

Advance copy by email
Confirmation copy by post



Mr John Kelly
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11 January 2011

Dear John

HUMAN RESOURCES DEPARTMENT

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Cost Reduction and Redundancy Avoidance

I am writing to the relevant regional/national officers of our recognised trade unions to explain proposals which we have discussed locally, with branch representatives, but regretfully with little progress. My understanding is that our local branch representatives feel unable to enter into meaningful negotiations on these matters as they feel constrained by union policy regarding what is for consideration locally and what is for national consideration. Whilst we do not agree necessarily with the distinction being made by the local branch, especially as regards future arrangements for pay increments within pay grades, we recognise the difficult issues involved for them.

Through your good offices, we are therefore seeking a mandate for your branch representatives at this University to enter meaningful negotiations with us (supported by yourself as appropriate) on particular and similar matters referred to below. This would be with a view to achieving agreement, across a range of additional measures, to secure the University's financial position for 2011-12 and beyond, all with a *view to reducing costs, minimising the need for compulsory redundancies and bringing planning certainty for the University and its staff*. We have made it clear that the appropriate combination of additional measures would be for agreement but could, in our view, include inter alia:

- An agreement on annual pay increases, with commitment *now* in respect of 2010-11 and early agreement for 2011-12 and 2012-13. This would be intended to bring planning certainty for the next two plus years both for the University and its' staff;
- An early agreement on an increment freeze for April 2011 with a view to saving 1% pa on our pay-bill in 2011/12- circa £540k pa;
- Early negotiations leading to elimination of future pay increments (but see next bullet as the balancing feature), which we estimate will continue to add c.1% pa - c.£540k pa - to our future pay-bill;
- Directly related to the above, early negotiations on a long term alternative to pay increments which might, for example, include a 'gain-sharing' scheme by which all staff might benefit from

Executive Director (Human Resources)
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surpluses above target, generated from new income and reduced costs; a sort of John Lewis 'partnership' for all staff;

- [Early negotiations on a small number of options for securing a further non recurring pay-bill saving of 1% - by *for example* all staff being given four days additional leave unpaid during 2011-12: this is included here for completeness of what has been floated as it is clearly a local matter].

Such negotiations are apparently not achievable within the existing mandate your branch officials feel they have and so we are compelled to ask that they be so mandated, as I say supported by you as appropriate, on these and similar matters.

Other realistic and affordable proposals will, of course, be welcome from you in such negotiations.

We realise the challenges this sort of agenda involves. However, if the cost of pensions are excluded from this agenda and the trade unions are unwilling to reach agreements on other core pay-bill measures (or equivalent measures), such as those outlined, it is unlikely that we will be able to achieve the pay bill savings required and avoid compulsory redundancies. Further it is difficult to see how we could maintain our presence within the national pay bargaining framework if, in doing so, it effectively precludes meaningful collective negotiation on all aspects of the pay-bill locally in the current circumstances.

I hope that you can see the benefits of an early and urgent engagement with us on these and similar matters *with a view to reaching agreement on an appropriate mix of additional measures to reduce our pay-bill costs*. I would be grateful to receive confirmation of your willingness to do so not later than Friday 21st January 2011 so that an early series of meetings can be arranged.

Yours sincerely,



David P Briggs
Executive Director – Human Resources

Please note: This letter has been sent to Regional Officers for UNISON, EIS, UNITE and UCU and copied to Local Branch Convenors/Secretaries and the RGU Management Group

Appendix - Background

This University has been proactive and positive in anticipating government funding reductions for 2011-12 and seeking to avoid, or at least minimise the need for compulsory redundancy. Over the last year we have taken steps to enhance our alternative sources of income including investment in business interaction activity, an agreement with Navitas to bring increased full fee undergraduate students to the University, and further development of our distance and e-learning capacity and capability. On the cost management side, we have inter alia enhanced our vacancy management arrangements, without imposing a freeze on recruitment and we have managed down temporary staff costs to all but essential requirements. More recently, in consultation with local representatives, we have offered to our staff a range of options including enhanced voluntary severance, early retirement with early payment of pension, flexible/partial retirement and reduced hours/pay options. In short we are doing all we can to minimise the potential for compulsory redundancy in the future but cannot rule it out.

On current SFC grant figures and our planning assumptions for student numbers, other income, % pay costs etc we will need to reduce our operating costs by between £4m-£4.5m. For the purposes of considering how this is to be achieved, *at least* £2.5m will be expected to come from pay-bill costs and £1.5m from other operating costs. We expect the voluntary severance, early and flexible/partial retirement and reduced hours package of measures may deliver about half of the reduced pay-bill requirements and that other measures will be needed. Additionally, as some of the measures on offer carry upfront costs and will not have full year effect in 2011-12, we need to consider other one-off measures that will contribute in that year. The same applies to other operating costs and we are again looking at deferring some spend on campus maintenance, IT infrastructure etc but this cannot be a recurring feature otherwise our campus and its infrastructure will deteriorate and impact on the staff and student experience.

As regards other costs, we plan to continue our investment in the new campus, with the next phase 1 stage development. In any event we have to hand over the Technical Building at our Schoolhill Campus, to Robert Gordon College, in the period 2013-15 and also the new development will bring efficiencies (and reduced costs) in teaching facilities, energy consumption, annual maintenance and upgrading costs and improve the all round experience of our students and staff. There are of course increased costs of interest on a modest sustainable loan (other capital for this project will come from our own investment funds etc) but we consider this to be an essential development to maintain and strengthen our pre-eminent position for the future and so secure long term staff job security.

Our planning assumptions and updated financial forecast have previously been provided to local representatives. The impact of various VR/CR and pay variables has been illustrated to them also. An updated financial analysis, based on the SFC funding announcement just before Xmas, is being prepared for our senior manager meeting w/c 17th January, 2011.

However we estimate that it works through into a full academic year much as we anticipated - a reduction of core SFC grant of around 9% for 2011-12.