



For the attention of the Board

Finance Section. Ref.:
Iben Vitved

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Accounts of the IT University of Copenhagen as per 30 June 2013

Income

At the end of the second quarter 2013, the income of the university amounted to approx. DKK 132 million, which is DKK 2.2 million more than expected, corresponding to 102 per cent fulfilment of the budget.

All together, the forecast after the second quarter predicts that total income in 2013 will be DKK 264.7 million, which is DKK 4.6 million or approx. 2 per cent higher than the budget for 2013.

The growth in income covers both increases and decreases in income from various sources, see Table 1 on page 2. Particularly expected income from MSc completion bonus will be higher than expected in forecast 1 (as per 31 March 2013). This is due to the interpretation of the term "stipulated time" in the information from the State Budget, which led us to base expectations on completion bonus as those who passed in the prescribed time, instead of those who passed in "stipulated time plus three months". As a consequence, completion bonus from MSc 's is now adjusted DKK 2.1 million upwards.

As a result of the general agreements in the public sector (OK13), the wage inflation will be lower in 2013 than anticipated in the preparation of the State Budget for 2013 (FL2013). This led the Ministry of Finance to announce an outline limitation in the state budget on 27 June 2013. As a consequence, revenues from government grants will be reduced by DKK 0.7 million in 2013 on the supplement appropriation in 2013 (TB2013).

Income from spending on externally funded projects will be DKK 2.8 million below budget. The total revenues from externally funded projects is expected to be DKK 27.2 million in 2013, which is below the DKK 30 million budget and the university's goal at DKK 35 million regarding external research funding in 2013.

Cost – Wages and salaries

The actual labour costs in the second quarter were DKK 5.7 million lower than the budget. To a lesser extent, this is due to a reclassification of labour market contributions, and to a greater extent due to vacancies in the Department and in IT Department. Particular the use of wages in the Research Projects was lower than budgeted.

The Department was expected to fill more than 20 academic positions in the following six month after first quarter. As per 30 June the Department has hired 11 academics as professor, associate professor or assistant professor and more hiring is on the way.



Table 1: Total Q2, forecast 2, and budget

Income DKK 1,000	Accounts Q2 (1)	Forecast 2 (2)	Forecast 1 (3)	Budget 2013 (4)	Difference (2)-(4)
Government Grants	42,970	85,239	85,939	85,939	-700
Tuition	76,638	150,073	148,497	142,316	7,757
Research Grants (Government and other sources)	11,804	27,214	28,557	30,000	-2,786
Rental Income	709	1,500	1,189	800	700
Other Income	1,394	2,586	1,846	2,785	-199
Extraordinary Income	0	0	0	0	0
Administrative Savings	-1,679	-3,359	-3,359	-3,359	0
Financial income	368	1,400	1,830	1,530	-130
Total income	132,204	264,653	264,499	260,011	4,642
Costs DKK 1,000					
Wages and Salaries					
Management	2,138	4,386	4,386	5,369	-983
Communication Department	2,682	5,507	5,470	5,499	8
Department of Finance and Personnel	6,664	13,890	13,621	12,435	1,455
Employer contributions, Flexible job scheme, Overtime ect.	362	1,850	2,280	2,115	-265
IT Department	4,439	9,196	9,659	9,886	-690
Facilities Management	2,880	5,758	5,712	5,652	106
Student Affairs and Programmes	7,432	14,155	13,980	13,149	1,006
Department incl. RL, Study Board, PhD School	38,736	80,419	80,090	80,444	-25
Research Projects	6,379	14,912	15,942	20,183	-5,271
Total Wages and Salaries	71,712	150,073	151,140	154,732	-4,659
Other Operations					
Management	945	3,164	5,574	5,170	-2,006
Communication Department	1,778	3,265	3,265	3,236	29
Library	957	1,890	1,860	1,860	30
Department of Finance and Personnel	1,737	4,639	4,790	4,619	20
IT Department	2,168	4,927	4,484	4,333	594
Facilities Management	32,765	63,051	61,991	60,922	2,129
Student Affairs and Programmes	7,269	13,953	13,819	10,834	3,119
Department incl. RL, Study Board, PhD School	3,011	7,626	7,426	6,241	1,385
Research Projects	1,590	3,788	3,924	3,900	-112
Depreciations and provisions	53	2,431	2,666	3,585	-1,154
Financial costs	0	5	0	0	5
Total other operations	52,273	108,739	109,799	104,700	4,039
Result	8,219	5,841	3,560	579	5,262



The establishment of the Project Unit in the Department of Finance and Personnel has led to a decrease in the Management budget corresponding to DKK 1.0 million. This has been transferred to the Department of Finance and Personnel. In order to pool expertise in project management into the Project Unit, a project manager from the IT Department has been moved to the Project Unit. Furthermore, the Management has granted three new positions in Student Affairs and Programmes. In addition to this, the university has hired two employees in the so-called acute job scheme (Akutjob-ordningen).

The slight increase in the salary budget in Facilities Management is due to the approval of additional hours which was caused by the move from the Mikado House that took place in the second quarter, when the IT University took the 5th floor of the main building in use. The wage cost is funded by the provisions in the previous year.

For 2013, the forecast after the second quarter predicts that salary spending will be DKK 4.7 million less compared to the budget, corresponding to a total spending on wages and salaries of DKK 150.1 million.

Costs - Operations

The expenditure in operation costs after the second quarter was DKK 52.3 million which corresponds to a fulfilment of the budget of 99.9 per cent (including depreciations).

The Management has approved the budgets of the two strategic research projects "Giri" and "Energy Futures". This has led to a budget increase of DKK 0.8 million at the Department. In addition to this, DKK 0.1 million are allocated to operations at the Project Unit. Approx. DKK 1 million of the reduction of the Management budget is due to the approved budgets for a request system in Student Affairs and Programmes, a personnel administrations system and the outsourcing of the ERP-system in the Department of Finance and Personnel. On top of this, the budget for organisational changes in the IT Department has been approved. These budgets are transferred to the respective departments. Furthermore, the Management budget is reduced by DKK 1.6 million due to lowered expectations for spending on strategic pools (Management budget).

The increase in the Facilities Management budget by DKK 2.1 million is due to the realisation of provisions to refurbish the premises in the Mikado House and increased budget to various relocations and office interior in the main building.

For the entire year, the forecasted cost of other operations will be DKK 108.7 million or 3.9 per cent above the 2013 budget.

The Result and forecast Q2

Table 1 above states the result after second quarter will be a profit of DKK 8.2 million. The predicted operating result indicates a profit of approx. DKK 5.8 million.

As for income, the university expect revenue of DKK 4.6 million higher than the budgeted DKK 260.0 million. Changes in revenue can occur from education, price changes in completion bonuses and research funds as well as from fluctuations between the contributions to the total income of the various sources of income. As mentioned above, the increased expectations to the income in 2013 is due to higher tuition.

The total cost is expected to be DKK 0.6 million below budget.

This results in a forecasted equity of the university around DKK 49.9 million by the end of 2013, corresponding to 19 per cent of the turnover.



Table A: Overview of forecast 2 2013 compared to budget 2013

DKK 1,000	Forecast 2 2013	Budget 2013
Income	264,653	260,011
Wages and salaries incl. holiday allowance	150,073	154,732
Other operations incl. depreciation	108,739	104,700
Cost	258,812	259,432
Result	5,841	579
Equity	49,919	44,657

Uncertainties in Relation to the Forecast

The uncertainties in the forecast after the second quarter are connected to both revenue and expenditures.

Concerning income, uncertainty is associated with the students' study activities, as the actual number of passed exams is not yet known and it is not yet possible to quantify the number of part-time students study activities in the autumn accurately. Adjustments of income from completion bonus and operations covered by income should also be expected. The completion bonus is associated with relatively large uncertainty because both the number of students who complete their theses as planned and bonus for each student who completes the program within the time limit are uncertain.

A new source of uncertainty is due to an addition in the budget bill that provides the minister of education the right (but not the obligation) to reduce the rate per full-time students if the universities as a whole educate more than budgeted on the Finance Act. As a consequence, will not only the number of passed exams (quantity) causes' uncertainty, but also the rate that the university will receive per Student FTE.

The uncertainties in connection with the externally financed research projects are related to income and costs as well as the completion of projects in progress and realisations of the management's strategic pools in particular.

Furthermore, the IT University has requested a significant reduction in the rent for the tenancy at Rued Langgaards Vej. The costs of this request and also the outcome could potentially have significant effects on the 2013 result.

The cost of external lecturers is uncertain. This is due to the manning of courses which have not yet been completed. In addition, a relatively large number of students complete their education, which may increase the need for supervisors.

The following describes the assumptions on which the tuition forecast is based.

Income from education

According to table B and C below, income from education is increased. The forecast is based on data from 13 August 2013. It is estimated that student FTEs will be larger than anticipated in the budget. This is caused by an increased admission in the spring term of 2013 and higher average production of FTE per student.

The production of FTE from part-time students is uncertain at this point. Despite of this the forecast for part-time student FTEs indicates that the number has increased.



Table B: Student FTE's and Income from Education

Student FTE's	Budget 2013	Forecast 2 2013
Master of Science, FTEs	751	779
Completion bonus, MSc	54	100
Bachelor, FTEs	486	490
Completion bonus, BSc	120	125
Part-time students, FTEs	112	135
Income, DKK	DKK 1,000	DKK 1,000
Income, full-time students	119,742	122,159
Total completion bonus	8,216	10,760*
Total revenue part-time (tariff and tuition)	14,358	17,155
Total Income from Education	142,316	150,073

*The number of students fulfilling the criteria has increased since Budget 2013, and the rate per student is anticipated to be higher based on preliminary calculations by the universities.

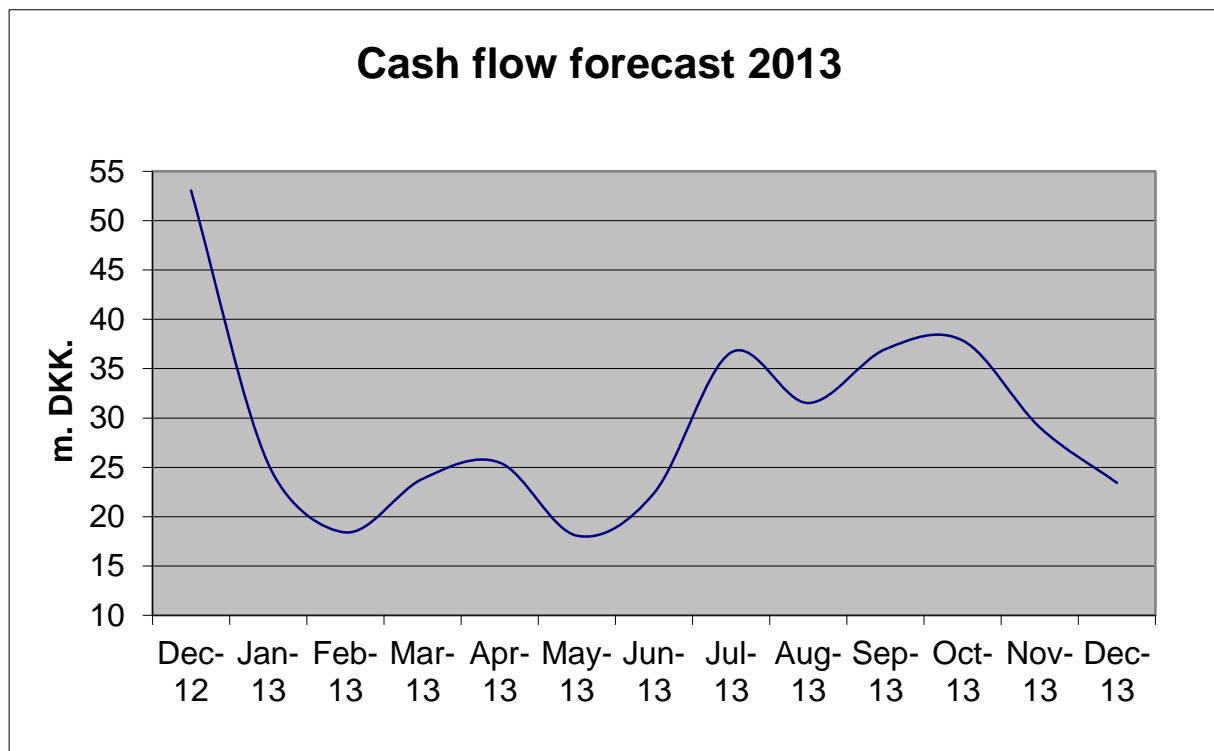
Table C: Admission of students – forecast as of 13 August 2013

	Admission (budget)	Admission Achieved*	Admission (budget)	Admission (forecast 13 August 2013)
	Spring 2013	Spring 2013	Fall 2013	Fall 2013
DKM/DDK	0	1	160	138
EBUSS	35	60		
DIM**			85	71
INT/SDT	50	57	60	75
MMT/MTG	0	0	70	74
Bach, SWU	0	0	70	71
Bach, DMD	0	0	70	73
Bach, GBI	0	0	60	65
Total	85	118	575	567

* There may be minor adjustments to the admission of F13 as they are calculated definitively by 30 September 2013. **Digital Innovation and Management.



Figure A: The Actual Liquid Funds and Forecast for 2013 of IT University of Copenhagen



Cash Flow and Investments

The cash flow of the IT University of Copenhagen is still good, cf. figure A above. The return on investment via Danske Capital (incl. unrealized returns) is recognised in the second quarter to be DKK 0.42 million. The Management revised the investment policy in July, which led to increased diversification of the investment pool. Danske Capital is now following a "cautious strategy with restrictions" which includes the possibility of equities as a limited proportion of the portfolio. At the same time it was decided to transfer further DKK 10 million to the investment portfolio.

The forecasted increase in liquid funds in June-July is a result of the anticipated receipt of payment of project funds for the entire year from the Danish Agency for Science, Technology and Innovation. In September, the IT University invoices part-time education. During the last month of the year, the administration fee (payroll) and the EBUSS programme are paid to Copenhagen Business School.

Conclusion

Based on the accounts for the second quarter of 2013 and the forecast for the remainder of 2013, the IT University is very liquid and has a healthy economy. The anticipated result is approx. DKK 5.8 million. As described, major uncertainties still exist which may influence the final result of 2013.