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Construction matters

a construction newsletter from **pkffpm accountants**

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Construction Outlook

 Recent political developments will have a significant impact on construction in 2020.

Construction businesses will welcome the restoration of the Northern Ireland Assembly which, after the stalemate of recent years, should see much-needed capital projects get under way in areas such as education, health and water infrastructure.

In the Republic of Ireland, a general election will take place on 8 February with housing likely to be on the agenda for all parties given that the current crisis has rarely been out of the headlines over the last few years.

Following the general election in the UK, and approval by the House of Commons of the European Union (Withdrawal Agreement) Bill, we are now about to enter a transition period during which the focus of negotiations

between the UK and the EU will be on agreeing a free trade deal. Under the transition arrangements, trade should effectively continue 'as is' at least until the end of this year, however construction businesses will need to maintain close contact with suppliers regarding their Brexit plans bearing in mind that if no agreement is reached in the negotiations over the coming months, there is still a risk of the UK leaving without a free trade deal at the end of the year.

The new decade opens with complex challenges ahead on many fronts - economic, social and environmental. However, as is always the case, with challenges, come new opportunities and this will certainly be true for the construction sector. We look forward to working with you over the coming months as you continue to build for the future.

Happy New Year.



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Johnson's Deal

 Under Boris Johnson's Brexit deal, Northern Ireland will remain part of the UK Customs territory. While the deal avoids a hard border on the island of Ireland for now, it effectively creates a customs and regulatory border between Northern Ireland and Great Britain. The details of how this will operate have yet to be worked out by the UK/EU post-Brexit Joint Committee.

For now, trade will effectively continue 'as is' during the transition period, however construction businesses will need to map their supply chain and maintain close contact with suppliers to understand their Brexit plans.



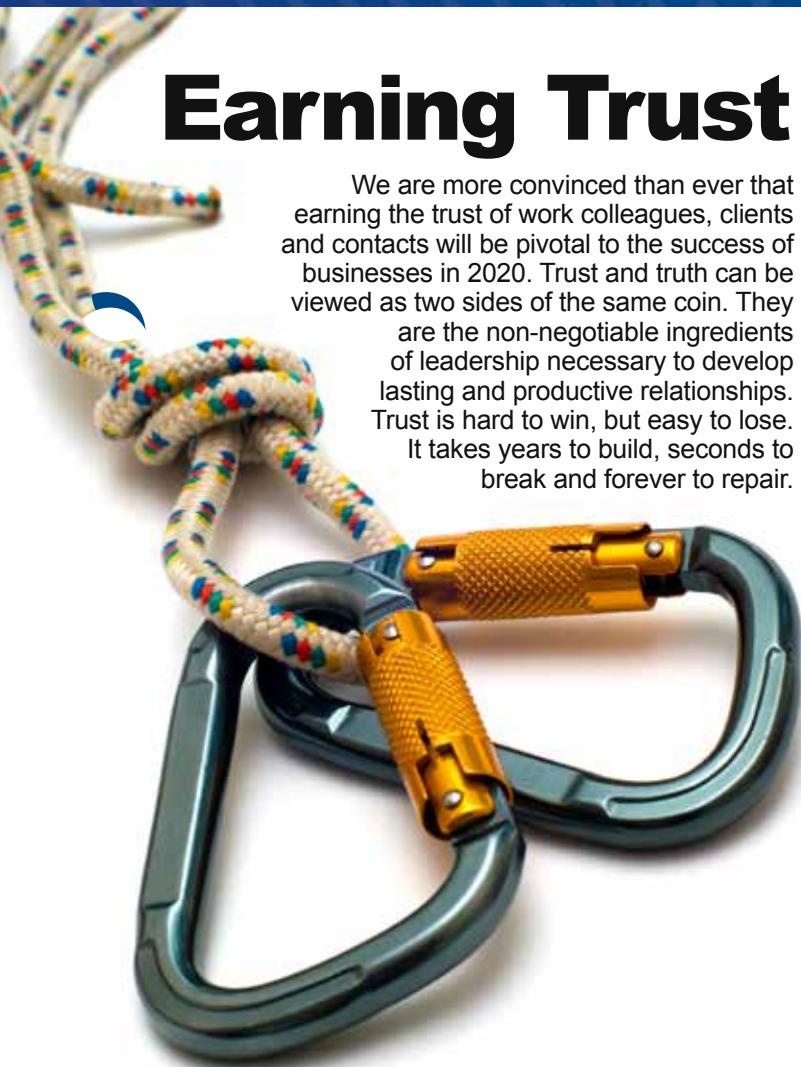
Professor Alan Winters, Director of the UK Trade Policy Observatory, estimates that 60% of imports to NI from GB (or 75% of all imports of GB and International goods) could be subject to EU tariffs on arrival in Northern Ireland if they are deemed to be at risk of being moved on to the Republic of Ireland. Potentially, these tariffs could be rebated if the goods are shown to have been consumed in Northern Ireland however this may prove difficult in practice since goods can go through several stages of processing before leaving Northern Ireland for the EU. If the UK and the EU agree a zero-tariff trade deal covering all goods, the tariff hurdle may be overcome, however, customs declarations or movement documents will still be required for shipments of commercial goods from GB to NI.

Earning Trust

We are more convinced than ever that earning the trust of work colleagues, clients and contacts will be pivotal to the success of businesses in 2020. Trust and truth can be viewed as two sides of the same coin. They

are the non-negotiable ingredients of leadership necessary to develop lasting and productive relationships. Trust is hard to win, but easy to lose.

It takes years to build, seconds to break and forever to repair.



Pensions Blight

The Financial Times recently reported that fewer than one in four UK blue-collar construction workers are saving into a workplace retirement plan. The report cites figures obtained from the Department for Work and Pensions which show that just 23 per cent of construction workers in the UK, including skilled trade occupations and plant and machinery operators, have a workplace pension. These figures are worrying as without pension savings, workers put their financial wellbeing at risk in retirement.

Rol Growth Forecast

The Rol Department of Finance has updated its growth forecast for 2020 in light of recent Brexit developments. GDP is projected to grow by 3.9 percent in 2020, averaging 3 percent per annum thereafter until 2025. Implementation of the OECD's Base Erosion and Profit Shifting (BEPS) initiative is expected to reduce corporation tax receipts by an incremental €500 million per year from 2022.

Leadership Quality



Leadership is not about position or hierarchy. Rather, it is about the attitudes, characteristics and behaviours that influence all aspects of a business. Vision, passion, culture, people skills, resilience, an ability to inspire others - these are the attributes that allow effective leaders to stand-up and deliver.

If people don't believe in the vision, they won't buy into it, and the business will have a limited future. Leaders should avoid negativity and must have the courage to tell work colleagues to disengage from negativity also. Remember staff can be an organisation's ambassadors or assassins.

The success of a leader is determined by the outputs of his/her team rather than by his/her personal inputs. Often, leadership comes from within but sometimes leaders need to lift themselves out of mundane tasks to work 'on' rather than 'in' the business.

The individual who cannot delegate is not a leader, but a nuisance. More than any other factor, the quality of leadership will ultimately determine the success or failure of a business.



What's It Worth?

 How you answer this seemingly simple question about 'worth' can reveal a great deal about a family business. Often, 'worth' is not just a financial value, but also involves legacy, status, purpose and identity.

'Worth' can mean different things to employees, customers, family,

shareholders, founding and future generations. Understanding, and aligning, these perceptions is vital so as to build trust and set appropriate strategies and budgets for future success.

Adding Value

If your business is not adding value every year, even by staying still, then it is heading in the wrong direction. However, value doesn't have to mean revenue or even profit—it can be investment, relationships,

development, growth. Whatever value means for your business, the key thing is that everyone shares a common understanding so that all aspects of the business can be aligned, from training and human capital development through to organic and strategic growth.

The start of a new year is a good time to examine what worth means in your business, assess your current value and decide on your future strategy. For assistance in understanding the factors that add value, and how these can be delivered, please contact the PKF-FPM Business Advisory Team.





Managing Your Business



The new decade brings a number of new challenges for managers in the construction sector. Three areas, in particular, will require greater focus this year - engaging Millennials and Generation Z, coping with uncertainty, and managing change.

Engaging Millennials and Generation Z

People are at the heart of every business and learning to manage people effectively is a vital leadership skill. Different generations have different expectations. Millennials and Generation Z demand a new approach from management. These individuals are young, vibrant and experts in personal branding through social media. Work life balance, social responsibility and ethical policies regarding people, supply chains and the environment are impor-



tant to them. They value collaboration over hierarchical structures. While this can be difficult for managers of older generations to comprehend, it is important to respond with appropriate structures, procedures and business operations. A wider span of control with increased delegation, individual responsibility, teamwork and shorter chains of command are essential.

There must also be an emphasis on coaching and training, regular feedback, opportunities for promotion, and a people-centred culture.

Coping with Uncertainty

The world is continually evolving. Economic, demographic, social, political, regulatory and climate chal-

lenges are just some of the issues modern organisations face. While it can be difficult to plan for the impact of macro events on individual businesses, there are tools that can help. A simple PESTEL (Political, Economic, Social, Technological, Environmental, Legal) analysis conducted on a quarterly basis will allow leaders to maintain a sharp focus in a volatile and uncertain environment.

Managing Change

Change is difficult to implement as people often resist new ways of doing things. However, for business leaders, the choice is simple: innovate or evaporate. Leaders should focus on developing a clear vision and a responsive, agile culture where all stakeholders understand how their individual roles contribute to helping the business achieve its objectives.

Contact Us..

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