



DEBTOR MANAGEMENT PROCEDURE

GDS Category: Financial Management

Public Document? **NO**

Date: June 2015

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Version: 3

Review Date: July 2017

1. ACTIVITY DEFINITION

The procedure covers the process to be followed for the collection of outstanding amounts owed to Council by all classes of debtors.

2. RISK ASSESSMENT

Refer to Control Track

3. WORK PERMIT / OTHER APPROVAL REQUIRED? – Nil

4. DOCUMENTATION

Debt Collection Policy
Local Government Act 1999

5. TRAINING / COMPETENCIES REQUIRED – Nil

6. EQUIPMENT AND MATERIALS THAT MAY BE USED

Debtors Debt Collection File
Rate Debtors Collection File

7. WORK METHOD REQUIREMENTS

At the end of each month outstanding debtors for all classes of debtors is to be reviewed and action taken in accordance with requirements below.

7.1 General Debtors

At the end of each month, statements are produced and sorted into categories depending upon period outstanding (30, 60 and 90 Days). Each account is reviewed, if a previous payment arrangement is in place and being adhered to, the statement is sent to the recipient.

30 Day Category: These are stamped "Friendly Reminder" and forwarded to the recipient.

60 Day Category: A cover letter is provided indicating that the account is overdue and requesting that the account be settled within 14 days or alternatively that payment arrangement be made to satisfy the debt over time.



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90 Days: A cover letter is provided indicating that the account is overdue and requesting that the account be settled within 7 days. If the account remains outstanding at the next review, accounts of a value over \$250 are sent to Council's Debt Collector for further processing.

Amounts under \$250 are continually reviewed and remain part of the internal collection processes.

7.2 Rate Debtors

Arrangements can be made for ratepayers to pay their rates on a weekly, fortnightly, or in some instances, a monthly basis with the total annual rates to be paid in full by the due date of the final quarter installment. Council may also grant a postponement of rates under Section 182 of the Local Government Act 1999.

If a quarterly installment is not paid by the due date, arrangements can be made for the ratepayer to pay on a weekly, fortnightly or in some instances a monthly basis to bring the account up-to-date;

Fines and interest will be raised after a two day grace period after the date on which rates fall due.

The overdue installment should be paid as soon as possible but at least by the time the next quarter installment is due or the total balance of the rates to be paid by the final installment due date.

Other arrangements can be made in extenuating circumstances – e.g. deceased estate waiting on probate to be granted and estate to be finalised, property sold and settlement pending, etc.

If a ratepayer seeks an extension of time to pay a quarterly installment prior to the due date and fines/interest being levied, no fines and/or interest will be levied, subject to payments being received as arranged. If the arrangement is not met; fines and/or interest are then levied from the date on which the rates fell due.

If a ratepayer seeks an extension of time after the due date and fines/interest being levied, fines and/or interest will be levied until the account is up to date.

7.2.1 Overdue Rates under \$100

Amount added to next quarter and action taken during next quarterly review if required.

7.2.2 Overdue Rates between \$100 and \$250

Reminder letter sent from Council advising full payment or arrangement to pay required.



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7.2.3 Overdue rates \$250 and above

One quarter overdue and after fine/interest raised – reminder letter sent from Council indicating full payment required or arrangement to pay by nominated date (usually approx 14 working days after date of letter) or overdue rates may be sent to the Debt Collector.

After expiry of the above date, if no payment or arrangement made to pay, the account is sent to the Debt Collector and a final demand letter sent from Debt Collector.

If no response received, overdue amount updated with Debt Collector to include two quarters overdue and legal action commences – Minor Civil Action Claim, Investigation Summons, Examination Summons, Warrant of Arrest, etc.

If part payment received but no arrangement to pay in place, overdue amount updated with Debt Collector to include two quarters overdue and another letter sent from Debt Collector.

If arrangement made to pay, payments are monitored. If arrangement goes into arrears letter sent from Debt Collector. If arrangement goes into arrears a 2nd time, overdue amount updated with Debt Collector and legal action commences.

7.2.4 Postponement of Rates

Council may grant a postponement of rates under the act upon receipt of the relevant application form where it is satisfied that the applicant meets the provisions of Section 182 of the Local Government Act 1999. A new application must be lodged each rating year.

7.2.5 Hardship

Independent evidence of financial hardship must be provided to Council. This must be supported by a statement of incomes and expenditures, a statement from the applicants' suitable qualified financial counselor confirming the applicant's financial position and a Declaration of Financial Hardship signed by a Justice of the Peace.

Where approved, the following conditions are to be imposed: Interest will be charged at a rate determined by Council as calculated in accordance with the Act, a minimum amount equal to monthly interest must be paid each month; if the postponement extends for more than one year a new application must be made in respect of all amounts outstanding. If these conditions are not adhered to; Council will revoke the postponement by giving 30 days written notice of its intention to proceed with recovery action.



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7.2.6 Senior Postponement

This is only available on the Principle place of residence. The applicant must complete the Application for Postponement form and provide a certified copy of their or their partners State Seniors Card.

Where approved, the following conditions are to be imposed: Interest will be charged at the prescribed amount, a minimum amount as calculated in accordance with the Act must be paid; if the postponement extends for more than one year a new application must be made. Where these conditions are not adhered to, the rates will become due and payable.

If the applicant no longer meets the Criteria for Senior Postponement, previously postponed portions remain under the provisions. These amounts can be paid by the applicant.

7.2.7 Rates 3 years or more overdue

Letter sent from Council when overdue rates exceed three years; advising ratepayer of Council option under Section 184 of the Local Government Act to sell the property.

If arrangement to pay is made, payments are monitored. Payments must be an amount sufficient to both bring rates up to date within 12-24 months and to satisfy the current commitments.

If arrangement goes into arrears, a letter is sent from Council indicating arrangement must be brought up to date or further action under Section 184 of the Act will be taken.

If arrangement goes into arrears a second time, a pre-Chapter 10 letter is sent from the Debt Collector to encourage a meeting with the ratepayer to discuss the overdue rates and to make an arrangement that satisfies the above criteria.

- a) If payments cease (3rd occurrence), action will commence under Section 184 of the Act; or
- b) If no response to the pre-Chapter 10 letter is received within the specified timeframe, a Chapter 10 letter sent from Debt Collector to commence action under Section 184.

7.3 Small fines and interest balances of \$5.00 or less, due to the cost ineffectiveness of collecting such small amounts, can be written off by the Group Manager Finance & Corporate.



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7.4 Writes-off and Remissions of General Debtors

After exhausting all possibilities for recovery amounts outstanding for a period greater than three years and totalling \$250 or less per debtor, are to be written-off at the discretion of the Group Manager Finance & Corporate.

All amounts over and above \$250 must be endorsed for write off by Council.

8. PERFORMANCE INDICATORS

Rates of conversion will be established for General Debtors during the period July to December 2015. Performance against the benchmark will be measured monthly and reported through the Senior Finance Officer's Quarterly Cash Flow Report.

Each year, outstanding rates can be expressed as a percentage of rate revenue. A benchmark rate of 5% is set, however, Council should be aiming to achieve a target of 3%.

9. PROCEDURE OWNER

Group Manager Finance and Corporate

10. AUTHORITY

Audit Committee – June 2015

11. HISTORY

Debtor Management Procedure – Version 1 adopted by Audit Committee November 2012

Rates: Remissions of Fines Policy – Version 5 adopted by Council 25 June 2012