

HEFCE 00/56

December

Consultation

Rewarding and developing staff in higher education

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To	Heads of HEFCE-funded higher education institutions HE trade unions, funding bodies and representative bodies for HE
Of interest to those responsible for	Human resources management
Reference	00/56
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Executive summary

Purpose

1. This consultation document proposes a method for allocating the additional resources for rewarding, retaining and developing staff in higher education announced as part of the Government's Year 2000 spending review.

Key points

2. We propose to distribute the extra funds to institutions in proportion to their combined basic recurrent HEFCE grants for teaching and research. Funding would be released once institutions had provided human resources strategies addressing certain priority areas.

3. Institutions would be free to determine their own objectives, and specific targets would be monitored through their annual operating statements.

Action required

4. Please respond by **Monday 12 February 2001**.

Introduction

5. As part of the Year 2000 spending review, the Government announced additional resources to help higher education institutions (HEIs) recruit, retain and develop staff, and to help modernise management processes in the sector. It has set aside £50 million in 2001-02, rising to £110 million in 2002-03 and £170 million in 2003-04. These figures refer to financial years. Converting to academic years we will allocate £80 million in 2001-02 and £120 million in 2002-03. We would expect to allocate at least £170 million in 2003-04. We may consolidate a small part of the increase in 2002-03 into core funding.

6. These additional resources recognise that the world-class reputation of the UK higher education sector depends upon its ability to recruit and retain good quality staff. Over the last decade the sector has an impressive record – in delivering world-leading research, maintaining low drop out rates, and sustaining a reputation for quality that continues to attract a significant share of the market for overseas students. All these achievements depend on the commitment and expertise of staff.

7. Human resource management in higher education has many positive aspects, including devolved responsibilities, wide participation in decision making, a questioning ethos, and a good record of delivery. However, in a more competitive world there will inevitably be more demands. Effective human resource management will be key to future success. The additional funding will enable HEIs to support existing investments and create new opportunities.

Allocating the additional resources

8. We propose to distribute the additional resources as a conditional grant. Each HEI would be allocated a proportion of the total funding according to the amount of its core funding from the HEFCE: the assumed resource for teaching, plus the basic research grant. Indicative allocations for the three years from 2001-02 are shown at Annex A. The amount of money to be distributed is significant, so we would recalculate the precise allocations to institutions each year.

9. We would release funding to institutions on receipt of a human resource strategy that identifies objectives, describes how the money will be spent, and sets specific targets. These would include improvements both to outcomes and to human resource management processes. We recognise that the needs of universities and colleges differ greatly. It is for institutions themselves to determine priorities and how these would be tackled. Strategies should specify how institutions will:

- a. Address recruitment and retention difficulties in a targeted and cost-effective manner.
- b. Meet specific staff development and training objectives that not only equip staff to meet their current needs but also prepare them for future changes, such as using new technologies for learning and teaching. This would include management development.
- c. Develop equal opportunities targets, with programmes to implement good practice throughout an institution. This should include ensuring equal pay for work of equal value, using institution-wide systems of job evaluation. This could involve institutions working collectively – regionally or nationally.

Strategies should also cover how institutions will (or are already) addressing the need to achieve:

- d. Regular reviews of staffing needs, reflecting changes in market demands and technology. The reviews would consider overall numbers and the balance of different categories of staff.
- e. Annual performance reviews of all staff, based on open and objective criteria, with rewards connected to the performance of individuals including, where appropriate, their contribution to teams.
- f. Action to tackle poor performance.

10. All strategies should cover the three years from 2001-02 to 2003-04. They would be reviewed by an advisory group of sector representatives and external experts. The advisory group would be expected to provide an overall review of the strategies, and to draw attention to good practice. Funds would be released as long as the strategies:

- support the institution's mission and strategic plan
- cover the first three priority areas listed in paragraph 9 above
- support additional activity or the extension of existing activity
- contain targets that can be used to assess the effectiveness of the expenditure.

11. We would fund emerging strategies in 2001-02 as long as there were clear plans showing how the institution intended to develop a full strategy in the following year. We propose to ask institutions to submit strategies covering all the priority areas by June 2002.

12. Under our proposed method of distributing funding, institutions would receive money for franchised provision (where students are registered at the institution but taught in another HEI or further education college). Where this provision is significant, we would expect institutions to show how the funding would support human resource development that benefits these students.

13. Human resource strategies should refer to measures within other institutional strategies and policy documents, such as those for research and learning and teaching.

Monitoring and evaluation

14. The additional resources have been provided for a specific purpose, on a 'something for something' basis. Effective monitoring and evaluation will provide confidence that strategies are being achieved and that continued investment beyond 2003-04 is worthwhile. We propose an approach that we believe meets these requirements while minimising the burden on institutions and ourselves.

15. In detail we propose:

- institutions should submit strategies by June 2001
- acting on the advice of an advisory panel, we will confirm funding by July 2001
- again working with an advisory panel and following sector consultation, we will issue good practice guidance by December 2001, based on an analysis of institutions' strategies

- institutions report on performance against strategies through their 2001-02 annual operating statements. Institutions produce strategies covering all the priority areas listed in paragraph 9 by June 2002
- institutions report on the effectiveness of their strategies through their 2002-03 operating statement, including the achievement of specific targets
- during 2003-04, we will evaluate the effectiveness of the investment throughout the sector, using institutions' annual operating statements, supplemented where necessary by further research.

16. We plan to discuss with universities and colleges whether performance indicators or specific reviews could be used to demonstrate sector-wide progress and needs. This may include recruitment and retention surveys of the sort we currently conduct in collaboration with Universities UK (formerly the CVCP), SCOP and the Universities and Colleges Employers Association (UCEA). In time we might expect sector-wide demonstration of performance to lead to the incorporation of this investment into core funding.

Consultation issues

17. Do you agree that human resource strategies should cover the areas set out in paragraph 9? Should anything be added?

18. Is the proposed method of distributing and monitoring the funding likely to lead to demonstrable improvements in human resource management while minimising administration costs?

19. Do you agree that the HEFCE should explore the development of a limited number of sector-wide performance indicators or measures for the effective management of human resources?

Timetable

20. We propose the following timetable:

12 February 2001	Responses to consultation received
19 March 2001	Report on consultation and invitation to apply for funds issued
1 June 2001	Applications for funds received
2 July 2001	Funding confirmed

Responses

21. Please send your responses, to arrive by **Monday 12 February 2001**, to:

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