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| Research title              | Research on Preferred Form of Financial Administration of Universities  |
| Period                      | FY2010-FY2011 (April 2010 – March 2012)   |
| Objectives                  | The second term of university administration based on the mid-term target and mid-term plan started for national universities. To realize the missions of each university, appropriate financial administration is required. This study analyzes the state of leading initiatives in this field observed in the UK, and conducts action-oriented research on the state of financial administration at Japanese national universities to identify concepts and models that serve as a guide to how financial administration should be organized at Japanese national universities.   |
| Methodology                 | (1) Research theme 1: Resource allocation/redistribution process, decision making, approach to standards, and actual implementation within national universities.<br>- Review and analysis of literature regarding financial administration at British universities<br>- Research and analysis of the state of financial administration at individual national universities in Japan by institutional category (major university, comprehensive university, college, etc.)<br>- Observations regarding the investigations and analyses stated above<br>(2) Research theme 2: Suggestion of business model combining in-kind investment, such as land and long-term loan/bond.<br>- Interviews of university officials and hearings of financial sector personnel  |
| Major outcomes and findings | (a) Review and analysis of the state of financial administration at British universities<br>We have found that in the UK, (1) there is an established concept of resource allocation, (2) the resource allocation system is a strategically crucial tool for university administration so that the institute fulfills its purpose, (3) the resource allocation system contributes to establishing cost awareness, and (4) there is no universal, single resource allocation system; different universities develop their unique system by trial and error, yet based on the historical context, aims, goals, and characteristics of the universities.<br>(b) Case studies of the state of financial administration at Japanese national universities<br>As a result of case studies on the state of financial administration of nine national universities participating in the research council, the following were identified:<br><b>【Basic rules of resource allocation】</b><br>- Basic rules of resource allocation were stipulated in fiscal 2004 at the time of privatization. The rules are amended or adjusted every year to respond to financial strains, such as diminishing operational grants, and resources are distributed accordingly to respective departments.<br>- Allocation is implemented not only with budgets, but comprehensively including space, quota, and human resources.<br><b>【Allocation of revenue resources】</b><br>- Main sources of revenue for universities comprise operational grants, tuition fees, external capital, and revenues from university hospitals. Of these, the operational grant and tuition fees are considered as a single revenue category.<br>- Direct costs of external capital and revenues from university hospitals are distributed to departments in principle.<br>- Ideas for securing new financial sources include launching charity funds and leveraging land assets. |

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|  | <p>(Cont'd)</p> <p><b>【Cost allocation】</b></p> <ul style="list-style-type: none"> <li>- Most universities manage human resource costs for personnel continuing from before privatization through the main administration without allocating it to the departments.</li> <li>- As to property costs, the universities allocate fundamental education research expenses to departments while paying attention to secure the same level as the actual figures from the previous fiscal year.</li> <li>- Some universities secure reserve funds for unforeseeable circumstances; others deal with such events by making amendments to the budget or from the president's discretionary fund.</li> </ul> <p><b>【Internal resource redistribution】</b></p> <ul style="list-style-type: none"> <li>- There are some universities where the head administration earmarks a portion of the budget from the beginning to be used for providing general student services or allocated to strategic fund. Regarding indirect spending, distribution ratios are negotiated between the main administration and departments, with the former having the priority to secure a certain portion of the resources.</li> <li>- For the payment of the common-purpose expenses, a certain proportion of costs allocated to departments may be collected by the main administration.</li> <li>- The universities set up a strategic fund of 1 to 5 percent of the budget, and allocate it by internal offering or at the presidents' discretion.</li> </ul> <p><b>【Future issues】</b></p> <ul style="list-style-type: none"> <li>- It is anticipated that the situation for financial administration of national universities will be difficult. For universities to fulfill their mission, they will need to consider measures such as deploying assets including land assets, reconsider resource allocations in terms of prioritizing certain fields and functions, and pursue development of a university network to complement specialization of university functions.</li> </ul> |
| <p>Contributions to education policy</p> | <p>It is necessary to disseminate the knowledge gained through this research study to each university to aid their financial administration reforms.</p> <p>Further research is mandatory at various levels, as this study has identified the aspects for improving university financial administration to be further studied at university level and those at national policy level.</p>  |