

# PI Cost Centre Definition and Guidelines: Summary

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**Note:** This document summarises the PI cost centre definition and guidelines approved by MSD Finance Sub-Committee in MT2025. This summary is intended as a tool to support PI understanding and departmental implementation, and is not a substitute for the full definition and guidelines approved by MSD FSC, which retain precedence.

## 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 between £1,000–£10,000 should have a written purpose to be restricted
- 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

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