



Name	FIN05 Debt Recovery
Policy Type	Council
Responsible Officer	Finance Manager
Approval Date	19/08/2020
Review Date	19/08/2024

1. Purpose

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 ensure that proper records are kept of debts owed to Council in line with the *Local Government Act Northern Territory* and corresponding Regulations.

2. Scope

This policy applies to all Council employees and all debts to Council.

3. Definitions

For the purposes of this Policy, the following definitions apply:

Term	Definition
Council	Refers to Litchfield Council
The Act	The term refers to the <i>Local Government Act Northern Territory</i>
Accounting Regulations	The term refers to the <i>Local Government (Accounting) Regulations</i>
Debt	The amount of money owed by the debtor as a result of transaction with Council
Debtor	Any individual, corporation, organisation or other entity owing money to Council.
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 debt that is no longer collectable resulting in its removal from Council's balance sheet.
Rates	For the purpose of this policy the term is defined in line with Section 168 of the Act.
Provision for Doubtful Debts	The accounting procedure for recognising the estimated value of debts that may end up being uncollectable.

4. Policy Statement

4.1 Staff Responsibilities

- 4.1.1. Council will ensure that all related debts are managed fairly and equitably. Maximum possible collection targets are sought by Council. All debtors are shown utmost respect, courtesy and diligence in all dealings. All debt collection arrangements are treated as strictly confidential.
- 4.1.2. Principles of risk management will underpin decisions made in relation to debt management. To reduce the risk of non-payment of debt, a structured collection and collection process will be applied.

4.2 Debt Records

- 4.2.1. In line with Accounting Regulations proper records of debts owed to Council are kept by computer and are arranged by:
- category of debt; and
 - age of debt.
- 4.2.2. The following categories of debt are recorded:
- rates debtors;
 - infringement debtors; and
 - sundry debtors.
- 4.2.3. The following categories of age are recorded:
- current balance (not overdue – invoice date equals report date);
 - 30 days balance (due – invoice date is 1 to 30 days smaller than the report date);
 - 60 days balance (overdue – invoice date is 31 to 60 days smaller than the report date);

- 90 days balance (overdue – invoice date is 61 to 90 days smaller than the report date);
- over 91 days' balance (overdue – invoice date is more than 90 days smaller than the report date).

4.2.4. Each category of debt, by its particular name, requires distinct methods of debt collection processing. Each category is considered individually hereunder.

4.3 Rates Debtors

4.3.1. Definition:

Rates Debtors have incurred a debt of Rates. For the purpose of debt collection, the definition of Rates follows the Act.

4.3.2. Payment Terms:

In line with the Act Council allows payment by instalments per financial year. The Act states that if a ratepayer defaults in payment of an instalment by the due date, all remaining instalments become immediately due and payable.

4.3.3. Penalty Interest:

In line with the Act interest will accrue on unpaid rates at the relevant interest rate. The relevant interest rate will be set by Council annually. A remission of interest may be granted in individual circumstances under the Rate Concession Policy.

4.3.4. Debt Collection Process:

- Rates Notice:

In accordance to the Act Council will issue rates notices at least 28 days before the first instalment of the rates falling due.

- Instalment Reminder Notice:

Council will issue Reminder Notices before each further instalment thereafter.

- Overdue Reminder Letter:

Council will issue an overdue reminder letter (letter of demand) after instalment due dates advising the debtor to contact Council to arrange payment in full or by instalments within 14 days and that failure to do so will result in the debt being forwarded to an external debt collection agency and possible legal action.

- External Debt Collection Agency:

Failure to contact Council to resolve rates arrears will result in the engagement of an external debt collection agency. All incurred expenses will be charged to the relevant rates debtor and recovered in full.

- Overriding statutory charge:

In accordance to the Act rates become a charge on the land if not paid by the due date. After rates have been in arrears for at least 6 months, council may apply for registration of the charge over the land to which the charge relates. All incurred expenses will be charged to the relevant rates debtor and recovered in full.

- Sale of land:

Council reserves the right to sell land for non-payment of rates as outlined in the Act if rates have been in arrears for at least 3 years, and an overriding charge has been registered for at least 6 months. Council will employ legal representatives in the process. All incurred expenses will be charged to the relevant rates debtor and recovered in full.

4.3.5. Payment Arrangements:

Council may enter into payment arrangement with any ratepayer. Those agreements are made on an individual basis depending on the situation and payment history of a rates debtor. With payment arrangements penalty interest for overdue rates will continue to accrue unless a rate concession has been granted to the rates debtor (refer to Rate Concession Policy).

4.3.6. Debt Write Off

Council may by resolution, write off unpaid rates or some other debt owed to council.

4.3.7. Reporting

As part of the monthly finance report council receives information about rates outstanding as per instalment date and as per financial year. The report will outline debts written off and a summary of rates debtors in the debt collection process.

4.3.9. Provision for Doubtful Debts:

Rates are a charge over the land, therefore provision for doubtful debt for rates debt will only be established if the origin of the debt is doubtful and not if it is doubtful that the rates can be recovered from the current landowner.

4.4 Infringement Debtors

4.4.1. Definition:

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:

- Animal Infringement
- Other Law and Order Infringement

4.4.2. Payment Terms:

In accordance with the Fine and Penalties Recovery Act, any infringement issued by Council under the Legislation allows the alleged offender 14 days to pay the prescribed amount. Payment must be made in full, no part payments will be accepted.

4.4.3. Penalty Interest:

Council is not applying penalty interest to the outstanding debt of infringement debtors.

4.4.4. Debt Collection Process:

If payment is not received within 14 days, a courtesy letter will be issued with an additional administration cost requiring payment within 28 days of receiving the letter. Unpaid infringements can be lodged with the Fines Recovery.

4.4.5. Payment Arrangements:

Fines can only be paid in full to Council. If an unpaid infringement is lodged by Council with the Fines Recovery Unit, they are the competent authority that manages payment arrangements.

4.4.6. Debt Write Off:

The cancellation or withdrawal of an infringement notice may only be authorised by an officer holding the appropriate delegation. Withdrawal of an infringement may also occur after a written appeal has been submitted to Council against the alleged offence.

4.4.7. Reporting:

As part of the monthly Finance Report Council is informed about the outstanding infringement debt categorised by infringement type.

4.4.8. Provision for Doubtful Debts:

A provision for Doubtful Debt is made, if a person who receives an infringement chooses to have the matter dealt with by the Courts.

4.5 Sundry Debtors

4.5.1. 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:

- User Fees and Charges;
- Statutory Charges;
- Investment Income;
- Reimbursements;
- Other Income; and
- Grants, Subsidies and Contributions.

4.5.2. Payment Terms:

Payment terms for all Sundry debtors are 30 days from the date of invoice. Where appropriate, prepayment, bonds or deposits will be required prior to Council commencing the supply of goods or services. Council reserves the right to request full payment in advance depending on a debtor's payment history.

4.5.3. Penalty Interest:

Council may apply penalty interest to the outstanding debt of sundry debtors.

4.5.4. Debt Collection Process:

- Monthly Statements:

Sundry Debtors are issued with statements of all outstanding debt at the end of each calendar month.

- Reminder Letter:

When deemed appropriate, Council may issue Reminder Letters to sundry debtors to inform of an overdue amount and advise of possible legal actions.

- External Debt Collection Agency:

Council may involve an external debt collection agency for issuing reminder letters or other legal actions. All incurred expenses will be charged to the relevant sundry debtor and recovered in full.

4.5.5. Payment Arrangements:

Council may enter into 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.

4.5.6. Debt Write Off:

Council may by resolution; write off unpaid debt owed to council.

4.5.7. Reporting:

As part of the monthly finance report council receives information about sundry debts outstanding categorised by age.

4.5.8. Provision for Doubtful Debts:

Where the recovery of debt is unlikely prior to completing all steps listed in the 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.

5. Associated Documents

Delegation Manual
FIN06 Rates Concession Policy

6. References and Legislation

Northern Territory *Local Government Act*
Northern Territory Local Government Regulations
Ministerial Guidelines

7. Review History

Date Reviewed	Description of changes (Inc Decision No. if applicable)
15/02/2017	Establishment from prior policy
19/08/2020	Removal of section reference to the act and procedural content