

PI Cost Centres: Summary Guidance

Note: This summary guidance is available to support the understanding and implementation of the more comprehensive guidance, as approved by the MSD Finance Sub Committee. In the event of any difference, the FSC approved guidance takes precedent.

Scope

Aims to ensure consistent treatment, clear budgeting and financial sustainability

Departments must apply these rules to all future PI-related income, expenditure and reserves

Applies to non-research-grant funds associated with PI's

Implementation

Definition and guidelines effective from 1 August 2026 as approved by MSD Finance Sub-Committee

Summary Definition

A PI Cost Centre is a departmental account used for

- External income a PI could receive personally but diverts to the University
- Restricted donations to a named PI on a small scale

Anything outside this definition, requires approval from the Department & the Divisional Financial Controller (DFC)

Ownership and Use of Funds

All PI Cost Centre funds belong to the University/departmental and are not personal funds

PI funds may be spent on PI Research-group activities if compliant with university policies and:

- Budgeted and approved for the financial year, or
- Supported by an approved business case, or
- Covered by additional income received in-year, so activity is breakeven or in surplus by Year-end

Creating a PI Cost Centre

A PI Cost Centre should only be created if the income > £1,000 and further income is expected

Small or infrequent income should be managed via a departmental cost centre

Eligible PI Income - Examples

- Departmental consultancy via OUI
- Small travel grants/awards, prizes and stipends earmarked for the PI
- Payments for lectures, workshops and supervision fees
- PI related royalties
- Reimbursements of PI-incurred costs from external sources
- Donations to a named PI

PI Leavers

What happens when a PI leaves the University (under all circumstances)

- Without a substantive connection, the PI Cost Centre closes and the balance is transferred to the department, unless a formal ongoing agreement allows continued access to a PI Cost Centre e.g. honorary status or unspent explicit donations exist
- Exceptions must be agreed by the Department and the DFC
- Funds cannot be transferred to another institution or personal account

Moving within the University

- PI Cost Centre balances may only transfer with agreement of both Heads of Department
- Departmental cost centres and projects do not transfer

Budgeting, Forecasting and Controls

- PI Cost Centres require approved budgets and ongoing forecasts
- Spending from PI reserves requires departmental approval
- In exceptional circumstances, PI reserve spending may be constrained to manage cash flow

Income Diversion, Waivers, and Tax

External income paid directly to the University is generally outside VAT and Corporation Tax, unless a taxable benefit is provided

University staff cannot advise on personal tax matters

Waived University income

- Must be unconditional and agreed before income is received
- Gives the PI no right to direct or control funds
- Otherwise, it may be treated as taxable by HMRC

PI wishing to transfer personal income into the University will require coordination with the departmental finance team

- Similar to waived income, the PI cannot direct or control how the donation is used

Alternatives to a PI Cost Centre

Departmental Projects are normally used in the following circumstances

- PI start-up packages (maximum 5 years initially), departmental grant contributions, student project funding, and NHS fund transfers

Departmental Cost Centres are normally used for

- Surpluses from equipment sales & Departmental contributions to events

Notes on Donations

- Donations > £10,000 are managed on the balance sheet,
- Donations naming a PI are restricted only if the donor specifies a purpose
- PI Cost Centre are not required for small or irregular donations

COMMUNICATION NOTES

Background

The Division's Finance Subcommittee identified several issues with the current management of PI cost centres

- Inconsistency across departments about the type of income and expenditure permitted in a PI cost centre
- PIs control substantial funds that could also have been booked to departmental cost centres
- Residuals should be booked to department cost centres, unless funder explicitly states PI must retain control
- Under the FWP, PI cost centres are ring-fenced with specific requirements to remain in surplus
- Departments sometimes use PI cost centres to ring fence funds for discretionary purposes, contrary to the FWP
- Historically, the quality of budgeting and forecasting has varied across PI cost centres
- Managing cash flow is an important challenge for the University, requiring improved budgeting control on PI cost centres

Additional comments

- The definition & guidance notes aim to help departments manage their PI activity
- The definition narrows the type of income in a PI cost centre to external income that could have been taken personally
- It also adds the requirement for an approved budget and forecasts throughout the year, for activity from a PI cost centre
- Income that previously went to a PI cost centre, may now be booked to a departmental cost centre or set up as a department project instead
- PIs with existing cost centres, must submit budgets and forecasts for approval to spend from their cost centre
- Expenditure could be constrained where an approved budget is not available
- PIs should discuss with their departmental finance team how any anticipated income will be managed
- PI income must be closely monitored, to ensure expenditure commitments can be met
- When a PI spends down prior year funds, the cash for this actually comes from the current year, either across the wider department or division
- Departments must therefore manage the financial situation diligently to ensure the financial sustainability
- This requires sound budgeting of PI cost centres to ensuring sufficient cash is available to meet commitments

EXAMPLES

1. Departmental consultancy via OUI

PI already has a PI Cost Centre

- OUI pays consultancy income into the PI's existing cost centre
- PI may spend funds within the year - needs to be included in budgets / forecasts
- Any unspent funds at year-end move to reserves

- To use reserves going forward, the PI must submit a budget and obtain approval

PI does not have a PI Cost Centre

- Department decides whether the payment justifies creating a PI cost centre (based on scale & expectation of future payments)
- If < £1,000, PI should spend it in the same financial year using a departmental advised cost centre

2. Final Honours Student (FHS) Project Funds

- FHS/JRAM funding should be set up as a departmental project, running until the end of the following financial year
- Monthly journals should transfer equivalent income to balance the project and core cost centre
- These funds cannot be placed in a PI cost centre

3. £500 Donation naming a PI or research group

PI has a PI Cost Centre

- Donation can be credited to the PI cost centre
- PI may spend funds in the year received (noting to update quarterly forecasts)
- Any unspent funds at year-end, move to reserves
- Spending reserves in the next year requires a submitted and approved budget

PI does not have a PI Cost Centre

- Department decides whether the donation is part of a pattern with future expectations which warrant creating a PI cost centre
- If not, the PI should spend it in the same financial year
- Remaining reserves after that point become unavailable

4. Start-Up Package for a New PI

- Start-up packages should be set up as a departmental project and not be placed in a PI cost centre
- These funds should be timebound, limited to a maximum period of 5 years

5. Departmental Contribution to a PI's Event

- Department provides a departmental cost centre for the contribution
- Contribution cannot be transferred to a PI cost centre
- Any unspent departmental contribution remains with the department

6. Departmental Contribution to an External Grant

- Departmental contributions tied to a grant application should be managed via a departmental project
- Funds cannot be transferred to a PI cost centre
- Unspent departmental contributions remain with the department