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| POL | DEBTORS MANAGEMENT | AFCS9 |
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| POLICY CODE: | AFCS9 |
| DIRECTORATE: | Finance & Corporate Services |
| BUSINESS UNIT: | Financial Services |
| SERVICE UNIT: | Rating & Revenue Services |
| RESPONSIBLE OFFICER: | Manager, Financial Services |
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| DAPPS Meeting: | 26 July 2012 27 November 2014 | 26 May 2016 24 November 2016 |
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BACKGROUND:

The City utilises several revenue streams in funding its service provision. It is necessary to establish clear and concise principles in order to ensure the reliability of those revenue streams, pursue outstanding debts owed to the City and where necessary, write those debts off.

S6.12(1)(c) of the Local Government Act 1995 allows local governments to write off any amount of money owing to it (other than rates and service charges).

PURPOSE:

The purpose of this policy and any associated guidelines is to establish a framework that will:

1. Ensure a fair, consistent and accountable approach to Council's debt management and collection decisions and practices.
2. Provide guiding principles for the management of credit control, debt collection and bad debt write offs.
3. Ensure timely collection of all monies owing to the City for the purpose of optimising cash flow and reducing bad debt write offs.

This policy applies to those circumstances where the City provides goods, services or statutory approvals on credit and for the collection of outstanding rates, charges and infringements.

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POLICY:

General Principles

The following principles provide high level Council direction for the ethical and effective management of the City's wide range of debtors:

- (1) Management is to establish and maintain appropriate credit limits and controls in order to ensure the risk of financial loss is properly managed.
- (2) Access to credit should be limited to those circumstances where it is deemed an efficient method for collecting revenue or is legally required to be given (e.g. rates).
- (3) This Policy is to be supported by properly documented [Debt Management Guidelines](#).
- (4) Debt collection processes established by the City need to be fair, flexible and realistic, taking into account the different types of debtors (ie. ratepayers, commercial, community groups, individuals, offenders).
- (5) Debt collection activities against individual debtors should be in accord with the ACCC-ASIC Debt Collection Guideline for Collectors and Creditors.
- (6) Debts are to be pursued within the relevant statutory limitation periods to maximise recoverability.
- (7) Action for the writing off of bad debts (other than rates and services charges) should only take place where all avenues for recovery have been exhausted or it becomes unviable to keep pursuing the debt.
- (8) Unrecoverable debts (other than rates and service charges) up to the individual value of \$300 may be written off under Council delegation.
- (9) Bad debts over \$300 (other than rates and service charges) are to be brought to Council for write off on an annual basis.
- (10) The City is to annually review the need for booking a provision for bad debts and adjust the budget accordingly.
- (11) The City should register as an unsecured creditor for bankrupt debtors where there is some likelihood of a settlement (excluding rate debtors whose debt is secured against the property).

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Staff Responsibilities

This policy seeks to maintain and enhance the City's integrity and standing in its dealings with its debtors. Thus, in all dealings that staff has with the City's debtors it is expected that:

- (1) Debtors should be shown utmost respect, courtesy, and diligence in all dealings.
- (2) High levels of ethics are to be adhered to, particularly when dealing with those clients regarded as in necessitous or disadvantaged circumstances.
- (3) All information pertaining to individual debts and repayment arrangements are to be treated in strict confidence as governed by privacy laws.
- (4) Negotiated payment arrangements for outstanding debts are to be properly documented and approved in accordance with established management procedures.

Legal Remedies

- (1) Rates Debt Recovery

Except where a ratepayer is entitled to defer the payment of their rates, Council will actively pursue the recovery of rates arrears as specified in the Local Government Act 1995, including the power to sell the land. Any action taken to sell land for this purpose will be advised to Councillors through the monthly EM Newsletter.

- (2) General Debtors

If a general debtor does not respond to the in-house debt recovery process as stipulated within management procedures, then legal action may be commenced through the City's debt collection agency. Due regard will need to be given to the type of debtor before commencing any legal action (eg. local community group). Management discretion will be used in assessing whether to deny a delinquent debtor access to Council's services and facilities.

- (3) Infringement Debt Recovery

Any infringement that remains unpaid following the exhaustion of the in-house debt recovery process (as stipulated within management procedures), will be referred to the Fines Enforcement Registry within the statutory time limits.

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(4) Recovery of Legal and Other Costs Incurred

Debt recovery actions are to include recovery of legal costs and any other reasonable costs incurred in pursuing the outstanding debt to the extent that they are allowed by law.

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DEBTORS MANAGEMENT GUIDELINES

1. PURPOSE

Council has established policy number AFCS9 - Debtors Management Policy to guide effective billing and debt collection processes, including the efficient management of accounts receivable and related credit management. Key purposes of the policy are to ensure the effective granting of credit and the timely raising of invoices and subsequent monitoring and collection of the debt.

Council debt is to be managed in accordance with this policy, the following guidelines and established management procedures and work instructions.

2. SCOPE

Applies to all business units and Council employees authorised with the responsibility of providing credit, invoicing and recovery of outstanding debt including general rates, service charges, commercial waste charges, sundry debtors, infringements and miscellaneous charges.

3. DEFINITIONS

- Sundry Debtor, Debtor and Debt - all refer to an amount owed to Council.
- Service – includes goods supplied or delivered, admission, sale of items, hire of facilities or items - supply of information and any other matter giving rise to a fee or charge being made by Council.
- Debtor - any person, corporation, business or other entity owing money to Council.
- Provision for Doubtful Debts – an estimate of the amount of debt raised that is unlikely to be collected.

4. GUIDELINES

Payment for Council Services should, where possible, be made at the time when the service is provided and by way of a “non-credit” transaction, being EFTPOS, internet/online, BPay, cash or cheque. For example entry fees, booking fees, subscriptions, memberships, planning approvals, licences, sales of merchandise etc. should be payable at the time of service and/or delivery.

Where credit is to be provided the following shall apply:

4.1 Trading Terms

Unless otherwise provided by legislation, trading terms are not to exceed 30 days net from date of invoice/statement.

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4.2 Invoices

The debt is to be recognised at the time services are provided.

4.3 Provision of Credit

The provision of credit is not automatic and credit can be suspended or withdrawn based on compliance with trading terms.

A Credit Application form may need to be completed in accordance with Debt Management procedures.

4.4 Credit Limits

Credit limits will be applied to larger accounts in accordance with sundry debtor procedures in consultation with the business unit.

4.5 Recovery of Outstanding Debt

Recovery processes will be implemented through Council's preferred supplier of Debt Collection services in accordance with the service level agreement. No recovery action should commence without satisfactory proof of debt.

4.6 Waiver of Penalty Interest – Negotiated Settlements

Council will consider Waiver of Penalty Interest on a case by case basis. The Manager Financial Services, as delegated officer, will negotiate the terms of settlement.

4.7 Payment Agreements

Payment Agreements must be duly noted and authorised by a delegated officer.

Defaulted agreements will activate enforcement.

4.8 'Securing' Unsecured Debt (Sundry Debtors)

Depending on the circumstances Council will attempt to 'secure' unsecured debt via either obtaining directors guarantee (credit application), or other arrangement. If no security can be obtained, then proactive management of credit limit is expected.

4.9 Bankruptcy

Council will not declare itself as a creditor on bankruptcy applications to property based debts.

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4.10 Provision for Doubtful Debts - Debt Write-off

The requirement for a Provision for Doubtful Debts will be reviewed on an annual basis in accordance with Accounting Standards and consultation with the City's auditors.

Uncollectable debts recommended to be written off will be brought to Council as required but at least annually.

4.11 Reporting

Debt Management reports are to be prepared monthly and reviewed by senior management.

5. DEBTOR TYPES

5.1 Rates Debtors

All rates debtors are secured and will always be recovered, as they are deemed to be a charge on the land. Except where a ratepayer is entitled to defer the payment of their rates, Council will actively pursue the recovery of rates arrears as specified in the Local Government Act 1995, including the power to sell the land. Collection processes will be in accordance with the relevant documented procedures and work instructions.

5.2 Henderson Waste Debtors

This is by far the biggest source of revenue on credit for the City and appropriate controls have been developed to minimise the risk of financial loss. These have been categorised into the following:

- **Government/Semi-Government/Local Government**
Debtor will need to complete a continuing application for credit facility form. This document is used to provide some basic authorisation (similar to the issue of a purchase order number, which authorises the purchase of goods and services). Debtors in this category will be exempt from the need to review the credit applications every two years.
- **Limited Liability Organisations (ie. Pty Ltd Company's)**
Debtor will need to complete a continuing application for credit facility form and provide a personal guarantee securing credit.
- **Non-limited Liability Organisations (i.e. Partnerships / Sole Traders)**
Debtor will need to complete a continuing application for credit facility form. A guarantee securing credit is not required. The application for credit is to be authorised by the Manager of Financial Services.

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5.3 Infringement Debtors

An infringement that remains unpaid following the exhaustion of the formal debt recovery process followed by Council will be referred to the Fines Enforcement Registry within the statutory time limits.

5.4 General Debtors

There are many individual sources of income within this category and procedures are established for each. Collection processes will be in accordance with the relevant documented procedures and work instructions. If a general debtor does not respond to the formal debt recovery process followed by Council, then legal action may be commenced. Management will use their discretion to deny any delinquent debtor access to Council's services and facilities.

5.5 Building License Debtors

Credit may be extended to major building companies for charges raised for building approvals by the building department. These are secured by a minimum \$3,000 cash deposits or bank guarantee. Where these companies fail to pay and debts are aged in the category of 60 days, further licenses may not be issued. If a debt is aged in the category of 90 days the bond or bank guarantee can be transferred to cover or reduce any outstanding debt, where the Principal Building Surveyor has provided authorisation.

5.6 Firebreak Debtors

Under the Bushfires Act, the City can charge property owners for the construction of a firebreak when they fail to provide one themselves. Any infringement issued is separate and in addition to the charge for the firebreak construction. If the debt for construction is aged in the category of 90 days, the debt may be transferred against their property and collected in the same manner as outstanding rates.

5.7 Regular Facility & Reserve Hirers (Commercial or Community based)

A refundable deposit is obtained from regular hirers. When a debt is aged in the category of 60 days, Revenue Services will alert the initiating officer and recommend further access to the facility is denied. If a debt is aged in the category of 90 days the deposit may be used to reduce the outstanding debt. Any remaining balance is to be either referred to a debt collection agency or written off as is deemed appropriate.

5.6 SLLC Debtors

The South Lake Leisure Centre has four main types of debtors - Schools/Colleges, Insurance Companies/Rehabilitation Centres, Regular Commercial Hirers and Individuals. The SLLC Manager will

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manage debt recovery and can deny access to the facility, stop any further credit refer the debt to a debt collection agency or write off the debt with Council approval.

5.7 Lease Debtors

Payment terms are governed by the lease agreement and will be legally enforced if subject to non-payment.

5.8 Development Contribution Debtors

There is sometimes a need to raise invoices for developer contributions that are a condition of subdivision. Work Procedures are to ensure planning approval is not given before the debt is paid.