



Lahore University of Management Sciences

LUMS Overhead Policy

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Document Change Record

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Approvals

Name	Designations	Signature	Date
URC	Convener, URC	Dr. Amir Faisal	October 04, 2017
URC	Convener, URC	Mr. Uzair Kayani	June 20, 2020

1. Purpose of Policy

The purpose of this policy is to set forth guidelines for the deduction, distribution and management of overhead from sponsored programmes.

2. Scope of Policy

This policy is applicable to all externally sponsored research and consultancy projects.

3. Definitions

Direct Cost

Direct cost refers to all costs that can be identified specifically with a particular sponsored programme such as costs incurred on human resource development, equipment, travelling, entertainment and supplies and services.

Indirect Cost

Indirect cost refers to LUMS overhead deducted at the rate of 30% of the total direct cost of a particular sponsored programme on account of the use of general physical and administrative facilities of LUMS including but not limited to utilities, office space, internet services, labs and security.

Total Project Cost

Total project cost refers to the sum of direct cost and indirect cost incurred on a particular sponsored programme.

4. Policy Statement

4.1 Introduction

Carrying out research related activities at LUMS requires the use of general physical and administrative facilities of LUMS for which the university needs to be compensated. Thus, LUMS charges a financial overhead (indirect cost) from the externally funded programmes at the rate of 30% of the total direct cost (i.e., 23.07% of the total project cost), unless otherwise restricted by the sponsor.

In case of consultancy projects, overhead is calculated at the rate of 30% of total consultant(s) fee.

The overhead allocation must be included as a line item in the project budget.

4.2 Internal Distribution of Overhead

While the bulk of overhead amount is directly retained by the university and included in the total revenue earned, a portion of the funds is distributed to the relevant school to support seeding of research activities, with the remaining funds being placed with the Principal Investigator (PI) for his/her academic

and research use. For funded research projects that generate overhead, the distribution of overhead income within the University is as follows:

University takes upon payment (LUMS share)	65%
The relevant School receives (Department share)	20%
The PI receives (Grantee share)	15%

In case of consultancy projects, overhead is transferred wholly to the University.

In case of research projects undertaken by a LUMS research centre, grantee share of the overhead shall be transferred to the research centre's account. Thereafter, these funds shall be placed at the disposal of the head of that research centre.

4.3 Use of Overhead Funds

4.3.1 School Overhead Funds

School overhead funds are placed at the disposal of the Dean and may be used for the promotion of academic and research activities as per his/her discretion. Depending upon the size of available overhead contribution from any project, the Faculty Council (FC) may decide to partly, or fully, allocate the share of the school to the endowment or current use fund of the school.

4.3.2 PI Overhead Funds

Funds may be pooled in the Overhead account from multiple sources. This includes portion of the overhead deducted from research projects as per policy, portion of the startup grant left at the end of the expiry of the startup period as per the startup policy, and full or part of any performance award (teaching, research, service) given to the faculty by the University at the request of the awardee after the approval of the respective Dean.

Overhead funds may be used by PI to support academic or research activities including local and international travel, purchase of research equipment, hiring of research staff, etc. PI may also use overhead funds to withdraw sums of money as honorarium not exceeding two gross monthly salaries in a fiscal year if no sums of money have been drawn from any research project in that fiscal year. However, if the money drawn from research projects is less than two gross monthly salaries in that fiscal year, the difference between the two may be drawn from the overhead funds. Monthly gross salary for this purpose shall be computed by dividing total annual salary by LUMS over 10 months. Final approval for use of the funds is given by the PI, however, University processes for procurement of any item, hiring of staff etc. remain applicable.

4.4 Overhead Sharing with Collaborative Partners

In cases where LUMS joins efforts with third parties to collaborate on research or consultancy, and the total overhead allowed by the sponsor is to be shared between LUMS and the collaborative partner, the mechanism for overhead sharing is specified in the contract with the collaborative partner.

The ratio for overhead sharing is determined on a case to case basis. Negotiations in this respect are carried out by the OR.

4.5 PI Overhead Account Management

OR communicates to the Finance and Accounts (F&A) Office about the overhead distribution and deduction pertaining to sponsored programs. F&A Office creates individual overhead account numbers for the PI who has full authority to use these funds as per university policy. The overhead account balance information (total amount, amount spent, balance amount) is available for viewing through the SAP Financial Management System to the concerned faculty member.

The PI overhead account is closed and the entire amount available is transferred to the University in case of resignation or completion of contract of faculty member.

For procedural guidelines relating to approval of expenses, release of payments and other procedures, LUMS policies on procurement and payments shall be referred.

5. Procedure

5.1 Overhead Account Creation and Distribution

Sr. No.	Responsibility	Procedure / Activity	Output
1	Relevant Personnel (OR)	Relevant Personnel (OR) communicates to Relevant Personnel (F&A Office) distribution and deduction of overhead pertaining to sponsored programmes.	Email regarding distribution and deduction of overhead
2	Relevant Personnel (F&A Office)	Relevant Personnel (F&A Office) first moves the total overhead amount into University Overhead Account in the Financial Management Module of SAP. Then the proportional funds as per policy are distributed from the University Overhead Account to the School Overhead Account and the PI Overhead Account.	Creation of overhead accounts
3	Relevant Personnel (F&A Office)	Relevant Personnel (F&A Office) communicates overhead account number to the concerned Dean and PI.	Email containing overhead account number

6. Waiver of Policy

In exceptional cases, and on a showing of good cause, the Vice Chancellor or his designated authority may waive a policy or procedural requirement. A waiver must be granted in writing and be specific to each case. The written request for a waiver should be timely communicated to the Office of Research (OR). Repeated waivers of any requirement shall prompt a policy review of that requirement under the LUMS governance structure. To show good cause, the written waiver shall provide reasonable justifications that:

1. The requirement being waived is impossible or impracticable;
2. The waiver does not violate any applicable law; and
3. The waiver is fair, in the best interest of the University, and narrowly tailored to address an exceptional case.

7. Special Circumstances/Exceptions

No special circumstances are identified in this policy. Each identified case of misconduct will be reviewed on its own merit.

8. Roles and Responsibilities of Policy Implementation

The major responsibilities that each party has in connection with this policy are as follows:

PI is responsible for ensuring that use of overhead funds complies with University policies and that overhead funds are purely spent on academic and research activities.

OR is responsible for communicating to the F&A Office about the overhead distribution and deduction pertaining to sponsored programs.

F&A Office is responsible for:

1. Creating respective overhead accounts in Financial Management Module of SAP for the school and PIs;
2. Communicating the overhead account numbers to the Deans and concerned faculty members; and
3. Tracking expenses and preparing budget utilization reports for faculty based on account information in Financial Management Module of SAP.

Dean is responsible for managing the School Overhead Account for use in academic and research activities.

9. Title of Position with Maintenance Responsibility

OR will be responsible for maintenance of the policy including its periodic review and approval of any subsequent modifications to the said policy.

10. Consequence(s) of Non-Compliance with Policy

Each instance of non-compliance will be referred to University Research Council (URC) for review, which will finalize its recommendations for the action to be taken by VC. In all cases, the decision of VC will be final.

11. Related Documents / Policies

No such documents have been identified at this stage.

12. Related Laws

It is mandatory to abide by all laws and regulations as applicable in Pakistan. In certain circumstances, sponsors may require compliance with certain laws and their own statutory regulations as well.

13. Distribution & Physical Security

Access to these Policies & Procedures on the intranet portal shall be restricted and access shall be provided by Director of OR through following LUMS Access Management Process. For further information, refer Access Management Policies & Procedures. However, in case a hard copy is required, printing rights shall be granted to the respective stakeholder as part of standard Access Management Process. System shall track the number of hard copies printed against each Login ID and shall maintain log as well.

Where there is a change in responsibility of an employee, the copy / access that the employee has of policy document should be handed over to the new employee and this action shall be documented in the previous employee's handing over notes. When an employee leaves the employment of LUMS, then the copy of/access to policy document should be returned to/ revoked by the Head of Department / IT Department prior to his departure.

14. Contacts

Contact	Designation	Phone
Office of Research (OR)	Director	8336, 8207, 8042