

**Category:** Finance

**Adoption:** Council

**Date:** 23 February 2016

**Review period:** Three years

**Responsible Manager:** Finance Manager

**CEO Signature**

**Date**

## **Purpose / Objective:**

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The purpose of this policy is to:

- establish a framework for Council to manage a consistent approach for the collection of general fees and charges. Council has a responsibility to recover monies owing to it in a timely and efficient manner in order to finance its operations and ensure effective cash flow management; and
- ensure the integrity and confidentiality of all collection proceedings for both the Council and the debtor.

## **Scope of this Policy:**

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This policy applies to all staff who are involved in collecting general debts, which includes the Finance Unit, and all staff who are responsible for charging user fees payable in arrears by invoice.

This policy does not apply to the collection of rates and charges (refer to Rates and Charges Collection and Hardship Policy).

## **Background / reasons for Policy:**

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To provide a consistent approach to debt management and appropriate procedures for finance staff to ensure outstanding debts are recovered by Council in a timely manner

## **Policy content:**

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### **GENERAL DEBTORS**

#### **Invoicing:**

A debt is created when the service is provided or when the invoice is created; whichever occurs first. Financial information is maintained on a transactional basis and each tax invoice shall contain sufficient information so that the debtor can recognise the transactions included on the invoice. Statements will be issued on a monthly basis to all debtors with an outstanding balance greater than \$5.00.

The Finance Department (Finance) is the only department with the authority to generate a Council invoice. Debtor invoice requests must be made on the Debtor Invoice Request Form (DOC/12/16347), or via standard operational procedures previously agreed to by the Finance Manager, such as the automatic upload of other software data.

## Payment Terms:

Council's payment terms are 30 days unless specific regulations apply. Funds are to be received according to Council's Cash Handling Policy.

## Credit Management:

The Finance Department (Finance) has the authority to create a new debtor in the financial system. Requests to add a Debtor are to be completed using the template New Debtor Set Up (DOC/15/27686).

The Administration Support Officer (Community Wellbeing) has the authority to set up Aged and Disability clients as Debtors.

At the time of setting up new Debtors consideration of payment options such as Direct Debit or Centrepay should be communicated and offered to Debtors. Credit checks are to be completed for new Debtors to gain access to the Landfill site.

## Collection:

When collecting outstanding debts, general debtor accounts must be followed up according to the below timelines (*other than food and health registration renewals, Community Wellbeing clients, and infringement notices - see special collection arrangements below*):

30 days	invoice is due for payment
35 days	a "friendly reminder" notice is sent requiring payment within 14 days (2 week overdue)
49 days	an "urgent action" notice is sent requiring payment in 7 days (3 weeks overdue)
56 days	phone debtor and inform them that the next step is legal action (4 weeks overdue), followed by a confirmation letter to be sent to the debtor
70 days	send to debt collection agency (6 weeks overdue)

If a Debtor cannot meet their obligations by the due date it is in the interests of the Debtor to contact Council at the earliest opportunity to make appropriate arrangements to address the debt.

The Manager Finance must approve all debts referred to the debt collection agency; this will be based on the likelihood of collection and any collection costs that maybe incurred.

If debts are past 49 days of the due date, the Manager Finance, in conjunction with the appropriate Service Manager, can temporarily cease the provision of relevant Council Services.

## Special Collection Arrangements:

### *Food and Health Registration Debtors*

All food and health registration renewals, regardless of their value, must be followed up according to the below timelines. The procedure for collecting food and health registration renewal fees is:

28 days	invoice is due for payment - an “urgent action” notice is sent for trading illegally; the applicable Council late fee is added to the account at this time
42 days	phone debtor and inform them that the next step is legal action
56 days	send to debt collection agency

The Manager Finance must approve all debts referred to the debt collection agency.

The Manager Healthy Environments must be advised of all food and health registration debts referred to the debt collection agency. The Healthy Environment team perform outreach services to the premises to assist ensuring compliance with the relevant registration, and that payment is made.

### *Infringement Notices*

The collection of infringements is governed by the Infringements Act 2006 and is managed by Council’s Local Laws Unit. An infringement penalty must be paid within the period specified in the infringement notice, being a period of not less than 28 days after an infringement notice has been served.

### *Community Wellbeing Clients*

The raising, collection of and waiving of Community Wellbeing Client fees will be administrated by the Community Wellbeing Unit with reference to the Victorian HACC Fees Policy, and other standard operating procedures developed and adopted by the Unit. Assistance will be provided by the Finance Unit.

## Interest:

Interest and legal costs will not be charged on overdue general debtors accounts, unless the debt is referred to Council’s debt collection agency.

## Waiving an outstanding amount:

General debts may be waived or written off under the approval of the following delegation:

Less than \$1,000	Manager Finance
Up to \$4,999	Director Corporate Support
\$5,000 and above	Chief Executive Officer

## Deferral of an outstanding amount:

Debtors under this policy experiencing financial hardship may apply to the Manager Finance to have their debt deferred for a period not longer than 3 months.

## Reporting:

The Assistant Accountant will prepare a monthly reconciliation for review by the Financial Accountant, which reconciles the general debtor’s ledger and the general debtor’s trial balance.

The Assistant Accountant will prepare a bi-monthly report to present to the Manager Finance containing a schedule that details follow up action undertaken for those outstanding debtors exceeding 120 days.

## Provision for Doubtful Debts:

Where the recovery of any debt is unlikely a provision for doubtful debts shall be made.

## Responsibilities:

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Position	Responsibility
<b>Manager Finance</b>	Overall responsibility for the implementation of this policy
<b>Assistant Account (or similar)</b>	Creating new debtors, administration of debts and preparing reports.
<b>Financial Accountant (or similar)</b>	Review monthly reconciliation
<b>Administration Support Officer (Community Wellbeing)</b>	Authority to set new up Aged and Disability clients as debtors.
<b>Director Corporate Support and Chief Executive Officer</b>	Waive or write off of debts with delegated value.
<b>Other Council officers</b>	Responsibility to adhere to the policy

## Related Policies:

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Rates and Charges Collection and Hardship Policy (DOC/12/9201)  
Cash Handling Policy (DOC/13/45569)

## Relevant Legislation:

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Local Government Act 1989  
Infringements Act 2006