

# DEBT COLLECTION

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## 1. OBJECTIVE

The purpose of this policy is to provide guidance to Council in determining efficient, effective and economical procedures for debt collection.

This is achieved through manageable and efficient control over overdue accounts by closely monitoring aged accounts in an attempt to reduce the likely occurrence of unrecoverable debts and to ensure consistency for all debt collection activities.

## 2. PRINCIPLES

Council will exercise its debt recovery powers, as outlined in Part 6 of the *Local Government Act 1995*, in order to reduce the overall debt burden on ratepayers. It will be guided by the principles of:

- Providing the City of Karratha with a more effective method over the collection of outstanding debtors;
- Ensuring that debt collection procedures are carried out in a fair and equitable manner;
- Making the processes used to recover outstanding debt clear, simple to administer and cost effective;
- Transparency by making clear the obligations of its ratepayers and sundry debtors to the processes used by Council in ensuring that they meet their financial obligations;
- Equity by having regard to providing the same treatment for ratepayers and sundry debtors with similar circumstances;
- Flexibility by responding where necessary to changes in the local economy;
- Ensuring the City of Karratha is compliant with all regulatory obligations;
- Promoting effective governance and definition of roles and responsibilities;
- Upholding recognition from the public and industry for the City of Karratha's collection practices that withstand probity.

### 2.1 Recovery of Sundry Debtor Accounts

The City of Karratha's credit terms are as outlined in the Terms and Conditions that accompany an Application for Credit Account and are also stated on the issued tax invoice. Where a debtor has not agreed to be bound by Council's Terms and Conditions for extending credit, credit will not be extended and that debtor will be required to pay for any goods or services prior to delivery.

The recovery of outstanding sundry debtor accounts will be collected in a fair and timely manner.

- Where payment is not received within forty (40) days from the date of the initial invoice, a First & Final Notice shall be issued requesting full payment within seven (7) days unless the debtor has agreed to enter into a special repayment arrangement.
- Where the customer fails to pay the outstanding balance within the seven (7) days, a "Letter of Demand" will be issued. This letter will give the customer a further seven (7) days to pay the outstanding balance in full.
- Where the customer fails to pay in full by the expiry of the period defined above, credit may be suspended or services limited and legal action may be commenced.
- Legal action – debts will be assessed to ascertain the ability to recover.

Where payment is not received within forty (40) days from the date of the initial invoice, interest will be applied on money that remains outstanding. Interest is calculated on the number of days from the due date of payment until the day the payment is received by the City of Karratha. Interest (percentage) charged on sundry debtors is the percentage as adopted at the annual budget meeting in accordance with section 6.13(1) of the *Local Government Act 1995*. The rate as set under section 6.13(1) of the *Local Government Act 1995* is not to exceed the maximum rate of interest as prescribed within regulation 19A of the *Local Government (Financial Management) Regulations 1996*.

## **2.2 Recovery of Rate Arrears**

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*.

Amounts that remain outstanding past the prescribed due date will have interest applied. Interest is calculated on the number of days from the due date of payment until the day the payment is received by the City of Karratha. This includes overdue amounts where the debtor has elected to pay by an instalment option.

### Accounts unpaid by the due date shown on the Rate Notice

Where accounts remain outstanding after the prescribed due date, a Final Notice shall be issued requesting full payment within fourteen (14) days unless the debtor has entered into a payment arrangement which has been agreed upon by both parties.

Final Notices are not to be issued to eligible persons registered to receive a pensioner or senior rebate under the *Rates and Charges (Rebates and Deferments) Act 1992*, as such persons have until 30 June of the current financial year to make payment, without incurring any penalty interest. Final notices will, however, be issued to registered pensioners or seniors where there are unpaid charges which are not subject to a rebate or deferment eg: rubbish collection charges.

### Accounts unpaid after the expiry date shown on the Final Notice

Where amounts remain outstanding after the expiry date shown on the Final Notice, recovery action will commence based upon a risk management approach as determined by the value and type of debt and may include such action as referral to Council's debt collection agency.

Under the guidance of Council's debt collection service provider, legal action may be undertaken to recover outstanding rates and charges. This action may include General Procedure Claims and Property Seizure and Sale Orders (Goods). Any costs incurred in undertaking legal action in a Court of competent jurisdiction are recoverable from ratepayers under section 6.56 of the *Local Government Act 1995*.

### Special Payment Arrangements

Where ratepayers are unable to make payment of their rates by one of the prescribed instalment options, they may apply for a special payment arrangement in order to avoid legal action for recovery.

Special payments arrangements are to involve regular weekly, fortnightly or monthly repayments of a fixed amount, and are to achieve full payment of outstanding rates by the end of the financial year. Special payment arrangements will incur a one-off Administration Fee in accordance with Council's adopted Fees and Charges.

Preference is to be given for negotiating special payment arrangements made by Direct Debit, which is available for fortnightly and monthly options.

Each special payment arrangement requires the approval of the Director Corporate Services in accordance with *Delegation 6 - Payment of Rates by Instalment or Special Arrangement*.

### 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 given to 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 City 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.

Property owners will be informed prior to a notice being given to the lessee or tenant and lessees and tenants will be given a receipt of payment of rent to present to their landlord or property manager as proof of payment.

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

If rates and service charges which are due to Council in respect of any rateable land have been 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*. The approval of Council is required before this course of action is undertaken.

ii) Sale of Property

If rates and service charges which are due to Council in respect of any rateable land have been unpaid for at least five (5) years, Council 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.

### **2.3 Bad Debts – Sundry Debtors**

Where a sundry debtor has accounts unpaid for a period exceeding four months (120 days) and

- i) The debtor has provided documentary evidence of having filed for Bankruptcy/ Insolvency; or
- ii) The debtor has moved and all reasonable attempts to locate the debtor have been unsuccessful;

Council Officers shall prepare a report for the Chief Executive Officer / Council listing the name of the debtor, the description of the debt, the amount outstanding, the period overdue and a reason for write off. Bad debts will be recognised when the sundry debt is seen to be no longer commercially collectable.

## **3. CONSEQUENCES**

This policy represents the formal policy and expected standards of the City of Karratha. Appropriate approvals need to be obtained prior to any deviation from the policy. Elected Members and Employees are reminded of their obligations under the Council's Code of Conduct to give full effect to the lawful policies, decisions and practices of the City.

## **4. ROLES AND RESPONSIBILITIES**

The Chief Executive Officer shall be responsible for the application of delegations of authority in regards to the policy.

The Director Corporate Services shall be responsible for referring matters to Council in regards to this policy and the collection of outstanding debts.

The Manager Financial Services/CFO shall be responsible for the review and monitoring of the operations of the policy.

The Financial Services Team shall be responsible for the day to day operations of the policy.

## **5. REFERENCES TO RELATED DOCUMENTS**

- *Local Government Act 1995*: Part 6, Division 4, Clause 6.13 - Interest on money owing to local governments
- *Local Government Act 1995*: Part 6, Division 6, Subdivision 4, Clause 6.45 – Options for payment of rates and service charges

- *Local Government Act 1995*: Part 6, Division 6, Subdivision 4, Clause 6.51 - Accrual of interest on overdue rates or service charges
- *Local Government Act 1995*: Part 6, Division 6, Subdivision 5, Clause 6.56 - Rates or service charges recoverable in court
- *Local Government Act 1995*: Part 6, Division 6, Subdivision 5, Clause 6.60 - Local government may require lessee to pay rent
- *Local Government Act 1995*: Part 6, Division 6, Subdivision 6, Clause 6.64 - Actions to be taken
- *Local Government (Financial Management) Regulations 1996*
- *Rates and Charges (Rebates and Deferments) Act 1992*
- City of Karratha – ‘Code of Conduct’

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*This Policy takes effect from the date of adoption by Council and shall remain valid until it is amended or deleted.*