



Midland Credit Control

# Outsourcing

FACTSHEET



## Why Outsource?

A study published by PA Consulting Group (2018) found that nearly 35 per cent of UK organisations who outsource plan to ramp up this year. Overall, the outsourcing market appears to have grown 4 per cent in the past year.

According to ISG UK, 'there is a growing acceptance for outsourcing business responsibilities to third-party organizations who take up these roles "as-a-service". This is due to the drop-in costs as well as improved agility among businesses outsourcing non-core tasks. The focus of outsourcing is no longer purely of cost reduction but also on other factors such as expertise and efficiency'.

## Top Reasons to Outsource

The following are the most common reasons for companies to outsource. (Deloitte, 2016)

- 59% – Reduce or control costs
- 57% – Focus on core functions
- 47% – Solve capacity issues
- 31% – Improve service
- 28% – Gain access to expert talent and knowledge
- 17% – Manage business environment
- 17% – Accelerate organisational transformation

## Benefits of outsourcing to MCC

Outsourcing has five major benefits:

- It reduces the amount of risk exposure to your business.
- It saves you money.
- Getting new projects off the ground is easier and quicker when you have a positive cash-flow.
- It helps you run your business more efficiently as you can focus on your core responsibilities.
- It puts you on an equal footing with bigger players.
- Receive a full time service for the cost of part time hours.

Outsourcing to MCC is also flexible, in that it's usually easy to increase or decrease capacity at short notice. This can be particularly useful for fast-growing businesses, or businesses with fluctuating demand.

Price comparison, real time employee salary versus outsourcing to MCC:

### REAL COST OF EMPLOYEE EXAMPLE

Salary	£25,000.00
NIC	£3,450.00
Pension	£750.00
P11D	£103.50
Admin	£1,250.00
Overheads	£1,250.00
Advertising	£500.00
<b>Total</b>	<b>£32,303.50</b>

Factor in 28 days holidays plus average sick days of 4.4 = Production days of 220.6

Actual cost per day is £32,303.50 / 220.6 = £146.43

Actual cost per year is £146.43 x (220.6 + 4.4 + 28) = £37,048.00

### COST OF OUTSOURCING TO MCC EXAMPLE

Salary (£30 Per hour x 15 = 450 x 52)	£23,400.00
NIC	£0.00
Pension	£0.00
P11D	£0.00
Admin	£0.00
Overheads	£0.00
Advertising	£0.00
<b>Total</b>	<b>£23,400.00</b>

Factor in 0 days holidays plus sick days of 0 = Production days of 253

Actual cost per day = £92.49

Actual cost per year = £23,400.00



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## Benefit of outsourcing to MCC

Outsourcing to MCC means that you can focus on your core business whilst using our expertise to make sure your cash-flow stays healthy. Your costs are lower as you don't have to pay for things such as holiday pay and National Insurance contributions. Most of our clients rarely need to contract us for full time hours on a weekly basis. This is largely because we are specialists in our field and our hours are more productive than those of a regular credit controller. We use an example of 15 hours in the price comparison as this can be all that is required for some of the SMEs we contract to. In the example the price difference per day is £53.94 in favour of MCC plus an extra 32.4 days per year worked. All MCC clients and their customers receive full-time access to service Monday - Friday 9am - 5pm no matter how many hours that they contract to.

## How will IR 35 affect me?

IR35 is a piece of legislation that allows HMRC to collect additional payment where a contractor is an employee in all but name.

From April 2020 medium to large private sector clients will need to determine if the contractor falls inside or outside of IR 35.

With MCC IR35 does NOT come into play for the following reasons.

- We do not perform office holder duties
- We do not use substitutes to complete our work for us.
- We decide how, when and where the work is carried out as it is a specialised role.
- If a client wanted us to move to a different task than that originally contracted for then it would have to be agreed by MCC and a new contract drawn up.

These factors enable HMRC to ascertain that MCC are in fact a totally separate entity from the client and so do not need to collect additional payment from that client.