



# DEBT COLLECTION POLICY

**POLICY NUMBER: CORP-F-009**

## PURPOSE

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The purpose of this policy is to provide guidance to Council in determining efficient, effective and economical procedures for debt collection.

## SCOPE

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This policy applies to all members of the Kalgoorlie-Boulder community and all City officers with financial responsibility.

## DEFINITIONS

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**Act** means the Local Government Act 1995 (WA).

**City** means the City of Kalgoorlie-Boulder.

**CEO** means the Chief Executive Officer of the City.

**Infringement Debtor** means a debtor is one to whom an infringement notice has been issued.

**Firebreak Debtor** means a debtor to whom the City has on charged the costs incurred for construction of a firebreak on the debtor's property.

**Rates debtors** includes both:

1. secured debtors; and
2. unsecured debtors

and will generally be recovered as they are deemed to be a charge on the land.

**Sundry Debtors** means a debtor to whom credit has been offered for services provided by the City.

## POLICY STATEMENT

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The City is committed to sound financial management practices and transparency in its decision making in order to reduce the overall debt burden on ratepayers. Except where a ratepayer is entitled to defer the payment of their rates, the City will actively pursue the recovery of rate arrears as specified in the Act, including the power to sell land.

## **POLICY DETAILS**

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### **1. Guiding principles**

Council will exercise its debt recovery powers, as outlined in Part 6 of the Act in order to reduce the overall debt burden on ratepayers. It will be guided by the principles of:

- Providing the City with an effective method for the collection of outstanding debts;
- Ensuring that debt collection procedures are carried out in a fair and equitable manner;
- Making the processes used to recover outstanding debt clear, simple to administer and cost effective;
- Transparency by making clear the obligations of its ratepayers and other debtors and the processes used by Council in ensuring that they meet their financial obligations;
- Equality by having regard to providing the same treatment for ratepayers and other debtors with similar circumstances;
- Flexibility by responding where necessary to changes in the local economy;
- Ensuring the City is compliant with all regulatory obligations;
- Promoting effective governance and definition of roles and responsibilities;
- Upholding recognition from the public and industry for the City's collection practices that withstand probity.

### **2. Management guidelines**

The following guidelines provide direction for the ethical and effective management of the City's wide range of debtors:

- All debts will be collected in a fair and timely manner.
- Management will establish and maintain appropriate credit limits and controls in order to ensure the risk of financial loss is properly managed;
- 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;

- A credit application form is required to be completed and a Director's Guarantee may be requested for credit in excess of \$5,000 or at the discretion of the CEO;
- The provision of credit is not automatic and credit may be suspended or withdrawn based on compliance of trading terms;
- Management will use their discretion to deny any delinquent debtor access to the City's services and facilities;
- Fees applicable to the debt collection process (excluding recoupable legal fees) are listed in the City's Schedule or Fees Charges as adopted by Council annually;
- Action for the writing off of bad debts (other than rates or service charges) should only take place where all avenues for recovery have been exhausted or it becomes unviable to keep pursuing the debt;
- Unrecoverable debts (other than rates and service charges) up to the individual value of \$25,000 may be written off by the CEO pursuant to Council delegation of authority;
- Unless authority is otherwise delegated by Council to the CEO, bad debts over \$25,000 (other than rates or service charges) are to be brought to Council for write off on an annual basis or more often if required;
- When a debtor is considered to be under serious hardship the CEO shall have the power to enter into a special payment arrangement and to reduce or mitigate interest charges;
- The City should register as an unsecured creditor for debtors who go into administration where there is some likelihood of a settlement (excluding rate debtors but including tenement holders, as rates debt is secured against a property).

## **OUTSTANDING RATES**

### **3. Initial debt recovery steps**

- Rate notices are due for payment 35 days from date of issue in accordance with the *Local Government Act 1995*.
- Interest will be applied at the interest rate published in the City's Schedule of Fees and Charges for the applicable year.
- Interest will be accrue daily from the due date of payment (being the prescribed date, installation payment date or agreed date under a special payment arrangement) until the day payment is received by the City. Persons registered



to receive a pensioner or senior rebate under the *Rates and Charges (Rebates and Deferments) Act 1992* will have until 30 June of the current financial year to make payment, without incurring any penalty interest. This applies only to charges which are subject to a rebate or deferment (some charges, such as rubbish collection charges, remain due and payable on the City's due date).

- The City will issue a final notice where accounts remain outstanding after the prescribed due date, requesting full payment within fourteen days, other than:
  - where a special payment arrangement has been agreed; and
  - to eligible persons registered to receive a pensioner or senior rebate under the *Rates and Charges (Rebates and Deferments) Act 1992* (however final notices will issue in relation to unpaid charges that are not subject to a rebatement or deferment, such as rubbish collection charges).
- Where amounts remain outstanding after the expiry date shown on the final notice, recovery action will commence based upon a risk management approach as determined by the value and type of debt and may include such action as referral to Council's debt collection agency and issue of a letter of demand.

#### **4. Outstanding rates on mining tenements**

- The City will issue a letter of demand to mining tenements in respect of rates outstanding beyond the due date for payment.
- Recovery action will commence based upon a risk management approach as determined by the value and type of debt and may include legal action.
- A caveat pursuant to section 122A of the Mining Act 1978 (WA) may be lodged by the City to preclude dealings in respect of the mining tenement whilst rates remain outstanding.

#### **5. Legal action for unpaid rates**

- Where a letter of demand has been issued and the debt remains unpaid, the City may commence legal proceedings against the debtor.
- Where the City is successful in obtaining judgment against the debtor in respect of an unpaid debt, the City may seek to enforce such judgment through any means available to it including applying to the Court for a Property Seizure and Sale Order (for goods or land).

#### **6. Other legal remedies for the City**

- Where the property owner of a leased or rented property for which rates and service charges are outstanding cannot be located or refuses to settle rates and service charges owed, a notice may be served on the lessee or tenant under the provisions of section 6.60 of the Act requiring the lessee or tenant to pay to the City the rent due that they would otherwise pay under the lease/tenancy agreement as it becomes due, until the amount in arrears has been paid.



- Where a rates debt has been in arrears for in excess of three (3) years, with Council approval, the City may:
  - lodge a caveat on the relevant title pursuant to section 6.64(3) of the Act; and/or
  - take possession of the land under the provisions of section 6.64 of the Act.

#### **7. Legal costs and other expenses**

All legal costs and expenses incurred in recovering outstanding rates and charges will be charged against the property in accordance with the Act.

### **SUNDRY DEBTS AND OTHER DEBTOR ACCOUNTS**

#### **8. Recovery of Sundry and other Debtor Accounts**

- The City's credit terms are as outlined on the issued tax invoice. Where payment is not received within the relevant payment terms set out on the tax invoice, the City will issue a first and final notice requesting full payment immediately (unless the debtor has entered or applied to enter into a special payment arrangement).
- The City will issue letter of demand to a debtor whose debt remains outstanding for thirty (30) days following the City issuing a first and final notice.
- Interest will be applied at the interest rate adopted at the annual budget meeting in accordance with section 6.13 (1) of the Act. Interest will be accrued daily from the due date of payment (being the prescribed date, installation payment date or agreed date under a special payment arrangement) until the day payment is received by the City.
- In addition to interest, the City is entitled to charge to the Sundry Debtor applicable fees and charges in respect of the debt as are set out in the City's Schedule of Fees and Charges.
- Remedies available to the City for a debtor who fails to pay a debt following the issue of a letter of demand include:
  - Legal action;
  - Suspension of credit;
  - Suspension or limitation of City services to the debtor.

#### **9. Writing off bad debts**

- Where a Sundry Debtor has accounts unpaid for a period exceeding one hundred and twenty days (120 days) and:
  - all reasonable attempts by the City's officers to locate the debtor have been unsuccessful; or
  - the debtor provides reasonable evidence that they have declared bankrupt or are insolvent,

City Officers shall prepare a report for the CEO/Council (depending on whether



the CEO has delegated authority to determine the matter) seeking the debt be written off. Such will report will include the name of the debtor, the description of the debt, the amount outstanding, the period overdue and a reason for write off.

- Bad debts will be written off when the sundry debt is seen to be no longer commercially collectable.

#### **10. Recovery of Infringement Debtors**

- Infringements are issued by the City's authorised officers.
- The City does not accept part payments or payment arrangements with infringements as these render the infringement un-enforceable with the Fines Enforcement Registry.
  - Where payment is not received within twenty eight (28) days from the date of the infringement, the City will issue a first warning letter requesting full payment within five (5) days.
  - Where the Infringement Debtor fails to pay the infringement by the expiry of the period defined above, the City will issue a final demand notice giving the Infringement Debtor a further twenty eight (28) days to pay the infringement.
  - The City will be entitled to charge to the Infringement Debtor applicable fees and charges in respect of the debt as are set out in the City's Schedule of Fees and Charges. Such fees will be set out in the final demand notice and are payable in addition to the infringement amount.
  - Where the Infringement Debtor fails to pay the infringement by the expiry of the 28 day period, the City will refer the infringement to the Fines Enforcement Registry. Further charges will be applied by the Fines Enforcement Registry in addition to the infringement amount and City's additional charges.
  - The Fines Enforcement Registry may take further action against the Infringement Debtor, in accordance with the *Fines, Penalties and Infringement Notices Enforcement Act 1994*.

#### **11. Recovery of debts from Firebreak Debtors**

- Pursuant to the Bushfires Act, the City can construct a firebreak and on-charge costs to the property owners when they fail to provide one themselves. Such costs will be invoiced to the property owners and deemed a sundry debt for the purpose of debt recovery pursuant to this policy.
- In addition to the costs being on-charged, the City may issue an infringement notice to the property owners in respect of their failure to construct a fire break, which is a separate and additional debt to the City.

#### **PAYMENT ARRANGEMENTS**

- Ratepayers or other debtors, except Infringement Debtors, who are unable to



pay a debt amount owing to the City by the relevant due date may apply in writing to enter into an arrangement with the City to make periodical payments.

- An application must be made in the approved payment arrangement form.
- Arrangements are to be negotiated by authorised City officers with the aim of recovering all arrears and charges within the current financial year.
- Payment will usually be made by a direct debit or bpay arrangement either weekly, fortnightly or monthly.
- Where the ratepayer fails to adhere to a payment arrangement and has not contacted City Officers to amend the current arrangement, recovery action will commence in accordance with this policy. If legal action has been suspended due to the ratepayer entering into a payment arrangement and the agreement has not been met by the ratepayer, the legal action will be reactivated at the level when the suspension took place.
- Interest is chargeable in accordance with this policy on debts being repaid under a payment arrangement. In addition to the outstanding debt and applicable interest, the City is entitled charge such relevant fees or charges that are set out in the City's Schedule of Fees and Charges (including set-up charges).
- A payment arrangement cannot be entered into verbally by any party.

### **SERIOUS HARDSHIP AND/OR EXCEPTIONAL HARDSHIP CIRCUMSTANCES**

If a rate payer or other debtor is experiencing financial hardship due to rates and charges or other amounts owed to the City, they can submit a written application to the CEO to enter into a negotiated special payment arrangement detailing the relevant hardship or exceptional circumstances. Such application will be considered by the CEO in accordance with the City's Financial Hardship Policy.

### **COMPLIANCE REQUIREMENTS**

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Local Government Act 1995: Part 6

Local Government (Financial Management) Regulations 1996

Rates and Charges (Rebates and Deferments) Act 1992

Bushfires Act 1954

Mining Act 1978 (WA)

### **RELEVANT DOCUMENTS**

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City of Kalgoorlie-Boulder – Schedule of Fees & Charges

Financial Hardship Policy



City of  
**Kalgoorlie  
Boulder**

<b>DOCUMENT CONTROL</b>		
Responsible department	Finance	
Date adopted by Council	28 August	
Date of last review		
Date of next review		