

Enclosure 3

Finance Section. Ref.:
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Accounts of IT University of Copenhagen as per 30 June 2012

The 2012 budget was approved by the Board 25 November 2011. This note compares the budget to the result after Q2 and the forecast for 2012 after Q2.

Revenue

By the end of Q2 2012, the revenue of the university amounted to DKK 122.6 million, corresponding to 101 per cent fulfilment of the budget. Since approval of the budget in 2011, the university has been allocated more appropriation from Government Grants. The revenue for the year 2012 from tuition is expected to be higher than the budget, due to both a larger admission than assumed and better performance from students with respect to activity. Since the forecast after Q1, indications are that the activity from part-time education 127 FTE is slightly over the budget at 122 FTE. The investment of DKK 50.0 million in short term bonds and mortgage bonds, which was decided in January, has resulted in a dividend of DKK 0.6 million in Q2. Income from externally funded research projects has risen since Q1, but is still expected to be DKK 2.0 million below budget.

The forecast predicts that revenue in 2012 will be DKK 247.9 million, which is DKK 4.0 million or 2 per cent more than the budget for 2012.

Expenditure – Wages

On the expenditure side, the labour costs after the second quarter are DKK 3.9 million less than the budgeted for the year (including change in holiday allowance) with a completion of the budget of 95 per cent.

In particular, the costs of salaries at The Faculty were less than budgeted. Despite efforts to recruit more academic staff in the vacant posts, there is no effect on cost of salaries, partly because turnover has been higher than expected. Salaries in Research and Learning Support are also under budget partly because a larger part of the wages are allocated to research projects, and partly because the Head of Department is on maternity leave, and the vacant post is filled by the provost, with cost divided fifty-fifty between the two departments. This also explains the relatively low spending on salaries by management. Expenditure on wages in Facilities Management has risen in accordance with higher income from rental activities.

For 2012, the forecast after the second quarter predicts that salary spending will be DKK 0.7 million less compared to the budget for 2012, corresponding to a total spending on wages and salaries of DKK 144.7 million (including holiday allowance).



Expenditure - Operations

The operating expenditure of Q2 shows spending of DKK 43.2 million (including depreciations). This is 5.4 million below budget and corresponds to a fulfilment of the budget of 89 per cent.

This is mainly due to management pools for strategic investments not yet being fully allocated. In accounts of Q1 0.9 million DKK are recognised for research initiatives and 0.9 million for new mail and calendar system and invoice workflow.

The University of Copenhagen reclaimed VAT on food served at meetings in 2011 and has received additional 0.2 million from the TAX authorities covering years before 2011. Further reduction in property value of the building 2010 has resulted in a reduction of property tax of DKK 0.3 million after Q2 (0.6 million DKK per year).

Moreover, SKI agreements in which the university bases its purchases, has not been released before Q2, which has postponed a number of purchases in Facilities Management and IT Department. The invoices from maintenance of the premises and the purchase of multifunction devices are not yet received. Finally a lot of activities in Facilities Management and Department of Finance and Personnel are scheduled to the second half of 2012.

For the entire year 2012, the forecasted expenditure of other operations will be DKK 1.3 million over the 2012 budget.

Budget changes

The Faculty budget for wages was reduced by DKK 2.5 million after Q1 and will be reduced by additional 1.3 million. Budgets for wages and operations on research projects will be raised by DKK 0.6 million and DKK 0.4 million.

To further improve the teaching facilities the budget in Facilities Management is raised by DKK 2.0 million. The managements pool for research initiatives is reduced by DKK 0.5 million.

The Result

The result after Q2 is DKK 10.5 million and may be attributed to the fact that the recruitment and retention of academic staff had not developed as planned and that income has been significantly higher than expected when the budget was made. The forecast Q2 for 2012 is estimated to DKK 4.7 million.

Table 1: Progress in holdings of bonds and dividend

DKK 1,000	1 January 2012	31 March 2012	30 June 2012
Cash account	50.000	100	49
Bond value	0	50.130	50.583
Dividend	0	0	600
Unrealised returns/loss	0	231	32

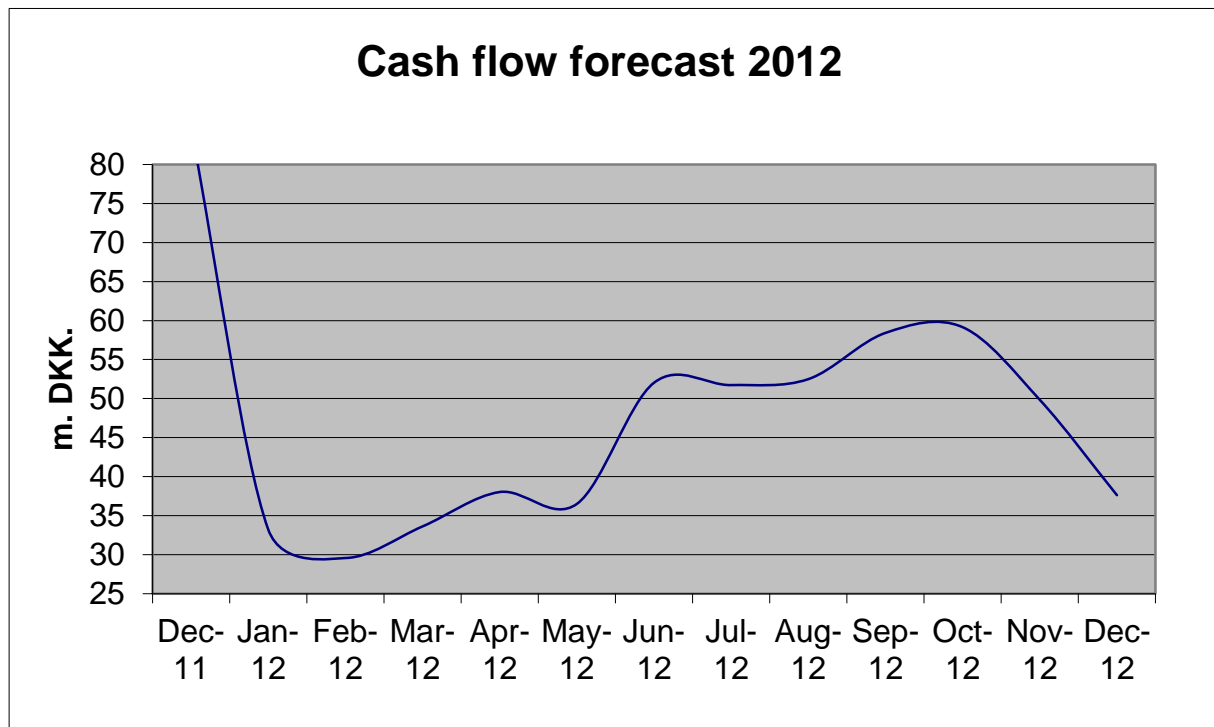
Investments and Cash Flow

The investment of DKK 50.0 million in short term bonds and mortgage bonds has resulted in a dividend of DKK 0.6 million in Q2 (biannual dividend), which according to agreement with *Danske*



Capital has been reinvested in the same category of bonds. The unrealised returns are for the time being positive due to a very low Danish interest rate.

Figure A: The Actual Liquid Funds and Forecast for 2012 of IT University of Copenhagen



The cash flow of IT University of Copenhagen, i.e. the ability of the university to meet its obligations is very good, cf. Figure A above. The decrease in liquid funds in January is a result of the investment of DKK 50.0 million in short term bonds and mortgage bonds.

The forecasted increase in liquid funds in June-July is a result of receipt of payment of project funds for the entire year from the Danish Agency for Science, Technology and Innovation. In September, IT University of Copenhagen invoices part-time education. During the last month of the year, e.g. the administration fee of wages and salaries and education at EBUSS are paid to CBS.

Forecast 2012

Table 2 below states the forecast of the university for the entire year after Q2 2012. The predicted operating result indicates a profit of approx. DKK 4.7 million.



Table 2: Quarterly Accounts, forecasts and difference towards Budget 2012

Income DKK 1.000	(1) Accounts as per 30 June	(2) Forecast after Q2	(3) Forecast after Q1	(4) Budget 2012	(5) Difference (2)-(4)
Government Grants	41.556	83.113	83.113	80.000	3.113
Tuition	65.049	130.098	128.106	126.385	3.713
Government Grants - Globalisation Funds	0	328	28	1.000	-672
Research Grants (Government and other sources)	12.140	27.975	26.565	30.000	-2.025
Rental income	450	709	559	659	50
Other income including rent	4.076	7.299	6.389	7.575	-276
Extraordinary income	196	200	0	0	200
Administrative savings	-890	-1.780	-1.780	-1.683	-97
Total income	122.577	247.942	242.980	243.936	4.006
Costs DKK 1.000					
Wages and salaries					
Management	1.991	3.973	3.803	4.270	-297
Communication Department	2.552	5.204	5.180	5.180	24
Department of Finance and Personnel	5.800	11.613	11.558	11.358	255
Employer contributions, Flexible job scheme, Overtime ect.	-102	1.294	2.459	1.833	-539
IT Department	4.962	10.190	10.158	10.158	32
Facilities management	2.544	5.205	4.908	4.708	497
Study administration	5.887	12.187	12.289	12.289	-102
Research and Learning Support	3.108	6.430	6.379	6.644	-214
Faculty	33.729	69.481	70.828	73.328	-3.847
Research projects	6.833	16.085	15.481	15.071	1.014
Local wage pool	1.505	3.010	431	508	2.502
Total wages and salaries	68.809	144.672	143.474	145.347	-675
Other operations					
Management	521	2.030	3.030	4.230	-2.200
Communication Department	1.690	3.312	3.301	3.276	36
Library	823	1.860	1.860	1.610	250
Department of Finance and Personnel	1.541	4.718	4.718	4.918	-200
Non-allocated ITU	875	2.137	2.069	2.164	-27
IT Department	1.813	5.353	5.453	4.353	1.000
Facilities management	25.870	55.123	53.173	53.373	1.750
Study administration	5.291	11.555	11.424	11.729	-174
Research and Learning Support	486	1.122	1.222	1.057	65
Faculty	2.384	6.927	6.324	5.893	1.034
Research projects	1.576	3.433	3.015	4.396	-963
Operational liabilities	369	986	738	281	705
Total other operations	43.239	98.556	96.327	97.280	1.276
Result	10.529	4.714	3.179	1.309	3.405



Overview of Forecast 2 2012 vs. Budget 2012

As for income, the university expects revenue well above the budgeted DKK 243.9 million. Changes in revenue can occur from education and research funds as well as from fluctuations between the contributions to the total income of the various sources of income.

Table A: Overview of forecast 2 2012 vs. 2012 budget

DKK '000	Forecast 2 2012	Budget 2012
Revenue	247,942	243,936
Wages and salaries incl. holiday allowance	144,672	145,347
Other operations incl. depreciation	98,556	97,280
Expenditure	243,228	242,627
Result	4,714	1,309
Equity	44,040	40,545

The total expenditure is expected to be DKK 0.6 million above the budget.

The 2012 Q2 forecast states, that the equity of the university will be around DKK 44.0 million by the end of 2012, corresponding to 18 per cent of turnover.

Uncertainties in Relation to the Forecast

The uncertainties in the forecast after Q2 are connected to both revenues and expenditures.

On the revenue side there is still some uncertainty about the students' study activities, as the number of passed Master thesis is not yet known and it is not yet possible to quantify the number of part-time students accurately. Small adjustments of income from completion bonus and operations covered by income should be expected.

The Q2 forecast of operating expenses are based on spending during the first half of 2012 and dialogue with management and heads of departments on planned activities for the coming two quarters Q3-Q4 2012.

The uncertainties related to the expenditure regarding externally financed research projects are that delays in projects easily occur in research. Looking at the previous years, most of the activities (and the spending) takes place in the second and the fourth quarters, In fact it seems more than likely that the activities will be lower in third quarter. Looking at the revision, it is possible that the expectations about the projects will be lowered in the last part of 2012. If the activity falls with DKK 2.0 million, the revenue from overhead will be reduced by approximately DKK 0.5 million.

Revenue from Education

On the revenue side, revenue from education is increased; see Table B and C below. In the forecast as per 5 September 2012, it is estimated that student FTE's will be larger than anticipated in the budget. The reasons are an increased admission in the spring term of 2012 and that average production FTE per student has been higher. The anticipated completion bonus is reduced reflecting that less MSc will earn the bonus than expected in the budget.

In the first half of 2012 an investigation of the forecast for student FTE (STÅ) was carried out. This has resulted in some changes in the forecast. One of the findings was that the students are more efficient in the fall than in the spring. More analysis will take place in the second half of 2012 and the process of calculations will be digitalised.



Anticipated production of FTE from part-time students has changed but is still somewhat uncertain. The forecast for part-time students FTE's is increased by 5 FTE's - positive news about part-time education.

Table B: Revenue from Tuition

	Budget 2012	Forecast 2 2012
Master of Science, FTE's	665	688
Completion bonus, MSc	100	56
Bachelor, FTE's	399	421
Completion bonus, BSc	67	68
Part-time students, FTE's	122	127
	DKK 1,000	DKK 1,000
Revenue full-time students	103,846	108,238
Total completion bonus	7,595	6,404
Total revenue part-time (tariff and tuition)	14,944	15,456
Total revenue from education	126,385	130,098

Table C: Admission of students – Forecast as per 5 September 2012

	Admission (budget)		Admission achieved*		Admission (budget) 2012	Admission achieved* 2012
	Spring 2012	Fall 2012	Spring 2012	Fall 2012		
MSc, DDK	50	150	56	135	200	191
MSc, EBUSS	35	65	57	66	100	123
MSc, SDT	50	60	60	61	110	121
MSc, GAMES	0	70	0	66	70	66
BSc, SWU	0	60	0	65	60	65
BSc, DMD	0	80	0	83	80	83
BSc, GBI	0	60	0	71	60	71
Total	135	545	173	547	680	720

Conclusion

Based on the accounts after second quarter 2012 and the forecast for the remaining 2012, the ITU University is performing well. The result is expected to be above budget, due to revenue 2 per cent over budget and spending just slightly above budget. The anticipated result is DKK 4.7 million, or DKK 3.4 million better than the 2012 budget adopted by the Board of Directors in November 2011. Work is carried out to move forward some activities to the current fiscal year which may influence the result of 2012. In light of the increased revenue in the first half of 2012, it is expected that the results for 2012 will be better than budgeted.