

25. RESEARCH AND DEVELOPMENT – FINANCIAL GOVERNANCE PRINCIPLES

25.1.1. The principles and rules contained in these Standing Financial Instructions are of direct relevance to all those who host, conduct, fund or participate in research within the Trust. They should act as a single reference point informing all parties involved of key rules and responsibilities thereby enabling research to be undertaken and administered in an efficient manner, avoiding possible delays and problems and in turn minimising risk to the Trust and to individuals alike.

25.1.2. Financial probity and compliance with the law and rules laid down by H.M. Treasury for the use of public funds are as applicable to R&D activities as to any other activities being undertaken within the Trust. The governance arrangements for R&D can be found in the Department of Health's "Research Governance Framework for Health and Social Care" and in the Trust's own research governance policy. The main policy driver being that:

"Proper governance of research is essential to ensure that the public can have confidence in and benefit from, quality research in health and social care. The public has a right to expect high scientific, ethical and financial standards, transparent decision-making processes, clear allocation of responsibilities and robust monitoring arrangements."

"The need to act as sound custodians of public money for public good" is also stated as one of the key goals in the "Best Research for Best Health" document.

25.1.3. There are two types of R&D activity as follows; both of these are covered by this paper:

- **"Commercial R&D"** - where R&D is primarily conducted for commercial purposes and funded by an external company, for example a drug trial prior to licensing.
- **"Non – Commercial R&D"** – where R&D is funded by a charitable organisations, a Research Council, the Department of Health or other government agencies for example.

25.2. General responsibilities

25.2.1. Responsibilities of the key parties involved in R&D regarding financial management are clearly stated on the R&D website http://lthweb/departments/research_development/. It is the responsibility of all parties to ensure these are fulfilled.

25.2.2. All parties involved in the respective R&D activity must ensure that they understand and adhere to the relevant Trust policies and procedures, accessing the key documents via the appropriate sources on the intranet when specific guidance is needed and gaining additional advice/support as appropriate.

25.2.3. The Trust policies and procedures which will commonly apply and which need to be followed include:

- All other relevant Standing Orders and Standing Financial Instructions

- Procurement policies and procedures
- Human Resource policies and procedures
- Accounting and budgetary control policies and procedures
- Payroll policies and procedures including those relating to taxation.

25.2.4. With regards to commercial research, all dealings with industry must be authorised by the Trust's R&D Office. Under no circumstances should an individual employee enter into a contract with industry in a personal capacity to undertake research involving NHS patients. Only protocols registered with the R&D Office will be covered by the NHS indemnity arrangements. The Trust will not accept liability for any activity that has not been properly registered and managerially approved.

25.2.5. Researchers, supported by finance managers, should ensure that any commercial partner is financially stable, (particularly if the company is small or new) and thus in a position to fulfil their financial obligations; all contracts should include termination clauses.

25.3. **Assessing the financial implications of proposed R&D activities:**

25.3.1. Trust employees must follow the agreed current Trust procedures for the financial management of all applications for research funding. No application should be submitted without having been properly costed and being subject to these processes. (Refer to "Procedure Document for Researchers and Finance Staff covering the Financial Management of Research and Development Applications").

25.3.2. All parties participating in a research project must ensure that they clearly and comprehensively assess the likely resources required, considering not only their own service area but also any other area in which the proposed activity will have an impact.

25.3.3. These principles and rules apply not only to R&D activities which will secure external funding but also to any such activities which are solely in-house.

25.3.4. With regards to commercially funded R&D, the full cost of the activity must be recovered for 'contract research' (research in which the intellectual property rests entirely with the company). The NHS must not seek to recover from industry the costs of standard treatment that would normally have been incurred in treating patients in the NHS. For commercial clinical trials the sponsoring company is expected to supply free of charge the medicine that is the subject of the trial. For commercially funded studies which are 'collaborative research' (intellectual property is shared and publication rights given to the investigators), the level of cost recovery from the commercial sponsor can be reduced in line with the possible commercial / academic benefits to the Trust provided that arrangements have been made to recover this shortfall from other sources.

25.3.5. When negotiating R&D proposals with a partner organisation, Trust representatives must ensure that the Trust's financial requirements are assessed in line with the financial management procedures mentioned above and not only assessed by the partner organisation.

25.3.6. All proposed R&D applications must be approved in line with the normal

management arrangements within the Trust, details of which are given on the Trust's R&D website.

25.4. Use of funding gained through R&D activities

- 25.4.1. Any funding which is received through R&D activity is covered by the Trust's Standing Financial Instructions and Standing Orders, as is the case for all other funding sources within the Trust. This includes all rules associated with issues such as hospitality.
- 25.4.2. It is not possible to carry forward surplus funds following the completion of a research project into the next financial year under NHS accounting rules.
- 25.4.3. Researchers do not have the authority to use the funding for other purposes other than that specifically authorised. The use of any surpluses which occur must comply with the contractual terms of the research grant/contract.
- 25.4.4. In some cases if the research activity is not fully delivered, under the contractual obligations, an element of the funding will need to be returned to the external funding body and will not be retained by the Trust.
- 25.4.5. Where it is appropriate that the Trust retains any surpluses, the use of these must be approved through the normal budget holder structure within the area concerned.
- 25.4.6. Most R&D funding streams are non-recurrent. Permanent commitments such as the appointment of staff to research positions on permanent contracts, should only be made if there is an agreed income stream to cover the on-going commitment once the funding source has ceased.
- 25.4.7. Payments to staff for research activities must be in line with Trust payroll procedures and no arrangements to avoid taxation liabilities should be entered into.
- 25.4.8. Any income which is gained from NHS activities must be paid into and managed as part of normal Trust exchequer accounts. Funds must not be held within special accounts, charitable foundation funds or within any other charitable trust funds.
- 25.4.9. Research Leads supported by finance managers must ensure that there is ongoing monitoring of the recovery of income awarded under any approved grant/contract and should any income not be forthcoming, appropriate action taken.
- 25.4.10. Research Leads are responsible for controlling and monitoring spend, ensuring that it is contained within the approved funding allocation and that the spend represents value for money, liaising with the management team for their area and with the appropriate finance manager.

(For easy access to R&D website, right click and open the following hyperlink [Research and Development: Homepage](#) or access via http://lthweb/departments/research_development/)