

# nhulunbuy corporation

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## DEBT RECOVERY POLICY – FM08

<b>Title</b>	<b>Debt Recovery Policy</b>
<b>Policy number</b>	FM08
<b>Type</b>	Finance
<b>Owner</b>	Chief Executive Officer
<b>Responsible Officer</b>	Manager Corporate Services
<b>Approval date</b>	August 2023
<b>Next review date</b>	August 2026

## 1. Purpose

This policy sets out a clear, equitable, accountable, and transparent process that Nhulunbuy Corporation will follow for its debt management and collection practices. The Policy will ensure that proper records are kept of debts owed to Nhulunbuy Corporation in line with the Local Government Act Northern Territory and corresponding Regulations.

## 2. Principles

The Nhulunbuy Corporation (NC) is committed to providing a considered approach and consistent decision-making process when collecting debt owed to NC.

The NC is committed to working with customers experiencing hardship by offering reasonable repayment arrangements.

## 3. Definitions

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

**Accounting Standards** Australian Accounting Standards

**Debt** The amount of money owed by the debtor because of transaction with NC.

**Debtor** Any individual, corporation, organisation, or other entity owing money to NC.

**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 NC's balance sheet.

### **Impairment for Credit Losses (previously known as Doubtful Debts)**

The accounting procedure for recognising the estimated probable value of debts that may end up being uncollectable. Looking forward and backwards approach.

## 4. Policy Statement

### 4.1 Staff Responsibilities

- 4.1.1** NC will ensure that all debts are managed fairly and equitably. All debtors are shown utmost respect, courtesy, and diligence in all dealings. All debt collection arrangements are treated as strictly confidential.
- 4.1.2** The work area providing the goods and/or services to the debtor will be responsible for completing the documentation required for an invoice to be generated. All new debtors must complete the Debtor Application Form complete with referees for checking by Finance. Any new debtors may have their application declined if there are sufficient grounds or history to suspect that debts will not be paid.
- Finance will be responsible for raising the invoice and collection of all debts from all categories.
- 4.1.3** Principles of risk management will underpin decisions made in relation to credit related debt management. To reduce risk of non-payment of debt, a structured collection process will be applied.

## **4.2 Debt Records**

- 4.2.1** Proper records of debts owed to NC are kept in the Financial Management System and are arranged by:
- Category of debt or subledger
  - Age of debt
  - All communications with customers are recorded as a memo in the customers master data file.
- 4.2.2** The following categories of debt are recorded:
- Rates debtors
  - Sundry debtors
  - Electricity debtors
  - Water debtors
  - Avdata debtors
  - Infringement debtors
- 4.2.3** The following categories of age are recorded:
- current balance (not overdue-invoice date equals report date)
  - 30 days balance (due - invoice is 1 to 30 days smaller than the report date)
  - 60 days balance (overdue - invoice date is 31 to 60 days smaller than the report date)
  - 90 days balance (overdue - invoice date is 61 to 90 days smaller than the report date)
  - over 91 days balance (overdue - invoice date is more than 90 days smaller than the report date)
  - for the rates subledger, debts are classified by current and prior years.

## **4.3 Debt Collection Processes;**

- 4.3.1** Each category of debt, requires a distinct process for debt collection. Each category is considered individually here under and summarised in the Debt Collection matrix at Appendix A.

**4.3.2 Communication:**

Statements for all debtors' ledgers will be issued monthly.

**4.3.3 Payment Arrangements:**

NC may enter into a payment arrangement with any customer. Those agreements are made on an individual basis depending on the situation and payment history of the debtor and will utilise the 'Payment Arrangement Template'. Payment arrangements, for overdue rates may continue to accrue penalty interest unless a concession has been granted by the CEO.

**4.3.4 Penalty Interest:**

Interest may accrue on unpaid rates at the rate published by the Territory Revenue Office. A remission of interest may be granted in extreme individual circumstances, requiring CEO approval.

**4.3.5 External Debt Collection Agency:**

Failure to contact NC to resolve arrears will result in the engagement of an external debt collection agency. All incurred expenses for recovery of the debt will be charged to the relevant debtor and recovered in full.

**4.4 Rates Debtors**

**4.4.1 Definition:**

Rates Debtors have incurred a debt of rates. For debt collection rates include:

- General rates
- Town Centre Levy
- Rubbish Collection annual charge.
- Tip Levy
- Sewerage annual charge
- Instalment Charges
- Accrued interest

**4.4.2 Payment Terms:**

NC allows payment by two instalments per financial year. The first instalment is due by 15<sup>th</sup> March, and the second by 28<sup>th</sup> June. If the full payment is not received by 15<sup>th</sup> March, the Instalment Penalty Charge may be to the debt.

If a rate payer defaults in payment of an instalment by the due date, all remaining instalments become immediately due and payable.

**4.4.3 Rates Notice:**

NC will issue rates notices at least 28 days before the first instalment of the rates falls due. The notice states the due dates and amounts due for all instalment dates of the financial year and outlines arrears from former financial years due and payable immediately.

**Instalment Reminder Notice:**

A Reminder Notice or statement will be issued at least 21 days before the second instalment is due stating the due dates and amounts due for the instalments remaining in the financial year and outlines overdue amounts of the rates account.

**Overdue Reminder Letter:**

NC will issue an overdue reminder letter (letter of demand) once the debts are >90 days overdue. The letter will advise the debtor to contact NC to arrange payment in full, or to apply for payment arrangements within 14 days, and that

failure to do so will result in the debt being forwarded to an external debt collection agency and possible legal action.

External Debt Collection Agency:

If the debt remains unpaid and there has been no request for a repayment plan the matter will be referred to the External Debt Collection Agency.

OR

Overriding charge:

Rates become a charge on the land if not paid by the due date. After rates have been in arrears for at least 6 months, Nhulunbuy Corporation may apply the non-compliance process which can impact the lease arrangements of the land and may result in the terms of the lease not being met. All incurred expenses will be charged to the relevant rates debtor and recovered in full.

#### **4.5 Sundry Debtors**

**4.5.1. Definition:**

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

- User Fees and Charges
- Reimbursements
- Other Income
- Grants, Subsidies and Contributions
- Chilled Water Debt as per the Agency Agreement with Rio Tinto

**4.5.2. Payment Terms:**

Payment terms for all Sundry debtors are 30 days from the date of invoice.

**4.5.3.** The debt recovery process for Sundry Debtor is outlined in Appendix A:

#### **4.6 Water Debtors**

**4.6.1. Definition:**

Water debtors are billed quarterly in April, July, October, and January.

Water debtors have incurred a debt for the supply of water services delivered by Nhulunbuy Corporation. For this policy a Water debt can include one or more of the following:

- Wager Usage Charges per Kilolitre
- Service Charges Interest penalties

**4.6.2. Payment Terms:**

Payment terms for all Water debtors are 30 days from the date of invoice. Where appropriate, prepayment, bonds or deposits will be required prior to NC commencing.

the supply of goods or services. NC reserves the right to request full payment in advance depending on a debtor's payment history.

**4.6.3.** The debt recovery process for Water Debtors is outlined in Appendix A

#### **4.6 Avdata Debtors**

**4.6.1. Definition:**

Avdata debtors are billed in real time by Avdata. The Avdata ledger is managed by Avdata, with balances reported and remitted to NC monthly.

Avdata debtors have incurred a debt for the supply of Aerodrome services delivered by Gove Airport. For this policy an Avdata debt can include one or more of the following:

- Landing fees
- Interest penalties

**4.6.2. Payment Terms:**

Payment terms for all Avdata debtors are 30 days from the date of invoice.

Once the debt becomes aged and Avdata are unable to recover, Avdata will formally refer the debt back to NC for further actioning.

**4.6.3.** The debt recovery process for Avdata Debtors is outlined in Appendix A

#### **4.7 Electricity Debtors**

**4.7.1. Definition:**

Electricity debtors are billed quarterly in April, July, October, and January, under the terms of the Agency Agreement with Rio Tinto.

As the Agent, NC bills electricity usage by kilowatt hours and-service charges.

Electricity rates are set annually by the Utilities Commission of the Northern Territory.

For this policy an Electricity debt can include one or more of the following:

- Electricity Supply
- Service Charges
- Interest penalties

**4.7.2. Payment Terms:**

Payment terms for all Electricity debtors are 30 days from the date of invoice.

Where appropriate, prepayment, bonds or deposits will be required prior to NC

(as the Agent for Rio Tinto Gove Pty Ltd) commencing the supply of goods or services. NC reserves the right to request full payment in advance depending on a debtor's payment history.

**4.7.3.** The debt recovery process for Electricity Debtors is outlined in Appendix A but differs from other recovery processes with the addition of a disconnection of supply consequence. NC will work in conjunction with Rio Tinto Gove Pty Ltd High Voltage to progress disconnections.

#### **4.7.4. Payment Arrangements:**

NC, as the Agent for Rio Tinto Gove Pty Ltd, may enter into a payment arrangement with an Electricity Debtor. Those agreements are made on an individual basis depending on the situation and payment history of the debtor. The payment plan must exceed current usage, and to ensure the debt is paid in full within a twelve- month period.

### **4.8 Infringement Debtors**

#### **4.8.1. Definition:**

Infringement Debtors have incurred a debt of a regulatory nature. For this policy an Infringement debt can include one or more of the following:

- Animal Infringement
- Other Law and Order Infringement
- Charges for the issue of a courtesy letter

#### **4.8.2. Payment Terms:**

In accordance with the Fines Recovery Act, there are three options to deal with an infringement.

**Option 1** - Pay the infringement within 28 days. Payment must be made in full; no part payments will be accepted, as this negates the ability in the future to refer the debt to the Fines and Recoveries Unit (FRU). FRU are then the competent authority that can manages payment arrangements.

**Option 2** - Have the matter dealt with in Court

**Option 3** - If payment is not made within 28 days a courtesy letter will be issued by the Animal Control Officer. There may be a fee involved for the issue of this letter. The courtesy letter gives a further 28 days to pay the infringement.

#### **4.8.3. Referral to the Fines and Recovery Unit for collection:**

If payment is not received 28 days after the issue of the courtesy letter, the infringement will be lodged by a senior NC Officer, via a CSV file to the Fines and Recoveries Unit, as per the process documented in the Infringements Referral to Fines and Recovery Unit Procedure.

Penalties enforced by the FRU can include suspension of driver's licenses, cessation of business with the Motor Vehicle Registry (MVR), seizure of personal property, deductions from wages or salary, registration of statutory charges on land owned, immobilisation of vehicles, inclusion on the FRU "Name and Shame" website or community work orders. A warrant for imprisonment can be ordered if community work orders are breached. All courtesy letters and enforcement orders issued by FRU add additional costs to the original penalty.

#### **4.8.4 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 appeal has been submitted to NC 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.

#### **4.8.5 Reporting:**

Fines referred to FRU are reported in the monthly Financial Report.

Revenue is not reported in the Financial Management System until the infringement is paid. There is no provision for expected losses.

### **4.9 Customer Declaration of Financial Difficulty**

#### **4.9.4 Definition:**

Financial hardship is an ongoing state of financial disadvantage in which a Debtor is unable to pay a bill without affecting their ability to meet basic living needs.

Financial difficulty is defined as a state of financial disadvantage that is not likely to be ongoing and in which the Debtor is unable to pay a bill.

#### **4.9.5 Customers Affected by Family Domestic Violence**

NC prioritise the safety and wellbeing of our Debtors and those affected by family violence.

For Debtors affected by family violence and experiencing financial difficulties, NC will consider reducing or waiving an outstanding amount (including any fees or charges) on the account where NC consider it to be appropriate.

#### **NC can also:**

1. Work with the Debtor to set up an interest-free and fee-free payment plan or other arrangement under which the Debtor is given more time to pay the bill or to pay arrears (including any disconnection and reconnection charges).
2. Suspend action to recover an outstanding debt if the Debtor is complying with a payment plan or other arrangement under this policy.

#### **4.9.6 Payment Plan**

If a Debtor declares financial difficulty, NC will establish a payment plan with the Debtor to pay arrears within 12 weeks.

Furthermore, once the payment plan is established with a Debtor, NC will establish six-weekly billing for that Debtor.

If the Debtor does not abide by the payment arrangement established, NC will refer the debt to the Board of Directors to determine whether the debt will be referred to collection agency.

### **4.10 Governance**

#### **4.10.1 Debt Write Off:**

NC may by resolution; write off an unpaid debt owed to NC under Accounting standards. The writing off of a debt does not prevent the Nhulunbuy Corporation from subsequently taking action for the recovery of the debt.



**4.10.2 Reporting:**

As part of the monthly finance report Nhulunbuy Corporation receives information about all debtor categories and >90-day balances.

**4.10.3 Impairment Provision for Expected Credit Losses (was Provision for Doubtful Debts)**

In accordance with AASB 9 Financial Instruments an impairment model will be applied to all trade receivables, excluding Electricity Debtors that are not owned by NC. The model analyses payment data to determine a percentage provision for all ages of debtors. This transaction will be recorded annually as part of the year end process.

**4.11 Review Process**

This policy will be reviewed three years from the date of adoption.

<b>Date</b> 02 November 2023	<b>Director (Name)</b> Andres Hoffman	<b>Signature</b> <i>Andres Hoffman</i>
<b>Chief Executive Officer (Name)</b> Shane Whitten		<b>Signature</b> <i>Shane Whitten</i>

**APPENDIX A - DEBT RECOVERY MATRIX**

Debt Age	Rates	Sundry	Water	Avdata	Electricity	Infringements
0-30 Days	Statement	Statement	Statement	Statement Issued by Avdata	Statement	Nil action
31-60 Days	Statement	Statement	Statement	Statement Issued by Avdata	Statement	Reminder Letter Sent by Animal Control Officer
	Contact from Finance Officer (Email, Mail or Phone)				At 45 days, 1st Reminder Letter Sent	
61-90 Days	Statement	Statement	Statement	Statement Issued by Avdata	Statement	Second Reminder Letter Sent by Animal Control Officer
	Letter of Demand issued	Contact from Finance Officer (Email, Mail or Phone)	Contact from Finance Officer (Email, Mail or Phone)	Contact from Finance Officer (Email, Mail or Phone)	At 60days, Disconnection warning notice sent	
				Aged Debts will be referred back to NC for Action	At 75 days phone or visit premises	
91 Days+	Debt referred to External Debt Recovery Agency	Debt referred to External Debt Recovery Agency	Debt referred to External Debt Recovery Agency	Debt referred to External Debt Recovery Agency	Liaise with RTA High Voltage to arrange disconnection of supply	Debt referred to Fines & Recovery Unit for collection