

DEBT RECOVERY POLICY



TITLE: DEBT RECOVERY POLICY

ADOPTED BY: COUNCIL

RESPONSIBILITY: CHIEF EXECUTIVE OFFICER

NEXT REVIEW DATE: 27/04/2017

Version	Decision Number	Adoption Date	History
1		27/04/2016	DRAFT
2			
3			
4			

DEBT RECOVERY POLICY

1. PURPOSE

This Policy sets out a clear, equitable, accountable and transparent process that Council will follow for its debt management and collection practices. The Policy will also aim to ensure that all debts owed to Council are received by the due date or followed up within specified timeframes.

2. INTRODUCTION

Council requires significant levels of income to provide an extensive range of services to the Community, and receives this income from various parties including residents, community and sporting groups, and businesses. This income is received for different purposes such as user charges, statutory charges, grants and subsidies. To assist in delivering these services effectively and efficiently, Council should receive this income in a timely manner.

3. PRINCIPLES

Decisions relating to collection of outstanding debts will be considered in the context of:

Accountability and Transparency

Council's practices and decisions will be made in accordance with the relevant legislation and accepted conventions. Employees will ensure that internal controls are applied when dealing with outstanding debts.

Fairness and Equity

Council will ensure that all credit and related debts are managed fairly and equitably. This Policy confirms that parties who incur debts do so on the understanding that the prescribed repayment terms are met.

Responsibilities

The department providing the goods and/or service to the debtor will be responsible for completing the documentation required for an invoice to be generated. Finance will be responsible for raising the invoice and the recovery of any debts for all departments.

Risk Management

Principles of risk management will underpin decisions made in relation to credit and related debt management. To reduce the risk of non-payment of debt, a structured collection and recovery process will be applied.

4. DEFINITIONS

Credit – 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 – 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 – 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 – the date which the invoice has been raised in the debtors system.

Risk – 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 – the accounting procedure for cancelling a debt that is no longer collectable resulting in its removal from Council's balance sheet

5. POLICY

Finance employees will maintain procedures that support the administration of this Policy.

5.1 Credit Management

5.1.1 Credit terms for all Sundry debtors are thirty (30) days from the date of invoice.

5.1.2 Where appropriate, prepayment, bonds or deposits will be required prior to Council commencing the supply of goods or services.

5.2 Debt Management

5.2.1 If payment is not received within 30 days of the invoice date, a statement will be issued to the debtor advising of invoices still to be paid.

5.2.2 If payment is not received within 60 days of the invoice date, where possible, telephone contact is made with the debtor requesting payment. Another statement is issued with an overdue stamp.

5.2.3 If payment is not received within 90 days of the invoice date, a letter is sent to the debtor advising that collection will commence if the invoice is not paid in full within 7 business days and all costs associated with this process will be added to the outstanding debt.

- 5.2.4 If payment is not received within 7 days of the date listed on the letter referred to in Sections 5.2.3, the debtor's details are provided to Council's debt collection agency. The agency will follow their debt recovery processes and Council instructions.
- 5.2.5 If payment is not received within 7 business days of the date listed on the letter of demand, sent by the debt collection agency, another letter of demand is sent to the debtor requesting payment within 7 business days. The letter will also state that Council may issue an Intention to Sue letter if payment is not made within this timeframe.
- 5.2.6 If payment is not received within 7 business days of the date of the second letter of demand, the debt collection agency will issue an Intention to Sue letter, which requires payment within 4 days.
- 5.2.7 If payment is not received within 4 days as dictated in the intention to Sue letter, Employees will liaise with the relevant debt collection agency as how to proceed. This resulting action will be determined on a case by case basis taking into consideration section 5.5 of this Policy.
- 5.2.8 The Chief Executive Officer has the discretion to vary steps 5.2.1 to 5.2.7 subject to delegation limits.

5.3 Debt Management – Fines Recovery Unit

- 5.3.1 **Send** a courtesy letter for all unpaid fines from the date of the fine advising of infringement still to be paid. The courtesy letter provides an additional 28 days to make payment.
- 5.3.2 **Provide** the debtor's details to the Fines Recovery Unit if payment hasn't been received within 28 days of the date listed on the courtesy letter referred to in Sections 5.3.1,
- 5.3.3 The Chief Executive Officer has the discretion to vary steps 5.3.1 to 5.3.2 subject to delegation limits.

5.4 Rate Debt Management

- 5.4.1 Council issues an annual rates notice for each rateable assessment. The following debt collection practices will be applied to all rates debts that are not in dispute:
- **Use** all possible means to contact the owner of the property and make arrangements for payment.
 - **Amend** property owner details if the title search shows a different owner unless advised by current property owner of details.
 - **Repeat** using all possible means to contact the owner of the property and make arrangements for payment if there has been a change of ownership.

- **Send** an overdue reminder letter from Katherine Town Council after each instalment due date for properties in arrears. The letter advises that a payment plan can be arranged and if no payment is received legal costs could incur.
- **Follow up** monthly, for six months, with the ratepayer for payment. Note all correspondence onto the ratepayers file (Authority).
- **Instruct** the Council legal services firm to send a first letter on behalf of Katherine Town Council outlaying payment required and possible future outcomes, if payment has not been received after six months from the date of the overdue reminder.
- **Follow up** monthly, for six months, with the ratepayer for payment. Note all correspondence onto the ratepayers file (Authority).
- **Advise** the property owner that further legal fees are about to be incurred and that the legal fees will be charged to the property owner.
- **Instruct** the Council legal services firm to send a second letter on behalf of Katherine Town Council again outlaying payment required, due date for response and possible future outcomes. The second letter is sent to the address on Council's system and the address on the Property Title, if different, and is sent by registered post, if payment has not been received after six months from the date of the first letter sent by the legal firm.
- **Follow up** monthly, for six months, with the ratepayer for payment. Note all correspondence onto the ratepayers file (Authority).
- At the completion of the six month period Council will make direct contact with the property owner advising of the current situation.
- **Prepare** a report to Council to approve an Overriding Statutory Charge to be placed on the property.
- **Follow up** monthly, for six months, with the ratepayer for payment. Note all correspondence onto the ratepayers file (Authority).
- **Prepare** a report to Council for approval to commence the sale of property process if after six months no payment plan or payment has occurred nor contact made by owner.
- **Advise** property owner that the sale of process is about to commence. Also forward written correspondence outlaying the details provided in the direct communication.
The Local Government Act states:
 - (1) Rates may be recovered as a debt due to the council from the principal ratepayer or any other ratepayer by action in a court of competent jurisdiction.
 - (2) The proceedings may be commenced at any time within 6 years after the rates were imposed.+
- **Commence** the sale of property process in accordance with the Local Government Act Section 173 and 174,

5.5 Dispute of Debt

In the event that a debt is in dispute, the debtor can lodge a complaint in writing or verbally. The complaint will be forwarded to the Chief Executive Officer for a resolution.

In the event that a rate debt is in dispute, the debtor will lodge a complaint in writing, by either submitting a letter or email. The complaint will be forwarded to the Chief Executive Officer for a resolution.

5.6 Write off

5.6.1 Debts will only be written off when all reasonable efforts to recover the debt have been made and it is not reasonably possible to recover it or the costs of recovery are likely to equal or exceed the amount to be recovered.

5.6.2 All write offs will be reported to Council and will include the amount to be written off, description of the invoice and reason for write off.

6. REVIEW & EVALUATION

This Policy will be reviewed annually or when necessary. The Chief Executive Officer will report to Council on the outcome of the review and make recommendations for amendment, alteration or a substitution of a new Policy if considered necessary.

7. AVAILABILITY OF THE POLICY

This Policy will be available for inspection at Council's principal office during ordinary business hours and at Council's website www.ktc.nt.gov.au. Copies will also be provided to interested members of the community upon request, and upon payment of a fee in accordance with Council's Schedule of Fees and Charges.

VARIATIONS

Katherine Town Council reserves the right to vary, replace or terminate this Policy from time to time.

ASSOCIATED DOCUMENTS

- Instrument of Delegation Policy
- Municipal Plan
- Credit Card Policy

POLICY VERSION AND REVISION INFORMATION

Policy Authorised by: Robert Jennings	Original issue: 27/04/2016
Title: Chief Executive Officer	
Policy Maintained by: Alice Anastacio	Current version: 1
Title: Corporate Services Executive Manager	
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