

## **COUNCIL POLICY: SECURITY BONDS AND BANK GUARANTEES**

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Date Adopted:	15 December 2009
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Date Amended:	26 March 2013; <u>27 January 2016</u>
Contact Officer:	Coordinator <u>Accounts/Treasury/Financial Management</u>
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File Reference:	12/13/002; 04/15/004
Related Policies/Local Laws/Legislation:	<i>FI01.10CP; Investment Policy WI05.07CP; Bonding of Works Policy Statutory Bodies Financial Arrangements Act 1982</i>
Related Documents:	<i>Nil</i>

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### **OBJECTIVES**

The objective of this policy is to establish the criteria for security bonds and bank guarantees that Council will accept.

#### **Corporate Plan:**

Priority Area	<u>Corporate Organisational Sustainability</u> <del>Scenic Rim Regional Council is in a strong financial and operational position; we work with our community to deliver on the corporate plan and priorities. Council strives to be a high performing and financially sustainable organisation with robust governance structures based on the principles of risk management and continuous improvement. We offer a safe, positive work environment, value and reward our staff and are committed to providing ongoing development and training.</del>
Strategy	<del>Capitalise on innovative and entrepreneurial revenue opportunities and maximise financial returns and the community benefit realised from Council assets and resources. Implement effective risk management and maintain contemporary business processes.</del>

### **POLICY STATEMENT**

Council will accept security bonds and bank guarantees in the following forms:

- (a) Cash
- (b) An unconditional guarantee from an Australian-owned Authorised Deposit-taking Institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA) in accordance with the *Banking Act 1959*

All bank guarantees must exclude termination dates unless otherwise determined by the Chief Executive Officer.

All bank guarantees must be in Australian dollars.

Council may refuse to accept a bank guarantee if the credit rating of the financial institution is deemed an unacceptable risk.

Cash bonds held as security will be held in trust in a designated bank account until they are released. Council does not pay interest on any cash held as a bond.

Release of security bonds and bank guarantees will be at the discretion of Council once all conditions for release of the bond or guarantee are satisfied.

A centralised register of security bonds and a centralised register of bank guarantees will be maintained by Council.

**SCOPE**

This policy applies to all circumstances where Council requires a security bond or bank guarantee.

**DEFINITIONS**

**Authorised Deposit-taking Institution**

Authorised Deposit-taking Institutions (ADIs) are corporations which are authorised under the *Banking Act 1959*. ADIs include;

- banks;
- building societies; and
- credit unions.

**Bank Guarantee**

A bank guarantee is an irrevocable commitment by a bank or other lending institution to pay a specified sum of money in the event that the party requesting the guarantee fails to satisfy all conditions for release of the guarantee.

**Credit Risk**

Credit risk is the risk that a counter party (i.e. a bank or other financial institution Council accepts a bank guarantee from) cannot pay when a bank guarantee is called up.

**RESPONSIBILITIES**

Policy Author	<del>Coordinator Accounts/Treasury</del> <u>Coordinator Financial Management</u>
Policy Owner	<del>Manager Finance</del> <u>Chief Finance Officer</u>
Guidelines and procedures	Nil

**Approved By:**

**SCENIC RIM REGIONAL COUNCIL**

~~26 March 2013~~27 January 2016