

**Enclosure 6** (without confidential part 4)

Department of Finance and Personnel

11 November 2014

## **Budget proposal for 2015**

This document presents the IT University of Copenhagen's budget proposal for 2015. The 2015 budget is based on the framework budget approved by the Board on 19 September 2014.

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 the university's operating revenue and expenses. The third part indicates the prerequisites for admission of students to the various study programs. Finally, the fourth part presents uncertainties, which could affect the IT University's financial framework.

### **1. General budget assumptions**

The budget proposal for 2015 is based on the following assumptions:

- 1) The Amended budget proposal for 2015 (FFL 2015) as presented by the Government on 26 August 2014, is passed by Parliament without substantial changes with regard to the IT University of Copenhagen.
- 2) Admission of students and completion bonus will be as expected in 2015.
- 3) Revenue forecasts are derived from already known resources only.
- 4) Recruiting and hiring proceeds as planned in 2015.
- 5) The external research funding is realised as planned. In 2015, the budget amount of external research funding to be realised depends on the number of senior scientific personnel who must obtain and consume DKK 0.65m per senior scientific FTE.
- 6) There will not be diversions between salaries and other operations in the departments without Executive Management's 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.

With the above assumptions in mind, the Executive Management presents this budget proposal with the conviction that it shows the financial state of the university, and that the results for 2015 will be realised. Therefore, the Executive Management recommends that the Board approve the budget proposal for 2015.

## 2. Budget for 2015

Table 1 below displays the Executive Management's proposal regarding the budget for 2015. The table contains all of the university's operating revenue listed by main items and the expenses for 2015 allocated to the departments. In addition, table 1 shows the university's anticipated operating income in accordance with the budget assumptions described above.

**Table 1: Revised budget 2014, Q3 forecast 2014 and Budget 2015 (DKK 1,000)**

<b>Income</b>	<b>Revised budget 2014</b>	<b>Q3 forecast 2014</b>	<b>Budget 2015</b>
Government Grants	87,860	87,860	89,104
Tuition	143,739	142,284	145,750
Research Grants (Government and other sources)	27,644	27,521	35,843
Rental Income	1,800	1,650	1,800
Other Income	2,541	3,345	2,814
Savings on Administration and Purchasing	-3,696	-3,696	-3,737
<b>Total Income</b>	<b>259,888</b>	<b>258,964</b>	<b>271,574</b>
<b>Costs</b>	<b>Revised budget 2014</b>	<b>Q3 forecast 2014</b>	<b>Budget 2015</b>
<b>Wages and Salaries</b>			
Executive Management	4,263	4,284	3,885
Communication Department	5,647	5,674	5,941
Department of Finance and Personnel	14,395	14,479	15,510
- Employer contributions, Flexible job scheme, etc.	1,802	792	3,756
IT Department	10,451	10,066	10,493
Facilities Management	5,288	5,318	5,647
Student Affairs and Programmes	15,015	15,068	14,405
Faculty incl., PhD School, RL and Study Board	89,314	88,500	87,837
- Library	-	-	236
- Research Projects	15,414	15,189	22,222
<b>Total Wages and Salaries</b>	<b>161,589</b>	<b>159,370</b>	<b>169,932</b>
<b>Other Operations</b>			
Executive Management	1,723	1,473	1,918
- Executive Management Pools*	1,648	-	2,633
Communication Department	3,897	3,947	3,815
Department of Finance and Personnel	6,640	5,672	6,419
- Rent (domicile), taxes, depreciation, provisions	45,415	46,051	46,873
IT Department	4,959	6,209	5,315
Facilities Management	15,969	16,089	16,997
Student Affairs and Programmes	9,434	9,543	6,898
Faculty incl., PhD School, RL and Study Board	6,795	7,605	7,690
- Library	1,913	1,947	2,018
- Research Projects	4,306	4,381	4,660
<b>Total Other Operations</b>	<b>102,698</b>	<b>102,917</b>	<b>105,236</b>
<b>Total Ordinary Operating Costs</b>	<b>264,286</b>	<b>262,287</b>	<b>275,168</b>
<b>Result of Ordinary Operations</b>	<b>-4,398</b>	<b>-3,323</b>	<b>-3,594</b>
Financial Income	1,500	2,000	1,800
Financial Costs	15	15	5
<b>Total Result of the Year</b>	<b>-2,914</b>	<b>-1,338</b>	<b>-1,799</b>

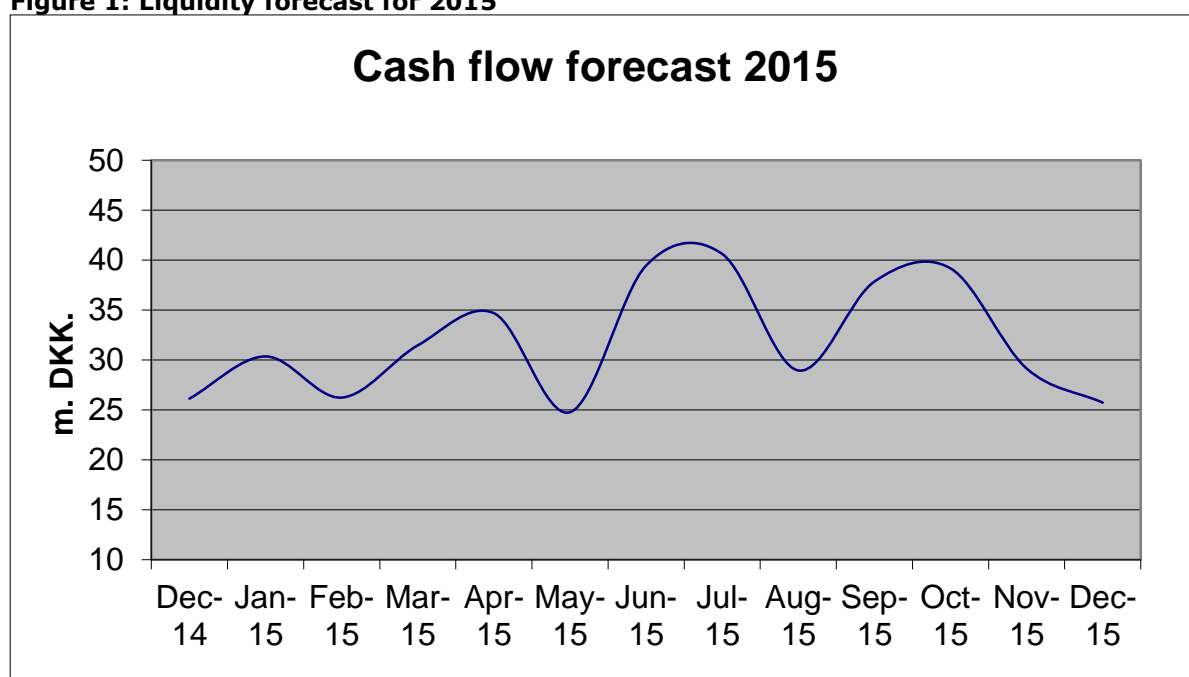
\*) During the year, the pools are distributed among the departments

## Liquidity

Liquidity at the IT University is still expected to be good in 2015 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 low due to the December 2014 payment of tuition to Copenhagen Business School for the EBUSS programme, the payment to Copenhagen Business School for the administration of wages and salaries, the repayment on the Supplementary Appropriation Act and the first rent payment for the tenancy at Rued Langgaards Vej. Cash resources will also be low in May following the second rent payment and in August following the third rent payment as well as property taxes.

**Figure 1: Liquidity forecast for 2015**



## Comments on relative changes to the framework budget

As stated in the general budget assumptions, the budget amount of external research funding to be realised depends on the number of senior scientific personnel who must obtain and consume DKK 0.65m per senior scientific FTE in 2015.

Hence, detailed enumeration of senior scientific personnel has triggered additional DKK 3.8m in expected income from external research funding on the budget proposal for 2015 compared to the framework budget for 2015, which the Board approved at its meeting on 19 September 2014.

If realised, the additional expected external research funds will result in further expected wage costs in connection with hiring of additional scientific personnel on the external research projects of DKK 2.5m and additional expected operating costs of DKK 0.5m.

The effects from these relative changes between the budget proposal at hand and the framework budget, which the Board approved at its meeting on 19 September 2014, can be seen in tables 2 and 3 below.

## Forecast of revenues, costs and equity 2014-2015

**Table 2: Q2 forecast and Framework budget presented to the Board 19 September 2014**

(DKK 1,000)	Q2 forecast 2014	Framework budget 2015
Government Grants	87,860	89,104
Tuition	142,206	145,724
Research Grants (Government)	20,211	25,600
Research Grants, Private and other sources	8,000	6,400
Rental and other income	1,800	1,800
Financial income	2,300	1,800
Other income	3,533	2,639
Savings on Administration and Purchasing	(3,696)	(3,737)
<b>Total Revenue</b>	<b>262,214</b>	<b>269,330</b>
Payroll	161,408	166,315
Other Operating Expenses	103,018	101,809
Strategic Research Areas and Investments	-	3,000
Financial cost		5
<b>Total Costs</b>	<b>264,426</b>	<b>271,129</b>
<b>Result of the Year</b>	<b>(2,212)</b>	<b>(1,799)</b>
<b>Equity</b>	<b>46,254</b>	<b>44,456</b>
<b>Full-time Employees (FTE)</b>	<b>Q2 forecast 2014</b>	<b>Framework budget 2015</b>
Scientific Staff FTE	148	159
Part-time Lectures FTE	41	41
Administrative Staff FTE	127	125
Wage subsidy/acute job scheme FTE	5	5
<b>Total Full-time Employees</b>	<b>322</b>	<b>330</b>

**Table 3: Q3 forecast and Budget 2015 proposal October 2014**

(DKK 1,000)	Q3 forecast 2014	Budget 2015
Government Grants	87,860	89,104
Tuition	142,284	145,750
Research Grants (Government)	22,017	28,674
Research Grants, Private and Other Sources	5,504	7,169
Rental and Other Income	1,650	1,800
Financial Income	2,000	1,800
Other Income	3,345	2,814
Savings on Administration and Purchasing	(3,696)	(3,737)
<b>Total Revenue</b>	<b>260,964</b>	<b>273,374</b>
Payroll	159,370	169,932
Other Operating Expenses	99,917	102,603
Strategic Research Areas and Investments	3,000	2,633
Financial Costs	15	5
<b>Total Costs</b>	<b>262,302</b>	<b>275,173</b>
<b>Result of the Year</b>	<b>(1,338)</b>	<b>(1,799)</b>
<b>Equity</b>	<b>47,128</b>	<b>45,329</b>

Full-time Employees (FTE)	Q3 forecast 2014	Budget 2015
Scientific Staff FTE	152	158
Part-time Lectures FTE	40	41
Administrative Staff FTE	124	127
Wage subsidy/acute job scheme FTE	5	5
<b>Total Full-time Employees</b>	<b>321</b>	<b>331</b>

**Budget specific expenses for student activities**

Table 4 below displays a list of expenses granted specific for student activities in the budget proposal for 2015.

**Table 4: List of expenses granted specific for student activities at the university**

Activity	Budget 2015
Grant to StupIT	50,000
Venture Cup	100,000
StupIT and ITU Innovators - Project Student Secretary	149,000
Scholarships for Students	263,000
Educational Environment Testing	155,000
Books, Games, etc. to Library	921,000
Facilities Management Supported Activities	20,000
§4 Company's Consumption of Activities Related to Students	300,000
<b>Total Specific Grants for Student Activities</b>	<b>1,958,000</b>

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

Table 5 below presents the IT University's expected income from teaching activities in 2015 divided into MSc's, BSc's, part-time students (master, diploma and single subject students) and completion bonus.

Projected revenues in Table 5 are calculated assuming that the tariffs published in the Government's Amended budget proposal are adopted.

In 2014, the part-time education Master in IT Management (ILM) was set at a somewhat lower charge-rate than the other part-time educations offered at the IT University of Copenhagen cf. table 5 below.

**Table 5: Calculation of production of students FTEs etc. for 2015**

<b>Admission of students – prognosis 16 October 2014</b>	<b>Budget 2015</b>
Master of Science	429
Bachelor of Science	230

<b>Tariffs</b>	<b>Budget 2015</b>
Tariff 3, Master	94,300
Tariff 3, Bachelor	94,300
Completion bonus, Master of Science	38,000
Completion bonus, Bachelor of Science	57,100
Charges, Part-time Students	44,500
Charges, Part-time Students (diploma)	40,700
Charges, Part-time Students (ILM*)	32,100
Tuition (FTE – old tariff)	50,000
Tuition (FTE – new tariff)	85,000

<b>Revenue</b>	<b>Budget 2015</b>
Master of Science, FTE's	749
Bonus triggering Master of Science	106
Bachelor of Science, FTE's	516
Bonus triggering Bachelor of Science	136
FTE's, Part-time Students enrolled before E2010	2
FTE's, Part-time Students enrolled E2010 and onwards	90
FTE's, Part-time Students enrolled at ILM*	25
Revenue, Full-time Students	119,289,500
Total Completion Bonus	11,793,600
Total Revenue Part-time (tariff and tuition)	14,666,620
<b>Total Revenue</b>	<b>145,749,720</b>

\*) In 2014, Master in IT Management (ILM) was set at a somewhat lower charge-rate

### Assumptions regarding admission 2014-2015

Tables 6 and 7 below show admission assumptions underlying the forecasted revenue. Table 6 show the necessary enrolment regarding full-time students and table 7 show the necessary enrolment regarding part-time education.

Table 6 show, that a decline of 34 students is expected in the overall assumptions for admission concerning full-time education from 2014-2015. This reduction is in part due to the loft imposed on DDK and DMD. Hence, Executive Management will look into the possibility of enhancing admission on SDT, which has better employment statistics.

**Table 6: Assumptions about admission 2014-2015 (full-time education)**

	2014	2015
Master of Science, DDK	153	139
Master of Science, DIM (EBUSS)	99	110
Master of Science, SDT	120	110
Master of Science, GAMES	69	70
Bachelor of Science, SWU	92	90
Bachelor of Science, DMD	81	67
Bachelor of Science, GBI	66	60
<b>Total</b>	<b>680</b>	<b>646</b>

**Table 7: Assumptions about admission 2014-2015 (part-time education)**

	2014	2015
Part-time Students, ILM*	65	35
Part-time Students, IDM	18	35
Part-time Students, SC	15	25
Part-time Students, Diploma	48	45
<b>Total</b>	<b>146</b>	<b>140</b>

\*) In 2014, Master in IT Management (ILM) was set at a somewhat lower charge-rate