



Building Cleaning: Trend analysis 2014/15

This briefing provides details on the performance information available from APSE's performance networks service looking at performance indicators and current policy issues for councils who deliver building cleaning services.

Key issues

- Following ongoing reductions in service budgets and an increased emphasis on productivity, the area cleaned per FTE (Full Time Equivalent) has reached record levels.
- Costs per square metre had been falling until 2012/13 however adoption of the living wage by many councils and larger annual increases in pay for lower paid workers has seen a 10% jump in the last 2 years
- The percentage of leavers remains above starters, showing a continued decline in the cleaning workforce. Staff absence remains low at below 2%

Overview

The APSE performance networks programme for building cleaning provides performance indicators for price, service uptake, key cost indicators, productivity and qualitative measures for the service throughout the UK. The following executive summary aims to provide participating authorities with an overview of service trends, what this infers, and what further activity and analysis individual authorities and their benchmarking groups could consider. The analysis in this executive summary is based on 'service wide averages' across all family groups for the past 5 years. (Trend analysis for the previous 5 years to the year 2010 remain available in last year's executive summary) In this report, 2014/15 data currently covers returns made by circa 42 local authorities across the UK with a combined service value of approximately £150 million (up £20m on second batch returns from last year).

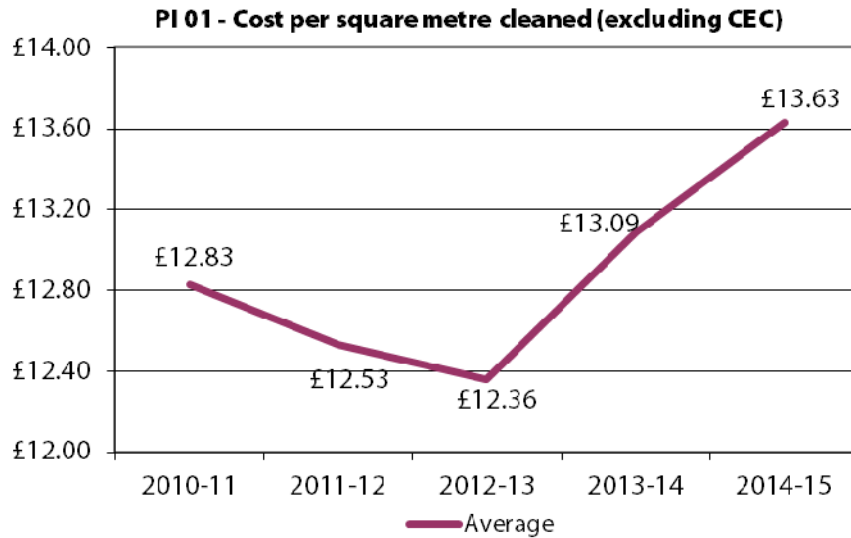
Trend analysis

Particular points of interest are as follows:

Charge out costs

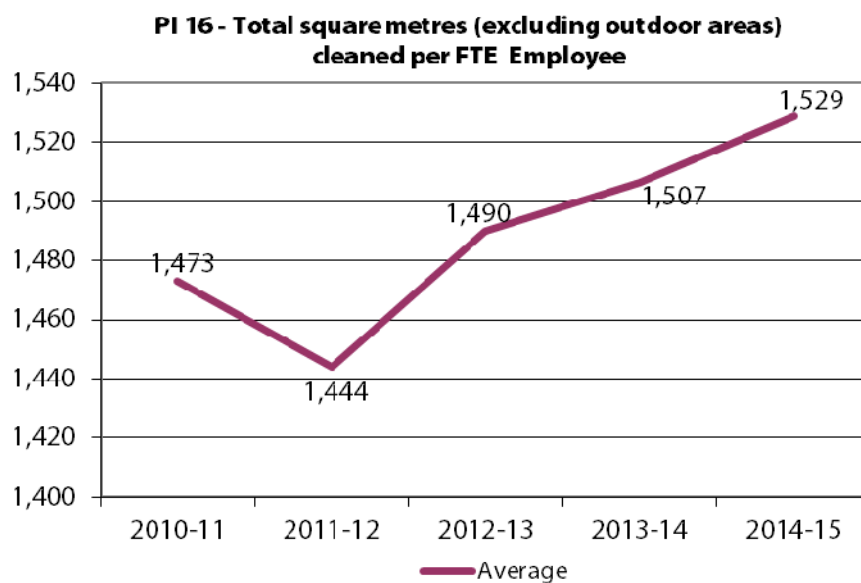
After four years in which the cost per square metre cleaned fell consistently, data for 2013-14 showed a marked increase and this trend has continued into 2014-15.

Given that key measures of 'productivity' have largely been maintained (See below), this suggests that movement in the volume and profile of areas (square metres) cleaned could account for part of this increase rather than it being a reflection on 'efficiency' within this service. Other factors likely to have affected this outcome include the well above higher grade increases made to the lowest grades (upon which many cleaning staff are paid) in 2013/14 and the number of authorities / service providers implementing the 'living wage' during 2014/15. It should also be noted that the increase in submissions made to this programme in 2014/15, and changes in the business profile of many long term subscribers, can result in small 'spikes' in service averages, which should be viewed over time in terms of service wide trend analysis.

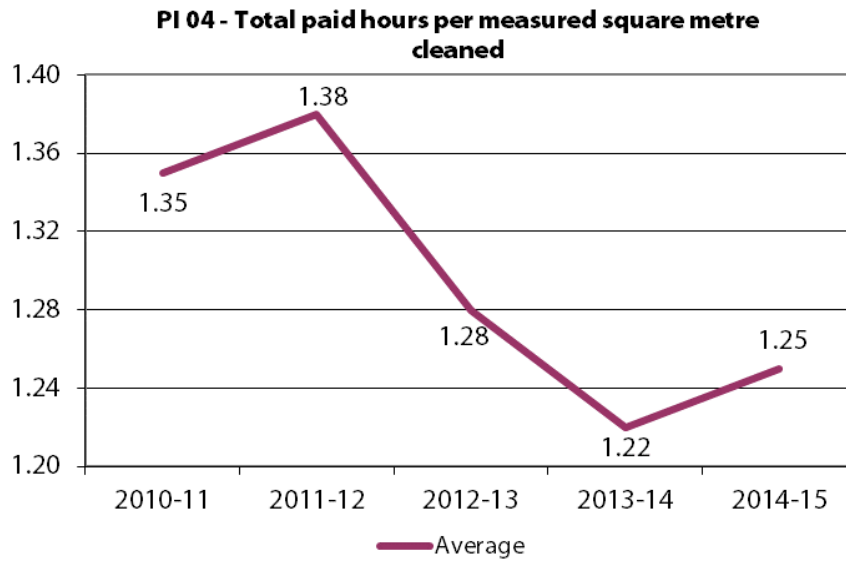


Key cost and productivity indicators

PI 16 represents the total number of square metres cleaned per FTE employee per year. This has shown consistent improvements over the last 4 years and at 1529 in 2014/15 is over 20% up on the levels being achieved 10 years ago.



The long term trend in PI 04 is consistent with the plus 20% improvement on PI 16 over the last 10 years but at 1.25 in 2014/15, shows a small increase in paid hours per square metre cleaned on the previous year.

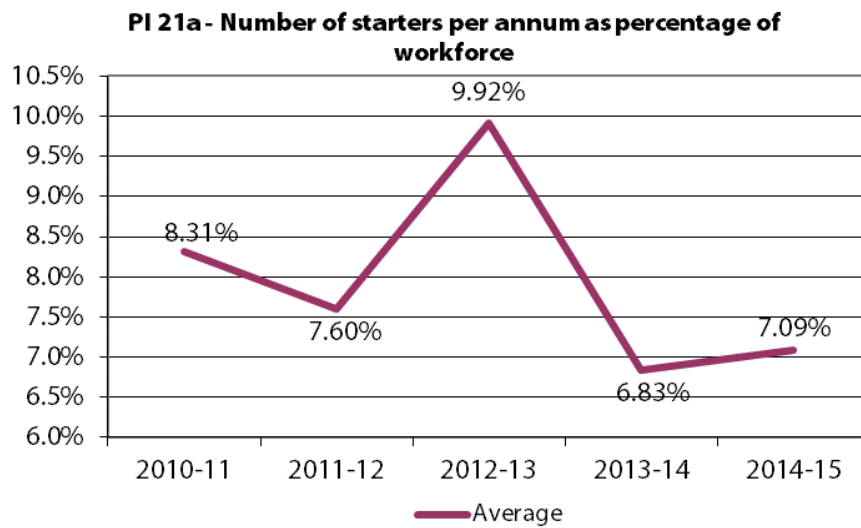
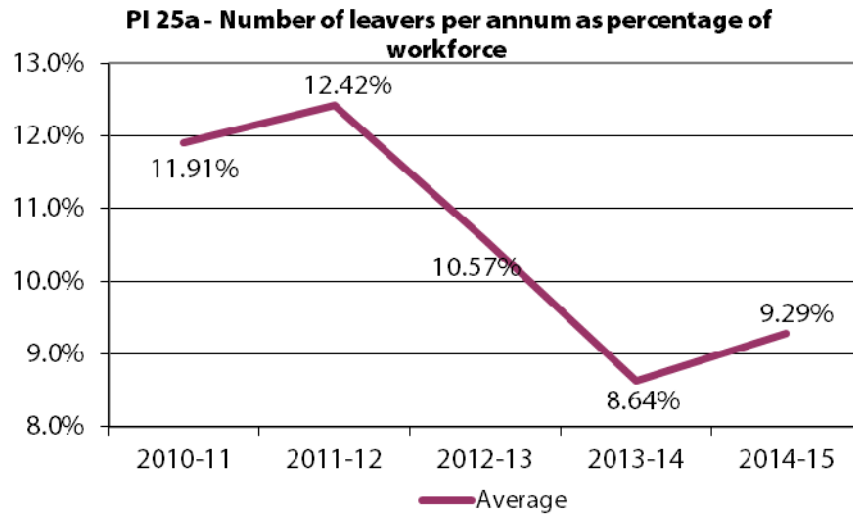


Analysis of other 'productivity' PIs (the 'ratio of square metres to annual scheduled hours' for each building type), continue to suggest a focus on cleaning frequencies and working practices, a factor consistent with feedback in this years 'State of the market' survey, where 81.6% of respondents are expecting reduced hours/frequency per building, 71.1% expect to re-negotiate the specifications, 55.3% expect reductions in cleaning staff and 42.1% are expecting reductions in management/departmental admin costs.

Starters and leavers

Whilst showing a marginal increase on last year, PI 25a (the number of leavers per annum as a percentage of the workforce) still reflects the long term trend, being less than half the levels being reported 10 years ago.

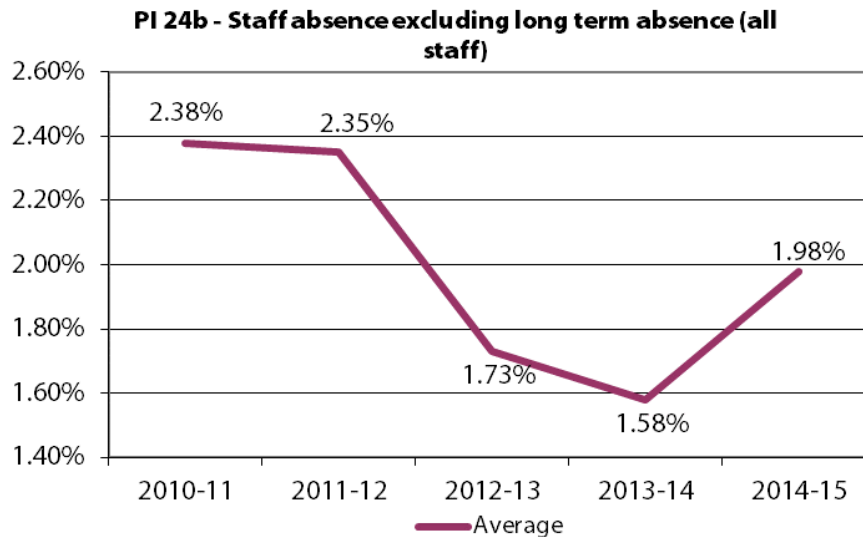
PI 25b (leaver's figures for those in employment for more than 12 weeks), is also marginally up on last year and both may reflect an easing of conditions within the wider jobs market over the last two years.



The percentage of new starters (PI 21a) reported at 7.09% in the year continues to be less than that of leavers, reflecting the drive on productivity and market feedback on the need to 'renegotiate' existing contract/SLAs to secure business retention.

Staff absence

The average figure for PI 24b staff absence excluding long-term sickness absence - all staff, has (like staff leavers) shown an increase over last year, consistent with but at 1.98%, still below that often reported across LA services and the public sector as a whole.



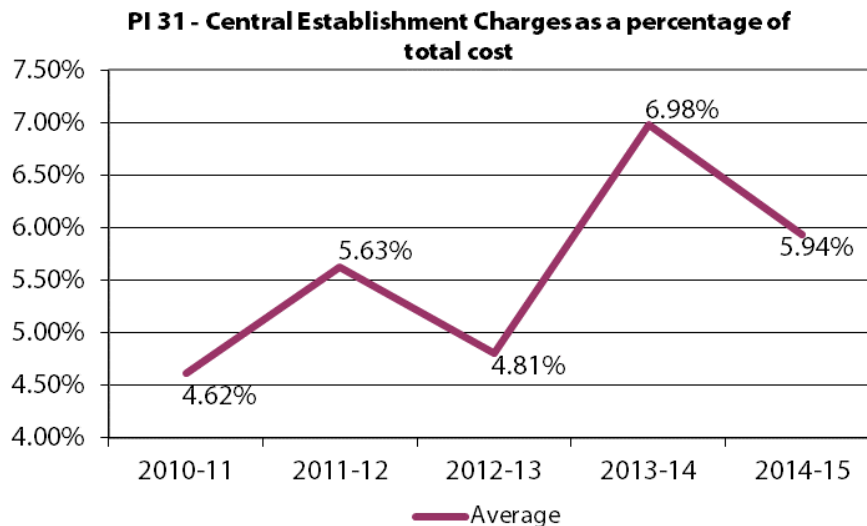
Following the long term trend in this and the indicator for 'front line staff – excluding long term sickness' (PI 20b) the service will want to ensure continued focus on effective absence management, investment in the training and the general health and wellbeing of its staff to maintain its record on this and staff turnover indicators.

Selected other cost indicators

PI 31 measures central establishment changes (CECs) as a proportion of overall business costs. The fluctuating trend over recent years has previously been reported as evidence of a lag between direct cost reductions and those applied to the service by the centre.

This fluctuating trend remains evident in the 2014-15 data, which shows a marked fall against the spike in 2013/14 but still averaged 5.94% (as a percentage of total service costs), continuing the upward trend over the last 5 or more years.

If added to 'Departmental/Admin' costs (since some providers secure or account for these costs within their CEC charges) this average increases to circa 7.4% which may suggest that there has been a concerted effort to reduce these service 'overheads' to offset the significant rise in 'direct' labour costs and the resultant need to increase service charges over the last two years.



Interpretation of data

Against a further if small improvement in productivity across the service, staff costs (as a percentage of total service costs) have risen by 1% over the last year, and now represent an average of over 86% of total expenditure and resultant service charges. The raising of 'lower grade' pay rates in 2014 and ongoing roll out of the living wage have contributed to this and will continue to drive pricing decisions and customer comparisons with private sector providers.

We reported last year that many local authority providers offer staff the opportunity to have multiple jobs within the service (or wider authority) and provide and promote pension schemes that optimise the employment package available to their staff and that this carries employment overheads (in the form of employer's contribution to NHI and pensions) that are often higher than those carried by private sector providers offering similar basic rates of pay.

Whilst the market clearly requires evidence of 'competitiveness' in this service, this remains a qualitative consideration for many school and internal clients and can support decisions to reject the lowest cost options otherwise available to them.

Of the elements that make up the balance of service charges, cleaning material and equipment (averaging 3.5 and 1.0% of total service costs respectively – from 2014/15 data returns) are generally seen as 'direct' and competitive costs, leaving CECs and the balance of any 'indirect overheads' as targets for cost reduction by providers and their clients.

Against this background, this year's performance networks data returns indicate that a majority of subscribing authorities have maintained or increased the areas being cleaned (average across the group up by 3.5%) and in the absence of trading deficits (not reported) have been able to recover or offset increased labour costs in the rates charged to their clients.

Going forward, APSEs 'State of the market' survey indicates that negotiating and reducing hours/cleaning frequencies will remain a key focus for cost reduction and with only circa 8% of providers utilising 'robotic' cleaning equipment, the potential in this area (aligned with 'leavers'/natural staff wastage) may hold promise in larger unobstructed areas (i.e. library's, hall and corridors etc).

Further, 53.7% of authorities now report that this service falls within a central FM structure and providers must continue to find ever more efficient ways of

structuring, equipping and delivering this (and other FM services) often against reducing levels of internal demand.

Alongside advisory group and APSE briefing papers, Performance Networks will continue to provide a basis for learning from and sharing best practice and the measurement of outcomes in and for this service.

Future focus

As local authorities continue to focus on efficiency, demand management techniques, income generation and innovative working to meet the challenges, performance measurement and management continues to be at centre stage. The need to know your own service and to learn from others has never been greater.

Performance measurement is a mechanism for local authorities to identify achievable cost savings and innovative approaches to service delivery, as well as demonstrating value for money to a range of internal and external stakeholders. Any effective service change needs to be underpinned by data intelligence, to establish a starting point and to identify future targets. Performance measurement is also a mechanism to learn how other local authorities are meeting the challenges and the impact that their service changes is making in terms of cost, quality, productivity and customer satisfaction levels.

Good performance information supports the decisions that lead to good directions, instructions and targets. APSE performance networks can assist local authorities by:

- Helping to set a clear baseline on which competitiveness, efficiency and value for money can be measured in a systematic manner.
- Identifying the impact of service changes and interventions for your own local authorities and for others.
- Assessing the quality, cost and competitiveness of the services that councils provide on a regular basis.
- Helping to report data in meaningful ways to both elected members and the public.
- Identifying direction of travel and pace of change with regard to service delivery.
- Identifying inefficiencies such as poor productivity and high cost.
- Supporting service improvement through process benchmarking and sharing best practice examples.

John Bedwell

APSE solutions Associate

Rob Bailey

APSE Principal Advisor

