

# MARGINS OF ERROR

Rick Stoor, Managing Director of Templa, explains how inaccurate Employers NIC calculations can result in lost tenders or undercharging clients.



In today's ultra-competitive cleaning market, tenders are won and lost on the smallest of margins. Exceeding a rival on price by as little as 0.5% – which can easily happen by over estimating Employers National Insurance Contributions (known as ERS NIC) – can be enough for a client to go with the cheaper bidder. Equally, there are many contractors who win contracts, but then undercharge clients because they did not correctly budget the figure in the first place. All of which makes it important to be accurate in costing this element of the tender.

## THE DIFFERENCE BETWEEN WINNING AND LOSING

When costing staff on a tender, it's easy to overestimate or underestimate the liability. On the one hand many companies play it safe and cost in a 'company-wide' rate of anything between 2% and 5% of turnover, a figure that may come from the management accounts. This could automatically result in being 2-5% overpriced on an individual tender if all the staff are costed to work less than 23 hours a week (meaning they are below the ERS NIC threshold and so do not attract ERS NIC).

This can just as easily be the case for a mix of staff paid both above and below the threshold. For example, on a contract worth £50,000 per annum with five staff each working 10 hours per week and two staff each working 25 hours per week, the difference between costing an average 2% ERS NIC and the actual amount an employer would most likely pay is over £800, or 1.6% of the final tender value – enough to potentially lose the opportunity.

But on the other hand, who can blame contractors for using averages if there are 20 or 30 staff in the tender working all sorts of shift lengths? After all, as any good contractor knows, some staff will be employed across more than one location and many will cover for colleagues, propelling them over the NIC threshold.

## BEST WAY TO GO ABOUT IT

Many cleaning contractors now use management software to run their businesses efficiently. The good news for those using TemplaCMS is that the treatment of ERS NIC is an area where the system really pays its way.

By retrieving data from its integrated payroll software and combining payments to a single individual across different tasks TemplaCMS will:

1. Correctly identify the total ERS NIC attracted by the individual employee.
2. Allocate that employee's total ERS NIC cost to each cleaning location according to the amount paid at each one.

3. Show the true percentage of turnover represented by ERS NIC at any level from single site up through contract, area and region to whole company.

For the purposes of bidding competitively in tenders, this means that if playing safe, the true percentage for a typical size or typical type of contract can be used.

A further benefit is that whether playing safe or costing accurately, by transferring the tender costings automatically to the system's contract set-up module when the contract is awarded, the software will then monitor the ERS NIC figure budgeted against the actual cost incurred as the contract evolves. This feature is useful when the opportunity for price reviews arise,

either at contract extension or when new contract elements are added.

Last but not least, the software flags up to the payroll department when additional hours allocated to an employee, either as a result of a longer shift or because of variation work, will take the employee over the threshold in that period and trigger an increased ERS NIC payment.

## TEMPLACMS IN ACTION

Striking examples of how a clearer understanding of the issue has benefitted TemplaCMS clients in real life are Lewisham's Regular Cleaning Services (RCS) and Epping's DOC Cleaning Limited.

Julian Lingham, RCS's Financial Director

explained: "Pre-CMS we factored in 5% as our uplift on wages to protect against ERS NIC. Actual site level stats subsequently showed this is to be closer to 1.5%, as a result of which we have done two things: firstly we have become more competitive in

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Meanwhile at DOC Cleaning, General Manager Jamie Bull added: "At DOC, analysis of this issue using TemplaCMS showed that we were not recouping the full cost of ERS NIC when submitting tenders, resulting in us overspending our Employers NIC budget by more than 50% over a twelve month period. Obviously we now factor in the accurate figures to our costings and so the challenge has become about finding efficiencies in other areas to ensure we stay competitive."

[www.templacms.co.uk](http://www.templacms.co.uk)



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