SECURITY PAYMENTS

COUNCIL POLICY

PURPOSE

To outline the requirements for the issuing of surety bonds and bank guarantees acceptable to the City of Palmerston (Council).

PRINCIPLES

Cash, bank guarantees, and surety bonds are acceptable forms of security for the City of Palmerston. Council does not have a preference so long as the terms and conditions meet Council's requirements.

DEFINITIONS

For the purposes of this Policy, the following definitions apply:

TERM	DEFINITION
Bank Guarantee	An unconditional undertaking given by a bank, on behalf of a customer (developer, contractor or other), to pay the recipient or beneficiary (Council) the contracted amount or part thereof on demand. Bank guarantees usually require security held in the form on cash on deposit with the bank.
Surety Bond	An undertaking or guarantee to pay an amount or part thereof determined as determined or agreed by Council The developer, contractor or other requests the issuer to issue a bond in favour of Council and the bond premium is paid by the contractor.

POLICY STATEMENT

1. CASH SECURITY

Council will accept, at its discretion, cash as security for works in accordance with NT Subdivision Development Guidelines.

2. Bank Guarantees

2.1. The only type of bank guarantee that should be accepted is an unconditional bank guarantee issued by an Authorised Deposit-taking Institution (ADI) that is regulated by the Australian Prudential Regulation Authority (APRA) in accordance with the *Banking Act 1959*.

2.2. Council may accept bank guarantees from Australian-owned banks, foreign subsidiary banks, branches of foreign banks, building societies and credit unions, which are operating in Australia as ADIs in accordance with *Banking Act 1959*.

2.3. Bank Guarantees must meet the minimum requirements of being unconditional, irrevocable, payable on demand and without reference to the contractor and not have an expiry date as well as satisfy Council's requirements in accordance with the guideline.

2.4. Council must be the only beneficiary of the guarantee.

2.5. Upon claim by Council, the contractor is responsible for all reasonable legal expenses incurred by Council in administering the bank guarantee.

2.6. The governing law must be that of the Northern Territory.

3. Surety Bonds

3.1. The only types of surety bonds that should be accepted are performance bonds, which offer a nominated monetary amount as surety. Surety bonds must be able to be called upon immediately by Council in the event that a customer fails to fulfil its obligations or otherwise breaches its obligations.

3.2. Surety Bonds must meet the minimum requirements of being unconditional, irrevocable, payable on demand and without reference to the contractor and not have an expiry date as well as satisfy Council's requirements in accordance with the guideline.

3.3. Council must the only beneficiary of the bond.

3.4. Council will only accept surety bonds from companies on the Northern Territory Department of Treasury and Finance list of approved surety bond providers listed in Appendix A of the Treasurer's Direction M2.2 Surety Bonds and Bank Guarantees.

3.5. Where a surety bond provider has been removed from the Treasurer's Direction M2.2, a surety bond must be replaced.

3.6. The customer is responsible for ensuring that the surety bond provider remains on the approved list and for informing Council that the surety bond needs to be replaced.

3.7. The governing law must be that of the Northern Territory.

ASSOCIATED DOCUMENTS

- NA

REFERENCES AND RELATED LEGISLATION

- *Local Government Act 2019* (NT)
- *Local Government (General) Regulations 2021* (NT)

POLICY DETAILS

OWNER	Chief Executive Officer	RESPONSIBLE OFFICER	Director Finance & Governance
APPROVAL DATE	21 February 2023	NEXT REVIEW DUE	21 March 2027
RECORDS NUMBER	439403	COUNCIL DECISION	10/707