

Debt Recovery Policy

Number:	Admin.2
Responsible Manager:	Executive Manager Finance
Head Policy:	N/A
Legislation:	N/A
	N/A

1. Purpose

To detail Debt Recovery / Collection processes

2. Scope

- 2.1 This Policy sets out a clear, equitable, accountable and transparent process that Council will follow for its debt management and collection practices. The Policy will also aim to ensure that all debts owed to Council are received by the due date or followed up within specified timeframes
- 2.2 Council requires income to provide an extensive range of services to the Community and receives this income from various parties including residents, community groups, and businesses. This income is received for different purposes such as user charges, statutory charges, grants and subsidies. To assist in delivering these services effectively and efficiently, Council should receive this income in a timely manner.

3. Definitions

“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

“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

“Debtor” an individual, organisation or other party that transacts with Council where goods or services are provided, use of facilities are made available, 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

“Invoice Date” the date which the invoice has been raised in the debtors system

“Provision of” the accounting procedure for recognising the estimated value

“Doubtful Debts” of debts that may end up being uncollectable

“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

“Write off” the accounting procedure for cancelling a debt that is no longer collectable resulting in its removal from Council’s Statement of Financial Position

4. Principles

4.1 Decisions relating to collection of outstanding debts will be considered in the context of:

a) Accountability and Transparency

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.

b) Fairness and Equity

Council will ensure that all credit and related debts are managed fairly and equitably.

Parties who incur debts do so on the understanding that the prescribed repayment terms are met.

c) Responsibilities

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.

The Finance department will be responsible for raising the invoice and the recovery of any debts for all departments.

d) Risk Management

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.

5. Credit Management

5.1 Credit terms for all Sundry debtors are thirty (30) days from the date of invoice, unless otherwise agreed by the CEO.

5.2 Where appropriate, prepayment, bonds or deposits will be required prior to Council commencing the supply of goods or services.

6. Debt Management

- a) If payment has not been received within 30 days of the invoice date, a statement will be issued to the debtor advising of invoices still to be paid.
- b) If payment has not been received within 60 days of the invoice date, where possible, telephone contact is made with the debtor requesting payment along with another statement being issued with an overdue stamp.
- c) There can be consideration of payment plans in times of hardship – at the discretion of the CEO
- d) If payment has not been received within 90 days of the invoice date, a letter of demand is sent to the debtor advising that debt collection will commence if the invoice is not paid in full within 30 business days and all costs associated with this process will be added to the outstanding debt.
- e) If payment is not received within 30 business days of the date listed on the letter referred to, the debtor's contact details are provided to Council's debt collection agency, who will issue a further demand letter requesting payment within 7 business days.
- f) If payment is not received within 7 business days of the date listed on the demand letter, a final demand letter is sent to the debtor requesting payment within 7 business days. The letter will also state that Council may issue an Intention to Sue letter if payment is not made within this timeframe.
- g) If payment is not received within 7 business days of the date of the third demand letter, the debt collection agency will issue an Intention to Sue letter, which requires payment within 4 days.
- h) If payment is not received within 4 business days as dictated in the intention to Sue letter, Employees will liaise with the relevant debt collection agency as to how to proceed. This resulting action will be determined on a case by case basis.
- i) The Chief Executive Officer (or Executive Manager nominee) has the discretion to vary steps subject to delegation limits.
- j) Payment arrangements may be negotiated to increase the likelihood of Council receiving any outstanding amounts.

7. Provision for Doubtful Debts

- 7.1 Where the recovery of debt is unlikely prior to completing all steps listed above (i.e., where the debtor is bankrupt or in liquidation), a provision for doubtful debt shall be made.

8. Writing off Debt

- 8.1 The Chief Executive Officer has delegated authority to write-off amounts of up to \$5000

- 8.2 The Executive Manager Finance has delegated authority to write off amounts of up to \$500
- 8.3 Bad debts of an amount greater than \$5000 per customer can only be written off by Council resolution.

Review

This policy is to remain in force until otherwise determined by Council.


Resolution

Adopted by Council on the 16 August 2017, commenced on 16 August 2017

Approval

This policy was duly authorised by Council as the Kowanyama Aboriginal Shire Council 16 August 2017 and shall hereby supersede any previous policies of the same intent.

Chief Executive Officer, Fabian Williams



Date 16/08/2017