KING ISLAND COUNCIL

Policy

DEBT RECOVERY POLICY

Responsible Officer: FINANCE MANAGER

Date: 20 August 2024

Review Date: 31 July 2028

1. Purpose

1.1 The purpose of this policy is to fulfil the statutory requirements of the Local Government Act 1993 (the Act) with respect to both the recovery of outstanding Rates, Annual Charges, interest and sundry debts and the reduction of risk of bad debt.

1.2 The policy aims to reduce the amount of monies owed to Council, minimise risk of bad debt and assist debtors in financial stress and/or hardship, whilst complying with the Act.

1.3 Council has a responsibility to recover monies owing to it in a timely, efficient and equitable manner to finance its operations, mitigate risk and ensure effective financial management.

1.4 The objective of this policy is to provide clear direction and a framework that enables Council administration to –

1.4.1 recover any monies for unpaid rates, charges and sundry debts, including penalties and/or interest as incurred; and

1.4.2 ensure that a fair, equitable and consistent collection of outstanding debt is achieved in an effective and timely manner.

2. Scope

2.1 This policy applies to Rates debtors, Sundry debtors, Airport debtors and the application of interest and/or penalties for overdue amounts.

3. Definitions

Debt - Council incurs two types of debt: those that are charged against a property and those that are not charged against a property. Debt which is not charged against a property is referred to as 'sundry debt'.

Sundry debtors – A sundry debtor describes any debtor whose type of debt is not covered specifically by statutory legislation and includes, for example, any facility or equipment hire charges; charges and fees for leases/contracts/agreements; Private Works; Commercial Waste Management.

Aircraft debtors – are aircraft operators who incur debt for airport charges including landing and parking fees. While this is a type of sundry debt, it is recognised as a significant class of debt where billing is performed by an external party on behalf of Council (Avdata).

A Bad debt – is a monetary amount owed to Council that is unlikely to be paid and, or which Council is not willing to take action to collect because of various reasons, often due to the debtor not having the money to pay, for example due to a company going into liquidation or insolvency.

Financial hardship/stress – means a circumstance of experiencing reduced financial means, which may be either ongoing or temporary but does not include circumstances where a person chooses not to meet a liability for an unpaid debt.

Private Works – any work undertaken by Council of a commercial nature which lies outside the normal scope and responsibility of Council. These are commercial activities that Council is not required to perform but undertakes such as road construction for developers.

Entities – any legal entity including but not limited to an individual, a company or a trust.

4. Policy

Council depends on incomes from rates and sundry debtors to fund services and facilities for the community.

Council will attempt to recover all costs, interest and expenses incurred by Council while recognising the need to identify and consider individual cases of genuine hardship or financial stress.

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.

Sundry debtors become overdue when not paid in accordance with the terms on the invoice issued by Council (or on behalf of Council such as with Avdata in relation to airport landing and parking fees). Council's standard term for sundry debtors is 30 days from the date of invoice/statement, or in the case of airport landing and parking fees, where invoices are issued by Avdata, 21 days from the date of issue. These standard terms may be amended for individual sundry debtors in the terms of a contract/lease/agreement, or for a group of sundry debtors for example, in the Fees and Charges resolution.

Council will apply interest and penalties for overdue rates and charges, as well as interest and/or penalties to sundry debtors whose accounts are overdue and these would continue to be applied while any recovery actions are taking place.

Council will commence its legal recovery process, through a debt collection agent, on all overdue amounts for rates and sundry debtors. Where Council incurs legal costs, the legal costs are recoverable from the ratepayer or the sundry debtor.

Interest and penalties for outstanding rates and annual charges are to be calculated in accordance with the current Rates and Charges resolution of Council as required under Section 118 of the Act. Rates notices are issued in accordance with Section 122 of the Act.

In line with Section 73 and Section 205 of the Act, interest and/or penalties charged to sundry debtors are set and reviewed annually during Budget deliberations when Fees and Charges are resolved and administered in accordance with Council's Debt Management Procedure.

The terms for interest and/or penalty charges for sundry debtors are prescribed in terms and conditions in contracts, leases and/or agreements as well as included on all invoices and statements issued for payment.

Payment plans and flexible payment arrangements may be made available to ratepayers and sundry debtors experiencing financial hardship/stress upon written application to Council. In the event that such an arrangement is made, Council may continue to apply any fines, interest, penalties and legal charge for overdue rates and sundry debtors.

In the case of a sundry debtor hardship and/or stress and the discretion of approving a payment plan, would be established through the provision and review of the debtors' financial statements.

The Council may at its discretion, under delegated authority, remit penalties and related expenses for late payment of rates and sundry debtors, including where genuine hardship or financial stress can be substantiated.

Writing off unpaid debts will only be considered when all reasonable attempts have been made to recover the outstanding amount in accordance with Section 76 of the Act.

Council may apply the provisions of Section 137 of the Act relating to the Sale of Land as and when required.

Any debts that have been overdue for more than 30 days will be monitored and followed up; referred to Council's debt collection agent at 60 days overdue; with a summary reported to Council each month.

Council will not carry out private works for entities or individuals indebted to Council for any reason.

With exception for private works under taken by Council for State Government entities a cash deposit, bond or guarantee or similar appropriate assurance is required before undertaking private works estimated at the following levels:

- Less than $10,000 excluding GST – 25%
- Between $10,000 and $49,999 excluding GST – 50%
- $50,000 or more (excluding GST) – 50% deposit plus milestone payments included in the project plan.

To enable effective control over debt, Debt Management Procedures have been established as an attachment to this policy. These procedures provide the framework for administration and management of debt by Council staff.

4.1 RELATED DOCUMENTS

This policy is to be read in conjunction with the following documents:

Private Works Policy

5. Legislation, Terminology and References

Applicable legislation:

All laws in connection with private works including but not limited to:

- *Local Government Act 1993* (TAS)

Definitions	
Term	**Meaning**
Council	King Island Council
Councillor	An elected member of Council known as a Councillor or Alderman or otherwise meeting the definition of a 'councillor' as defined under section 3 of the *Local Government Act 1993* (TAS)
Employee	A person who carries out work for Council as an employee of Council.
General Manager	The general manager of Council as appointed under section 61 of the *Local Government Act 1993* (TAS).
Manager/Supervisor	A person at the Workplace who is appointed to a position that has management/supervisory responsibilities for others or their appropriately nominated or authorised delegate.
Other Persons at the Workplace	A person, other than a Councillor, who carries out work in any capacity for Council, including work as: (a) a contractor or subcontractor. (b) an employee of a contractor or subcontractor. (c) an employee of a labour hire company who has been assigned to work at Council. (d) an apprentice or trainee. (e) a student gaining work experience; or (f) a volunteer.
Policy	Debt Recovery Policy
Workplace	A place where work is carried out for Council.

History:

Any previous policies used by Council:

Debt Policy adopted 18 December 2017 – Res No: 183/17

POLICY VERSION AND REVISION INFORMATION

Title: Debt Recovery Policy

Policy Maintained by: Finance Manager

Policy Commencement: 20 August 2024

Policy Review: 31 July 2028

Version No	Date	Resolution No	Responsible Officer
1.0	20.8.2024	216/24	Finance Manager