
NAME OF POLICY: Credit Policy

POLICY MANUAL: Finance

BACKGROUND

Each transaction involving the supply of goods and/or services to an (external) individual organisation or other parties, will give rise to a debt. This Policy sets out the Council's principles in respect to the provision of credit and the management of related debt.

This Policy relates to the credit and related debt management arrangements that apply to a comprehensive range of services provided by the City of Norwood Payneham & St Peters and purchased by a wide range of individuals and organisations.

KEY PRINCIPLES

Accountability and Transparency

The Council's practices and decisions are underpinned by accountability and transparency and must accord with the requirements and intent of relevant legislation and accepted conventions.

Fairness and Equity

The Council will ensure that credit (and related debts) are managed fairly and equitably. This Policy maintains that parties who incur sundry debts, do so in full expectation of meeting the prescribed repayment terms.

The Council also acknowledges that organisational and individual financial circumstances can change. If difficulties are anticipated, individuals and organisations must promptly initiate discussions seeking alternative payment arrangements.

Responsibilities

Prime responsibility for managing credit and related debt will lie with the Council's Finance Section.

Risk Management

Risk Management principles will underpin decisions made in relation to credit and related debt management.

POLICY

Credit Management

- The Chief Executive Officer and/or the General Manager, Corporate Services may, within their delegated authority, establish credit accounts for individuals and organisations in accordance with Councils business requirements.
- Commercial credit risk assessment practices will be applied. Where appropriate, prepayment, bonds and deposits will be required.
- Standard Credit terms are 30 days from the date of the Invoice.

Debt Management

The management and recovery of outstanding revenue is an important aspect of the Council's financial management function. The principles that will apply in the management of and recovery of debt are as follows:

- The Council has a responsibility to recover monies owing to it in a timely and efficient manner to finance its operations and ensure effective cash flow management.
- The Council will operate effective billing and debt collection processes.
- The Council aims to minimise the amount of outstanding monies that is owed to the Council.
- Debtors are expected to take responsibility for their debt obligations to the Council and to organise their affairs in such a way as to be able to discharge these obligations when required.
- If a debtor cannot meet their obligations by the due date, the debtor should contact the Council at the earliest opportunity to make appropriate arrangements to address the debt.
- The Council will explain the debtor's rights and obligations in relation to any action that the Council might take to recover debt.
- The Council will not issue a letter of demand to a debtor without taking all reasonable steps to establish a payment arrangement or negotiate settlement of the outstanding debt.
- Once a letter of demand has been issued and payment still has not been received, legal action will proceed and any settlement negotiations will be made on a "without prejudice" basis so that the legal right to collect the debt is not compromised.

Debt Recovery – Rates

The Council's Rates staff is responsible for debt management and initiating the debt recovery process.

The following debt collection practices will be applied:

- Following an unpaid quarterly instalment, a Reminder Notice will be issued within 14 days of the due date.
- Arrears balances of greater than \$3,000 or which have been overdue for a period of over 18 months will be reviewed annually and the following will be taken into account as part of the review;
 - If the owner has not made contact with the Council, staff will attempt to contact the property owner to establish the reasons for the arrears balance and establish a payment arrangement to prevent further debt collection action; and,

- If the property owner has advised staff of a circumstance for Debt Collection Exemption Criteria, staff will review the payment arrangement to ensure the agreed arrangement is being adhered to prior to further debt collection action being taken.
- Where no contact has been established with the property owner or the property owner fails to adhere to the payment arrangements formal Debt Collection process will commence.

DEBT COLLECTION EXEMPTION CRITERIA

Criteria	Action
Postponed rates	No action required
Payment arrangement	Review adherence to payment arrangement to ensure compliance
Health/social issues	Review on a case-by-case basis. Documentary evidence to support claim and a payment arrangement established.
Financial Distress	Requests must be lodged in writing. All requests must attach supporting documentation from a financial counsellor and have a payment arrangement established.
Awaiting Sale or Settlement of property	Review on a case-by-case basis. Evidence of impending sale to be provided.

Debt Recovery – General Debts

The Council's Finance team is responsible for debt management and initiating the debt recovery process.

In consultation with the Responsible Officer initiating the debt, negotiated exemptions may be provided depending on the nature of the debt and risk of the debtor, for example community groups or welfare recipients.

The following debt collection practices will be applied:

- When an account is thirty (30) Days overdue; a statement will be issued with an overdue notification requesting payment within seven (7) days.
- When an account is forty five (45) days overdue and no response has been received from the initial request, a reminder letter will be forwarded, requesting payment within fourteen (14) days or for contact to be made with Council to enter into an alternative payment arrangements.
- When an account is sixty (60) days overdue and no responses have been received to prior requests, a telephone call or second reminder letter will be forwarded requesting payment within fourteen (14) days or to contact the Council to enter into an alternative payment arrangement.
- When an account is ninety (90) days overdue and where no response has been received, a letter will be forwarded to the individual or organisation concerned informing them that legal action will be pursued if the matter cannot be urgently resolved. Where no response is been received within fourteen (14) days, the outstanding debt will be forwarded to the Council's debt recovery agency.

Provision for Doubtful Debts

Aged debts greater than one hundred and fifty (150) days, a provision for the doubtful debt should be provided for according to an assessment which has regard for –

- (a) the size and nature of the debt
- (b) the debtor in question

A provision for doubtful debts may be provided for aged debts less than one hundred and fifty (150) days if the recovery of the debt is known to be unlikely.

Any adjustments to the provision shall be made annually and will be charged as an expense to the responsible department.

Write Offs

Where debts are considered unrecoverable, or where the cost of recovery is uneconomic, the debt shall be written off against the Provision (if applicable) in accordance with the Bad Debt Write Off Policy.

REVIEW PROCESS

The Council will review this Policy within 24 months of the adoption date of the Policy.

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is Council's General Manager, Corporate Services, telephone 8366 4585

ADOPTION OF THE POLICY

This Policy was endorsed by the Audit Committee on 25 October 2010.
This Policy was adopted by Council on 6 December 2010.
This Policy was endorsed by the Audit Committee on 25 February 2013.
This Policy was adopted by the Council on 4 March 2013.
This Policy was endorsed by the Audit Committee on 26 October 2015.
This Policy was adopted by the Council on 2 November 2015.
This Policy was endorsed by the Audit Committee on 23 October 2017.
This Policy was adopted by the Council on 6 November 2017.
This Policy was endorsed by the Audit Committee on 27 May 2019.
This Policy was adopted by the Council on 3 June 2019

TO BE REVIEWED

May 2021