MIGHTY EFFICIENT BOOKKEEPING

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Vol. 3

MONTHLY NEWSLETTER

CONTENT

Whats on for the Mighty team this month?

The past month has been a busy one for us here at Mighty with new clients coming on board, school holidays looming and 2 new faces joining us.

We have the lovely Belinda in the office part-time now and also a lovely local accountant doing our end of year work for clients. It has been great having these two join our team.

Don't forget Mighty Efficient Bookkeeping can do all of your tax obligations from GST, PAYE right through to end of year Financial Statements and Tax Returns.

Our radio ad is out now! Make sure to tune into The Rock and The Sound!

CLIENT SPOTLIGHT

FarmBuild

Building for Generations

FarmBuild Limited began as a Canterbury-based rural build firm in 1939, with George Gregg at the helm. The business was carried on his son Bruce Gregg, and today it's run by his son Colin Gregg and Patrick McCarthy.

Ever expanding, the company's reach is not just within the South Island, but now covers the North Island and Australia, too.

In 2011, Patrick McCarthy, who began working as an apprentice with both Bruce and Colin in 2000, partnered with Colin to take FarmBuild to the next level in both service and what the company could offer. Once FarmBuild's lead foreman, Patrick has now returned to his Central Otago farm which is the base for FarmBuild South Limited.

FarmBuild's process is entirely hands-on and much different to that of its competitors. While other building companies will use "city" foremen and contractors who are accustomed only to residential and commercial projects, everybody in the FarmBuild team is a rural building specialist.

That means FarmBuild understands country life.

The buildings designed by the company take into account every facet of rural living and working - from heating, fires, and power outages, to stock flow and stock handling.

Staying on top of modern farming practices is integral to FarmBuild's process and its ability to give every client their desired outcome.

If you are looking at building rurally then be sure to contact the fantastic Patrick and Deanna at Farmbuild!

TALK TO US

027 244 4824 - Pat McCarthy
pat@farmbuild.co.nz
027 403 1877 - Deanna McCarthy
deanna@farmbuild.co.nz
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Hyperinflation, shortages, sending NZ building industry into potential meltdown

Article by buildingtoday.co.nz

Easy Build director Mike Fox says he's heard anecdotes indicating that the number of product price increases builders are dealing with are up 156% on the same time last year.

Here's his take on the state of the industry.

Hyperinflation of building materials combined with labour and material shortages – left unchecked, the industry faces meltdown.

Building inflation is currently out of control, with increases coming through on what seems a daily basis.

There are all manner of excuses given. Some are genuine but many are not logically explainable and seemingly opportunistic, obviously coat-tailing on the feeding frenzy.

I heard from one merchant recently that the number of product price increases they were dealing with was up 156% on the same time last year.

We are not dealing with normal CPI increases of 2% to 3% here, but hyper increases – in some cases of 10% to 15% compounding quarterly, especially when it comes to staple materials like timber.

Couple this with a materials shortage and it paints an unholy mess that is not sustainable.

The housing industry is geared to comfortably build 25,000 homes per annum and we are now obviously beyond capacity at around 42,000 per annum.

Add to this the global Covid-19 impact where all indicators were that demand would drop 30%, and manufacturers scaled down accordingly. Given demand actually increased by approximately 20% post Covid-19, manufacturers are scrambling to meet orders with decreased capacity and, as a result, lead and delivery times have ballooned out by months.

New Zealand is heavily reliant on imported material and components, having divested itself of onshore manufacturing capability throughout the 1970s and 80s. This means we are a tiny consumer at the bottom of the world in a global market where other countries' demands come first.

There have also been global logistic and delivery problems, with massive cost increases in ship freighting, and difficulties even getting containers or space on a ship.

One by-product of seeing the global supply chain unravel will surely be more countries stepping up their own manufacturing again, so that they become less exposed to one or two countries providing what were cheaper goods to the world.

In New Zealand, you would be quite right to say what about timber? We grow a surplus of our own right? But our local wharves are overflowing with logs heading offshore.

Meanwhile, you cannot purchase a stick of 90 x 45 decking or fence palings at your local merchant for love nor money. That cannot be for real?

It beggars belief, but this is the position the New Zealand timber industry has been allowed to put the country in.

They're a mercenary lot that have traditionally gouged the local market and know they can get more money offshore, so take a "pay up or tough luck" approach.

Apparently, the problem with our internal supply is not that timber mills cannot get logs, but that they are being forced to pay international prices for them which is, of course, rapidly passed on to the industry.

The other issue with timber's short supply is the mills' current capacity to keep up with the growing housing market.

There have been so many mill closures over the years that those still operating simply cannot cope with demand.

Some of those closed smaller mills specialised in outdoor products such as decking and fencing, so there is now a shortage of producers of these products.

It would seem that the real problem of timber supply kicked in shortly after Carter Holt announced it would only supply its own stores and PlaceMakers with timber, leaving the other merchants who had relied upon this supply chain to go scrambling for alternative suppliers.

This has resulted in a degree of panic buying not unlike the clearing of the shelves at supermarkets during Covid-19 lockdowns.

Time will only tell if an equilibrium will be hit when the stockpiles are full, but I cannot see the situation changing rapidly this year.

So what impact is this hyperinflation, along with labour and materials shortages, having?

Builders who have entered fixed price contracts with liquidated damages and milestone payments face the risk of being forced out of business.

Expect to see some builders fail later this year or early next as a result of being caught with spiralling costs, slower than normal cashflow and no way of recovering losses.

Builders should not under any circumstances agree to be locked into fixed price or liquidated damages on contracts in these market conditions.

Banks are not going to like it that contracts might have to be more flexible than they would have traditionally been. However, they need to play their part in this crisis as well by perhaps including some contingency cover.

Consumers will be getting their projects often later and with an element of inflation during the build.

That is the reality of the market conditions, and the builder can only but do their best to forward order and procure at the best rates available.

Consumers will also need to be flexible about product substitutions, as some products just will not be available.

Councils are also going to have to be helpful around accepting that products may change during a build.

They can assist by not being so straight-jacketed on amendments when there is no meaningful difference with a product substitution.

Want to read the rest? Find the full article at: https://buildingtoday.co.nz/2021/07/06/hyperinflation-shortages-sending-nz-building-industry-into-potential-meltdown/

10 Day Sick Leave Entitlement - further explained

by Mighty Efficient

As outlined in last months newsletter, Parliment has passed the Holidays Amendment Bill to increase the minimum employee sick leave entitlement from 5 days to 10 days per year.

As we near closer to the 24th July we want to make sure you have your payroll obligations sorted to ensure your employees are getting the correct entitlements.

Here is a couple of scenarios each with their next sick leave before or after 24 July 2021 to illustrate the difference.

Scenario 1: Employee A commenced employment on 1 April 2020. As per the requirements of the Holidays Act 2003, upon reaching six months of continuous service they were provided with five days of paid sick leave entitlement on 1 October 2020. They are due to receive their next entitlement of paid sick leave on the anniversary of this date i.e. on 1 October 2021. As this date falls after the 24 July effective date of the change, they will therefore receive 10 days of paid sick leave entitlement on 1 October 2021.

Scenario 2: Employee B commenced employment on 1 January 2020. As per the requirements of the Holidays Act 2003, upon reaching six months of continuous service they were provided with 5 days of paid sick leave entitlement on 1 July 2020. They are due to receive their next entitlement of paid sick leave on the anniversary of this date i.e. 1 July 2021. As this date falls before the 24th July effective date of the change they will therefore still receive five days of paid sick leave entitlement on 1 July 2021. The employee would not therefore receive their first provision of a 10 day entitlement until their following sick leave anniversary date on 1 July 2022.

If you have any queries at all about any of the information in this newsletter please don't hesitate to contact us at info@mightyefficient.co.nz!