

F4 Debt Collection Policy

Purpose	To outline management of the Debt Collection Process.	
Department	Finance	
File No.	FIN/1400 & FIN/1205	
Council Meeting Date	17 th May 2022	
Minute Number	102.05.2022	
Next Review Date	May 2026	
Review History	381.09.08	19 September 2008
	406.10.09	22 October 2009
	188.07.10	15 July 2010
	121.04.15	30 April 2015
	173.06.15	18 June 2015

1. Objectives

The objectives of the policy are to:

- Ensure that Sundry Debts and Rates Debts are collected in a fair and consistent manner;
- Minimise the level of outstanding debts;
- Ensure timely reporting on outstanding debts; and
- Formalise the Debt Collection Process.

2. Background

The below policy was developed to ensure legislative compliance and procedural instruction in the collection and reporting of outstanding debts.

3. Debt Collection Process

The Debt Collection Process formalises the procedure for dealing with overdue Sundry Debts and Rates Debts.

a) Payment Terms and Collection for Sundry Debts

Council's standard payment terms for sundry debtors is stated on the invoice. Sundry Debtors become overdue when not paid in accordance with the terms and conditions of the invoice issued by Council.

The process of identifying and collecting outstanding debts is set out below:

- Statements are issued monthly.
- 30 days overdue: A friendly reminder note is applied on the statement.
- 60 days overdue: A letter requesting payment is sent with the statement and followed up with a phone call.

- 90 days overdue: It is listed on the “Debt Listing Report” as a risk, and a letter is sent to the Debtor, to advise of a potential lodgement with our collection agency if no payment is received within 14 days.
- If no payment is received or no suitable payment arrangement is made:
- \$500 or over – Lodge with collection agency for collection. Account holder is required to pay all collection costs, and the Debtor is notified by letter.
- \$500 or under – Report to General Manager for possible write off, and lodge with the collection agency for listing. Account holder is required to pay all collection costs, and the Debtor is notified by letter.
- Where a large debt cannot be collected by the Collection Agency, legal action may be considered by the General Manager.

b) Payment Terms and Collection for Rates Debts

Council rates and charges become overdue when not paid in accordance with a Rates Notice that is issued pursuant to Section 122 of the Act.

The Rates Officer will seek to minimise the risk of non-collection of Rates Debts by encouraging payment arrangements.

The process of identifying and collecting outstanding debts is set out below:

- 21 days after due date: Send a reminder letter requesting payment.
- 40 days overdue: Attempt to contact debtor via phone or email.
- 60 days overdue: Send Debtor a letter to advise that Under Section 124 (5) of the Local Government Act 1993, if any instalment due, is not paid within 21 days, the full amount for the year may become due and payable immediately. Demand full payment if no instalment or payment arrangement made within 14 days of the letter being issued.
- 90 days overdue: It is listed on the “Debt Listing Report” as a risk, and a letter is sent to the Debtor, to advise of a potential lodgement with our collection agency if no payment is received within 14 days.
- If no payment received or suitable payment arrangement made:
- \$500 or over – Lodge with collection agency for collection. Account holder is required to pay all legal costs, and the Debtor is notified by letter.
- \$500 or under – Report to General Manager and lodge with the collection agency for listing. Debtor is notified by letter.
- 2.5 years overdue: A letter is sent to the Debtor to advise that the debt lodged with the collection agency, will revert back to Council when it reaches the 3-year mark, and that, the Debtor will be issued with a “Notice of Intention to Sell” at that time.
- 3 years overdue: In accordance with Section 137 of the Local Government Act 1993, the General Manager to consider issuing a “Notice of Intention to Sell” and if no response in 90 days, proceed with legal action.

Records of important transactions between officers and debtors in relation to the administration of this policy will be maintained in the appropriate Council file.

c) Interest

Interest and Penalties for Rate Debtors are to be calculated in accordance with the current Rates Resolution of Council.

The Interest calculated for Sundry Debtors is the same as for a Rates Debtor.

d) Failure to meet the Payment Arrangement

- The debtor is contacted in writing to advise of the default(s) in payment and requested to make payment with 14 days.
- If payment is not received within 14 days, and no suitable alternative payment arrangement has been reached, refer to 3. Debt Collection Process.
- The debtor will incur any dishonour fees if applicable.

4. High-Risk Outstanding Debtors Report

The High-Risk Outstanding Debtors Report will be prepared on a quarterly basis by the Finance Officer and submitted to the Finance Organisational Performance Manager and General Manager for review.

This should include:

- Type of Debtor
- Name
- Amount
- Age of Debt
- Details of debt and Collection notes/log
- Flag if lodged with the Collection Agency
- Risk Status

Debts that have been determined as being uncollectable are to be periodically recommended for write off following Council's F9 Writing off Bad Debts Policy and Council's delegations.

Details of debts written off by the General Manager are to be submitted to Council for noting.

5. Related Legislation, Regulations and Policies

- *Local Government Act 1993*
- Rates Resolution
- F9 Writing off Bad Debts Policy
- Council's Instrument of Delegation

6. Responsibilities

The responsibility for this policy rests with the General Manager.