

Debtor Management Policy

Reference Number:	Section 1 No. 07
Responsible Department:	Finance Department
Related Policy/Procedure:	
Date of Adoption:	28 May 2013
Current Review Date:	26 April 2022
Minute Reference:	OCM-2022/051
Version Number:	Amendment No. 5
Applicable Legislation:	Local Government Act 1999
Next Review Date:	April 2023
Review Frequency:	Annually

1. General Principles

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

- 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;
- 1.2 Council will operate effective and consistent billing and debt collection processes;
- 1.3 Council aims to minimise the amount of outstanding monies that it is owed;
- 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;
- 1.5 If a debtor cannot meet their obligations on the due dates, it is in the interests of the debtor to contact Council at the earliest opportunity to make appropriate arrangements to address the debt;
- 1.6 In case of financial hardship Council will consider postponement of payment and/or a suitable repayment plan;
- 1.7 Staff will maintain procedures to support the administration of this policy, including the monitoring of compliance with associated internal controls.

2. Introduction

An explicit set of policies and procedures is a necessary tool for sound financial management providing the following benefits:

- 2.1 Public accountability and transparency – Policies and procedures publicly document the Council's position on which it will base its decisions. They demonstrate the Council's commitment to sound financial management and establish transparency for audit purposes;
- 2.2 Ensuring a considered approach – The formal adoption of carefully documented policies and procedures helps ensure that the Council's position on each issue has

been properly considered, having regard to alternative approaches and the wider policy and statutory context;

- 2.3 Consistency of decision making – By adopting clear Council policies and procedures a consistent basis for decision-making over time is established. While the Council can make a decision contrary to its adopted policy, it needs a deliberate decision to do so which helps to ensure that proper consideration has been applied;
- 2.4 Clear guidance for staff – Explicit policies and procedures set out the required approach, responsibilities and processes for staff to properly administer the financial business of the Council in accordance with its wishes and consistent with statutory requirements and sound financial management practices. This in turn protects staff from allegations of financial mismanagement as long as the policies and procedures are followed.

3. Definitions and interpretation:

In this **policy**:

financial hardship means a circumstance of experiencing a lack of financial means, that may be either ongoing or temporary, but does not include circumstances where a person chooses not to meet a liability for an unpaid debt.

4. Local Government Act 1999

- 4.1 Council may write off bad debts pursuant to Section 143 of the Local Government Act 1999.
- 4.2 Council may write off any debts owed to the Council if the Council has no reasonable prospect of recovering the debts or if the costs of recovery are likely to equal or exceed the amount to be recovered. (S143(1)).
- 4.3 Council must not write off a debt unless the Chief Executive Officer has certified that reasonable attempts have been made to recover the debt or the costs of recovery are likely to equal or exceed the amount to be recovered. (S143(2)).
- 4.4 If Council delegates the power to write off debts, the Council must set an amount above which the delegation will not apply. (S143(3)).
- 4.5 Fees, charges, expenses or other amounts may be recovered by Council as a debt by action in a court of competent jurisdiction. (S144(1)).
- 4.6 Where the fee, charge or expense is in respect of a rateable or other property, the Council may, after giving at least fourteen (14) days notice, recover the debt as if it were a rate declared on the property at the time of the notice requiring payment. (S144(2)).
- 4.7 Late payment penalties and interest apply if instalment of rates not paid by due date. (S181(8)).
- 4.8 Council may sell land if rates in respect of land has been in arrears for three (3) years or more. (S184(1)).

Policy No: Version:	Section 1 No. 07 Amendment No. 5	Date of this Policy: 26 April 2022	Page 2 of 6
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4.9 Council may remit and postpone payment of rates. (S182).

5. Purpose

5.1 To provide a clear and concise policy framework in which to pursue all outstanding debts owed to the Council.

5.2 To ensure a fair, consistent and accountable approach to Council's debtor management and collection decisions and practices and have regard to a person's financial circumstances.

5.3 Assist in the efficient management of Council assets through the timely collection of outstanding monies.

6. Policy Detail

	<i>Rate Debtor</i>	<i>Sundry Debtors</i>
Debt Management Process	<p>The following process applies to debts with one quarter instalment outstanding which has been overdue for a minimum of 14 days:</p> <ul style="list-style-type: none"> • Reminder letter requesting immediate payment or to contact Council to enter into a payment arrangement. • Where no response is received within 14 days, the outstanding debt will be forwarded to Council's Debt Collection Agency (subject to minimum outstanding value of \$300). 	<ul style="list-style-type: none"> • 30 Days - Statement issued with an overdue notification requesting payment within 7 days. • 60 Days – Letter of Demand sent informing that legal action will be pursued without further notice if no satisfactory response from the debtor. • 90 days – Debt Collection agency will be instructed to instigate legal proceedings for recovery of debt. <p>In consultation with the Department initiating the debt, negotiated exemptions may be provided depending on the level/nature of the debt and the debtor (e.g. community groups or welfare recipients).</p>
Late payment penalties and interest	Fines and interest will be applied in accordance with Local Government Act 1999. S181(8)	Not applicable
Payment arrangements	<ul style="list-style-type: none"> • Payments to be received by the due date specified. 	<ul style="list-style-type: none"> • Payment arrangements will only be considered for debts (excluding property rents) greater than \$1,000. Arrangements to

	Rate Debtor	Sundry Debtors
	<ul style="list-style-type: none"> Two payment defaults will result in immediate withdrawal of the payment arrangement. The Rates Officer responsible for debt recovery and Finance Manager are authorised to negotiate payment arrangements. A person or corporate body that applies for a payment arrangement in writing and approved by the Finance Manager will have fines/interest suspended for the period of the arrangement. A payment arrangement will be subject to review every six (6) months. 	be negotiated with Department initiating the debt and authorised by Finance Manager.
Sale of land for non-payment	<p>In accordance with Section 184 of the Local Government Act 1999, Council may sell land for the non-payment of rates when the rates are in arrears for 3 years or more.</p> <p>A report will be prepared for Council detailing any rate debtors that have remained unpaid following the implementation of recovery action, and are in arrears for 3 years or more. Council will provide direction on further action pursuant to Section 184 of the Local Government Act 1999 on presentation of such a report.</p>	Not applicable
Performance Target	Outstanding rate debt as a percentage of total rate revenue to be maintained at less than 5%	<p>Of total value of debts owed to Council:</p> <ul style="list-style-type: none"> Less than 30 days – 70% 30-60 days – 20% 61-90 days – 6% > 90 days – 4%

	<i>Rate Debtor</i>	<i>Sundry Debtors</i>
Delegations – Write-offs	<p>Debts shall be written off only when all reasonable attempts at recovery have been taken.</p> <ul style="list-style-type: none"> • Finance Manager – Nil • General Manager, Business and Finance – up to \$2,500 • General Manager, Governance – up to \$2,500 • Chief Executive Officer – up to \$5,000 • Council – over \$5,000 <p>The above limits to be reviewed as per Council's Delegations Register.</p> <p>The Finance Manager will maintain a register of Debts written-off in accordance with this Policy.</p>	
Provisions for Bad Debts	Provision for Doubtful Debts will be reviewed on an annual basis.	

7. Review

The effectiveness of this Policy will be reviewed and evaluated on an annual basis within the Council strategic management planning framework. The Chief Executive Officer will report to Council on the outcome of the evaluation and if relevant make recommendations for amendments, alteration or substitution of a new Policy.

The Policy will not be altered or substituted so as to affect a process already commenced.

8. Availability of Policy

This Policy is available for public inspection at Council's offices during ordinary business hours and via the Council's website 'www.light.sa.gov.au'. Copies will also be provided to the public upon request, and upon payment of a fee in accordance with the Council's Schedule of Fees.

Policy History

1. Policy adopted by Council on 28 May 2013, Minute Reference 9.4 Audit Committee (No.2), Page 2013/115.
2. Policy amendment 1 revised at Council Meeting held 28 April 2015 Item No. 10.4 Audit Committee (3) Page 2015/132
3. Policy amendment 2 revised at Council Meeting held 23 August 2016 Item No. AUD9.2.2/2016 Page.2016/297.
4. Policy amendment 3 revised at Council Meeting held 25 June 2019 Item AUD9.2.2/2019 Debtor Management Policy – Policy Review Page 2019/224.
5. Amendment No. 4 adopted at Council Meeting held 27 April 2021, Minute Reference 2021/89, Item AUD9.2.2/2021
6. Amendment No. 5 adopted at Council Meeting held 26 April 2022, Minute Reference OCM-2022/051.