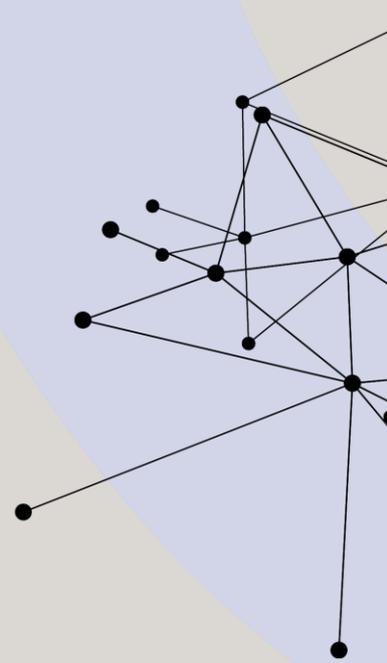


# The Changing Interim Landscape

Analysis of commercial activity post IR35 | June 2018



# Introduction

The implementation of IR35 has had well documented market impact in terms of attitudes to both the commissioning and supply of interim resource within the public sector. While the legislation itself was not new, its more stringent application has triggered some commercial disruption and accelerated a re-shaping of the market. Client organisations have become, at times, overly cautious in procuring short term talent and many interims have put themselves squarely in the 'In or Out' camp. As a result, both service supply and demand are being redefined and more commercial models appear to be in play, bringing with them a greater emphasis upon project scope and deliverables.

Our recent survey amongst our active interim network gauges public sector interim impact and what shape the market might take in the future.

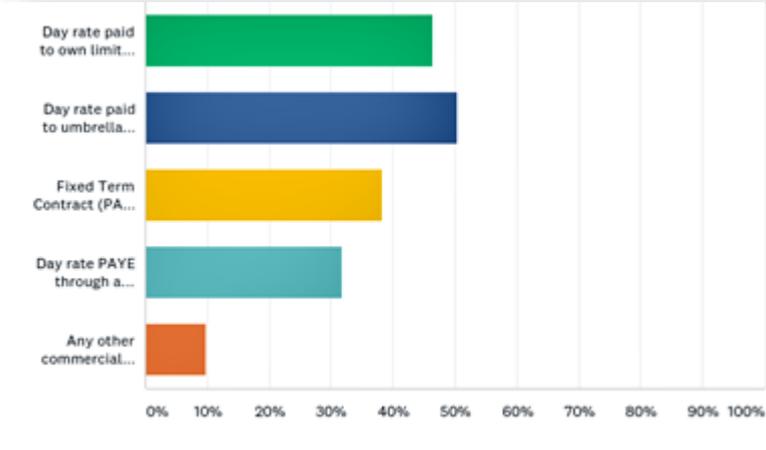
## Has IR35 accelerated the introduction of newer commercial models?

We asked our interims of evidence they had seen in the market vs how they personally had been commissioned. This gave us a better perspective of change that might be coming but has yet to properly impact. We also split the market by looking at assignments within IR35 and those outside to establish whether IR35 disruption had driven innovation and created new approaches.

## What commercial models are in evidence across the public sector?

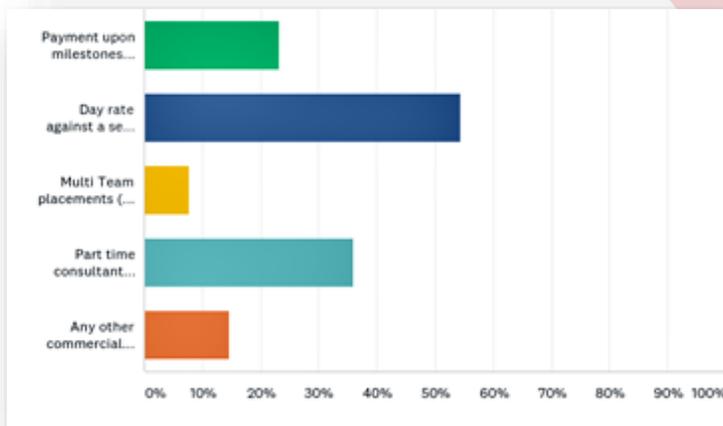
Figure 1 – Commercial models *within* IR35 evidenced

In terms of level and type of activity within IR35, the main commercial model is still stand alone interims operating via a limited company or umbrella company. While 78% of respondees have operated via their own limited company, there is evidence that the use of umbrella companies has increased in the last 12 months with 38% having worked personally via an umbrella company, but over 50% seeing this model in the market. Fixed term contracts are also more prevalent with only 23% having worked via this model but 38% having witnessed them in operation.



**Figure 2 – Commercial models *outside* IR35 evidenced**

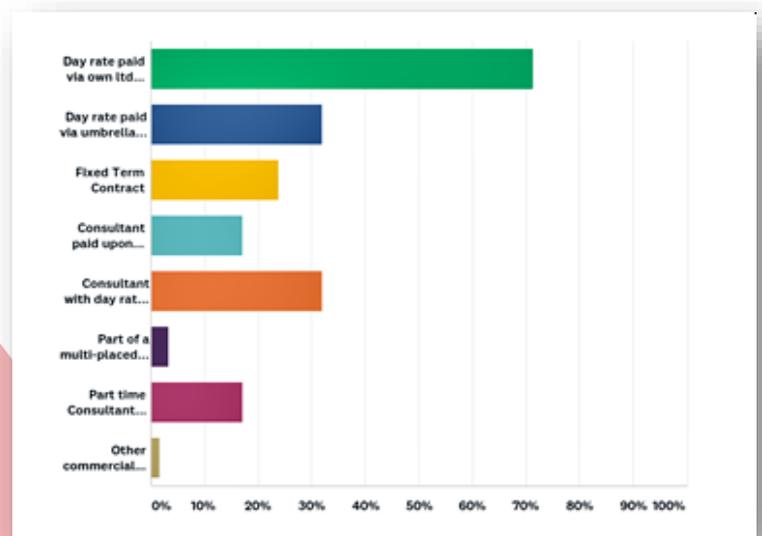
Outside of IR35, payment against agreed deliverables is still the most prolific engagement model with 54% seeing this in the market and 32% having operated within this model in the last 12 months. Payment against milestones being reached is at 24% with 17% of interims having worked within this payment system within the last 12 months. A growing area seems to be interims who increasingly work for a portfolio of clients at the same time; while 17% of interims have worked with multiple contracts at the same time, 36% have seen evidence of portfolio working. While this model will not suit all client organisational needs, it does point to a more tangible delineation between consultancy led work and full time requirement.



In terms of considering whether the interim market has moved to a more team led, multi placement approach, we asked interims to identify evidence of this model. Though clearly in operation, a multi-placement model is more limited within public sector with only 7% of interims having witnessed and less still, just 3%, having been part of a multi-placement team.

**Figure 3 – Models operated within in the last 12 months**

While it is clear from respondents' views that IR35 has shifted the classification of assignments and created a future new dynamic in the proliferation of various commercial models, the current reality is that interim provision is still very much based upon single interims operating at a day rate working to a specific brief. There is market frustration, however, at the tendency to minimise risk by wrapping all assignments within IR35, limiting opportunities for some and reducing remuneration for others.



### Levels of Optimism in terms of market growth

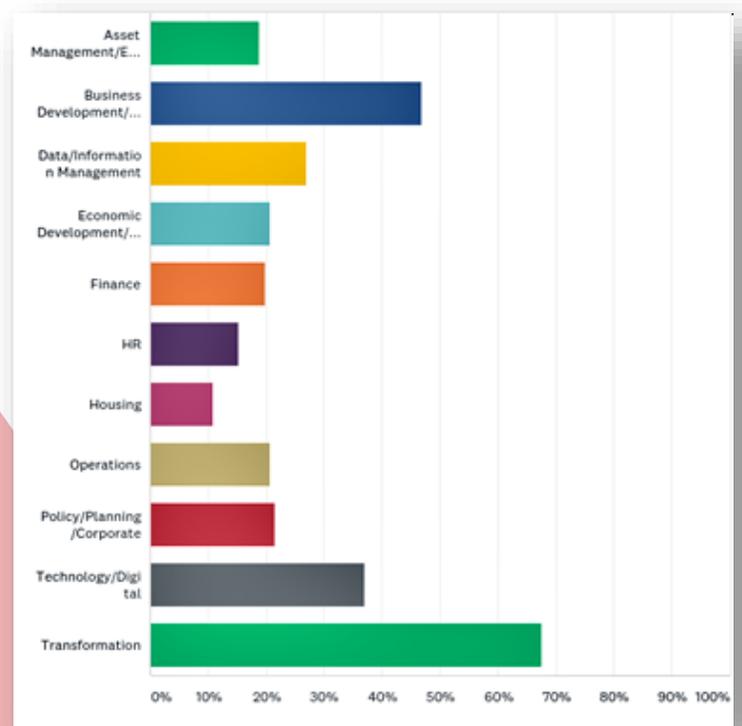
In terms of anticipated market growth, there is a consistent view overall of forecast market growth over the next 12 months – assignments within and outside of IR35 are forecast to grow equally at 24%. However, in dissecting the data, there is significant variance in opinion as to levels of growth. Around 40% of respondents feel that the overall market will rise less than 10%, around 35% feel that opportunities will increase by 25%. Rates are similar for roles within or outside of IR35.

**Figure 4 Anticipated market growth inside and outside IR35**

<b>% Market Growth</b>	<b>% Anticipating growth Inside IR35</b>	<b>% Anticipating growth outside IR35</b>
<10%	41%	39%
+10-20%	31%	15%
+21-30%	12%	12%
+31-50%	19%	21%
+50%+	15%	14%

**Figure 5 – Functional areas most likely to adopt a consultancy approach**

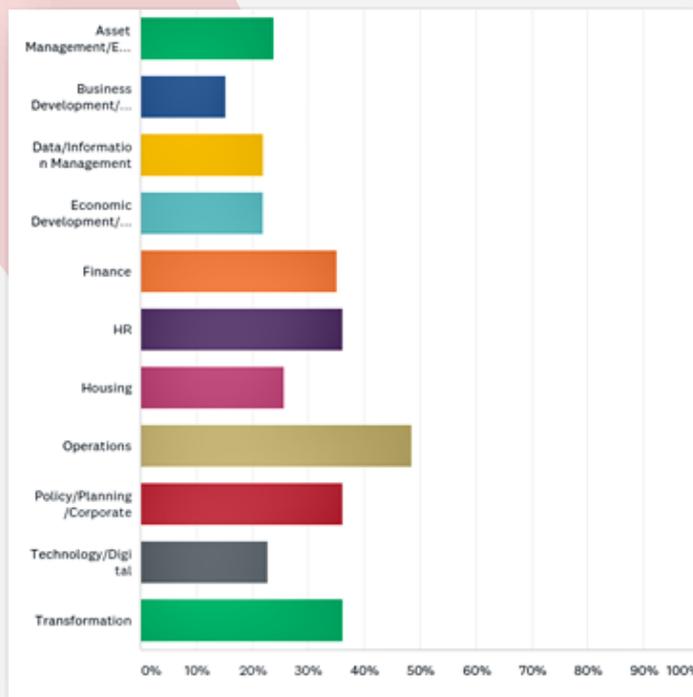
In considering opportunities outside of IR35, we explored which skills-based expertise was likely to be most needed for consultancy led assignments. The chart below gives the spread of opinion with Technology, Transformation, Data and Commercial development being identified as core areas where consultancy is required. Corporate functions are more likely to be adopt a Fixed Term contract (Figure 6). For interims operating in the consultancy space, it is increasingly important to redefine your skills and talk less about general experience and broad skill sets, but hone in on the areas of specialism and provide tangible, quantifiable evidence of outcomes and specific areas of accountability. Customer organisations increasingly are paying greater attention to the things they can't do and need to hear less about those skills already well covered within the organisation.



**Figure 6 - Functional areas most likely to adopt a Fixed Term Contract approach**

In analysing where Fixed Term Contracts (FTC) are likely to be more prolific, Operations, HR, Finance, Policy & Planning and Transformation projects are identified followed by Asset Management and Housing. To a certain extent, this is reflected in the patterns we see across the whole recruitment market where Finance and Operations are constant requirements and HR has seen real growth in senior opportunities. Asset management and commercial finance and development are key requirements right now as organisations look to acquisition or disposal.

The challenge for employing organisations to these hybrid roles, will be to make them sufficiently attractive, in terms of remuneration, to attract a high quality field. We have seen some evidence of remuneration anchored at the permanent equivalent; this is unlikely to appeal to either interim or permanent candidates, the latter compromising longer term career aspirations, and could lead to a downturn in the quality pool available.



**Figure 7 – Forecast trends in terms of market opportunities by day rate**

In looking at opportunities by day rate, there is some expectation that the number of opportunities at higher day rates at £800+ will be squeezed with 50% assuming some decline. 22% anticipate an increase in opportunities and these are likely to be in those functional areas most in demand for consultancy led services: Technology, Data, Transformation and Commercial development. While this squeeze at the top reflects the pressure on organisations to reduce spend, it does highlight the likelihood of further exodus of expert talent from the public sector. With many organisations facing transformational challenges, this could leave a shortfall of talent and hinder longer-term momentum in delivering change programmes.

More encouragingly, a cluster of respondees (23%) anticipate medium or high growth in opportunities at the £650-£800 day rate level with a further 23% anticipating growth at a lower level. The 'squeezed middle' at c.£500 per day expects to see less positive growth and perhaps indicates those trapped between the roles that gap fill within IR35 at the £350-£499 mark and the consultants operating at a higher day rate. Interims at this £500 day rate need to consider their skill set and clearly establish where they position themselves in the market to capitalise upon project led needs or to identify the value they bring in terms of business as usual assignments.

**Figure 7**

<b>Day Rate</b>	<b>Decline</b>	<b>Static</b>	<b>Low Growth</b>	<b>Medium Growth</b>	<b>High Growth</b>
<£350	18%	23%	24%	31%	5%
£351-£450	16%	32%	27%	22%	3%
£451-£550	22%	34%	26%	15%	3%
£551-£650	27%	32%	25%	13%	3%
£651-£800	36%	20%	23%	18%	3%
£800-£999	53%	16%	15%	12%	3%
£1000+	59%	17%	10%	10%	4%

**What does the future hold for Interim resource?**

The current permutation of payroll models, which clearly distinguishes work performed within or outside of IR35, and the anticipated rise in the number of opportunities across most day rate bands provides some optimism in a volatile market. The organisational need that creates interim opportunities in the first place – be that dedicated expertise to accelerate change or short-term leadership to fill essential gaps – is not dislodged by legislation. However, the mechanism to deliver the service evolves in response. While market disruption inevitably leads to short term business pressures, it also brings opportunities for those recruiters able to help redefine the market and look to the future to create new commercial models.

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