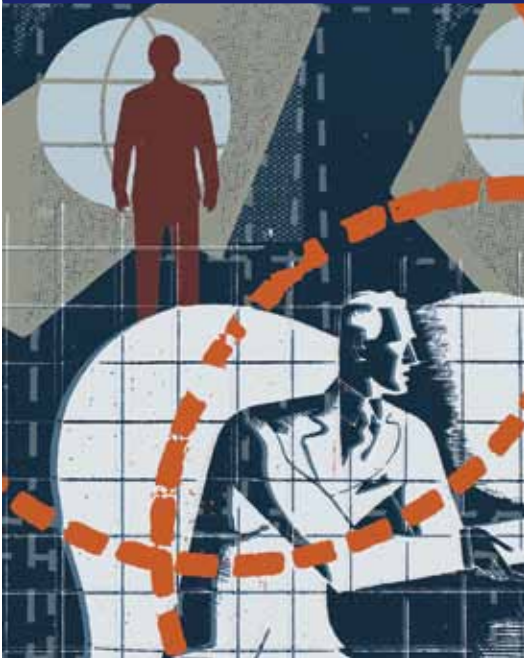


Up-to-date news and views for recruiters

Review

Lloyds TSB Commercial Finance - Providing working capital and back office solutions to suit every type and size of staffing company



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Recruitment industry provides flexible support for the UK economy

The recruitment industry plays a key role in the efficient allocation of human resources in the UK economy, and this is especially true in challenging times. According to the latest research from some of the industry's most respected organisations, the sector is adapting rapidly to the current economic conditions.

Between April 2007 and March 2008, the turnover of the UK's recruitment industry hit a record high of more than £27 billion – according to The Recruitment and Employment Confederation's (REC) Annual Industry Turnover and Key Volumes Survey 2007/08, sponsored by the Recruitment Finance Division.

This significant high was achieved through a sharp increase in the value of permanent placement turnover from £3.514 billion to £4.276 billion, a rise of 21.7 per cent. This is despite the number of permanent placements falling from 787,280 to 726,863. However, in the recent December REC and KPMG Report on Jobs, the figures indicate that both permanent and temporary roles have declined for an eighth consecutive month with permanent placements particularly hard-hit.

Paul Saunders, director of Recruitment Finance, comments: "The recruitment industry continues to play a crucial role in the economic success of the UK. Employers are now cutting back on headcount and are focusing on the flexibility of temporary staff rather than permanent. With such a shift in attitude, the recruitment industry has had to adapt

in order to reflect the changing needs of its clients.

"It is important in these tough times that agencies deal with the current challenges by being flexible. Many agencies are converting fixed overheads into variables (for example, by outsourcing non-core functions), cutting costs that can no longer be justified, mitigating risk by insuring against bad debts and reassessing the value of low-margin contracts.

"These agencies are well-positioned to come through the present difficulties ahead of their competitors and take full advantage of the upturn when it occurs.

"Overseas recruitment will play an increasingly important part in many agencies' strategies. As UK staffing budgets continue to tighten, End-Users and recruiters will look outside the UK for further opportunities to grow and expand.

Paul concludes: "It is natural for recruiters to be feeling cautious about the future in these uncertain times, but as an industry recruitment has continually proved itself to be flexible and responsive to its clients needs – this is and will remain key when thinking about the prospects for the sector."





Paul Saunders
Director, Recruitment Finance Division

Prepare for certainty

As American politician, Benjamin Franklin once said: "Certainty? In this world nothing is certain but death and taxes." So, if we know that we are going to face taxes why don't we prepare for them?

According to the House of Commons Committee of Public Accounts only 60 per cent of companies pay Corporation Tax on time and just 50 per cent of VAT receipts are received by the due date.

Managing cash flow is a vital element of running a successful recruitment business. In the simplest of terms this means balancing the inflow and outflow of money. A cash flow forecast is a plan of your income and expenses showing when they turn into cash. While it sounds simple, many companies fail to plan ahead and are often faced with large tax bills when cash is still tied up in invoices due from clients.

HM Revenue and Customs (HMRC) recently announced they will take a more lenient view on companies in difficulty. However, while they are showing support the view remains that "labour providers" are the cause of very serious tax leakages.

This is due to the fact that the taxman is far and away the largest creditor of most recruitment agencies and, since the Enterprise Act removed the Crown's preferential status, tax losses in this sector have soared.

This means HMRC is much less forgiving of unexpected late payments from recruiters than it used to be. With this in mind, managing payments to the Revenue is now more important than ever.

From our experience, recruitment agencies that plan their cash flows each year, and regularly revise these forecasts, in light of changing circumstances, manage both growth and recession with far less risk of failure than those that don't.

However, there are times when unforeseen circumstances can have an effect on cash flow and result in a business having difficulty paying. In these instances, many

businesses are reluctant to talk to HMRC about their problems, but being open and pro-active will put you in a better position to negotiate a phased payment structure. Many accountants offer specialist advice on negotiating with the Revenue – over the years Lloyds TSB Commercial Finance has collated a list of providers who are leaders in this field. In addition we can sometimes provide additional financial support to help underpin a negotiated agreement with HMRC.

With the current economic conditions, financial planning is a particularly vital component in maintaining and growing a business.

For more information, contact Paul Saunders on:
paul.saunders@recruitmentfinance.co.uk

A rainy day in store for Umbrellas (part 2)



In the Summer 08 issue Julian Ball, Legal Director at PayStream, reported that the Government was concerned that certain umbrella companies were abusing the travel expenses rules by encouraging workers to claim for expenses that were not genuinely incurred, or for which no relief is due. The Government subsequently warned that it was considering various options to deal with non-compliance, including removing the tax relief for umbrella workers altogether.

Following a consultation period with interested parties about what should be done to tackle non-compliance, the Chancellor Alistair Darling, in his Pre-Budget report announced that, "the Government has decided to leave the current rules unchanged. However, in the light of evidence from the consultation confirming poor levels of compliance in this area HMRC will refocus its efforts to ensure that the current regime is properly applied. If compliance does not improve,

the Government may return to this at a later date."

This is good news for umbrella workers generally and for compliant umbrella companies who provide a valuable service for HMRC in collecting PAYE and NI contributions. We can now expect to see more activity from HMRC in weeding out non-compliance in the industry. A logical place to start is with those umbrella companies who market dispensations (intended to save administration for workers and for HMRC) as tax saving devices. We may see dispensations amended or withdrawn by HMRC. In extreme cases the dispensations may be withdrawn retrospectively with the umbrella company and/or the worker asked to account for the additional tax that would have been due if the dispensation had been operated properly.

For more information contact Julian on 0161 929 6000.

Nurturing businesses

It is often said that you shouldn't put all your eggs in one basket, but this isn't always the case. Working with one trusted finance partner can often be the difference between a thriving business and a struggling one.

As one of the world's largest financial organisations, we place building relationships and communication with customers at the forefront of our business. This approach allows the Group to provide clients and customers with a full range of financial services best suited to their requirements.

Our services to the recruitment industry includes:

For companies:

- Invoice Finance - advancing up to 90 per cent of the value of your invoices helping you to maintain a consistent cash flow
- Back office pay and bill services - providing temporary recruitment agencies with back office support combined with finance
- Hire purchase and leasing –allowing you to purchase higher-value assets and pay for them over time
- Debtor protection – guarding your cash flow and profits from bad debts
- UK and International bank accounts
- Essential business insurance policies

For individuals:

- Easy-to-open bank accounts for foreign workers in the UK
- Private banking facilities for owners and directors
- UK and International bank accounts
- International mortgages
- Offshore investments and savings
- Prepaid cards for workers without bank accounts

Paul Saunders, director of Recruitment Finance Division explains: "It has always been important that your finance providers get to know you and fully understand your business needs. In times of uncertainty, their support is vital – something that can only come from working with an organisation who knows you, your business and your goals."

In future issues of Review we will feature businesses that have used these services to find out how they have helped them to drive their companies forward.

In the meantime, for more information on the full range of services for recruitment businesses available from Lloyds TSB, contact Paul Saunders at paul.saunders@recruitmentfinance.co.uk

Do you still pay your temps by cheque?

You could be paying by BACs even if your temporary workers don't have a bank account

Advantages to your temps

- Removes dependence on the mail service (if you post pay cheques to them)
- Eliminates the cost of using cheque converter services or the time spent queuing in bank branches
- Balances the convenience of a credit card with a limit that means they can only spend what they have earned
- Unlike cash, the balance on the account is safe if the card is lost
- Able to receive payments from other paymasters, employers and cardholders through BACs if the temp moves on

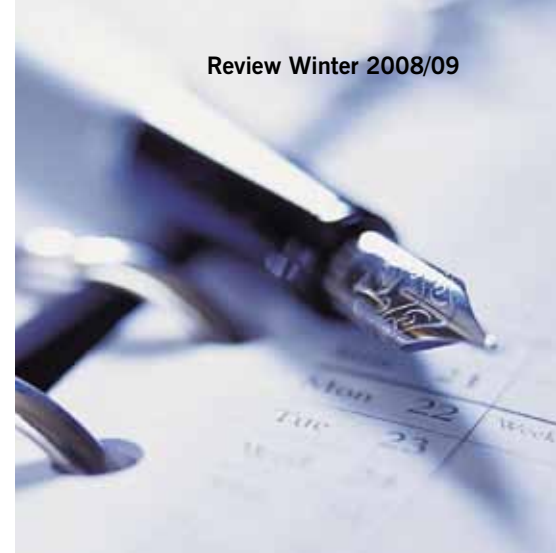
To find out more about the AcornCard and to register your interest, please contact: Paul Saunders at paul.saunders@recruitmentfinance.co.uk

If so, you could easily move to a service which replaces cheque payments or pay packets to your workers and pay direct to a pre-paid card. We will soon be offering our AcornCard to recruitment companies. The AcornCard is a prepaid MasterCard® that is CHIP and PIN enabled offering many advantages for both you and your temporary workers.

What would I need to do?

Each temporary worker needs to apply for the card by completing an application form and have some basic Know Your Customer checks made on them by you (NO credit checks!).

The process is straightforward and could be part of your usual enrolment process. You have the relationship with your temp, therefore, the application form can be completed as you enrol or talk to them.



Dates for your diary

09 January 2009

Recruitment Society seminar - Productive partnerships, London

What steps can HR professionals take to improve their relationships with agencies? And what business benefits can employers gain from working in partnership with agencies?

www.recruitmentsociety.org.uk

27 January 2009

Spotlight on Employee Engagement, London

After the success of the 2008 Conference, Employee Engagement is returning in 2009 as a conference of its own.

www.cipd.co.uk

11 February 2009

The Recruitment Conference IT and Technology 2009, London

Technology has transformed the recruitment process over the last decade and the dynamic pace of change shows no signs of letting up. From social networking sites to video blogging and mobile technology, the latest technology kit can not only help recruiters communicate better with their clients and candidates but also run their businesses more efficiently, adding significantly to the bottom line.

www.rec.uk.com/events

21-23 April 2009

HRD 2009, ExCeL London

HRD is the UK's premier learning and development conference and exhibition incorporating high quality speakers, practical case studies and excellent networking opportunities. It's the perfect place to make new contacts, find practical solutions and gain fresh ideas to enable you to meet the challenges of the forthcoming year head on.

www.cipd.co.uk/cande/

Make sure you tick all the right boxes in back office compliance

It can be easy to underestimate the amount of legislation that companies need to understand and comply with in order to build a successful business.

Legislation does not only impact on your own duties and obligations surrounding the way you manage candidates and place them with clients, but there is often also specific legislation that governs each industry sector in which you supply workers.

All recruitment companies are required to comply with the Employment Agencies Act and associated regulations. These are put in place to protect jobseekers and the companies which use their services. Compliance covers the majority of operating practices such as identity checks, taking a client brief, advertising, fees and provision of information to candidates.

Due to the fact that recruiters rely on the strategic use of database information, it is essential that your processes and operating systems meet the requirements of data protection laws. These laws extend further than you might think, so again, make sure you are fully informed.

In addition, think about any legislation that might apply to certain sectors that you are operating in. For example, if you are supplying professional drivers, consider the Working Time Regulations or consider health and safety laws when placing individuals in engineering, construction or manufacturing, where work is potentially dangerous.

Finally, remember that keeping up to speed with legislation is critical to staying within the law and ahead of the competition. But it needn't be too onerous if you take a few minutes out each day to focus on the issue.



Have your say

If you have any comments about the content of Review or would like to contribute to the next issue, you can contact us by emailing recruitmentfinance@golleyslater.co.uk

Business referral

As a client, don't forget about our commission scheme. **For each and every introduction you give us which leads to us taking on a new client we will pay your business £1,000.** Alternatively, we can arrange for this amount to be donated to a charity of your choice. One month after a business introduced by you becomes a client, one thousand pounds will be yours. Our only stipulation is that commission is unavailable for your own associated businesses. Placing an introduction is easier than you think. Simply pick up the phone and call us FREE on 0800 587 6033, quoting reference ABC1.

Finally, if you'd like to learn more about the Division, visit www.recruitmentfinance.co.uk or call 0800 587 6033.

In each issue of Review we like to get under the skin of the members of the Recruitment Finance Division team. In this edition Helen Hesketh, Client Manager, based in Southampton, explains what her job involves, gives her view on the market and talks about being a taxi driver for her children...

When did you join Lloyds TSB Commercial Finance and what does your job encompass?

I began working at Commercial Finance in 1984 and during my 24 year career with the company I have worked in Stockport, Leeds, Manchester and now Southampton. I work with a wide variety of clients, from new-start factoring clients to Invoice Discounting clients with a turnover of up to £15 million in the Hampshire, Berkshire, Surrey and Dorset area.

What is your advice for anyone looking into recruitment financing options?

Make sure you get the support you need from your provider. There are a number of financing options available but it is the

transition between these products that is vital. At Lloyds TSB Commercial Finance's Recruitment Finance, the multi product management team looks after this process. This makes it easier and allows us to respond quicker to our clients' needs as well as ensure we offer the most suitable services.

How do you feel about the current market conditions?

These are interesting times - if I say that many businesses are struggling then it will be no surprise to anyone, however, adapting business practices is key. Credit control functions are vital at the moment; clients need to be more vigilant particularly with regard to extending credit.

What do you enjoy most about your job?

The results, helping clients out of financially threatening situations and seeing them flourish. I also enjoy being involved with businesses from the early stages, seeing them grow and succeed and knowing, in many cases, we made it possible.

What would you do if you didn't do your current job?

Go to the gym everyday and do more taxi driving for my kids!

