

<b>POLICY LOCATION</b>	Finance	<b>POLICY TITLE</b>	Debtor Management
<b>POLICY NUMBER</b>	OP05	<b>DATE ADOPTED</b>	20 May 2026
<b>REVISION NUMBER</b>	2	<b>REVISION DATE</b>	April 2030

## Purpose

This Policy defines the framework for the management of outstanding debts.

The Policy aims to:

- Ensure the collection of debt is undertaken fairly, impartially, consistently, efficiently, effectively and in accordance with good governance principles
- Encourage any person, organisation or company having difficulty in paying an outstanding debt to contact the Council and establish a payment plan to pay the debt in a reasonable and manageable timeframe, and
- Ensure the collection of debt is consistent with the *Local Government Act 1989*, *Local Government Act 2020* and associated Regulations, Accounting Standards and recognised financial practices.

## Scope

This Policy is subordinate to any Regulations in relation to debts and debtors.

The *Local Government Act 2020* establishes the law that applies to the declaration of rates, and the *Local Government Act 1989* provides for the payments of interest, interest on outstanding rates and the collection of overdue rates.

This Policy covers:

- All debts
- Some aspects of invoicing
- The initial establishment of a debt
- Follow up actions to collect outstanding debts
- Creation of a provision for doubtful debts, and
- Write off of bad debts.

This Policy does not cover:

- Fees and charges where no debt is created (for example, application fees which should be paid at the time of application and for which an invoice is not raised)
- Non-monetary debts and obligations (for example, outstanding conditions on permits)
- Fines and infringements raised under Council's Local Laws as governed by the *Infringements Act 2006*.
- State and federal grant income

This Policy includes but is not limited to:

- Rates
- Service fees
- Registration and application fees, not paid at the time of application.

## Definitions

In this Policy –

Term	Meaning
<b>Bad Debts and Bad Debt Write-Off</b>	Bad debts are debts which have been assessed as being uncollectable. When this assessment has been made, approval is sought to write off the debt which results in the debt being taken out of the Council's Balance Sheet and the write-off is recorded as an expense.
<b>Debt Owner</b>	Department or Unit within Council with responsibility for the income stream associated with the debt. The Debt Owner has overall responsibility for the management of the related debt. Generally, it would be the 'Manager of the business unit earning the income' who is termed as debt owner.
<b>Sundry debtors</b>	Includes debtors except 'Specific type of debtors.'
<b>Doubtful Debts</b>	An accounting term used to describe debts which have been assessed as likely to become bad debt. Under Accounting Standards an assessment must be made as to the collectability of debts, and a provision for doubtful debts must be created for debts which are unlikely to be collectable
<b>Penalty Interest on Unpaid Debts</b>	Interest which may be charged on unpaid rates and charges in accordance with <i>section 172 of the Local Government Act 1989</i>
<b>Rates</b>	Includes any and/or all rates and charges on rateable land as described under Part 8 of the Local Government Act 1989. Rates also includes any government-imposed charge or levy which Council is required to collect on behalf of the Government
<b>Specific type of debtors</b>	Includes 'Grant Debtors, Infringement debtors and/or Rate debtors.'
<b>Waiving of Debt</b>	Council may waive (forgive) debt which is collectable in extraordinary circumstances.

## **Roles and Responsibilities**

### **Debt Owner**

The Debt Owner is responsible for:

- Ensuring invoiced amounts are correct,
- Providing assistance to the Finance Department in the follow-up of overdue debts,
- Liaising with the Finance Department in terms of the status of the debts (for example, likelihood of recovery),
- Documenting any discussions with debtors in relation to outstanding monies and providing the documentation to the Finance Department including sending reminders,
- Ensuring further credit is not given to the debtor with overdue debts unless there is a specific regulation,
- Gaining approval from Director around write off and advise the Finance Department accordingly.

### **Finance Department**

In relation to debt collection the Finance Department is responsible for:

- Sending invoices,
- Recording debts in the financial system,
- Recording payments in the financial system,
- Determining the level of doubtful debts (with assistance from the Debt Owner) at year end,
- Referring debts to a debt collection agency after advice from the Debt Owner,
- Advising Departments on the status of outstanding debts and making recommendations on debt recovery and/or debt write-off at year end,
- Calculating the provision for doubtful debts at year end,
- Writing off debts in the financial systems after written confirmation is received from the Debt Owner at year end.

## **General Principles**

The general principles described in this section are applicable to all debts, but they also need to be considered in conjunction with specific requirements in relation to debtor types.

### **Payment Terms**

Council's payment terms are 30 days from the date of invoice being issued unless specific regulations apply.

### **Invoicing**

A debt is created when the service is provided or when the invoice is created (whichever occurs first).

Unless there is a regulation or accepted practice to the contrary, an invoice should be produced and payment requested at the time, or in advance, of the service being provided. This practice reduces the risk of non-payment. However, it is recognised there will be some instances where invoicing and payment in advance is not practicable.

Generally, only the Finance Department along with selected others have permission to raise invoices. Please liaison with Finance to understand who has permission.

### Reminder Notices

Except as specified in the specific debtor requirement section, if payment of an invoice has not been received within 30 days after the payment due-by date, a reminder notice might be sent out by the debt owner

The reminder notice will request payment within 30 days and advise of any penalties that may apply to non-payment. The reminder notice will encourage the debtor to contact the Council to discuss any concerns with debt or reasons why the invoice has not been paid.

Reminder phone calls and other debt follow-up procedures may be employed by the Debt Owner or the Finance Department.

In the case of specific debtor provisions like Rate Debtors, if payment has not been received within 14 days payment due by the date of the reminder notice, a final notice will be sent. The final notice will request payment within 10 days. The final notice will include any interest/penalties which may apply. If payment is not received in the required timeframe after the final notice the debtor may be referred to a debt collection agency.

Sufficient records are to be maintained for any contact or follow up throughout the process.

### Payment Arrangements

Any person, organisation or company who is having difficulty in paying a debt can make an application under Council's Rates and Charges Financial Hardship Policy. *(This is not applicable to Grant debtors.)*

The relevant debt owner will consider requests for a personal payment arrangement and may agree to a payment plan. Once approved, details of this must be recorded and passed on to the Finance Department so as to monitor payments.

Payment plans may be negotiated to repay debt over a maximum of 2 years, and wherever possible within the current financial year. Any new rates, fees or charges incurred by the debtor are not subject to the payment plan and are to be treated separately.

If a debtor defaults on the payment plan by missing 2 payments (not necessarily consecutive), debt recovery processes may commence unless the debt is governed by regulations which prohibit debt collection.

### Interest Penalties

The Council will charge interest on unpaid rates and charges in accordance with *section 172 of the Local Government Act 1989*.

The penalty interest rate is the rate fixed from time to time by the Attorney-General under *section 2 of the Penalty Interest Rates Act 1983 (Vic)*, as published in the Government Gazette.

The Council might charge penalty interest on **sundry debtors** which are overdue by more than 60 days unless the charging of interest is prohibited by legislation or is excluded under the 'Requirements in Relation to Specific Types of Debtors' section of this Policy.

## **Continuation of Provision of Services where Debt is Overdue**

In some cases, specific regulations, or funding agreements, may require the Council to supply services regardless of outstanding debts.

In cases where the service is discretionary (for example, facility hire charge or service fee) and is not governed by specific regulation, the relevant Department or Unit must not continue to supply service where debts are more than 60 days old, and no payment arrangement has been agreed.

In these circumstances approval from the relevant Director is required to continue the provision of services.

## **Financial Hardship**

*Under section 170 and 171A of the Local Government Act 1989*, the Victorian Parliament has given councils the authority to:

- Defer payment of rates and charges due to hardship (*s170*), and
- Waive rates and charges including interest due to financial hardship (*s171A*).

Council's Rates and Charges Financial Hardship Policy is available on its website: [www.buloke.vic.gov.au](http://www.buloke.vic.gov.au)

## **Debt Recovery**

Unless there is a specific regulation or other requirement set out under the 'Requirements in Relation to Specific Types of Debtors' section of this Policy or where a payment plan has been agreed in accordance with the Payment Arrangements section of this Policy, Council will refer a debt which is overdue by 90 days or more to a debt collection agency.

The debtor will be liable for all legal costs incurred by the Council in the debt collection process.

Generally, only debts over \$100 will be referred to a debt collection agency. In the case of debts under \$100, considerations around writing off the debt might be taken in accordance with clause 10 and clause 11, and the debtor will be advised they are no longer eligible to receive the service until such time as the debt is paid.

The Finance Department will advise the Debtor Owner of the intention to refer the debt to a debt collection agency. For debt recovery action not to be taken for a cumulative amount up to \$500, written approval of the Debt Owner is required. If the cumulative amount exceeds \$500 upto \$1500, the approval of the relevant Director is required. Amount exceeding \$1500, should be subjected to debt recovery.

If the initial action by a debt collection agency does not result in payment of the debt, the Finance Department will determine if it is financially beneficial to pursue legal recovery.

## **Provision for Doubtful Debts**

This clause does not apply to Rate debtors.

A provision for doubtful debts is a liability to reflect that debt is likely never to be collected and hence is expected to be written off in future periods.

The Finance Department will maintain a provision for doubtful debts based on the following factors:

- Debtor balances exceeding 90 days
- Historical loss rate based on contracted debt collection data over the last 5 financial years

### **Bad Debts**

Unless mentioned under 'requirements for specific type of debtors', if debts are over 24 months with no payment plans in place, they will be considered to be bad debts.

After all avenues to collect the debt have been exhausted, approval may be sought to write-off a bad debt.

The Finance Department will refer all bad debts over 24 months old to the relevant Debt Owner's Director for confirmation.

All approved write-offs will be recorded in the nominated accounts by the Finance Department.

If a debt is written off, and a client seeks to have further service provided at a future date, the written off debt should be reinstated were practical, and the client will be required to pay the debt before the service is reinstated.

### **Approval to Write-off Bad Debts and/or Penalty Interest**

Following Debt Owner confirmation, bad debts for a year accumulating up to \$500 may be written off by the Manager Financial Strategy.

A bad debt for a year accumulating greater than \$500 and less than \$5,000 may be written off by the Director of Corporate and Organisational Performance following debt owner confirmation.

A bad debt for a year accumulating greater than \$5,000 may be written off by the Chief Executive Officer following debt owner Director confirmation.

Penalty interest associated with sundry debtors and rates debtors may be written off or waived by the Manager Financial Strategy or the relevant Director in accordance with the above-mentioned limits.

### **Correction of Errors**

In the event it is discovered that an error has been made, and a rate payer or debtor has been incorrectly undercharged, the Council will correct the error immediately for future billing periods and invoices and will not attempt to apply the correct fee or charge retrospectively. This includes supplementary valuations.

In the event it is discovered that an error has been made, and a ratepayer or debtor has been incorrectly overcharged, the Council will correct the error immediately for current and future billing periods and invoices and will apply the correct fee or charge retrospectively to 1 July of the financial year in which the error was discovered.

Upon written application from the ratepayer or debtor who has been incorrectly overcharged, the Director Corporate and Organisational Performance will consider the merits of the matter and may instruct to apply the correct fee or charge retrospectively (for example, in the case where an error which had previously been brought to the Council's attention and not corrected).

Any credit notices or other adjustments to amounts owed due to the correct amounts invoiced or rates levied must be approved by an appropriate delegate in accordance with the Council's

financial delegations.

### **Refunds and Waiving of Debt**

There may be circumstances where refunds may be due because the service was not provided, or the service was provided in an unsatisfactory manner. The refund must be approved based on financial delegation (*Refer Instrument of Financial Delegation*). *This is not applicable to 'Grant debtors.'*

There may also be special circumstances where the Council may waive a debt as a goodwill gesture, for example, where a debtor has suffered severe personal hardship. In such circumstances, the debt may be written off as follows:

- A debt in accumulation of up to \$500 may be written off by the Manager Financial Strategy
- A debt in cumulation of greater than \$500 and less than \$5,000 may be written off by the Director Corporate and Organisational Performance, following confirmation of the debt owner.
- A debt in cumulation of greater than \$5,000 may be written off by the Chief Executive Officer, following confirmation of the debt owner Director.

### **Requirements in Relation to Specific Types of Debtors**

#### **Grants debtors**

This related to money outstanding to be receivable from those funding bodies who have entered into agreements with Council to fund specific projects.

#### **Infringement debtors**

They are related to rate payers owing Council costs resulting from any violation of law. They are subjected to Court proceedings as directed by the debt owner.

#### **Rate debtors**

*Section 180 and section 181 of the Local Government Act 1989* outlines the Council's powers in relation to overdue rates and charges. Annual rate notices are sent out in late August or early September which are due for payment in full by 15 February each year.

Ratepayers who elect to pay by quarterly instalments will receive separate notices for the second, third and fourth instalments. The four instalments are due on 30 September, 30 November, 28 February, and 31 May respectively.

A reminder notice is sent 14 days after the third instalment date (28 February) and 10 days after the fourth instalment date (31 May). The reminder notice includes unpaid amounts from previous periods and interest payable. Each reminder notice states that payment must be made within 14 days. In the case of the fourth instalment, payment must be made on or about 28 June. A final notice is sent 14 days after the reminder notice for the fourth instalment (in first week of July). The final notice states that payment must be made in 10 days.

If the rate debt is still outstanding after this period, the debt will be referred to a debt collection agency, provided no payment plan is in place and the outstanding amounts exceed \$500.

Council may instruct the agency's solicitors or its own solicitors to take the following steps to collect the debt:

1. Debt collection agency urgent letter will be issued
2. Debt collection agency final notice will be issued
3. Application will be made to the Magistrates Court for a Complaint to be issued
4. Pre-judgement warning letter will be sent to the rates debtor
5. Application will be made to the Magistrates Court for final judgement
6. Pre-warrant warning letter will be sent to the rates debtor
7. Application will be made to the Magistrates Court for a warrant to be issued
8. Matter referred to the Supreme Court (if required).

Debt collection is an expensive process, and the full cost of any action is passed onto the rates debtor and becomes a charge against the property.

Under the *Local Government Act 1989* unpaid rates remain as a charge against the property and must be paid first when a property is sold. Historically the Council has not been successful in recovering rates under the allowed provisions. Consequently, a provision for doubt debts is maintained in regard to rates debtors outside of the Local Government Authority industry average.

The Finance Department will maintain a provision for doubt rates debts based on the following factors:

- Debtor balances exceeding 3 years
- Historical loss rate based on *section 181 of the Local Government Act 1989* over the last 5 financial years

### **Sale of Land to Recover Rates**

Under *section 181 of the Local Government Act 1989*, the Council has the power to sell land to recover unpaid rates and charges if the rates and charges have been unpaid for more than 3 years.

The benefit of selling the land is that Council will be able to recover all monies owed to it, and furthermore the property becomes a revenue producing property again – that is, the new owner is a new ratepayer.

Council will not exercise the power it has under *section 181 of the Local Government Act 1989*:

- Until all other relevant requirements of this Policy (to recover the unpaid rates and charges on the land in question) have been taken
- If there is a dwelling constructed on the land which is currently being used as a residence additional 24 months grace will be provided
- If the land is land to which a payment plan is currently in place with the rate payer
- If an application has been made and granted under the Council's Rates and Charges Financial Hardship Policy.

Progress of debt collection under *section 181 of the Local Government Act 1989* must be passed by resolution of the Council.

## References

- *Local Government Act 1989*
- *Local Government Act 2020*
- *Infringements Act 2006*
- *Penalty Interest Rates Act 1983*
- Buloke Shire Council – Rates and Financial Hardship Policy 2026
- Buloke Shire Council – Instrument of Financial Delegation 2024