

# DEBT COLLECTION POLICY

14 June 2022

Non-legislative

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## PURPOSE

This Policy outlines the framework for how the City of Adelaide's credit is provided for services rendered and the process for the recovery of monies owed (debt).

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## STATEMENT

The City of Adelaide and its subsidiaries provide a comprehensive range of services which are purchased by many individuals and organisations. Where a service is provided prior to payment being received, a debt will be raised against a customer and remain a debt to Council until such time as it is paid in full.

Recovery of debts will be undertaken in a fair, equitable, consistent, and financially responsible manner. Collection processes must also consider requirements under the *Local Government Act 1999 (SA) (the 'Act')* and other relevant Acts/Regulations.

Parties who incur debts with the City of Adelaide should do so with the full expectation of meeting the payment terms prescribed.

### Risk Management

Risk Management principles will underpin decisions made in relation to the provision of credit and debt management.

Council will undertake to:

The City of Adelaide requires payment in advance for a provided service, and **Only** when this is not

- reduce the risk of non-payment of a debt, through a credit application process and delivery of a structured collection and recovery process. Refer to Debt Collection Operating Guidelines.

### Provision of Credit

Where a service is to be provided prior to payment, this will give rise to a "provision of credit". This will require the establishment of a credit account for customers.

Council will undertake to:

- provide terms and conditions when this occurs and, when requested by Council a credit application is to be provided to and completed by the individual/organisation that has received the service.
- confirm a customers' credit worthiness. Council may review their credit rating, references and financial statements, and undertake a commercial credit risk assessment or other checks as deemed necessary.
- assess the appropriateness of bonds, deposits, personal guarantees and credit limits. In some cases, other steps may be taken to ascertain their ability to pay. The type of entity, i.e. for-profit and not-for-profit will also be considered.

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- unless otherwise provided by legislation, not exceed trading terms of 30 days from the date of invoice.
- withdraw services to customers who have an overdue account where appropriate.

### Invoicing

Council will undertake to:

- raise and manage Rate Notices in accordance with the *Local Government Act 1999 (SA)*.
- raise all other invoices in advance of or as soon as practical after services have been provided.

### Debt Collection

The debt collection processes will be applied consistently with commercial business practices.

Council acknowledges that a change in financial circumstances and/or major life events can cause difficulty in making payment. If difficulties are anticipated or experienced, customers are encouraged to engage with Council promptly to discuss potential support options.

In application of Council Debt Collection practices:

- Fines and Interest may be applied to any invoices/notices not paid by the due date as provided for under an agreement or Section 181 of *the Local Government Act 1999 (SA)*.
- Council may take legal action to recover any overdue amounts. In general, legal action should only be instigated for debts that are greater than 90 days old. Legal action will not occur where a repayment plan has been agreed between the customer and Accounts Receivable team and the payment schedule is up to date.
- Council may sell land in accordance with *Section 184* of the *Local Government Act 1999* (, if an amount payable by way of rates in respect of land has been in arrears for three years or more. A formal resolution of the Council is required before any sale of land (to recover rates and other charges) is commenced.

If the recovery of a debt is not possible under *Section 184* of the *Local Government Act 1999 (SA)* because of a rate being charged over a Council owned property which is subject to a lease agreement where the occupier is responsible for these charges, the general Debt Collection provisions of this Policy will apply to the debt and be enforced under *Section 144(2)* of the *Local Government Act 1999*. Refer Debt Collection Guideline.

### Remission of Rates

Upon written application eligible ratepayers may be entitled to a partial remission of rates funded by the Council, to be considered on merit. This applies to ratepayers identified as experiencing financial hardship and should be considered for potential support in line with the Financial Hardship Operating Guideline.

If appropriate, and where possible, consideration will be given to flexible payment options under the following circumstances.

**Postponement of Rates** under certain circumstances, ratepayers will be able to postpone payment of their rates. The postponed amount is subject to a monthly interest charge (prescribed in the *Local Government Act 1999 (SA)*) with the accrued debt being payable on the disposal or sale of the property. The debt may be paid at an earlier time at the ratepayer's discretion.

**Discretionary Postponements** as determined by the Council, may be applied, as required, in cases of proven hardship, or other circumstances in accordance with *Section 182* of the *Local Government Act 1999 (SA)*.

**Seniors Postponements** are governed by *Section 182A* of the *Local Government Act 1999 (SA)*. The Seniors Postponement does not affect eligibility for existing entitlements to Pensioner Concessions or Remissions.

Application for the postponement of rates should be made via Council's accounts receivable team. Council has the discretion to revoke the postponement, in which case Council must give the ratepayer at least thirty days written notice of the revocation before acting to recover rates affected by the postponement.

**Bad Debt Write Off** Bad Debts shall be written off in accordance with *Section 143* of the *Local Government Act 1999 (SA)*.

A write off must be approved by a delegated authority within the limits outlined on the Council's Delegations of Authority to Council Administration document.

Where the bad debt write-off exceeds the amount delegated to the CEO, a report will be sent to Council to approve the write off.

## OTHER USEFUL DOCUMENTS

### related documents

- Debt Collection Operating Guideline
- Financial Hardship Operating Guideline
- Privacy Policy
- Corporate Complaints Handling Guideline

### relevant legislation

- *Local Government Act 1999 (SA)*
- *Local Government (Financial Management) Regulations 2011*

## GLOSSARY

Throughout this document, the below terms have been used and are defined as:

**Accounts Receivable, Sundry Debtors, Debt, Amount Outstanding, Amount Due, Amount Overdue** – all refer to an amount owed to Council.

**Customer** – receiver of a service from Council.

**Credit Note** – a reversal or reduction of an original amount due to an overcharge or a fault in the goods or service provided.

**Debt** – refers to monies owed to Council.

**Debt Collection** – Are activities taken to recover monies owing to Council, including financial hardship assistance.

**Debtor** – any person, corporation, business or other entity owing money to Council.

**Delegated Authority** – a person so authorised in line with the Delegations of Authority to Council Administration.

**Financial hardship:** When a person or business is unable to meet their existing financial obligations for a period of time.

**Service** – includes goods supplied or delivered, admission, sale of items, hire of facilities or items, supply of information and any other matter which gives rise to a fee or charge being made by Council.

**Write Off** – action taken when all practical debt collection options have been exhausted to retrieve an outstanding debt owed to Council.

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### ADMINISTRATIVE

As part of Council's commitment to deliver the City of Adelaide Strategic Plan, services to the community and the provision of transparent information, all policy documents are reviewed as per legislative requirements or when there is no such provision a risk assessment approach is taken to guide the review timeframe.

This Policy document will be reviewed every **2** years unless legislative or operational change occurs beforehand. The next review is required in **June 2024**.

#### review history:

Trim Reference	Authorising Body	Date/ Decision ID	Description of Edits
ACC2022/64542	Council		Inclusion of financial hardship provisions.
ACC2018/04470	Associate Director Finance and Procurement	14/05/2019	Minor amendments made to wording and transfer to new format. No change to content.
COCO2017/1726	Council	10/10/2017	Decision #18026
COCO2009/3711	Council	26/06/2009	Decision #8879

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