

	Debt Management Policy <i>Policy No. FINPOL 20</i>	Version No:	1.0
		Responsible Officer/s	Deputy CEO
		Issued:	
		Next Review:	Jun 2019

1. Purpose

The purpose of this policy is to:

- Provide a clear and concise policy framework in which to pursue all outstanding debts (rates and sundry debtors)
- Ensure consistency, fairness, integrity and confidentiality for both the Council and the debtor; and
- Assist in the efficient management of Council assets through the timely collection of outstanding monies.

2. Definitions

Arrangement: An agreement between Council and a Ratepayer or Debtor to repay an amount of money within a timeframe according to an agreed schedule.

Owner: The registered proprietor of a rateable property.

Prescribed Percentage: Is to be calculated in accordance with Section 181(17) of the Local Government Act where 'P' is the prescribed percentage and 'CADR' is the cash advance debenture rate for that financial year

$$P = \frac{\text{CADR} + 3\%}{12}$$

Ratepayer/s: Person/persons who appear in the assessment record as the owner/s or occupier/s of rateable property.

Rate and Sundry Debtor/s: Person/s owing money for goods and/or services rendered to them by Council.

Recurring Charges: Charges that are charged on a set frequency ie lease fees.

3. Policy

Finance Employees will maintain procedures that support the administration of this Policy.

3.1 Rates

Rates Debtors shall include all those owing general rates, separate rates, CWMS service charges, waste service charge amounts and any other charge levied by Council annually and issued on a quarterly rate notice.

3.1.1 Arrangements

All arrangements shall be determined on the merits of each individual case. Recovery action for overdue rates will be suspended whilst the terms/conditions of the arrangement to pay are being met.

Each arrangement shall specify the amount and frequency of each regular payment made to Council. Payments under an arrangement should be of regular amounts, a minimum of \$50 per fortnight and be

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payable at regular intervals. All payment agreements should be detailed in writing and be sufficient to clear the debt by the end of the financial year in which the rates are declared.

Payment defaults of two consecutive payments (default being either late payment or non-payment of agreed amount) may result in the arrangement being terminated. Recovery action may be taken for recovery of the amount due.

Fines and interest will continue to be applied on any outstanding amounts.

3.1.2 Fines and Interest

Fines and/or interest will be processed in accordance with Section 181 (8) of the Act. If an instalment of rates is not paid on or before the date on which it falls due –

- a) The instalment will be regarded as being in arrears; and
- b) A fine of 2 per cent of the amount of the instalment is payable and;
- c) On the expiration of each full month from that date, interest at the prescribed percentage of the amount in arrears (including the amount of any previous unpaid fines and including interest from any previous month) accrues.

Fines and interest will not apply with respect to the postponement of the payment of rates under another section of the Act (while postponement is occurring in accordance with the relevant section).

3.1.3 Application of money in respect of rates

When Council receives a payment in respect of overdue rates the Council applies the money received as follows (as per the Local Government Act 1999):

- firstly – to satisfy any costs awarded in connection with court proceedings;
- secondly – to satisfy any interest costs;
- thirdly – in payment of any fines imposed; and
- fourthly – in payment of rates, in date order of their imposition (starting with the oldest account first).

3.1.4 Overdue Letter/Final Notice

A letter of demand shall be issued within 14 days after the due date of an instalment to those ratepayers who have not made satisfactory arrangements. This notice will advise of the outstanding debt (including any fines and interest) giving 7 business days for payment.

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If the debt is not paid or a payment plan has not been entered into within 7 days of the letter of demand the debt will be referred to Council's debt collection agency for recovery.

3.1.5 Legal Action

Legal action will be initiated by referring the account to Council's debt collection agency who will send a letter of demand to the ratepayer. Council is then to be guided by the collection agency as to the most suitable form of recovery action.

All legal costs and expenses incurred by Council from the recovery of outstanding rates and charges will be charged against the debtor's property assessment.

3.1.6 Sale of Land for Non-Payment of Rates and Charges

Council may proceed to sell the land where any rate or charge is overdue and has remained in arrears for more than three (3) years from the date on which it became payable in accordance with Section 184 of the Act.

Prior to instigating any action, the ratepayer will be given the opportunity to make a suitable payment arrangement in a reasonable effort to discharge the arrears on the property.

Council staff will contact the Registered Mortgagee to obtain the position of the mortgagee regarding the possibility of refinancing or paying the arrears outstanding.

Once the legal action process has been exhausted Council will commence the process to sell under Section 184 of the Local Government Act, all further processes will be handled by Council's lawyers.

A report will be provided to full Council for consideration and approval to commence the process for Sale of Land for Non-Payment in accordance with Section 184 of the Local Government Act 1999.

4. **Sundry Debtors**

Sundry Debtors include people owing Council miscellaneous monies including (but not limited to) lease fees, search requests, recurring charges and administrative charges

4.1 Credit Management

Credit terms for all Sundry debtors are thirty (30) days from the date of invoice.

No further credit is to be extended to persons with a history of debt being written off with the Council; nor should a person currently in the hands of Council's Debt Collection Agency be provided additional services.

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All prior debts written off must be paid in full including legal costs, if applicable, prior to the provision of any new service.

Where private works are requested the Works Manager shall be responsible for granting credit in line with WKSPOL 01 Private Works Policy.

Where appropriate, prepayment, purchase order, bonds or deposits will be required prior to Council commencing the supply of goods or services. (Jane – perhaps if estimated costs are above a specified amount – we should seek some payment/security before commencement of works/services ie \$1500)

4.2 **Debt Management** **Debts Due and Payable**

Normal payment terms will be 30 days from the date of invoice

Debts 30 Days and over

If payment has not been received within 30 days of the invoice date, letter of demand requiring immediate payment will be issued giving a further 7 days to pay (will include copies of invoices). All outstanding Debtors over 30 days will also be referred to the relevant manager/officer for direct follow-up with the debtor.

Debts 60 days and over

If payment has not been received within 60 days of the invoice date, a letter is sent to the debtor advising that debt collection will commence if the invoice is not paid in full within 7 business days and all costs associated with this process will be added to the outstanding debt.

If payment is not received within 7 business days of the date listed on the letter, the debtor's contact details are provided to Council's debt collection agency.

Debt Collection Agency

If the final letter does not produce settlement, the debt will be referred to the Debt Collection Agency for recovery action.

Prior to referring any debt to a collection agency or taking legal action the Department Manager must consider the individual circumstances of the debt before incurring additional costs which may not be recouped. Items to consider include:

- Amount of the debt
- Debtors credit history
- Capacity to pay
- If future Council services are likely to be called upon
- Continuation of service provision

The Chief Executive Officer and Deputy Chief Executive Officer have the discretion to vary these steps subject to delegation limits.

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Payment arrangements may be negotiated to increase the likelihood of Council receiving any outstanding amounts.

4.2.1 Provision for Doubtful Debts

Where the recovery of debt is unlikely (ie where the debtor is bankrupt or in liquidation), a provision for doubtful debt shall be made.

4.2.2 Write off

Section 143 of the Local Government Act 1999 will apply when determining if an outstanding debt should be written off.

Debts will only be written off when all reasonable attempts to recover outstanding amounts have been made or the costs of recovery are likely to equal or exceed the amount to be recovered.

The writing off of a debt and any associated debt recovery or legal costs will be charged to the account where the invoice was originally raised.

The thresholds contained in Council's Delegations Register will be applied when approving the write-off of an existing debt.

All write-offs will be reported to Council on a quarterly basis and will include the amount written off, description of the invoice and reason for write-off.

5. Responsibilities

Overall responsibility for debt management rests with the Senior Accountant and Deputy Chief Executive Officer within consultation with Department Managers for their respective areas of responsibility, References:

Financial Hardship CWMS Policy
Rating Policy
Private Works Policy
Annual Business Plan
Internal Financial Controls Procedure

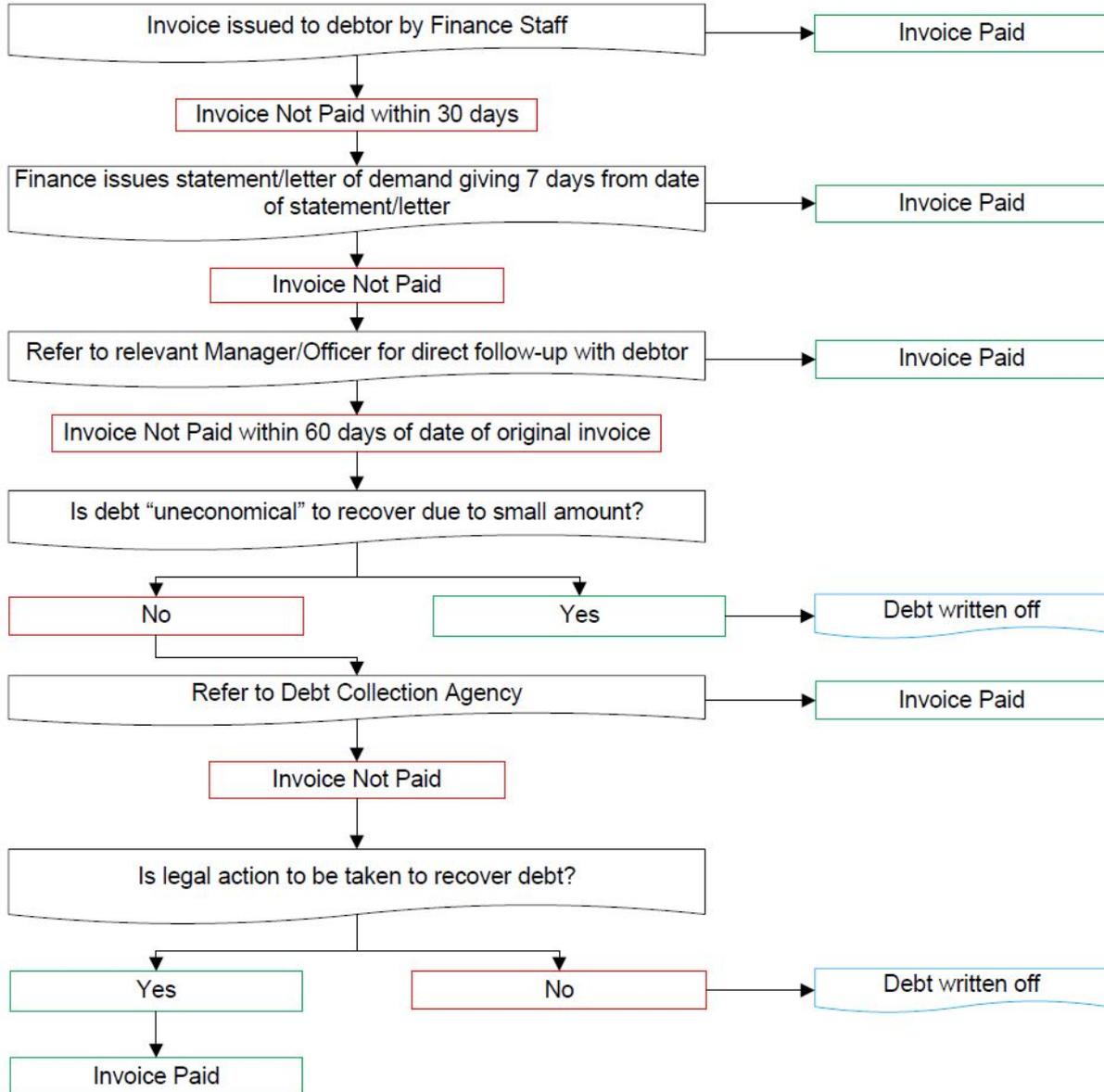
6. Review

This Policy shall be reviewed by the District Council of Grant at minimum every four (4) years, within 12 months of a general election (or on significant change to legislation or other matters which could affect this policy).

Action	Date	Minute Reference
Adopted by Council	5 October 2016	16130.1

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Debt Recovery Process Flow-Chart



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Rates Recovery Process Flow Chart

