

Political agreement

24 November 2017

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(1) The Danish Government (the Liberal Party, Liberal Alliance and the Conservative People's Party), the Social Democrats, the Danish People's Party, the Red-Green Alliance, the Alternative, the Danish Social Liberal Party, and the Socialist People's Party are therefore implementing a reform of the funding system for higher education.

(2) One of the underlying goals of the new funding system is to increase the quality of education programmes and strengthen the leadership focus on good teaching and a better transition to the workforce upon completion of studies. The parties want to a change from the current narrow focus on quantity in the higher education system.

(3) The new funding system is based on three key elements:

- Basic funding
- Activity funding
- Result funding

(4) The new funding system is effective from 1 January 2019. The restructuring move to the new funding system is cost neutral. Furthermore, the Government has allocating DKK 50 million in 2019 and DKK 65 million annually from 2020 for the new funding system.

(5) The maritime institutions, the Danish School of Media and Journalism and the Independent Academy for Free School Teaching in Ollerup will be fully compensated if the transition to the new funding system means a reduction in funds in 2019. The compensation will take the form of special supplements to basic funding.

(6) The parties to the agreement agree that the institutions must have time to adjust to the new funding system. Therefore, institutions that experience a reduction of between 1 and 2% in funds in 2019 (the transition year) as a result of the transition to the new funding system, will be temporarily compensated during the period 2019 to 2021. This compensation will be evenly phased out over three years.

(7) In addition, institutions, which experience a funding reduction of more than 2% in the transition year, will receive a set compensation for the reduction above 2%.

(8) Any compensation will initially be financed by the new funds allocated to the funding system. The final compensation figures (§ 5-7) will first be available in the Finance Bill for 2019. If the compensation exceeds the allocated new funds, the rest of the compensation will be financed within the system via quality funding, cf. § 37.

(9) An underlying goal of the new funding system is to increase the quality of education programmes and strengthen the leadership focus on good teaching and a better transition to the workforce upon completion of studies. The new funding system must therefore not only stimulate quantity, but also quality.

(10) Unlike the current set-up, the new system covers a number of funding avenues requiring political prioritisation. The Danish Government has allocated new funds to the new funding system, which for example can be used for compensation in the transition period and can be aligned with the political priorities of the parties to the agreement. Moreover, non-utilised funds should be distributed according to the priorities of the parties to the agreement.

(11) The parties agree that prioritisation of these funds should take a number of factors into account, including all-encompassing quality initiatives e.g. professional feedback or increased use of technology, and support of increased activity in relevant areas. Based on technical calculations using 2016 data and the current frameworks, approx. DKK 200 million will be distributed annually.

(12) On this basis, the parties agree that non-utilised new funds in the period 2019 to 2022 should be prioritised for capacity building and support of increased enrolment to higher education STEM programmes. The funds are expected to total approx. DKK 75 million during the period. The overall framework for allocation of the funds will be clarified between the parties to the agreement based on proposal from the Ministry of Higher Education and Science.

(13) The parties note that the difference between the funding under the current system for e.g. an engineering programme experiencing increased enrolment, to a new funding system with a maximum result funding, works out to approx. DKK 3 million annually per 100 extra student full-time equivalents (FTE). This would correspond to a total of DKK 10-15 million for a complete 5-year programme depending on drop-out rates.

Basic funding

(14) Basic funding for education will be introduced, fixed to approx. 25% of the latest calculated education funding for each institution (account figures from 2017). Basic funding increases economic stability, and the parties to the agreement intend that it should support strategic, long-term planning, and a higher level of quality for education programmes.

(15) Basic funding will also be introduced for decentralised supply of higher education programmes. The decentralised funding comprises DKK 2 million for institutions that, in addition to their main campus, offer education outside of Greater Copenhagen, Aarhus, Odense and Aalborg. There is a funding maximum of DKK 12 million per institution and is recalculated when the basic funding is determined again.

(16) The parties agree that the basic funding will first be determined again after four years in 2023. During this assessment, any new decentralised educational supply will be financed within the overall basic funding. In addition, the continuation of 5% of the basic funding will be dependent on an overall assessment of compliance with the strategic framework contracts, and 5% on an overall quality measurement. Funds to be re-determined therefore comprise a total of 10% of the basic funding, corresponding to approx. 2.5% of the overall funding, or approx. DKK 330 million in the transition year.

(17) There must be an overall assessment of compliance with the strategic framework contract, which will be determined in dialogue with the institutions. If the institution complies with the contract to a great extent, 5% of basic funding will continue. If the institution complies with the contract to a certain extent, half of the 5% will continue. And institutions only complying with the contract to a lesser extent, will see no continuation of those funds.

(18) Quality measurements will have an empirically well-tested research-based scope as a starting point. The measurement will be based on a questionnaire among students, graduates, and possibly also educators. A more detailed framework for the quality measurement will be developed with the aim of taking the first measurement in 2018. The parties will be invited to discussions of the principles to be adopted for the quality assessment when the framework is ready, and to a review of the results and discussion of how the measurement can translate to an overall quality evaluation. The measurement will be repeated ahead of the redetermining of the basic funding in 2022, in preparation for a report of both the level of quality and the quality development at each institution. The parties agree to further develop the quality measurement methodology when presented with new knowledge, cf. § 21.

(19) Funds for basic funding, which are not continued following assessment of compliance with the strategic framework contracts and the overall quality measurement at each institution, will be allocated to long-term priorities within basic funding – e.g. for capacity building in the areas prioritised by the parties to the agreement. Ahead of the redetermination of basic funding, institutions are asked to submit any requests for a noticeable enrolment increase for selected higher education programmes or fields where there is an anticipated increase in demand in the coming years. Utilisation of these funds will be determined after discussions with the parties.

(20) The parties agree to reconsider the determination of the basic funding or distribution of quality funding if, in the period before the redetermination of basic funding, there are considerable changes (+/- 15%) in the total activity of the individual institution.

(21) The parties additionally agree that work should continue to elevate the quality of higher education programmes, e.g. in relation to the professional level of ambition, quality assessment, peer review, learning outcome and better use of the examiner scheme.

(22) The parties note that DKK 10 million is allocated for educational research in the higher education area, development of quality indicators, etc. and will be utilised by the Ministry of Higher Education and Science based on a research evaluation from Independent Research Fund Denmark in the latter half of 2017.

Activity funding and result funding

(23) The parties agree that there should continue to be a close correlation between the individual institution's funding and the number of students who receive their education at that institution. In addition to basic funding (of approx. 25% of the total education funding in the transition year), the parties agree to introduce activity funding and result funding, which together will comprise the remaining 75% of funds in the transition year. The result funding will comprise approx. 10%, corresponding to approx. 7.5% of the total amount, while approx. 67.5% will be allocated as activity funding (rates). In the long term, the ratio between the two will be maintained as activity funding (90%) and result funding (10%).

Activity funding

(24) The parties agree that there should be no change to the rate structure for university programmes when changing to the new funding system. The rate levels will be adjusted to reflect the introduction of activity funding and result funding.

(25) Furthermore, the parties agree to discuss rate classification within the university sector in continuation of the report from the Committee for Better University Education (Udvalget for bedre universitetsuddannelser).

(26) With regard to the professional and commercial-related higher education programmes, the parties agree to simplify the current rate structure. The current 49 education and building rates, will be reduced to 10 rates under the new funding system, and a rate minimum and maximum will be introduced. The rates will be adjusted to reflect the introduction of basic funding and result funding. An example of rates, a rate minimum and a rate maximum has been drafted based on 2016 data. The final rate levels will be determined along the same principles for the Finance Act 2019.

(27) The counting principle for the maritime higher education programmes will be changed to one based on completed study activities (semester FTE), similar to principles for other higher education programmes. Therefore programmes for marine engineers, master mariners, and ships officers will be transferred from rate group 7 to rate group 8 for the professional and commercial-related higher education programmes. The transfer from rate group 7 to 8 will be financed with new funds.

Result funding

(28) Result funding will be calculated on the basis of completion and graduate employment at the institutional level. Result funding will be implemented as an overall source of funding to institutions, inclusive of funds for quality initiatives.

Completion

(29) The parties agree that all higher education institutions should focus on students completing their course of study within standard time limits. At the same time, the parties emphasise that the institutions will have more free rein to support quicker completion rates than is currently the case for universities today.

(30) Completion rates at the institutions will be calculated using the average study time as a starting point – that is, some students completing their studies earlier than the average, can provide the opportunity for extended time limits for other students. This will reassure students, and offers the universities increased flexibility when taking students with special needs into account. It also provide the opportunity to e.g. provide extra challenges for particularly talented students and the flexibility for entrepreneurial students.

(31) An institution can therefore receive the full amount if the average completion rate for students is no more than 3 months above the standard time limit. If the average length of studies is more than 3 months above the standard time limit, the amount will be gradually reduced. This will continue until the average length of studies is more than 1 year above the standard time limit, at which point the institution will no longer receive funding for the completion parameter. Bachelor and Master's degree programmes at universities will be calculated separately.

(32) To support and ensure all students have a good course of study and the possibility to complete their education, the parties agree that every institution should have an "allowance" for the standard time limit for studies. This will be calculated based on the number of students taking parental leave, students provided with additional time to complete their studies because of illness (SU-tillægsklip), and students in receipt of a disability grant. Additionally, the Minister for Higher Education and Science will follow up on issues associated with the dispensation practice of institutions for students with a disability or illness, and the application of such practices across the entire education system with a view to engaging the institutions in dialogue to solve any challenges.

(33) Furthermore, the parties agree that the relevant institutions should have a supplement to the standard time limit for studies, so that a number of students e.g. studying medicine, can be granted leave for a research year without it impacting the calculation of the result funding.

(34) The parties also agree that the average study time limit at universities should be reduced by 4.3 months (compared to 2011 levels) by 2020, as required by the progress reform. However, the current "progress deposit" and university-specific targets for reductions in time spent in education will be abolished in the move to the new funding system.

(35) The most recent data (2016) for time spent in education at universities shows that there has been a reduction of 3.8 months compared to 2011. Therefore, only an additional 0.5 month is needed by 2020 to achieve the agreed reduction target. If the time spent in education unexpectedly does not see a reduction as required, the parties agree that the new completion parameter will be adjusted accordingly and any extra funds will be used to provide latitude so that there is no additional effect on public financing.

Employment

(36) The parties agree that higher education graduates should find employment (calculated in the 12th to 23rd month), of at least the level of the general economically active population adjusted to the state of the market (risk factor of 0.4 times unemployment). If graduate employment rates are lower, the institutions will gradually receive a smaller amount until employment is 25 percentage points below that of the general population. At this stage, the institution will no longer receive funding associated with employment.

Utilisation of funds for quality

(37) Funds, not utilised for completion or employment, will be used for quality initiatives. The funds are divided in two and are utilised for 1) professional bachelor-, business academy-, and maritime higher education programmes and 2) university higher education programmes respectively. As such, funds are not redistributed between the two educational groups. Based on technical calculations using 2016 data, funds are expected to amount to approx. DKK 180 million.

(38) The minister will discuss which areas the funds should be used in and during which periods with the parties. The parties agree that the funds should not be allocated by means of an application process, but rather by political prioritisation of concrete efforts and prioritised areas. During the first two years (2019 and 2020), the funds will be used by all institutions on the basis of student FTE and selected target areas such as professional feedback or use of new technology. In the following years, the funds will be used for selected efforts across all institutions or for long-term priorities e.g. supporting increased activity in selected educational areas or use of technology, etc.

(39) The use of funds for quality initiatives, etc. at the individual institutions will be discussed at the annual status meetings between the minister and the institutions.

Implementation

(40) The restructuring covers funding for ordinary full-time education programmes, including a completion supplement, as well as a number of set funding channels and regulations. The restructuring does not cover funds for specific or extraordinary tasks, etc. or special funding for education on Bornholm and special building regulations, which will continue as until now.

(41) Furthermore, the restructuring does not cover funds for free places and grants, internationalisation funding, the study abroad scheme, part-time education programmes, open education programmes, and other further and continuing education or the minor subjects scheme at universities.

(42) A technical basis of calculation has been drafted on the back of the agreement paper. The final basis for funding will be determined in the Finance Act 2019.

(43) The parties agree that the new funding system will be evaluated in 2023, when all elements will have had a complete run-through. The evaluation will include a status for the development of educational activities across all types of education and institutions.

(44) The new funding system requires amendments to the relevant education and institution legislation. The parties agree to vote in favour of legislative changes so that moving forward, the funding system and level is determined in the annual Finance Act.