



Framework budget 2015-2017

This presents a draft of IT University's budgetary framework for 2015 to 2017.

1. The Management's recommendation

It is recommended that the Board approves the submitted budget framework and authorise the Management to prepare the budget proposal for 2015. The final budget proposal for 2015 will be presented to the Board at the Board meeting on 21 November 2014.

2. Budget expectations

The framework budget for 2015-2017 is based on the following expectations and assumptions:

The amended budget proposal for 2015 (FFL 2015), as presented by the Government on 26 August 2014 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: Increase from 110 in 2015 to 190 in 2017 in the number of Master and Diploma students (part-time students) admitted (by raising the planned number of admissions to the master programmes) and the necessary recruitment of faculty.

As in 2014, Executive Management has allocated DKK 3.0 million in pools for "Strategic research areas and investments". Thereof DKK 1.0 million to strategic research areas and DKK 1.0 million to investments in efficiency projects and DKK 1.0 million to a pool from which the Department is intended to seek support to the education and research strategies.

Rent income from companies on the 5th floor and sale of services are maintained at current level which also applies to the cost.

We expect that income from interest and return on the investment portfolio remain at the current level at DKK 1.8 million annually.

**Table 1: Framework budget estimations for the following three years**

Income	2015	2016	2017
Government grants	89,104	90,165	90,074
Tuition	145,724	154,235	154,835
Research grants (Government)	25,600	37,062	39,527
Research grants, private and other sources	6,400	9,265	9,882
Rental income (5 th floor)	1,800	1,829	1,858
Other income	2,639	2,681	2,724
Savings on administration and purchasing	(3,737)	(3,697)	(3,679)
Financial income	1,800	1,800	1,800
Total income	269,330	293,340	297,021

The Finance Act Proposal for 2015 include 3-year budgeting of government grants, providing increased security regarding this part of the budgets 2015-2017. The IT University has decided to present the university's framework budget for the period 2015-2017, since the uncertainty in the estimates after 2017 becomes very large after the 3-year period.

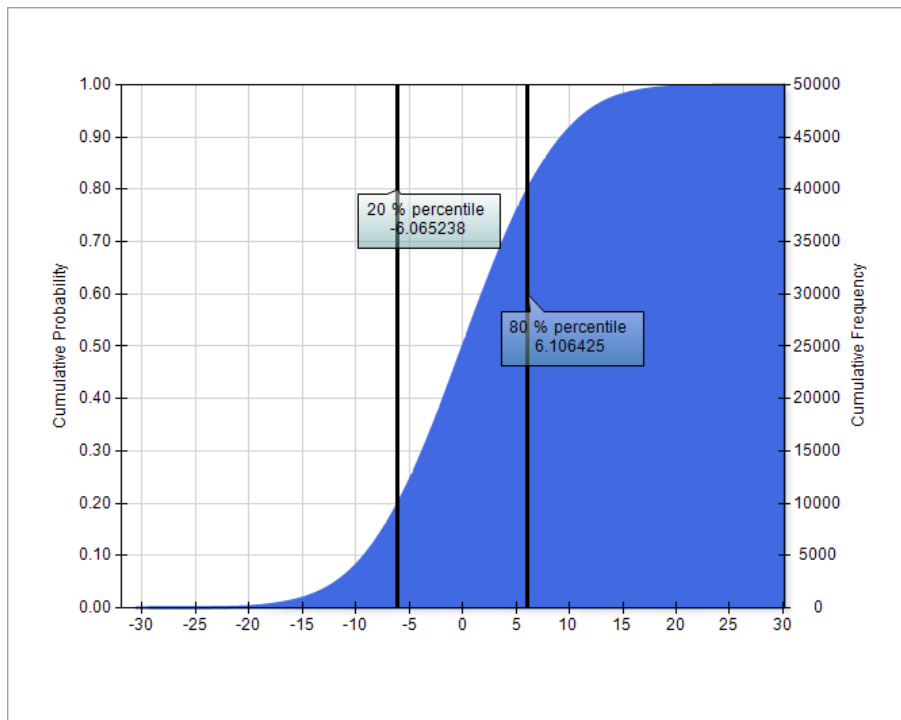
Figure 1 below displays uncertainties which are principally concerned with the financial year of 2015. For the forthcoming years, uncertainties will change in accordance with different factors just as new uncertainties relevant to the IT University will arise.

3. Uncertainties related to income

The uncertainties, which could affect the IT University's financial framework, includes production of full-time and part-time student FTE, number of MSc's and BSc's that trigger completion bonuses, external research funding, self-insurance, and educational reforms. Figure 1 below displays a simulation where these uncertainties have been compared to the framework budget.



Figure 1: Uncertainties related to income



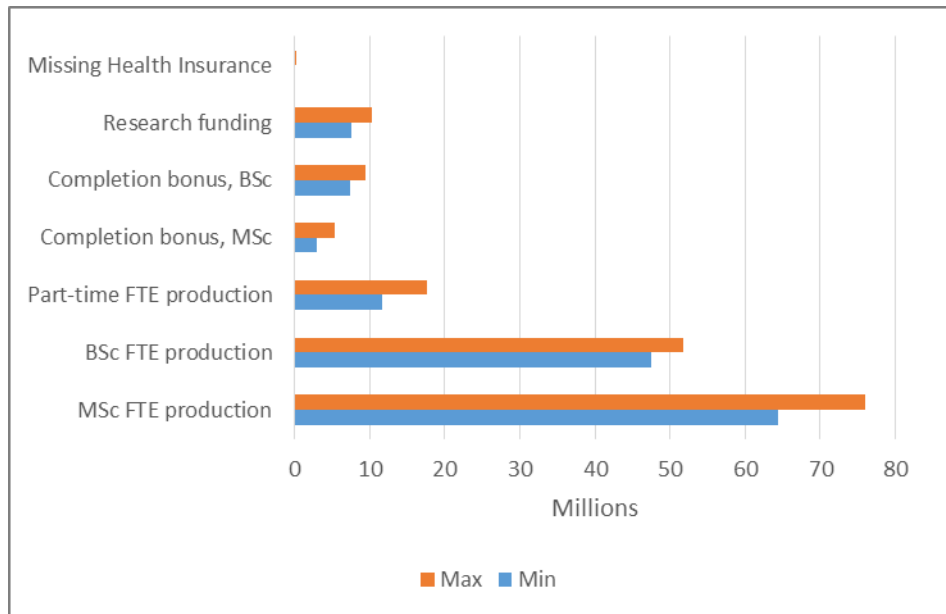
The simulation indicates that the probability of the actual result being at least DKK 6.1 m less than the budgeted result of minus DKK 1.8 m is approx. 20 percent.

Since the request for a rent reduction at Rued Langgaards Vej is in progress at the present, it is not included in the calculation of risks above. The request may cause additional cost or an actual rent reduction for the university.

Figure 2 below displays a sensitivity analysis regarding the factors with the greatest possible impact on the IT University’s financial framework. Taken the risk of fluctuations into consideration, the orange bar shows the maximum income from a given factor, while the blue bar shows the minimum income from a given factor. The larger the difference is between the orange and blue, the greater sensitivity. Hence, the MSc FTE production is followed by part-time student FTE’s, then BSc FTE production and so on.



Figure 2: sensitivity analysis



In addition to the above stated, there is a number of uncertainties which are not quantifiable at this point. This goes for the Budget Act, which leaves uncertainty with regard to the possibility of achieving full tuition-fee from an unpredicted increase in the full-time student FTE production.

Furthermore, the Ministry of Higher Education and Science has initiated a taximeter system reform, which aims at reviewing the tariffs for all higher educations. In addition, the ongoing Student Progress Reform causes uncertainty with regard to student behavior.

The equity will, as a consequence of this budget and investments be reduced to 16.5 percent of turnover in 2015 and 15.2 percent in 2016. The Executive Management acknowledges that the risk profile has increased, but recommends that the university follows the strategies as planned and incorporated in this budget. Executive Management maintains the long term goal of averaging the equity at 18 percent of turnover.



4. Assumptions of student rates and FTE volumes

Table 2 shows the rate assumptions, released with the budget proposal for 2014, adjusted to current prices used for university education revenue.

Table 2: Assumptions of full-time student and part-time student rates

Rates (DKK 1,000)	2014	2015	2016	2017
Tuition fee, MSc students	94.9	94.3	92.8	91.2
Tuition fee, BSc students	94.9	94.3	92.8	91.2
Completion Bonus, MSc students	32.8	38.0	41.9	47.8
Completion Bonus, BSc students	52.2	57.1	62.8	71.7
Tuition fee, part-time student	44.9	44.5	43.6	42.8
Tuition fee, part-time student, ILM	32.1	31.5	30.8	30.2
Tuition fee, part-time students, former rate	50	50	-	-
Tuition fee, part-time students, present rate	85	85	85	85

It is worth noting that the completion bonus increases each year in the period. The completion bonus is finally set annually in the Supplementary Act based on the actual activity. As a consequence, the bonus partly depends on the number of the IT University's students fulfilling the completion rate, compared to students from other universities.

The increasing bonus makes it very important to obtain the reduction in average completion time for the BSc and MSc programmes requested by the ministry in the Student Progress Reform.

In Table 3 are listed the university's assumptions of volume of student FTE's and the completion bonuses.

Table 3: Assumptions of volume of completion bonuses and FTE's

	2014	2015	2016	2017
Master of Science, FTE	766	744	805	779
Completion bonus, MSc	112	108	100	102
Bachelor of Science, FTE	470	526	555	560
Completion bonus, BSc	124	146	140	151
Part-time students, FTE	117	108	121	138
Revenue full-time students	117,296	119,761	126,170	122,062
Completion bonus	10,080	12,440	12,987	15,704
Revenue part-time students (tariff and tuition)	14,830	13,523	15,078	17,069
Total revenue from tuition (DKK 1,000)	142,206	145,724	154,235	154,835

Table 4 shows the admission assumptions for the coming years, the total admission per year and the distribution of students at the different programs.



Table 4: Assumptions of admission (students per programme) **IT-Universitetet**
i København

Year	2014*	2015	2016	2017
MSc, DDK/DKM	155	150	150	150
MSc, DIM (EBUSS)	95	110	120	130
MSc, SDT/INT	123	110	110	110
MSc, GAMES/MTG/MMT	70	70	70	70
Total MSc	443	440	450	460
BSc, SWU	93	90	90	90
BSc, DMD	81	80	80	80
BSc, GBI	63	60	60	60
Total BSc	237	230	230	230
Master and Diploma (part-time)	125	110	170	190
Total	805	780	850	880

* The expected admission in 2014

5. Conclusion

Table 5 is a draft of the IT University's framework budget for 2015 to 2017. Revenue is in current prices with a 1.5 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 1.2 per cent.

The framework budget includes baseline cost and Executive Management's decisions to finance a number of strategic initiatives and the necessary recruitment of both re-search/teaching and administrative staff to carry out these initiatives.

Developments in operating expenses in the period reflects the overall effect of the cost from the EBUSS study programmes gradually reduces as the teaching is carried out by staff at the IT University whereby payment to Copenhagen Business School decreases accordingly. Opposing effects come from higher operating costs from an increasing volume of research projects and from depreciations regarding new IT systems.

The framework budget is based on the equity by the end of 2014 cf. forecast after Q2 as well as the budget assumptions in section 2.

The approval of the Finance Act will ensure Government grants for the next three years while the income from tuition remains uncertain. The Ministry of Higher Education and Science has initiated a cost analysis to align the tuition fees across the higher education institutions. The analysis will be carried out in autumn 2014 by Deloitte.

The framework budget and the annual results reflect the expected revenue from the adoption of the proposed Finance Act (FFL2015). The outlook for revenue from the Government is that the level for the period from 2015 to 2017 continues in the following years.

**Table 5: Draft for the framework budget 2015-2017**

(DKK 1.000)	Forecast 2 2014	Forecast 2015	Forecast 2016	Forecast 2017
Government grants	87,860	89,104	90,165	90,074
Tuition	142,206	145,724	154,235	154,835
Research grants (government)	20,211	25,600	37,062	39,527
Research grants, private and other sources	8,000	6,400	9,265	9,882
Rental income	1,800	1,800	1,829	1,858
Financial income	2,300	1,800	1,800	1,800
Other income	3,533	2,639	2,681	2,724
Savings on administration and purchasing	(3,696)	(3,737)	(3,697)	(3,679)
Total income	262,214	269,330	293,340	297,021
Payroll	161,408	166,315	184,449	185,996
Other operating expenses	103,018	101,809	105,712	107,885
Strategic research areas and investments	-	3,000	3,000	3,000
Financial cost		5	5	5
Total costs	264,426	271,129	293,166	296,886
Result of the year	(2,212)	(1,799)	174	135
Equity	46,254	44,456	44,630	44,765

Full-time Employees (FTE)	Forecast 2 2014	Forecast 2015	Forecast 2016	Forecast 2017
Scientific Staff FTE	148	159	185	190
Part-time Lectures FTE	41	41	40	40
Administrative Staff FTE	127	125	123	123
Wage subsidy/acute job scheme FTE	5	5	5	5
Total Full-time Employees	321	330	353	358