whitepaper

reporting to reduce spend and risk

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does your reporting put you in control of your contractor numbers and spend?
do you have reporting that allows you to analyse and understand your risks and trends and help you plan your future contractor strategy?

As the number of contractors hired continues to increase relative to permanent staff it is difficult for most companies to have the right processes and reporting tools in place to undertake headcount tracking to appropriately monitor and control their contractor spend.

Whilst hiring contractors gives you the benefits of flexibility and agility to scale your workloads up and down with speed it can also be difficult to agree on appropriate contractor processes that should be followed and how to best get the reporting you require.

If you can get the right platform in place the information is relatively straightforward for your teams or your managed service provider to monitor and review. The results will undoubtedly save you money and should help you to attract and retain better talent.

In this short article, we take a brief look at common areas for you to consider to enable you to control your contractor workforce and make appropriate decisions.

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contractor spend
As the trend for contractor spend continues to increase each year it's challenging for you to manage and optimise your contractor strategy if you're not sure how much you're spending and where.

Many companies that we talk to do not know the number of active contractors they have or the ongoing spend.
By adopting a centralised contractor workforce platform this becomes something of the past.

It allows you to see total contractor numbers and spend in many different ways including by hiring manager, department/division and source. You will now be in a position to plan more effectively your future contractor workforce strategy.

sourcing
Another common theme we see is a lack of information on which hiring managers are hiring your contractors and where they are being sourced from and at what rates. What we often hear is that companies say they only know the largest source of contractors because it is a reflection of the amount of invoices received from that source. This can be misleading and does not consider direct sourcing channels which have no ongoing invoices and does not consider all other indirect sources.

A contractor workforce platform allows you to have one centralised process which everyone follows and therefore gives you the information on which hiring managers are requesting and hiring contractors. This allows you to have appropriate authorisations in place and enables you to analyse the sources of those contractors whether sourced directly or indirectly (and their associated costs)
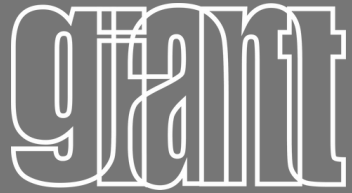
contracts
Often overlooked but an important area, especially to drive compliance, is to have all contracts up-to-date and controlled on a platform centrally. These contracts could be directly with contractors or via your suppliers. A suitable contractor platform allows you to on-board workers in a compliant manner and receive alerts when contracts are coming to an end or when they need extending.

Importantly you can then have reports that analyse the number of current live contracts you have and forecast those starting and ending over the coming months. An appropriate contractor platform and managed service that sends notifications and holds up-to-date contract information can help you to develop and forecast your contractor strategy.

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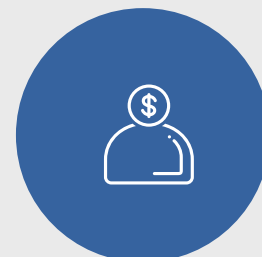
timesheet management and billings

Having accurate timesheet management and billings is crucial to ultimately controlling your contractor spend. Are you confident that the time submitted by your contractors or agencies is correct and is being authorised by your appropriate hiring manager? If not, the supplier billings you receive will likely have errors and potentially overcharging.

Ultimately the best solution is to have online timesheet management as part of a contractor workforce platform. However, if fully online does not suit your business there are many other processes within good platforms that allow for accurate time processing and the capture of that time in an electronic format. If the time authorised is not accurate the billings will definitely have errors.

When you receive the billings from your contractors and agencies how do you know that the billings match the time that was authorised and how do you know whether you have not paid the bill previously – after all they all look the same.
And how do you get an accurate and consolidated analysis of your total spend?

The solution is to have a platform that has integrated timesheet management and billing so that you correctly authorise time which then flows directly into the billing engine. In our opinion, it is incredibly important to also find a platform that can provide self-billing. Under self-billing you do not wait for a bill to come in from your suppliers, instead, you issue a self-bill to them. You are then in complete control of your spend, the accuracy of the billings, their issue date, which affects your cash flow and alleviating any concerns about paying the same billings more than once. Often you can have purchase order management built into the billing and of course, there should be consolidated billing options to cut down on your admin.

By the way, suppliers love self-billing as well because they don't have to raise any billings and it greatly reduces their admin and costs. A win-win.
With accurate timesheet management and billing, you can then analyse reports on contractor spend in many different ways.

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compliance risk

As the use of contractors has increased so has the complexity of the legislation that surrounds them. The main legislative pillars are both employment and tax legislation.

Of particular significance at the moment is Off-Payroll Working (OPW) legislation and the Criminal Finances Act (CFA)

OPW legislation in its simplest form tries to ensure that contractors are engaged either as self-employed (outside IR35) where their limited company can be paid gross or otherwise (inside IR35) they must have PAYE tax deductions made by the ultimate supplier.

It sounds simple but it is not. Ultimately the hirer is responsible for making this decision on whether someone is self-employed and if you get it wrong you can be liable for the underpaid tax penalties and interest.
Similarly, the CFA puts the onus on you to reasonably ensure that your supply chain is making the correct tax deductions before paying contractors even where all contractors are deemed to be inside IR35 and therefore must have PAYE tax deductions made. Do you know if the ultimate supplier is deducting all tax due, doing it appropriately, or paying an element offshore?

It is relatively straightforward for HMRC to do a risk assessment on your company by asking some simple questions about your contractors, your processes, and how they are paid. A good platform should report on how contractors are being paid and whether they are deemed to be self-employed or not. These reports can highlight where you have financial and reputational risk and allow you to mitigate or eliminate it.

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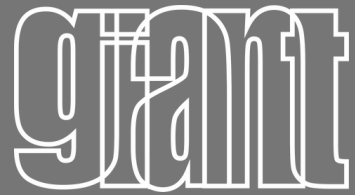
In conclusion a good contractor software platform and managed service provider will deliver reporting that can solve all of these issues and offer much more added value to enable you to be in control of your contractor spend and risk and allow for appropriate future planning.

about **giant** precision
As a group, **giant** have been supporting companies of all sizes with the compliant management of their contingent workers for 30 years.

We invest heavily in our proprietary software which includes everything from applicant tracking, vendor management and onboarding to timesheet management, invoicing, international payroll & payments.

We are proud to offer a number of solutions to get contractors paid on time, every time, including CIS, PEO, IR35 fee-payer and of course our award winning **giant** umbrella.