

DEBT COLLECTION

COUNCIL POLICY

PURPOSE

City of Palmerston is committed to providing a considered and consistent approach to the decision-making process when collecting debt owed to Council.

PRINCIPLES

The Policy will ensure that:

- All debtors are shown utmost respect, courtesy, and diligence in all dealings.
- Council will follow a clear, fair, equitable, accountable and transparent process for its debt management and collection practices.
- Proper records are kept of debts owed to Council in line with the Northern Territory *Local Government Act* and corresponding Regulations.

DEFINITIONS

For the purposes of this Policy, the following definitions apply:

TERM	DEFINITION
The Act	Refers to the Northern Territory <i>Local Government Act 2019</i>
The Regulations	Refers to the <i>Local Government (General) Regulations 2021</i>
Debt	The amount of money owed by the debtor as a result of a transaction with Council.
Debtor	Any individual, corporation, organisation or other entity owing money to Council.
Credit	When ratepayer has paid their rates in advance of the rates being issued for the following year.
Risk	The possibility of non-payment of the debt by the debtor when the amount is due. The likelihood of non-payment increases with the age of the debt.
Write Off	The accounting procedure for cancelling debt that is no longer collectable resulting in its removal from Council's balance sheet.

TERM	DEFINITION
Rates	The term is defined in line with Section 252 of the Act.
Provision for Doubtful Debts	The accounting procedure for recognising the estimated value of debts that may end up being uncollectable.

POLICY STATEMENT

1.1. Staff Responsibilities

- 1.1.1. Council will ensure that all accounts that have a debt or are in credit will be managed fairly and equitably.
- 1.1.2. While maximum possible collection targets are sought by Council, all debtors are shown utmost respect, courtesy, and diligence in all dealings. All debt collection arrangements are treated as strictly confidential.
- 1.1.3. Principles of risk management will underpin decisions made in relation to debt management. To reduce the risk of non-payment of debt, a structured collection and collection process will be applied in compliance with the Act.

1.2. Debt Records

- 1.2.1. In line with the *Regulations*, proper records of debts owed to council are kept electronically and are arranged by:
 - Category of debt; and
 - Age of debt
- 1.2.2. The following categories of debt are recorded:
 - Rates Debtors
 - Infringement Debtors
 - Sundry Debtors
- 1.2.3. Council receives information on outstanding debt. Debts are to be recorded in a way that will enable financial reporting to Council as detailed in 4.7 Reporting.
- 1.2.4. Each category of debt, by its particular name, requires distinct methods of debt collection processing. Each category is considered individually in this policy.

1.3. Rate Debtors

- 1.3.1. Rates Debtors have incurred a Rates debt. Rates include:
 - General Rates
 - Special Rates
 - Charges
 - Accrued interest
 - Costs reasonably incurred by the council in recovering, or attempting to recover the above



1.3.2. Payment Terms

Council allows payment by instalments per financial year. If a ratepayer defaults in payment of an instalment by the due date, all remaining instalments become immediately due and payable.

1.3.3. Penalty Interest

Interest will accrue on unpaid rates at the relevant interest rate as set by Council annually. A remission of interest may be granted in individual circumstances under the Rate Concession Policy.

1.3.4. Debt Collection Process

The Debt Collection process for rates debt will incorporate the following- Rates Notice: Council will issue rates notices at least 28 days before the first instalment of the rates falls due

- *Instalment Reminder Notice:* Council will issue Reminder Notices at least 28 days before each instalment falls due.
- *Overdue Letter:* Overdue Letters will be issued to inform of any overdue amounts and advise of possible legal action. Other forms of communication, as deemed necessary, such as telephone, SMS Notification and emails may also be used to notify debtors of amounts owed.
- *External Debt Collection Agency:* Council may involve an external debt collection agency to issue Letters of Demand or field calls. All incurred expenses will be charged to the relevant rates debtor and recovered in full.
- *Overriding Statutory Charge:* If rates have been in arrears for at least 6 months, Council may apply for registration of an overriding statutory charge over the land. All incurred expenses will be charged to the relevant rates debtor and recovered in full.
- *Sale of land:* If rates have been in arrears for at least 3 years and an overriding statutory charge has been registered for at least 6 months, Council reserves the right to sell land for non-payment of rates. This may include instructing an external provider to undertake this process. All incurred expenses will be charged to the relevant rates debtor and recovered in full.

1.3.5. Payment Arrangements

Council may enter into a payment arrangement with any ratepayer. Agreements are made on an individual basis depending on the situation and payment history of a rates debtor. Penalty interest for overdue rates/charges will continue to accrue unless a rates concession has been granted to the rates debtor in accordance with the Rates Concession Policy.

1.3.6. Debt Write-Off

Write-off of debts must occur in accordance with the *Local Government Act*. For a rate debt to be written-off the Chief Executive Officer must certify that there is some doubt whether the rates were properly imposed, or are recoverable at law, or it would be impracticable or uneconomical to recover the rates. The writing off of a does not prevent Council from subsequently taking action for the recovery of the debt.



1.3.7. Provision for Doubtful Debts

Rates are a charge over the land, therefore provision for doubtful debt for rates debt will only be established if the origin of the debt is doubtful, not if it is doubtful that the rates can be recovered from the current landowner.

1.4. Infringement Debtors

1.4.1. Infringement Debtors have incurred a debt of a regulatory nature by committing an offence against a Council By-Law. For the purpose of this policy an infringement debt can include one or more of the following:

- Parking/Traffic Infringement
- Animal Infringement
- Public Places Infringement
- Litter Infringement
- Signage Infringement
- Other Law and Order Infringement

1.4.2. Payment Terms

In accordance with the *Fine and Penalties (Recovery) Act 2001*, any infringement issued by Council under the Legislation allows the alleged offender 14 days to pay the prescribed amount. Payment must be made in full; no part payments will be accepted.

1.4.3. Penalty Interest

Council is not applying penalty interest to the outstanding debt of infringement debtors.

1.4.4. Debt Collection Process

- *Overdue letter*: If payment is not received within 14 days, a courtesy letter will be issued with an additional administration cost requiring payment within 28 days of receiving the letter.
- *Fines Recovery Unit*: Unpaid infringements may be lodged with the Fines Recovery Unit and enforcement orders may be made.

1.4.5. Payment Arrangements

An infringement notice can only be paid in full to Council. Once an unpaid infringement is lodged with the Fines Recovery Unit they are the competent authority that manages payment arrangements.

1.4.6. Debt Write-Off

The cancellation or withdrawal of an infringement notice may only be authorised by an officer holding the appropriate delegation. Withdrawal of an infringement may also occur after a written review has been submitted to Council against the alleged offence which, in the opinion of the relevant officer, has merit. Written confirmation of the infringement cancellation will be sent to the customer.

1.4.7. Provision for Doubtful Debts

A provision for Doubtful Debt is made, if a person who receives an infringement chooses to have the matter dealt with by the Courts.

1.5. Sundry Debtors

1.5.1. Sundry Debtors have incurred a debt for other Goods and/or Services delivered by Council. For the purpose of this policy a Sundry debt can include one or more of the following:

- User Fees and Charges
- Statutory Charges
- Investment Income
- Reimbursements
- Other Income
- Grants, Subsidies and Contributions

1.5.2. Payment Terms

Payment terms for all Sundry debtors are 30 days from the date of invoice. Where appropriate, prepayment, bonds or deposits will be required prior to Council commencing the supply of goods or services. Council reserves the right to request full payment in advance depending on a debtor's payment history.

1.5.3. Penalty Interest

Council may apply penalty interest to the outstanding debt of Sundry debtors.

1.5.4. Debt Collection Process

- *Monthly Statements:* Sundry Debtors are issued with statements of all outstanding debt at the end of each calendar month.
- *Reminder Letter:* When deemed appropriate Council may issue Reminder Letters to sundry debtors to inform of an overdue amount and advise of possible legal actions.
- *External Debt Collection Agency:* Council may involve an external debt collection agency for issuing Letter of Demand or other legal actions. All incurred expenses will be charged to the relevant sundry debtor and recovered in full.

1.5.5. Payment Arrangements

Council may enter into a payment arrangement with any sundry debtor. Agreements are made on an individual basis depending on the situation and payment history of a sundry debtor.

1.5.6. Debt Write-Off

Write-off of debt owed to council will occur in accordance with the *Regulation*. The writing off of a debt under the *Regulation* does not prevent the Council from subsequently taking action for the recovery of the debt.

1.5.7. Provision for Doubtful Debts

Where the recovery of debt is unlikely prior to completing all steps listed in the debt collection process (i.e. where the debtor is bankrupt or in liquidation), a provision shall be made in line with the Australian Accounting Standards for doubtful debt.

1.6. Authorities

The authority of a council officer to initiate the debt collection process and enter into a payment arrangement with a debtor is outlined in Council's delegation register and is individually assessed dependent on the category of debt, the amount and age of the debt.

1.7. Reporting

1.7.1. Council receives information on outstanding debt as part of the monthly Finance report.

1.7.2. Rates debts are reported to Council on a month basis and are categorised as follows:

- Current Year: annual rates issued, overdue by instalment
- Prior year, rates overdue by year

1.7.3. At least once in a financial year, Council receives information on the number of properties that have rates in arrears of more than two years and the actions taken to recover the rates in arrears.

1.7.4. All other debt balances are reported and categorised by age from the issued date

- Debt not yet due
- 30 days overdue
- 60 days overdue
- 90 days overdue
- Overdue greater than 90 days

1.7.5. Any debt that has been written off during that financial year must be reported as part of the monthly finance report.

ASSOCIATED DOCUMENTS

- City of Palmerston Rates Concession Policy

REFERENCES AND RELATED LEGISLATION

- Northern Territory Local Government Act 2019
- Northern Territory Local Government (General) Regulations 2021
- Australian Accounting Standards
- Fines and Penalties (Recovery) Act 2001

OWNER	Chief Executive Officer	RESPONSIBLE OFFICER	General Manager Finance and Governance
APPROVAL DATE	10 December 2024	NEXT REVIEW DATE	December 2028
RECORDS NUMBER	457346	COUNCIL DECISION	10/1659

