



WELSH HEALTH CIRCULAR

Status: Compliance / Action

Category: Governance / Policy

Title: NHS Research and Development Finance Policy 2026

Review and Date of Expiry: under constant review

Action by:

Chief Executives, health boards or trusts
Finance Directors, health board or trusts
Executive Leads for R&D, health boards or trusts
R&D Directors health boards or trusts

Required by: Immediate

Sender:

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Introduction and Background

Good financial management is essential to ensuring that research is delivered effectively and consistently across the NHS.

Maintaining strong financial controls and upholding financial probity is fundamental to the responsible use of public and private income. Clear financial accountability provides assurance that robust management systems are in place and enables effective strategic planning. Ultimately, this strengthens system capacity, improves outcomes, and enhances the quality of care delivered across Wales.

All NHS organisations are required to comply with the NHS R&D Finance Policy. The policy sets out the systems and requirements for the costing, management, accountability, and distribution of all research funding in NHS Wales. While much of its financial governance aligns with wider NHS financial management, certain elements are specific to research activity and therefore require certain processes to be in place, for example, to cost and manage commercial research income, and per patient invoicing.

The Welsh Government has refreshed the 2018 NHS R&D Finance Policy to ensure alignment with current funding streams, national policies and standards. Key changes are noted in Annex 1. This Welsh Health Circular therefore supersedes WHC/2018/005.

Enclosures:

Letter to NHS organisations from Isabel Oliver, Chief Medical Officer and Gareth Cross, Deputy Director, Science, Research and Evidence Division

Annex 1 – Revisions made to the NHS Research and Development Finance Policy since 2018

A copy of the refreshed NHS Research and Development Finance Policy can be found at [Policy and guidance | Health Care Research Wales](#)

**LETTER FROM ISABEL OLIVER, CHIEF MEDICAL OFFICER and GARETH CROSS,
DEPUTY DIRECTOR, SCIENCE, RESEARCH and EVIDENCE DIVISION**

Dear colleagues,

NHS Research and Development Finance Policy 2026

I am writing to inform you of the publication of the refreshed Welsh Government's NHS Research and Development Finance Policy.

Research is a fundamental component of everyday health and care and is critical to the development of all aspects of NHS Wales. Supporting NHS research yields real benefits for the NHS, its patients, research sponsors and researchers. Importantly, ensuring continued success and investment in research is dependent on establishing effective and efficient funding flow mechanisms which are consistent, fair and transparent. Strong financial management and strict adherence to financial probity remain as critical in research as in every other aspect of NHS financial stewardship. As a research active NHS in Wales, we expect a clear and rigorous approach to the management and distribution of research income.

The UK's renewed focus on the research and innovation agenda, reflected in the UK Life Sciences Sector Plan, sets a clear ambition for the UK to be a global leader in clinical research. This ambition is vital to ensuring that patients and the public benefit from timely access to novel treatments and cutting-edge healthcare, while also supporting wider economic growth. In Wales, we share this commitment. By working collectively with partners across the UK, we can demonstrate that Wales is among the most effective and efficient places to design, lead, and deliver high-quality research.

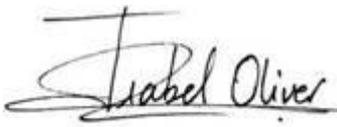
A clear and consistent approach to managing research funding shows that Wales is a dependable and capable partner for clinical research. Just as importantly, it ensures that the resources generated through research are reinvested into research capacity and research infrastructure in the NHS - helping to improve outcomes, strengthen research system capacity, and enhance the quality of care delivered across Wales.

This policy has been developed in partnership with the NHS and is being published following a consultation-in-use period. It provides clear direction on the management of research income across both commercial and non-commercial research activity, ensuring that consistent, transparent, and robust financial processes are in place.

I ask you to review your organisation's R&D finance strategies and processes to ensure they are fully aligned with the requirements set out in this policy. To provide assurance and identify any areas requiring further support, we intend to undertake an audit of compliance with the refreshed NHS R&D Finance Policy across all NHS organisations in the next financial year.

Yn gywir,

Isabel & Gareth

Handwritten signature of Isabel Oliver in black ink.

PROFESSOR ISABEL OLIVER
Chief Medical Officer for Wales

Handwritten signature of Gareth Cross in black ink.

Gareth Cross
**Deputy Director for Science Research
and Evidence and Division**

Annex 1

Key changes include:

- **Terminology and Structure:** Updated terminology and re-ordered sections to clearly separate processes for non-commercial and commercial research.
- **Costing Research Studies (Section 5):**
 - Distinction between lead and participating sites for non-commercial studies.
 - Introduction of SoECAT for resource confirmation at grant application stage.
 - Explanation of NCVR and the Interactive Costing Template (iCT), including calculation of direct costs, indirect costs (overheads), capacity building fees, and application of the updated Market Forces Factor (MFF).
- **Funding Streams (Section 6):** Clearer differentiation between non-commercial and commercial funding sources.
- **Research Accounts (Sections 7 & 8):**
 - Streamlined overview of account structure.
 - New guidance on account set-up, signatories, income/expenditure management, review, and closure.
- **Income Management & Distribution (Section 9):**
 - Expanded income distribution models for commercial studies, aligned with NIHR recommendations.
 - Detailed explanation of MFF adjustments to prevent funding shortfalls.
- **Invoicing (Section 10):** Updated process flow diagram with cross-references.
- **Deferred Income Rules (Section 11):**
 - Strengthened IFRS15 compliance guidance for deferring income across financial years.
 - Clarification of capacity building as a performance obligation under commercial contracts.
 - Reference to mCTA financial appendix for managing funding across years.
- **Appendices:**
 - Worked example of commercial income distribution showing benefits of NCVR and increased MFF.
 - Examples of overheads covered by iCT's 70% indirect cost rate, per NIHR guidance.