

Pursuing Excellence
Valuing People

campbell-tyson

CHARTERED ACCOUNTANTS

BUSINESSMATTERS

Avoid intimidating yourself when dismissing or disciplining employees

One of the major challenges confronting business owners is how they reprimand, or if necessary, terminate the employment of staff for non-performance or unacceptable behaviour.

For some business owners, the challenge is so daunting they are just not prepared to take on the risk of employing staff.

However, that need not be the case. All an employer needs is an unambiguous employment agreement with their employees that complies with employment legislation, and to have a clear understanding of the procedure they need to follow. This procedure must be fair to the employee.

Employment agreement

Employment law requires you to have an employment agreement with all employees, and the law also requires the agreement to contain a number of specific provisions. Among them is a provision covering how you and the employee will resolve relationship problems should any develop.

There needs to be a pathway that the employee and you can follow to reach a resolution. Among the options worth considering is the Department of Labour's mediation service.

Procedure

Disciplinary procedure involves quite separate activities. First, the facts need to be established and then the appropriate action taken. The second question cannot be addressed until the first has been resolved, although in the case of serious allegations it may be appropriate to suspend an employee pending a full investigation if there could be serious risk to property or personal safety in the event that the allegations are true.

Key requirements for procedural fairness include:

- The employee has the right to involve others. The function and rights of a third party will vary according to their role. They may be acting as a witness, support person or an advocate. It is important that an employee be advised of this right and that you understand which role is being performed by the third party.
- The employee must be given reasonable warning that a meeting is to be held, what the meeting is about and what the possible outcome might be. They also have to be given reasonable time to prepare their explanation and put their point of view within the meeting.
- The employee has the right to be heard, and heard by the person that makes the decision as to what the end outcome will be.
- While the employer's representative can seek the views of others in forming a decision, ultimately the person who deals face to face with the employee has to make the decision.

- The employer must go into the process with an open mind. Bias or a predetermined point of view is unacceptable.
- If your enquiry into the facts establishes that the employee acted inappropriately, it becomes necessary to decide what response is appropriate. If the misconduct is serious enough, dismissal may be warranted. Other options include verbal or written warnings, training to overcome the problem, or some other form of support for positive change.

The way other employees have been treated in similar circumstances also needs to be considered, as fairness needs to be demonstrated.

For the employer's protection, they would be wise to have a third party giving support during such meetings so that they too have a person who can verify what took place.

Both the employer and support person should take notes of the procedure followed during the meeting, what each party said and of decisions made. These notes should be signed and filed for future reference.

Employers should not be intimidated by the actions necessary to discipline staff or terminate employment as most of it involves common sense and fairness. If you keep personalities out of it and remain objective, then you can achieve positive outcomes.

If you are unfamiliar or are uncertain about how to proceed with dismissal or discipline procedures, your Campbell-Tyson adviser is able to assist. A 15 minute conversation may well prevent you making an error of judgement that could have far reaching consequences.

We can also assist with drafting employment agreements that comply with employment law.

EDITORIAL

Future looks bright and solid for Franklin

I find it an encouraging and exciting time to be joining Campbell-Tyson as its newest and 19th partner.

The Franklin region has always held great attraction for me from a lifestyle point of view, balanced as it is near the country's largest urban area, yet retaining an enviable rural aspect.

Franklin's economy has been robust now for a number of years, and while official figures lag a few years behind reality, what is obvious is that as a region we appear to have enjoyed greater growth than the country's average.

Others are aware of the benefits the region has to offer, and in terms of population growth we are the second fastest growing region in the greater Auckland area (behind Rodney).

We have the good fortune to have an excellent mix of manufacturing, agricultural and service industry businesses fuelling our local economy, and this diversity gives the local economy great strength and depth. It assists in evening out the bumps as sectors go through the inevitable highs and lows of economic cycles.

Agriculture is the most important contributor to the local economy, being responsible for 22% of local GDP and a third of employment. Even agricultural output is balanced nicely between dairy farming and vegetable growing.

It is a little known fact that Franklin grows a third of the nation's fresh vegetables, and our location on Auckland's doorstep, and with the international airport being "next door", we could not be more ideally suited for this type of business.

Manufacturing is responsible for 20% of local GDP and 28% of employment. This sector is dominated by the presence of the steel mill.

Since the mid 1990s the service industries have been a growing source of jobs and economic growth, and today accounts for nearly 40% of all jobs in the region. Given our close proximity to Auckland it is a trend that is likely to continue.

Forecasting the immediate economic future is fraught with difficulties given the various factors outside all our immediate control that could affect outcomes.

Franklin, however, has every reason to believe that business will remain good, and that we will continue to achieve more than our natural share of an Auckland future that is very promising.

Jeff Rowsell, Partner

Leases – research and negotiate

For many businesses the lease of their premises is one of their largest, ongoing expenses. As a lease term is invariably for a number of years, it also represents a major liability. For these reasons, it is always good policy to ensure your solicitor or Campbell-Tyson adviser reviews any lease agreement in advance of signing.

You can save yourself some time and expense, however, if you have a preliminary run through of any proposed lease to get it into reasonable shape for final vetting.

Today many landlords use a standard lease prepared by the local district law society. This forms a good basis and is fairly even handed to tenant and landlord.

Points always worth considering are:

▪ Length of the lease

Is your business likely to change in size or purpose during that time? While a long lease gives you certainty, it restricts your flexibility.

It can on occasions be more to your advantage to negotiate a medium term lease (say 3 years) with rights or renewal, rather than a longer lease.

▪ Cost of outgoings

Look at the outgoing costs associated with the building. What are they

made up of, and who pays them? These costs can add significantly to the quoted cost per sq. metre.

▪ Inducements

Will the landlord make any contributions to the renovation of the space before you move in, or give you a rent free holiday for a period of months?

▪ Make good

Do you have to restore the premises back to their original state before you leave? If so, you could be facing many thousands of dollars at the end of the lease.

▪ Quality of the air conditioning

Ask other tenants (or the previous tenant) about the quality and state of the air conditioning. Is it likely to meet your requirements? Also, if the air conditioning breaks down or requires major maintenance during your tenancy, you will most likely be required to contribute to the cost.

▪ Rent reviews

Discuss the potential for a rent increase, and what process exists for mediation or arbitration if the two parties can not agree

▪ Cleaners

Can you appoint your own cleaners (or do it yourself) or are you contracted to use cleaners nominated by the landlord.

Preparing a checklist of questions to ask and areas you wish to negotiate within the lease will help to clarify exactly what you and the landlord expect from the arrangement. It can avoid conflict and disagreements during and at the end of the lease agreement.

Campbell-Tyson in the community, and at play



Turning 30...

Andrea Kane celebrated her 30th birthday last month; to help her celebrate, the team at Campbell-Tyson bought her a skydive at Mercer made a great gift!



Olympic selection

In 2001 Campbell-Tyson partner Glen Beal's involvement in equestrian sport led to his appointment as National Selector for Eventing in New Zealand, and in 2004 he has played a vital role in the selection of the Eventing Team that will represent New Zealand at the Olympics in Athens. Glen has a half share in "Lost for Words", recently named as a reserve horse for the German Olympic Eventing Team. Glen originally purchased "Lost for Words" from long time Campbell-Tyson clients Frank and Lynn Hunter.

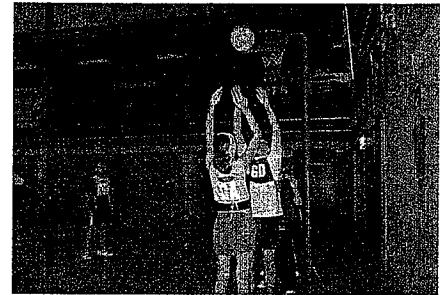
Outstanding service

This year, Counties Power celebrates its 80th anniversary. Campbell-Tyson partner Paul Muir has served as Director on the board for 10 years, the last five as Chairman.

During this time, Paul has seen the company increase its commitment to the community with projects that aim to create affordable electricity solutions. However, an exciting innovation developed over the last two years is the roll-out of the Wired Country broadband network aimed at bringing high speed internet and telephone connections to businesses and homes in the Franklin area for the future. Wired Country has the potential for expanded services such as video on demand and video conferencing.

Social sports

As a way of bringing Campbell-Tyson staff and family together, the social club holds at least one event every couple of months. Recently a night of competitiveness and sporting prowess was enjoyed by all. Up coming events include a pool night in September. These social events help to keep a balance between work and play for the team at Campbell-Tyson.



Quotes and estimates – the benefits and pitfalls

Too many people in business use the terms quote and estimate as though they are interchangeable. They are not, and if you use them in the wrong way you could potentially expose yourself to financial risk.

A quote is an undertaking to do a certain task or job for a fixed price. This price cannot be changed once it has been accepted by the client unless the client specifically asks for changes or variations. Even if the work you carry out goes beyond the price you have charged, you are still obliged to invoice the client based on the original quote. If you are unsure of what your eventual costs will be it is better to supply the client with an estimate.

An estimate is not binding, and is an educated guess of what you believe the cost will be to complete the job. If your estimate is accepted, it is good practice to keep the customer informed of potential price variations to avoid any surprises at the end of the job.

To work out a quote or estimate you need to be aware of your fixed and variable costs.

Provide all quotes and estimates in writing ensuring that the word "quote" or "estimate" is prominent. If you provide a quote, supply a detailed outline of the tasks to be undertaken.

It is also good practice to include an expiry date on all quotes and estimates.

Expectations from donations and sponsorships

You should have a clear understanding of the difference between a donation and sponsorship, even if the amount you intend to spend is relatively modest.

Think of a donation as a straight out gift for which you expect nothing in return. It is a benevolent act to support a cause or organisation.

You should receive an official receipt for the donation in your personal name, as individual tax payers can claim up to \$1890 a year as a rebate at the rate of 33.3 cents per dollar donated each year, giving a \$630 refund. This expenditure is not claimable against income in your business.

Sponsorship should be considered as a business arrangement, and you should expect a business return – whether that is publicity or the opportunity to market yourself to those involved. As the cost is a marketing one, your outlay is deductible.

The sponsorship agreement should be in writing and specifically state what you receive for your outlay. You should be billed for the sponsorship by way of a tax invoice.

It is a good idea to determine how much you will spend on sponsorships and donations in your financial year and choose what you support carefully. Ideally, they should complement your business.

Be aware of the emotional requests for donations or sponsorships from skilled telemarketers over the telephone. Regrettably in these situations all too often only a small proportion of any support ends up with the charitable organisation.

RUN THAT BY ME AGAIN...

Investment properties

With some of the impetus going out of the housing market, investors may want to remind themselves of a few basics in relation to housing as an investment.

Interest Rates: Are on the rise, and while there are as many forecasts as forecasters as to where rates will end up, the consensus view is they will be higher than they are at present. Now is the time to work out the affordability of your investment across a range of higher rates.

Rents: The region's biggest real estate firm, Barfoot & Thompson, notes that at the end of June the average weekly rent being obtained for properties had declined each month for the past three months. The average is now lower than it was at the start of the year and at the end of June last year.

Increasing rents to cover increased costs (interest rates) may not be an option available to you.

Depreciation: While you can claim depreciation on the building cost and chattels when the property is sold, most often, depreciation claimed to date has to be factored back into the wash up.

Income protection & health insurance

A number of employers offer their staff income protection insurance and health insurance as part of the remuneration package. There are a number of points in relation to these insurances that are worth keeping in mind if you as an employer offer group schemes.

Protection: In the event of sickness preventing a person working, income protection insurance will ensure the employee continues to be paid. With health insurance, it could mean an employee will seek medical intervention for a health issue earlier than they might otherwise.

Liability: As an employer cannot tell a person how to spend their wage, if you offer these insurances as part of the wage package you need to remember they are the employer's responsibility. If premiums go up, the employer needs to meet the increased

cost. The extra cost cannot be deducted from the employee's cash salary without their agreement.

Deductibility: If the employee pays the premium for income continuance insurance from their after tax income, the insurance premiums can be deducted as a tax deduction by the employee.

FBT: If the employer pays the income continuance premium, the payments are subject to FBT.

Employers who are considering income continuance and health insurance for employees should discuss this with their Campbell-Tyson adviser to ensure the scheme is set up in the most effective way for employer and employee.

Employees who become competitors

Many an employer has discovered that on leaving them an employee has immediately set up in competition against them, even seeking to attract away existing customers.

The best protection against this (other than not having the employee leave in the first place) is to have protective restraints in employment agreements. There are three keys to protecting your business from this type of attack.

Contact: You exclude employees having any contact with your customers after they leave your employment – say for three or six months. This gives you the breathing space to put in place alternative servicing that is acceptable to your customers.

Restraint: You can create breathing space for yourself over a short period (weeks or months) by reserving the right to pay the employee not to work.

Where the employee's role will give them access to business secrets and connections which are sufficiently important to the viability of your business, a restraint of trade clause will restrict their ability to compete with you directly or to assist your competitors. The limitations that can be placed on employees are similar to those found in contracts for the sale of businesses.

Confidentiality: Ensure the agreement requires the employee to hand over on leaving all company information – about the

company and customers – and forbid the employee to make use of any confidential information gained while working as an employee.

Your best protection against former employees comes from having a sound employment agreement. Your Campbell-Tyson adviser is in a position to assist you in developing an agreement that covers this type of situation, as well as being fair to all parties to the agreement.

HELP US TO HELP YOU

Every time we survey clients on their "wish list" in relation to our services, two items always come out on top of the list.

They are:

- The fast turnaround of the end of year financial results
- Receiving value for money

You can assist us to deliver on those requirements by spending as little as 30 minutes gathering together in one place all the documentation and records we need so that we can complete your results in one session.

When we have to come back to you for more information, and wait while you locate and forward it to us, that means double handling, more time and more cost. To assist you, each year we provide clients with a list of what we need to complete accounts and encourage you have a meeting with us so we can ask you questions and check information before we start your work. If you are in any doubt at all, please call us in advance.



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