

**Policy Title: Internal Loans**

**Policy Owner: Chief Financial Officer**

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**1. INTENT**

This policy provides principles for the approval and administration of Internal Loans.

**2. ORGANISATIONAL SCOPE**

All ECU staff

**3. DEFINITIONS**

TERM	DEFINITION
Business Unit	School or Service Centre.
Capital	Portion of a payment amount that relates to the Principal of the Internal Loan.
Interest	The charge for borrowing the funds, to compensate the Lender for the use of the funds and any risks associated with the borrower.
Interest Rate	The rate of interest charged on the internal loan, usually expressed as an annual rate and charged monthly.
Internal Loan	An arrangement whereby the University lends funds to an approved project within a School or a Service Centre to internally fund projects that provide a future positive net cash flow.
Principal	The amount of the Internal Loan.
Repayment Schedule	The amount of payment required for the Internal Loan which comprises both Interest and Capital elements.
Term	The duration of the Internal Loan, usually expressed in years.

## 4. POLICY CONTENT

### 4.1 Principles

- 4.1.1 Internal Loans provide a mechanism for the University to measure and hold a project accountable to agreed financial objectives over a number of years.
- 4.1.2 All Internal Loan applications will be for the purpose of funding a revenue generating initiative which is expected to create a new revenue stream, maintain a revenue stream or increase an existing revenue stream.
- 4.1.3 The revenue generated from the project initiative must be able to service the repayment of Principal and Interest.

### 4.2 Establishment of an Internal Loan

- 4.2.1 The purpose of the Internal Loan must be for significant items of expenditure (e.g. the purchase or construction of an asset). Any applicable internal policies in relation to approval of expenditure must be adhered to prior to application for an Internal Loan.
- 4.2.2 An Internal Loan will not be established for amounts of expenditure that could otherwise be funded from operating revenue without adversely impacting the performance of the School or Service Centre.
- 4.2.3 The minimum amount of an Internal Loan shall be at the discretion of the Vice-President (Corporate Services) or delegate.
- 4.2.4 The project initiative for the Internal Loan must be able to demonstrate the capacity to repay the loan through future net cash flows.
- 4.2.5 The internal interest rate will be determined by the Chief Financial Officer.
- 4.2.6 The provision of an Internal Loan will be subject to availability of funds.

### 4.3 Supporting Documentation for an Internal Loan Application.

- 4.3.1 After approval at business unit level, an [Internal Loan Application Form](#) shall be completed. The application should be forwarded to the Chief Financial Officer, in the first instance, who will perform an initial review and make a recommendation to the Vice-President (Corporate Services).
- 4.3.2 An application form will be accompanied by:
  - The project approval and business case; and
  - A financial summary that demonstrates the capacity to fund both the Interest and Principal portions of the loan over a reasonable period of time and be repaid through the revenue or cost savings that will accrue as a result of the expenditure.

#### 4.4 Loan Approval

Limit	Approver
Less than \$1 million	Vice-President (Corporate Services)
Greater than \$1 million	Vice-Chancellor

#### 4.5 Loan Schedule

4.5.1 An [Internal Loan Schedule](#) shall be provided to the project owner upon approval and will include:

- The purpose of the Internal Loan;
- The Principal Borrowed;
- The Internal Loan Term;
- The Interest Rate; and
- The Repayment Schedule.

4.5.2 The Repayment Schedule will be determined by reference to the capacity of the project to repay the Internal Loan.

4.5.3 An application to the Vice-President (Corporate Services) shall be made to vary any condition of the Internal Loan, if required.

#### 4.6 Management of Internal Loans

4.6.1 Finance and Business Services Centre shall manage the administration of Internal Loans.

4.6.2 Finance and Business Services will provide an [Annual Statement](#) of account to the project manager.

4.6.3 Details of Internal Loans will be reported to the Resources Committee.

### 5. ACCOUNTABILITIES AND RESPONSIBILITIES

In relation to this policy, the following positions are responsible for the following:

#### *Policy Owner*

The Policy Owner Chief Financial Officer has overall responsibility for the content of this policy and its operation in ECU.

#### *Staff*

Staff are required to comply with the content of this policy and seek guidance in the event of uncertainty as to its application.

All members of the University community are expected to comply with University Policy.

**6. RELATED DOCUMENTS:**

6.1 The policy is supported by the following Guidelines:

- [University Delegations and Authorities](#)

**7. CONTACT INFORMATION**

For queries relating to this document please contact:

Policy Owner	Chief Financial Officer
All Enquiries Contact:	Manager Financial Services
Telephone:	08 6304 2603
Email address:	<a href="mailto:m.gandhi@ecu.edu.au">m.gandhi@ecu.edu.au</a>

**8. APPROVAL HISTORY**

Policy Approved by:	Vice-Chancellor
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