

OTHER DEBTORS MANAGEMENT POLICY

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public

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MITCHAM

1. PREAMBLE

This Other Debtors Management Policy establishes a decision framework to ensure that collection of debt is consistent with the Local Government Act (1999) and Regulations, Accounting Standards and recognised financial practices.

2. PURPOSE

The purpose of this policy is to define Council's principles on effective credit management and the timely recovery of its outstanding debtors.

3. SCOPE

This policy covers:

- Raising of invoices and credit notes; and
- Debt Management.

This policy and any associated procedures should be used in all cases where payment for the provision of goods, services, leases, licences, etc is deferred by the provision of 'credit' to the customer.

This policy and associated procedures do not apply to council rates, infringement related debts (such as parking fines and animal infringements), private works where payment is required prior to the works being undertaken or other transactions that can be regarded as 'cash sales'.

4. DEFINITIONS

Bad Debts

A bad debt expense is incurred when Council abandons its claim to the amount owing where there is no reasonable prospect of collection or the costs of collection are expected to be greater than the amount owed.

Chief Executive Officer (CEO)

CEO means the Chief Executive Officer of Council and includes a deputy or other person formally acting in the office of Chief Executive Officer.

Credit

Credit refers to the purchase and provision of goods and / or services from Council by debtors on the basis of a promise to pay at a future time.

Debt

Debt is the amount (of money) owed by a debtor as a result of a credit transaction with Council.

Debtor

Debtor refers to the individual, organisation or other party that owes a debt as a result of a transaction with Council.

Recipient Generated Tax Invoice

A recipient generated tax invoice is an invoice issued by the recipient of the supply on behalf of the supplier, eg grant money being received by Council.

5. PRINCIPLES

The Other Debtors Management Policy sets the principles and criteria with regard to Council's debtors management in the context of effectively identifying, managing and collecting Council's other trade receivables.

Mitcham 2030 outlines the City of Mitcham vision, goals, and themes. This policy ensures we are delivering on those goals and aligns with:

Goal 4 - Excellence in Leadership

Theme 4.1 Good Governance: We are transparent and accountable, make informed decisions, demonstrate integrity and empower our community to have a voice and participate in a meaningful way.

Council will be able to discharge its responsibilities under Section 125 of the Local Government Act 1999 (Internal Control Policies). This section requires the implementation and maintenance of appropriate policies, practices and procedures of internal control to ensure adherence to management policies, to safeguard the community's assets and to secure, as far as possible, the accuracy and reliability of its financial records.

6. POLICY STATEMENT

6.1. Background

Council generates income from a variety of sources. This policy specifically relates to fees and charges for the provision of goods and services, leases and licences etc. to individuals, businesses and other organisations in the community.

This income is managed using financial management systems which enable recording of amounts owing to Council and information relating to amounts paid. This ensures that appropriate action can be taken to collect amounts owing where they are not paid in a timely manner.

6.2. Raising of Invoices

Instances where invoices should be raised include:

- As a result of the provision of goods, services or works to an individual, a business, a sporting or other community related group or any other organisation;
- In relation to a contribution payable by a developer as the result of an application to Council eg footpath contributions;
- Where the amount payable relates to a grant (especially where GST is applicable to the amount to be received), this is known as a recipient generated tax invoice;
- For the issuing of permits, licences, leases and facility hire; or
- Any other circumstance where payment is deferred by the provision of 'credit' to the customer.

6.3. Management of Debt

The following actions are to be undertaken for debts that are outstanding beyond Council's standard terms of 30 days:

31 - 60 days

Debtor statement to be sent including a reminder of payment being overdue.

61 - 90 days

A second debtors statement to be sent to debtor by the Accounts Receivable Team including a reminder of payment being overdue.

91 - 120 days

Contact to be made with the debtor to remind them of payment being overdue and to organise a payment arrangement if necessary. The use of an Enforceable Payment Agreement may be used if required. Additionally the Debtor will be advised that legal action may be commenced if payments are not received within the stipulated timeframe.

120+ days overdue

Amounts 120 days and over require direction from the relevant Manager (or the responsible officer in their team) in relation to:

- Whether the debtor is a City of Mitcham resident who owns land, that Council can charge the land with the debt, subject to legal rights to do so; or
- Whether debt collection proceedings are to commence for pursuit of legal recovery of the debt at the expense of the relevant area; or
- Whether there are any special circumstances relating to the debt that justify the recovery action to be held for any reason; or
- Whether the debt is not recoverable and that the debt should be recommended to be written off. This will reverse the income from the relevant area and may have budgetary implications.
- If the debt is written off, the debtor will be advised that the debt may be disclosed to the credit reporting agencies and therefore may affect their credit rating.

A monthly Debtor Report is generated and reviewed by the accounts receivable team and the Manager Finance & Rates.

The Debtor Report will be updated with comments on follow up action undertaken for debts over 30 days. These comments will be incorporated into the future Debtor Reports.

6.4. Payment Arrangements

Any person, organisation or company who is having difficulty in paying the debt is encouraged to contact Council and make a personal payment arrangement to pay off the debt in a reasonable and manageable timeframe.

The Accounts Receivable Team, in consultation with the Manager Finance and Rates, will consider requests for payment arrangements and may agree upon a plan (eg a personal payment arrangement to make a weekly payment of an agreed amount until the debt is paid in full).

6.5. Provision for Doubtful Debts

An annual review shall be undertaken of long outstanding debts for the purposes of maintaining a provision for doubtful debts based on the following factors:

- All debts known to be doubtful shall be included in the provision, eg if a debtor is known to have gone into liquidation; and
- Debts aged over 90 days will be reviewed and a proportion of these debts maybe included in the provision, as deemed appropriate.

6.6. Write off of Bad Debts

Debts may be written off where there is no expectation of recovering the amount owing.

In accordance with Section 143 of the *Local Government Act 1999* the Chief Executive Officer (or delegate) must certify that there is no reasonable prospect of recovering the amount or that the costs of recovery are likely to equal or exceed the amount owing.

The CEO or delegate may only approve the write offs in accordance with the limits provided in Council's Delegation Register. Any amount over this limit must be approved by Council.

7. POLICY REVIEW

Council is committed to ensuring this Policy and supporting framework remains current and effective. This policy will be reviewed after every general election and in any event, will be subject to review every four (4) years or sooner at the discretion of the relevant General Manager.

The CEO has delegated authority to endorse any amendments to the Policy that do not vary the intent of the policy.

8. VERSION HISTORY

VERSION	AUTHOR(S) POSITION	CHANGES	DATE
V1.0	Finance		June 2013
V2.0	Manager Finance and Rates		July 2015
V3.0	Governance Officer	Refer to Full Council Resolution 12 November 2019 Item 9.4	12 November 2019
V4.0	Team Leader Finance	FC 09.08.22 Item 9.6	August 2022

9. DOCUMENT CONTROL

Responsible Department	Finance and Rates		
Delegations Contained within Policy	YES		
Classification	Financial Management		
Applicable legislation	Local Government Act 1999		
Related Policies & Corporate Documents	Rating Policy and Financial Delegation Policy		
Additional references			
Endorsed by Council	25/08/2015	Item No:	9.1.6
Effective Date	25/08/2015	Next Review Date:	30/08/2026
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