# FINANCIAL POLICIES AND PROCEDURES

## SECTION 3: CAPITAL EXPENDITURE, INVESTMENTS & RESERVES

## POLICY 5: UNSECURED LOANS TO RELATED PARTIES

### Policy Rationale

From time to time [organisation] may decide to provide loan funding to associated organisations (related parties) free of any security over those funds.

Decisions to provide such unsecured loans should be of strategic importance to [organisation] and only provided where [organisation]’s financial security is not threatened should those funds not be repaid to [organisation].

### Policy Statement(s)

[organisation] may make unsecured loans to related parties where:

1. The provision of funding to the related party is deemed essential to the future sustainability of the related party
2. The future sustainability of the related party is deemed essential to the achievement of [organisation]’s long term goals and strategies
3. The provision of unsecured loan funds are appropriately documented in deed form and are in accordance with the related party and [organisation]’s constitutions
4. The non-repayment of the loan funds will not impact on [organisation]’s financial security or ability to deliver its anticipated products and services
5. The tax consequences (if applicable) for [organisation] are acceptable

Any unsecured loans to related parties should be approved by [organisation]’s Board.

Where [organisation] makes unsecured loans to related parties:

1. The terms of the unsecured loan funds including interest payable (if applicable) must be documented
2. The related party will be required to report its financial position and progress or ability to repay the loan funds to [organisation]‘s Board on a [six monthly] basis
3. [organisation] shall endeavour to gain appropriate input or oversight to the management of the related party as may be warranted e.g. Board membership
4. Any breach of terms must be promptly reported to the [organisation]‘s Audit, Finance & Risk Committee

### Policy Implementation and Related Procedure Documents

The implementation and review of these Unsecured Loans To Related Parties policies are the responsibility of [organisation]’s Audit, Finance & Risk Committee.

The [organisation]’s Board will be responsible for any unsecured loans made to related parties.

The [organisation]’s CFO / Finance Manager will implement procedures for the monitoring and collection of unsecured loans. Details of any missed repayments are to be promptly reported to the [organisation]’s Audit, Finance & Risk Committee.

The following [organisation] policies and frameworks should be referred to in this regard:

* Budgeting & Forecasting Policy
* Financial Reporting & Monitoring
* Accountability, Internal Controls & Audit Policy
* Financial Systems & Procedures Policy
* Reserves & Restricted Funds Policy
* Investments Policy
* Subsidiary, Associated Trust & Foundation Funds Policy

### Legislative Compliance Considerations

* Companies Act 1993 [if a Company]
* Constitution [if a Company]
* Incorporated Societies Act 1908 [if an Incorporated Society]
* Incorporated Societies Act 2022 [applicable if an Incorporated Society registered under the new Act. Reregistration is available from 5 October 2023]
* Incorporated Society Rules [if an Incorporated Society registered under the 1908 act]
* Incorporated Society Constitution [if an Incorporated Society registered under the 2022 Act]
* Trust Deed [if a Trust]
* Trusts Act 2019 [if a Trust]

### Review Protocol

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| --- | --- |
| Policy Reviewed By: | Audit, Finance & Risk Committee |
| Date Reviewed: | [Date] |
| Next Review Date: | [Date] |
| Revokes Policy Reviewed: | [Date] |