



## Fact sheet

# Finances

### Is the UvA financially healthy?

Yes. In 2017, the UvA made a profit of €1 million. The UvA is expected to break even in 2018 and in the years to come. Our liquidity and solvency – ratios that are indicative of an organisation's financial health – will also remain stable in the years ahead, and well above the Ministry of Education, Culture and Science's red-line values.

### So why is the UvA making cutbacks?

There is no need for the UvA as a whole to make cutbacks. However, two faculties (Social and Behavioural Sciences (FMG) and Humanities (FGw)) need to make cutbacks due to the drop in student numbers that occurred a few years ago. Fewer students means less income and a need to bring costs into line. For the Faculty of Social and Behavioural Sciences, this means that it will stick to its current savings and investments agenda in an attempt to break even in the coming period. The deficit of the Faculty of Humanities is expected to fall steadily, reaching zero in 2021. Student numbers at both faculties are now on the increase.

### Is this a consequence of the government's 'efficiency cut' of €183 million?

The reduction in spending on higher education is undesirable and indirectly affects faculty funding. The fact that €60 million has been set aside in the sector agreement for scientific and technical subjects, compared to only €10 million for social sciences and the humanities, is a compounding factor.

### Isn't the UvA as a whole also making a loss?

No. More funding will become available in the years to come, but it won't be enough. There is a shortfall of €18.6 million between the desired expenditure and the actual budget. The Executive Board has opted to detail this shortfall in the framework letter. The framework letter and the budget contain proposals regarding the choices that will need to be made in order to break even.

### Isn't there a considerable real estate debt?

Because of the Accommodations Plan, the UvA has had to borrow funds since 2008 and it will continue to have to do so for several more years. The amounts due to credit institutions totalled €233 million at the beginning of 2017 and decreased to €225 million at the end of 2017. In addition, the UvA has liquid assets totalling €110 million.

The level of investment will be ramped up over the next four years to a total of €243.9 million. This concerns previously postponed investments on the Binnengasthuis premises, the University Library and Oudemanhuispoort, renovation of building P, construction of a new lecture room on the Roeterseiland Campus and expansion of Amsterdam Science Park due to the growth of the Faculty of Science. It is unlikely that the UvA will have to borrow additional funds to realise these.

### Doesn't this mean investing in bricks and mortar at the expense of teaching?

No. The UvA is bound by a hard rule that accommodation costs (rent, interest, depreciation and major maintenance)

may never exceed 12% of total expenditure. The UvA maintains a strict separation between its resources for real estate development and the funding for teaching and research. Any real estate-related deficits will be compensated within the accommodations budget rather than supplemented from our budgets for research and education. This was investigated and confirmed by the Finance and Accommodation Committee in 2016. The UvA's policy in this regard has remained unchanged, but planning has been optimised to account for the expanding requirements and predicted increase in student numbers. In other words: the UvA is making investments to meet the growing requirement for space to work and study, to upgrade teaching and research facilities and to promote cooperation. All of this can be realised within the accommodations budget with no need for cutbacks.

#### **Is the UvA running a financial risk because of derivatives?**

The UvA uses (forward) payer swaps as a long-term hedge against fluctuations in the money market interest rate. The Treasury Statute stipulates that the UvA must ensure that it has sufficient cash facilities at its disposal to implement its plans, including assurance about the payable long-term interest expenses arising from the Accommodations Plan.

#### **How is the budget drawn up?**

The framework letter marks the start of a new planning and control cycle. All UvA organisational units indicate what their ambitions are for the year ahead, what steps they intend to take to realise them and how much money they require. The framework letter contains a forecast of external developments and outlines the financial backdrop against which the ambitions are to be realised in order to provide a structure and guidelines to the units for drawing up their budgets for 2019. As such, the framework letter is a first step towards ensuring a balanced budget.

All organisational units use the framework letter as a basis for their draft unit budgets, which are included in the draft budget for the UvA as a whole. When the Executive Board approves the UvA draft budget, the units may be asked to provide additional information or to make changes, particularly if the supplied unit budget deviates from the agreed frameworks. A definitive UvA budget for 2019-2022 is then drawn up on the basis of the definitive organisational unit budgets, approved by the Executive Board and finally approved by the Supervisory Board.

#### **How are the representative advisory bodies involved in funding?**

The Joint Meeting is asked to approve the key items in the budget as outlined in the framework letter. It also has the right of approval concerning amendments or additions to the framework letter included in the draft and/or final budgets. At the beginning of the approval period, the framework letter is submitted for consultation to the academic community for a minimum of two working weeks.

The Central Works Council (COR) and the Central Student Council (CSR) have the right to be consulted about the draft budget. At the same time, the draft UvA budget is submitted for consultation to the academic community, again for a minimum of two working weeks.