

Guidelines for Management of Principal Investigator-Related Funds in Departments

Overview

These guidelines are designed to support the management of non-research grant funds associated with Principal Investigators (PIs), according to the Division's definition of a PI cost centre. The definition and related guidance aim to:

- promote consistency and clarity in handling funds linked to a PI during and after their time in a department;
- set clear expectations for budgeting and managing income and expenditures; and,
- help departments and the Division work toward financial sustainability concerning PI-related income, expenditures, and reserves.

Departments should apply these guidelines when managing the income and spending of PI-related funds.

1. Definition

The Medical Sciences Division defines a PI Cost Centre as follows:

"University income allocated to a PI is managed through departmental cost centres or departmental projects. A PI cost centre is established by a department to handle external income that a PI could receive directly but chooses to direct to the University, or for restricted donations made personally to a PI on a small scale. Assigning income to a PI cost centre outside this definition should only occur in rare circumstances, and only after consulting the Medical Sciences Division's guidelines and obtaining agreement from the PI's Department and the Medical Sciences Divisional Financial Controller.

Income in a PI cost centre can support activities related to the PI and their research group, provided:

- All activities comply with the University's policies and guidelines,
- The expenditure is planned in the budget and approved by the department for the financial year, or
- There is a strong business case for any exceptional, unplanned expenditure (subject to any further approvals needed, such as from the Division or central purchasing), or
- Additional, unbudgeted income is received in the financial year to cover the unbudgeted expenditure, and
- The cost centre's reserve position is breakeven or in surplus at the end of the financial year.

Since all departmental funds are University or departmental property, any remaining funds stay with the department if the PI leaves the University."

2. Diverting Funds and Taxation

2.1 Funds Paid Directly to the University by an External Body

If a PI requests that external funds be paid directly to the University, this income will generally fall outside the scope of VAT and not subject to Corporation tax. However, if the external body receives a benefit it would normally pay for, VAT may apply—unless the activity is classified as education, which is VAT-exempt. Most large corporates can recover VAT, with the exception of financial services. If a Department requires guidance or reassurance on the appropriate tax treatment the Department should consult the Tax Team for advice. 2.2 Waiving Income (Payments from University to a PI)

University staff cannot provide individual advice on personal tax-related matters.

PIs who are employees can choose to waive income from the University, such as fees, bonuses, or salary elements, provided this is formally declared in a deed of waiver. Once income is waived, the PI relinquishes any right to direct or control how those funds are used. Attempting to attach conditions may result in HMRC treating the waiver as invalid and considering the income taxable. A PI may express a preference for how funds are used, but the Department is not obliged to honour it. A valid waiver (unconditional and agreed before the income is due) means no tax or NI contributions are due, but the PI has no influence over the funds' use.

2.3 PI Paying Funds into the University

Where a PI receives income from an external organisation to their personal bank account that they want to pay in to their cost centre, the PI should notify their departmental Finance Team. The team will advise a reference for the PI to provide with their payment to enable the University's Cashiers to identify and allocate payments promptly to the designated cost centre.

Alternatively, a PI may make a personal donation to the University, potentially qualifying for Gift Aid and tax relief, but—similar to a waiver—the PI cannot direct or control how the donation is used.

3. When to Set Up a PI Cost Centre

If a PI redirects funds they could have received personally to the Department, or if a donation is made specifically for the PI, the Department should consider the amount and frequency of such income before establishing a PI cost centre. A minimum threshold of £1,000 and an expectation of regular additions are required. Small, infrequent amounts should be managed via a general departmental cost centre in the 'Other' category, or, arrangements can be made for these to be held in an existing PI cost centre with a unique source of funds code. Amounts under £1,000 received in the first nine months of the financial year should be spent by the PI within that year; otherwise, unspent funds may be available up to the end of the following financial year.

Examples of Eligible Income:

- Departmental consultancy via OUI, where the PI opts for payment to a departmental cost centre
- Small travel grants/awards, prizes, and stipends earmarked for the PI
- Payments for lectures, workshops, or supervision fees
- Small-value royalties redirected to a University cost centre
- Reimbursements of PI-incurred costs from external sources
- Donations specifically for the PI

4. Alternatives to a PI Cost Centre

4.1 Departmental Project

Departmental projects, with defined budgets, are preferable for managing departmental funds allocated to a PI if

- the situation does not fit the PI cost centre definition.
- where there is a defined budget and is best managed through a distinct project account.

Research Services' guidance should be consulted for creation of such projects, especially when funding is external.

Examples of Eligible Income for Departmental Projects:

- Departmental contributions to external grants where a contribution was made in the application
- Set amounts for supervising FHS projects, MSc taught course projects or similar funding provided via JRAM for short projects should be set up to run to the end of the following financial year. Monthly journals to post the equivalent income against the departmental project can ensure timely balancing between the project and core cost centre
- Start-up packages for new PIs. Packages can vary in duration depending on the amount and complexity, but should not exceed a maximum duration of 5 years initially.
- Transfers from a PI's NHS accounts to the University. A PI seeking to move funds they control from a NHS Trust to the Department should have a specific plan for expenditure with a clear purpose in support of education or research over a defined period of time agreed between the PI and the Department before the Department invoices for funds; funds should not be invoiced for without an agreed plan. Ideally, the NHS Trust provides a letter defining the purpose of the funds, so that an externally funded departmental project can be set up. In the absence, if funds are already received in the department an internally funded departmental project can be requested.

4.2 Departmental Cost Centre for a PI

A 'Other' category departmental cost centre can be used for departmental funds allocated to a PI for a specific agreed purpose and duration, but remains under departmental control.

Examples:

- Surpluses from equipment sales
- Departmental contributions to events
- Small, infrequent amounts of income that do not meet the threshold for creation of an individual named PI cost centre should be managed via a departmental cost centre in the 'Other' category, with a source of funds, or through another existing PI cost centre if both parties are happy with this approach.

4.3 Departmental Recharge Cost Centre for PI Costs

Payments for overtime or additional clinical activities should be processed through a departmental recharge cost centre, with costs recouped from NHS Trusts. A department must ensure it has written confirmation from a relevant authorised person at the NHS Trust of the amount and details – FTE, Additional Programme Activity, hours, the applicable period - and relevant backing documentation. A PI should liaise with their Departmental HR team in advance where possible to discuss recharges for NHS activity.

5. Donations

Donations should be processed through the University's Gift Registry and follow Finance Division's guidance accounting guidance for processing donations as restricted or unrestricted on the Finance

Division's web pages (<https://finance.admin.ox.ac.uk/donations>), including support documentations such as the **Donation Decision-Tree**. Donations greater than £10,000 are managed on the balance sheet, with income matched to expenditure. For donations between £1,000 and £10,000, written confirmation of the gift's purpose is encouraged, so that funds can be managed as restricted donations. As per the Finance Division, "...where the donation has been made for a named member of staff, it will only be restricted if the donor has set out in writing the purpose on which the gift must be spent **and** this is more restricted than the funds being made available for the general purposes of the University."

Where a cost centre does not already exist, a PI must have sufficient activity to justify donations being coded to a PI cost centre (see minimum threshold above). Smaller, irregular donations should be managed via a general departmental cost centre or an existing PI cost centre.

For PIs on fixed-term or externally funded contracts, departments should review contract end dates to determine whether a donation should be accepted, and ensure funds are spent appropriately.

6. When a PI Leaves a Department

6.1 Leaving the University

If a PI leaves but their Department agrees it is beneficial to maintain a relationship (e.g., to finish research, mentor, or support students), a formal agreement must be in place, such as an Honorary Research Agreement. The Department's HR team can advise on the agreement. During this period, the PI may continue to access their PI cost centre reserves for research or teaching-related activities, with a named staff member overseeing purchases and providing budgets when requested by the Department. Expense claims must adhere to the University's policy. Departmental cost centres and projects remain under departmental control may be unavailable after the PI leaves.

Any reserves in a PI cost centre when a PI leaves the university and has no substantive connection to the Department, then, pending a review of the funds that comprised the cost centre to ensure there are no explicit donations that are unspent or exceptional circumstances agreed by the PI's Department and the Medical Sciences' Divisional Financial Controller, the cost centre closes and the reserve is zeroed out.

Remaining reserves cannot be transferred to another institution, external person or organisation, including the PI's personal bank accounts.

6.2 Transferring to Another Department

If a PI moves to another University department, reserves in a PI cost centre may be transferred only if both Heads of Department agree. Departmental cost centres and departmental projects cannot be transferred and typically become unavailable after the PI moves.