

	PAPER NO: HR.02(12)
Committee:	HR Committee
Date:	31 January 2012
Subject:	Cleaners and London Living Wage
Author:	Stephen Wells, Director of Estates & Facilities
Executive sponsor:	Martin Earwicker, Vice Chancellor and Chief Executive
Recommendation by the Executive:	To discuss the enclosed paper.

Executive summary

The Estates and Facilities Directorate tendered the cleaning and waste management services for the Southwark campus, Havering campus and Residences early in 2011, leading to two contract awards in August 2011.

The paper has been prepared to assist the HR committee in their discussions regarding London Living Wage.

	Board/Committee	Date
Matter previously considered by:	N/A	
Further approval required?	N/A	

Communications – who should be made aware of the decision?	The paper is commercially confidential as it contains current contract values for outsourced cleaning services that were procured as part of an OJEU tender process.
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Discussion Paper for the HR Committee – Commercially confidential

Contracted Cleaning staff salary and the London Living Wage

Executive Summary

The Estates and Facilities Directorate tendered the cleaning and waste management services for the Southwark campus, Havering campus and Residences early in 2011, leading to, two contract awards in August 2011 to Interserve FM (Lot 1 for the Southwark campus and Havering campus) and Principle Cleaning Services (Lot 2 for the student residences).

The OJEU tender process was set into two separate lots. This option was chosen as it maximised the opportunity for market competition enabling large and small companies (SME) to bid and ensured the best opportunity to realise cost benefit for LSBU as tenderers could bid for either, a combined offer or two single offers.

The tender process and evaluation concluded that awarding two separate contracts was best value for LSBU. The tenders were awarded based on providing best value in line with the assessment criteria of the OJEU tender.

The paper has been prepared to assist the HR committee in their discussions regarding London Living Wage.

London Living Wage - What is the London Living Wage

The campaign for the living wage was launched (April 2001) by London Citizens – a broad based alliance of faith organisations, schools, trade union branches and community groups. They made an argument that low pay had costs for the whole community, impacting on health, educational achievement and parenting, family life and civility. Since that call, the campaign has spread from hospitals, to the finance houses of Canary Wharf and the City, to Universities, local government and shops. Over recent months there has been a lot of media attention and union pressure to highlight the London Living Wage for low paid manual workers with LSBU staff involvement in public protests supported by Unison.

The London Living wage is an hourly rate, set independently, every year by the GLA in London (since 2005). It is calculated according to the cost of living and gives the minimum pay rate required for a worker to provide their family with the essentials of life. In London the current rate is £8.30 per hour, compared to the National Minimum Wage £6.08.

Since 2005 there has been a 24% increase in the London Living Wage including the recent 5.7% increase in 2011.

Market Sector Benchmarking

During 2011 the Estates and Facilities Directorate carried out a cost comparison exercise for all of the major services the Estates and Facilities Directorate provided to the organisation. The approach used comparisons from not only Higher Education but also other public sector organisations (i.e. NHS etc) and the commercial sector.

The average cleaning rates per square metre (excluding residences) across the HE sector (£17.02 per m2), Public Sector (£17.34 per m2) and Commercial sector (£16.52 per m2). The current cleaning rate at LSBU (excluding residences) is £15.68 per m2.

Current Situation at LSBU

The Board approved the proposal to tender in November 2010 and discussed London Living Wage issues – an extract from the minutes and the board paper are in the appendix to this paper.

The contract awarded in August 2011 whole life cost (excluding VAT) with pay currently calculated on the National Minimum Wage is;

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Interserve FM	1,204,142.00	1,204,142.00	1,204,142.00	1,204,142.00	1,204,142.00	6,020,710.00
Principle	£314,708	£318,900	£325,635	£332,513	£339,539	£1,631,296

Total 5-year combined cost excluding VAT = £7,652,006.00

The current contracts awarded in August 2011 are for three years with a further one year, plus one year extensions. A large proportion of the current cleaning costs are for staff, as an average (obtained from tender information), staff costs are between 60 to 69% of the total contract value for the two cleaning contracts.

Estates and Facilities continue to work with the current providers to explore opportunities for cost reduction or service enhancements, or both, to ensure that the best possible cleaning service is provided. We are also reviewing current practices to improve efficiencies; an example of this would be the removal of separate bins under each desk and look towards a more central waste management process, therefore reducing the resources to empty individual bins.

It must also be considered that the cleaners are employees of a third party organisations and LSBU should not become involved in employee related discussions with other companies staff, because in the event this happened the University could be technically cited as the employer and therefore be liable for

employment related claims. This has in fact happened in the past when the university was cited as a secondary respondent in an employment tribunal claim from a member of contractor staff and had to make a settlement for its part in directing the contractor in relation to the wages of its staff.

As an example, if the pay rate for the current cleaning contractors staff was increased from the National Minimum to the London Living Wage from the 1st August 2012 (the contract anniversary), for the remaining life of the two contracts (4 years) would require an increase in funding of £1,849,864 (excl VAT). This assumes that the London Living Wage increases at a rate of 5.7%, which was the increase in 2011.

Prepared by Stephen Wells
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21st January 2011.