

FI 5 – DEBT RECOVERY**Objective**

- To provide an efficient, effective and fair method of debt recovery
- To assist debtors experiencing financial hardship to pay off debts in a timely manner

Policy

1. Council is responsible for the effective management of the funds it administers on behalf of the community. Maximising debt recovery is an essential element of responsible financial management. However, it must be balanced against the costs involved in recovering the debt to ensure efficient debt recovery.
2. A debt is defined as any amount of money owed to the Shire by virtue of the provision of services, levying of rates, fees and charges, or the provision of private works or other fee for service and payment has not been made within 35 days of issuance of invoice or notice.
3. It is recognised that there are other circumstances where organisations and individuals owe the Council money. Examples include –
 - Payment of rates and charges by instalments (where an instalment is not due and payable)
 - Payment of grants
 - Provision of services prior to presentation of invoice
 - Any amount overdue for less than 35 days from date of invoice, notice or agreement.

These are not considered as debts for the purpose of this policy.

4. Council will apply interest charges to any debts (as defined) within the following parameters:

- Interest payment

10% simple interest will be applied. In accordance with the LG Financial Management Regulations 1996, the amount of interest applied will be notified in the annual budget. Where the maximum interest rate set out in these regulations reduces below 10%, the amount of interest applied will reduce to that percentage.

- Application of interest

To be calculated as simple interest from the day after the amount has become due and payable for each day until the day before the amount is paid.

- Notice to debtors

All notices to debtors will include information about the rate of interest applicable, and how it is calculated including when it applies from and, in relevant cases, other information required in accordance with the Local Government Act and Financial Regulations

5. Council will pursue all debts owing to the Shire in accordance within the following timeline and actions –

Rates & service charge debts (no instalment plan) & other debts

- Issuance of reminder notice once the rates or other debt becomes due and payable, stating interest now payable
- If no response within 28 days, issuance of letter of demand
- If no response within 28 days of letter of demand, the debt will be pursued in the local court

Rates & Service charge debts (instalment plan)

- Inclusion of the arrears and overdue interest on the subsequent reminder notice issued at least 28 days before the next instalment is due and payable
- Letter of demand if no response is received by the due date for the subsequent instalment advising potential revocation of the instalment plan option in accordance with point 9
- Local court action to recover the debt if the final instalment (or the remaining payment where the instalment option has been revoked) is not paid by the due date

6. Where a debtor cannot be located, the CEO may refer the debt to a debt collection agency.
7. Before taking legal action, the CEO will ensure all efforts have been made to establish that the debtor knows of the debt and there are no negotiated means of recovery, eg giving more time to pay or payment by instalments.
8. In the case of rates and service charge debts, where a ratepayer can demonstrate financial hardship, the CEO will have authority to exercise discretion in making alternative financial arrangements to the options provided on the rate notice with interest to be charged in accordance with this policy. In no circumstances will a rates and service charge debt be written off.
9. In the case of rates and service charge debts payable by instalments, the CEO is delegated with the authority to and may revoke the ratepayer's right to pay rates by instalments where an instalment remains unpaid at the time the next instalment becomes due and payable. Such revocation will be made in accordance with regulation 66 of the Financial Management Regulations 1996.
10. In the case of all other debts, the CEO will have the authority to exercise discretion to apply other measures to encourage repayment. Other measures could include refusing requests for new services or works or requiring up-front payment, withdrawing account privileges, or withdrawing service provision. In no circumstances will a debtor who is subject to local court action be entitled to incur new debts.
11. The Shire will implement measures to maximise avenues for the payment of monies owed. For example, EFTPOS, internet banking and BPay. The Shire will also seek to establish direct debit arrangements where agreement has been reached for payment of outstanding monies by instalment.
12. The Shire will consider payment of debts by property or goods on a case by case basis. All proposals for debt recovery through payment by equity must have the proposal first examined by both the Manager of Finance and CEO who will seek guidance on the matter from WALGA or the Department of Local Government and Communities on the contemporary regulations for such matters and if advice is received to satisfactory, the debt recovery proposal must be approved by Council.

13. The CEO will have the delegated authority to refer debts to the local court and to write off debts, other than rates & service charges, under \$200. In the case of debts over \$200, only the Council has the authority to write these off. The CEO will report once yearly to Council recommending any debt write off.
14. The CEO will report to Council once each quarter providing the following information about debts:
 - \$ Amounts owing to the Shire under the categories “rates & service charges”, “fees” and “private works”
 - \$ Amounts in each of these categories defined as debts, distinguishing those under \$200 from those above \$200
 - \$ Amount and number of any debts written off in the preceding quarter and a summary of the nature of these debts
 - \$ Amount and number of any debts referred to a debt collection agency and a summary of the nature of these debts
 - Any negotiated agreements to repay debts and a summary of the nature of these debts
15. Unless essential, and subject to privacy and confidentiality requirements, the CEO reports to Council will not contain information about individual debtors.

Key Performance Indicators	Timely provision of reports in the required format Extent to which debts are recovered Extent to which the level of debts are reduced
Key Words	Debts, debt collection, debt write off, financial hardship
Related Policies	
Related Procedures/ Documents	Annual Budget Letter of demand, local court summons
Delegation Level	CEO & Council
First Adopted by Council	14 October 2003
Resolution No.	138/03
Adoption Conditions	Nil
Consultation	Nil
Reviewed by Council	26 September 2017
Council Resolution	88/17
Next Review Date	No later than 1 November 2007
File Reference	2.11.14
