



Status: Adopted by Executive Board, approved by Joint Meeting

Version: Final

Version number: 1.0

Date: 05/09/2019

FRAMEWORK LETTER 2020

We are 

Disclaimer: Every effort has been made to provide an accurate translation. However, the official text is in Dutch; any differences arising from the translation are not binding and have no legal effect.

1	INTRODUCTION	3
2	MAIN FEATURES OF THE BUDGET	5
2.1	LONG-TERM FORECAST	5
2.2	UPDATES COMPARED TO THE LONG-TERM BUDGET FOR 2019-2023	10
2.3	FINANCIAL PRINCIPLES AND FRAMEWORKS	21
2.4	INVESTMENTS	29
2.5	SECTION ON RISK	37

Disclaimer: Every effort has been made to provide an accurate translation. However, the official text is in Dutch; any differences arising from the translation are not binding and have no legal effect.

1 Introduction

The Framework Letter provides the basis for the 2020 budget and the long-term estimates for 2021-2024 for the faculties, service units and other units. In other words, the Framework Letter sets out guidelines and provides tools to the units for preparing the 2020 budget.

The 2020 Framework Letter shows a stable evolution of the result, compared to the 2019 budget. The total income of the University of Amsterdam (UvA) is expected to increase only slightly, mainly due to direct funding (including funds for quality). In 2020, additional financial headroom will continue to be available for many of the institutes, although less than in 2019. Despite the presence of additional financial headroom for some institutes, the overall workload in higher education is still unacceptably high. There is an urgent need for major investments in order to find a permanent solution. Universities have already brought this to the attention of the Ministry of Education, Culture and Science, and the UvA will continue to do this in the future. To start reducing workloads within the UvA from this year onwards, a total amount of more than €5 million from UvA reserves will be invested in 2019, 2020 and 2021, by using the positive results from recent years. In addition, there is further scope for the faculties to use the reserves for investing in new opportunities and developments. Further scope has also been created at the UvA level to support interdisciplinary, interfaculty initiatives and developments in the areas of Open Science and IT for research and education. Based on current insights, some level of cost-of-living adjustment also appears to be feasible for the faculties.

This may help relieve the pressure on academics and students to a certain extent. Nevertheless, there is an urgent need for substantial investments to be made in the future of higher education and academic research.

The most significant financial change can be seen in the area of accommodation projects. Projects in the Accommodations Plan are expected to become more expensive, mainly as a result of market developments in the construction sector. Moreover, in response to societal developments, the UvA wants to invest more in sustainability and has adjusted its estimates accordingly. Additional capacity has also been created for a more intensive sustainability policy, for which funds have been set aside in the budget.

With respect to accommodation, some plans have been adjusted to cater to the wishes of the UvA's neighbours and the wider issues presented by the Municipality of Amsterdam. Moreover, in areas where research groups and study programmes are expanding, there is more demand for space than anticipated. Hence, the total volume of investments for the coming years is expected to increase.

The impact of accommodation projects remains within the limits set by the UvA. Accommodation costs have remained within 10-12% of the turnover, accommodation prices have not exceeded previously agreed amounts and the UvA continues to remain within the threshold values defined by the Dutch Inspectorate of Education. The UvA is absorbing the increased expenses through better investment planning, reduction of the financing burden and a careful selection of projects. Wherever there is growth, there is also a margin available for the associated increase in accommodation costs. In consultation with the faculties,

projects are always weighed in terms of importance, while seeking the most suitable accommodation option within the limits of the financial preconditions.

The UvA's long-term figures also show a relatively stable picture. Its revenues show a modest annual increase. As already indicated in previous budgets, accommodation costs will constitute a larger share of the total costs as the quality of the buildings is gradually being further brought up to standard. The financing costs are gradually decreasing.

The current version of the Framework Letter still reflects a reasonable degree of uncertainty, mainly due to political factors. More information about how the government grant will evolve over the coming years will only be available with the publication of the Spring Memorandum. The Ministry is expected to make further adjustments before 2020 based on the recommendations of the Van Rijn Committee. As far as the costs are concerned, more insight is desirable in the expected wage cost trends and the extent to which this will be compensated for by the government. The internal discussions on this matter also need to be finished first.

Note to readers

Chapter 2 describes the main features of the budget. To understand this properly, it is important to have some basic knowledge of the UvA's financial management and organisation. The various components of the UvA budget are briefly explained in the Framework Letter. To better understand the Framework Letter, more information is available at uva.nl/financien. Chapter 3 explains the planning of the Framework Letter and budget process. Chapter 4 discusses the two components of the Allocation Model: education and research. Chapter 5 deals with internal service provision and the central units. The basis for the data is provided for each of the topics discussed.

2 Main features of the budget

The right of consent with respect to the main features of the budget is one of the components of the implementation of the Student Loans (Higher Education) Act (*Wet studievoorschot hoger onderwijs*). The UvA puts this into effect by requesting the Joint Meeting to approve the main features of the budget as outlined in Chapter 2 of the Framework Letter.

In the autumn of 2016, student organisations, the Netherlands Association of Universities of Applied Sciences (VH) and the Association of Universities in the Netherlands (VSNU) discussed how the right of consent with respect to the main features of the budget should be implemented. A letter from the Ministry to the Senate in February 2017 summarised how these organisations interpreted the main features of the budget:

- Internal Allocation Model for direct funding or important changes thereto
- Main elements of the financial headroom for strategic policy priorities or the deferment, withdrawal or cancellation of these priorities in the fields of education, research and management
- Investment agendas in the areas of accommodation and IT
- Use of funds received under the Student Loans (Higher Education) Act

Chapter 2 specifically outlines the main features of the budget by describing the following topics:

- Long-term forecast and differences with the long-term estimates for 2019-2022
- Financial policy and principles, including the Allocation Model
- Explanation regarding policy-based investments, real estate and IT investments
- Section on risk

If, after adoption of the Framework Letter, subsequent developments have an effect on the main features of the budget, the relevant features will be submitted for consent to the Joint Meeting in the draft UvA budget for 2020.

2.1 Long-term forecast

External developments

Quality agreements

The objectives, budgets and frameworks for the quality agreements defined by the Ministry are known. The size of the quality agreements budget depends on the UvA's market share. The Ministry has provided a sum of €71 million to research universities for the implementation of quality agreements in 2019. This amount will be increased annually to reach €188.4 million in 2023. From the available funding, the amount expected to be received by the UvA is calculated based on the UvA's share of the total student-related funding in 2019. This is expected to increase from €7.8 million in 2019 to €20.7 million in 2023. The actual amounts to be received by the UvA will depend on the number of enrolments and degrees awarded by the UvA and the entire sector in the relevant years. An update of the UvA's share has led to a small adjustment of the amount (€0.1 million less in 2020).

The faculties have drawn up plans for how the funds will be used and have also modified these based on feedback from the representative advisory bodies. The complete UvA-wide plan has been submitted for consent to the Joint Meeting of

the UvA Central Student Council (CSR) and the Central Works Council (COR). The Sectoral Agreement stipulates that there must be a feasible accountability framework for monitoring the agreements. According to this Sectoral Agreement and the Accreditation Organisation of the Netherlands and Flanders (NVAO) Protocol, the institution must describe the progress it wishes to make during the term of the quality agreements, exactly how the funds will be spent and how it will monitor progress (i.e. which monitoring processes will be used by the institution). This means that the UvA must be able to provide a clear account of how the agreements will be implemented. In addition, the NVAO will assess whether 'sufficient progress is being made with respect to the realisation of intentions'. In 2022, an interim assessment will be made by the NVAO based on the 2021 Annual Report and feedback from representative advisory bodies. Hence, the UvA must be able to account for the actual fulfilment of the agreements. Here, the emphasis lies mainly on the efforts being made and the possible results associated with these efforts.

Sector Plans and the National Science Agenda

In the Coalition Agreement for 2017, long-term funding was reserved for investments based on the Sector Plans. These investments are aimed at strengthening the research base. Investments will be made in expanding research capacity and attracting and retaining research talent based on three Sector Plans (the Sciences Sector Plan¹, Technology Sector Plan and Social Sciences and Humanities Sector Plan²). In addition, the Sector Plans also aim to promote strategic collaboration between institutions. For all three Sector Plans, a sectoral forecast has been prepared by a coordinator, where the plans and ambitions are elaborated in detail. Through direct funding for 2020, €34.4 million have been made available nationally for the Sciences Sector Plan, €17.0 million for the Technology Sector Plan and €8.0 million for the Social Sciences and Humanities Sector Plan. These funds will be available annually until 2024. The universities that are part of the sector forecasts are requested to submit profiling plans to the relevant committees. The UvA aims to obtain funding under the Sciences Sector Plan and the Social Sciences and Humanities Sector Plan. The Minister is expected to reach a decision on 1 July 2019 about the awarding of funds to the universities.

In addition to the above-mentioned Sector Plans, investments are also being made via the National Science Agenda (NWA) for strengthening the connection between science and society. Additional funds have been made available for this through the Netherlands Organisation for Scientific Research (NWO). The NWO programme focuses on four main areas: Research along Routes by Consortia; Thematic Programming; Innovation and Networks; and Science Communication and Outreach. These focus areas combined are aimed at encouraging broad-based, interdisciplinary research on societal themes and the societal application of this research.

Spring Memorandum

The government's Spring Memorandum 2019 is expected to provide further information about the awarding of funds under the Sector Plans as well as the annual adjustments and updates of the government grant. This Memorandum has not yet been published by the Ministry. For this reason, a number of points in this

¹This includes the faculties of Computing Science, Mathematics, Physics and Chemistry.

²This includes the faculties of Social and Behavioural Sciences, Law, Economics and Business Administration and Humanities.

Framework Letter have been formulated in anticipation of the expected items in the Spring Memorandum.

Van Rijn Committee

The Van Rijn Committee is conducting a study into the funding of Dutch universities. At present, numerous discussions are taking place between the Committee, the Ministry and the VSNU. As it now stands, more information will only become available via the VSNU on 14 May regarding the possible recommendations of the Committee. This means that there will be no clarity regarding the results of the study at the time of coordinating the budget with the academic community and during the subsequent decision-making process on the Framework Letter. This means that the possible impact for 2020 cannot, or cannot fully, be taken into account in the 2020 budget. The Minister has previously announced that it will send a response to the House of Representatives before summer recess. This shows how a lack of timely clarity about government policy makes it difficult to align the budget with potential developments in the government grant.

Developments at the UvA

Workload

At the end of 2017, partly based on agreements made in the Collective Labour Agreement (CLA), the UvA began developing an action plan for dealing with workload issues. This includes four main lines of action involving measures and a number of 'quick wins'. At the end of 2018, the universities issued a best practices document on reducing workload, based on the activities emerging from the workload action plan at the end of 2017. A number of specific measures will be worked out in detail in 2019, for which a budget has been set aside. In 2020 and 2021, an additional budget will also be made available for projects to improve the workload situation.

Quality agreements

Specific agreements have been made within the UvA on objectives, budgets and frameworks relating to the quality agreements. The units have drawn up plans for the use of the funds. The actual extent of the annual spending of the funds is not yet entirely certain. In view of the moment at which the Joint Meeting will be asked to give its consent, the actual spending of the funds will start somewhat later in 2019. For the time being, the expectation is that the funds will be spent in 2020 in accordance with the plan.

Investments

In the coming years, the UvA will place particular emphasis on interdisciplinary education and research and IT developments for education and research. A number of proposals have been developed and are currently under discussion and awaiting a final decision. Other proposals are also being developed and will be discussed in the course of 2019 or later.

Long-term forecast in numbers

The tables below show the long-term forecast based on the above-mentioned developments. This includes all the prices, budgets and frameworks contained in this Framework Letter. The results for 2018 have been derived from the final budget for 2018 and draft annual accounts for 2018. The figures for 2019 have been taken from the final budget for 2019.

Kleur keuze (1,2,3)	1	1	2	3	3	3	3		
UvA	2018	2019	2020	2021	2022	2023	2024		
	Begroting	Realisatie*	Begroting	Prognose**					
BATIEN									
Rijksbijdrage	433.148	445.300	464.411	464.400	476.304	482.541	486.033	489.555	489.555
Collegegelden	80.461	81.100	81.531	81.900	83.554	84.965	86.412	87.150	87.150
Baten werk iov derden	105.917	111.400	109.216	108.800	109.441	111.951	114.256	114.256	114.256
Overige baten	27.685	26.200	30.347	29.700	30.521	30.650	32.122	31.996	31.994
TOTAAL BATIEN	647.212	664.000	685.506	684.800	699.819	710.107	718.823	722.957	722.954
LASTEN									
Personele lasten	427.424	440.000	461.546	459.700	474.631	483.792	487.923	487.886	488.056
Afschrijvingen	46.372	42.200	42.990	42.400	44.091	45.288	48.540	51.351	51.351
Huisvestingslasten	41.903	47.500	47.633	49.400	45.810	45.742	45.227	45.523	45.523
Overige lasten	122.203	119.200	124.755	121.600	128.971	132.254	134.218	134.163	134.236
TOTAAL LASTEN	637.902	648.900	676.924	673.100	693.503	707.076	715.907	718.923	719.165
Saldo Baten en Lasten	9.309	15.100	8.581	11.700	6.316	3.030	2.916	4.034	3.789
Financiële baten en lasten	7.662-	8.600-	6.532-	7.100-	4.539-	1.725-	1.400-	2.427-	2.363-
Resultaat	1.647	6.500	2.050	4.600	1.777	1.305	1.516	1.607	1.426
Belastingen	-	-	-	-	-	-	-	-	-
Resultaat deelnemingen	1.625-	2.300-	2.050-	2.100-	1.825-	1.350-	1.550-	1.550-	1.550-
Resultaat na belastingen	22	4.200	0-	2.500	48-	45-	34-	57	124-
Aandeel derden	-	-	-	-	-	-	-	-	-
Netto Resultaat	22	4.200	0-	2.500	48-	45-	34-	57	124-

* Jaarrekening

** Prognose Q1

Table 1: UvA non-consolidated result. Check the UvA Annual Report for the translation of terms in this table

The above table displays the UvA's non-consolidated, long-term budget, broken down into the income and expenditure categories applicable to the UvA. In this table, the funds expected under the Sector Plans and the increase in the funds for quality can be seen in the increased government grant. The additional NWA funds are evident from the increase in indirect government funding and contract research funding. The rise in costs is mainly due to the increase in personnel costs, although miscellaneous expenses have also increased. The increase in miscellaneous expenses is mainly due to investments in IT and the temporary additional costs for Open Science expected for 2021 and 2022. The expected long-term result for the UvA is zero. All the expected income has been divided and allocated in this Framework Letter. This will be explained in the following sections.

UvA Enkelvoudig	2018		2019		2020	2021	2022	2023	2024
	Begroting	Realisatie*	Begroting	Prognose**					
<i>Allocatie</i>									
Allocatie Onderwijs	13.236	20.800	8.557	8.400	6.885	4.014	3.642	3.918	3.573
Allocatie Onderzoek	-5.161	-4.500	-6.570	-8.400	-8.925	-10.270	-10.846	-10.789	-10.289
<i>Allocatie</i>	8.075	16.300	1.987	0	-2.040	-6.257	-7.204	-6.871	-6.717
<i>Organisatie</i>									
Faculteiten	-1.754	2.000	3.064	6.000	2.351	2.389	-1.597	2.632	-3.092
Diensten	2.781	-6.200	-644	-600	86	103	290	290	290
Centraal	-3.359	-900	720	200	141	-721	1.268	513	13
Organisatie	-2.332	-5.100	3.140	5.600	2.578	1.771	-40	3.435	-2.789
<i>Vastgoed & Treasury</i>									
Vastgoed	-6.706	-7.000	-1.697	-2.200	-850	814	4.072	2.898	7.700
Treasury	985	0	-3.431	-900	264	3.627	3.138	595	1.682
<i>Totaal Vastgoed & Treasury</i>	-5.721	-7.000	-5.128	-3.100	-586	4.441	7.210	3.493	9.382
Totaal	22	4.200	0-	2.500	48-	45-	34-	57	124-

* Jaarrekening

** Prognose Q1

Table 2: UvA non-consolidated result - Organisational cross-section

The above table shows the UvA's non-consolidated, long-term budget, broken down into the organisational components of the UvA. Each organisational component is explained below.

Allocation

The amount allocated for education and research under the Allocation Model has been updated from the 2019-2022 budget, based on a long-term estimate of the government grant and tuition fees. The government grant has been updated based on the long-term framework set out in the most recent government grant letter and information exchanged within the context of the VSNU. The budgets for the faculties and other units are calculated based on the Allocation Model. The budgets have been updated based on the counts and forecasts provided by the faculties for the 2020-2023 budget. Chapter 4 describes the allocation and distribution in further detail.

Organisation

The result for the faculties, service units and executive staff, as shown in the table above, is based on the forecast result submitted by the units in February 2019. For these forecasts, the units have taken into account the instruction issued to them in this Framework Letter to keep the result equal or partly equal to the result in the adopted budget for 2019-2022. See Appendix 1 for an overview per unit. Together, the faculties show a positive result of €2.4 million in 2020. This is partly because of the positive result booked by a number of faculties. Wherever any financial headroom exists, the faculties make serious efforts to ensure that the funds are actually spent through new academic staff appointments. When drawing up the budget, detailed discussions will be held with the units regarding the purposes for which they wish to use the funds from the reserves.

The result for executive staff is the result from the updated policy budget based on income from the government grant and tuition fees and adjustment of the percentage of, and expenditures on, policy-based investments. See section 5.6 for further details.

Real estate and treasury administration

The result of the real estate administration has been updated based on the updated Accommodations Plan. The result of the treasury administration has been updated

based on recent insights regarding participating interests and interest charges based on planned investments in the coming years.

Throughout the years, the UvA’s financial indicators have remained above the threshold values defined by the Ministry. This can be seen in the table below.

Financiële kencijfers	Beleid	2018	2019	2020	2021	2022	2023	2024
Solvabiliteit I		36,4%	37,3%	37,6%	38,0%	38,3%	38,7%	39,0%
Solvabiliteit II	38% - 44%	41,1%	41,8%	42,2%	42,6%	43,0%	43,4%	43,8%
Liquiditeit	≥ 0,5	0,98	0,83	0,57	0,55	0,55	0,55	0,55
Rentabiliteit	≥ 0%	1,5%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
DSCR	≥ 1,5	4,2	2,8	5,3	5,1	4,6	5,3	4,8

Table 3: UvA financial indicators

With respect to Solvency II, the UvA aims to keep this between 38% and 44% in the coming years. These numbers form the upper and lower limits of the internal threshold value for this indicator. An excessively high solvency may indicate excessive savings, which means that more funds could be made available for education and research. An excessively low solvency may indicate a financial risk (in the long term). Particular attention is given to this point, which is also relevant to the societal debate, by introducing internal threshold values as well as an upper limit. The purpose of the upper limit is to ensure a more balanced assessment. The solvency indicator, based on the figures in the Framework Letter, remains within the internal thresholds. However, towards the end of the planning period, it is very close to the upper limit. When drawing up the budget, long-term analyses will be used to examine whether this might imply further budgetary scope for the UvA (in case funds have been saved without justification).

2.2 Updates compared to the long-term budget for 2019-2023

The table below shows how the result from the 2019-2023 budget will evolve towards the result indicated in this Framework Letter. This is divided into four categories:

- Update of available funds: this category includes, for example, the evolution of the government grant and a number of technical revisions
- Update of use of funds: the use of the funds has been updated based on an assessment of external and internal developments
- New policy initiatives: in February 2019, a wide survey was conducted on new policy initiatives and requirements
- Control measures: this category includes possible measures to be taken to bring the UvA result to the desired zero result

The changes are explained for each theme after the ‘Evolution result budget 2019-2023 - Framework Letter 2020-2024’ overview table.

The intention is to include all items in the table which may have a financial impact on the UvA or on its primary processes. This is done to provide deeper insight into this area - also with regard to, for example, items for which long-term internal agreements have been made on how to best address them. An example of this is the effect of increases in internal service provision rates on the budgetary scope available to the faculties. In addition, all realistic requirements communicated during the preparation of the Framework Letter have been included in the table, to provide a better understanding of all the ambitions. Better insight leads to better understanding within the UvA, as a result of which improved decisions can be made regarding the use of the funds.

Start kaderbrief 2020	2020	2021	2022	2023
Resultaat begroting 2019-2022	0,0	0,0	0,0	0,0
<i>Nieuwe beleidsruimte</i>	<i>1,4</i>	<i>3,7</i>	<i>3,8</i>	<i>4,2</i>
<i>Actualisatie beschikbare middelen</i>				
Vernieuwd inzicht in middelen kwaliteitsafspraken	0,0	-0,1	-0,1	1,0
Meest recente svz wetenschapsgeld vernieuwd onderzoek	1,7	0,7	0,7	0,7
Effecten uit voorjaarsnota	2,4	2,6	1,5	4,9
Effecten uit Commissie van Rijn	pm	pm	pm	pm
Technische herijking budgetten en resultaten	-0,7	-0,4	-2,5	-6,2
<i>Subtotaal</i>	<i>3,4</i>	<i>2,8</i>	<i>-0,4</i>	<i>0,4</i>
<i>Actualisatie inzet middelen</i>				
Inzet middelen voor budgetten via allocatiemodel	-12,0	-14,8	-15,4	-18,9
Inzet middelen voor interne dienstverlening	-1,9	-0,9	4,4	5,8
Resultaten eenheden	-1,0	1,6	2,5	4,7
<i>Subtotaal</i>	<i>-14,9</i>	<i>-14,2</i>	<i>-8,6</i>	<i>-8,4</i>
Resultaat na actualisatie	-10,1	-7,7	-5,2	-3,8
<i>Aanvragen nieuwe beleidsinitiatieven</i>				
Faculteiten en instituten	-1,1	-1,3	-1,3	-1,5
Diensten, staf en beleid	-6,6	-9,4	-6,1	-4,8
<i>Subtotaal</i>	<i>-7,6</i>	<i>-10,7</i>	<i>-7,4</i>	<i>-6,3</i>
Resultaat na actualisaties en beleidsinitiatieven	-17,7	-18,3	-12,6	-10,1
<i>Beheersmaatregelen</i>				
Beheersmaatregelen	17,7	18,3	12,6	10,1
<i>Subtotaal</i>	<i>17,7</i>	<i>18,3</i>	<i>12,6</i>	<i>10,1</i>
Resultaat kaderbrief 2020	0,0	0,0	0,0	0,1

Table 4: Budget result evolution 2019-2022 - Framework Letter 2020-2023

2.2.1 Update of available funds

Quality agreements

The funds becoming available as a result of the student loan have been linked to the quality agreements. The UvA's share of the total funds for quality agreements for all universities has been updated in comparison to the 2019 budget. In addition, an estimate has been made of the wage-price indexation (see below, in the Spring Memorandum section). This has led to a small adjustment in the available funds. The faculties have drawn up plans and adjusted these based on feedback from the representative advisory bodies. 'Expected adjusted pace of spending for quality agreements' refers to the UvA's capacity to actually spend the funds in 2020. For the time being, it is assumed that the funds will be fully used in 2020 in accordance with the plans.

<i>Actualisatie beschikbare middelen</i>	2020	2021	2022	2023
<u>Vernieuwd inzicht in middelen kwaliteitsafspraken</u>	0,0	-0,1	-0,1	1,0
Mutaties middelen kwaliteitsafspraken in rijksbijdrage	0,0	-0,1	-0,1	1,0
Verwacht aangepast ritme besteding kwaliteitsafspraken	0,0	0,0	0,0	0,0

Table 5: Update of available funds- Quality agreements

Funding for innovative academic research

Various disciplines within the UvA are preparing profiling plans with an eye toward the allocation of funds under the Sector Plans. The final allocation to the UvA is expected in early July 2019. But, in anticipation of this, the expected funds for the UvA have been adjusted based on more specific information about the available funds per discipline. For 2020, the UvA expects to receive approximately €5.3 million from the available funds under the Sector Plans, as compared to the expected €3.7 million in the final budget last year.

New funding instalments will be granted to the universities in 2019 under the Gravitation programme. These funds are granted for encouraging excellent research within the Netherlands. The Faculty of Science (FNWI) has submitted a number of proposals for this. The Ministry is expected to allocate the funds around August 2019.

Extra funds from the NWA will be granted to universities via indirect government funding. The most recent figures of the expected income from this will be included in the faculty budgets.

<i>Actualisatie beschikbare middelen</i>	2020	2021	2022	2023
<u>Wetenschapsgeld vernieuwd onderzoek</u>	1,7	0,7	0,7	0,7
Sectorplannen	1,7	0,7	0,7	0,7
Zwaartekrachtmiddelen	pm	pm	pm	pm
Nationale Wetenschapsagenda	pm	pm	pm	pm

Table 6: Update of available funds- Research

Spring Memorandum

The variable part of the government grant depends on the number of enrolled students and the number of degrees and doctorates conferred by the universities. This forms the basis for the market share of each university. The UvA's provisional market share is calculated based on its provisional numbers. In addition, the total amount of the variable government grant is adjusted each year based on the cost-of-living adjustment and the size of the total student population; this is referred to as the reference estimate. The 2019 budget includes an estimate for both of the above factors, which has been kept the same in the 2020 Framework Letter. The UvA's final market share for 2020, final reference estimate

for 2019 and cost-of-living adjustment for 2019 are expected to be published in the Spring Memorandum.

In anticipation of wage and price rises in 2020 and adjustment for this in 2020, an estimated increase of 1% has been taken into account. Since there is no certainty as yet for 2019, the UvA is already looking ahead to 2020. Waiting for concrete figures would lead to a delayed response, and it has been agreed at the sectoral level to take more risks in this regard. Therefore, the UvA is already taking the necessary steps. It is not yet possible to say anything definitive about the reference estimate for 2020.

<i>Actualisatie beschikbare middelen</i>	2020	2021	2022	2023
<u>Effecten uit voorjaarsnota</u>	<u>2,4</u>	<u>2,6</u>	<u>1,5</u>	<u>4,9</u>
Concept marktaandeel	-2,1	-1,8	-2,9	0,6
Referentieraming 2019 / 2020	pm	pm	pm	pm
loon/prijs compensatie 2019	pm	pm	pm	pm
loon/prijs compensatie 2020 (inschatting 1%)	4,5	4,4	4,4	4,3

Table 7: Update of available funds- Spring Memorandum

Van Rijn Committee

More information regarding the possible recommendations of the Van Rijn Committee is expected to become available in mid-May via the VSNU.

<i>Actualisatie beschikbare middelen</i>	2020	2021	2022	2023
<u>Effecten uit Commissie van Rijn</u>	<u>pm</u>	<u>pm</u>	<u>pm</u>	<u>pm</u>

Table 8: Update of available funds - Van Rijn Committee

Review of budgets and results

A number of budgets and results have been reviewed based on the applicable agreements and technical calculations. The treasury administration has been updated in accordance with the most recent insights, including a modification of the long-term interest charges and long-term settlement of interest with respect to real estate based on planned investments and a one-off valorisation payment to the Faculty of Social and Behavioural Sciences (FMG). Based on the provisional funding units of the Academic Centre for Dentistry in Amsterdam (ACTA) and Amsterdam University College (AUC) and the initial estimates of the prices per funding unit, the budgets for these two faculties have been updated. A percentage of the government grant and tuition fees is allocated for the Board and executive staff, respectively. Both these percentages have been revised, resulting in a change in the budget and the result for the Board and executive staff.

<i>Actualisatie beschikbare middelen</i>	2020	2021	2022	2023
<u>Technische herijking budgetten en resultaten</u>	<u>-0,7</u>	<u>-0,4</u>	<u>-2,5</u>	<u>-6,2</u>
Vrijval gereserveerde budgetten	0,0	0,0	0,0	0,0
Actualisatie treasury administratie	-0,6	0,3	-1,9	-4,4
Actualisatie budgetten ACTA en AUC	0,4	-0,3	-0,3	-0,5
Actualisatie bestuur en bestuursstaf	-0,5	-0,5	-0,4	-1,4
Overig	0,0	0,1	0,1	0,1

Table 9: Update of available funds - Budgets and results

2.2.2 Update of use of funds

Allocation Model

When drawing up the 2019 budget, the faculties have made an estimate of the expected credits and other variables that are important for the Allocation Model. Forecasts updated in February show that the number of funded credits is expected

to remain virtually the same on balance. However, the number of degrees obtained is expected to increase slightly in 2020. With respect to the education component of the Allocation Model, this implies that the faculties will need additional funds amounting to €1.3 million due to the update in the estimated numbers. In the Allocation Model, a part of the research budget is linked to the variable education budget. Since the variable education budget is expected to increase, the research budget will also increase by €0.3 million. However, the number of doctorates to be conferred in 2020 is lower than forecast in the 2019 budget, which results in a decreased funding of €0.3 million for the faculties.

The expected cost-of-living adjustment makes it possible to increase the prices and budgets in the Allocation Model to a limited extent. All components of the Allocation Model, with the exception of the distributed government grant, are used to pass on the increase to the faculties. This has been done in the same way as in the 2019 budget. As a result, the ratios in the Allocation Model are maintained and the underlying principles continue to be applied. According to agreements made with regard to ACTA and the AUC, part of the cost-of-living adjustment is passed on to ACTA and the AUC.

The Framework Letter also includes the following adjustments compared to the 2019 budget:

- The price per credit has been increased to €104.50 (compared to €103.50 in the 2019 budget)
- The price per degree has been increased to €3,690 (compared to €3,650 in the 2019 budget)
- The price per doctorate has been increased to €79,300 (compared to €78,500 in the 2019 budget)
- The decentralised policy budgets for education and research, all capacity budgets, a number of central policy budgets, the government grant budgets received and the heritage budget have been increased by 1%
- The capped matching budget has been increased by 1%, from €31.1 million to €31.5 million, and the matching budget for the Faculty of Medicine (FdG) has also been increased by 1%, from €4.1 million to €4.2 million

Thanks to these adjustments, the faculties will be able to accommodate increases in wages and prices. Whether or not this will be sufficient for covering the wage costs and inflation will be considered in the final Framework Letter, based on the current information at that time. An amount of €400,000 has been set aside for the service units, for dealing with bottlenecks related to wage and price trends. The situations in which this amount may be used will be decided in consultation with the service units during the budget process. During the 2019 budget round, it turned out that many of the service units were able to cope with these cost increases themselves, without allowing this to affect the primary process.

Due to the above-mentioned indexations, an additional €4.7 million will be available to the units in 2020.

The expected government grant includes the funds provided for the Sector Plans. Based on this, the amount of funds used for the Sector Plans is expected to increase by €1.7 million (also see above under the 'Update of available funds' section). The funds for this will be distributed among the relevant units via the Allocation Model.

Finally, both indirect government funding and contract research funding are also expected to increase further. The subsidies for these research projects do not fully

cover the total costs and must therefore be co-financed with funds received by the UvA via direct funding (i.e. the government grant). In addition, more project-based funding will be made available from direct funding and other funding flows for which no financing will be provided for full coverage of the total costs. This usually relates to funds acquired in competition for very high-quality education and research. This includes funds received under the Sector Plans. Apparently, the central government is increasingly using direct funding also for various forms of project financing. Given the strong similarities - in terms of content and processes - between these new funding flows and in view of the matching pressure on these projects, they will be included in the basis for calculating the capped matching budget in the Allocation Model. A definition will be formulated in the appendix to the budget, after consultation with the faculty's financial specialists. When the Framework Letter is published, Finance Planning & Control (FP&C) will prepare a preliminary memorandum with an initial formulation of the new definition, so that it can be discussed with the directors and controllers of the faculties and adjusted where necessary. Due to the provision of research funds by the central government in a more project-based manner, the matching pressure is expected to increase sharply in the coming years, which has been translated into a 'Matching pressure' amount in the table below.

<i>Actualisatie inzet middelen</i>	2020	2021	2022	2023
<u>Allocatiemodel</u>	<u>-12,0</u>	<u>-14,8</u>	<u>-15,4</u>	<u>-18,9</u>
Actualisatie (prognoses) aantallen	-1,3	-1,8	-2,2	-4,5
Verhoging prijzen en budgetten allocatiemodel (1%)	-4,7	-4,7	-4,8	-4,9
Actualisatie door te geven rijksbijdrage	-1,7	-0,7	-0,7	-1,5
Overige actualisaties reguliere budgetten	0,0	0,0	-0,1	0,0
Matchingsdruk	-4,3	-7,5	-7,5	-8,0

Table 10: Update of use of funds - Allocation Model

Internal service provision

Each year, the services provided by the UvA service units are evaluated and the need for any new service units or changes to the current service units are discussed between the supplier (service units) and the customers (all UvA units). This is referred to as the 'SLA cycle' within the UvA. The outcome of this cycle, other rate adjustments and other service provision agreements are included in the table below under 'Internal service provision'. This is discussed in more detail in Chapter 5.

At the end of 2018, an evaluation of this SLA cycle and related processes, interaction and methodology was initiated in consultation with all service units and faculties. This is mainly aimed at improving working methods, but it may also result in a shift in the costs or a different way of using the funds. This is expected to have a limited impact in 2020. An implementation budget has been temporarily set aside for this, which will make it possible to deal with the outcome of the evaluation at a later stage in the budget process. The outcome of the evaluation will be further explained in the budget.

In addition to the update of the SLA cycle, budget items that should be or could be part of the rates charged by service units have been clearly designated as such in the Framework Letter. A number of additional budgets had been granted in recent years, usually on the condition that they would eventually become part of the rates. These budgets have now been converted centrally and simultaneously from additional budgets to part of the rates charged by the service units. Wherever such budgets are released by the service units due to the above-mentioned conversion, these are added to the Allocation Model and hence made available to the faculties.

The changes will be discussed further with the units involved and the technicalities will be explained in detail to the faculties.

The Accommodations Plan has been updated, as a result of which the real-estate result has changed compared to the previous budget. This is further explained in section 2.4.2.

<i>Actualisatie inzet middelen</i>	2020	2021	2022	2023
<u>Interne dienstverlening</u>	<u>-1,9</u>	<u>-0,9</u>	<u>4,4</u>	<u>5,8</u>
Mutaties in tarieven voor interne dienstverlening	-3,5	-3,5	-3,5	-3,5
Budgetten diensten verwerkt in tarieven	0,8	0,8	0,8	0,8
Actualisatie HvP	1,7	1,7	7,0	8,5
Evaluatie SLA cyclus	-1,0	0,0	0,0	0,0

Table 11: Update of use of funds - Internal service provision

Unit results

At the end of February, all units were asked about their expected result for 2020 and beyond based on recent insights³, as compared to the previous budget. This inventory revealed that the faculties jointly expect a lower result in 2020 (from €4.6 million to €4.1 million), the joint service units also expect a lower result (from €0.5 million to -€0.1 million), and the central units (the Board, executive staff and IT portfolio) do not expect any changes in the result.

<i>Actualisatie inzet middelen</i>	2020	2021	2022	2023
<u>Resultaten eenheden</u>	<u>-1,0</u>	<u>1,6</u>	<u>2,5</u>	<u>4,7</u>
Faculteiten	-0,4	2,5	3,2	5,4
Diensten	-0,6	-0,9	-0,7	-0,7
Centraal	0,0	0,0	0,0	0,0

Table 12: Update of use of funds - Unit results

2.2.3 New policy initiatives

Faculties and institutes

Faculties and staff have indicated that they wish to implement a number of new policy initiatives that might be eligible for additional funding. In addition, the Joint Meeting of the CSR and the COR has provided a number of policy priorities as input for the Framework Letter.

<i>Aanvragen nieuwe beleidsinitiatieven</i>	2020	2021	2022	2023
<u>Faculteiten en instituten</u>	<u>-1,1</u>	<u>-1,3</u>	<u>-1,3</u>	<u>-1,5</u>
Interdisciplinair onderwijs - HST	-0,5	-0,5	-0,5	-0,5
Interdisciplinair onderwijs - Overig	-0,3	-0,3	-0,3	-0,3
Humanities in Context	-0,3	-0,3	-0,3	-0,3
Tweejarige educatieve masters	0,0	-0,2	-0,3	-0,4
Extra inzet IAS	-0,1	-0,1	-0,1	-0,1
Lab REC	pm	pm	pm	pm
Carrièremodel WP AUC	pm	pm	pm	pm

Table 13: Request for new policy initiatives - Faculties and institutes

The 2019 budget provided an extra impetus to interdisciplinary efforts in the field of research by allocating funds for university professors, researchers working

³ New policy initiatives or funding updates have not been taken into consideration in terms of their additional effect on the results issued.

under the Interdisciplinary Doctorate Agreement (IDA) and Digital Society postdoctoral researchers. Additional budgetary scope has also been requested for interdisciplinary and interfaculty educational initiatives. The above table shows that the Framework Letter has sought to create more scope for this.

Humans, Society and Technology (HST) refers to a plan being developed by the FMG for introducing a new interdisciplinary and interfaculty Bachelor's degree programme. On 1 September 2020, the FMG, FNWI and Faculty of Humanities (FGw) aim to launch a new interdisciplinary Bachelor's programme, which will deal with the interface between digital information technology and society. The objective of this Bachelor's programme is to train future academics so that they can use their combined technological, societal, political and ethical knowledge, insights and skills to guide and give shape to the development of robust and socially responsible technological innovations. However, setting up a new interdisciplinary Bachelor's programme requires a major investment, with both the UvA and the faculties involved bearing part of the financial burden. In addition, an amount of €250,000 has been made available for other interdisciplinary and interfaculty educational initiatives.

For example, this includes initiatives such as the FGw's work on the Humanities in Context (HIC) programme. This programme is expected to take the field of humanities at the UvA to the next level, in terms of education, research and valorisation. Collaboration with other faculties and institutions in the city is an important part of this. The costs included under the policy initiatives - €0.3 million annually - are estimated costs for the launch of the programme. An estimation of the costs for the entire programme will be developed as part of the programme development process.

In the 2018-2019 academic year, the two-year Master's degree programme in Education was launched: this is a two-year teacher training programme that enables students to obtain a teaching qualification for secondary education immediately after obtaining a Bachelor's degree. These students follow a combination of subject-specific, pedagogical and didactic courses and perform internships. This new programme has led to intensive collaboration between the faculties involved: the FGW, FMG and FNWI. There is also a growing commitment to the teacher training programmes at the University-level. The UvA vision for teacher training programmes to be formulated this year is expected to strengthen these positive developments. With the introduction of the two-year Master's degree programme in Education, the external and internal funding for the second qualification will be discontinued. The Executive Board has decided to compensate for the missed funding for the second qualification through the Master's degree programme in Education, and to additionally grant an additional financial policy incentive to promote this Master's degree programme. This additional investment in the programme is seen as an important incentive for the parties involved, in order to ensure that the two-year Master's degree programme in Education is a success. The UvA also receives compensation for the discontinued external funding. However, this compensation is lower than the actual loss of income.

In addition, there are a number of smaller requests such as:

- Increase in the budget for the Institute for Advanced Study (IAS) in order to continue the current level of activities
- Preparations for transforming the FMG laboratory into an expanded research facility for the entire Roeterseiland Campus

- An investment in the career model of academic staff at the AUC for capacity development alongside education

Units, staff and policy

An inventory has been compiled of all policy-related and other initiatives coming from the service units and central units. Once again, there are external developments that require a UvA-wide response, which in turn creates the need for new staff and policy expenditure. Policy expenditure mainly includes support for IT development and Open Science. New developments such as the teaching and learning centres and the GDPR imply new expenditure from the staff organisation. In addition, an organisation-wide survey has been carried out. Based on this, a complete list of all the ambitions have been included in the table below.

In 2018, a three-year budget was provided for diversity issues, with the agreement that this would be evaluated after those three years. In anticipation of this evaluation and in view of the importance that the UvA attaches to diversity issues, this budget has also been included in this Framework Letter after 2020.

With the developments in recent years, the distinction between expenditures via staff and expenditures via policy (theme-based budgets) has come under pressure and has become less clear. The list of policy or theme-based budgets reflects the various insights gained over the past 10 years.

For a number of items, this Framework Letter clarifies the division of policy budgets based on the Allocation Model and based on the theme-based budgets (policy budgets via the Board). The theme-based budgets only include UvA-wide policy investments that cannot be allocated to one or a few units. Budgets that do not meet this requirement are transferred to the central policy budgets in the Allocation Model. In addition, a number of items that actually fall under the services provided by the UvA service units are funded from the management budget. These are shown separately in the Framework Letter under the management budget, with the aim of including this in SLA cycle for 2021 (also see above with regard to the SLA). As a result, the entire management budget may be used for UvA-wide policy themes, where the Board and executive staff are free to decide how this will be done. The percentage for the management budget has been revised with this purpose in mind, see section 5.6. Any other desirable developments are discussed under 'Control measures'.

<i>Aanvragen nieuwe beleidsinitiatieven</i>	2020	2021	2022	2023
<u>Diensten, staf en beleid</u>	-6,6	-9,4	-6,1	-4,8
<i>IT investeringen</i>				
Kwaliteitsslag ontwikkelingen ICTS	-0,5	-0,5	0,0	0,0
Werkwijze ICTS	-0,5	0,0	0,0	0,0
IT agenda / projecten	-1,0	-2,0	-2,5	-2,5
ICT projectenportfolio	-0,7	-1,8	0,5	0,8
<i>Strategische investeringen</i>				
Open Science	-0,5	-2,5	-2,0	-1,0
<i>Overige initiatieven, uitbreidingen of voortzetting</i>				
Werkdruk	-0,5	-0,5	0,0	0,0
TLC	-0,5	-0,5	-0,5	-0,5
AVG	-0,5	-0,5	-0,5	-0,5
Terugdringen m2 boekendepot	-0,3	-0,3	-0,3	-0,3
Vervolg HR Agenda	-0,4	0,0	0,0	0,0
Sciencepark	-0,3	-0,3	-0,3	-0,3
Doelgroepen en arbeidsjuridische inzet	-0,2	-0,2	-0,2	-0,2
Duurzaamheidsplan	pm	pm	pm	pm
Implementatie Taalbeleid	-0,1	0,0	0,0	0,0
Student Engagement	-0,1	0,0	0,0	0,0
Leven Lang Leren	-0,1	0,0	0,0	0,0
Duurzame inzetbaarheid	pm	pm	pm	pm
Projecten B&B	-0,1	0,0	0,0	0,0
Medewerkersmonitor	-0,1	-0,1	-0,1	-0,1
Mentale gezondheid studenten / medewerker	pm	pm	pm	pm
Stichting Topsport	-0,1	-0,1	-0,1	-0,1
Blended Learning; Virtual Exchange	0,0	0,0	0,0	0,0
Universiteit van Nederland	0,0	0,0	0,0	0,0
Folia	0,0	0,0	0,0	0,0

Table 14: Request for new policy initiatives - Units, staff and policy

2.2.4 Control measures

From the above paragraphs and tables it appears that, after update of the available funds and use of the funds, the result for the UvA in 2020 would be -€17.7 million + PM items. The UvA strives for, at least, a zero result. Overall, its ambitions exceed the amount of funds at its disposal. As a result, it must look for ways to combine ambitions and set priorities. Experience shows that the UvA usually does not actually incur all the planned costs and that we are conservative in estimating income. However, the estimates will need to be refined further with respect to the Framework Letter and the budget and certain choices will have to be made.

Resultaat na actualisaties en beleidsinitiatieven	-17,7	-18,3	-12,6	-10,1
<i>Beheersmaatregelen</i>				
<u>Beheersmaatregelen</u>	<u>17,7</u>	<u>18,3</u>	<u>12,6</u>	<u>10,1</u>
Resultaat eenheden 2020 minimaal gelijk begroting 2019	0,7	0,0	0,0	0,0
Tarieven SLA opvangen binnen begrotingen	3,0	3,0	3,5	3,5
Matchingsdruk opvangen binnen begroting	4,3	7,5	7,5	8,0
Voorinvesteringen ICT beschikbaar stellen voor IT budgetten	5,0	0,0	0,0	0,0
IT ontwikkeling samenvoegen en maximaliseren	0,2	1,6	-0,7	-1,0
Deel centrale initiatieven binnen budgetten opvangen	1,7	1,8	1,2	-0,9
Vrijval (aangevraagde) budgetten diensten	0,5	0,0	0,0	0,0
Inzet vanuit facultaire reserves deels vrijvallen/verschuiven	0,5	1,5	0,5	-0,5
Inzet vanuit universitaire reserves deels vrijvallen	1,8	2,9	0,5	1,1
<i>Subtotaal</i>	<i>17,7</i>	<i>18,3</i>	<i>12,6</i>	<i>10,1</i>
Resultaat begroting 2020	0,0	0,0	0,0	0,1

Table 15: Control measures

One of the most important choices is to partly accommodate the SLA rate increases within the unit budgets and to remain within the framework of the issued 2019-2022 budget in 2020. Within the UvA Governance Model, the units have the freedom to make the relevant choices. This is because they have the 'local' information to make the right choices. Discussions will be held with the units in the coming period about the possibilities of accommodating these rising internal service provision costs within the respective unit budgets. At present, no additional budgetary scope is available for increasing matching budgets. Faculties are requested to find a solution for the additional matching pressure within their own budgets.

Based on the proposed new initiatives, an investment of €2.7 million is required for IT developments. In the previous budget, an amount of €5.0 million had been estimated for 2020 for IT investments. The inventory shows there is a need for permanent financing via budgets and that one-off investments are often not the desired solution. As a result, the €5.0 million reserved as a control measure in the 2019 budget for 2020 will become available. Instead of a one-off amount, it has now been decided to provide for an annual budget of approximately €6.0 million for IT development. Section 2.4.2 discusses the funds available for IT developments.

The policy and organisational requirements for the coming years have been formulated by the faculties, service units and mostly by or via the executive staff. This once again reveals the numerous ambitions for the UvA, but on the other hand, it also makes clear how much pressure this is putting on the institution. In line with the request made to all the units to look for solutions within the existing frameworks, the executive staff unit has also been requested to first try to find solutions for the new expenditures within the existing frameworks. In addition, for other current issues and dossiers, we will also look at how these can be incorporated into the budget of the executive staff and / or the theme budgets. The executive staff will be asked to make a proposal. A proposal for a long-term development of the funds required for a proper UvA staff organisation has also been requested. This includes a proposal for how the theme-based budgets can be

used to support UvA policy. The initial preparatory steps for this have already been mentioned above.

In section 2.4.1, the current policy budgets are included via the management budget, and section 5.6 explains the long-term percentages for policy and executive staff.

The initiatives submitted by the service units and the budgets available for the service units within the 2019 budget have been provisionally merged into a single available budget for the service units. More detailed plans will have to be drawn up for this in the coming period.

In view of the policy initiatives already included as part of the control measures, the scope for utilising the faculty and University reserves, as compared to the 2019 budget, have been either adjusted for some of the years or shifted over the years in order to achieve a zero result.

2.3 Financial principles and frameworks

Application of the Allocation Model

The new Allocation Model was applied for the first time in the 2019 budget. This Model supports the University strategy as set out in the Strategic Plan:

- The UvA is a broad-based university
- Teaching and research at the UvA are closely intertwined
- There are ample opportunities at the UvA for innovation and quality improvements
- The UvA allows faculties a large degree freedom in determining their policies

The Allocation Model is explained in detail in the document entitled ‘Description of the UvA Allocation Model’ (*Beschrijving UvA allocatiemodel*, which can be found on the UvA website⁴). An infographic is available for understanding how the Model works. This infographic can also be consulted on the UvA website.

There has been a change in the policy regarding Research Priority Areas (RPA), as compared to the existing Allocation Model. With the adoption of the new RPA policy, it has been decided to use central RPA funding only for interfaculty initiatives. Hence, the faculty RPAs will be withdrawn (the ‘RPA label’ will be removed). The budgets for the faculty RPAs within the ‘policy budget for research’ have been shifted from the RPAs to a lump-sum amount within the ‘central policy reserves’. The budget for the relevant faculties is allocated from these central policy reserves. By adding the funds for the faculty RPAs to the faculty budgets through the central policy reserves, the faculty may, if desired, decide to continue supporting the old faculty RPAs with funds.

With respect to the matching budget in the Allocation Model, an adjustment will be made to the matching definition. In contrast to the previous model, the current Allocation Model looks beyond the NWO and the EU for the matching of research grants. Contract research funding is also taken into account when calculating the matching budget. Since the adoption of this method, new types of funding have

⁴<http://www.uva.nl/over-de-uva/over-de-universiteit/beleidsstukken/financien/allocatiemodel/allocatiemodel.html>

developed that are quite similar to direct funding, such as the Sector Plans and new Gravitation programme funding. Also, due to the Comenius scholarships and joint initiatives with other non-public parties, the matching definition no longer satisfied its purpose. By including these funds when calculating the matching budgets, the capacity to acquire these funds and the additional matching need is taken into account.

The faculty budgets are made up of the various budget components of the education and research budgets in the Allocation Model. Chapter 4.6 contains a detailed description of the faculty budgets, in order to bring out the composition of the faculty budgets. Appendix 2 outlines the long-term development of the budgets per faculty.

In 2020, an additional budget of €0.5 million has been included to offset any bottlenecks that could arise due to the introduction of the new Allocation Model. No further bottlenecks are expected to be present after 2020.

The funding of the AUC and ACTA in the 2020 Framework Letter takes place in accordance with the existing agreements with Vrije Universiteit Amsterdam (VU). Based on the process for preparing the 2019 budget, both the Boards concluded, at the end of 2018, that the developments related to the government grant make it necessary to evaluate the agreements as far as these concern both the AUC and ACTA. The different ways in which the institutions are dealing with a number of components of the government grant lead to a certain degree of uncertainty for the AUC, and both Executive Boards feel that this is undesirable. A process has already been initiated to decide, based on an assessment of the current system, whether a possible adjustment should be made regarding the implementation of the mutual agreements between the VU and the UvA. The aim is to arrive at a proposal which explicitly takes into account the interests of both the AUC and ACTA. This should create more clarity for the 2020 budget.

Price stability in the Allocation Model

The UvA strives to achieve stable prices in the Allocation Model, so that the faculties know what they can count on in the future. The objective is to be in line with the long-term trend expected in relation to the government grant. The development of the new Allocation Model is informed by this objective, which is regarded as one of its basic principles.

At this stage, there are still a number of uncertainties regarding the forecasts related to the government grant and those for internally funded performance. The Framework Letter takes into account an expected 1% cost-of-living adjustment by the Ministry. This has been translated into a 1% increase in prices in the Allocation Model. When the draft budget is being drawn up, more information about the government grant will be available, while the faculties will have adjusted the forecasts based on the information available by then. The possibility of increasing the prices, as indicated in the Framework Letter, will be assessed once more at that time. The final budget will establish the final prices for 2020 and the long-term prices for the long-term budget. In the section on CLA developments and wage-price estimates, the developments relating to the CLA, possible adjustment of the government grant and possibilities of increasing the prices based on the cost-of-living adjustment are discussed in more detail.

Decentralised control

Through the Allocation Model, a maximum possible part of the direct funding is made available to the faculties. At the same time, all costs will be charged to the

faculties. As a result, academics need to make a considered assessment of what the funds should be spent on.

Control of indirect costs

The UvA's policy is to ensure that the funds are used as much as possible for education, research and valorisation. The UvA has a process cycle within which the faculties and service units discuss and align the scope and quality of the internal service provision. This alignment has shown that the system of charging costs and the related process must be evaluated in order to ensure that the internal service provision remains as efficient and effective as possible.

The basic principles for the new processes have been determined in consultation with the operational management directors of the faculties and the service unit directors. The new processes are currently being developed. They will be implemented from 2021 onwards. For 2020, a 'practice session' will be organised in June to try out the new working method or elements thereof with all parties involved. Therefore, the benefits of the new working method can be enjoyed even before 2020. The results of this will be incorporated into the budget.

Developments with respect to the CLA and personnel policy

The Collective Labour Agreement for Dutch Universities (CAO-NU) for the 1 July 2017 to 31 December 2019 period contains new agreements which focus mainly on development and mobility.

At this point it is still difficult to estimate the effect of these agreements on wage costs for 2020. We will include the indexation of wage costs in the technical instructions accompanying the budget. If, at the time of drafting these instructions, there are still too many uncertainties, an indexation of 1% will be applied, which is equal to the estimated cost-of-living adjustment.

Wage and price estimates and cost-of-living adjustment

At the time of drafting the Framework Letter, as far as the income and costs are concerned, there is no clarity as yet regarding the wage and price trend in 2020 or the cost-of-living adjustment. Costs are expected to rise in the next few years, for example, in relation to personnel as well as investments. This will be fully or partially compensated for by additional cost-of-living adjustments in the government grant and must be taken into account in other income streams. The exact amount or timing of these increases cannot be estimated at present, hence an assumption has been made of a 1% cost-of-living adjustment by the Ministry. The possible adjustment of the income and charges will, where applicable, be incorporated simultaneously into the draft or final budget.

Based on UvA policy, cost increases as a result of general inflation, rising wage costs and other premiums must be defrayed by units themselves. At the same time, the principle is that additional cost-of-living adjustments in the government grant will be made available to the faculties through a proportional adjustment of the prices in the Allocation Model. For the faculties, the prices in the Allocation Model are defined in the Framework Letter. When drawing up the budget, it is assessed whether the price level in the Framework Letter will be maintained or whether it needs to be adjusted based on the latest wage and price trend insights.

For the service units, the increases must be such that they can be accommodated within the existing rates. Efficiency and volume effects may create some budgetary scope for the service units to accommodate part or all of the cost

increases within the budget. If this is not possible, it will be assessed when preparing the budget whether a budget of €400,000 can be reserved for any wage and price-related problems faced by the service units.

Transparency and quality of the budget

The UvA attaches importance to financial transparency and will continue to make efforts in this regard, for example, through the use of UvAdata and infographics, by publishing and sharing P&C documents and improving control processes at all levels.

For the UvA, there was only a small difference between the budgeted and the actual grant received in 2018. In 2019, based on the budget and in line with sectoral agreements, this aspect will also be focused on more actively. The UvA strives to prepare a long-term budget that is closely aligned with the actual grant received, so that the funds can be used as effectively and to the maximum extent possible for the purposes of education, research and valorisation.

At the time of drafting of the Framework Letter and budget, there are still some uncertainties regarding the government grant to be received. The government grant is estimated based on the information available at this time and an estimate of the expected changes. Based on information from the Ministry and the VSNU and in consultation with other universities, it has been attempted to include the expected changes in the Framework Letter as accurately as possible. It is possible that the actual government grant might be lower than expected, but the financial position of the UvA is such that this will not immediately lead to any problems. Chapter 4 contains details regarding the expected government grant and further explanation.

Deviations that occur between the actual grant received and the budgets allocated to the faculties and service units may be due to various reasons. This does not only occur at faculty/service unit level, but also at the level of the institutes and departments. Prior to drafting the Framework Letter and budget, discussions are carried out with the units in order to limit the uncertainties in the unit budget as much as possible.

Moreover, it turns out to be difficult to make use of the earmarked funds immediately and to their fullest extent. The UvA passes on the funds as far as possible and thereby makes the units responsible for spending the funds. Processes to facilitate the use of the funds may lead to more delay in spending than estimated because, for example, project organisations need to be set up, plans need to be developed and, in many cases, further internal coordination is needed. To encourage the process of decision-making and facilitate the spending of the funds within the units, the size of the earmarked funds and the conditions for using them are clearly indicated as early as possible when drafting the 2020 budget, so that the units become aware of the availability of additional funds and can therefore respond more quickly than in previous years.

Improving the price-quality ratio of accommodation

The strategy outlined in the Accommodations Plan aims at developing the campus by providing for high-quality facilities for education and research at affordable cost. This requires a proactive, future-oriented attitude.

For the faculties, it remains crucial that they properly manage the amount of space used by them and align the costs with the financial capacity of the faculty. The increase in student numbers and success achieved in research projects leads to an intensified use of the education and research facilities on campus. In such

situations, this requires a deeper insight into the spatial needs and the associated accommodation costs. At the Amsterdam Science Park (ASP), partly in light of the AI initiative and in cooperation with the faculty, a medium-term and long-term spatial needs forecast has been prepared. This clearly reveals the type of decisions that need to be made with regard to the portfolio and that a substantial additional investment will be required in the coming years in order to cater to the demand. In case of the Roeterseiland Campus (REC), proper insight into the costs of space utilisation will help provide input for further improving the utilisation of buildings, to adequately accommodate the growth in the number of employees and expansion of educational activities. Insight into the evolution of the spatial needs at Roeterseiland Campus provides a basis for the strategic assessment of the use of the REC P and REC JK buildings. During the planning phase for the University Quarter, such insights offer an opportunity to draw up, together with the user, a programme of requirements which is in line with the development of the faculty in the coming years and the desired campus services. In case of joint initiatives, it is also important to take into account the fact that partners want to have an insight into costs that are lower than the portfolio rate.

Compared to the 2019 Accommodations Plan, the investment programme will be expanded with €166 million. The main reasons for this are: the additional space (in m²) required to accommodate the growth of education and research (€64.2 million), the desire to invest in sustainability (€27.6 million) and price adjustments (€22.4 million). Due to the complexity of the construction works at the University Quarter, the risk estimate has also been raised (€35.2 million). Quality-related choices result in an additional investment requirement of €16.5 million.

From the perspective of the Accommodations Plan, investments made for expanding the premises with 20,200 m² by hiring them out have resulted in more income for the Plan. With respect to sustainability, the basic assumption is that these investments will be largely recovered through lower energy costs. Higher costs due to price increases, risk assessment and quality improvements can be accommodated by deferring investments. This further reduces interest charges and leads to delayed depreciations. A combination of these measures will make it possible to cover the costs for these expansions. This underlines the importance of ensuring that accommodation investments remain manageable and focused on the needs of the primary process. In cooperation with all the parties involved, planning & control and risk management processes will be further developed. The campus organisation will also be further developed with the faculties.

The investment estimates in the Accommodations Plan are based on the price levels as on 1 January 2019, with a model-based assumption for the increase in construction costs due to inflation. In total, this results in an additional €21.1 million for price and market risks, which can be broken down as follows:

- €10.5 million for earlier price evolution (from 2018 to 2019)
- €6.4 million for price increases towards the end of works according to the model-based estimate of the Accommodations Plan (because more investments have been included in the Accommodations Plan)
- €4.2 million for market risks

The newly constructed ASP 942 is expected to become operational in 2022. Due to the current shortage of space faced by the faculty, temporary accommodation has been arranged for AI. In the long-term budget for 2019, additional rental costs

were taken into account for a number of years, but it seems cheaper to invest directly in a temporary building which, after the relocation of the Innovation Center for Artificial Intelligence (ICAI) to the new building, can also be used by other groups within the faculty.

At the ASP, it is a challenge to ensure sufficient flexibility in the real estate portfolio to properly accommodate developments in the faculty's spatial needs. That is why the Accommodations Plan takes into account an expansion of the programme with an investment in ASP 107. Decisions on this matter are expected to be reached in the coming years.

Exploratory studies related to the strategic FNWI theme 'Green' show that there is a chance of further growth and cooperation with various partners. This could mean that the relevant FNWI groups will need more space, in the form of both offices and labs/greenhouses. PM items have been included for this in the Accommodations Plan table.

Due to the intended location of ASP 942, i.e. right next to and partly replacing the bicycle parking facility of the faculty, efforts are being made to find a permanent solution, possibly a built structure, for parking bicycles at the faculty. The aim is to combine a number of functions, so that it becomes a high-quality addition to the ASP. A PM item has been included for this in the investment table.

During the project design for the construction of a flexible building for education at Roeterseiland Campus, it was found that an additional investment of €3.5 million is required, due to the additional surface area required and the desired higher level of quality. For REC P, based on initial exploratory studies, an estimated investment of €5 million has been included for renovation works, so that the building can be used again to its full capacity for the next 5 to 10 years. Further investigation shows that, with an additional investment of €9.1 million, it will be possible to expand the building and make it more sustainable. In this way, the useful life of the building can be extended to 30 years. The REC JK is also part of the investment plan. In the coming years, together with the faculties, we will continue to explore whether or not these investments are actually required based on the evolution of the spatial needs of the campus. Decisions regarding the JK will follow in the coming years.

At the University Quarter, renovation of the University Library was started in 2018. After the first phase of demolition and asbestos decontamination, contractors have been hired for the second phase, which involves the repair of the foundation, further expansion and basement construction. Due to the complexity of the location and quality of the building, there is a need to adjust the approach. As a result, an additional investment of €10.3 million will be required for the project and the works will take a year longer.

Compared to the 2019 Accommodations Plan, the programme under the Strategic Masterplan UK will lead to an expansion of the renovated premises, which will in turn require an additional investment of €7.9 million. This includes the addition of Gasthuiskerk to the University Quarter and an expansion (in m²) of the University Theatre. The investment programme for sustainability is estimated at €14.1 million and the risk estimate for the University Quarter in the 2019 Accommodations Plan of €7 million has been increased by €4.9 million. As a result of new quality requirements, an additional investment of €6.7 million has been included. This is mainly for the Humanities Lab programme and for accommodating executive staff

in the BOS Cluster. The 2019 Accommodations Plan did not include any estimated investments for this programme.

The increase in surface area (in m²) through the addition of Gasthuiskerk and addition of an extra floor in the University Theatre are important programme additions for the campus. However, the proposed programme for Oudemanhuispoort and the BG5 results in a decrease in the number of rentable square metres, due to which the total number of square metres in the portfolio at the University Quarter will decrease. From a business economics point of view, this is highly undesirable, and it is advisable to improve this situation while developing the University Quarter further. There seem to be sufficient opportunities to increase the number of square metres in other locations within the boundaries of the campus. This will be further investigated and included in the decision-making process relating to the Master Plan.

The 2019 Accommodations Plan included an additional investment scope of €1.5 million for the expansion of study areas. At Roeterseiland Campus, we are trying to identify measures that can be taken to increase the number of study areas to one for every seven students as well as create additional places. Possible short-term expansion opportunities at the ASP are also being investigated. The aim is to implement the necessary measures this year, or at least to set them in motion, in order to ensure an adequate offer at all the campuses.

The relocation of the service units is expected to take place in mid-2021, which falls within this planning period. Together with the Amsterdam University of Applied Sciences (AUAS), we are examining subsequent accommodation options suitable for the service units. Depending on the price-quality ratio of the new location, the necessary investments will have to be made. For this, the investment table includes an amount of €8.3 million, assuming lease by the UvA for both institutions. The basis for this is that the costs will be shared between the institutions.

Current market developments and government policy on sustainability represent a financial risk in terms of additional investments required. Market developments also make it necessary to incorporate additional risk assurance into the contracting stage. This is included in the risk report for campus development.

The upcoming investment planning will lead to a high investment cash-out in the coming years. In view of our intention of not attracting any new liquidities (i.e. not contracting any new loans), the available amount of cash is limited. However, the complexities involved in preparing and implementing projects also impose limits on the UvA's capacity to implement multiple large projects in the same period. Just as in the case of the budget as a whole, sometimes there is a degree of planning optimism involved. An indicative planning adjustment is already included in the table. During the process of drafting the budget for 2020 and beyond, all the units involved will be consulted in the coming period in order to arrive at a more realistic project planning. In this way, the approach followed for the 2019 budget will be extended to the projects.

In the run-up to the update of the 2020 Accommodations Plan, discussions have been initiated with the units. By gaining more insight into the developments at the faculties, a shared picture emerges of the potential evolution in spatial needs in the coming years at the respective campuses as well as the current uncertainties. At the same time, preparations will continue for developing the renovation projects at the University Quarter and Roeterseiland Campus, so that more insight can be

obtained into the quality of the buildings and a better assessment can be made of the necessary adjustments for the future use of the buildings. Overall, this should lead to a more complete project definition and greater certainty in the project estimates and feasibility of the implementation plan.

The buildings are maintained based on a long-term maintenance plan. The deferment of investments means that a number of buildings will remain in use for a longer period than initially taken into account in the long-term maintenance plan. In preparation for the 2020 budget, it will be considered whether extra maintenance is involved and whether or how this can be integrated into the maintenance framework. A separate long-term plan has been drawn up for changes to be made in the context of legislation, regulations and accessibility. The units also have the option of submitting, possibly through the service units, a request for adjustments and renovations necessary for education and research, in the form of a Functional Adjustment (FA). Starting from 2018 and continuing for a number of years, the FA budget includes additional budgetary scope for building modifications in the context of educational innovation.

The Accommodations Plan takes into account reinvestments made after the end of the depreciation period. Calculation models have taken into account 30% of the original investment. The first reinvestments are expected to take place during the planning period of this long-term budget. In the planning period of the long-term budget, there is scope for reinvestment in the University Quarter. Together with the units involved, it will be assessed whether there is a specific need for reinvestment; otherwise the investments will be deferred. The initial reinvestments for the Roeterseiland Campus fall just outside the planning period of this long-term budget. The growth of the Faculty of Economics and Business (FEB) in particular and the desire to keep the Amsterdam Business School (ABS) in one building will probably lead to the need for an earlier reinvestment in the REC M building. It will be decided, in consultation with the FEB and other units involved, how to best meet FEB's expansion needs. As a precaution, the investment table takes into consideration a reinvestment for REC M, along with a PM item.

See Appendix 3 for the Accommodations Plan investment table.

Solvency II between 38% and 44%

Internal thresholds will be used to better monitor the solvency situation and make it possible to reach some form of agreement on the evolution of the figures. The use of thresholds for education has been introduced by the Dutch Inspectorate of Education. If a threshold is exceeded, the Inspectorate sees this as an indication that an institution is facing a financial risk, in terms of continuity or otherwise. The Solvency II threshold, as defined by the Inspectorate, is 30%.

For the internal limits, it is not about continuity risk (which is safeguarded against in another manner), but the question of whether there may be a suboptimal societal use of capital. The reference framework for this is the internal treasury policy and the treasury plan. In view of the societal nature of the organisation, both a lower limit and upper limit have been defined for the internal threshold. This means that there is a range within which the solvency can evolve during the planning period. The internal threshold values for Solvency II are based on a lower limit of 38% and an upper limit of 44%.

Long-term financial zero result for the entire UvA

The UvA strives to achieve, at a minimum, a zero result for the university as a whole. Funds may be temporarily committed for specific goals, such as in the case

of earmarked reserves, but there must be at least a zero result in the long-term period.

The threshold for profitability, as defined by the Inspectorate, states that the profitability must not be:

- Negative for three consecutive years
- Greater than minus 5% annually for two years
- Greater than minus 10% in a year

DSCR > 1.5

The Debt Service Coverage Ratio (DSCR) is a measure of the amount of cash the UvA has at its disposal to pay interests and loan instalments. A sufficient cash flow must be available annually so that these amounts can be paid.

Liquidity indicator > 0.5

The threshold for the liquidity indicator, as defined by the Inspectorate, states that it must never be lower than 0.5.

Accommodation costs passed on internally <12%

The basic rent charged internally (from the proceeds of which the real estate administration funds the interest, depreciation, maintenance and ownership costs) to faculties and service units may never amount to more than 12% of the UvA's turnover.

Reserves

Within a few years, the budget may evolve in such a way that it will no longer be possible to immediately bring the costs in line with income. In that case, the reserves will be used to bridge the gap. Hence, the policy on reserves is closely related to the allocation issue. Faculties must maintain a minimum buffer capital. In accordance with the Financial Management Regulations, the standard for the decentralised faculty reserve position is 10% of the annual income of the unit. In times of need, they should be able to use this buffer capital. This is elaborated in greater detail in the UvA Policy on Reserves Memorandum. The Framework Letter indicates the scope available to the faculties to make use of the reserves. If the reserve position falls below the standard of 10%, the unit must indicate in its long-term budget how the required reserve position will be achieved. The UvA Policy on Reserves Memorandum further explains the UvA's policy regarding reserves. The designated reserves and funds may only be used if this is approved in the budget.

2.4 Investments

Investments in education, research and valorisation are essential for implementing the UvA's strategy. The UvA is a broad-based university offering research-intensive education, where innovative and interdisciplinary research is carried out. The UvA is innovative and has strong ties with society. At the UvA, there is ample scope for innovation and improvement in quality. The UvA allows faculties a great degree of freedom in determining their policies, in order to facilitate the achievement of strategic educational objectives. In addition to the policy freedom at the faculty level, there is a need to create room for UvA-wide policy initiatives. In essence, this refers to areas in which a joint investment is necessary or a policy objective for allocating the funds differently.

Investments in education, research and valorisation can be made in various ways. This is elaborated in greater detail in the following four sections:

- Policy investments
- IT investments
- Real estate investments
- Other investments

2.4.1 Policy investments

In 2020, the UvA will invest €123.2 million in various policy themes through:

- Decentralised policy budgets allocated to faculties via the Allocation Model
- Central policy budgets allocated to faculties via the Allocation Model
- Theme-based budgets via the management budget

The table below displays the policy investments made via the Allocation Model and theme-based budgets. It is also indicated whether the funds have already been used or reserved.

Beleidsinvesteringen	2019	2020	2021	2022	2023
<i>Ingezette middelen via allocatiemodel</i>					
Decentraal beleid onderwijs	19.270	19.463	19.463	19.463	19.463
Decentraal beleid onderzoek	24.306	24.549	24.549	24.549	24.549
Centraal beleid Onderwijs*	10.226	12.928	12.699	10.534	10.262
Centraal beleid Onderzoek*	12.244	12.402	12.288	12.048	12.048
RPA's	1.402	4.002	4.002	4.002	4.002
Doorgegeven rijksbijdrage ow en oz	13.271	23.657	28.129	30.407	31.529
Beleidsbudgetten diensten	822	1.497	872	872	872
<i>Subtotaal</i>	<i>81.541</i>	<i>98.497</i>	<i>102.002</i>	<i>101.875</i>	<i>102.725</i>
<i>Ingezette themabudgetten</i>					
Internationalisering	865	865	865	865	865
Personeel & Medezeggenschap	4.540	4.340	4.240	4.240	4.240
Beschikbaarheid informatie	245	245	245	245	245
Strategische communicatie	187	82	82	82	82
ICT (excl. ICT ontwikkeling)	-	448	448	448	448
ICT ontwikkeling	5.351	6.010	6.010	6.010	6.010
Universitaire faciliteiten	350	306	306	306	306
Valorisatie	50	-	-	-	-
Strategische investeringen	4.305	2.868	3.010	2.550	1.800
Overige	904	654	654	654	654
<i>Subtotaal</i>	<i>16.797</i>	<i>15.818</i>	<i>15.860</i>	<i>15.400</i>	<i>14.650</i>
<i>Gereserveerde middel via allocatiemodel</i>					
Kwaliteitsafspraken	6.337	-	-	-	-
RPA's	2.650	650	1.300	1.300	1.300
Aanvullende middelen schakeltrajecten	500	493	747	1.000	1.000
Interdisciplinair onderwijs	-	250	250	250	250
Initiatieven, knelpunten, plannen diensten	800	1.700	1.200	1.200	1.200
<i>Subtotaal</i>	<i>10.287</i>	<i>3.093</i>	<i>3.497</i>	<i>3.750</i>	<i>3.750</i>
<i>Gereserveerde themabudgetten</i>					
Werkdruk verlaging struct.	300	1.000	1.000	-	-
Open Science	-	500	2.500	2.000	1.000
Kwaliteitsafspraken	1.500	1.800	3.100	3.800	4.100
Campusontwikkeling	600	600	600	600	600
Ruimte voor strategische investeringen	-	900	-	-	2.100
Onvoorzien	1.000	1.000	1.000	1.000	1.000
<i>Subtotaal</i>	<i>3.400</i>	<i>5.800</i>	<i>8.200</i>	<i>7.400</i>	<i>8.800</i>
TO TAAL	112.025	123.209	129.558	128.425	129.925

* inclusief het vaste beleidsbudget FdT

Table 16: Policy investments through Allocation Model and Board

The policy budgets via the Allocation Model are further explained and specified in Chapter 4. The detailed table with policy-based investments is included in section 5.6.

Components such as quality agreements and RPAs are further explained below.

Quality agreements

The Coalition Agreement states that the funds becoming available as a result of the student loan will be linked to the quality agreements. These agreements are made at the institutional level. The plans and their implementation are independently assessed. The assessment is carried out in line with the process followed by the voluntary Institutional Quality Assurance Audit conducted by the NVAO.

After extensive consultation with the relevant representative advisory bodies, the UvA has decided to use the funds for the following themes:

- More intensive and small-scale education
- Further professionalization of lecturers
- Appropriate and high-quality educational facilities

In addition to the three aforementioned themes, the UvA has decided to set up the UvA Teaching and Learning Centres (TLC) with the funds for the quality agreements. The process of providing an additional, long-term impetus for the chosen themes has been further elaborated based on the quality agreements process of July 2018.

The UvA receives the funds for quality agreements via student-related funding in the government grant. In accordance with decisions taken, funds are allocated to the units based on the weighted number of credits. Compared to the 2019 Budget, the allocation has been updated based on the revised unit forecast for the number of credits in 2020 and beyond.

The share of the funds for ACTA and the AUC is directly passed on through the price per funding factor, in line with the funding system of ACTA and the AUC. See Chapter 2.3 for an explanation of the process agreements made with the VU for discussing these matters in detail.

The AUC receives a separate budget from the VU for quality agreements, which is why these funds are not included in the table below. The remaining part of the funds received by the UvA, after deduction of the UvA-wide commitment for the faculties FEB, FdR, FGw, FNWI, FMG and FdG, are allocated to these six faculties based on the weighted number of credits. This leads to the allocation shown below. This allocation will be adjusted annually, at the time of budget preparation, based on of the final number of credits.

Toekenning middelen UvA tbv kwaliteitsafspraken (x€ 1.000)	2019	2020	2021	2022	2023
FEB	822	1.014	1.679	2.087	2.186
FdR	524	599	1.030	1.316	1.397
FNWI	1.289	1.561	2.608	3.219	3.346
FGW	919	1.067	1.793	2.262	2.369
FMG	1.206	1.427	2.451	3.127	3.319
FdG	1.042	1.191	1.973	2.452	2.568
FdT	315	369	660	824	870
AUC	164	190	358	449	475
UvA-breed	1.500	1.800	3.100	3.800	4.100
TO TAAL	7.781	9.217	15.652	19.537	20.629

Table 17: Provisional allocation of funds for quality agreements

Research Priority Areas (RPA)

At the end of 2018, following an assessment of the priority areas, a modified policy on RPAs was adopted. The revised policy includes the use of new RPA funds for interfaculty initiatives. The university RPA policy will serve as an unambiguous control instrument for interfaculty research focused on innovation and will not be used for establishing priority areas. Under the revised policy, the implementation of the RPAs is further guaranteed through the strategy and organisation of the University.

The faculties have been requested to develop a faculty research strategy, the basis of which should be the new research vision to be formulated and which should highlight aspects such as focus, mass and innovation among the disciplines at the

faculty. This strategy focuses on the various ways in which research activities can be guided and managed: by developing and maintaining excellent priority areas, by scaling up promising new initiatives and in relation to how the faculty tries to make room for innovation, including the pursuit of independent research set up through the central RPA budget. The existing faculty RPAs will be withdrawn, i.e. the 'RPA label' will be removed. The funds allocated for the faculty RPAs will remain available for research within the faculty in question.

The budgets for the faculty RPAs within the 'policy budget for research' have been shifted from the RPAs to a lump-sum amount within the 'central policy reserves'. The budget for the relevant faculties is allocated from these central policy reserves. By adding the funds for the faculty RPAs to the faculty budgets through the central policy reserves, the faculty may, if desired, decide to continue supporting the old faculty RPAs with funds.

The table below displays the budgets that have shifted within the policy budget for research from the RPAs to the central policy reserves.

Facultaire RPA's		2019	2020	2021	2022
CREATE	FGW	429	429	429	429
The International Rule of Law én Private and Public European Law	FdR	334	334	334	334
Systems Biology	FNWI	334	334	334	334
GRAPPA	FNWI	328	328	328	328
Sustainable Chemistry	FNWI	429	429	429	429
QuSoft	FNWI	297	297	297	297
Communication-by-Action and Market Design	FEB	301	301	301	301
Complex human systems lab	FEB	297	297	297	297
Medical Integromics	FdG	429	429	429	429
Oral Infections and Inflammation	FdT	328	328	328	328
Oral Regenerative Medicine (Bioengineering)	FdT	329	329	329	329
UvA IAS	IAS	710	716	716	716
Verschuiving van RPA's naar beleidsruimte centraal		4.543	4.549	4.549	4.549

Table 18: Faculty RPAs

The current interfaculty RPAs will be continued in their existing form and will continue to be funded from central funds. A maximum period of five years is associated with these RPAs, with the possibility of extending the funding once more for a maximum period of five years. The effective date for this is 1 January 2019 (hence they are assured of funding for the period from 2019 to 2023). Moreover, the funding of the current interfaculty RPAs has been brought up to the same level as that for the new interfaculty RPAs that will start from 2019 onwards. In fact, for these RPAs, it has been decided that the funding will be allocated only temporarily.

It has previously been established that the budget available for RPAs in the coming years will increase to a total of €10 million. After removing the budget for the faculty RPAs, the remaining budget available for interfaculty RPAs is €5.5 million (€10 million minus €4.5 million for faculty RPAs). From 2022 onwards, the central funds for the faculty RPAs will be further decentralised in line with the Allocation Model. At the same time, the necessary budgetary scope will be sought for new RPAs. For 2020 and 2021, such scope is available for new RPAs in the 2019 budget; for 2022 and beyond, further budgetary scope will need to be created.

In line with the new Allocation Model, it has been agreed that €2.0 million, from the new budgetary scope of €2.65 million for RPAs in 2019, is intended for research on areas at the interface of science, medicine and the social sciences. This amount has been allocated to Urban Mental Health. Due to developments within the artificial intelligence research environment that could be of major importance to the UvA as a whole, an amount of €650,000 has been set aside in the 2019 budget for new cross-faculty initiatives that tie in with this UvA-wide strategic theme. This has been implemented through an allocation of funds (€300,000) to the RPA Human(e) AI as on 1 January 2019. In addition, funds (€300,000) from this new budgetary scope have also been allocated to the Amsterdam Centre for European Studies (ACES) as an RPA. The extra budgetary scope of €650,000 and €1.3 million for RPAs in 2020 and 2021, respectively, has not yet been linked to a specific strategic theme.

The table below shows the budget for RPAs in the coming years.

Research Priority Areas	Voor	2019	2020	2021	2022	2023
Brain & Cognition	FMG	772	772	772	772	772
Personalized Communication	FMG	301	301	301	301	301
Amsterdam Centre for European Studies	FMG	-	300	300	300	300
Global Health	FdG	329	329	329	329	329
Urban Mental Health	FNWI	-	2.000	2.000	2.000	2.000
Human(e) AI	Niet verd.	-	300	300	300	300
Beschikbaar 2019	Niet verd.	650	-	-	-	-
Beschikbaar RPA voor Bèta/Medisch/Gamma	Niet verd.	2.000	-	-	-	-
Beschikbaar nieuwe RPA	Niet verd.	-	650	1.300	1.300	1.300
Totaal		4.052	4.652	5.302	5.302	5.302

Table 19: RPAs

2.4.2 IT investments

Since 2011-2012, the UvA has set up an annual IT investment portfolio with an associated investment budget. The IT investment portfolio aims to contribute to the provision of innovative and modern IT services for research, education and support.

The annual budget is used to fund small and medium-sized projects in all areas of information provision. In 2020, we will take the first steps in moving from project funding to product or domain funding. Major investments are needed for a number of developments, but the annual budget offers insufficient scope for such investments. A theme-based budget for IT for Research has been allocated for 2020. The theme of ‘Working together in the cloud’ also requires a larger investment. Working in the cloud is not just a new technology but also one that challenges us to work together in a different and more efficient manner. For this, end users must have a good understanding of the possibilities of this technology and be able to adopt them in their daily work.

IT for Research focuses on creating a set of facilities (e.g. storage and computing capacity) and a virtual working environment for researchers that combines all facets of the research process (applications for data analysis, computing facilities, data management and storage) in the most natural manner possible. The UvA’s 2019 budget stated that a major additional investment in IT at universities would be required in the coming years in order to remain at the international forefront in an era of digitisation. No provisions have yet been included in the government grant for such large-scale IT investments. Budgetary scope has been reserved for this in the 2019 budget, making it possible for the UvA, in anticipation of the possible funding from the Ministry, to pre-invest €2.5 million in 2019 in IT, so

that it can continue to participate at an international level as a university while also remaining at the forefront of the next major wave of digitisation. A working group of the University Library and ICTS has started work on developing proposals, which has resulted in a set of partial proposals. Based on discussions in the University Research Committee, two more partial proposals have been added to this. As part of the decision-making process, recommendations have been made regarding the partial proposals.

Based on the proposed new initiatives, an investment of €2.7 million is required for IT developments. In the previous budget, an amount of €5.0 million had been made available for IT investments in 2020. The inventory shows that one-off investments are often not the desired solution, but that there is a need for more permanent, budget-based financing. Therefore, it has been decided to make an annual budget of approximately €6.0 million available for IT development (an increase of approximately €2.5 million compared to the 2019 budget). These funds will be disbursed through IT governance, while a different way of organising IT governance will be considered. In any case, a complete financial overview for the use of funds for projects in 2020 will be provided along with the draft budget, so that this can be included in discussions with the academic community and representative advisory bodies.

Long-term IT investment budget

The table below shows the budgets available for long-term IT investments.

ICT investeringen (ICTontwikkeling)	2019	2020	2021	2022	2023
<i>Ingezette middelen</i>					
Digitale Leeromgeving	1.966	-	-	-	-
IT voor onderzoek	325	325	325	325	-
Transitie werken in de cloud	500	1.400	2.300	-	-
Compensatie wijziging afschrijvingssystematie	200	125	125	125	125
<i>Subtotaal</i>	<i>2.991</i>	<i>1.850</i>	<i>2.750</i>	<i>450</i>	<i>125</i>
<i>Gereserveerde middelen</i>					
Jaarlijks budget	1.000	1.000	1.000	1.000	1.000
Uren ICTS	1.360	1.360	1.360	1.360	1.360
IT voorinvesteringen	2.500	-	-	-	-
IT agenda / projecten / kwaliteit	-	1.800	900	3.200	3.525
<i>Subtotaal</i>	<i>4.860</i>	<i>4.160</i>	<i>3.260</i>	<i>5.560</i>	<i>5.885</i>
TO TAAL	7.851	6.010	6.010	6.010	6.010

Table 20: Long-term IT investments

The costs for projects covered by units from their own budget, in particular for staff deployment, are estimated by the units themselves as part of the budget cycle.

2.4.3 Real estate investments and Accommodations Plan

The budgetary precondition for the Accommodations Plan is that, measured till 2035, this Plan must be implemented in a budget-neutral manner (including the costs of capital) within the framework of the current internal rental policy and with the designated reserve built up so far. An update of the Accommodations Plan will be added to the 2020 budget, which will incorporate the most recent insights. How exactly this is done will be further elaborated in a proposal.

The internal rental policy consists of the annual adjustment of the rent with, at most, inflation (CPI) and an additional increase of 3.5%, until a level of €225 per

m² (2008 price level) has been reached. Due to the combination of this increase in price due to inflation and the decrease in the number of square metres, the share of the basic accommodation costs of university funds remains within the range of 10-12% of the total costs. For the faculties, this income-to-rent ratio is, on average, approximately 6-7%. This is displayed in the graph below.

The difference between the income-to-rent ratio of the faculties and of the UvA as a whole relates to the University Library, study centre premises and lecture rooms managed by the service units. A large part of these costs are ultimately borne by the faculties via the rates set by the service units. Hence, they also have an interest in striving for an efficient use of lecture and study rooms. The graph below shows the average income-to-rent ratio of the faculties. The income-to-rent ratio of the FNWI is higher than that of the other faculties due to the laboratories.

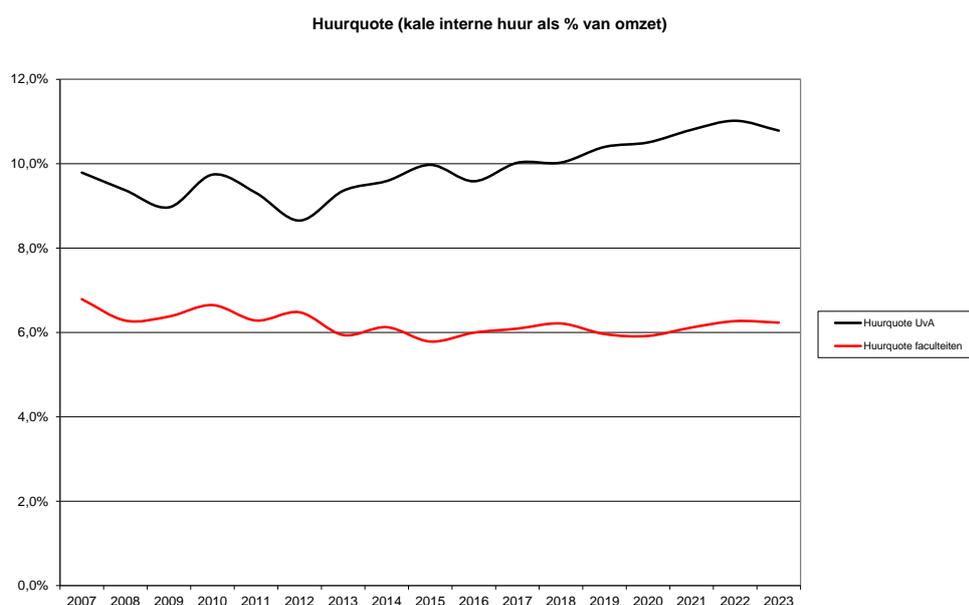


Table 21: Income-to-rent ratio

The real estate administration shows a positive operating result after 2020. This is on account of higher incomes (due to the increase in the number of square metres as well as in the rate per square metre) and the shifting of investments and capitalisation to a future date which results in lower depreciations in the planning period.

For planning purposes, it is desirable to gain insight into the size of the annual cash-out. That is why, during the preparation of the budget for 2020, particular attention will be paid to the feasibility of all proposals (quality and time). Faculty ambitions have an impact on future spatial needs. In some cases, it may be a good idea to take more time to state the ambitions in more concrete terms, so as to better understand the spatial needs. If this is done, the quality of accommodation will be more in line with the actual needs of the faculties, which will make the investments more stable. However, all of this may result in a longer lead time for the investment programme.

2.4.4 Other investments

In addition to the above-mentioned investments, units may also make other investments to create future value. No budgetary scope has been reserved for these

investments at the central level. Therefore, such investments will have to be financed by those units to which the future value accrues.

The 2019 budget includes long-term budgetary scope for investing funds from the reserves in projects and innovation incentives which will create a fundamental impact. The added scope is not intended for permanent, additional expenditures, but as additional funding for new opportunities without immediately having to create a permanent obligation which will be difficult to change. For faculties, this will lead to more room for innovation and experimentation and the opportunity to fulfil agreements made with academics and scientists for applying positive results from the past. For the service units, this will result in more room to invest in quality improvements and cost reduction, through which these investments can be recovered in the future. The distinction between investments and permanent expenditures helps in maintaining a proper balance between additional use of funds, risks and quick response to developments. The units must substantiate their investment proposals with a business case, which should include important elements such as demonstrable improvements of the quality of education or research and the payback period within the planning period. The granting of investment proposals takes place throughout the budget year and is partly determined by the evolution in the UvA result.

This approach was applied for the first time in 2019 and will be further refined in cooperation with the faculties and service units. For 2020, €2.0 million has been reserved for use from the faculty reserves and €5.0 million, €6.0 million and €2.0 million for 2021, 2022 and 2023 respectively. The allocation of additional funds from the reserves in 2019 may have a long-term effect, in the sense that this may partially reduce the scope for using extra funds from the reserves in 2020 and beyond. The additional long-term use of funds from faculty reserves permitted in 2019 will be included by the faculties in their 2020 budget. Use of funds from University reserves will be taken into account centrally. The extent of this long-term effect of granting proposals is not yet clear at the time of the publication of the Framework Letter.

In consultation with the units, further process agreements will be made on decisions concerning the use of the extra funds from reserves.

2.5 Section on risk

The UvA faces the following significant financial risks:

- Evolution of wages, pension premiums and prices and the extent to which this will be compensated for in the government grant
- Uncertainty about the amount of the government grant, possible adjustments to the funding system and any impact resulting from the recommendations of the Van Rijn Committee
- Uncertainty about the amount of funding received by the UvA from the NWA via the NWO Open Competition
- Uncertainty about student intake numbers in the coming years
- Extent of matching pressure
- If the investment wishes regarding accommodation expressed by the organisation, and translated into financial terms, exceed the estimate in the adopted Accommodations Plan
- Budget overruns in the implementation of accommodation projects due to deviations from the original project plan or time overruns

Risk management measures include:

- Diversifying the sources of income, especially indirect government funding and contract research funding, but also philanthropic sources and valorisation
- Maintaining our focus on interdisciplinary aspects and the interests of the chain in research
- In the context of the VSNU, holding consultations with the Ministry in order to gain timely insight into the implementation options, so that the right responses can be made at the right time
- Performing internal analyses, both at central and decentralised levels, as part of the budget preparation process to better substantiate the forecasts of student numbers and performance and hence prepare a reliable estimate in addition to the Accommodations Plan analyses; for this, the intake of foreign students is also taken into account and the plans are adjusted accordingly, if necessary
- Ensuring that all estimates related to the government grant are based on the most up-to-date information and are aligned with expectations within the faculties
- Regular monitoring of the evolution in accommodation requirements, based on a rolling forecast approach in the Accommodations Plan, in order to identify any issues in time and make adjustments where necessary; in addition, clearly expressing any new requirements and submitting them to the relevant decision-making bodies
- Setting up a risk management process during project implementation to gain a clear insight into the associated risks (opportunity and impact) and make timely adjustments