# FINANCIAL POLICIES AND PROCEDURES

## SECTION 6: TREASURY

## POLICY 4: BORROWINGS

### Policy Rationale

[organisation] will borrow funds in a conservative manner as not to risk the reputation or continuity of the organisation.

### Policy Statement(s)

[organisation] shall only borrow funds when the following criteria are met:

1. A business case must be put forward and approved by the Board before any borrowing’s applications can commence, in particular if borrowings are in respect to new operations or assets
2. The criteria for the approval of a business case is to be dictated and approved by the Board
3. Before borrowing is approved a budget must be submitted to and signed off by the Board. This budget must forecast the organisation’s ability to repay the debt in full and on time
4. Signatories of two or more Board members are required to commit [organisation] to any debt, with the preferred mode of authorisation being by formal resolution of the Board

In borrowing funds, [organisation] shall do so in accordance with the following:

1. The level of overall borrowings for the organisation shall not exceed [XX]% of [Fixed Assets / Total Assets]
2. No borrowing limits, such as an overdraft limit, will be exceeded
3. Borrowings must only be obtained from reputable organisations, as approved by the Board
4. All banking or finance institution’s terms and conditions must be adhered to
5. No borrowing discussions should be entered into that may require Personal Guarantees of any Board or Staff member without express Board approval to do so
6. If the loan is to be secured over any assets of the organisation, those assets are to be insured

The [organisation]’s CFO / Finance Manager will:

1. Monitor the repayment of the borrowings
2. Regularly review the interest rate and terms of the borrowings and report to the Board if better options become available

### Policy Implementation and Related Procedure Documents

The implementation and review of these Borrowings policies are the responsibility of [organisation]’s Audit, Finance & Risk Committee.

The [organisation]’s Board is responsible for approving any borrowings / overdraft facilities.

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

* + Finance Manual
  + Bank’s terms and conditions
  + CEO Financial Management Policy
  + Delegated Authorities Policy
  + Budgeting & Forecasting Policy
  + Financial Reporting & Monitoring Policy
  + Accountability, Internal Controls & Audit Policy
  + Insurance Policy
  + Risk Management Policy
  + Legal Advice Policy
  + Capital Expenditure Policy

### Legislative Compliance Considerations

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* + 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] |