



For the attention of the Board

Finance Section. Ref.:
Iben Vitved Bruhn

17 November 2011

Budget proposal 2012 for the IT University of Copenhagen

This document presents IT University of Copenhagen's 2012 detailed budget for Board of Directors approval. The detailed budget 2012 is based on the overall framework budget approved by the Board September 16, 2011.

The Budget Plan has four parts. The first part presents the general assumptions upon which the Budget is based. The second part is the detailed budget for operations, which includes all of the University's operating revenue and expense for next year. The third part is the prerequisites for admission of students to the various study programmes. The fourth part is an update of the budget forecast 2012-2016.

1. Assumptions of the budget

The budget presented for 2012 is based on the following assumptions:

- 1) The Amended budget proposal for 2012 (FFL 2012), as presented by the government headed by Helle Thorning-Schmidt on November 3, 2011 is passed by parliament, without substantial changes as regards the University.
- 2) Admission and completion bonus in 2012 will be as expected.
- 3) Recruitment and hiring is proceeding as planned in 2012.
- 4) That the financing of external research will be realised as planned.
- 5) There will not be converted between salaries and other operations in the departments without the approval of the management.

It should be noted that some details of the Amended budget proposal are being negotiated, and therefore it is possible that further suggested amendments for the Finance Bill may appear until early next year.

At present, it is not expected by management that the University will receive further allocations in excess of the DKK 1 million which was included in the budget forecast presented to the Board in September. The government headed by Helle Thorning-Schmidt intends to increase the research reserve by DKK 300 million in 2012 to a total of



DKK 986 million. How funds are distributed is still not finally determined. The cuts in administrative costs which were proposed by the previous government are maintained.

The Board will be informed of the effects of the adopted at the meeting in April 2012.

2. Detailed budget for 2012

Table 1 in page 3 shows the managements proposal for final budget for the University i 2012. The table contains all of the University's operating revenue divided by main items and the cost of the University allocated to the individual departments. In addition, Table 1 shows the University's anticipated operating result according to the budget assumptions stated above.

Liquidity at the University is expected to remain excellent. In 2012, it is expected that the cash flow will fluctuate between DKK 75 million and DKK 92 million.

Figure 1: Cash flow forecast 2012

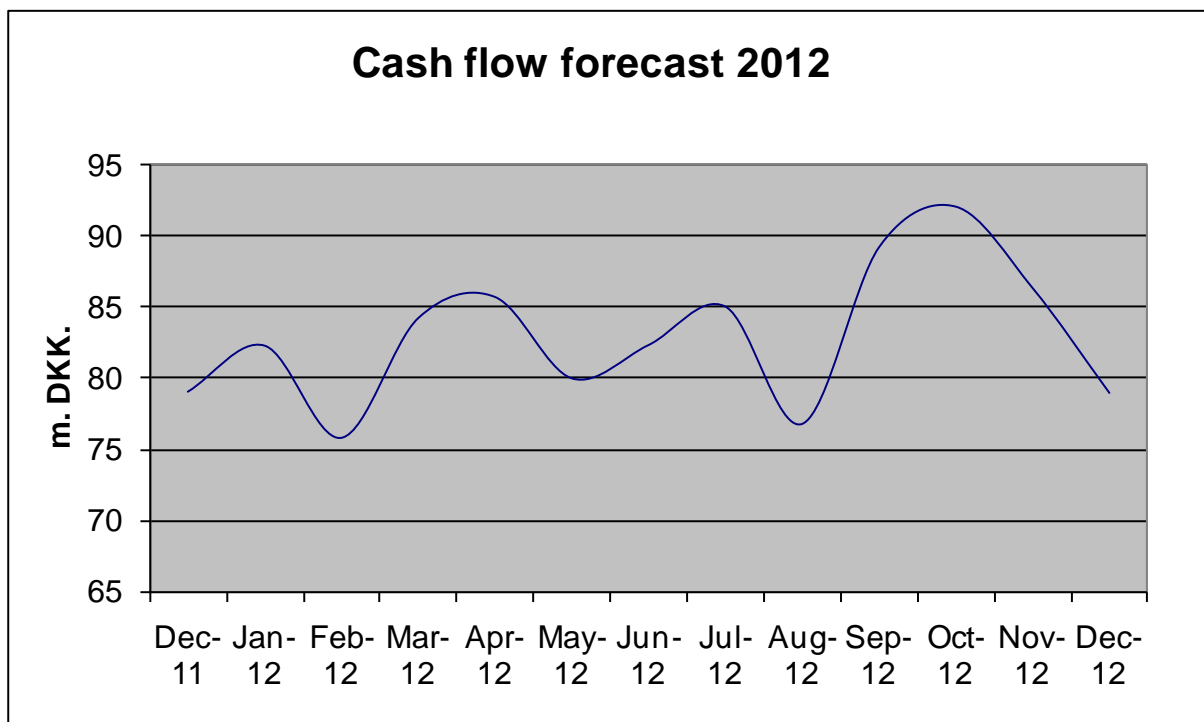




Table 1 Budget 2012, 2011 and Forecast 3 for 2011

Income	Budget '12	Budget '11	Forecast 3 '11
Government Grants (basic funding)	80.000	83.662	84.749
Tuition (Government and student)	126.385	108.011	111.463
Government Grants – Globalisation Funds	1.000	2.400	500
Research Grants applied for Against Competition (Public)	24.000	13.010	17.179
Research Grants - Private and other sources outside the Danish state	6.000	5.195	5.085
Rent Income and income from sales	8.234	6.265	7.217
Savings on admin. and purchasing	-1.683	0	0
Extraordinary income	0	0	2.372
Total Income	243.936	218.543	228.565
Total Income framework budget	243.217		
Wages/salaries	Budget '12	Budget '11	Forecast 3 '11
Management	4.270	4.149	4.205
Communications Department	5.180	4.711	4.843
Department of Finance and Personnel	11.358	10.402	10.846
ITU (Department of Finance and Personnel)	2.341	2.121	2.400
IT Department	10.158	9.696	9.751
Facilities management	4.708	5.241	4.526
Study administration	12.289	11.970	12.235
Research and Learning Support	6.955	2.511	2.571
Study board	15.247	18.001	15.391
Faculty	57.377	57.636	55.878
PhD study board	394	210	202
Research projects	15.071	11.217	12.196
Total Wages/salaries	145.348	137.866	135.044
Total Wages framework budget	146.382		
Operating Expenses incl. Depreciation	Budget '12	Budget '11	Forecast 3 '11
Management	4.230	1.459	1.029
Communications Department	3.276	3.191	3.191
Library	1.610	1.578	1.578
Department of Finance and Personnel	4.918	4.624	4.424
ITU (Department of Finance and Personnel)	2.445	1.989	2.592
IT Department	4.353	5.654	7.654
Facilities management	53.373	52.690	53.779
Study administration	11.729	10.682	10.321
Research and Learning Support	1.057	795	770
Study board	400	550	550
Faculty	3.396	3.855	3.339
PhD study board	2.096	1.520	1.378
Research projects	4.396	2.056	3.156
Total Operating Expenses	97.278	90.642	93.761
Total Operating Expenses framework budget	95.525		
Total Detailed Budget 2012	1.310	-9.965	-240
Total framework budget	1.310		



The following corrections are made relative to the framework budget for 2012 which the Board approved at its meeting on 16 September 2011.

Operating Income:

Revenues are largely unchanged since the approval of the framework budget of 2012. But the anticipated earning of full-time student equivalents related to part-time courses has been reduced from 140 full-time student equivalents in to 122 full-time equivalents in 2012. It has the opposite effect that revenue from student full-time equivalents related to the Bachelor and MSc graduate students is increased by 24 student full-time equivalents compared to the forecast¹.

Operating Costs:

Following the approval of the framework budget of 2012, the Finance Section has negotiated with each department on the budget for 2012 in order to find the optimal resource level seen in relation to the future tasks of the University and the strategy which has been adopted. Strategic investments have been incorporated into the department responsible.

These budget negotiations have led to minor adjustments in the expectations of the management for the cost level of the University in 2012. Further, the information about the realised spending stated in the accounts of the University has been included in the 2012 budget. Thus the previous spending experiences obtained by the University are reflected in the budget presented.

3. Revenue from Tuition: Calculation of the Student FTE production

Table 2 shows the forecast of the University's income from teaching activity in 2012 divided in graduates, undergraduates, FTE's from part-time students (Diploma and single subject students) and from completion bonus.

The management has reduced the expected number of FTEs from part-time students from 140 FTEs to 122 FTEs in 2012 based on analysis from the Finance Section. It is currently being considered whether initiatives should be undertaken in the current fiscal year in the form of e.g. marketing of part-time education.

Projected revenues in Table 2 are calculated assuming that the tariffs stated in budget Proposal 2012 of 24 august will be adopted.

¹The finance section conducts an evaluation of the prognosis (forecast model) of Students FTE in order to improve the accuracy of the future forecasts.



Table 2: Calculation of production of students FTEs etc. for 2012

Admission of students – prognosis of 18.10.2011²	Budget 2012
Master of Science	420
Bachelor of Science 1, 2 & 3	200

Tariffs	Budget 2012
Tariff 3, Master	97,600
Tariff 3, Bachelor	97,600
Completion bonus, Master	32,121
Completion bonus, Bachelor	65,404
Charges, part-time-student	46,000
Tuition (FTE – old tariff)	50,000
Tuition (FTE – new tariff)	82,000

Revenue	Budget 2012
Master of science, FTEs	665
Bonus triggering MSc	100
Bachelor 1, 2 & 3 STÅ	399
Bonus triggering BSc	67
FTEs, part-time students enrolled before E2010	21
FTEs, part-time students enrolled E2010 and onwards	101
Revenue, full-time students	103,846,400
Total completion bonus	7,594,168
Total revenue part-time (tariff and tuition)	14,944,000
Total Revenue	126,384,568

4. Assumptions regarding admission 2012-2014

Table 3 and 4 below shows enrolment prerequisites for the forecasted revenue. Table 3 shows the necessary enrolment regarding full-time students and Table 4 shows the necessary enrolment regarding part-time education.

The expectations for the number of students admitted to part-time educations are reduced to the level from 2011. Expectations for the number of students admitted to Master of Organization and Implementation is reduced from 38 to 10 students in 2012. Expectations for the number of students admitted to Master of IT Management and Strategy is reduced from 37 to 30 students in 2012. Likewise are expectations to number of admitted students to Interaction Design and Multimedia reduced from 30 to 18 students, while expectations to Master of Software Construction are reduced from 12 to 8 students. Finally, expectations for the number of students admitted to Diploma in Technology are reduced from 60 to 38 students in 2012. The expected number of FTEs from part-time students will be 122 in 2012 with these adjustments.

² See page 4 about corrections to income.



Table 3: Assumptions about admission 2012-2014 (full-time education)

	F12	E12	F13	E13	F14	E14
Master of Science – Digital Design and Communication	50	90	60	90	60	90
Master of Science – E-business	35	65	35	85	45	85
Master of Science – Software Development and Technology	50	60	50	60	50	60
Master of Science – Games	0	70	0	70	0	70
Bachelor – Software Development	0	60	0	60	0	60
Bachelor – Digital Media and Design	0	80	0	80	0	80
Bachelor – Global Business Informatics	0	60	0	60	0	60
Total	135	485	145	505	155	505

Table 4: Assumptions about admission 2012-2014 (Part-time education)

	F12	E12	F13	E13	F14	E14
Master of HealthcareIT	0	0	0	0	0	0
Master of IT Organization and Implementation	4	6	14	24	14	24
Master of IT Management and Strategy	12	18	12	25	12	25
Master of IT – Interaction Design and Multimedia	8	10	13	17	13	17
Master of IT – Software Construction	4	4	6	6	6	6
Diploma in Information Technology	18	20	30	30	30	30
Total	46	58	75	102	75	102
Year		2012		2013		2014
Total admission		104		177		177



5. Admission Requirements for PhD student 2012-2016

Table 5 below shows the admission requirements behind the admission of PhD students at the IT University of Copenhagen. The IT University wants a larger enrolment of PhD and will do so, if the necessary funding from the Higher Education Ministry becomes available.

Table 5: Admission requirements 2012-2016 (PhD students)

	2012	2013	2014	2015	2016
PhD Admission	11	11	11	11	11

6. Forecast of income, expenses and equity 2012-2016

Table 7 gives an overview of the forecast of revenues and expenses during the period 2012-2016. Table 6 shows the forecast after second quarter of 2011, which was presented to the Board in September.

The purpose of forecasting is to provide an overview of developments in the University's equity in the coming years, including providing a forecast of the University's revenues and costs when the third bachelor degree is fully implemented.

The forecast take account only of already known or anticipated events, and are thus associated with a wide range of uncertainties.

The forecast is based on the following specific assumptions:

- 1) It is assumed that the IT University receives DKK 20 million annually to the undergraduate programmes in the period 2012 to 2016.
- 2) Costs of the departments include the cost of strategic requirements in the year they are approved by management. This applies to both wages and other operational costs.
- 3) Revenue forecasts are derived from already known resources. Based on experience, this figure has been set a little low.



Table 6: Forecast 2012-2016 presented to the Board in September 2011

(DKK 1.000)	Forecast 2011	Budget 2012	Budget 2013	Budget 2014	Budget 2015	Budget 2016
Government grants (basic funding)	84,750	80,000	57,798	58,607	58,385	59,202
Tuition (government and students)	110,408	126,346	134,548	137,432	138,042	141,043
Government, Globalisation funds*	-	1,000	3,000	3,000	3,000	3,000
Grants to undergraduate prog. FL **	-	-	20,000	20,000	20,000	20,000
Research Grants applied for against competition (public)	18,715	24,000	28,000	32,000	36,000	40,000
Research Grants, private and other sources outside the Danish state	6,105	6,000	7,000	8,000	9,000	10,000
Capital	-	-	-	-	-	-
Other income incl. Rent	7,216	8,234	7,660	7,768	7,876	7,987
Government savings on administration and purchasing		(1,683)	(3,159)	(3,171)	(3,166)	(3,166)
Total Revenue	228,203	243,217	254,847	263,636	269,137	278,065
Wages/salaries – forecast based on 2011	137,301	146,382	151,921	153,770	155,795	160,091
Other Operating Expenses – based on 2011	87,697	90,404	92,547	95,676	98,644	101,695
Other expenses – takeover 5th floor			7,753	6,326	6,453	6,582
Strategic research areas	-	1,525	1,551	1,582	1,613	1,645
Strategic investments	5,602	1,296	1,034	1,054	1,075	1,097
Depreciations	1,864	2,300	2,700	3,100	3,500	3,900
Total Costs	232,464	241,907	257,506	261,508	267,080	275,009
Result of the year (net profit)	(4,260)	1,310	(2,659)	2,127	2,057	3,056
Equity	32,591	33,901	31,242	33,370	35,427	38,483

* Forecast of ITU-part of globalisation funds to launch new research initiatives.

** 20 million DKK. Grants due to intake of 180 undergraduates per year is not in the government budget forecast from 2013

Full-time employees (FTE)	Forecast 2011	Budget 2012	Budget 2013	Budget 2014	Budget 2015	Budget 2016
FTE , Academic Staff	128.39	144.95	147.61	145.76	145.89	150.93
FTE , Part-time Lecturers	27.82	25.69	25.38	24.16	22.83	21.52
FTE , Administrative Staff	126.91	125.48	125.79	125.79	125.79	125.79
Total Full-time employees	283.13	296.12	298.78	295.71	294.51	298.24
Student Instructors part of TAP	10.04	9.95	10.41	10.41	10.41	10.41
Agency Staff, Staff with Grants part of TAP	6.06	5.33	5.00	5.00	5.00	5.00



Table 7: Forecast 2012-2016, October 2011

(DKK 1.000)	Forecast 3 2011	Budget 2012	Budget 2013	Budget 2014	Budget 2015	Budget 2016
Government grants (basic funding)	84,750	80,000	57,798	58,607	58,385	59,202
Tuition (government and students)	111,463	126,385	134,548	137,432	138,042	141,043
Government, Globalisation funds *	500	1,000	3,000	3,000	3,000	3,000
Grants to undergraduate prog. FL **	-	-	20,000	20,000	20,000	20,000
Research Grants applied for against competition (public)	17,179	24,000	28,000	32,000	36,000	40,000
Research Grants, private and other sources outside the Danish state	5,085	6,000	7,000	8,000	9,000	10,000
Capital	-	-	-	-	-	-
Other income incl. rent	7,216	8,234	7,660	7,768	7,876	7,987
Extraordinary income	2,372					
Government savings on administration and purchasing	-	(1,683)	(3,159)	(3,171)	(3,166)	(3,166)
Total Revenue	228,565	243,936	254,847	263,636	269,137	278,065
Wages/salaries – forecast based on 2011	135,044	145,348	151,921	153,770	155,795	160,091
Other operating expenses – based on 2011	91,897	95,133	92,549	95,676	98,645	101,694
Other expenses – takeover 5th floor			7,753	6,326	6,453	6,582
Strategic research areas	-	-	1,551	1,582	1,613	1,645
Strategic investments	-	-	1,034	1,054	1,075	1,097
Depreciations	1,864	2,165	2,700	3,100	3,500	3,900
Total Costs	228,805	242,626	257,506	261,509	267,080	275,009
Result of the year (net profit)	(240)	1,310	(2,659)	2,127	2,057	3,056
Equity	36,611	37,920	35,261	37,388	39,445	42,501

* Forecast of ITU-part of globalisation funds to launch new research initiatives 2013-2016.

** 20 million DKK. Grants due to intake of 180 undergraduates per year, is not in the government budget forecast from 2013.

Full-time employees (FTE)	Forecast 3 2011	Budget 2012	Budget 2013	Budget 2014	Budget 2015	Budget 2016
FTE , Academic Staff	129.47	144.96	151.69	149.91	150.11	155.22
FTE , Part-time Lecturers	27.82	25.74	25.38	24.16	22.83	21.52
FTE , Administrative Staff	126.91	125.48	125.79	125.79	125.79	125.79
Total Full-time employees	284.20	296.18	302.86	299.86	298.73	302.53
Student Instructors part of TAP	10.04	9.95	10.41	10.41	10.41	10.41
Agency Staff, Staff with Grants part of TAP	6.06	5.33	5.00	5.00	5.00	5.00



Considering the assumptions stated above, it is estimated that the result of 2012 and subsequent years indicates a true and fair level.

In 2012, all costs relating to the three bachelor lines will be in full effect, while FTE revenues and completion bonuses will have effect in 2013 and full effect in 2015

7. Recommendation

The management recommends that the Board approves the budget presented for 2012 and accepts the projected development in the University's equity.