

DEBT MANAGEMENT POLICY

1.0 SCOPE

- 1.1 To introduce a set of standards that will apply to the collection of debts in respect of Rates and Sundry Debtors.

2.0 PURPOSE

- 2.1 The objective of this policy is to apply a transparent and consistent set of standards in relation to collection of debts due to the Council.

3.0 POLICY STATEMENT

The objective of this policy is to apply a transparent set of standards in relation to collection of debts due to the Council, the details of which are as follows:

3.1 Raising of Accounts

The Council undertakes to issue invoices as soon as practicable following the debt being incurred.

3.2 Debtor Terms

(i) Rates:

Rates payment terms and conditions are set on an annual basis when Council sets its Annual Plan and Budget Estimates.

Supplementary rates issued through the year are due 21 days from date of invoice.

(ii) Sundry Debtors:

Invoices are due for payment 21 days from the date of invoice.

Council may require written authorisation and proof of identity from the client prior to the supply of goods and services. Council reserves the right to withdraw credit facilities from any customer upon authorisation from the Director Organisational Performance.

3.3 Overdue Debtors

Any payment not made by the due date falls into arrears.

If a debtor has a debt in arrears and does not have an agreed payment plan in place, Council may commence legal action to recover the outstanding amount. If Council takes such action the debtor will also be liable for legal costs associated with the action.

3.4 Interest Penalties Overdue Rates

If rates are not paid by the due date, daily interest will be charged in accordance with Section 128 of the *Local Government Act 1993*.

DEBT MANAGEMENT POLICY

The charges will be calculated in accordance with the following formula:

$$P = \frac{LTB+6\%}{365}$$

where –

P - is the prescribed percentage; and

LTB - is the official ten-year long-term bond rate as determined by the Reserve Bank as at the close of business on the last day of business preceding 1 March.

Ratepayers with an approved special payment arrangement in place under the Financial Hardship assistance provisions of this policy (Section 3.6) will be eligible for the remitting of penalties.

If an agreed special payment arrangement is not adhered to, the ratepayer may become ineligible for a remission of penalties.

For typical circumstances that are not of financial hardship, rates must be paid by the due date otherwise a daily penalty will apply.

3.5 Payment Plans

A ratepayer who is having difficulty in paying their rates by the due date should contact Council at the earliest opportunity to arrange a payment plan.

Confirmation of the payment plan will be provided in writing and must be acknowledged and accepted by the applicant.

Payment plans will be accepted where it can be demonstrated that the debt will be paid in full by 31 May each year.

If an agreed payment plan is not adhered to, the payment plan may be deemed void and Council may take legal action to recover the debt.

3.6 Financial Hardship Assistance

Council recognises that there are cases of genuine hardship requiring compassion in special circumstances.

Council will provide temporary support by providing the ability for customers and ratepayers that meet genuine financial hardship requirements to enter a special payment arrangement.

The terms of special payment arrangement will be considered on a case by case basis and the terms including period of arrangement will be proportionate to the applicant's demonstrated financial hardship circumstances.

Serious financial hardship involves both low income/cash flow and a low asset base. Personal property portfolios beyond a primary residence (or a business's primary operating space) can be employed to improve an applicant's cash flow and financial sustainability.

Applications for Financial Hardship Assistance

Applications for assistance on residential investment properties will not be considered. Council may agree to hold legal action for recovery where an investment property has been placed on the market for sale.

Applications can be made by contacting Councils Rates Officer on (03) 6443 8323.

Council may engage in a telephone interview to assist Council in the understanding of the issues causing hardship.

Approval of the arrangement will be provided in writing and must be acknowledged and accepted by the applicant.

Evidence of Financial Hardship

Applicants will need to provide evidence of their circumstances to justify Council's special consideration of their case.

The type of evidence required will depend on your circumstances and may include, for example, one or more of the following:

- (a) Assessment by an independent accredited financial counsellor demonstrating an inability to both pay rates and to rearrange asset portfolios to facilitate payment;
- (b) A statutory declaration from an appropriate and independent professional, familiar with the applicant's circumstances (e.g. a family doctor for health-related evidence, a bank official, insurance policy manager, etc.);
- (c) Pending disconnection of essential services, like water, electricity, gas (does not include mobile phone or internet bills);
- (d) Notice of impending legal action;
- (e) Letter from charitable organisation regarding loss of employment or inability to provide for basic necessities;
- (f) Bank notice for example, overdraft call or mortgaged property repossession;
- (g) Employer notice of redundancy or termination of employment;
- (h) Overdue medical bills;
- (i) Letter from doctor verifying the inability to earn an income due to illness or caring for a sick family member;
- (j) Final notice from school regarding payment of mandatory fees;
- (k) Funeral expenses;
- (l) Repossession notice of essential items, like a car or motorcycle.

3.7 Sale of Property for overdue rates

Council will be provided with a list of properties that are able to be sold for unpaid rates annually. Council will make the final decision as to which will be sold.

The sale of property to recover outstanding rates will be processed in accordance with the *Local Government Act 1993*.

DEBT MANAGEMENT POLICY

3.8 Debtor Write off

Sundry debtors will be reviewed annually for any debts that are deemed uncollectable. The General Manager must approve the write off of any debt.

4.0 REPORTING

Annual Reporting to Council

Council will consider properties eligible for sale to recover rates on an annual basis.

Monthly Reporting to Council

Council will be provided with a summary of rates and charges outstanding on a monthly basis.

LEGISLATIVE REQUIREMENTS:

Local Government Act (1993)

RELATED DOCUMENTS:

Rates and Charges Policy