



## Sundry Debt Policy

*To ensure effective and timely recovery of sundry debts owed to Council*

<b>Category</b>	<b>Office of CFO – Rates</b>	<b>Policy number: FIN025</b>
<b>Related forms, policies and procedures</b>	<ul style="list-style-type: none"> <li>• Credit Application Form</li> <li>• Payment Arrangements</li> </ul>	
<b>Key words</b>	Debt, write-off, rates, charges, sundry debt, debt management, legal action, payment arrangements	
<b>Relevant legislation</b>	<ul style="list-style-type: none"> <li>• <i>Local Government Act 2009</i></li> <li>• <i>Local Government Regulation 2012</i></li> </ul>	
<b>References and resources</b>	Accounting Standards	

<b>Review due by</b>	Manager Finance	Date: 26 June 2022
<b>Approved by</b>	Council Resolution B20012	Date: 7 July 2020
<b>Approved by</b>	Council Resolution LG0520	Date: 27 June 2019
<b>Approved by</b>	Council Resolution LG0347	Date: 28 June 2018
<b>Approved by</b>	Council Resolution 0082	Date: 23 March 2017

## SUNDRY DEBT RECOVERY POLICY

### 1. Purpose

The objective of this policy is to ensure effective and timely recovery of sundry debts owed to Council.

### 2. Scope

This policy applies to all sundry debts receivable by Council unless otherwise specified.

### 3. Definitions and principles

In this Policy unless the contrary intention appears:

- (a) Sundry debt: means any debt due to Council other than rates and charges;
- (b) Rates and charges: has the same meaning as set out in the *Local Government Act 2009*.

### 4. Procedure

#### 4.1 Debt Management and Recovery 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:

- (a) Council has a responsibility to recover sundry debts owing to it in a timely and efficient manner to finance its operations and ensure effective cash flow management;
- (b) Council will operate effective billing and debt collection processes;
- (c) Council will aim to minimise the amount of outstanding money that it is owed;
- (d) Debtors are expected to take responsibility for their sundry debt obligations and to organise their affairs in such a way as to be able to discharge their sundry debt obligations to Council as and when they fall due.

#### 4.2 Provisions

##### 4.2.1 Obtaining Credit from Council

- (a) No credit will 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 cash or credit card basis only;
- (b) Upon completion of a Credit Application, credit checks will be undertaken; should checks not be satisfactory a Bank Guarantee may be requested.

##### 4.3 Debt Management

Monthly debtor statements detailing all sundry debts due to Council shall be forwarded by postal or electronic means to debtors. Debt collection practices will be applied to all sundry debts that are not subject to dispute which have been outstanding for 30 days.

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.

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.

If payment of the outstanding sundry debt has not been extinguished, or an agreed payment arrangement entered into, recovery action may proceed, and any settlement negotiations will be made on a "without prejudice" basis so that the legal right to collect the sundry debt is not compromised.

#### **4.3.1 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 or solicitor without further reference to the debtor.

- (b) Following the expiry of the first and final reminder notice, phone contact or attempted phone contact by Council staff will be made to the outstanding sundry debtors with the purpose being to encourage the debtor to either make payment in-full or to enter into an agreed payment arrangement.

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 or solicitor, without further reference/correspondence to the debtor, for recovery action.

A 'stop credit' will be placed on all outstanding sundry debtor accounts with a balance of \$50.00 or more, whereby no further supply of goods or services will be permitted or sundry debt invoices to be raised by Council until either payment has been made in-full, an agreed payment arrangement has been approved, or as otherwise authorised by the Chief Executive Officer.

#### **4.3.2 Payment Arrangements**

If a debtor has difficulty in paying a sundry debt by the due date and they meet the qualifying criteria set out below, Council will, upon application being made by the debtor, enter into an acceptable payment arrangement to be agreed to by the debtor on the following basis:

- (a) Once an acceptable arrangement is approved by the appropriate delegated authority, payments must be made in the amounts agreed and at the specific intervals agreed;
- (b) An arrangement must clear the sundry debt within an agreed time frame, and include payment in-full of all new and current invoices by the due date;
- (c) If Council does not receive payments under an arrangement schedule by the due date, a reminder letter will be sent advising the debtor that unless payment of the outstanding amount is made within seven (7) days, their arrangement will be cancelled and the matter may be referred to Council's debt collection agency or solicitor for recovery action. The debtor account will be immediately placed on 'stop credit';
- (d) If payment is not received by Council within the seven (7) days allowed, the debtor will be advised in writing that their arrangement has been cancelled due to non-compliance, and no further payment arrangements will be entered into, and recovery action may commence without further reference to the debtor. The debtor file will remain on 'stop credit';
- (e) If there is a balance outstanding and the arrangement is cancelled or expired, the total outstanding amount shall be referred to Council's collection agency or solicitor for recovery action in accordance with this policy. The debtor file will remain on 'stop credit'.

#### **4.3.3 Qualifying Criteria**

- (a) The debtor must be able to demonstrate to the satisfaction of the Manager Finance or the Coordinator Rates, that payment of the sundry debt would cause the debtor hardship;
- (b) The debtor must not have had an arrangement with Council previously cancelled due to non-compliance;
- (c) The Manager Finance or his/her delegate must be satisfied that the arrangement is reasonable and acceptable to Council.

#### **4.3.4 Legal Action**

Where no response to the 'First and Final Reminder Notice' has been received, and no resolution from the debtor when contact (or attempted contact) has been made, the outstanding sundry debt may be referred to Council's collection agency to assess and ascertain the ability to recover. Each debtor file will be assessed on a case by case basis, whereby recovery action may commence.

Following authorisation by the Manager Finance, the legal recovery process shall operate as follows:

- (a) The debt collection agency or solicitor will issue a final letter of demand for payment of the outstanding balance allowing the debtor 7 days to pay the debt or make an acceptable payment arrangement with Council's collection agency;
- (b) Legal action may commence as recommended by Council's collection agency or solicitor;
- (c) Council may also initiate action under Corporations law for recovery of debts owing to companies (which may include winding up action).

#### **4.4 Bad Debts**

The Chief Executive Officer has delegated authority to write-off amounts of up to \$10,000 per debtor as a bad debt.

The Chief Financial Officer has delegated authority to write-off amounts of up to \$5,000 per debtor as a bad debt.

Bad debts of an amount greater than \$10,000 per debtor must only be written off by Council resolution.

#### **4.5 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.