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WEBCONTRACTOR

Why construction contractors are considering WebContractor to ease the administrative burden and risk associated with application and payment processing

In light of The Construction Act and the new 'Duty to Report on Payment Practices and Performance' legislation applicable to larger businesses, Construction contractors are turning their eye to WebContractor from Open ECX.

To understand why WebContractor is getting so much attention, it's important to briefly explore the UK construction industry's challenges around delayed and late payments.

Industry challenges around delayed and late payments

In the majority of industries and in everyday life, we usually pay immediately and in full for any goods and services received. In the built environment, however, there is a tendency to delay payment or pay less than what is due and this can lead to disputes.

Reasons for this tendency include the relatively subjective nature of inspections and valuations, quality of work, the exact specification and scope of work, disputes relating to change orders, and the historical inclination for a contractor to 'pay when paid'.

The Asset Based Finance Association (ABFA), the body representing the asset based finance industry in the UK and the Republic of Ireland, points out that in construction, where supply chains are long, the ripple effect of delays is likely to affect many other businesses further down, with small and medium enterprises hit the hardest.

Lack of visibility and control due to inefficient payment processing

Adding to the issue of late payments in the construction industry is the fact that payment processes have historically been inefficient and dominated by manual and paper-based activity. This means that if subcontractors don't follow the agreed application procedure, invoices can be lost and payments can be delayed.

Even when applications are received appropriately, payment calculations are vulnerable to mistakes and essential pieces of the workflow can easily be missed or forgotten, all of which results in much to-ing and fro-ing between the contractor and subcontractor to try to rectify the issues and the breakdown in communication.

This is administratively cumbersome, time-consuming and along with increasing the likelihood of delayed payments to subcontractors, breeds mistrust and exposes the contractor to reputational risk and the risk of costly disputes. Given the very low margins general contractors typically achieve from their projects, these risks cannot be ignored.

Inefficient payment processing has also meant a lack of visibility of applications and a lack of tracking in terms of where each application sits in the payment process. Ultimately this causes omissions in processing, errors and delayed payments.

Overcoming these challenges through best practice and improved collaboration

The key to overcoming some of these challenges is to couple best practice, as indicated through the revised Construction Act, with improved collaboration not just between contractor and subcontractor, but within the contractor's internal payment process.

Rather than dealing with reams of paperwork, the best way to manage the payment process is through a central repository that allows greater transparency of payment processing on both sides, integrates key dates and notifications to ensure Construction Act compliance, allows accurate reporting against budget and across the supply chain, and encourages a collaborative and trusting relationship between the contractor and subcontractor.

This is where WebContractor from Open ECX comes in; this service provides an online cloud-based portal into which subcontractors can confidently upload their applications in the knowledge that a definitive, automated workflow is in place for handling the processing, calculations, reconciliation, approvals and payments of those applications.

Issues and outstanding costs are flagged and can be quickly resolved through a set procedure, with senior staff being notified should delays occur. This allows speedy dispute resolution and prompt payment approvals, smooths cash flow and improves trading relationships.

Timely payments using automated payment processing

Optional digital payment functionality then comes into play to allow provision of a holistic, end-to-end automated payment process that reduces the likelihood of payment disputes. Provided by Mastercard through Optal and fully integrated with Open ECX's WebContractor solution, this service further speeds up the payment process by providing secure, online card payments directly to the subcontractor. At the same time it protects from supplier default, fraudulent or erroneous payments.

With no complicated administration, digital payments reduce the time and personnel costs associated with manual payments while also allowing foreign exchange savings on any cross-border payments. Each transaction is directly linked to invoice details, providing fully automated reconciliation for both the construction firm and the subcontractor, and a full audit trail on reference fields which enhances business analysis and trend-tracking.

Simple implementation and onboarding of subcontractors

Understandably, subcontractors are keen to track the status of their applications and to be paid on time for time, materials and other resources already used.

Open ECX's specialist onboarding team are trained and experienced in connecting contractors and subcontractors to ensure they can upload invoices and create applications for payment efficiently and in a straightforward manner. WebContractor allows them to check the status and progress of associated requests, thus enabling improved visibility and management of their applications and account throughout the process, meaning no more time consuming chasing of the contractor's finance staff. Even self-billing agreements and authenticated VAT receipts are fully automated to ensure compliance with the UK Construction Act.

Our team is working closely with contractors to map current end-to-end processes to fully chart all events, teams and systems in the chain. Open ECX create a detailed analysis and delivery plan, and produce information and training via videos, webinars and joining packs specifically for their users and subcontractors.

Summary – visibility, control, compliance

From conversations with construction contractors, we know there is an appetite to:

- **Improve visibility** - strengthen relationships with subcontractors through more transparent processing of payments.
- **Take control** – effectively manage payments and work smarter, while easing the administrative burden of managing applications.
- **Ensure compliance** - demonstrate, through the newly required public reporting, compliance and attractiveness to subcontractors.

If this describes your business, please get in touch with our consultants at Open ECX to discuss your circumstances and requirements, and to learn more about WebContractor.