

## Debt Recovery Policy – Rates and Charges, Sundry Debts

Policy type	Council
Function	Finance
Policy Owner	Rates
Effective date	27 June 2019

### 1. Purpose

The objective of this policy is to ensure the effective timely management and recovery of outstanding rates and charges and accounts receivable.

### 2. Scope

This policy applies to the recovery of rates and charges, and sundry debts (Accounts Receivable) which has been levied/issued by Council. This does not apply to the recovery of all debt owed to Council.

### 3. Definitions

**Rates and Charges** – means an amount owed to Council as issued on the rate notice.

**Accounts Receivable/Sundry Debt** – means an amount owed to Council in payment for the supply of goods and/or services, other than services for which a rates or utility charge is payable.

**Ratepayer** – is any person, group or entity that owes rates and charges. Chapter 4 of the *Local Government Regulation 2012* defines rates and charges as “differential general rates, separate rates and charges, special rates and charges, utility charges and accrued interest owing on outstanding balances.”

**Sundry Debtor** – is any person, group or entity that owes a sundry debt for goods and/or services to Council.

**Overdue** – means a debt is overdue if any portion of it is unpaid on the day after the due date for payment as stated on the original notice/invoice.

**Agreed Payment Arrangement** – is an undertaking from the ratepayer or sundry debtor to pay the outstanding balance by instalments over a time period that is satisfactory to Council.

## 4. Principles

The Council has a responsibility to recover monies owing to it in a timely and efficient manner to finance its operations and ensure effective cash management. When recovering rates, charges and sundry debts the Council will:

- (a) make the recovery processes clear, simple to administer, and cost effective;
- (b) make clear to ratepayers and sundry debtors their payment obligations and the processes used by Council to assist them to meet those obligations;
- (c) consider each ratepayers and sundry debtors capacity to pay, while endeavouring to treat each consistently; and
- (d) demonstrate flexibility when necessary, in responding to changes in the local economy.

## 5. Policy

The Chief Executive Officer or delegate may direct that recovery action for any debt be conducted in a way that differs from the process as set out in this Policy when it is considered to be in the Council's or the community's interest.

Council is not bound to precisely follow this policy's process, however, this does not change or relieve a ratepayers or sundry debtors obligation to pay a debt when due.

## 6. Debt Recovery Process for Outstanding Rates and Charges

### 6.1 Agreed Payment Arrangements

Council will allow ratepayers who are unable to pay their rates by the due date to enter into an agreed arrangement. Council will deem an agreed arrangement to be one of three types. These types are classified as:

#### 6.1.1 Formal Arrangement

- (a) Ratepayers are required to contact Council to organise this type of agreed arrangement;
- (b) Only the rates and charges relating to the current rates period remain outstanding;
- (c) Arrangement will result in all overdue rates and charges being paid in full prior to the end of the rating period (30 June or 31 December);
- (d) Once approved, no interest shall be charged for the duration of the agreed arrangement.

#### 6.1.2 General Arrangement

- (a) Ratepayers are required to contact Council to organise this type of agreed arrangement;
- (b) There is no restriction on the amount or time rates have been outstanding (this excludes rate files with Councils collection agency);
- (c) Council will agree to this type of arrangement on a case-by-case basis in relation to the amount and period the arrangement will remain valid;
- (d) Interest will continue to be charged as per Council's Revenue Statement;
- (e) This type of arrangement can be altered by the ratepayer provided Council is in agreement to the changes. Any change is to be confirmed in writing.

### 6.1.3 Short-Term Arrangement

- (a) Ratepayers are required to contact Council to organise this type of arrangement;
- (b) Council will agree to a short-term arrangement (usually 3-month period) with a small regular payment on the understanding that such payments will not pay the total debt in a timely manner. These cases are designed to afford the ratepayer the time to seek financial assistance or refinancing with a view to either settling the entire debt at the end of the short-term arrangement or to enter into an agreed General Arrangement;
- (c) Interest will continue to be charged as per Council's Revenue Statement.

### 6.2 Arrangement Conditions

- (a) Where the ratepayer has an agreed arrangement in place, no recovery action under Section 6.3 will be undertaken;
- (b) For Formal, General and Short-Term Arrangements, written confirmation outlining all relevant conditions will be sent to the ratepayer;
- (c) If Council does not receive the payment by the payment dates, a reminder letter will be sent advising the ratepayer that unless payment of the outstanding amount is made within seven (7) days, the arrangement will be cancelled without further notice to the ratepayer;
- (d) If Council does not receive payment within a further seven (7) days, the agreed arrangement will be cancelled immediately and may be referred to Council's collection agency;
- (e) In situations where an agreed arrangement has been cancelled due to non-compliance, further arrangements will only be considered by Council on a case-by-case basis.

### 6.3 Recovery Action

Where rates and charges have not been paid by the due date, and no agreed arrangement established under section 6.1, and no financial hardship application in place as per Council's Financial Hardship Policy, Council will undertake the following recovery action:

#### 6.3.1 Reminders and Referrals

- (a) Fourteen (14) days from the due date, the **first and final reminder letter** will be issued to all ratepayers with an amount outstanding of more than \$9.99;
- (b) This letter will advise the ratepayer of the amount overdue, details of interest accumulating and that if payment is not received in-full within fourteen (14) days, collection proceedings for recovery of the outstanding amount may be taken. The ratepayer will be invited to contact Council to enter into an agreed payment arrangement;
- (c) Twenty-eight (28) days after the due date, should ratepayers fail to have paid in full, or enter into an agreed payment arrangement, the rate file may be referred to Council's collection agency where recovery action will be initiated and legal action commence.

### 6.4 Collection Agency and Legal Action

Council's collection agency will issue further correspondence regarding the outstanding amount and attempt to make direct contact in order to secure payment of the debt. Once the files are sent to Council's collection agency, all contact and arrangements made are to be dealt with by Council's collection agency.

Legal action may commence where the initial recovery action by Council's collection agency is unsuccessful, and the collection agency recommends legal action as a feasible and practical method of recovering the debt.



## **6.5 Sale of Land for Overdue Rates and Charges**

- (a) Provision is made for Council under Chapter 4, Part 12, Division 3 of the *Local Government Regulation 2012* to initiate legal action for the sale of land for overdue rates and charges. For this to commence, the overdue rates and charges need to be overdue for at least:
  - (i) Generally - 3 years; or
  - (ii) If the rates or charges were levied on vacant land or land used only for commercial purposes, and the local government has obtained judgement for the overdue rates or charges - 1 year; or
  - (iii) If the rates or charges were levied on a mining claim - 3 months.
- (b) Usually twice each year a list of all ratepayers with rates outstanding in excess of the period allowed shall be prepared in accordance with the requirements of Chapter 4, Part 12, Division 3 of the *Local Government Regulation 2012*;
- (c) This list is tabled for Council's consideration and approval to commence Sale of Land for Overdue Rates.

## **7. Debt Recovery Process for Accounts Receivable/Sundry Debts**

### **7.1 Obtaining Credit from Council**

- (a) Credit will not be extended by Council unless a "Credit Application" form is completed and signed by the person requesting the facility and due time (up to 5 working days) is given for consideration by Council of the application. Should the customer want to commence immediately, they may do so on a credit card basis only;
- (b) Upon completion of a Credit Application, credit checks will be undertaken;
- (c) Accounts that have not been used for five or more years will be made inactive. In this case, the Credit Application form will need to be completed again to re-open.

### **7.2 Debt Management**

- (a) Council's credit terms are strictly 30 days from the invoice date;
- (b) Monthly debtor statements detailing all sundry debts due to Council, are forwarded by postal or electronic means to debtors;
- (c) If a debtor cannot discharge their sundry debt obligations on the due dates, Council considers it to be in the interest of the debtor and Council for the debtor to contact Council immediately to discuss acceptable arrangements to address the debt;
- (d) Debt collection practices will be applied to all sundry debts that are not subject to dispute which have been outstanding for more than 30 days;
- (e) Before the commencement of recovery action, Council will make contact, or attempt contact, with the debtor to establish an acceptable payment arrangement or negotiate settlement of the outstanding sundry debt.

### **7.3 First and Final Reminder Notice**

- (a) After the expiry of 30 days from the invoice date, the first and final reminder notice will be issued to all sundry debtors with an amount outstanding of more than \$4.99. This notice will advise the sundry debtor of the amount overdue and that if payment in-full within fourteen (14) days is not made or an agreed payment arrangement entered into, the sundry debtor file may be referred to Council's collection agency without further reference to the debtor;
- (b) Following the expiry of the first and final reminder notice, phone contact or attempted phone contact will be made by Council staff to the outstanding sundry debtor to advise that payment must be made in full or an agreed payment arrangement entered into. If payment is not made, or an agreed payment arrangement not entered into, the sundry debtor file may be referred to Council's collection agency without further correspondence to the debtor, for recovery action.

## **7.4 Payment Arrangement**

Council will allow sundry debtors who are unable to pay their sundry debt by the due date to enter into an agreed payment arrangement. Council will agree to this type of arrangement on a case-by-case basis in relation to the amount and period the arrangement will remain valid.

### **7.4.1 Arrangement Conditions**

- (a) Where a sundry debtor has an agreed payment arrangement in place, no recovery action will be undertaken;
- (b) If Council does not receive the payment by the payment dates, a reminder letter will be sent advising the sundry debtor that unless payment of the outstanding amount is made within seven (7) days, the arrangement will be cancelled without further notice to the sundry debtor;
- (c) If Council does not receive payment within a further seven (7) days, the agreed arrangement will be cancelled immediately and may be referred to Council's collection agency;
- (d) In situations where an agreed arrangement has been cancelled due to non-compliance, further arrangements will only be considered by Council on a case-by-case basis.

## **7.5 Collection Agency and Legal Action**

Council's collection agency will issue further correspondence regarding the outstanding amount and attempt to make direct contact in order to secure payment of the debt. Once the files are sent to Council's collection agency, all contact and arrangements made are to be dealt with by Council's collection agency.

Legal action may commence where the initial recovery action by Council's collection agency is unsuccessful, and the collection agency recommends legal action as a feasible and practical method of recovering the debt.

## **8. Residential Tenancies**

Should the sundry debt be in relation to a Residential Tenancy, then the provisions of the Residential Tenancy legislation must also be addressed and complied with.

To the extent of any inconsistency between this policy and Residential Tenancy legislation, the provisions of the Residential Tenancy legislation shall take precedence.

## **9. Bad Debts and Small Debt Write-offs**

Any debt to be written-off can be done so if:

- (a) There are no reasonable prospects of recovering the debt (after reasonable attempts have been made to recover or legal advice to that effect has been received);
- (b) The costs of recovery are likely to equal or exceed the amount of the debt; or
- (c) It will result in full settlement of the remaining overdue debt.

**9.1** Any debt to be written off (including interest) must be in accordance with the appropriate delegated authority as follows:

- (a) By the Chief Executive Officer for amounts of up to \$10,000 per rate file or sundry debt file; or
- (b) By the Director Corporate & Community Services for amounts of up to \$5,000 per rate file or sundry debt file; or

- (c) By the Principal Rates and Revenue for amounts of less than \$10.00 per rate file or sundry debt file;
- (d) Amounts greater than \$10,000 per rate file or sundry debt file can only be written off by Council resolution.

## 10. Miscellaneous

Council will accept full or part payment whether or not an agreed arrangement is in place. Council will send a letter outlining an acceptable amount and timeframe Council would agree to under one of the types of agreed arrangements described in 6.1 and 7.1.

A quarterly report will be provided to Council outlining the actions taken regarding recovery activities and the status of overall rate arrears and sundry debt arrears. Council retains the right to deal with special circumstances at its discretion.

- (a) Council will agree to a short-term arrangement (usually 3-month period) with a small regular payment on the understanding that such payments will not pay the total debt in a timely manner. These cases are designed to afford the ratepayer the time to seek financial assistance or refinancing with a view to either settling the entire debt at the end of the short-term arrangement or to enter into an agreed General Arrangement;
- (b) Interest will continue to be charged as per Council's Revenue Statement.

<b>Related forms, policies and procedures</b>	Payment Arrangement Credit Application Form Revenue Policy Revenue Statement Financial Hardship Concession Policy
<b>Relevant legislation</b>	<i>Local Government Act 2009</i> <i>Local Government Regulation 2012</i> <i>Financial Performance and Management Standard 2019</i> <i>Statutory Bodies and Financial Arrangement Act 1982</i>
<b>Reference and resources</b>	<i>Financial and Performance Management Standard 2019</i>

<b>Policy Number</b>	FIN020		
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