**PDA Review – Updated for January CEG**

At Finance Management meeting in July the PVC asked the DCO and HoF to review the CEMPS PDA policy and propose alternatives for how we can ensure the use of PDAs is strategically focussed. The DCO presented a paper in October CEG and was asked to update and bring back to CEG in the new year. The revised paper was discussed at CEG on 6th January. This is an update of the paper following feedback from CEG members after the meeting. The DCO was asked to structure the paper into Section 1 – Reducing the Current PDA Commitments and Section 2 – The New PDA Policies.

For clarity, this paper replaces all previous CEMPS policies on incentivisation using PDAs. The aim is to align incentives with the key strategic priorities of the College. Any future additions to this policy will be examined against this criterion.

## Section 1 – Reducing the Current PDA Commitments

The total current balance held in all PDAs as at the 1st December 2021 is £1.9m. Appendix 3 shows a cluster graph of the 245 PDAs by balance size. There are 21 academics which have PDAs >£20k (largest being £125k) and 36 academics with between £10k and £20k. 19 PDA accounts are overspent.

Appendix 4 shows an analysis of PDA activity over the last 3 financial years. It can be seen that in 18/19 the total net movement was expenditure (ie balances reducing) of £151k, in 19/20 the income and expenditure were off-setting and in 20/21 (due to essential spend only rules) the balances increased by £244k. Cash income (eg consultancy) and expenditure impact the bottom line of the college. The risk is the uncertainty of the movements each year – the college budget includes a £400k net spend budget compared to the total balances held of £1.9m.

To address this liability that the College currently has CEG agreed at the CEG Meeting on 6 January that:

* All academics with balances .£20k are contacted (by the HoD or DCO – depending which the HoD feels is best) and asked for a timeline of how they intend to reduce their balances – ACTION HoF to provide updated list of academics with large balances to DCO who will discuss with HoDs before end January
* For future years PDA holders have to estimate what they will spend in the next financial year and that is put in the budget for that year. ACTION This will be communicated to the academics by the HoF
* All academics with start ups will be reminded by the PVC that they must spend the start up within 3 years of joining ACTION PVC office to arrange communciations
* PVC to reconsider start ups that she has awarded to recent new academics and, if affordable and justifiable, offer additional funds provided that they are spent this year ACTION EO to prepare list fof PVC consideration

Section 2 – The New PDA Policies

**Introduction**

CEMPS PDA policy must be in line with the University’s PDA policy (appendix 1). Currently CEMPS provide PDA accounts for new academics. PDAs for E&R academics are then “topped up” via a range of incentivisation schemes outlined below. It is not standard policy in CEMPS to top up PDAs for E&S staff. Instead the ADE’s budget is larger than other budgets and, therefore, strategic and development opportunities for E&S staff have been funded via this budget.

It is important to note that PDA accounts are “notional”, the £ sum of all the PDAs does not sit in an account waiting to be drawn down. Instead, each year, the College estimates how much will be spent from all PDA accounts and puts this in the annual “PRG” budget. In a steady state then the amount we could top up/give new PDAs in a year should be roughly the same as the amount we put in budget to be spent. It is not good practice for large balances to be accumulated in PDA accounts as, in any year, the College may not be able to afford for large movement in PDA balances. Conversely , if the College finances are looking tight then we may wish to discourage PDA spend.

Some CEMPS academics have accumulated large balances in their PDAs.

**Examples of types of income received into PDA accounts can include, but are not limited to:**

 **Transfers (internal)**

* One off PDA allocations awarded to academics on appointment, as agreed by the PVC. These range from £5k upwards. Start-up funds are separate to PDA accounts.
* Annual PDA allocations – one academic receives £10K per annum, as was agreed by the PVC on appointment.
* PGR incentive Scheme – awarded annually to academics for International PGR recruitment (externally funded) (£1500 total split as per Section 4.4 below).
* Academic incentivisation – budget is allocated based on research earnings generated in a financial year (allocated 90% PI and 10% Peer Review). Awarded based on the College financial performance – last awarded based on 16/17 research earnings.
* Ad hoc transfers to PDA accounts for work done within the University i.e. summer school activities etc.

**Income (external)**

* Consultancy income.
* Bench Fee income (external visitors using our facilities – non-students).
* Reimbursement of expenses from external Company/Institution.
* Small external non-research grants.
* Money received for work completed for external Company/Institution which isn’t classed as consultancy i.e. education/courses – PDA income approved by the College as the College may take a proportion to cover staff time worked.
* Research grant surplus’ if approved by the ADR.
* Conference account surplus’ if approved by the College.

**University PDA Policy**

CEMPS currently published policy is included as Apendix2. Current CEMPS policies are consistent with the University’s over-arching policy.

**Current CEMPS PDA Policies**

**Start Ups**

New E&R academics are offered start up packages which usually includes an agreed amount in their PDA (in addition to other allocations such as studentships, 3 year Start-up Awards for equipment etc.) . The amount is at the discretion of the PVC and is based on seniority of new academic, research area, how keen we are to attract them to join UoE etc. Typical amounts range from £5k to £20k. Some academics transfer funds from their current institution. Also individual negotiations may provide exceptions.

At the CEG meeting on the 21st February 2018 a proposal was brought to the meeting for E&S Academics to have an initial start-up PDA of £5k, which was agreed although it is clear that this has not actually been adopted.

In addition to budget for PDA spend the college plan includes a £100k/annum budget for the college ‘Start-Up Awards’ (agreed at time of recruitment for equipment, lab refurbs etc primarily for Professors, to be spent over 3 years). Currently the remaining unspent balances on the existing Start-Up Awards (including those for Professor Wang) add up to a commitment of £275k.

The policy of start-ups for E&R academic staff is in line with the principle of strategic incentivisation. The amounts will continue to be decided by the PVC as part of the recruitment negotiation.

E&S staff should continue to access the ADE’s fund rather than have funds allocated into an individual PDA.

 **Grant Success**

In 2015, to encourage research growth, a new policy was introduced whereby academics who were successful with a grant, were awarded a percentage of earnings. This payment was returned at the end of each financial year to PI/Co-I PDAs. Where teams of colleagues were involved in an application, this was pro-rata’d amongst all concerned using the same contribution weighting as agreed when the grant was submitted.

The basis of allocation was a % of the actual College earnings achieved the previous year. Individual PDAs were credited using the PI/Co-I information i.e. details of lead academic(s) recorded on PAC held against each research grant. For example for 2015/16 we allocated incentivisation **5.7%[[1]](#footnote-2)** of research earnings generated in 2014/15.

In 17/18 CEG agreed to allocate only half of the total amount due re 16/17 results due to financial situation of the College

In 18/19 No made payment re 17/18 results

In 19/20 due to financial position due to COVID no PDA top up was given re 18/19 results

In 20/21 due to financial position due to COVID no PDA top up was given re 19/20 results

In addition, where there is money left over when the grant ends and the funder does not want it returned, the PI can put a case to the ADR for some of the remaining money to be transferred to their PDA. The %/value is decided on a case by case basis. Conversely, if a grant overspends (other than for reasons outside of the PIs control eg currency fluctuations) then the College can claw back some/all of the overspend from the PDA.

This PDA policy is difficult to manage administratively and there is limited evidence that this policy has met the criterion of strategic incentivisation. The policy will be discontinued. See new proposals to replace this policy in Section 7 below.

**Consultancy**

The Consultancy incentivisation was discussed and agreed at CEG in February 2021. The University has a standard Consultancy agreement and, having tried some alternative model, it was agreed in February, that CEMPS reverts to the standard arrangement.

Where it is proposed that a personal payment is made to members of staff who will be contributing to a University Consultancy project, the sum must be agreed in advance by the College or Service and included in the project costing. Payment will be made when the project has been successfully completed and the fee received from the client. Staff may elect to receive payment by the following means (although the payment into PDA is encouraged to support academics own research etc.)

* a non-pensionable payment via the University payroll subject to normal deductions for tax and National Insurance.
* payment to a Professional Development Account (PDA) – this option is only available where the member of staff has given up the right to the income before it becomes liable to PAYE, i.e. before it is deemed to have been received for income tax purposes. A member of staff wishing to receive their payment into a PDA must fill in a PD21 declaration form before the work commences.

As previously agreed by CEG, there is no evidence that this policy has met the criterion of strategic incentivisation. The policy has been discontinued.

**Fully funded International Student Recruitment**

CEG at the meeting held on 02/02/2017 approved the new reward scheme for academics who recruit and supervise fully funded international students. The two co-supervisors between them will get £1,500 p.a. paid in their PDAs, for the duration of fee paying period. The amount to be pro-rata’d to the percentage contribution they make to supervision – typically 80/20 for first/second supervisor.

The last allocations made for this scheme were for 17/18 and payments owed are currently being calculated.

This policy is in line with the principle of strategic incentivisation and will be continued.

**Peer Review**

A few years ago CEMPS introduce the Peer Review incentivisation scheme, this has been paused for a number of years.

This policy was needed a few years ago to encourage peer review. This is now embedded in CEMPS ways of working so the policy will be discontinued.

**Co- Creation**

In addition, occasionally as part of a bid the ADR allocates a small cash amount which is generally not paid into PDAs. This amount may span several years (based on the length of the grant). Recently a HoD also allocated £8k co-creation funds to an individual academic.

This process should form part of the normal discussions during the writing of any relevant grant proposal. To ensure transparency these funds any agreed funds should be paid into PDAs. Any commitment across several years from College funds must be discussed with HoF.

**Analysis of other Colleges Policies**

**CLES**

CLES have advised that they do not have a College policy they follow University policy only. Further more they confirmed that they do not top up PDAs. Academics can earn additional income through consultancy or, for example, being a guest speaker then they can put money into their PDA but CLES do not allocate funds from the College

**UEBS**

Each E&R academic is automatically entitled to £1,000 each academic year. In addition they have access up to £2,000 from the ADR strategic research budget to support research activities identified in their individual research plan.  There is a formal process to submit a research plan.

Each E&S academic is automatically entitled to £1,000 each academic year In addition they can access up to £2,000 from the ADE strategic support budget to support personal development, research and scholarship activities identified in their PDR.). UEBS are quite specific about what it can be spent on. Formal applications are required to ADE using an on line form.

With effect from the 31 July 2010 unspent PDA account balances are returned to the School (unless a case is made in writing to the School Director of Research for the balance [in whole or in part] to be rolled-over). Any unspent balance from external income added to a PDA during the year will not be subject to claw back and will be added to the carried forward balance.

**Recommendation**

These recommendations are based on the principles that:

1. We must ensure that any schemes are in line with University PDA policy and University Financial regulations
2. We need to continue to incentivise academics
3. We need to ensure that PDA money is used strategically – in line with College priorities
4. We need to reduce the number of schemes as they are complicated to understand and administer
5. We need to more regularly review the spend against PDAs and report this to CEG termly
6. We must encourage spend on PDAs so that large balances do not accumulate
7. We must honour the existing balances but must look to reduce these
8. We need to monitor commitments and spend on co-creation accounts

**Summary of Proposal:**

1. We continue to allocate start up balances for E&R and E&S academics. Existing balances in PDAs remain and existing routes for payments into PDAs for non-College funded activities remain unchanged (eg fees for speaking at a conference etc.)
2. We continue to operate the Consultancy PDA scheme in line with University standard arrangements
3. We continue with the international PGR incentive scheme.
4. We use the example of the Business School by which we ask academics to “bid” for PDA funds based on the strategic requirements of the College. We set these clear criteria in advance:
* Research – fully funded international PGRs and also activities that develop industry links. Also those with low levels of PDA funds may ask for modest additional funds on receipt of a significant grant award
* Education – activities which advance our on-line/blended provision
* Global – activities which help grow our international student numbers

The appropriate AD assesses these light touch applications taking into account the academics existing PDA balance. (As the education activities would have previously been funded under the ADE discretionary budget we need to reduce this budget to create additional PDA budget.)

1. The HoD/DCO contacts all academics with balances .£20k and asks them to confirm how they intend to draw down their PDA.
2. For future years:
* PDA holders have to estimate what they will spend in the next financial year and that is put in the budget for that year
* Maximum upper limit on the amount you can hold in your PDA (and associated College upper limit). This will be agreed at CEG meeting on 26th January
1. The HoF brings a report to CEG termly which outlines all balances (including co-creation accounts).
2. This new PDA policy to be put on CEMPS intranet pages

APPENDIX 1 – UNIVESITY POLICY

## Professional Development Accounts PDA

Introduction

PDA rules have been devised to provide guidance to College/Services/Budget holders and to ensure that some historic Inland Revenue’s concerns in respect of income potentially being treated as taxable for the individual are addressed.

PDA accounts were historically in the D range of codes and with the new GL coding and the introduction of the GM Ledger the accounts will now be within the main recurrent range identified by Activity 2 type A450.

## 1. Rules

1. Funds held in PDA accounts are University funds.
2. The establishment of a PDA is at the discretion of the College Dean/Head of Service/College Manager.
3. The operation of a PDA is the responsibility of the College/Service.
4. PDA accounts can be requested for specific individuals (the establishment of PDA accounts if not restricted to academic staff) or generic departments/research groups/units. For the latter the College/Service will need to establish clear procedures for how the generic/virtual PDA’s will operate and how the College/Services will control the funds within an account. The responsibility for monitoring the income and expenditure for the account would lie with the College/Service, who would need to ensure that the adequate records were maintained for internal monitoring purposes.
5. No individual should have more than one PDA.
6. The level of allocation to PDA accounts is at the discretion of the College Dean/Head of Service/College Manager. The College may have written procedures governing the entitlement to PDA allocations eg. In respect of research grant income generated or the level of allocation may be determined by individual negotiation e.g. for ad hoc income.

Income to be transferred to PDA accounts should have been generated from work that an individual has undertaken in addition to their core workload or as part of an incentivisation scheme.

Examples of sources of PDA transfers are:

* + A % of research grant income or a set allowance as part on an incentivisation; scheme to increase research applications/income;
	+ A set of allowances as part of an incentive scheme to increase international student recruitment;
	+ Consultancy activity;
	+ Surpluses/deficits on research projects;
	+ Ad hoc workshops/training events/CPD activities/editing or publishing journals/in- house conferences;
	+ Start up funds new members of staff;
	+ Discretionary allocations from the College/Service;
	+ Allocations in connection with PGR research supervision.
1. The College/Service will need to send a costcode request form to their Academic/Professional Services Accounting team when a new PDA is to be established and at the same time ensure

that the individual for whom the PDA is being established is given an up to date copy of the University’s guidance in respect of the operations of PDA’s

1. PDA transfers should be requested by either the College Dean/College Manager/Head of Service or ACM R&F, with a brief explanation of the original income giving rise to the allocation. Where Colleges/Services action their own journals such information should be included within the journal narrative.
2. Funds held in a PDA are College/Service funds where the budget holder has discretion over the use of the funds providing the funds are expended in accordance with the University’s regulations (ethics, employment procedures and regulations, equipment ownership etc). Expenditure should be in connection with the furtherance of the individual’s academic/research/professional progression, similarly for generic department/research group/unit accounts. The expenditure may include items such as the cost of conferences, workshops, research expenses, equipment/books or laptops. Where such funds are used to purchase equipment then the asset should be security marked as University of Exeter property in the usual way and recorded in the College/Service’s asset register and if the individual leaves the University the equipment should be returned to an appropriate member of staff within the College/Service. (Equipment should not be purchased by an individual and then reclaimed via an expense claim)
3. All external and internal income is to be transacted through the College/Service’s main recurrent budget before being allocated to the PDA. The level of allocation is at the discretion of the College Dean/Head of Service or in line with College/Service PDA policies.
4. All external income must be properly accounted for and comply with VAT and Inland Revenue and University regulations. This would generally involve the raising of an Exeter University sales invoice.
5. Where the source of external income is via consultancy, the member of staff undertaking the consultancy work must have informed the College Dean/Head of Service prior to undertaking the work and route it via Exeter Enterprises (if appropriate).
6. The cost of staff on a contract funded from a PDA funds must be charged to the College/Service’s main recurrent budget, which will then be re-imbursed from the PDA. Temporary staff costs, overtime ab doe-off payments are eligible charges against a PDA but must follow the University’s procedures for such payments.
7. Any funds remaining on a PDA when a budget holder leaves the University’s employments will be transferred to the College/Service’s main recurrent budget, unless the individual retains an honorary status. Balances on PDA accounts cannot be paid to individuals when they leave the University.
8. Funds transferred to PDA accounts (eg. merit awards) become University funds and cannot be paid to an individual at a later date.
9. PDA funds transferred from other Institutions:
	* PDA funds transferred to Exeter should be ring-fenced and must be used before any Exeter generated PDA funds;
	* The use of transferred PDA is subject to same rules as the Exeter PDA funds;
	* If the individual leaves the University and there is any unused element of the transferred PDA funds, the College/Service may consider the transfer of the funds to the individual’s new Institution. The College/Service and the individual should discuss

the rules associated with PDA accounts prior to any transfers of funds from another Institution.

1. PDA should not have overspent balances at the year-end, any shortfall should be funded by the College/Service.
2. The PDA budget holder must ensure that there are sufficient funds in his/her PDA prior to making commitments against it.

The PDA budget holder should notify the College Dean/Head of Service/College Manager or Finance Officer of any significant spend against PDA accounts as soon as he/she becomes aware of any potential use of funds, thus enabling the College/Service to inform colleagues in Finance Services, allowing cash flow implications to be considere

APPENDIX 2 – CEMPS POLICY

**CEMPS PDA Policy (Approved at CEG 6th January 2016)**

|  |
| --- |
| **Policy** |
| **Principles:**1) PDAs should encourage the growth of research income and earnings. They will reinforce the fact that there are no centrally held ‘pots’ in the college and instead will empower academics to develop their research and scholarship by allowing them autonomy to purchase the goods and services which they feel will best facilitate this;2) The PDA should incentivise all individuals through directly rewarding their income generation achievements;3) The account should be held and managed by a named individual who would accept responsibility for its overall management, adhering to the University’s financial regulations;4) The account and the monies contained within it should not be removed unless it had been used inappropriately by the account holder (in the unlikely event of misconduct, fraud, etc);5) Balances will be rolled forward every year, and amounts could be vired between account holders if they wished;6) PDAs should always have a positive balance;7) Any promises around contributions to PDAs made in letters of support to deliver research awards should be honoured. **Generating PDA income**:1) Account holders should be encouraged to channel consultancy money into the PDA to pump prime other research activity;2) Successful grant awards should be rewarded with an appropriate percentage of earnings returned to PI’s / Co-I’s PDA. Where teams of colleagues were involved in an application, this would be pro-rata’d amongst all concerned using the same contribution weighting as agreed when the grant was submitted;3) Similar incentives could be offered around student recruitment, for example, each PGR recruited would attract funding on a pro-rata basis to supervisors. It should also be possible to incentivise the development of successful PGT programmes by allocating a percentage of additional income over baselines back to the group/discipline. **PDA expenditure**:1) Turnover of expenditure should be welcomed as it would indicate new earnings, and income from consultancies as well as spending on supporting existing and developing new activities. 2) Appropriate expenditure is defined in the [university’s financial regulations](http://www.exeter.ac.uk/media/universityofexeter/financeservices/pdfs/policy-pda.pdf) on the use of PDAs and any queries around interpretation should be directed to the College Finance Team in the first instance.3) Staff costs could also be funded from a PDA, in line with the university’s procedures for such payments. Appointments are likely to be fixed-term in nature due to the fluctuating nature of the income refresh.4) PDAs should be used as collaborative tools, allowing colleagues to fund larger projects for mutual benefit (e.g. shared technical or admin support, studentships, equipment, etc.);5) The management of PDAs should be reviewed as part of PDR and support offered as necessary; PDAs should be used reasonably in each financial year.6) On-line reports are available for academics to proactively monitor their accounts on a regular basis and flag issues with Finance and/or ADR as required.  |
| **Practice:** |
| **Operational Issues**: 1. Expenditure from PDAs should be truly discretionary, within the constraints of the financial regulations;
2. Income to be transferred to PDA accounts should have been generated from work that an individual has undertaken in addition to their core workload (consultancy), from industry sources (research income surpluses) or as part of an incentivisation scheme (research earnings percentage, additional student recruitment);

3) Surpluses / Deficits on research grants can be transferred to the PDA account of the Principal Investigator or Co-Investigator (based on REF split) subject to sponsor agreement and review/sign-off by the ADR on a case-by-case basis;4) Account holders should be encouraged to work together and pool resources to make more substantial purchases (group/team PDAs are also permitted and should be considered);4) Account holders should monitor the balances and movements on their PDAs on a monthly basis (in conjunction with finance) and raise any questions or concerns immediately with the finance team and/or ADR;5) The finance team will monitor accounts to ensure they do not go overdrawn. If an attempt is made to overspend, the finance team will not process the payment but will raise the matter with the account holder and HoF. Together they will look for alternative options;6) Accounts which are already overdrawn for historical reasons should be temporarily frozen in order to allow the ADR and/or finance team to consider possible solutions, in co-operation with the account holder. |

APPENDIX 3 – PDA Balances as at 01/12/21



APPENDIX 4 – TOTAL PDA MOVEMENTS OVER THE LAST 3 FINANCIAL YEARS

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Total PDA Movements over the Last 3 Financial Years** |  |  |  |  |
|  | **18/09** | **19/20** | **20/21** | **Total** |
|  | **£'000s** | **£'000s** | **£'000s** | **£'000s** |
| **Transfers** |  |  |  |  |
| PDA Allocation | 60 | 102 | 235 | 397 |
| Consultancy Income Transfer | 55 | 0 | 0 | 55 |
| Conference Surplus Transfer | 0 | 37 | 0 | 37 |
| Additional PDA | 15 | 0 | 20 | 35 |
| PGR Incentive Scheme | 29 | 0 | 0 | 29 |
| Transfer PDA overspend to Start Up | 0 | 0 | 14 | 14 |
| Other | 2 | 5 | 2 | 9 |
| **Total Transfer In / (Out)** | 161 | 144 | 272 | 577 |
|  |  |  |  |  |
| **Income** |  |  |  |  |
| Consultancy Income | 19 | 49 | 15 | 83 |
| Government Grant: Research | 0 | 1 | (1) | 0 |
| Other External Recharges | 4 | 15 | 6 | 26 |
| Other Income | 14 | 2 | 19 | 36 |
| Project Surplus/Deficit | 0 | 0 | 53 | 53 |
| Research Project Deficit | 16 | 38 | 0 | 54 |
| External Grants | 2 | 14 | 2 | 18 |
| **Total Income** | 55 | 120 | 95 | 269 |
|  |  |  |  |  |
| **Expenditure** |  |  |  |  |
| Travel and Hospitality Costs | (204) | (96) | (5) | (305) |
| Equipment | (59) | (64) | (42) | (164) |
| Consumables | (37) | (22) | (26) | (85) |
| Other Staff Related Costs | (24) | (20) | (12) | (56) |
| Staff Costs | (9) | (27) | (11) | (46) |
| Other Operating Costs | (3) | (16) | (11) | (30) |
| Library | (6) | (21) | (3) | (29) |
| Professional Fees | (13) | (5) | (6) | (25) |
| Office Running Costs | (7) | (9) | (4) | (20) |
| Licences and Subscriptions | (0) | (1) | (0) | (1) |
| Periodicals | (0) | (0) | (1) | (1) |
| Advertising and Hospitality Costs | (0) | (0) | (1) | (1) |
| Internal | (0) | (0) | 0 | (0) |
| Student Funding | (4) | 8 | (3) | 2 |
| **Total (Expenditure)**  | (367) | (272) | (123) | (761) |
|  |  |  |  |  |
| **Total Net Transfer In & Income / (Transfer Out & Expenditure)** | **(151)** | **(8)** | **244** | **85** |

1. 5.7% was calculated as…… [↑](#footnote-ref-2)