

DEBT COLLECTION POLICY	
Administration Policy	
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1. POLICY STATEMENT

- 1.1 Council must raise sufficient levels of revenue for the purpose of governance, city administration and for the appropriate provision of goods and delivery of services to the community.
- 1.2 To ensure the effective and efficient delivery of council services to the community, good financial management requires the regular receipt and collection of funds from all individuals, organisations and other parties who are indebted to Council.
- 1.3 This policy will assist to ensure a strategic, equitable, accountable and transparent approach to Council's debt management and collection decisions and practices.

2. PURPOSE

2.1 Purpose

The purpose of this policy is to set out Council's principles for the management of debt and to ensure that money owed to Council is collected as soon as possible through efficient and effective debt recovery practices.

2.2 Scope

- 2.1 This policy aims to satisfy the Council's duty under the *Local Government Act 1999* as follows:

Section 124 - Council must keep correct and adequate accounting records in a manner that will enable:

- a) the preparation and provision of financial statements; and
- b) Council's financial statements to be conveniently and properly audited.

Section 125 - Council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained.

Section 133 - Council may obtain funds:

- a) in accordance with this or another Act; and
- b) as appropriate in order to carry out its functions under this or another Act.

- 2.2 It is to be noted that this Policy does not apply to rate debts - refer to Council's Rating Policy for rate debt collection policy and procedures. Rate debts and recovery are subject to the provisions of Chapter 10 of the *Local Government Act 1999*.

2.3 Definitions

Credit is the purchase and/or provision of goods and services from Council by a debtor on the basis of a commitment to pay at a future time.

Debt is the amount of money owed by the debtor as a result of a transaction with Council. A debt is expected to be settled within the normal payment terms of trade.

Debtor is an individual, organisation or other party that transacts with Council where goods or services are provided, use of facilities are made available, fines and licence fees are levied and any other transaction that results in a future payment to Council. A debtor is an asset for Council, as it gives rise to an anticipated future benefit. The future benefits are cash inflows, which occur when the debt is paid.

Invoice Date is the date which the invoice has been raised in the debtors system.

Risk is the possibility of non-payment of the debt by the debtor when the amount is due. The likelihood of non-payment increases with the age of the debt.

Write off is the accounting procedure for cancelling a debt that is no longer collectable resulting in its removal from the debtors Balance Sheet account.

2.4 Strategic Reference

5 Governance and Financial Sustainability

5.5 We meet or exceed legislative and accreditation requirements for all relevant programs.

3. PRINCIPLES

3.1 Debt Management and Recovery Principles

The management and recovery of outstanding revenue is an important aspect of the Council's financial management function. The principles that will apply in the management and recovery of debt are as follows:

- 3.1.1 Council has a responsibility to recover monies owing to it in a timely and efficient manner to finance its operations and ensure effective cash flow management;
- 3.1.2 Council will operate effective billing and debt collection processes;
- 3.1.3 Council aims to minimise the amount of outstanding monies that is owed;
- 3.1.4 Debtors are expected to take responsibility for their Council debt obligations and to organise their affairs in such a way as to be able to discharge these obligations when required;
- 3.1.5 If a debtor cannot meet their obligations on the due dates, it is in the interests of the debtor and Council for the debtor to contact Council at the earliest opportunity to make appropriate arrangements to address the debt;
- 3.1.6 Council will explain the debtors' rights and obligations in relation to any action that Council might take to recover debt;
- 3.1.7 If payment is not received following the issue of a final notice, legal action will proceed and any settlement negotiations will be made on a 'without prejudice' basis so that the legal right to collect the debt is not compromised.
- 3.1.8 Debt (other than rates) may be considered for write off in accordance with Council approved delegations, if there is no reasonable prospect of recovering the debt or the costs of recovery are likely to exceed or equal the cost of the debt.

3.2 Debt Management Procedure

- 3.2.1 The following debt collection process will be applied to outstanding accounts where:
 - a) the outstanding debt balance is more than \$100.00
 - b) the debt is not in dispute
 - c) the debt is not under a reasonable payment plan which is being adhered to
 - d) the debt has been outstanding for over 30 days (or other negotiated timeframe)
 - e) the debt is considered recoverable
- 3.2.2 If payment has not been received within 30 days of the invoice date, a reminder notice is issued to the debtor advising of the overdue amount.

- 3.2.3 If payment has not been received within 60 days of the invoice date, a final notice is issued to the debtor advising of the overdue amount. The letter states that full payment is required within 14 days, otherwise the matter will be referred to Council's debt collection agency.
- 3.2.4 If payment has not been received within 74 days of the invoice date, the outstanding debt is referred to Council's debt collection agency.
- 3.2.5 The debt collection agency will advise Council of the costs of recovery which are invoiced to the debtors account when recoverable.
- 3.2.6 If considered necessary to recoup an outstanding debt relating to a property, a 'Charging Order' will be placed against properties owned by a debtor.

3.3 **Write Off**

- 3.3.1 Debts may 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.
- 3.3.2 Delegations to write off a debt are contained within the Sub Delegations Register.
- 3.3.3 When the Public Library Service Network customer notification process has not resolved the outstanding items/debt, the following actions can be applied in accordance with the Sub Delegations Register:
 - (a) Under \$100 - Removal of items and the respective debt from the Borrowers' records on the Library Management system after one year. Items may be removed from the Borrowers' record under one year if there is a situation of hardship or extra-ordinary circumstances relating to Borrower.
 - (b) Over \$100 - Removal of all items and the respective debt from the Borrowers' records on Library Management system after three years. The Borrowers' membership will be cancelled if no other items are present on their record.

NOTE: Borrowers' membership is blocked from borrowing at any SA Public Library once the amount owed reaches \$30 or more.

3.4 **Risk Management**

Risk Management principles will underpin decisions made in relation to credit and related debt management. As the age of the debt increases, the likelihood of recovery decreases. Therefore, to reduce the risk of non-payment of debt, a structured collection and recovery process shall be pursued.

4. **RESPONSIBILITY & REVIEW**

4.1 **Responsible Officer**

Director Corporate and Community Services and Manager Finance.

Delegations

The Sub Delegations register details Council officers with delegated authority to write off a debt, except where it may be determined as recoverable pursuant to Section 144 of the *Local Government Act 1999*, where 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 up to and including an amount of \$5,000 in respect of any one debt.

4.2 **Availability**

This policy will be available on Council's website.

4.3 Review

This policy will be reviewed within 12 months of a General Election for Local Government, or as required to meet other obligations.

5. REFERENCES

5.1 Legislation

Local Government Act 1999

5.2 Other References

Rating Policy
Sub Delegations Register