

Debt Management Policy

Approved By: Council
Doc Controller: **Director Corporate and
Commercial Services**
File: 4/14/2

Document Code: **CP-CCS-CG-052**
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Approved Date: **28 Sept 2021**
Next Review Date: **28 Sept 2024**

1 PURPOSE

To establish a policy framework for the recovery of outstanding rates and charges and other amounts owed to the Council.

2 OBJECTIVE

The key objectives of this policy are to:

- a) Ensure a fair, consistent and accountable approach to Council's debt management and collection practice;
- b) Recognise the importance debt recovery has on the capacity of Council to deliver services to the community;
- c) Maximise the collection of outstanding debts;
- d) Consider the capacity of each debtor to pay, while endeavouring to treat debtors consistently;
- e) Establish timelines of communication and debt collection itself, which will deliver consistency of service; and
- f) Maximise the cost effectiveness of collection processes.

3 SCOPE

This policy applies to Burnie City Council ratepayers and other debtors who have a debt owed to the Council.

Infringements and fines are outside the scope of this policy as any overdue amount is recovered through the Monetary Penalties Enforcement Service (MPES).

4 DEFINITIONS

Accounts receivable

An amount owed to the Council in payment for the supply of goods and/or services, other than services for which rates and charges are payable.

Debt

Amount owed to Council including rates and charges, or payment for goods and/or services provided.

Debtor

Any person, group or entity that owes the Council a debt.

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Overdue

A debt is overdue if any portion of it is unpaid on the day after the due date for payment stated in the original notice.

Rates and Charges

As defined in Part 9 of the *Local Government Act 1993* rates and charges include differential general rates, minimum general rates, service rates and charges, construction rates and charges, separate rates and charges, supplementary rates and charges, fire levy and accrued interest owing on any outstanding balances. It also includes any costs associated with the collection of rates and charges, such as debt management or legal costs.

Suitable Payment Arrangement

A payment arrangement that will clear the outstanding debt before the end of the current rating period.

5 POLICY

Rates and charges levied under the Act provide a major source of revenue for the Council and effective collection processes are imperative to ensure the viability of the organisation, whilst giving all due consideration and assistance to ratepayers and debtors who display a genuine commitment to clearing their debt.

Division 10 of the Act provides mechanisms to recover overdue rates and charges. A debt may be recovered by bringing court actions against the person who is liable to pay the overdue rates and charges.

As a last resort, overdue rates and charges may also be recovered by selling the property for which the debt is associated, in accordance with the provisions of section 137 of the Act.

There are no obligations under the Act that require Council to take any particular action in respect of overdue rates and charges before commencing legal action. Debt collection is a legitimate and necessary business activity, but it is essential that such activity is conducted in a fair and appropriate manner.

Council needs to carefully monitor the level of overdue rates and other amounts due to it, and be vigilant in the recovery function, on the basis that high levels of outstanding debt can impact Council's cash flow and subsequently its operations. Rather than letting the level of overdue rates and other amounts escalate over time, it is preferable to constantly and consistently apply a fair, appropriate and vigilant recovery process.

It is sound administrative practice to adopt a policy that provides a uniform approach and not only assists employees in responding to enquiries but also demonstrates transparency by

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making clear the obligations of ratepayers and processes used by Council in assisting them meet their financial obligations.

The Corporate Finance Unit is responsible for managing the debt management process for the Council.

5.1 Initial Recovery Action

Legal action for the recovery of outstanding rates and charges may commence at any time after a rate becomes overdue in accordance with the *Local Government Act 1993*. Unless there are circumstances which justify taking an alternative course of action, Council's initial recovery action to recover overdue rates or charges is as follows:

5.1.1. *Reminder Notices*

With regard to rates liabilities, Council will issue an initial reminder notice of the outstanding instalment, prior to the instalment falling due.

For sundry debt, the issue of the monthly statement serves as the initial reminder.

5.1.2. *Final Reminder Letters*

Council will issue a final reminder letter if, at least thirty days after the issue of the initial reminder notice the outstanding debt:

- a) Has \$250 or more owing to Council; or
- b) A suitable payment arrangement has not been negotiated, or adhered to; and
- c) No other recovery action has commenced.

At this stage debtors will be advised that not resolving the matter by the date indicated, will result in the debt being referred to Council's debt recovery agency without further notification.

5.2 Debt Recovery Action

Once final reminder letters have been issued, and neither the outstanding amounts outlined in the final communication have not been resolved, or suitable arrangements are not put in place, the Council may immediately refer the debt to the Debt Recovery Agency to recover the debt.

Once the debt is lodged for collection, the Council Officers cease being the contact for the debt, and all debtors are referred only to the Debt Recovery Agency.

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5.3 Sale of Land for Unpaid Rates

Section 137 of the *Local Government Act 1993* states that:

If any rates in respect of land that is not Crown land have been outstanding for 3 years or more, the council may –

- (a) sell that land or part of that land as if it were the owner of the land –
 - (i) by public auction; or*
 - (ii) if the proceeds of the sale are unlikely to meet the costs of the public auction, by direct sale;**
- or*
- (b) apply to the Minister for an order that the land be transferred to the council if it is not possible after reasonable inquiry to identify the owner of the land or the whereabouts of the owner.*

Periodically the Director Corporate and Commercial Services will prepare a list of ratepayers with rates and charges outstanding in excess of the periods provided in the legislation for the consideration of the Council.

5.4 Suitable Payment Arrangement

Council has determined that any outstanding debt, including any additional charges applied in return for Council agreeing to defer payment of rates and charges, should be paid in full by the end of the relevant rating period. This is considered a suitable payment arrangement.

On this basis Council officers will grant a suitable payment arrangement for the payment of rates and charges in an operational manner as required.

The Director Corporate and Commercial Services and the General Manager may determine any other payment arrangement considered appropriate, that is outside of the definition of a suitable payment arrangement. As an example this may be an arrangement that takes longer to pay back than would otherwise be seen as ideal. Any agreement that is reached outside of the scope of a suitable payment arrangement, will be included in the regular reporting to the Council (closed portion of the meeting) with regard to outstanding debt.

All payment arrangements be requested in writing on the Payment Arrangement Request Form. Failure to meet the agreed payments will result in the cancellation of the payment arrangement. Following cancellation of an arrangement, no further communication will be provided to the debtor, and debt recovery action will commence.

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5 LEGISLATION

Local Government Act 1993

6 RELATED DOCUMENTS

Rates and Charges Policy CP-CBS-SG-004
Financial Hardship Assistance Policy CP-CBS-SG-049
Payment Arrangement Request Form FO-CBS-RS-011

Policy Endorsement	
Responsibility:	The General Manager is ultimately responsible for the financial management of the Council. The Director Corporate and Commercial Services has responsibility for the Corporate Finance Unit that oversees the development and implementation of this policy.
Minute Reference:	Item AO174-21
Council Meeting Date:	28 September 2021
Strategic Plan Reference:	Strategy 7.1.1 Formulate policy that is equitable, inclusive and responsive to current needs, and ensure decision-making is informed and accountable.
Previous Policies Replaced:	This is a new Council policy.
Date of Commencement:	29 September 2021
Publication of policy:	Members of the public may inspect this policy at the City Offices, or access it on Council's website (www.burnie.net)