

## Debtor Management Policy

### Policy scope

The purpose of this policy and any associated guidelines is to establish a framework for efficient and effective management and collection of outstanding debtor amounts owed to the City of Fremantle that will:

1. Ensure a fair, consistent and accountable approach to Council's debtor management and collection decisions and practices.
2. Provide guiding principles for the management of credit control, debtor collection and bad debt write offs.
3. Support timely collection of all monies owing to the City for the purpose of optimising cash flow and reducing bad debt write offs.

This policy applies to those circumstances where the City provides goods, services or statutory approvals on credit and for the collection of outstanding rates, charges and infringements.

### Policy statement

Debtor management is an essential element of the City's overall budget monitoring and control strategy. Rates and charges account for a considerable percentage of the total operating income of the Council. Ineffective collection of this revenue has the potential to negatively impact on the Council's cash flow. The Debtor Management Policy is designed to ensure that an appropriate collection procedure is in place so that debtor management is undertaken in an efficient and community conscious manner.

### General Principles

The following principles provide high level Council direction for the ethical and effective management of the City's wide range of debtors:

1. Management is to establish and maintain appropriate credit limits and controls in order to ensure the risk of financial loss is properly managed.
2. Access to credit should be limited to those circumstances where it is deemed an efficient method for collecting revenue or is legally required to be given (e.g. rates).
3. This Policy is to be supported by properly documented Debtor Management Guidelines and Procedures.

4. Debt collection processes established by the City need to be fair, flexible and realistic, taking into account the different types of debtors (i.e. ratepayers, commercial, community groups, individuals, offenders).
5. Debt collection activities against individual debtors should be in accord with the ACCC-ASIC Debt Collection Guideline for Collectors and Creditors.  
<https://www.accc.gov.au/publications/debt-collection-guideline-for-collectors-creditors>
6. Debts are to be pursued within the various relevant statutory limitation periods to maximise recoverability.
7. Action for the writing off bad debts (other than rates and services charges) should only take place where all avenues for recovery have been exhausted or it becomes unviable to keep pursuing the debt. All records of the use of this delegated authority, to waive or write off debts, and the relevant reporting to Council must be in accordance with the Delegated Authority Register.
8. The City is to annually review the need for booking a provision for Expected Credit Loss (bad debts) and adjust the financials accordingly.
9. The City may register as an unsecured creditor for bankrupt debtors where there is some likelihood of a settlement (excluding rate debtors whose debt is secured against the property).

### **Officer Responsibilities**

This policy seeks to maintain and enhance the City's integrity and standing in its dealings with its debtors. Thus, in all dealings that officers have with the City's debtors it is expected that:

1. Debtors should be shown utmost respect, courtesy, and diligence in all dealings.
2. High levels of ethics are to be adhered to, particularly when dealing with those clients regarded as in necessitous or disadvantaged circumstances.
3. All information pertaining to individual debts and repayment arrangements are to be treated in strict confidence as governed by privacy laws.
4. Negotiated payment arrangements for outstanding debts are to be properly documented and approved in accordance with established debtor management procedures and delegation limits.
5. Ensure that the City offers fair, equitable, consistent and dignified support to ratepayers suffering financial hardship.

## Legal Remedies

1. Rates Debt Recovery - Except where a ratepayer is entitled to defer the payment of their rates, Council will actively pursue the recovery of rates arrears as specified in the Local Government Act 1995, including the power to sell the land. The sale of property to recover debt is done as a last resort, when all other options have been reasonably exhausted. A resolution of council is required prior to proceeding with the sale of a property.
2. Sundry Debtors - If a sundry debtor does not respond to the in-house debt recovery process as stipulated within debtor management procedures, then legal action may be commenced through the City's debt collection agency. Due regard will need to be given to the type of debtor before commencing any legal action (e.g. Local community group). Management discretion will be used in assessing whether to deny a delinquent debtor access to Council's services and facilities.
3. Commercial Tenancies - Council will actively pursue the recovery of debt from defaults by commercial tenants in line with the relevant lease terms and conditions. Where efforts are unsuccessful, legal action may be commenced through the City's debt collection agency.
4. Infringement Debt Recovery - Any infringement that remains unpaid following the exhaustion of the in-house debt recovery process may be referred to the Fines Enforcement Registry where considered appropriate.
5. Recovery of Legal and Other Costs Incurred - Debt recovery actions are to include recovery of legal costs and any other reasonable costs incurred in pursuing the outstanding debt to the extent that they are allowed by law.

## Definitions and abbreviations

**"ACCC"** - Australian Competition and Consumer Commission

**"ACT"** - The Local Government Act 1995

**"ASIC"** - Australian Securities and Investments Commission

**"Debtor"** - an individual, organisation or other party that transacts with the City where goods or services are provided, use of facilities are made available, fines and license fees are levied and any other transaction that results in an expected future payment to the City.

**"Sundry Debtor, Debtor and Debt"** - all refer to an amount owed to Council.

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

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