



Portsmouth
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Ref: DW/kab

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Dear Colleagues

Re: Consultation on Proposed Incremental Freeze

Thank you for meeting with us on 5 October 2011. Following my letter to you of 27 July 2011 I thought it might be helpful if I summarise our discussions to date below.

The Council is proposing an incremental freeze for all staff earning above £21,000 for two years (excluding schools). I shall refer to this below as the Proposal.

As we have explained at our meetings, the reason behind this proposal is the Council's need to meet the savings gap between what the Transformation Programme will deliver and the £45 million savings needed from the General Fund. This is quite apart from any additional service pressures the Council may face over the coming years.

If the Proposal is accepted, the Council may realise savings of approximately £700,000 towards this target and crucially prevent further job losses.

In February 2011 the Council started informal negotiations with you to change staff terms and conditions of employment when it proposed the following changes:

1. A pay freeze;
2. A percentage pay reduction;
3. Reduction in terms and conditions of employment in regards to leave entitlement, overtime rates, shift allowance, subsistence payments and relocation allowances;
4. A review of redundancy payments;
5. A review of overtime and flexitime scheme;
6. Review of some minor amendments such as bicycle mileage rate, long service awards and transport loans;
7. Removal of market supplement payments;
8. Charging for staff car parking;
9. Review of sickness payments entitlements and
10. Development of a reward strategy for example- spot salaries instead of incremental scales.

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Following seven months of informal negotiations the Council considered your views and representations to these changes, including your wish not to negotiate on terms and conditions that are established nationally.

On 13 September 2011, the Special Employment Committee decided that it would only commence formal consultation with you regarding an incremental freeze for staff earning above £21,000, thus ensuring that the lowest paid employees were not affected. This is a difficult decision for the Council, but one which is reasonable in the context of the savings required.

On 20 September 2011 the Council formally commenced consultation with you in the hope that it may be able to achieve collective agreement to this Proposal. The Council needed to start this formal process as it is a statutory requirement under section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992.

This consultation will last for 90 days from 20 September 2011 however this may be extended if it appears that agreement may be achievable. The Council hopes to secure your agreement to this Proposal, however if there is no agreement, the Council will consult with staff with a view to seeking their agreement to the Proposal.

Typically, councils consult under this provision if redundancies are proposed. However, the Council is also obliged under this provision to give you formal notification of consultation if there is a possibility that dismissals may occur, in the event of no agreement with you or staff. The Council hopes that dismissal and reengagement does not become necessary and that we can come to an agreement with you over the Proposal.

At our last meeting, you expressed some confusion over why the Council had submitted the HR1 form to the Insolvency Service. The Council has a statutory obligation under section 193 of the Act to inform the Secretary of State via a HR1 form about the Proposal. If we had not done so, the Council would have breached the Act. It is clear from the HR1 form that no decision has been made to dismiss and reengage staff and that the Council is seeking to negotiate the Proposal.

You queried why the Council informed staff of our discussions. It was reasonable for the Council to brief all staff regarding our current discussions in order to avoid staff being unaware of our negotiations, especially as many staff are not members of a recognised trade union. Again, it was made clear that the letter was not to dismiss and reengage staff and that the intention was to consult with you initially about the Proposal.

Equality Impact Assessment

The Equality Impact Assessment that was produced for our meeting on 5 October 2011 referred to all employees earning above £21,000. You indicated it did not detail those employees who had already reached the top of their pay band and consequently would not be affected by the Proposal.

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The EIA is correct in that it shows the direct and indirect impact of the Proposal on staff at this stage of the consultation period. As consultation develops, so will the EIA. The Council will produce the additional data you requested, excluding those already on the top of their pay scales, and provide this to you.

The Council believes that the impact of the Proposal upon staff is far less great than if the Council had followed other councils and imposed pay cuts and other changes to terms and conditions. However, any disproportionate impact that is highlighted from the additional data will be addressed.

Your views

At our last meeting you expressed the view that the Council has already made its mind up and will go ahead with implementing the Proposal. Let me assure you that this is not the case. I believe that this is clear from the letter that I wrote to you on 16 September 2011. This consultation is an open dialogue whereby the Council will consider your views and any objections you have to this Proposal, and any alternatives you propose so that a resolution can be reached.

The Council has compromised significantly during our seven month informal negotiations. In your favour, the Employment Committee decided that it did not want to pursue the vast majority of the terms originally proposed. This included a decision not to introduce any pay cuts to staff but instead to start negotiation on the Proposal to achieve savings without staff losing their jobs. I believe the Council has acted fairly in proposing this one change amidst a backdrop of the tough financial climate we all face. Ultimately, the Council would wish to secure your consent to this Proposal.

So far, you have not agreed to the Proposal, however, I would be grateful if you could clarify in writing the reasons for your refusal, so that the Council can respond to your objections.

As an alternative to the Proposal, you have instead suggested the following:

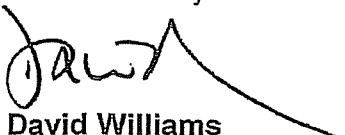
1. An enhanced voluntary redundancy scheme on the basis of a multiplier of 2.8
2. Staff and Member Car parking proposals
3. Debt management and bailiffs

I understand that you will provide further details in writing regarding the above alternatives and we have agreed that the Council will assist you, in so far as it is able, in providing additional information to help you formulate your proposals.

I hope that discussions may move forward and I welcome the opportunity to hear your thoughts on this Proposal as indicated above and your alternatives. I look forward to meeting you all again on 9 November 2011.

In the meantime, should you have queries, please do get in touch.

Yours faithfully



David Williams
Chief Executive