



BANANA SHIRE COUNCIL

Procedure

TITLE	SUNDRY DEBTORS RECOVERY PROCEDURE
RELATES TO POLICY	SUNDRY DEBTORS POLICY
APPROVED BY CEO	29/10/2013
REVIEWED/AMENDED	27/09/2017

Credit Application

Prior to credit being given a Council credit application form must be completed in advance by the prospective customer and approved for credit by the Manager Financial Services, Accountant or authorised delegate. The credit application form will detail the terms and conditions of credit with Council including any credit limits.

Customers will be required to reapply for credit when a trading gap of two years occurs between transactions or if the account has been cancelled, withdrawn or closed.

Credit terms will generally be 30 days from date of invoice although lower terms may be stipulated for individual customers at the sole discretion of the CEO.

Exemptions:

In a limited number of cases it may not be possible to obtain a credit application and therefore a practical risk management approach must be applied to managing credit. In all cases, departments responsible for raising debt must take all reasonable steps to ensure the debt is going to be recoverable.

Credit required solely for private works <\$2000 will not require a Credit Application but will still be subject to documentation outlined in section below - ***Agreements between parties and transparency.***

Collection Process:

Debt collection practices will generally include the following:

1. Monthly statement issued with a notification that payment due within fifteen (15) days for any accounts still showing an invoice not paid from the previous month. (eg. Invoice issued in June and not paid by the time the statement issued end of July). Follow up by telephone/ email could also be made at this point.
2. Final demand letter or email sent on approx. the 15th day of the following month for any debts still not paid in (1) above (eg. Statements issued in July – follow up done on 15th August).
3. Non-payment after fifteen (15) days from (2) above, debts <\$500 referred to collection agency and debts >\$500 consider write off.

Legal Action with Collection Agency:

Legal proceedings may be commenced where the following conditions apply:

- The account contains overdue monies in excess of \$500,
- Sufficient notification of the Council's intention has been given to the debtor,
- An acceptable payment plan has not been entered into; and
- Approval has been given by the CEO or delegate.

Payment Plan:

A debtor may apply for a payment plan. All requests must be in writing and should state the reason and outline a proposed payment plan.

A request for a payment plan may be declined if the debtor has a demonstrated history of non-payment.

In all circumstances the debtor will be advised in writing if such a request for an extension is acceptable or not.

If the debtor defaults on the payment plan, the debtor is contacted to bring the account back into order. If it remains in default after 15 days a "Cancellation of Payment Plan" letter/email is sent advising of the cancellation and requesting payment in full within 15 days or debt collection action will commence.

Where a request for a payment plan has been declined, recovery action will be continued in accordance with normal procedures.

Interest

Interest may apply to all accounts outside approved credit terms at the rate of 11.00% per annum compounding.

Suspension of Credit

Departments are notified of any debtor with payments that remain outstanding prior to sending final letter or email outlined in step (2) in Collection Process. The department will then have the discretion to suspend credit privileges after step (3) in Collection Process until the account is bought within credit terms unless otherwise approved by the CEO. Suitable notification must be sent to the customer prior to the account being suspended.

Suspension of credit arrangements twice in a period of three years may result in permanent suspension of credit. Approval to resume trading under credit arrangements can only be reinstated by approval by the CEO.

Credit may be suspended for any reason at the discretion of the CEO or their delegate.

Private Works

Determination of undertaking Private Works

Council's first priority for the use of its own plant, equipment, labour and other resources are to be given to Council's own scheduled works program (including capital and maintenance activities) at all times.

Council reserves the right to refuse private works if it is deemed to be outside of its scope of works, timeliness, resource availability or for any other reason deeming the works unachievable by Council.

All requests for Private Works outside of the Banana Shire Council area must be approved by the Chief Executive Officer.

Quotes/Estimates

All quotations or estimations of Private Works that exceed \$50,000 (excluding GST) are required to be established as a formal written contract and/or agreement. All costs associated with the establishment of the contract shall be included in the price of the contract. Documentation requirements for all contracts \$50,000 or below will be dependent on the risk and complexity associated with the private works and may include, but not be limited to, scope, value, financing and payment provisions, specifications, risk assessment, accountability and reporting requirements. Refer also to "Credit Application" section above.

Agreements between parties and transparency

Before any private works >\$2000 are accepted and started, the applicant must be an approved account holder with the Council (refer Credit Application section above). Additionally, **ALL** private works irrespective of value must have an offer by Council and acceptance by the applicant in writing which includes all terms and conditions prior to commencement of the private works.

To assist in monitoring, transparency and reporting all private works are to be accounted for so that expenditure, revenue and margin returns on all jobs are separately identifiable.

Delegation for Quotation / Authorisation for Agreements of Private Works

The following table lists the Authorised positions for the provision of quotations and agreements for private works for Banana Shire Council:

Position Level (minimum requirement)	Value of Quote or Estimation of Private Works (excluding GST) including any additional costs
Chief Executive Officer	>\$200,001
Director	\$50,001 – \$200,000
Manager	\$25,001 - \$50,000
Coordinator	\$10,001 - \$25,000
Supervisor	<\$10,001

Payment

All quotations and / or contracts over \$2,000 (excluding GST) are to be assessed by the Authorised Council Officer (as per table above) on the financial risk to Council and may require the applicant to provide upfront and / or milestone or progressive payments for the private works.

Where Council has determined that up-front and/or milestone/progressive payments apply, the Authorised Officer is responsible and accountable for ensuring that requests for invoices are issued to Accounts Receivable in a timely manner – not more than 7 days after the start of the agreement (in the case of an up-front payment) or not more than 14 days after a relevant trigger point has been reached (in the case of agreements containing milestone or progressive payments).

Additional Costs to Applicant

All private works will include a margin to be applied that includes corporate overheads and a profit margin applied to direct job costs. Additional margins may also apply depending on the perceived risks associated with the work. The Authorised Council Officer (as per table above) will be responsible for calculating this cost.

Write Offs and Bad Debt Provision

Aged debts greater than 90 days 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

Aged debts less than 90 days may be provided for if the recovery of the debt is known to be unlikely.

Debts that are considered unrecoverable, or where the cost of recovery is uneconomic, shall be written off against the Provision according to the appropriate delegated authority.

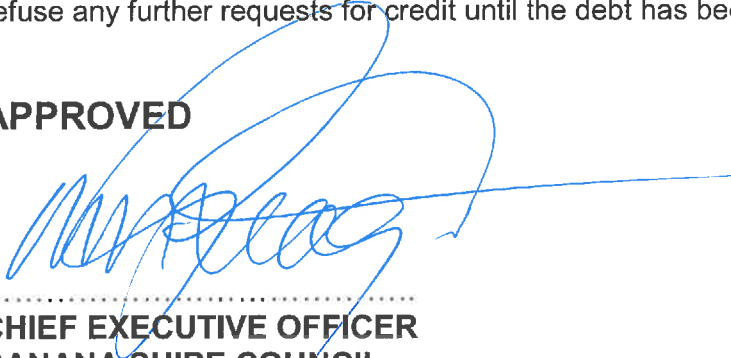
Approval arrangements for write-offs will be as follows:

Value	Approval Authority
=<500	CEO or delegate
>\$500	Council by resolution

In exceptional circumstances e.g. debtor in receivership or a deceased estate, the above procedure may be deferred or amended as appropriate, however debts greater than \$500.00 still require a Council resolution to be written off.

Once debts are written off, the debtor will be placed on the Bad Debt Listing and Council will refuse any further requests for credit until the debt has been paid in full.

APPROVED



CHIEF EXECUTIVE OFFICER
BANANA SHIRE COUNCIL

DATE

9.10.17