

# Creating and Managing a Preferred Supplier List



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Over the last few years, the recruitment industry has seen new regulations being introduced to protect the candidates being placed and the clients engaging with recruiters for their services. This, in turn, has required recruiters to ensure the businesses they work with are aligned with their own values; they comply with the legislation in the same way and they provide the standard of service they require their candidates/clients to receive.

Due to the volume of umbrella companies and specialist accountancy providers in the market, recruiters need to carefully select business with whom they are comfortable to work with. Recruiters will receive a large volume of calls from providers selling their services which will distract them from placing candidates and earning commission. Having a PSL in place will help to close these calls quickly and efficiently.

This guide is intended to provide you with details of the key items you should consider when creating and managing a preferred supplier list ('PSL') for umbrella and/or limited company providers. We will talk through the commercial considerations for setting up a PSL and discuss some frequently asked questions from recruiters about creating a PSL.

## What is a 'PSL'

A 'PSL' (preferred supplier list), or an 'ASL' (approved supplier list), is a list of suppliers with whom you have undertaken a review of their products, services and processes and which you have approved as being businesses which you are comfortable to work with.

## Section A – Why have a PSL?

### 1. What are the benefits of having a PSL?

- 💡 You can ensure your providers align with your own business values;
- 💡 You can manage your legal and compliance risks more effectively;
- 💡 You can ensure that you work with suppliers who provide products/services valued by your candidates;
- 💡 You can ensure that you work with suppliers with a specific compliance accreditation to reduce your risk/exposure under certain legislation;
- 💡 Reduce costs to your business;
- 💡 Capitalise on commercial opportunities available within the marketplace.



## 2. Consider how many suppliers can you reasonably work with

When considering suppliers for your PSL, it is essential that you bear in mind the following items to ensure your PSL is effective:

- 📍 Ensure providers offer a range of products;
- 📍 Ensure providers offer a range of prices;
- 📍 Ensure providers offer a range of service options;
- 📍 Ensure providers understand and operate in your sector(s);

In our experience, having between 3-5 providers on a PSL is manageable by most businesses whilst still providing you and your candidates with the level of choice required.

## 3. Consider how you select the suppliers you intend to short-list

Here are some suggestions to help you create a short-list:

- 📍 Ensure the suppliers you consider offer the products/services required by your candidates;
- 📍 Use a third party approved list e.g. FCSA, REC Business Partners, compliance kite marked businesses

[Freelancer and Contractor Services Association \(FCSA\)](#)

[The Association of Professional Staffing Companies \(APSCO\)](#)

[The Recruitment and Employment Confederation \(REC\)](#)

- 📍 You may prefer to select suppliers with a specific compliance accreditation (ISO; PCG Accreditation, etc);
- 📍 Ensure the suppliers have a proven compliance heritage and have evidence of robust processes in place when things go wrong;
- 📍 Discuss financial stability and product durability of the suppliers you are looking to engage with.

## 4. How long will the list be in place for?

In our experience PSLs should last for a period between 1-3 years. There are clear advantages of having a short-term PSL due to the flexibility this will provide your business. However, long term PSLs will enable you to build better relationships with suppliers.

## Section B – Consider your commercial terms

There are several options available when considering the commercial terms for those suppliers who are appointed to your PSL, namely:

- 💡 Discounted fees/charges for your candidates;
- 💡 Sponsorship/advertising deals;
- 💡 Donations to charity for each candidate referred to a supplier;
- 💡 Referral fees for candidates referred to a supplier.

When considering these terms, it is essential that you consider any risks to your business in relation to the Bribery Act 2010, the Managed Service Company (MSC) legislation and any internal policies or processes specific to your organisation.

In order to comply with the Bribery Act 2010 where you choose to receive payments directly rather than negotiating other benefits for candidates or agreeing charitable donations, the key considerations are i) ensuring any payments are made business to business rather than directly to specific employees; ii) ensure that levels of payments are not “excessively high” or unreasonable.

When considering compliance with the Managed Service Company legislation, the key consideration is ensuring that none of your suppliers are a “one trick pony”. Offering a range of services will ensure that candidates are given choices around the various ways of working.

## Section C – Managing the list moving forward

- 💡 Set a date when you will provide a decision and stick to it;
- 💡 Share the criteria you intend to use to select your preferred suppliers;
- 💡 Be direct and honest to those appointed and rejected from the list;
- 💡 Be prepared to give honest feedback to suppliers;
- 💡 Ask for feedback on the process;
- 💡 Make a public announcement about your PSL and when you intend to review it to reduce future sales calls from other providers;
- 💡 Ensure the PSL is managed by one/two individuals within the business to ensure consistency in your approach to speculative sales calls from other providers.

## Section D – Frequently Asked Questions

- 💡 As a recruiter, we can not recommend one business over any other.  
This is likely to be a policy decision taken by the business rather than a legal or regulatory restraint as there are no formal restrictions on recruiters regarding this.
- 💡 Can I use this process to remove suppliers who I no longer want to work with?  
Yes. If a supplier no longer meets the criteria you require to service your candidates effectively.

💡 It is a long process which I simply don't have time to complete.

The process can be as long or short as you require. It can be as simple as a questionnaire or as involved as having face to face meetings with suppliers. You can make the process fit with the time you have available.

💡 Can I add other suppliers to my PSL at a later date?

Of course, it is your PSL. You should be careful about adding new people on a regular basis as this will call into question the validity of your process. However, businesses change their models and new businesses form all the time and you should retain the flexibility to add/remove suppliers as required.

💡 Can I remove suppliers to my PSL?

By their very nature PSLs do not place a formal obligation on you to refer business to a specific provider, especially where there is a selection of providers to choose from. This fact should be written into any contractual terms to ensure you retain ultimate flexibility as to who you work with.

**For further details on how to build and manage a PSL, call our Agency Support Team on 0800 0833 493 or e-mail [agencies@brookson.co.uk](mailto:agencies@brookson.co.uk)**

**[www.brookson.co.uk](http://www.brookson.co.uk)**

