

# Squaring Up To The Challenges Ahead

Both Brian Murphy and Michael Jennings well remember the very early days of the pandemic, that highly charged few days between when the economy was shut down and Chancellor Rishi Sunak announced his business-saving package of support measures, including furlough.

**“B**usinesses were looking at a cliff edge,” says Michael Jennings. “Some of our early meetings were critical and they were emotional. People were genuinely scared that they would go hungry.”

The two BDO Northern Ireland Partners have found themselves working for the common good throughout the crisis. Brian Murphy was asked to chair the Hospitality Industry Response Group while Michael Jennings has been involved with a number of other sectoral bodies to help facilitate the recovery.

“We committed to these roles because we saw the scale of the issues facing businesses. Back at the start, like others, we were very concerned. We did it because it was needed and because we weren’t prepared to sit back and let the crisis unfold without at least attempting to mitigate the impact on local businesses and on our economy” says Brian Murphy.

Now that we’re eventually heading in the opposite direction, both men are all too aware of the challenges. “None of us know what kind of normal we’re heading back to but it will be gradual and some business sectors will need a lot more support than others,” says Jennings. “Not all of the issues are obvious. Hospitality businesses, for instance, have been struggling to recruit because former workers have gone elsewhere. There’s no doubt that many on furlough are working in other roles and effectively getting a double income.”

“Then there are the cashflow issues. The range of loans and tax deferrals have been important but there are plenty of questions around how these can be repaid when businesses are not able to get to full capacity.”

“What Government and our Executive have done has been unprecedented,” Murphy adds. “It has saved millions of jobs



BDO Partner, Michael Jennings, was appointed joint administrator of Harland & Wolff Group Plc and Harland & Wolff Heavy Industries Limited (together “Harland & Wolff”). Here seen at the completion of InfraStrata’s acquisition of the company.

and many thousands of businesses.”

Brian Murphy points to wholesale behavioural change during the Covid crisis. “As we ramp up the recovery, those behaviours have to realign again. That will have to be managed. Then there’s speed of recovery. Furlough ends in September and, by then, the economy will have to have built up sufficient momentum to absorb the potential jobs crisis. If the progress isn’t there, there will be significant redundancies. Going forward, the economy really needs to be supercharged to cope with the tax rises that will be needed to pay for all of this.”

“On top of that, there is Brexit. We simply cannot afford to be regarded as a place that’s just too much hassle to trade with. Hopefully the issues will prove to be short term and we can positively overcome them.”

“Brexit also means that we’re in a unique position that can still give us something of an advantage. But we need to grasp the opportunity and sell the advantages.”

Both BDO Partners expect to see some sort of bounce and a consumer boom. “There is pent up demand, no doubt about it, so we’ll see a consumer boom,” says Jennings. “Whether that extends to the wider economy remains

to be seen. As a firm, we’ve been busy across advisory and corporate finance and we’ve seen several business sales, so that’s a positive sign.”

Brian Murphy agrees. “The conditions and the motivation are all there to support a consumer boom, and it will start in the sectors hit hardest – hospitality and retail. A consumer boom, in turn, could help fuel a longer-term lift. What’s more, some sectors have performed well throughout the crisis. So I think we’re quietly confident and hopeful of a positive recovery.”

The banks will also have a key role to play, both agree. “Banks need to stay close to customers going forward and the same applies to other key stakeholders and advisers. They did an incredible job at the outset, extending existing facilities and processing thousands of new loan applications. The downside is that they now have enormous Covid loan books and run the risk of getting bogged down with that debt, rather than helping to fuel the recovery.”

BDO sees a hybrid working future for its Belfast city centre staff in common with most other big professional firms. Michael Jennings describes it as ‘agile working.’ “I’ve heard it said that ten years of behavioural change has been condensed into 12 months.



BDO Partners, Brian Murphy and Michael Jennings meet with the NI Finance Minister, Conor Murphy and Colin Neill, Chief Executive of Hospitality Ulster.

Home working is part of what most of us do now – it’s as simple as that. Each individual can strike the balance that works for them, and that has to be a positive.

“The city centre faces challenges, of course, but there will still be demand for city centre office space. In fact, we heard from one agent recently that there is some 800,000 sq ft of office space under construction at the moment. But the fact remains that there will be less people in the city centre on a daily basis and that will have an effect.”

Brian Murphy argues that the city centre will evolve. We don’t have city centre living the way other cities do so this is a prompt, an opportunity, to move to a work, play, live, and shop model. This evolution is long overdue in Belfast city centre.”

Moving to specific sectors, Michael Jennings

**“Many businesses have taken on substantial debt during the COVID pandemic. It is vital that banks and the Treasury support businesses to manage this debt as they work towards recovery.”**

Finance Minister, Conor Murphy

was the liquidator of the former Eason & Son retail business, an early casualty of the pandemic. “Retail is a sector that we need to look at closely and will need some targeted help. The High Street Stimulus scheme, announced by the NI Department for the Economy, providing those aged 18 and over with a pre-paid card worth £100 to spend in their high street is a very welcome development

and, other such support around rates for example would be beneficial to the sector.”

On tourism and hospitality, Brian Murphy doesn’t attempt to gloss over the issues. “We have a fantastic product, but we face stiff competition from the ROI and other destinations. Visitors to the island tend to spend most of their time in the Republic and maybe only a couple of nights here. Our product offering is better than that and we need to do more to capture the direct access visitor.”

“The hospitality industry just wants to be allowed to open and they’ll do the rest. The two challenges to the success of hospitality are the restrictions that may remain in place, and the servicing of debt by businesses which have had little to no income over the last year. We have calculated that the industry was burning £1 million a day just to be closed. £100 million of costs were accumulated between Boxing Day and the end of March alone.

“But if you’re asking me if they’ll succeed, of course they will. They’re innovative, they’re passionate and they’ll make it work.”

“Furlough, perhaps, could evolve into a wage subsidy scheme which could help the hospitality sector and, potentially, retail. With social distancing in place, revenue will be slower to build so a scheme like that could be critical.”

Brian Murphy ends on a positive note. “If you’re looking for a silver lining, it’s this. The pandemic has made everyone stop and think. Think about what they can do differently and what they can do better. This rethink has resulted in the strongest possible economic foundation for us to build a successful and sustainable recovery.



BDO Partner Brian Murphy with NI First Minister, Arlene Foster, NI Deputy First Minister Michelle O’Neill and Chief Executive of Hospitality Ulster, Colin Neill discussing potential Government financial interventions at the outset of the pandemic.