



TYPE	Council
PURPOSE	To establish a clear and concise framework in which to pursue all outstanding debt owed to Council whilst having a consistent approach to rates recovery and debt collection with high quality Customer Service.
POWERS	Council is empowered to make this Policy pursuant to Sections 180 and 181 of the Local Government Act 1989.
OBJECTIVES	<p>This policy aims to ensure that all debts owed to Council are received by the due date or followed up within specified timeframes and procedures.</p> <p>When debts are not recoverable, this policy aims to ensure the criteria for the writing off of bad debts are followed, taking into account the individual circumstances of each case.</p>
PRINCIPLES	<p>Decisions relating to collection of outstanding debts will be considered in the context of:</p> <p>Accountability and Transparency</p> <p>Council's practices and decisions will be made in accordance with the relevant legislation and accepted conventions. Employees will ensure that internal controls are applied when dealing with outstanding debts.</p> <p>Fairness and Equity</p> <p>Council will ensure that all credit and related debts are managed fairly and equitably. This Policy confirms that parties who incur debts do so on the understanding that the prescribed repayment terms are met.</p> <p>Responsibilities</p> <p>The department providing the goods and/or service to the debtor will be responsible for completing the documentation required for an invoice to be generated. Revenue Management will be responsible for raising the invoice and the recovery of any debts for all departments.</p> <p>Risk Management</p> <p>Principles of risk management will underpin decisions made in relation to credit and related debt management. To reduce the risk of non-payment of debt, a structured collection and recovery process will be applied.</p>
SCOPE	<p>This Policy applies to any rate, charge (including Special Charge Scheme), infringement debt or sundry debt owing to the Council.</p> <p>Finance Employees will maintain procedures that support the administration of this Policy.</p> <p>This policy applies to all staff who are involved in collecting revenue</p>

	and general debts.
DEFINITIONS	<p>Credit: the purchase and/or provision of goods and services from Council by a debtor on the basis of a commitment to pay at a future time.</p> <p>Debt: the amount of money owed by the debtor as a result of a transaction with Council. A debt is expected to be settled within the normal payment terms of trade.</p> <p>Debtor: an individual, organisation or other party that transacts with Council where goods or services are provided, use of facilities are made available, fines and licence fees are levied and any other transaction that results in a future payment to Council. A debtor is an asset for Council, as it gives rise to an anticipated future benefit. The future benefits are cash inflows, which occur when the debt is paid.</p> <p>Invoice Date: the date which the invoice has been raised in the debtors system.</p> <p>Risk: the possibility of non-payment of the debt by the debtor when the amount is due. The likelihood of non-payment increases with the age of the debt.</p> <p>Provision of Doubtful Debts: the accounting procedure for recognising the estimated value of debts that may end up being uncollectable.</p> <p>Write off: the accounting procedure for cancelling a debt that is no longer collectable resulting in its removal from Council's Balance Sheet.</p>
TYPES OF DEBTORS	<ol style="list-style-type: none"> 1. Sundry Debtors 2. Rates and Charges Debtors 3. Infringement Debtors
POLICY	<ol style="list-style-type: none"> 1. Sundry Debtors Definition: Sundry Debtors have incurred a debt for other Goods and/or Services delivered by Council. For the purpose of this policy a Sundry debt can include one or more of the following: <ul style="list-style-type: none"> – User Fees and Charges – Statutory Charges – Investment Income – Reimbursements – Other Income – Grants, Subsidies and Contributions

2. Management of Sundry Debtors

2.1 Credit Management

- 2.1.1 Credit terms for all Sundry Debtors (except for School Holiday Program) are thirty (30) days from the date of invoice. School Holiday Program terms are fourteen (14) days.
- 2.1.2 Where appropriate, prepayment, bonds or deposits will be required prior to Council commencing the supply of goods or services.
- 2.1.3 Council reserves the right to request full payment in advance depending on a debtor's payment history.

2.2 Penalty Interest:

- 2.2.1 Council is not applying penalty interest to the outstanding debt of sundry debtors.

2.3 Debt Collection Process

- 2.3.1 At the beginning of each month statements will be issued to accounts with a balance in current or 30 days.
- 2.3.2 If payment has not been received within 60 days a final notice giving seven (7) days to pay is issued. Where possible, telephone contact is made with the debtor to follow up payment. This discussion may include an offer of a payment arrangement if the debtor can demonstrate the need for extended terms.
- 2.3.3 If payment is not received within 7 business days of the date listed on the letter referred to in Section 2.3.2, the debtor's contact details are provided to Council's debt collection agency, who will issue a demand letter requesting payment within 7 business days.
- 2.3.4 If payment is not received within 7 business days, officers will liaise with the relevant debt collection agency as to how to proceed.
- 2.3.5 The Chief Financial Officer (or delegate) has the discretion to vary steps 2.3.1 to 2.3.4 subject to delegation limits.
- 2.3.6 Council may enter into a payment arrangement with any sundry debtor. Those agreements are made on an individual basis depending on the situation and payment history of a sundry debtor that may increase the likelihood of Council receiving any outstanding amounts.
- 2.3.7 There are exceptions to this collection procedure: Aged

	<p>Care debtors must first be presented to the Manager, Aged and Disability Services for review, and only those approved by the Manager or the responsible Director will be referred to a debt collection agency. General Property Rent can only be pursued through the Retail Lease Act and Tenancy Tribunal Act.</p> <p>3. Provision for Doubtful Debts</p> <p>3.1.1 Where the recovery of debt is unlikely prior to completing all steps listed in the Section 2.3 debt collection process (i.e. where the debtor is bankrupt or in liquidation), a provision shall be made in line with the Australian Accounting Standards.</p> <p>4. Write off</p> <p>4.1 Debts will only be written off when all reasonable attempts to recover outstanding amounts have been made or the costs of recovery are likely to equal or exceed the amount to be recovered.</p> <p>4.2 The writing off of a debt and any associated debt recovery or legal costs will be charged to the account where the invoice was originally raised.</p> <p>4.3 The Financial Controller is responsible for the approval of debt write-offs in line with the thresholds contained in Council's Procurement Policy Delegations Register.</p> <p>5. Management of Rates Debtors</p> <p>Definition:</p> <p>Rates Debtors have incurred a debt of Rates. For the purpose of debt collection, the definition of Rates follows Section 158 of the Act. Rates include:</p> <ul style="list-style-type: none"> - General Rates - Special Rates - Charges - Accrued interest - Costs reasonably incurred by the council in recovering, or attempting to recover the above <p>5.1 Credit Management</p> <p>5.1.1 Rates are due and payable in four instalments each financial year, or otherwise annually by February.</p> <p>5.2 Penalty Interest:</p> <p>5.2.1 Penalty interest will accrue on unpaid rates at the relevant interest rate. The relevant interest rate is set under S2 of the Penalty Interest Rates Act 1983. This rate will be</p>
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	<p>confirmed each year in the declaration of rates and charges.</p> <p>5.3 Debt Collection Process</p> <p>5.3.1 Council will issue one (1) overdue notice for payment of outstanding rates and charges when unpaid by the due date, requesting payment within seven (7) days of the notice.</p> <p>5.3.2 If still unpaid, Council will issue one (1) final notice with interest due seven (7) days from the date of the final notice.</p> <p>5.3.3 The debtor will be given the opportunity to make alternative arrangements for payments within above mentioned 14 day period.</p> <p>5.3.4 If still unpaid, Council will issue one (1) Letter of Demand due seven (7) days from the date of the letter.</p> <p>5.3.5 If still unpaid, Council will instruct a Collection Agency to pursue all unpaid rate debts over \$1,000 as per the following:</p> <ol style="list-style-type: none"> a) Complaint issued in the Magistrates Court. b) Once complaint is served, if there is no arrangement or payment within 21 days, a Pre-order letter will be sent. c) After 7 days of the Pre-order letter, Judgment can be entered. d) If Judgment is not entered, the Courts may order Council to waive associated legal fees. e) After Judgment, Council may issue a Summons for Oral Examination which can result in garnish of wages and the issuance of a Warrant to Seize (for goods to the total of the debt and costs). In the case of a rental property a Rental Demand may be issued to the managing agent. f) Should the debt outstanding exceed 3 years Council may sell the property under Section 181 of the Local Government Act 1989. g) All associated legal fees are as per the Magistrates' Court General Civil Procedure Rules – Scale of Costs, all of which are recoverable from the debtor. <p>5.3.6 Follow up action will not be taken when debtors fall in to the following categories:</p> <ol style="list-style-type: none"> a) The total outstanding rates and charges where the
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	<p>amount is not considered material.</p> <ul style="list-style-type: none"> b) Where the legal costs to be incurred exceed the outstanding amount of rates, charges, Fire Service Levy and interest. c) Ratepayers who have made a mutually acceptable arrangement to discharge their arrears of rates and charges with no default. d) Quarterly rate instalments. e) Government bodies, except where action is authorised by the Chief Executive Officer, the Chief Financial Officer or Financial Controller. <p>5.3.7 Waiving rates, interest and charges will be managed in line with the following:</p> <ul style="list-style-type: none"> a) Rates are a first charge on the property pursuant to the Local Government Act 1989 and will generally not be waived. b) Charges are a cost to the Mornington Peninsula Shire and will generally not be waived. c) Interest may be waived in accordance with point 4 of this policy. d) Any legal costs incurred will generally not be waived. e) Any property in receipt of the Land Sustainability Rebate will have the rebate reversed and cancelled if rates are not paid by the due date. <p>6. Management of Infringement Debtors</p> <p>Definition:</p> <p>Infringement Debtors have incurred a debt of regulatory nature. For the purpose of this policy an Infringement debt can include one or more of the following:</p> <ul style="list-style-type: none"> – Parking/Traffic Infringement – Animal Infringement – Public Places Infringement – Litter Infringement – Signage Infringement – Other Law and Order Infringement <p>6.1 Credit Management</p>
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	<p>6.1.1 In accordance with the Infringements Act 2006, any infringement issued by Council under the Legislation allows the alleged offender 28 days to pay the prescribed amount.</p> <p>6.2 Penalty Interest:</p> <p>6.2.1 Council is not applying penalty interest to the outstanding debt of Infringement debtors.</p> <p>6.3 Debt Collection</p> <p>6.3.1 Initial infringement issued – 28 days allowed to receive payment</p> <p>6.3.2 If no payment or appeal is forthcoming a penalty reminder notice (which includes costs) is issued giving a further 42 days for payment.</p> <p>6.3.3 If no appeal or payment is received by the due date of the penalty reminder notice, the infringement then progresses through to either the Infringement Court or the Magistrates Court depending on the type of infringement issued.</p> <p>6.4 Debt Write Off</p> <p>6.4.1 The cancellation or withdrawal of an infringement notice may only be authorised by an officer holding the appropriate delegation.</p> <p>6.4.2 Withdrawal of an infringement may also occur after a written appeal has been submitted to Council against the alleged offence, which in the opinion of the relevant officer has merit. Written confirmation of the infringement cancellation will be sent to the customer.</p> <p>6.5 Provision for Doubtful Debts</p> <p>6.5.1 A provision for Doubtful Debt is made, if a person who receives an infringement chooses to have the matter dealt with by the Courts.</p>
RESPONSIBILITY	The department providing the goods and/or service to the debtor will be responsible for completing the documentation required for an invoice to be generated. Revenue Management will be responsible for raising all invoices and the recovery of any debts in liaison with individual departments.
RELATED	<ul style="list-style-type: none"> • Financial Hardship Policy • Procurement Policy

POLICIES	<ul style="list-style-type: none"> • Accounts Receivable – Non Rates Policy • Retention of Financial Records Policy • Staff Code of Conduct Policy • Fraud Prevention Policy • Discipline Procedure Policy • Police Records Check Policy 		
RELATED LEGISLATION	Local Government Act 1989 Penalty Interest Rate Act 1983 Infringements Act 2006		
REFERENCES	NIL		
AUTHOR	Finance		
APPROVED	Executive (9 August 2017)		
REVIEW / APPROVAL SCHEDULE	<p>All policies must be reviewed within a four year cycle – in line with a council term to ensure consistency with the council plan.</p> <p>An informal annual review ensures that any new information, including risks, processes and methodology of continual improvement through business best practice is always captured.</p> <p>Policies that have been on an annual review that do not require any changes through at least two cycles may be moved to a 2 or 3 year cycle if it is likely that the legislation or the political climate has no major changes, and the policy is working for the organisation or the community. (Refer to source: 'Policy Development Framework and Guide', MPS, https://objectiveapp.ad.mps/id:A4307683).</p>		
Exec Approval Due	July 2017	Exec Approval Date	August 2017
Council Approval Due	July 2017	Council Approval Date	February 2018
Exec Approval Due	August 2021	Exec Approval Date	
Council Approval Due	February 2022	Council Approval Date	