



# COMPARISON GUIDE FOR RECRUITMENT FUNDING AND BACK-OFFICE SOLUTIONS



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Explore how outsourcing to Funding & Back Office Partners compares to taking it all on in-house with traditional invoice discounting finance.

Plus, access tools and templates that will help you compare suppliers and make the best choice for your business.

**Includes:**

## **EVALUATING FUNDING OPTIONS**

To get you thinking holistically about the options available

## **SOLUTION COMPARISON TABLE**

More detail on what you should expect from great suppliers

## **KILLER QUESTIONS TO ASK**

Giving you the tools to make sure you break through the sales patter

## **SUPPLIER EVALUATION TEMPLATE**

A useable document to help you successfully navigate supplier selection

# EVALUATING FUNDING OPTIONS

For recruiters there are many different types of funding available, here's a quick reminder of the options available:

## SELF-FUNDING

This is where you have enough cash in the bank to fund your own business, your entire operation including overheads and contractor payroll.

Waiting for customers to pay invoices can put a strain on SME's cash flow, so this option becomes less viable if you have:

- Limited savings or are operating a lean P&L
- Anticipated high growth in contractor numbers
- Long client payment terms
- Limited resource to support with credit control

## INVOICING DISCOUNTING

This is a funding line secured against your unpaid invoices. Your lender (e.g. a Bank) releases funds to give you cash to cover a percentage of an invoice to support your business's cash flow.

This is purely a monetary arrangement, and usually confidential (CID). Your customers are unaware and you continue to deal with customers yourself for all other back-office activity, such as:

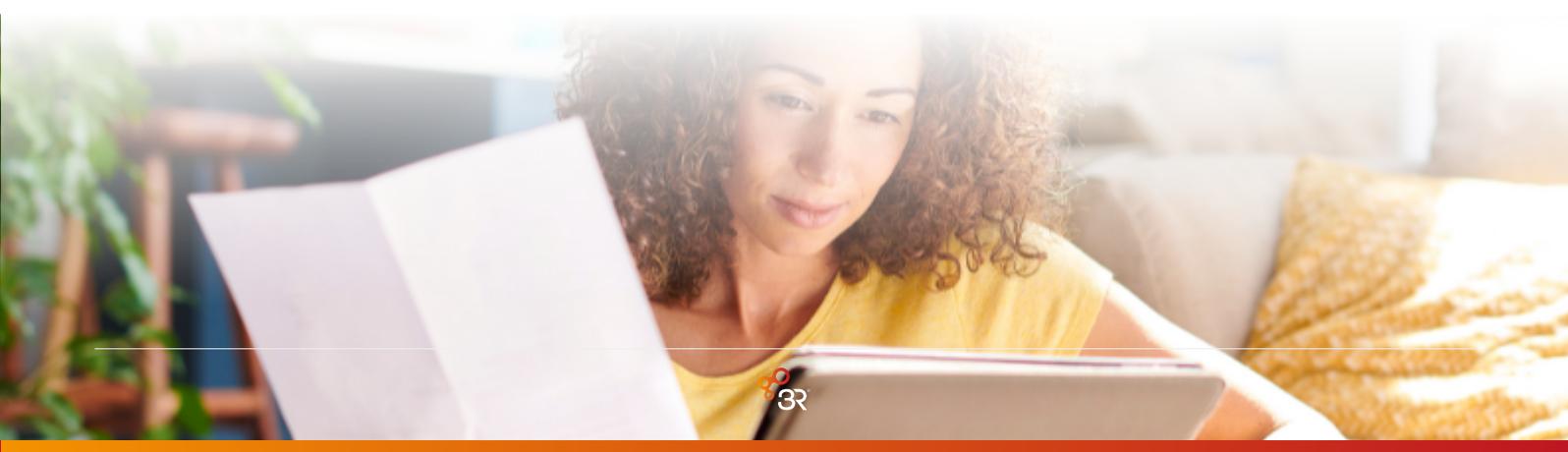
- Credit checks & risk management
- Invoicing
- Timesheets & payroll
- Credit control

## INVOICING FACTORING

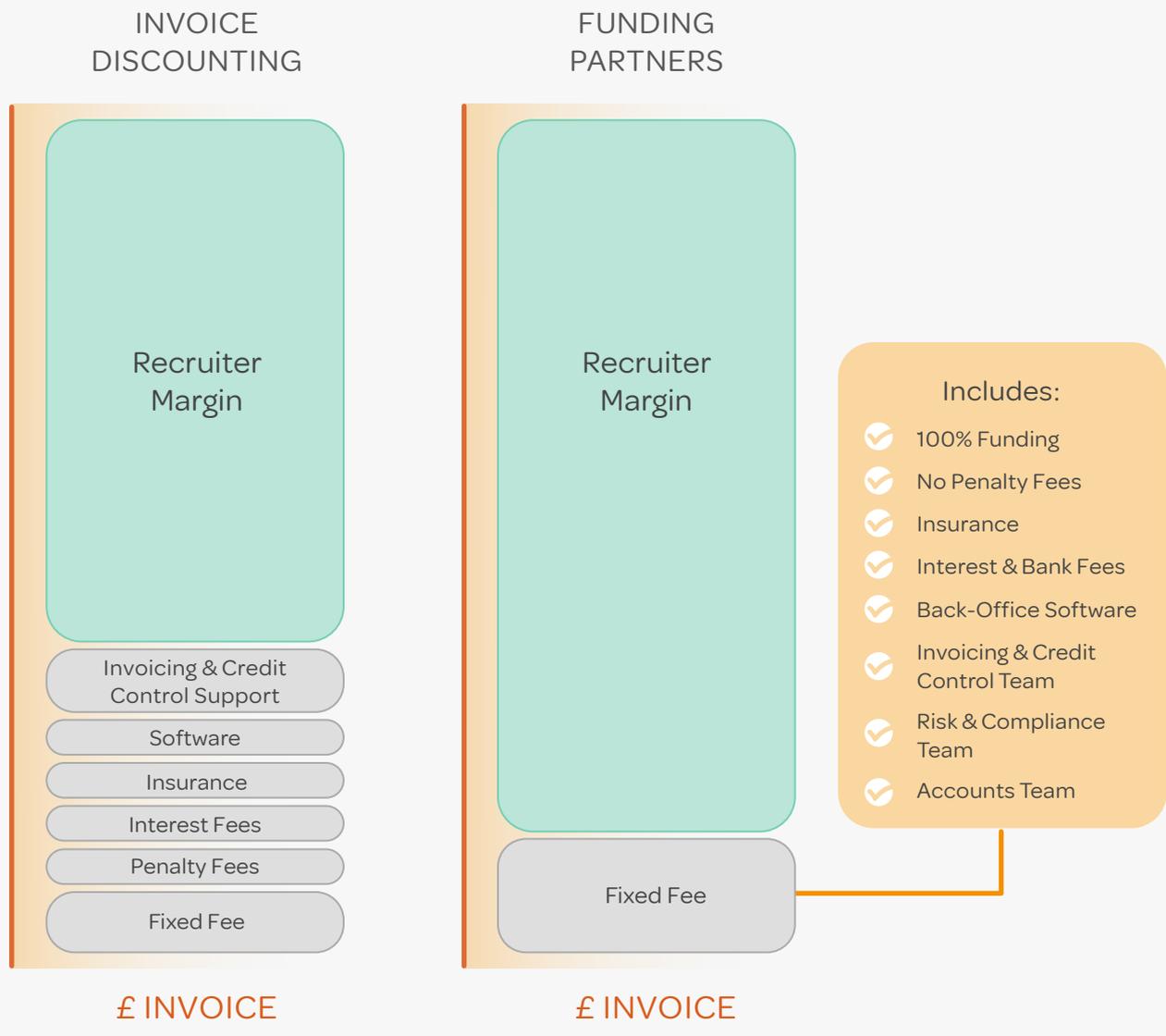
This is where you sell your invoices to a third party at a slight discount. They are usually a disclosed partner, meaning they collect the money from end clients on your behalf, in their company name.

This means you receive your reduced payment immediately, regardless of the invoice deadline, stabilising your cash flow whilst shifting other operational elements on to the invoice factoring company too, such as:

- Client credit checks & invoicing
- Accounts activity & credit control
- Bad debt protection Insurance & risk of late client payments
- Contractor management (where provided)



When looking to evaluate the funding options available to recruiters, you can be forgiven for thinking it's all about finding the lowest borrowing fee. Whilst it's a point to consider, you need to think about what's included in that fee to make sure you are comparing like for like.



**Also consider:**

| Financial admin time  | High risk levels   | Poor customer service  |
|---|--|--|
| Without the right systems and processes in place to support you, the time you'll spend on financial administration will detract from day-to-day recruiting and... | Lower borrowing fees often come with a higher risk burden for you and your business. From personal guarantees to hidden penalty fees and withheld margin these things... | If you don't have experts available to help you resolve issues quickly and efficiently to keep your clients and contractors happy, your assignment volumes drop, and this... |

**...can restrict your growth.**

# SOLUTION COMPARISON TABLE

To compare traditional invoice discounting (ID) with outsourced invoice factoring solutions, use our table. As an example, you can also see how 3R's funding and back-office solution stacks up.

| FINANCE DEAL                              | Invoice Discounting  | Invoice Factoring   | Outsourced with 3R   |
|---|--|---|--|
| Funding percentage                        | <b>60% - 85%</b><br>So you will need to top-up contractor payroll  | <b>85% - 100%</b><br>Top-up may be required and cheaper fees may relate to a less than 100% deal  | <b>100% funding</b><br>For UK & international contract recruitment and flexible perm options             |
| Standard fees                             | <b>Multiple fees</b><br>Interest payments, service and penalty charges as a % of each invoice  | <b>One fixed fee</b><br>Typically charged on each invoice. Fee can also apply to VAT.   | <b>One fixed fee</b><br>Charged on each invoice. Excluding VAT   |
| Fee charged on VAT?                       | <b>Yes</b>   | <b>Sometimes</b>  | <b>No</b>  |
| Interest charged?                         | <b>Yes</b><br>Calculated daily and can fluctuate depending on debtor days  | <b>No</b><br>Often the standard fee will increase as interest rates rise  | <b>No</b><br>3R expect to cover fluctuating interest rates and bank fee charges                          |
| Additional or penalty fees?               | <b>Yes</b><br>Expect set up, transfer and renewal fees, fees to increase funding as well as legal fees                                   | <b>Sometimes</b><br>Look out for admin fees for error resolution and penalties for late client payments or legal fees for pursuing debt | <b>No</b><br>3R have no hidden or additional penalty fees  |
| Any restrictions?                         | <b>Yes</b><br>Fixed costs regardless of turnover. Funding withdrawn or penalties for high concentration of business with one/few clients | <b>Sometimes</b><br>There might be - check contracts thoroughly to understand when you take on the liability                            | <b>No</b><br>No minimal/maximum turnover restrictions and no concentration limit penalties               |
| Personal Guarantee or Debenture required? | <b>Yes</b>   | <b>Yes</b><br>At least one, maybe both  | <b>No</b>  |
| Agreement notice period                   | <b>30 - 90 days</b><br>12 month+ contracts with exit fees  | <b>30 days</b><br>Fixed-term contracts available  | <b>30 days</b><br>Flexible/fixed-term contracts available  |
| Client credit checks included?            | <b>No</b><br>Usually £10-£15 each  | <b>Yes</b><br>Make sure there are no charges/limits and that they are quick   | <b>Yes</b><br>Free, unlimited and quick client credit checks   |
| Bad debt insurance included?              | <b>Yes (at additional cost)</b><br>It can be expensive and not fit for purpose. Consider sourcing your own specialist insurance          | <b>Yes</b>  | <b>Yes</b>   |
| Non-UK currencies supported?              | <b>Sometimes</b><br>You may be able to operate in other currencies, but there could be charges/limitations - check your contract         | <b>Sometimes</b><br>Check if available and if any penalties/restrictions apply to international transactions                            | <b>Yes</b><br>All from one platform. For US funding this includes the Employer of Record for contractors |

| YOUR MARGIN, REPORTING & MI           | Invoice Discounting   | Invoice Factoring  | Outsourced with 3R   |
|---------------------------------------|---|--|--|
| Is margin withheld?                   | <b>No</b><br>You take on the risk and are likely to be liable for any bad debt. You may also be required to keep a % of funds in the account for availability | <b>Sometimes</b><br>Margin may be withheld in certain circumstances and is often released one week after timesheets are approved and invoices raised | <b>No</b><br>100% of your margin paid weekly on a Friday   |
| Client bad debt reporting?            | <b>No</b><br>All monitoring and risk sits with you and funding can be pulled with no notice   | <b>Sometimes</b><br>Not always provided as standard so you may need to monitor this, as such your funding can be pulled with minimal notice          | <b>Yes</b><br>Daily bank reconciliation gives you real-time bad debt reports and early warning of issues to solve to ensure funding isn't pulled |
| Useful management information?        | <b>No</b><br>Financial Director level data only around availability of funds/ disapproved funds   | <b>Sometimes</b><br>The quality of reporting can vary – always insist on a demo  | <b>Yes</b><br>Real-time reporting to help with accounting, compliance, recruiter performance and business development                            |
| IR35 intermediary reporting included? | <b>No</b>   | <b>No</b>  | <b>Yes</b><br>Export your pre-formatted HMRC reports at the click of a button  |
| Cloud-based, back-office platform?    | <b>No</b><br>You are drawing down cash to administer yourself. You'll need to take care of timesheets, payroll, invoicing and credit control                  | <b>Yes</b><br>Get a demo of any software to ensure it's easy to use and compliant. Ask about any manual processes too                                | <b>Yes</b><br>3R's back-office is designed for seamless placement and real-time business management  |

| TIMESHEETS, EXPENSES & PAYROLL | Invoice Discounting   | Invoice Factoring  | Outsourced with 3R  |
|--------------------------------|---|--|---|
| Import assignment data?        | <b>No</b><br>You'll need to invest in additional tech platforms and people/resources to manage this | <b>Sometimes</b>   | <b>Yes</b><br>3R's back-office is compatible with Bullhorn, JobAdder and other leading CRMs                                       |
| Easy contractor management?    |   | <b>Sometimes</b><br>This can vary – always insist on a demo  | <b>Yes</b><br>A comprehensive onboarding process and 'week view' ensures accurate status of all contractors with full audit trail |
| Online timesheets?             |   | <b>Sometimes</b><br>Online timesheets can still require manual approval – make sure you get a demo | <b>Yes</b><br>3R's portal is available for contractors anytime, anywhere – with no timesheet deadlines                            |
| Daily contractor payroll?      |   | <b>No</b><br>More likely to be weekly and deadline driven  | <b>Yes</b><br>Contractors are paid 2 working days after approved timesheet  |
| Contractor expenses paid?      |   | <b>Yes</b><br>They should be as standard – always ask the question                                 | <b>Yes</b>  |

| INVOICING & CREDIT CONTROL | Invoice Discounting   | Invoice Factoring   | Outsourced with 3R  |
|----------------------------|---|---|---|
| Client invoicing included? | <b>No</b><br>You'll need to invest in additional tech platforms and people/resources to manage this | <b>Yes</b><br>It's worth checking that all typical invoicing nuances can be managed - POs/self-bill/RPO etc | <b>Yes</b><br>Dual-branded invoicing with flexible options inc. consolidated invoices, RPO portals, PO management, self-bill. |
| Credit control included?   |   | <b>Yes</b><br>Always ask how this works, as it can impact your clients and there may be hidden fees         | <b>Yes</b><br>A dedicated credit control team working on your behalf to collect client payments and reduce aged debt and risk |

At 3R, we empower and enable passionate recruiters to scale multi-million-pound businesses. With flexible funding, intuitive technology and unrivalled customer service. We're all about driving the growth and success of your business. You should expect nothing less from your supplier.

*"I'm committed to 3R long-term, the support and service has been amazing, with no pressure. 3R has covered the running of the business for me, so I can focus, have peace of mind, and security."*

**Karl Sweatman | People Talent**



# 8 KILLER QUESTIONS TO ASK SUPPLIERS

When evaluating new and existing suppliers, it's often useful to ask them all the same questions. This means you can compare responses and weed out the unsuitable ones quickly. We advise preparing questions in advance of any supplier meetings.

Here are a few killer questions that will really help you challenge your suppliers.



## Who will be my day-to-day contact and how long have they worked for you?

Good signs are a named person with experience rather than a generic inbox. This will highlight the supplier's employee attrition rate and their commitment to customer service excellence.

## What are your average response times?

Good looks like a supplier willing to commit to a Service Level Agreement (SLA) that outlines the response times you can expect for general queries and credit checks too.



## What parts of your process require manual involvement from your teams?

The more automated a solution the less chance of human errors to rectify. Finding out what suppliers manually process and why (e.g. timesheets) and the teams they have internally to support this work will be insightful.

## What do you do with customer feedback?

A supplier that pro-actively seeks feedback is a good sign. What you also want to hear is that they analyse feedback, learn from it and continuously improve their products and services to support recruiters, end clients and contractors.



## How does your technology support compliance?

A good sign is a supplier that can give you specific examples of processes and automation built into their system that ensures compliance and reduces operational risks. For example, domain checks and IR35 determination.

## Can you adapt your system for specific requirements I may have?

Offering a more personalised service to end clients and contractors can open doors for recruiters. You will want to work with a supplier that is willing to flex their systems and processes to support your growth ambitions.



## How quickly can you send me a proposal?

You want to feel like your supplier's most important customer and that they value your business just as much as the next customer. A guaranteed quick response tells you a lot.

## Can you explain how your fees are calculated?

Good looks like a supplier that's happy to be open and transparent about their business model, how they make money and the value they can add to your business.



# SUPPLIER EVALUATION TEMPLATES

To analyse multiple suppliers to best effect, we recommend a structured way of capturing your requirements and scoring them objectively.

Whether you are making this decision alone or have multiple stakeholders as part of the decision-making process, documenting it will help you reflect on each supplier discussion fairly.

To help you successfully navigate supplier selection, please access our free evaluation templates in your preferred format.



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## About 3R

3R provide an automated back-office platform, 100% funding and recruitment specific support solutions to recruitment agencies. We also support talented recruiters looking to start-up and grow their own recruitment business. Our services are all delivered with outstanding customer service, by people with over 20 years' recruitment experience.



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