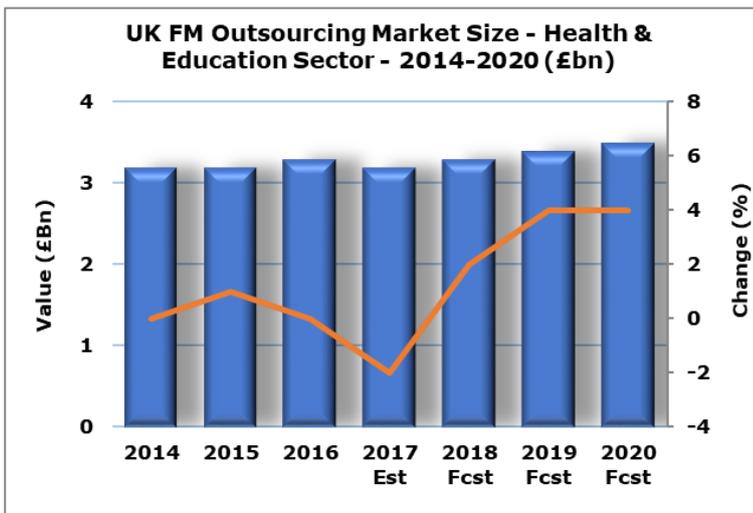




# PRESS RELEASE

## The UK health and education facilities management market declined by 2% in 2017

February 2018 – Cheltenham, UK



Over the last few years, the potential for growth in facilities management (FM) outsourcing within the healthcare and education sectors has been limited, largely due to factors such as political and economic uncertainty, cuts in public sector budgets and closure of a number of facilities. Growth within the market for outsourced integrated services and TFM in health and education has therefore been on the modest side. In 2017, the market was estimated to be worth £3.2bn – around 2% lower than in the previous year.

Source: AMA Research Ltd/Trade Estimates

FM market growth has also been hampered by a decline in the number of large-scale projects undertaken. Although healthcare and education represent two of the largest Government departments in terms of PFI/PF2 activity, the number of schemes being signed off on a year-by-year basis is declining due in part to the difficulty in obtaining finance.

In both the healthcare and education sectors there has been a gradual trend towards bundled service and TFM contracts, largely at the expense of single-service varieties. That said, single service contracts remain prevalent within certain market sectors, such as catering in primary and secondary schools. The growing adoption of bundled and TFM contracts has had a positive effect on market value, since these tend to be higher priced. However, the reduction in the number of PFI projects, together with greater contract renegotiation, has limited growth within the TFM sector in the hospital sector.

Healthcare represents the larger of the two sectors covered by this report, although the sector is mature and has declined 3% within the last year. The sector has been impacted by pressure to minimise operational costs to protect frontline services, as well as ongoing rationalisation of the NHS estate as under-utilised premises are sold off. Acute hospitals account for a significant percentage of outsourced FM services, with outsourcing most commonplace in areas such as community health providers and general/acute hospital care.

FM outsourcing is less well-established within the education sector. In 2017, market value saw a small decline compared to the previous year, as growth was affected by restrictions on budgets. Outsourcing of FM services within education is heavily skewed towards primary and secondary schools, which account for almost three-quarters of market value.

Building, engineering & maintenance and cleaning represent two of the most commonly outsourced FM services within the healthcare industry. Although maintenance is also dominant within the education sector, back office functions such as administrative and clerical functions, along with catering, are also widely outsourced. Energy management is likely to provide opportunities in the FM sector.

The higher-level merger and acquisition activity within the FM market appears to have stagnated, most likely due to the current political and economic uncertainty and the low margins currently obtained in the contracted-out services sector. The market's leading players have appeared more inclined to divest businesses rather than acquire them, in order to focus on core areas of expertise. Until its collapse, Carillion was one of the leading providers of FM services to the health and education sectors.

Fiona Watts of AMA Research said: "*The outlook for the FM outsourcing market within healthcare and education is considered moderately positive over the short to medium term, although growth within both sectors is likely to depend upon the prevailing political and economic situation. Government encouragement of greater private sector involvement is expected to continue, providing some optimism in the market.*"

A further boost to the market should arise from the continued shift away from single service contracts towards bundled service and TFM packages. This trend is likely to have a more substantial impact within the education sector, where single-service contracts still dominate in several areas. However, budgets are likely to remain restricted for the foreseeable future, despite recent commitments from the Government to increase funding in the NHS and refurbishment of schools.

The '**Facilities Management Outsourcing - Health & Education Market Report – UK 2018-2022**' report is published by AMA Research, a leading provider of market research and consultancy services with over 25 years' experience within the construction and home improvement markets. The report is available now and can be ordered online at [www.amaresearch.co.uk](http://www.amaresearch.co.uk) or by calling 01242 235724.

#### **Editors Note:**

If you would like to receive more information on the report, or would like to speak to the author, then please contact Anna Eriksson on 01242 235724.

Please include our web address and telephone number on any review printed, and it would also be appreciated if a copy of the review could be forwarded to AMA Research.

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