



12 September 2012

## Framework budget 2013-2017

This presents a draft of IT University's budgetary framework for 2013 to 2017.

### 1. The Management's recommendation

It is recommended that the Board approves the submitted budget framework and authorize the Management to prepare the budget proposal for 2013 including, if necessary, the authority to reallocate funds between salary and other operations.

The final budget proposal for 2013 will be presented to the Board at the Board meeting on 23 November 2012.

### 2. Assumptions of the budget

The first draft framework budget for 2013-2017 is based on the following assumptions:

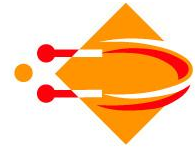
The amended budget proposal for 2013 (FFL 2013), as presented by the government on 27 August, 2012 is passed by parliament, without substantial changes as regards the University.

Some of the proposed strategic investments of the university have been incorporated in the framework budget: two additional full professor positions adding up to a total of eight professors in 2014, implementation of E-Business in 2013 and 2014. There is an incorporated fund for a video journalist for the communications department to continue work on knowledge dissemination. Further, the two strategic pools to strategic research areas and investments in productivity have been included in the forecast.

Management will enter into negotiations with the Ministry of getting a share of the funds for additional PhD intake in order to increase the annual intake at the university beyond 11 new PhD students a year.

Start-up of the E-business study programme at IT-University is carried out by four associate professors (two FTE's) in 2013, eight associate professors in 2014 (six FTE's), with full effect of eight FTE's in 2015. Furthermore eight part-time lectures will be hired. To service this new education it is assumed necessary to hire administrative staff corresponding to two FTE's in 2013 and further one, to a total of three in 2014.

Recruitment of additional scientific staff to support the research-based teaching will gradually take place in the period from 2013 to 2015 after which levels are maintained.



## IT-Universitetet i København

The IT University has special challenges on part-time study programmes. This initiative will also support the goal of acquiring more external research funding.

The take-over of the 5<sup>th</sup> floor from January 2013 will increase IT-U's rent to the Ministry and reduce the IT-U income from sale of services. Until now only a contract with The Alexandra Institute is assumed. It is possible that some of the companies resident on the 5<sup>th</sup> floor wish to stay and a potential income of additional DKK 0.7-0.8 million is possible.

It is assumed that the interest on the bond portfolio will remain constant at DKK 1.2 million annually. This interest will vary depending on the interest rate, which are Danish Capital opportunities to reinvest drawn papers.

The framework budget maintains the assumption of an annual increase in project funding of DKK five million.

**Table 1: Finance Act Proposal 2013 and the following 3 estimation years**

### **Revenue**

	Finance Act Proposal 2013	Estimation year 1	Estimation year 2	Estimation year 3
Basic Research Subsidies	85.939	88.053	89.464	85.029
Tuition fee (Finance Act)	131.613	135.083	132.310	130.529
Tuition fee, part-time students	11.160	11.795	11.830	11.900
Government Funds (Matchfond etc)	0	0	0	0
Grants Applied for Against Competition (Public)	28.000	32.000	36.000	40.000
Grants, Private and other Non-Government Bodies	7.000	8.000	9.000	10.000
Rent Income	700	700	700	700
Other Income	4.250	4.315	4.380	4.446
Savings on Administration and Purchasing	-	-	-	-
	3.359	3.258	3.295	3.271
	<b>265.303</b>	<b>276.688</b>	<b>280.389</b>	<b>279.333</b>

The budget proposal for 2013 contains some important new elements for the IT University: A proposed 3-year budgeting, providing increased security regarding the budgets, final phase-in of DKK 20 million to the IT University as basic grants due to the creation of the bachelor programmes and modification of the previous downward trend concerning funding of basic research to a more constant level equal to the 2012-level.

Table 2 below shows specific risks in relation to the IT University's budget framework for 2013, and an indication of actions to address these uncertainties.



**Table 2: Uncertainties and actions according to framework budget 2013**

<b>Uncertainties</b>	<b>Effect</b>	<b>Action</b>
1) Finance Act 2013	Certainty about 3-yearly budget framework awaits adoption of the Finance Act	Due to the increase in equity in forecast 2 compared with the budget, this uncertainty has been covered
2) Full-time Student FTE-production	The budget framework has been based on the forecast of student FTEs as of 5 September 2012.	A revised forecast will be made in October, when the final intake of students is known. If this results in greater changes, these will be incorporated in the budget proposal presented to the Board in November.
3) Part time student FTE-production	The budget framework has been based on the intake of 167 students in the Diploma- and Master programmes in 2013, in order to achieve 135 part-time student FTEs.	Accreditation of the Master of IT programme signifies a constant focus on the part-time programs in the years to come.
4) Completion bonus	The completion bonus is partly related to the student production of the other universities, thereby it is partly out of the control of the university.	The Development Contract goal no. 4 and 5 are setting minimum requirements for the completion rates.
5) Non-governmental research funds	The university's ability to attract external non-governmental research funds will be affected by the general financial environment in the society.	The focus on EU applications will be continued, and continuous effort is done to improve the relations to private partners.
6) Productivity increases	It is recognized in the framework budget to be productivity increases within education (30 per cent in 2011-2017).	Recruitment is done under the consideration of achieving the productivity increases.
7) The university is obliged to take over 5'th floor at Rued Langgaards Vej 7 from the beginning of 2013	The cost of rent of this take over will be DKK 9.9 million in 2013	The cost has been incorporated in the framework budget.

### **3. Assumptions of student rates and FTE volumes**

Table 3 shows the rate assumptions, released with the budget proposal for 2013, adjusted to current prices, which are used for university education revenue.



***Table 3: Assumptions of full-time student and part-time student rates***

<b>Rates (DKK 1,000)</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Tuition fee, MSc students	98	97	95	93	91	91
Tuition fee, BSc students	98	97	95	93	91	91
Tuition fee, part-time student, Finance Act.	46	46	45	44	43	43
Tuition fee, part-time students, former rate	50	50	-	-	-	-
Tuition fee, part-time students, present rate	85	85	85	85	85	85

In addition is the completion bonus that consists of a fixed annual amount for distribution between the universities. The completion bonus is finally set annually in the Supplementary Act based on the actual activity.

This means, that the IT University bonus partly depends on the number of its own students full filling the completion rate, compared to students from other universities.

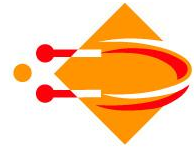
In Table 4 are listed the university's assumptions of volume of student FTE's and the completion bonuses.

***Table 4: Assumptions of volume of completion bonuses and FTE's***

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Master of Science, FTE	688	738	754	745	748	758
Completion bonus, MSc	56	54	96	86	89	89
Bachelor of Science, FTE	421	465	466	458	446	445
Completion bonus, BSc	68	119	139	139	135	133
Part-time students, FTE	127	135	140	140	140	140
Revenue full-time students	108,238	116,450	115,872	112,035	108,974	109,795
Completion bonus	6,404	8,993	11,096	10,456	10,121	10,012
Revenue part-time students (tariff and tuition)	15,456	17,330	18,025	17,973	17,920	17,920
<b>Total revenue from education (DKK 1,000)</b>	<b>130,098</b>	<b>142,773</b>	<b>144,993</b>	<b>140,464</b>	<b>137,015</b>	<b>137,728</b>

Table 5 shows the admission assumptions for the coming years. The assumptions are based on discussions between management and the Head of studies.

The table shows the total admission per year and the distribution of students at the different programs.



**Table 5: Assumptions of admission of BSc and MSc students per programme**

Year	2012*	2013	2014	2015	2016	2017
DDK/DKM	191	150	150	150	150	150
EBUSS	123	120	100	110	120	130
SDT/INT	121	110	110	110	110	110
MTG/MMT	66	70	70	70	70	70
Bach, SWU	65	60	60	60	60	60
Bach, DMD	83	80	80	80	80	80
Bach, GBI	71	60	60	60	60	60
Total	720	650	630	640	650	660

\* The expected admission in 2012

#### 4. Conclusion

Table 6 shows a draft to the university framework budget for 2012 to 2017. Revenue is in current prices with a 1.3 per cent average price/wage inflator, as stated in the government's initiative. Cost of wages is calculated in current prices with an average price/wage regulation at 1.7 per cent in 2013 and 2.0 per cent in 2014 and onwards.

The framework budget is based on the equity by the end of 2012 as well as the budget assumptions in section 2 and the fact that the DKK 20 million in government grants (base funding) for the bachelor educations finally are a part of the (proposed) finance act.

When the level of the budget for basic funds will be known with certainty, following the approval of Finance Act, and with the prospect of knowing revenues from the state for the next three years, the management is provided with the described opportunities to make investments that support the University's strategic goals.

The framework budget and the annual results reflect the expected revenue from the adoption of the proposed Finance Act. (FFL2013). The outlook for revenue from the government is that the level for the period from 2013 to 2015 continues in 2016 and 2017, but this expectation is not included in the forecast, which is reflected in the annual results in 2016 and 2017.



**Table 6: Draft for the framework budget 2013-2017**

(DKK 1.000)	Prognose 2012	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017
Government Grants	83.113	85.939	88.053	89.464	85.029	86.134
Tuition	130.098	142.773	146.878	144.140	142.429	145.030
Government Funds (Matchfond etc.)	328	-	-	-	-	-
Grants Applied for Against Competition (Public)	22.380	28.000	32.000	36.000	40.000	40.000
Grants, Private and other Non-Government Bodies	5.595	7.000	8.000	9.000	10.000	10.000
Other Income	8.008	4.950	5.015	5.080	5.146	5.213
Ekstraordinary Income	200	-	-	-	-	-
Savings on Administration and Purchasing	(1.780)	(3.359)	(3.258)	(3.295)	(3.271)	(3.314)
<b>Total Revenue</b>	<b>247.943</b>	<b>265.303</b>	<b>276.688</b>	<b>280.389</b>	<b>279.333</b>	<b>283.063</b>
Payroll - based on 2012 and implementation of E-buss	143.379	157.794	169.958	179.702	184.921	189.412
Other Operating Expenses - based on 2012	94.341	94.038	91.846	91.854	94.250	96.275
Other Expenses - takeover 5'th floor Strategic Research Areas and Investments	5.508	8.556	7.171	7.315	7.461	7.610
<b>Total Costs</b>	<b>243.228</b>	<b>264.140</b>	<b>272.385</b>	<b>282.351</b>	<b>290.182</b>	<b>296.917</b>
<b>Result of the Year</b>	<b>4.715</b>	<b>1.163</b>	<b>4.303</b>	<b>(1.962)</b>	<b>(10.849)</b>	<b>(13.854)</b>
<b>Equity</b>	<b>44.041</b>	<b>45.204</b>	<b>49.507</b>	<b>47.545</b>	<b>38.658</b>	<b>33.691</b>

Full-time Employees (FTE)	Prognose 2012	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017
Academic Staff FTE	128,26	142,41	157,90	169,38	173,55	175,84
Part-time Lectures FTE	30,40	30,62	32,17	32,89	32,93	32,95
Administrative Staff FTE	126,49	131,61	133,61	133,61	133,61	133,61
<b>Total Full-time Employees</b>	<b>285,15</b>	<b>304,65</b>	<b>323,69</b>	<b>335,88</b>	<b>340,09</b>	<b>342,40</b>