



## ESC - C051 SUNDRY DEBT RECOVERY POLICY

### POLICY VERSION AND REVISION

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## 1. BACKGROUND & CONTEXT

The Etheridge Shire Council is committed to the collection of overdue sundry debts in a fair, equitable and timely manner, but with due consideration to financial hardship faced by customers.

Etheridge Shire Council will show due diligence in the application of administrative processes relating to payment arrangements and the selection of various actions for the effective recovery of overdue debts. The management and recovery of outstanding debts is an important aspect of Council's financial management function.

### Objectives & Measures

Objectives	The objective of this policy is to ensure a fair, consistent, timely and accountable approach to ESC's debt management and collection decisions, processes and practices.
Performance Measures	Aged Debtor Statement Level of payment arrangement compliance
Risk Assessment	Low

## 2. PURPOSE & SCOPE

This policy sets out the framework within which Council will operate to recover overdue Sundry Debt Accounts:

- the timely, efficient, cost effective, fair, and consistent collection of sundry debts owing to Council to achieve Councils budgetary objectives
- when credit will be granted by Council, and upon what key terms
- recovery action for general (sundry) debts, but allowing flexibility for debtors who display genuine commitment to clearing their debt; and
- parameters for writing off bad debts.

From time to time, Council incurs debts from ratepayers, residents, and businesses within the region as part of its general operational activities. These generally relate to services it performs, facilities it provides, and to sundry account fees (such as agistment, licencing and permits) and fines. Council allows a reasonable timeframe for payment of debts, at the end of which Debtors are required to pay all outstanding monies owed to Council.

The Local Government Act and Regulation do not prescribe any obligations for the collection of general (sundry) debts owed to Council, and this policy provides that direction. This Policy does not apply to outstanding Rates and Charges, and only applies to all sundry debts receivable by Council unless otherwise specified.

## 3. DEFINITIONS

**CEO** means the Chief Executive Officer of the Etheridge Shire Council appointed in accordance with the Local Government Act 2009.

**Council** means Etheridge Shire Council, its elected Councillors, its management and its employees.

**Council Employees** means all permanent, casual and temporary employees, contractors, volunteers, apprentices, trainees and work experience students engaged by Council.

**Debt** means the amount of money owed by a debtor as a result of a transaction with Council.



**Debtor** means an individual, organisation or other party that transacts with Council for the purchase and/or provision of goods or services from Council that result in a commitment to pay at a future time.

**Disputed Debt** means a debt or part of a debt which a debtor has formally contested in writing and for which Council is satisfied there is a bona fide issue requiring review or investigation.

**ESC** means Etheridge Shire Council.

**Financial Hardship** means a circumstance of experiencing a lack of financial means, which may be either ongoing or temporary, but does not include circumstances where a person chooses not to meet a liability for an unpaid debt.

**Payment Arrangement** means where the debtor forwards a written proposal for alternative arrangements for payment of the debt on terms different to the invoice and Council provides written approval of the proposal.

**Rates and Charges** has the same meaning as set out in the Local Government Act 2009 and the Local Government Regulation 2012.

**Sundry Debt** means any debt due to Council other than rates and charges.

## 4. POLICY PROVISIONS

### 4.1 COUNCIL GENERAL POSITION

ESC will show due diligence in the application of administrative processes relating to payment arrangements and the selection of various actions for the effective recovery of overdue debts. The management and recovery of outstanding debts is an important aspect of ESC's financial management function.

The principles that apply to the management and recovery of unpaid debts are as follows:

- Effectiveness/Efficiency - meeting the financial, social, economic and environmental, and other corporate objectives stated in ESC's Corporate Plan and other related policies.
- Equity – ensuring the fair and consistent application of lawful recovery principles, without bias, taking account of all relevant considerations.
- Genuine and Respect – recognising financial hardship and considering debtors circumstances
- Simplicity – endeavour to ensure widespread community or stakeholder understanding of ESC's debtor management activities.
- Sustainability – revenue decisions support the financial strategies for the delivery of infrastructure and services identified in ESC's long-term planning.

To achieve these principles consideration is given to the following:

- ESC has a responsibility to recover monies owing to it in a timely and efficient manner to finance its operations and ensure effective cash flow management.
- ESC must operate effective debt collection processes.
- ESC aims to minimise the amount of outstanding monies that it is owed.
- Debtors are expected to take responsibility for their debt obligations and to organise their affairs in such a way as to be able to discharge these obligations when required.

Where financial hardship has been determined, all reasonable steps will be taken to establish a payment arrangement or negotiate settlement of the outstanding debt with the debtor concerned.

### 4.2 DEBT MANAGEMENT AND RECOVERY

The management and recovery of outstanding revenue is an important aspect of Council's financial management function. Invoices are issued on debt recognition, and monthly debtor statements detailing all sundry debts due to Council shall be forwarded to debtors. Debt collection practices will generally be applied to all sundry debts that are not subject to dispute and that have been outstanding for 30 days.

Before the commencement of external recovery action, Council will make contact, or attempt contact, with the debtor to encourage payment in full, establish an acceptable payment arrangement, or negotiate settlement of the outstanding debt. Where a debt is subject to a bona fide dispute, recovery action may be paused while the matter is reviewed, except where Council considers recovery action is necessary to protect its interests.



Council may extend credit for the supply of goods or services where it is satisfied this is appropriate having regard to the nature of the transaction, the debtor's payment history, any credit application or supporting information requested by Council, and any security or advance payment arrangements Council considers necessary. Council may decline to extend further credit, place a debtor on stop credit, or require advance payment where an account is overdue, an arrangement has defaulted, or Council considers there is an unacceptable credit risk.

Timing	Action Type	Authority Level
1 30 days overdue	Issue reminder notice or statement advising the debtor that the account is overdue and requesting payment or contact with Council. Debts that are the subject of a bona fide dispute may be withheld from this process pending review.	Finance Manager
2 60 days overdue	Issue second reminder notice advising the debt is overdue and urgent action is required. Further action may be initiated unless the debt is paid in full or an approved payment arrangement is entered into. Council may also place the account on stop credit and decline to provide further goods or services on credit.	Finance Manager
3 90 days overdue	Issue final reminder notice advising the debtor that legal recovery action, referral to Council's debt collection agency, or referral to a solicitor may be initiated unless the debt is paid in full or an approved payment arrangement is entered into within 14 days.	Director of Corporate Services
4 Monthly	Issue monthly account statements requesting payment and advising debtors to contact Council if they are experiencing difficulty in meeting the account.	Revenue Officer
5 After expiry of final notice	Council may refer the debt to its debt collection agency or solicitor, issue a letter of demand, commence legal proceedings where recovery is considered economical and appropriate, and recover legal costs where lawfully available. Debts of low value, debts where the debtor cannot be located, or debts assessed as uneconomical to recover may instead be considered for write-off in accordance with delegated authority.	Director of Corporate Services

Where Council and any engaged debt collection agency are unable to locate a debtor after reasonable attempts, the account may be reviewed to determine whether further recovery action is warranted or whether the debt should be recommended for write-off in accordance with delegated authority.

Where the debtor is a company, trust, or other entity and Council considers it appropriate, Council may seek legal advice regarding recovery options including action under relevant corporations or insolvency laws.



Where a sundry debt relates to a residential tenancy or other arrangement governed by specific legislation, Council will also comply with that legislation and, to the extent of any inconsistency, that legislation will prevail.

### **4.3 PAYMENT ARRANGEMENTS**

Council will not pursue further recovery action against a debtor who has a signed payment commitment agreed by Council while the arrangement is current and the debtor adheres to the agreed payment schedule.

A debtor experiencing difficulty in paying a sundry debt may apply in writing for a payment arrangement. Council may require sufficient information to assess the request, including the debtor's financial circumstances, payment history, and any other relevant information necessary to determine whether hardship or other reasonable grounds exist.

An agreed payment arrangement will generally require the debt to be paid in full within a reasonable time having regard to the value of the debt, the debtor's personal circumstances and any other relevant factor. Payment arrangements can be weekly, fortnightly or monthly. Unless otherwise approved by the Chief Executive Officer or delegate on hardship grounds, no payment arrangement will extend beyond 26 weeks from the date the arrangement is made.

As a condition of any arrangement, the debtor must also keep all new invoices current as they fall due unless Council expressly agrees otherwise. If an arrangement is not maintained within the agreed terms, Council may issue a default notice, cancel the arrangement, place the debtor on stop credit, and continue recovery action without further notice.

Council may exercise discretion to allow more than one payment arrangement, however repeated defaults may result in no further arrangements being offered. As a general guide, no more than three arrangements will be approved in relation to the same debt or debtor without the approval of the Chief Executive Officer or delegate.

### **4.4 WRITING OFF BAD DEBTS**

Where it is determined, to the satisfaction of the Director Corporate Services that a debt is irrecoverable or uneconomical to recover, the debt will be written-off. Any debts will be written-off in accordance with the delegated authority determined by Council. Debts written-off under delegated authority will be reported to Council on a quarterly basis.

## **5. AUTHORITIES AND ACCOUNTABILITIES**

*Local Government Act 2009*

*Local Government Regulations 2012*

*Information Privacy Act 2009*

## **6. RELATED DOCUMENTATION**

ESC - S002 Revenue Policy

ESC - S002 Revenue Statement

ESC - C046 Rates Recovery Policy

Any approved debtor payment arrangement forms, credit application forms or internal debt recovery procedures adopted by Council from time to time