

DEBT RECOVERY POLICY

INTENT

To establish a policy for a consistent and timely approach for the recovery of outstanding rates and charges and other accounts receivable.

SCOPE

This policy applies to all outstanding rates and charges and other accounts receivable due and payable to Cook Shire Council.

DEFINITIONS

TERM	DEFINITION
Accounts Receivable	An amount owed to Council in payment for supply of goods and/or services.
Debt	Amount owed to Council which can include rates and charges or accounts receivable.
Debtor	Any person or entity that owes a debt to Council.
Overdue	A debt is overdue if any portion of it is unpaid on the day after the due date for payment as stated in the original notice.
Own source revenue	Revenue that Council has a legal capacity to raise that does not include grants, subsidies or donated assets.
Repayment Arrangement	Is an arrangement that will repay overdue amounts in a timeframe that Council considers acceptable in the given circumstances.

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Authorised By:	Director Organisational Business Services		
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Current Version:	10.0		

POLICY STATEMENT

A significant portion of Council's "own source" revenue is derived through rates and charges and accounts payable. Effective collection processes are vital to ensure the financial sustainability of the organisation, whilst at the same time Council will provide all due consideration and assistance to ratepayers and debtors who display genuine commitment to honouring their financial obligations to Council.

To govern the mechanisms of debt recovery, the following principles will be applied:

- a fair, consistent and accountable approach will be applied to Council's debt management and collection processes;
- all ratepayers and sundry debtors will be treated in a transparent and equitable manner;
- debtors to be clearly informed of their payment obligations and the processes utilised by Council to assist them to meet these obligations;
- consider the capacity of each debtor to pay while endeavouring to treat debtors consistently;
- demonstrate flexibility, when necessary, in response to changes in the local economy;
- recognise the importance debt recovery has on the capacity of Council to deliver services to the community;
- maximise the collection of outstanding debts through cost effective collection processes; and
- legal avenues for collection of outstanding monies to be employed as a last resort upon debtors failing to respond adequately to their obligations.

Council needs to carefully monitor the level of overdue rates and other amounts due to it, and be vigilant in the recovery function, as outstanding amounts can cause disruption to the provision of services and facilities to the community.

It is also the responsibility of a ratepayer or sundry debtor, who is unable to fulfil their financial commitments to Council by the due date, to contact Council at their earliest opportunity to make appropriate arrangements to clear their debt within a timely manner. No further debt recovery action will be taken against a debtor who has entered into a mutually acceptable repayment arrangement and is abiding by this arrangement.

Rates and Charges

In accordance with section 132 of the *Local Government Regulation 2012*, rates and charges will become overdue, should amount payable or any component thereof, remain unpaid the day after the due date for payment stated in the rate notice issued. Interest will commence accruing on any outstanding rates and charges on the day after the payment due date.

Any ratepayer who is unable to pay the full amount of their rates and charges by the due date are encouraged to make application to Council to enter into a repayment arrangement. This payment arrangement has to be mutually acceptable to both parties with the outstanding debt being paid within the approved timeframe. Interest will be applied to the

Document Number:	D23/16162	<u>CONTROLLED DOCUMENT</u> This electronic document is guaranteed as the most current. DO NOT COPY. Unauthorised hard copies of this document are prohibited.	Page 2 of 6
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outstanding debt until such times as this debt is repaid in full. The interest rate applied to outstanding rates and charges each financial year will be determined by Council resolution.

Additionally, any ratepayer who is experiencing serious financial hardship and are unable to pay their rates may apply for some form of relief as outlined in the following policies of Council:

- Rates Relief for Residential Ratepayers Policy
- Rates Relief for Charitable Organisations Policy

Failure by the ratepayer to repay the outstanding debt within the terms of the payment arrangement, may result in Council cancelling the approved arrangement and undertake any action it deems appropriate to recoup the outstanding rates and charges. This action may occur with or without notice to the ratepayer.

Recovery Action

Ratepayers who have outstanding rates and charges and have not entered into a payment arrangement will be sent a First and Final Reminder Notice. This notice will be sent no earlier than 7 days after the expiration of the due date for payment and will provide the ratepayer 14 days to action.

Further recovery action will cease with the ratepayer either paying the outstanding rates and charges in full or entering into an acceptable repayment arrangement.

Ratepayers who have not responded satisfactorily to the First and Final Reminder Notice, may become subject to further recovery action and be referred to Council’s appointed debt collection agency. The debt collection agency will formally contact the ratepayer, either in writing or by telephone or a combination of both, to seek a resolution to the outstanding debt.

Failure by the ratepayer to respond satisfactorily to the preceding recovery action, may leave Council no alternative but to instigate legal action which will incur further financial impacts on the ratepayer. Although legal action is deemed as a last resort to enforce collection, it is a necessary step to ensure that all ratepayers are treated equitably and that they fulfil their payment obligations.

Legal action may include, but not limited to:

- Issue of a Claim and Statement of Claim
- Judgement filed in Court
- Other action which may result in bankruptcy or statutory demand/wind up action of a company
- Sale of land for arrears of rates

Accounts Receivable

Accounts receivable debts are created after Council makes a supply of goods and/or services to a customer. An invoice is then raised showing details of the goods and/or services provided and a due date for payment.

The amount payable will become overdue the day after the due date for payment. The recovery action undertaken to secure payment may include the following:

Document Number:	D23/16162	<u>CONTROLLED DOCUMENT</u> This electronic document is guaranteed as the most current. DO NOT COPY. Unauthorised hard copies of this document are prohibited.	Page 3 of 6
Authorised By:	Director Organisational Business Services		
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- Issue of a statement
- A reminder letter issued if the payment remains outstanding 14 days after the issue of the statement.
- If payment is not received within 14 days of the issue of the reminder letter, the account may be suspended and overdue amount referred to Council's appointed debt collection agency.
- The debt collection agency will formally contact the customer, either in writing or by telephone or a combination of both, to seek a resolution to the outstanding debt.

Failure by the customer to respond satisfactorily to the preceding recovery action, may leave Council no alternative but to instigate legal action which will incur further financial impacts on the customer.

Bad Debts/ Write Off

Where it is determined, to the satisfaction of the Chief Executive Officer or delegate that a debt is irrecoverable or uneconomical to recover, the debt may be written off. Reasons to make this determination include, but not limited to:

- All reasonable collection action has been taken and was unsuccessful
- No possibility for collection exists now or in the future
- The debtor cannot be readily located or served Court documentation
- Legal proceedings that are statute barred or the debt is legally unenforceable
- The debtor is an inoperative corporation and without assets; or
- The debtor is a natural person who is an undischarged bankrupt.

To facilitate operational efficiency, Council pursuant to section 257 of the *Local Government Act 2009* delegates authority to the Chief Executive Officer to write off bad debts up to \$3,000. Amounts over \$3,000 can only be written off by Council resolution.

KEY RESPONSIBILITIES

RESPONSIBLE OFFICER	RESPONSIBILITY
Chief Financial Officer	To ensure that debt recovery activities are undertaken in accordance with this policy.
Coordinator Management & Project Accounting	To actively monitor outstanding debts on at least a monthly basis and report, as required, to senior executives on the effectiveness of debt recovery activities and potential risks of bad or doubtful debts.
Rates Officer	To ensure debt recovery activities for rates and charges are undertaken in accordance with this policy.

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Authorised By:	Director Organisational Business Services		
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Last Modified:	May 2023		
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Current Version:	10.0		

REFERENCES, LEGISLATION AND GUIDELINES

Local Government Act 2009

Local Government Regulation 2012

RELATED DOCUMENTS

Corporate Plan 2017 – 2022

Revenue Statement

Revenue Policy

Rates Relief for Residential Ratepayers Policy

Rates Relief for Charitable Organisations Policy

IMPLEMENTATION/COMMUNICATION

This policy applies from 1 July 2023 and will be displayed on Council's website.

APPROVED BY

Policy to be adopted annually by Council.

REVIEW

SPONSOR:	Director Organisational Business Services
OFFICER RESPONSIBLE FOR REVIEW:	Chief Financial Officer
ADOPTION DATE:	23 May 2023
REVIEW DATE:	June 2024

THIS POLICY IS TO REMAIN IN FORCE UNTIL OTHERWISE DETERMINED BY COUNCIL

Document Number:	D23/16162	<u>CONTROLLED DOCUMENT</u> This electronic document is guaranteed as the most current. DO NOT COPY. Unauthorised hard copies of this document are prohibited.	Page 5 of 6
Authorised By:	Director Organisational Business Services		
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AMENDMENT HISTORY

VERSION	AMENDMENT DETAILS	AMENDMENT DATE	APPROVAL
6.0	Minor amendments and new template	20/05/2019	
7.0	Bad Debt/Write-Off Delegations added	01/06/2020	
7.1	Minor amendments, namely changes to collection dates	26/06/2021	
8.0	Minor amendments	08/06/2021	Council resolution 2021/126
9.0	Adopted by Council Resolution	24/05/2022	2022/107
10.0	Minor amendments	23/05/2023	2023/101

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