Grant Thornton

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Food for thought

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PAYE Real-Time Reporting (RTR) – are you ready?

The Finance Act 2017 has made provisions for the modernisation of the PAYE system in Ireland. It is important employers are ready for this change, as the go live date is 1 January 2019.

So what's changing?

From 1 January 2019 employers will be required to accurately report employee remuneration and PAYE data on a **real-time** basis, P30s, P45s, P60s and end of year returns will cease to exist. Under the new system a Revenue Payroll Notification (RPN) will be requested for all employees on the payroll at the time of processing. This results in a 'live' tax credit certificate being received by the employer taking into account any other employments, social welfare receipts, etc of the employee, via the RPN.

Details of the amount being paid, the date of payment and PAYE, USC and PRSI will be communicated to Revenue through the payroll software when the payroll is processed. Payroll submissions will now capture employees commencing and leaving employment. Revenue will issue an instantaneous acknowledgment.

Revenue will issue a monthly statement to employers confirming the total income tax, USC, PRSI and LPT deducted or repaid. It is up to the employer to ensure that these calculations are correct prior to the payment date.

The payment date for PAYE/PRSI/USC remains the same, ie 14th of the following month or 23rd for Revenue Online Service (ROS) pay and file online. The most important impact of this new system is that there is now no facility to rectify any payroll errors or omissions either during the year or via the defunct Form P35. As such, weekly/monthly payroll will need to accurately reflect all Benefit in Kind (BIK), pension contributions, bonus payments, etc when the payroll is being processed.

How do employer's ensure they are ready?

In June 2018, Revenue will request all employers to submit an employee list. Revenue will undertake a matching exercise with the intention of ensuring they have the correct information for the start of 2019. Employers must ensure they have accurate PPS numbers for their employees.

Employers must also ensure that their payroll software is up to date to allow compliance with the new system. An examination of internal procedures for reporting of payroll information should be undertaken to ensure the information is received in a timely manner. Controls around how notional pay and BIK are captured will need to be reviewed along with ensuring they are being calculated correctly.

Internal procedures may also need to be reviewed to ensure employees joining and leaving the company are captured in **real-time**. Adequate systems may need to be put in place to capture temporary assignees and when or if, they fall within the PAYE reporting obligation system.

Where employers rely on year end reporting to capture and tidy-up internal payroll practices, this will need to be reviewed. Employers will need to focus on the quality and accuracy of the information they provide to Revenue.

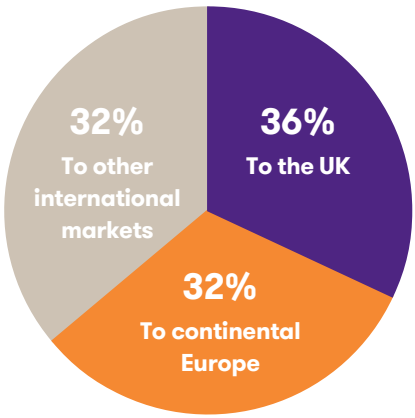
Our expertise can help

Employer's expose themselves to penalties where the PAYE system is not operated correctly. Revenue expect employers to have comprehensive systems in place to track, record and calculate BIK payments. Through our comprehensive PAYE review service, Grant Thornton can assist employers with ensuring they are ready for this change.

Focus on data analytics in the food environment

A data analytics focus with both an industry and business lense can help identify revenue and cost saving measures for your business.

Export destination for Irish agri food and drinks



The Central Statistics Office (CSO) growth statistics for 2016/2017 show a 12.45% increase in exports of food and live animals. Ireland has a flourishing food service channel business (eg all the food consumed out of the home). Bord Bia have worked closely with Technomic Inc to deliver new research and insights on the Irish food service market place and they found that the Irish food service market place exceeds €7.8 billion and comprises over 33,000 individual outlets.

Their report entitled '*2017 Irish Foodservice Channel Insights*' identifies that 4.9% is the total market compound growth rate forecast between now and the end of 2020. This is a growth of 5.8% for the Republic of Ireland and 4% for Northern Ireland.

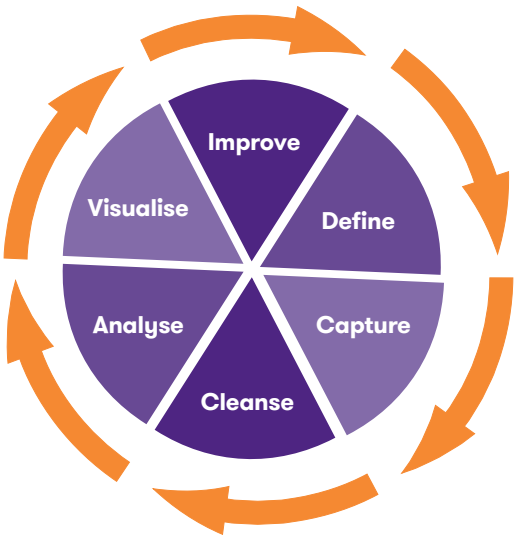
Given the size of the export agri-food and drinks environment and the expected food service industry growth in Ireland currently and in the future, we believe that all those in the food industry need to start considering data analytics. Whether you are working in the production, retail, shipping or restaurant business, you need to understand your customer needs and uncover important food industry market trends.

The performance of data analytics on this industry and your business itself, can help you identify those products that you should focus on, or those that you should remove from your listing. Data analytics can identify Revenue generating opportunities and also cost saving opportunities.

What is data analytics?

When we discuss analytics, we are referring to qualitative and quantitative techniques and processes used to enhance productivity and business gain. Data is extracted and categorised to identify and analyse behavioural data and patterns with techniques varying according to organisational requirements. In other words, data analytics is the process of gathering, analysing and then using date to make better decisions.

In considering whether to use data analytics we must identify what we are trying to do and what question are we trying to answer? This question will drive the remaining steps in the data analytics process documented below. It is a six step process, as visualised in figure 1 and is an interactive process, in that when you begin analysing the data, outputs from this may drive a change in the questions you require to be answered.



Step 1 - Define

This is the most important step. You must define the question you are trying to answer. For example:

- I want to know what my restaurant customers want, what are the best selling meals?
- Are certain meals frequently changed?
- Is there a preferred price code?

This will drive the data you capture, how you cleanse, analyse, visualise it and communicate the results to improve your business. If you are considering financial data, you should consider the business cycle and the relationship between each account and process.

Step 2 - Capture

Once you have defined your question, you need to determine the data you require. In this example you may capture the following data:

- point of sale data;
- order information (additions/subtractions to dishes);
- prices of dishes; and
- drinks ordered with dishes.

What are the different types of data you have access to?

- **structured data** – This refers to any data that resides in a fixed field within a record or file. It includes data contained in relational database and spreadsheets; and
- **unstructured data** - This is all the things that can't be so easily classified, eg photos, webpages, voicemails, emails, blog entries, Facebook comments, etc.

Step 3 - Cleanse

Once you have captured the data, you will cleanse it to ensure that only the data that you require is included in the solution.

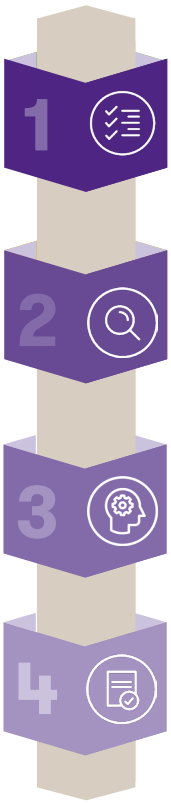
Step 4 and 5 - Analyse and visualise

You analyse and visualise the data and begin to understand the results, this step will involve gaining a better understanding as to what is happening in your business and in our experience, may lead to you coming up with some possible suggestions as to amending the menus, for example:

- identify certain items that can be removed from the menus;
- identify new dishes; and
- consider adding special deals on meals and drink.

When analysing your data, you will consider the four below types of analytics in figure 3.

Figure 3 – Analytics types



Descriptive
Reporting of past events to characterise what has happened.

Diagnostic
Can provide insight in to why certain trends or specific incidents occurred – ability to identify the underlying transactional detail. Analysing data by cutting differently, eg by product, customer and region.

Predictive
Extraction of information from large volumes of existing data, application of certain assumptions and drawing correlations to predict future outcomes and trends. When did you sell the most? How many staff do you need? Should you change your floor layout?

Prescriptive
Using predictive analytics to determine what the demand will be, prescriptive identifies which actions will help drive this prediction.

Step 6 – Communicate the results

In conclusion, harnessing the data you have available to you will allow you to guide your strategy going forward, it will enable you to increase your revenue as well as reduce your costs. Remember implementing data analytics into your business to drive your strategy is no longer a question of when but how.

Grant Thornton can work with you and your business to help identify the data you have and the potential to use this data to improve your business.

Conference confirms upbeat future for agri-food in Northern Ireland

Despite the uncertainty of Brexit, there was a general growing expectation that farming and food in Northern Ireland can look forward to a bright future. This was one of the main conclusions that can be drawn from the recent AgendaNI Agribusiness conference in Craigavon.

This was illustrated by Dale Farm CEO, Nick Whelan, who indicated that the farmer-owned cooperative wants more milk from its producer members. This is a direct consequence of the strong signals coming from the dairy processer's customer base throughout the UK that they need assurances of an enhanced product supply availability over the coming years. Lakeland Dairies' CEO, Michael Hanley, delivered a similar message around the UK government's future policy for the sector especially if this is focused on 'cheap food'.
Great Britain remains a sizeable and profitable market for the sector across Ireland. Allowing cheaper imports certainly over the long term would make it less attractive particularly in sub sector especially beef and sheep meat.

One of the most significant contributions to the conference was that made by Northern Ireland Grain Trade Association (NIGTA) Chief Executive, Robin Irvine, who confirmed that local feed compounders had just enjoyed a record year in terms of product through put. He attributed this development to the resurgence of the fortunes experienced by dairy farmers in 2017 and the continuing growth of the poultry sector.

The day after the announcement of no deal at Stormont, representatives of all the main political parties took the stand. It was clear that there is still no unified voice in relation to what is best for Northern Ireland agri-food going forward.
This is a grave concern as it is near crunch time for negotiations. Our representatives on the agri-food advisory group to the UK government will have a pivotal role in helping secure an informed and practical solution for the sector.

Across our client base we have seen businesses make some changes to their plans to help as much as possible to mitigate potential Brexit risks. Clients trading in the Republic of Ireland have looked at making investment partially due to border concerns, but also driven by its customers and supply base demands particularly in distribution.

Our Grant Thornton Advisory teams are continuing to support our agri-food clients in making sense of the potential risks to their businesses under different deal scenarios. A recent Intertrade Ireland survey indicated that only 9% had made plans to deal with Brexit[1], despite the provision of Brexit vouchers to assist in securing that advice.

1 Inter Trade Ireland Quarterly Business Monitor Q3 2017

Sasha Kerins,
Head of Agri-Food

InFocus with Robert Allen - a US food insight

Robert Allen is a principal in Grant Thornton's Technology Solutions practice, and also serves as the national Food and Beverage industry sector leader, for Grant Thornton LLP the US member firm of Grant Thornton International Ltd (GTIL).

Q To start off you might tell us about your career to date and how you came to be the Food and Beverage Lead for Grant Thornton North America?

A I started my career in the food and beverage industry, working for two companies – Sara Lee Bakery and World's Finest Chocolate – holding a variety of leadership roles within both supply chain and manufacturing. From there, I moved into professional services, with over 20 years' experience working directly with both mid and large sized manufacturing and distribution clients with process design, technology utilisation and supply chain transformation. Now I serve as a Principal within the Grant Thornton US Technology Solutions practice and as the National Food and Beverage Industry Sector Leader.

Q The global agri-food industry has changed significantly in the last 20 years. What have been the biggest changes that you've noticed in how the industry operates?

A The biggest changes are around technology, new competitors and mounting corporate involvement.

Over the last five years, increasing corporate involvement has led to vertical integration across the supply chain, with corporations owning it all – from farms and processing plants to wholesaling and transportation operations. This allows for cost reduction, which has led to increased industry profitability, from 3.2% of industry revenue in 2012 to 3.7% in 2017.

This rising profitability is attracting new businesses to give it a try in the industry, usually small operations that serve high-growth niche markets. Look at the gluten-free market as an example, in the US in 2015, it grew to $1.6 billion, with expectations to reach $2 billion by 2020[1]. IBISWorld projects that the number of industry establishments in the US has increased at an annualised rate of 0.8% to 2.9 million over five years to 2017[2].

Q With a forecasted population of almost 10 billion by 2050 the industry will have to continue to evolve to produce more food. How do you think this can be best achieved?

A This is a great question because there are certainly factors that can threaten agriculture and impact food production at a time when need for food will be growing. These factors include weather and the impact of climate change and complying with environmental regulations to curb carbon emissions involved in food production, processing and distribution.

In the US, we know temperatures are rising and spring is coming earlier in the Midwest, a region we refer to as the breadbasket of America. While these changes may benefit some crops to some degree, overall we expect climate change to contribute to a production decrease in this vital part of our country. We also are experiencing more extreme weather events. Last year, Hurricane Irma hit the state of Florida, where we produce a high percentage of citrus.

1 Gluten Free Bars evolves with the niche food market, 16 April 2017
2 IBISWorld, US Industry Report, Agribusiness

In January, the United States Department of Agriculture (USDA), National Agricultural Statistics Service updated its October 2017 citrus production forecast of nearly 60 million boxes, (already a year after year decline of 23%), to under 52 million boxes[3].

The power of technology can be very helpful in production. While technology has long been important in the industry, the new trend of 'precision agriculture' offers new opportunities. Increasing use of drones and more sophisticated tractors can collect and share data. The automated planting systems in self-driving tractors are incredibly accurate. The precision agriculture systems industry in the US is expected to grow by 12.7% to $32 billion by 2022[4].

Q In Ireland, Brexit is a significant concern for future Agri-food trade. How are US food firms reacting to the uncertainty around North American Free Trade Agreement (NAFTA) and are there lessons that Irish firms can learn?

A About a third of US producers say they believe the US will withdraw from NAFTA and about a quarter think it's unlikely, so you can see the level of uncertainty that exists today[5]. The American food industry exported nearly $43 billion in food and agricultural products to Mexico and Canada in 2016[6]. Adding to the uncertainty surrounding the future of NAFTA, is understandable concern about the impact of the new tariffs on steel and aluminium that were announced in March by the Trump Administration. Some farm groups and organisations are concerned that tariffs may trigger retaliation against our farm exports and increase prices for equipment. Packaging costs for the food and beverage industry will increase as a result of the tariffs. It's not clear yet how they will meet the higher costs or what the ultimate impact will be.

Q Amazon's acquisition of WFM was one of the major talking points of 2017 and has been a catalyst for much discussion around the supermarket of the future moving from '*brick to click*'. How real is the consumer switch to e-commerce in the US?

A Oh, the US consumer's switch to grocery e-commerce is real and here to stay. According to "The Digitally Engaged Food Shopper" analysis completed by the Food Marketing Institute (FMI) and Nielsen, online grocery shopping (in the US) could grow to upwards of $100 billion on food at home items by 2022[7].

Additionally, around 23% of American households currently buy some groceries online, up from 19% in 2014. Also greater than 70% will utilise online food shopping within the next ten years. Additionally, the report found that for those consumers who will buy via the internet, 60% expect to spend about a quarter of their food dollars online in ten years[8].

It is not believed that the US growth of grocery e-commerce will lead to an end of 'brick and mortar' supermarkets. Instead, they will expand their digital presence and learn how to reconfigure their stores to service a digitally savvy consumer. Many believe that supermarkets will innovate the way they service their customers, offering improved bakery, deli and meat departments, food bars and eateries, and adding more trendy cuisines. Whole Foods by Amazon, Jet.com by Walmart, Plated by Albertsons, and the planned acquisition of Shipt by Target, all demonstrate these companies move to build a balance of one's physical and digital presence to establish a successful and profitable omnichannel model[9].

3 Hurricane Irma hits Florida's agricultural sector, USDA, 8 February 2018.
4 IBIS World report, Precision Agriculture Systems and Services
5 A third of US farmers believe the US will withdraw from NAFTA, 7 March 2018
6 Fears on the Farm: Here's the full $43 billion list of US food makers angry at Trump's NAFTA threats, 9 November 2017.

7 The digitally engaged food shopper – Developing your omnichannel collaboration model, 30 January 2018
8 The digitally engaged food shopper – Developing your omnichannel collaboration model, 30 January 2018
9 The digitally engaged food shopper – Developing your omnichannel collaboration model, 30 January 2018

Q Ireland has invested heavily in developing world class quality assurance and sustainability schemes throughout the entire supply chain. How do such schemes resonate with the US consumer?

A US consumer purchase decisions have been evolving, with lessening focus on historical buying factors, such as taste, price and overall convenience. Now, there is an increased focus on sustainability, transparency, wellness, food safety and an improved consumer experience[10]. For example, 62% of Millennials, 47% of Gen X and 30% of Baby Boomer consumers are willing to pay more for environmentally responsible practices. They look for companies that are 'greening' their manufacturing and supply chain, eliminating wasteful packaging, reducing pollution by utilising alternative energies and controlling their water usage.

US consumers are also looking for improved quality assurance and food safety through the elimination of allergens and Genetically Modified Organisms (GMOs), use of both fewer ingredients and fewer artificial ingredients and accurate labelling. Unfortunately, in a recent International Food Information Council Foundation's Food & Health Survey, 61% of Americans are at least somewhat confident in the safety of the food supply, down from 66% in 2016[11].

The US food and beverage landscape has been trying to keep up with these changing consumer preferences. In fact, it continues to move toward a new, sustainable way of doing business and are looking for ways to enhance their overall supply chain quality and food safety. For companies that build and implement strategic sustainability and food protection plans, US consumers are rewarding them with increased profitability, with sustainable near and long term return on investment. For example, companies in the United States are altering their view on sustainability. It is no longer just about creating positive branding and good-will or cutting costs, sustainability strategies are being used to drive revenue[12].

10 Food manufacturers, farmers and consumers can change climate for good, 28 November 2017
11 Survey: Nutrition Information Abounds, But Many Doubt Food Choices, 22 September 2017
12 Research: U.S. Companies Implement Sustainability Strategies To Drive Revenues, 15 February 2018

Contacts

We are Grant Thornton

At Grant Thornton we work with over 200 Irish agri-food business across the entire value chain. Our dedicated agri-food team has a wealth of national and international experience in the agri-food sector providing bespoke professional services to companies of all sizes. If you require further information on any topics or would like to discuss other professional services matters, contact our agri-food team or visit our website **here**.

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