



Finance Section/ Iben Vitved
14. November 2013

Budget proposal for 2014

This document presents the IT University of Copenhagen's budget proposal for 2014. The 2014 Budget is based on the framework budget approved by the Board on 20 September 2013.

The first part of the document presents the general assumptions on which the budget is based. The second part displays the detailed budget for operations, which includes all of the university's operating revenue and expenses for next year. The third part indicates the prerequisites for admission of students to the various study programs. The fourth part presents an update of the budget forecast 2014-2016.

1. Budget and assumptions

The budget proposal for 2014 is based on the following assumptions:

- 1) The Amended budget proposal for 2014 (FFL 2014) as presented by the Government on August the 27th 2013, is passed by parliament without substantial changes with regard to the IT University of Copenhagen.
- 2) Admission and completion bonus in 2014 will be as expected.
- 3) Revenue forecasts are derived from already known resources only.
- 4) Recruiting and hiring proceeds as planned in 2014.
- 5) The external research funding is realised as planned.
- 6) There will not be diversions between salaries and other operations in the departments without management approval.
- 7) Rent on the building is set at the current level. This implies that the expectations of the outcome of the next rent negotiations and adaption to market levels are not embedded, although these expectations certainly exist.
- 8) Investment in a "§ 4 company" with a commercial purpose to operate on market conditions in order to manage activities in connection with technology transference, including the company or acquirement of shareholder companies etc. The investment will have liquidity effect of DKK 5 mill. However, the investment will only affect the annual result by a possible loss of value. An effect of DKK 0.5 mill. in terms of loss of value is incorporated into the budget proposal for 2014.

With the above assumptions in mind, the Management presents this budget with the conviction that it shows the financial state of the university, and that the results for 2014 and the years ahead will be realised. Therefore, the Management recommends that the Board approves the budget proposal for 2014.



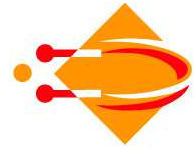
2. Budget for 2014

Table 1 below displays the Management's proposal regarding the budget for 2014. The table contains all of the university's operating revenue listed by main items and the expenses for 2014 allocated to the departments. In addition, table 1 show the university's anticipated operating income in accordance with the budget assumptions described above.

Table 1 Budget 2014, Budget 2013 and Forecast 3 for 2013 (DKK 1.000)

Income	Budget 2014	Budget 2013	Forecast 3 2013
Government grants	87,860	85,939	85,239
Tuition	154,747	142,316	148,758
Government grants	0	0	0
Research grants from public sources	25,000	24,000	26,671
Grants, private and other non-government bodies	8,000	6,000	
Other income including rent	4,441	3,585	4,237
Extraordinary income	0	0	0
Savings on administration and purchasing	-3,696	-3,359	-3,358
Total income	276,352	258,481	261,547
Costs	Budget 2014	Budget 2013	Forecast 3 2013
Wages and salaries			
Management	4,263	4,394	4,386
Management pools	0	975	0
Communication Department	6,097	5,499	5,577
Department of Finance and Personnel	15,142	12,435	14,182
Employer contributions, flexible job scheme, overtime etc.	3,450	2,115	2,210
IT Department	10,239	9,886	9,196
Facilities Management	5,688	5,651	5,758
Student Affairs and Programmes	14,347	13,149	14,805
Department incl. RL and PhD School	73,273	63,364	62,786
Study Board	19,224	17,080	17,333
Research projects	20,460	20,183	14,272
Total Wages and salaries	172,183	154,732	150,505
Other operations¹			
Management	2,430	1,485	2,214
Management pools	3,000	3,685	0
Communication Department	4,127	3,236	3,545
Department of Finance and Personnel	5,322	4,619	4,229
IT Department	5,268	4,333	4,957
Facilities Management	16,863	14,965	17,152
Student Affairs and Programmes	10,215	10,834	13,797
Department incl. RL and PhD School	6,180	5,701	7,279
Study Board	655	540	647
Research projects	4,290	3,900	3,844
Library	1,913	1,860	1,890
Rent (domicile), taxes, depreciation, provisions	46,438	49,542	47,872
Total other Operations	106,701	104,700	107,426
Total operating costs	278,884	259,432	257,931
Result of Ordinary operations	-2,532	-951	3,616
Financial income	1,100	1,530	800
Financial costs	5	0	5
Total Result of the year	-1,437	579	4,411

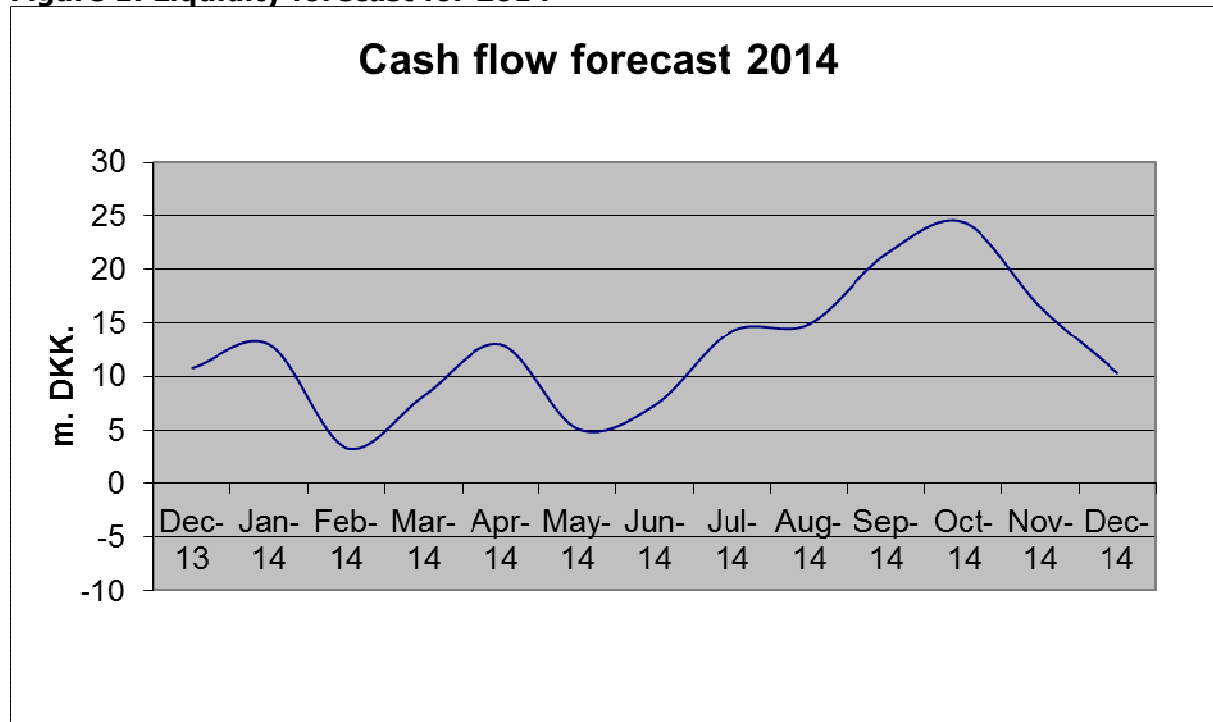
¹ Costs of known depreciations are moved to the relevant department



Liquidity at the IT University is still expected to be good in 2014 due to monthly account payments of government grants and tuition from government as well as long term credits granted by suppliers.

At the beginning of the year, cash resources will be at the lowest level due to the December 2013 payment of tuition to Copenhagen Business School for the EBUSS programme, the first rent payment for the tenancy at Rued Langgaards Vej and investment in the above mentioned "§ 4 company", if approved by the board. Cash resources are ensured to be at least DKK 3 mill. during the year by reducing the portfolio at *Danske Capital* in connection with investment in the "§ 4 company".

Figure 1: Liquidity forecast for 2014





The following corrections are made relative to the framework budget for 2014 which the Board approved at its meeting on 20 September 2013 cf. table 6, page 7 and table 7, page 8.

Operating income

The revenue expectations from tuition have been adjusted upward by DKK 5.3 mill. to DKK 154.7 mill. since the framework budget was presented to the board in September. This is caused by the higher expected production of full-time student FTEs and the inclusion of all guest students coming from other Danish universities as well as universities abroad. This will also result in more revenue from completion bonuses. At the same time, revenue expectations from rental and other income have been adjusted upward with DKK 0.4 mill. This increase is the sum of rental income and sales services being DKK 0.7 mill. higher, while financial income have been adjusted downward by DKK 0.3 mill.

Operating cost

The expectations to the cost concerning salary and wages have been adjusted upward by DKK 2.8 mill.

Furthermore, the expected cost concerning other operations has been adjusted upward by DKK 2.7 mill. DKK 1 mill. of these has been put aside to legal services concerning the request for a rent reduction for the tenancy at Rued Langgaards Vej 7. In addition to this DKK 0.5 mill. has been set aside to in order to cover the potential loss of value of the above mentioned § 4 company during the first year and 0.5 to innovation and student organisations. Finally, DKK 0.7 mill. has been reserved for minor building improvements.

FTE

The 13 additional scientific staff FTEs is caused by the inclusion of potential FTEs from external research projects which were not included in the FTE-table in the framework budget presented to the board in September.

3. Revenue from tuition: Calculation of the student FTE production

Table 2 below presents the IT University's expected income from teaching activities in 2014 divided into MSc's, BSc's, part-time students (master, diploma and single subject students) and completion bonus.

Projected revenues in Table 2 are calculated assuming that the tariffs published in the Government's Amended budget proposal are adopted.

**Table 2: Calculation of production of students FTEs etc, for 2014**

Admission of students – prognosis 2013 15 September	Budget 2014
Master of Science	430
Bachelor of Science	230

Tariffs	Budget 2014
Tariff 3, Master	94,900
Tariff 3, Bachelor	94,900
Completion bonus, Master of Science	32,200
Completion bonus, Bachelor of Science	52,200
Charges, part-time-students	44,900
Charges, part-time-students (diploma)	41,900
Tuition (FTE – old tariff)	50,000
Tuition (FTE – new tariff)	85,000

Revenue	Budget 2014
Master of science, FTE's	828
Bonus triggering Master of Science	112
Bachelor of Science	521
Bonus triggering Bachelor of Science	142
FTE's, part-time students enrolled before E2010	4
FTE's, part-time students enrolled E2010 and onwards	119
Revenue, full-time students	128,020,100
Total completion bonus	11,018,800
Total revenue part-time (tariff and tuition)	15,708,550
Total Revenue	154,747,450

4. Assumptions regarding admission 2014-2016

Table 3 and 4 below shows admission assumptions underlying the forecasted revenue. Table 3 shows the necessary enrolment regarding full-time students and table 4 shows the necessary enrolment regarding part-time education.

Table 3 shows, that the overall assumptions for admission concerning full-time education in 2014 is somewhat lower than the number of students that were actually admitted in 2013. Contrary to this, the assumptions regarding the number of students admitted to part-time educations are slightly higher than the realised number of students admitted in 2013 cf. table 4.

**Table 3: Assumptions about admission 2014-2016 (full-time education)**

	2013	2014	2015	2016
DDK/DKM	141	150	150	150
DIM (EBUSS)	128	100	110	120
SDT/INT	135	110	110	110
GAMES/MTG/MMT	68	70	70	70
Bach, SWU	71	90	90	90
Bach, DMD	72	80	80	80
Bach, GBI	65	60	60	60
Total	680	660	670	680

Table 4: Assumptions about admission 2014-2016 (part-time education)

	2013	2014	2015	2016
ILM	43	43	43	43
IDM	19	14	14	14
SC	11	10	10	10
Diploma	64	51	51	51
Total	137	118	118	118

5. Admission requirements for PhD students 2014-2016

Table 5 below shows the admission requirements behind the admission of PhD students at the IT University of Copenhagen. The admission rates are based on the assumption that the IT University will attract and spend external research funding DKK 33 mill. in 2014, DKK 45 mill. in 2015 and DKK 50 mill. in 2016. If external research funding does not reach these targets, admission will be correspondingly lower.

Table 5: Admission requirements 2014-2016 (PhD students)

	2014	2015	2016
PhD admission	19	20	21



6. Forecast of revenues, costs and equity 2014-2016

Table 6: Forecast 2014-2016 presented to the Board in September 2013

(DKK 1.000)	Forecast 2 2013	Forecast 2014	Forecast 2015	Forecast 2016
Government grants	85,239	87,860	89,110	90,360
Tuition	150,073	149,470	148,460	148,380
Research grants (Government)	20,209	25,000	37,000	40,000
Research grants, private and other sources	7,005	8,000	8,000	10,000
Rental and other revenue	5,486	5,140	5,170	5,220
Extraordinary revenue	-	-	-	-
Savings on administration and purchasing	(3,359)	(3,700)	(3,600)	(3,550)
Total Revenue	264,653	271,770	284,140	290,410
Payroll	150,073	169,379	180,722	185,604
Other operating expenses	108,739	101,013	99,271	99,790
Strategic research areas and investments	-	3,000	3,000	3,000
Total costs	258,812	273,392	282,993	288,394
Result of the year	5,841	(1,622)	1,147	2,016
Equity	49,919	48,297	49,444	51,460

Full-time Employees (FTE)	Forecast 2 2013	Forecast 2014	Forecast 2015	Forecast 2016
Scientific Staff FTE	126	148	165	173
Part-time Lectures FTE	43	43	43	43
Administrative Staff FTE	126	134	133	130
Wage subsidy/acute job scheme FTE	3	5	5	5
Total Full-time Employees	298	330	346	351

**Table 7: Forecast 2014-2016. October 2013**

(DKK 1.000)	Forecast 3 2013	Forecast 2014	Forecast 2015	Forecast 2016
Government grants	85,239	87,860	89,110	90,360
Tuition	148,758	154,747	154,430	156,210
Research grants (Government)	26,671	25,000	37,000	40,000
Research grants, private and other sources	-	8,000	8,000	10,000
Rental and other income	5,037	5,541	5,170	5,220
Ekstraordinary income	-	-	-	-
Savings on administration and purchasing	(3,358)	(3,696)	(3,600)	(3,550)
Total Revenue	262,347	277,452	298,270	306,750
Payroll	150,505	172,183	182,082	186,591
Other operating expenses	107,431	103,706	99,271	99,790
Strategic research areas and investments	-	3,000	3,000	3,000
Total Costs	257,936	278,889	284,323	289,381
Result of the Year	4,411	(1,437)	5,787	8,859
Equity	48,490	48,480	54,270	63,129

Full-time Employees (FTE)	Forecast 3 2013	Forecast 2014	Forecast 2015	Forecast 2016
Scientific Staff FTE	128	161	165	173
Part-time Lectures FTE	43	44	43	43
Administrative Staff FTE	133	132	136	131
Wage subsidy/acute job scheme FTE	3	5	5	5
Total Full-time Employees	307	342	349	352

Table 8 below displays uncertainties which are principally concerned with the financial year of 2014. For the forthcoming years, uncertainties will change in accordance with different factors just like new uncertainties relevant to the IT University will arise.

**Table 8: Uncertainties and actions with regard to Budget 2014**

Uncertainties	Description	Possibilities	Action
1) Full-time student FTE-production	The budget is based on a forecast of student FTE. However, reports show that FTE forecasts since 2008 have been too low. Therefore, a correction factor has been applied from 2 nd quarter of 2012. This factor also takes into account anticipated faster completion time among students caused by the recently adopted student grant reform. None the less, there is a possibility that FTE production will deviate from the forecast.	From 2008-2013, reports show that standard deviation in production of full-time student FTE compared to the budget is equivalent to 22 MSc's and 7 BSc's. Within this range, revenue from full-time students could be improved or worsened with DKK 2.1 million from MSc's and DKK 0.7 million from BSc's compared to the budget.	The Finance Section is monitoring production of full-time student FTE very closely and adjusts the current budget according to this. In addition to this, additional students are granted admission if there are any signs of vacant teaching capacity or if qualifications of those already admitted are insufficient.
2) Part-time student FTE-production	The budget is based on a forecasted production of 123 part-time student FTEs in 2014. However, there is a possibility that production of part-time student FTE will deviate from the forecast.	From 2008-2013, reports show that standard deviation in production of part-time student FTE compared to the budget is equivalent to 23. Within this range, revenue from part-time students could be improved or worsened with DKK 2.9 million.	The Finance Section is monitoring production of part-time student FTE very closely and adjusts the current budget according to this.



Uncertainties	Description	Possibilities	Action
3) Completion bonus	The revenue from completion bonuses is not only dependent on our own graduates, but also student activities from the other seven universities in Denmark. In addition to this, there is a possibility that the recently adopted student grant reform will influence student behavior.	With the information at hand, it is not possible to calculate the impact of how completion bonus will deviate from the Finance Act Proposal 2014. Reports from 2008-2014 show that standard deviation in the number of students that trigger a completion bonus is equivalent to 12 MSc's and 8 BSc's. Within this range, revenue from completion bonuses could be improved or worsened with DKK 0.4 million from MSc's and DKK 0.4 million from BSc's compared to the budget.	Student Affairs and Programmes are carefully watching the consequences of the recently adopted student grant reform and the effects that it will have on student behavior.
4) Tuition-fee	The newly adopted Budget Act leaves uncertainty with regard to the possibility of achieving full tuition-fee from an unpredicted increase in the full-time student FTE-production. Like the completion bonus, the tuition-fee is now dependent on the total production of full-time students FTE from all eight universities in Denmark.	With the information at hand, it is not possible to quantify this uncertainty.	The Finance section is in close contact with the Ministry of Science, Innovation and Higher Education and the other eight universities in Denmark about further development regarding this matter. If necessary adjustments will be made accordingly in the current budget.



Uncertainties	Description	Possibilities	Action
5) External research funds	The university’s ability to attract and spend external research funds is not only affecting the number of scientific staff but also the revenue from overhead pricing. With regard to this, Danish funds for research have been reduced and there might be a delay in the Horizon2020 program caused by ongoing budget negotiations in the EU.	From 2008-2013, reports show that standard deviation in external research funds has been DKK 3.6 million compared to the budget. With approx. 62 percent of external research funds going to salaries for scientific staff, the result could be worsened with DKK 2.2 million. In addition to this, the overhead of 25 percent could improve or worsen the revenue with DKK 1.0 million.	The Finance Section is working together with Research and Learning Support in order to improve accuracy of estimating external research funding.
6) Scientific staff	There is a risk, that the university will not be able to hire the required number of scientific staff. If this should happen, the university would have to hire other categories of teaching staff which would result in lesser overall cost but also reduce level of scientific based education and chances of getting more external research funding.	With the information at hand, it is not possible to quantify this uncertainty.	The Finance Section is working together with the head of the Department in order to insure that the required number of scientific staff is being hired.
7) Rent reduction	The university has requested a significant reduction in the rent for the tenancy at Rued Langaards Vej. The cost of this request and the outcome could have significant effects on the 2014 result.	The outcome of the request could potentially improve the result with approx. DKK 5 million or reduce the result with approx. DKK 2.5 million.	The current cost of rent has been incorporated in the budget.

Nevertheless, in order to alleviate the impact of all these uncertainties, and due to the fact that the IT-University is highly sensitive to changes in income from tuition it is recommended to maintain an equity corresponding to 18 percent of the total cost during the financial year.