the R&D tax industry. Work from home culture has allowed a more agile workforce and blurred the geographical lines when accessing talent. This has stood to benefit consultancies in the Golden Triangle more, as they gain access to cheaper talent elsewhere in the UK. There's been some examples of more Senior candidates relocating from city centres, with a definite preference for a continuance of flexible working. The younger generation tend to be sticking to the cities; enthusiastic about their reopening but very seldom wishing to return to a 5 day in-office week.

It will be interesting to see how this develops over the next 12 months. Undoubtedly, flexible conditions are now one of the first questions asked by prospective candidates. Many R&D tax firms (including our clients) are trialling a more hybrid approach. Whilst the pandemic showed Zoom/Teams is an effective alternative to face to face, it's arguable it cannot be replaced. The speed with which we expect a return to travel is a delicate balance between the culture of the consultancy, combined with the appetite of their clients; the construction sector for example, appear to be welcoming a lot more face-to-face meetings.

3.3 RECRUITING FROM OUTSIDE THE INDUSTRY

With there being such a demand for R&D tax consultants, there has been an evident increase in mandates to procure qualified talent from outside the industry.

3.3.1 SKILLS REQUIRED OUTSIDE THE INDUSTRY

Candidates who can join the R&D tax industry come from varied backgrounds but often share similar skills and aptitudes. These include:

Communication skills

- Effective client and stakeholder management skills.
- Interviewing skills and the ability to extract information from subject matter experts.
- Finding relevant information and sourcing information that is missing.

Technical skills

- Ability to assess the viability of a project based on a frame of reference.
- Ability to extract and compile technical information related to R&D and Innovation.
- Report writing: Compiling complex technical information into a structured narrative; presenting the compliance with legislative guidelines to be eligible for the R&D incentive’.

Personal skills

- Curiosity and willingness to learn
- Strong organisation skills
- Perseverant
- Strong attention to details
- Interest to broaden technical skills and become financially literate; ordinarily in the case of SME claims also taking responsibility for financial computation.



3.2.2. CANDIDATE PROFILES WHICH ARE MOST SUITED TO BECOMING AN R&D TAX CONSULTANT

After finding what qualities are most effective for candidates that become R&D tax consultants, Leonid's extensive research and talent sourcing methods have found those transferable skills with the following profiles:

PhDs

They have a good understanding of the research environment and the importance of funding. These kinds of candidates always want to learn new things and are highly curious people. They also have high-quality technical writing skills. There often comes a time when PhDs want to get out of the lab, and moving into the innovation incentives world makes sense.

Technical Consultants

Technical consultancy is another field where we find great R&D tax consultants. As a civil engineer, for instance, it can make sense to move to an engineering consultancy. These candidates have developed strong transferable skills, including knowing how to manage and develop a technical project, in addition to knowing how to deal with clients. When they like innovation, want to be less operational, have a broader exposure and are more business-oriented, they make excellent candidates — in which the team get excited about working with these kinds of people.

Technical Pre-sales

Pre-sales consultants usually have both a technical background and excellent interpersonal and sales skills. When they want more technical challenges and less direct sales pressure, whilst maintaining the client management and relationship building components of their role.



Technical journalists / Technical writers

Technical journalists and technical writers have outstanding writing skills and are used to interviewing people and finding out specific information. It is this experience that sets them up to be highly effective consultants. These candidates can deliver extensive value; seeking out the most complex information from technology innovators and translating this into the relevant context needed to make an effective and accurate claim.

(Non-R&D) Corporate Tax

It is possible to access talent from conventional corporate tax positions and move them into the R&D market. It is important to mention however it's important to assess the candidates' soft skills, as well as financial literacy, given the R&D tax position is typically much more client facing and relationship led.

4. ATTRACTING THE BEST TALENT

How to recruit and differentiate yourself from competitors by increasing your value proposition.



4.1 BRAND

Create an interesting brand and market your company well. R&D tax is a small world, companies quickly earn a reputation of the market, and this can be altered by word of mouth. This greatly affects the attraction of excellent talent. As most R&D tax companies are relatively new, it is important for candidates to discern relatively quickly the differences between one company and another. Creating an edge with other companies and promoting this through the right marketing strategies.

- Interesting history of founder. An appealing vision or anecdote as to how this company was created. If the company works only in a specific industry and this is due to the background of the founder.
- Offering a solution to a problem within the industry with a unique approach and good values.
- Partnerships, including outsourced recruitment services

Pick carefully who you partner and associate with. By making sure you partner with specific and high-quality companies and associations you can ensure your brand is being advertised and marketed correctly. One of the most significant partnerships is your recruitment partner, acting as the 'shop front' of your business. With such a small pool of candidates, and one chance to make a bad impression, it is imperative your representation is solid.

- Charity work

Many candidates are enthusiastic by the opportunity to drive positive change. Passion for innovation and supporting important causes are personalities traits common to Consultants and Sales candidates, meaning a company who also invests in specific causes and contributes to positive change in the UK beyond contributing to the innovation incentives can also make a difference with other competitors. It portrays a genuine image and interest in individuals and promotes the values of the company.

4.2 TEAM, WORK ENVIRONMENT AND EMPLOYEE DEVELOPMENT

Promoting a strong team and good work environment. Employees want to be led by the best in the industry.

- Team structure

A clear definition of team structure allows prospective candidates to clearly project/visualise themselves within it. Key factors include how the company is divided; how work is split, and reporting lines. Some candidates may enjoy specific parts of what the R&D Consultant position can include (e.g., BD, account management, technical reports, financial computation, project management). A clearly defined team structure allows you to clearly convey the roles and responsibilities to a prospective employee; a clearer understanding from the outset mitigates the risk of misunderstandings and increased turnover.

- Supporting qualifications + training

Companies that offer to support ambitious employees and encourage personal development are more likely to retain them in the long term. By being transparent about internal opportunities for growth and development, candidates will feel that this is a company in which they can project their ambition and invest their talent in.

Talent retention is one of the most overlooked tools to save high turnover and needless time & expenditure for re-hiring. Leonid offer our clients consultation to help shape internal talent retention programmes; tailored acutely to the current desires of the live candidate market.

4.3 REMOTE WORKING AND FLEXIBLE LOCATION

Following the COVID-19 pandemic many companies have had to adapt and allow their employees to work from home. Transition requires the company to show agility and flexibility. Most companies now adopt a hybrid work environment. Many candidates view it as unattractive to be required to be in the office every day of the week.

A benefit of this is it allows a larger candidate pool with less geographical restraints. Please view section 2.3 above where we illustrate the spread of company locations and talent.

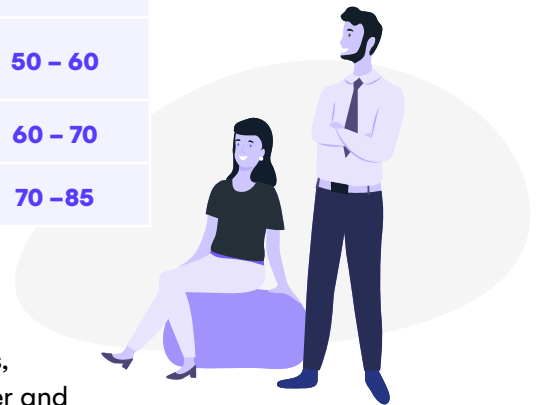
5. SALARY SURVEY

Without being able to label clients nor give exact ranges, we can provide figures of generalist levels within Big 4, wider 'Top 10', and mid-large sized independent firms which give a good indication of the market.

They are consistent, albeit some of the companies at the upper end of the Top 10 tend to offer salaries a little lower.

We have also provided a brief description of the general candidate profile for each role. The rarest profiles also tend to be paid above market value, as do the candidates who work for London based companies.

Position	Candidate description	Salary Range
Analyst	No experience in industry, relevant degree	35 – 45
Consultant	Up to 2 years of experience in industry, PhD with no experience in industry	40 – 50
Senior Consultant/ Assistant Manager	2+ years of experience in industry	50 – 60
Manager	4+ years of experience in industry	60 – 70
Director	6+ years of experience industry	70 –85



The above refers to base salary only, not including bonuses, which differ a lot from one company to the next. The smaller and independent firms tend to offer generous bonuses on 'billed business', whilst the larger firms tend to offer a fixed % of annual salary. This % tends to increase as candidates become more senior, but broadly speaking those tend to be between 5 – 20% of annual base depending on seniority.

Typically benefits (i.e. pension, healthcare, learning and development budget/support) will be better in the larger companies, although in lieu of the bigger cash bonus.

6. THE LEONID OFFERING

6.1 EXPERTISE IN THE INDUSTRY

Leonid Group is globally recognised as the best-established talent search firm, with a niche specialisation in innovation incentives (R&D tax and grant funding). We partner with our clients to share knowledge and advice on the candidate market to aid decision making processes. We anticipate changes, analysing difficulties that can arise during the recruitment process, offering guidance and support to ensure structured, timely growth.

Leonid has a particularly good reputation within the candidate market; with most placed candidates coming from referrals. This, combined with our promotional marketing efforts, ensure we are always working with the best-in-class candidates at any given time.

6.2 GLOBAL AND NATIONAL PRESENCE

The Leonid team is spread across our offices in London, Barcelona and Paris, with an office based in the United States scheduled for H2 2022. The innovation incentives team cover the European and US markets, with Leonid's Talent Acquisition Consultants being able to speak 9 languages within the team.

If you are an international company (or indeed the desire to expand), Leonid has the capability to partner and support across multiple markets with a consistently high quality of service.

6.3 THE MAGIC MONTH & LEONIDLIVE

The days of false promises and lack of transparency (aka, conventional recruitment) are far behind when it comes to our way of doing things. Leonid has adapted to provide a service that allows clients to grow scientifically; with pre-defined timelines of delivery, assured success, and time-saving innovations. This method is based on over a decade of combined knowledge of our directors, based on their experiences in the industry.

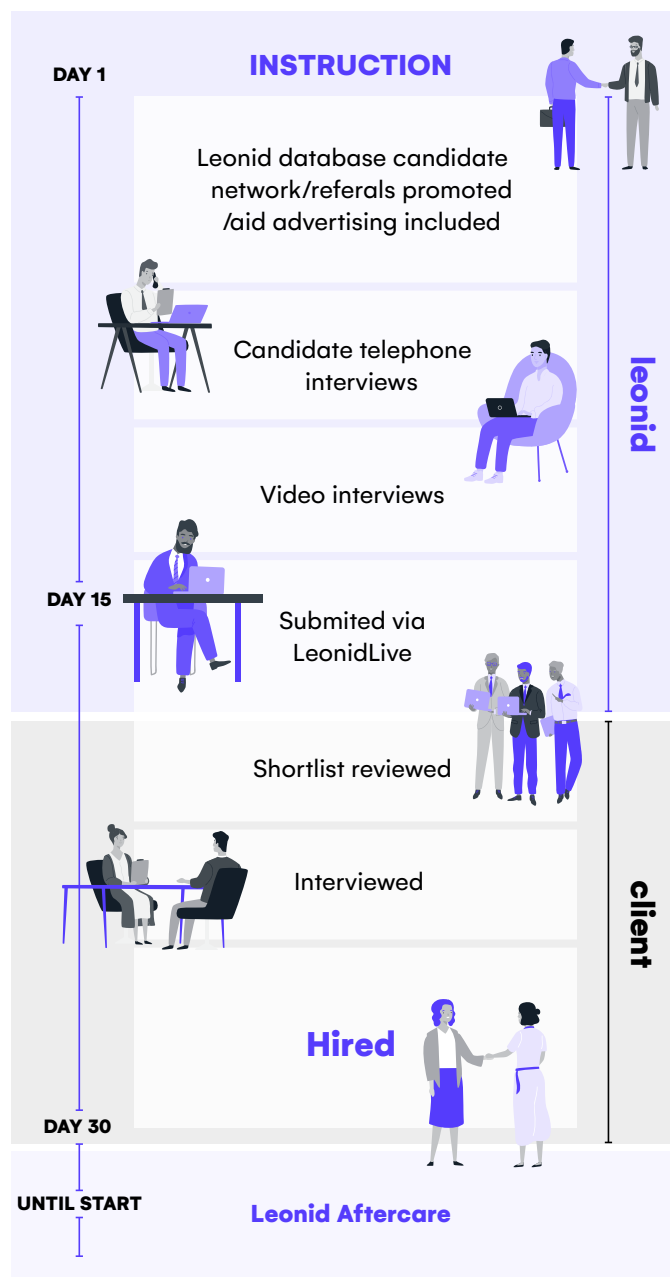
THE MAGIC MONTH

Why the Magic Month?

The Magic Month Principle removes time pressures from the hiring process, enabling you and your team to use your time more efficiently. We take the ambivalent nature away from the hiring process, giving you peace of mind while enabling you to manage stakeholders and the pre-onboarding processes more effectively.

How does it work?

We provide a predefined delivery timeline, whereby we guarantee that we fill the role within one month from you signing a contract with us. Our whole business model and commercial structure have been built around us taking the time pressure away from you. We're accountable to deliver within this month, and through over a decade's worth of experience, we're confident we can achieve this.



LEONIDLIVE

Why LeonidLive?

The LeonidLive video interview platform provides an enhanced screening process that gives you a deeper insight into a candidate and their personality which you couldn't pick up from a resume alone. This allows clients to make a snap second decision on aspects like communication and cultural fit, reducing the number of interviews required overall.

How does it work?

We provide 3x 5-minute videos of our short-listed candidates that have been pre-qualified by your Talent Acquisition Manager, specifically for your role. This shortlist is sent to your inbox on day 15 of the process so you can interview your favourites and make an offer.

What success has Leonid Live had?

During 2021, Leonid boasted a 98% success rate on all mandates accepted and worked on. Moreover, the attrition rate for candidates not passing probation was under 3%; 5 times less than the industry average, and in each case the roles were backfilled within 4 weeks free of charge.



SUMMARY

As we've seen in this paper, the UK's R&D tax incentives programme is a key driving force in the UK economy and is essential in aiding the country to attract and secure the latest global talent and economic activity.

As an R&D consultancy, there is a huge amount of opportunity to expand and capitalise on the latest R&D initiatives, yet the key is to knowing which industries to tap into and which locations in the UK are a hotspot for such activity. Of course, this can be a challenge in an ever-changing climate. In addition, being able to source the right talent for your consultancy can be challenging when there is a shortage of such specialists available within this niche market.

We hope this paper has helped to answer some of these questions and aided in providing the necessary information in a condensed place for your consultancy to be able to plan for future business opportunities and team growth more effectively. As a talent acquisition organisation, Leonid Group aim to go much further than just 'recruiting'. We aim to become a partner to your business for the long run, helping you to strategically expand as and when the time is right.





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Ready to get in touch with us?

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(list your subject line as 'R&D Whitepaper Response'
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