



2/005 Debt Management

Objective

The object of the Debt Management Policy is to provide a framework for the efficient and effective collection of outstanding debts; and fulfil statutory requirements in relation to the recovery of rates, charges, fees and other debts.

The Town has a responsibility to ensure monies owed to it are recovered in a timely, effective and efficient manner to finance its operations and ensure effective cash flow management. The Town recognises that individual financial circumstances differ across the community and that, as a government organisation, it has a fiscal responsibility to meet the community's service expectations with regard to flexible options for the payment of rates and charges that it establishes.

Whilst carrying out this responsibility, the Town will:

- Treat all people fairly and consistently under this policy; and
- Treat all matters under this policy confidentially; and
- Treat people with respect and sensitivity in considering their circumstances.

Content

Non Rates Debtors

1. Application for Credit

Sundry debtor credit accounts will not be routinely established for the following services:

- Private Works
- Facilities Hire
- Cemetery Fees

The provision of these services requires payment in advance and or upon delivery of the service, except in limited circumstances where prior approval has been obtained from The Manager Financial Services.

The minimum credit amount for all Landfill accounts shall be \$1,000 per month, otherwise EFTPOS terms will apply.

Prior to extending credit, applicants are required to complete a Credit Application Form that can be obtained from the Accounts Receivable department for processing once returned.



If the applicant is a corporation (as defined in the *Corporations Act 2001*), the Town may require from all the directors of the applicant company personal guarantees in support of an application for such credit.

Credit Application Forms will not be accepted unless all necessary information has been provided, including nomination of credit referees, and consent for the Town to use the information disclosed in the submitted forms to make such enquiries. The information may be disclosed, but not limited to:

- a credit reporting agency;
- a debt collector; or
- a legal services provider.

All Landfill customer application forms are to be supported by documentation of all vehicle registrations that are authorised to use the South Hedland Landfill Facility.

Once submitted, the forms will be reviewed and assessed by the Manager Financial Services. The review and assessment of the application may include

- An evaluation of the applicant's previous payment history with the Town; and
- The Town making enquiries as to the credit and financial status of the applicant via nominated credit referees or Credit Ratings Agencies.

The Manager Financial Services has delegation to approve or decline applications for credit. Credit will be refused where an evaluation of an application is deemed to be unsatisfactory. The Manager Financial Services has the discretion to impose an appropriate credit limit on all accounts and impose a 60 day probationary period on any new Debtor account for the purpose of establishing a trading history.

The applicant will be advised in writing of the outcome of their application, including the maximum credit limit and trading terms approved by the Town, and any applicable probation periods.

It is a condition of the granting of any Credit facility, that the Debtor is responsible for immediately advising the Town of Port Hedland of any change of account details or financial circumstances that would affect their credit worthiness.

2. Standard Payment Terms

The Town's standard payment terms for credit trading accounts is 30 days from date of invoice.

Regardless of standard credit trading terms, all facility bookings shall be paid for in accordance with the Town of Port Hedland's Terms and Conditions of Hire.

3. Debt Collection Process



The Town will undertake all efforts to collect outstanding monies. All contact and attempted contact will be recorded against the Debtor account in the debtor management system. The process of collection will be as follows:

Stage 1

Outstanding debts over 30 days will have their statements marked with a reminder that the account is now overdue and stop credit will be enforced if the debt remains unpaid after 42 days from date of invoice. Accounts Receivable shall make contact with the Debtor.

Stage 2

Outstanding debts over 60 days will have their statements marked with a Final Notice stamp advising payment is required within 7 days or legal action will commence. Accounts Receivable shall make contact with the Debtor.

Stage 3

7 days after Stage 2 if payment has not been received or a payment arrangement entered into, a standard letter, allowing a further 10 days to settle the account or make alternative arrangements.

Stage 4

The Director Corporate Services and Manager Financial Services are authorised to commence legal action to collect debts outstanding over 90 days from date of invoice.

This may include, but is not limited to the following:

- Letter of Demand
- General Procedure Claim
- Seizure and Sale of Goods

Exemptions to the aforementioned Debt Collection Process are as follows:

- 1) Rebates or recoups from tiers of government and funding bodies
- 2) Grants and subsidies
- 3) Donations

The Town may elect to utilise the services of a Debt Collection Agency, duly licenced under the *Debt Collectors Licencing Act 1964*.

4. Stop Credit

Where debtors do not make payment within the Town's nominated payment terms, or enter into an approved payment arrangement, the Manager Financial Services is authorised to impose Stop Credit on the account. The appropriate business unit shall be notified and will be responsible for ensuring no further credit is provided to the Debtor. The Debtor will receive written notification from the Town to their last known address of the Stop Credit.

5. Provision for Doubtful Debts

Where the recovery of debt is unlikely, a provision for doubtful debts shall be made in accordance with Australian Accounting Standards. A bad debts register shall be maintained and reviewed on a regular basis.

6. Write Off of Bad Debts

The Chief Executive Officer and the Director Corporate Services have the authority to write-off bad debts up to \$500.

All write-offs above this threshold will be reported to Council on a quarterly basis and will include:

- Name of Debtor*
- Amount to be written off
- Description of invoice
- Reason for write-off

For a debt to be written off one of the following conditions must be satisfied:

- The debtor cannot be located
- Uneconomical to pursue the debt
- The hardship circumstances of the debtor do not warrant the taking or continuation of recovery action
- Legal proceedings through the courts have proved, or on legal advice would prove, unsuccessful

**Where a debt is recommended for write-off as a result of hardship circumstances, the name of the Debtor will be reported to Council in confidence.*

Rates & Service Charges

The recovery of outstanding rates will be collected in a fair and timely manner. Rate notices are due for payment 35 days from date of issue in accordance with the *Local Government Act 1995*.

Overdue accounts, which remain outstanding past the due date, will have interest applied at the prevailing interest rate as set out in the adopted Fees & Charges.

Interest is calculated on the number of days from the due date of payment until the day the payment is received by the Town of Port Hedland. This includes overdue amounts where the ratepayer has elected the instalment option.

Alternative payment arrangement via Direct Debit is available. An administration fee is payable on alternative payment arrangements. The Administration Fee is set in the Town's adopted Fees & Charges. Interest on overdue amounts accrues at the prevailing interest rate as set out in the adopted Fees & Charges.

1. Accounts 35 days in arrears after the initial invoice

Where payment is not received within thirty five (35) days of the rate notice issue date, a Final Notice is issued seven days after the due date requesting full payment within fourteen (14) days, unless the Ratepayer has agreed to enter into a special repayment arrangement or is able to catch-up to the instalment option as per the Rate Notice.

Final Notices are not to be issued to Pensioners or seniors registered to receive a rates rebate with the Town of Port Hedland. Under the *Rates and Charges (Rebates and Deferments) Act 1992* Eligible Pensioners and seniors have until 30 June of the financial year in which the Rates were levied to make payment, without incurring any late payment penalties.

2. Accounts 60 days or more in arrears after the initial invoice

Where amounts remain outstanding for sixty (60) days or more after the due date for payment listed on the original Rate Notice, the Rates Department will make their best effort to contact the Ratepayer using available methods before commencing further debt recovery action.

Following a risk management approach as determined by the value and nature of the debt, further debt recovery action may include referral to a debt collection agency, including a General Procedure Claim and Court Proceedings.

The debt collection agency may proceed on behalf of Council to recover the outstanding rate or service charges as well as the recovery costs, by way of



summons issued in a court of competent jurisdiction if the Notice of Intent to issue a Court Summons remains outstanding.

Should the rates and charges remain outstanding after issue of summons within limitations of the court system, the debt collection agency may proceed to enter into judgement and then to recover the debt by the issue of a warrant of execution through local court.

3. Payment Arrangements

All payment arrangements must be received in writing stating the amount proposed to pay, the frequency and the method of payment. All payment plans are subject to approval with interest continuing to calculate daily on the outstanding balance until the outstanding balance is cleared.

Payment plans will require that all outstanding rates will be recovered by the Town of Port Hedland by 30 June of the year in which the agreement is entered into.

At the discretion of the Chief Executive Officer, a payment arrangement term may be extended beyond the 30 June, but not exceed 2 successive financial years.

4. Seizure of Rent for Non Payment of Rates

Where the property owner of a leased or rented property on which Rates and Service Charges are outstanding cannot be located or refuses to settle Rates and Service Charges owed, a Notice may be served on the lessee or tenant under the provisions of Section 6.60 of the *Local Government Act 1995* requiring the lessee or tenant to pay to the Town the rent due that they would otherwise pay under the lease/tenancy agreement as it becomes due, until the amount in arrears has been paid.

5. Options to recover rates debt where rates are in arrears for in excess of three (3) years

i) Lodging a Caveat on the Title for Land

Where Rates and Service Charges owed to the Town in respect of any rateable land remain unpaid for at least three (3) years, a caveat may be registered on the title for the land, under the provisions of Section 6.64 (3) of the *Local Government Act 1995*.

ii) Sale of Land

Where Rates and Service Charges owed to the Town in respect of any rateable land have been unpaid for at least three (3) years, the Town may take possession of the land under the provisions of Section 6.64 of the *Local Government Act 1995*.



The approval of Council is required to be obtained before this course of action is undertaken.

Notice of Discontinuance (Rates and Debtors)

If rates or general debts remain unpaid after they become due and payable, the Town through debt collection proceedings may issue a General Procedure Claim in accordance with the Local Government Act 1995.

If subsequently rates or general debts are paid in full the ratepayer or debtor at their request will be issued with a letter confirming that overdue amounts relating to this claim have now been paid.

Once the claim is paid in full, the ratepayer may complete a Notice of Discontinuance Request Form, which is available to download on the Town's website with the credit card details to cover the required \$44.00 (incl GST). If more than one claim is to be discontinued, a \$44.00 (incl GST) fee will be payable for each Notice of Discontinuance requested, provided each related claim has been paid in full.

Once the Notice of Discontinuance has been lodged at the Magistrates Court, the court will update the status of the claim to "Discontinued". This means that the Summons will still appear on your credit file, however it will indicate the debt has been paid and the claim discontinued. The Summons will automatically drop off the credit file after 5 years from the date of lodgement.

In the event that a claim is issued in error, upon notification of the error, the Town will promptly issue a Notice of Discontinuance.

Financial Hardship

Financial Hardship may apply to individuals who are experiencing circumstances that have caused disruption and stress to the typical financial operations of their household.

The Town recognises its responsibility in responding to the needs of residents experiencing severe financial hardship by ensuring that they are treated with respect, dignity, fairness, equity and confidentiality.

This Policy enables a person (liable for rates and other charges) experiencing financial hardship to make application to Council for assistance relating to any unpaid rates or charges levied on a property under the *Local Government Act 1995*. The Town may provide relief to those experiencing financial hardship by offering a repayment arrangement and will determine the financial contribution an applicant may contribute to the reduction of the debt.

The level of relief applicants may receive will be based on the evidence of genuine hardship as a result of trauma/tragedy, level of income, reliance on social security, illness/disability, business failure or other factors considered relevant by the Chief Executive Officer.

If the Chief Executive Officer is satisfied that the contribution will exacerbate the level of hardship, then consideration may be given to writing off all or part of the late payment interest. In the case of severe financial hardship, as determined by the Chief Executive Officer, the Town will not impose additional charges and interest.

As a general principle, Hardship assistance should only be granted to individuals experiencing hardship, with regard to the rates on their primary residence. Applications for hardship assistance for residential investment, commercial or industrial properties may be considered under exceptional circumstances.

Applications for Financial Hardship Assistance must be made on the Financial Hardship Rate Relief Application form and submitted to the Town.

Authority is delegated to the Chief Executive Officer to determine alternative payment options based on individual circumstances.

Definitions

Nil.

Relevant legislation	<p><i>Local Government Act 1995</i></p> <p>Part 6, Division 4, Clause 6.13 – Interest on money owing to local governments</p> <p>Part 6, Division 6, Subdivision 4, Clause 6.45 – Options for payment of rates and service charges</p> <p>Part 6, Division 6, Subdivision 4, Clause 6.51 - Accrual of interest on overdue rates or service charges</p> <p>Part 6, Division 6, Subdivision 5, Clause 6.56 - Rates or service charges recoverable in court</p> <p>Part 6, Division 6, Subdivision 5, Clause 6.60 - Local government may require lessee to pay rent</p> <p>Part 6, Division 6, Subdivision 6, Clause 6.64 - Actions to be taken</p> <p><i>Rates and Charges (Rebates and Deferments) Act 1992</i></p> <p><i>Debt Collectors Licencing Act 1964</i></p>
Delegated authority	Chief Executive Officer
Business unit	Financial Services
Directorate	Corporate Services

<i>Governance to complete this section</i>			
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