



DEBT RECOVERY POLICY

POLICY AREA	DATE POLICY ADOPTED	AMENDMENT DATE & MINUTE NUMBER	POLICY TYPE
CCS/FM	18 December 2017 Minute reference: 183/17	N/A	Financial Management (FM)
RESPONSIBLE MANAGER	RELATED POLICIES /LEGISLATION	STRATEGIC PLAN REFERENCE	DATE OF NEXT REVIEW
Director, Corporate and Community Services	Local Government Act 1993 King Island Council, King Island Aerodrome By-Law, By-Law No. 1 of 2012	6.3.4 Financial Management Develop and maintain policies and operational plans that are affordable to the community and sustainable into the future.	18 December 2018. 12 month review following initial implementation. Thereafter, every four years in line with the rates and charges review required under the Act.

PURPOSE	<p>The purpose of this policy is to fulfil the statutory requirements of the Local Government Act 1993 (the Act) and Council’s By-Law with respect to both the recovery of outstanding Rates, Annual Charges, interest and sundry debts and the reduction of risk of bad debt.</p> <p>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 and By-Law.</p> <p>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.</p>
DETAILED OBJECTIVES	<p>The objective of this policy is to provide clear direction and a framework that enables Council administration to –</p> <ul style="list-style-type: none"> • recover any monies for unpaid rates, charges and sundry debts, including penalties and/or interest as incurred; and • ensure that a fair, equitable and consistent collection of outstanding debt is achieved in an effective and timely manner.
SCOPE	<p>This policy applies to Rate debtors, Sundry debtors, Airport debtors and the application of interest and/or penalties for overdue amounts.</p>
DEFINITIONS	<p>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’.</p> <p>Sundry debtors – A sundry debtor describes any debtor whose type of debt is not covered specifically by statutory legislation and includes,</p>



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	<p>for example, any facility or equipment hire charges; charges and fees for leases/contracts/agreements; Private Works; Commercial Waste Management.</p> <p>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).</p> <p>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.</p> <p>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.</p> <p>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 sale of gravel, road construction for developers etc.</p> <p>Entities – any legal entity including but not limited to an individual, a company, a trust etc.</p>
POLICY	<p>Council depends on incomes from rates and sundry debtors to fund services and facilities for the community.</p> <p>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.</p> <p>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.</p> <p>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 or in a By-Law.</p> <p>Council will apply interest and penalties for overdue rates and charges, as well as interest and/or penalties to sundry debtors whose accounts are</p>



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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 indebted to Council for private works for an amount exceeding \$500.00 excluding GST.



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	<p>A cash deposit, bond or guarantee or similar appropriate assurance is required before undertaking private works estimated at the following levels:</p> <ul style="list-style-type: none">• Less than \$10,000 excluding GST – 0%• Between \$10,000 and \$49,999 excluding GST – 50%• \$50,000 or more (excluding GST) – 100% <p>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.</p>
DELEGATION OF AUTHORITY	<p>The General Manager is responsible for leading executive staff (either directly or through delegated authority) in their understanding of, and compliance with this policy.</p> <p>The Director of Corporate and Community Services is responsible for the implementation and review of this policy and the accompanying procedures.</p>
ATTACHMENTS	Debt Management Procedures



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DOCUMENT INFORMATION & CONTROL:

Policy Area	Corporate Services	
Version	18/12/17	
Review	18/12/21	
Key Function	Financial Management/Debt Recovery	
System		
Document Type	Policy – Financial Management	
Responsible Directorate	Corporate and Community Services	
Approved By	Council	
Action Officer	Director of Corporate and Community Services, Accountant, Rates, Creditors and Debtors Officer	
Text Search keywords	Debt Recovery, Financial Management,	
To be communicated to (To be identified by Approver) (Insert <input checked="" type="checkbox"/> in relevant row)	<input checked="" type="checkbox"/>	Directorates – I&S, C/C/S & Executive
	<input checked="" type="checkbox"/>	Directors and GM
	<input checked="" type="checkbox"/>	Specific Areas <ul style="list-style-type: none"> • Rates & Sundry Debtor administration
	<input checked="" type="checkbox"/>	Organisation-wide
	<input checked="" type="checkbox"/>	Website
		Other -
Hard copy distribution	Policy Manuals King Island Council Website General Manager Directors Accountant Front Office Depot Office	