

Policy

Debt Management Framework

Policy Number:	DOC18/116846	Version:	2
Authorised by:	Local Land Services Board	Authorised date:	09 June 2022
Responsible Officer:	Chief Financial Officer	Effective date:	05 October 2022
Category:	Finance	Review date:	05 October 2025

1. Purpose:

The Debt Management Framework (the framework) consists of a policy and procedure to administer the debt recovery approach of Local Land Services (LLS).

Debt management is essential to facilitate timely collection of receivables and to minimize financial loss from debt write-off through non-payment and any adverse impact to cashflow due to delays in payment from customers.

The purpose of the framework is to standardise customer debt management throughout LLS and provide a structure that facilitates the use of a consistent process to managing overdue debt.

2. Scope:

The framework is compliant with LLS legislative responsibility under the Local Land Services Act 2013 No 51, Part 12 Division 1, Recovery of outstanding rates, charges and other amounts.

3. Responsibilities:

Position:	Responsibility
Local Land Services Board (State)	<ul style="list-style-type: none"> Approve the framework
CEO Leadership Team (CEOLT)	<ul style="list-style-type: none"> Endorse the framework and facilitate recommendations to the Local Land Services Board (State).
Senior Executive Team (SET)	<ul style="list-style-type: none"> Manage LLS debt position Implement procedures.
Finance Team	<ul style="list-style-type: none"> Review the framework and seek endorsement and approval prior to implementation Conduit between DPE Corporate Services and LLS Regions Ensure resources are available to carry out the function.

Position:	Responsibility
Regional General Managers	<ul style="list-style-type: none"> • Implement the framework within the region. • Allocate resources to carry out the function • Provide development to staff
People Leaders	<ul style="list-style-type: none"> • Provide debt reports to staff • Liaise with the Finance Team to escalate overdue amounts to external collection agency and assist with the outcome. • Ensure locally agreed payment plans are enforced and processed • Ensure locally agreed payment plans are monitored • Escalate risks to the General Manager.
Administration and Client Service Officers	<ul style="list-style-type: none"> • Staff are responsible for the management of debtors within their region • Example 1: When a customer is at a branch / office, staff must clarify a customer's contact details to ensure LLS details are up to date as this assist with general debt management • Example 2: Where a customer would like to purchase LLS services or apply for a grant or TSR permit, all existing debt with LLS is to be extinguished or a deposit paid upfront, and a payment plan is agreed to prior to use of services.
Corporate Services (DPE)	<ul style="list-style-type: none"> • Issue timely rates invoices and monthly reminder notices.

4. Safety Requirements:

Staff are encouraged to review customer alerts and use available procedures and resources if required to manage customer aggression, unreasonable conduct and be aware of mental health first aid.

Policy

The purpose of the policy is to provide an effective, compliant, and equitable approach to debt management and recovery, resourced by a combination of regional and state Finance staff.

The policy applies to all LLS staff and debtors, and the objective is to recover all monies owed to LLS in a timely and effective manner.

5. Principles of debt management

- LLS will apply the framework in relation to debt management to assist in the timely and effective collection of overdue debt. This will minimise any adverse effect of cash flow attributable to overdue debtor balances.
- The *Local Land Services Act 2013* is the governing legislation that will be applied to the management of all debt, including the charging of interest on overdue rate amounts and recovery of unpaid rates and sundry debts.
- Sale of land for unpaid rates will be assessed on a case-by-case basis and any decision made in consultation with the relevant Local Government authority.
- LLS will treat all customers who have outstanding debt, including those experiencing financial hardship with respect and compassion.
- LLS will engage an external debt recovery agency to recover overdue debt greater than \$500, where it is economically feasible to do so, and overdue debt greater than 120 days.
- Recovery action using an external agency will be initiated in conjunction with the state Finance Team, who will be the central contact point for communications with external agencies.
- The General Manager or Manager Business and Finance, acting within delegated authority, will be able to deviate from the framework, on a case-by-case basis, allowing for any special circumstances which may exist. This may include deferring or wavering a debt, entering, or varying payment plans.
- LLS will work with DPE Business Services AR team to ensure customers are promptly invoiced and monthly follow-up reminders are sent to debtors.
- Business Units will manage debts initiated by that Unit. However consideration needs to be given to any other debt the customer may have with other Business Units.
- LLS will ensure staff are appropriately trained in debt management activities, debt recovery strategies and dealing with unreasonable customer conduct.
- Costs of debt recovery actions will be considered when classifying bad debt and debt write-off, to ensure any recovery actions are valid and economical.
- Bad debt write-off must comply with *Treasurer's Directive 450*, and other applicable directives for recovery of debt, and endorsed for write-off by 'authorised LLS delegate' with endorsement by appropriate Finance Business Partner.
- LLS will recognise genuine financial hardship and payment plans may be used to assist customers paying off a debt. The terms of payment plans will need to be realistic for the customer, and clear the debt within a reasonable time, as agreed between the parties.
- LLS will not provide grant funding to any customer with debt outside payment terms.
- LLS will not grant TSR permits to any customer with debt outside payment terms.
- LLS will not supply or sell any Sundry services to customers who have debt outside payment terms unless the amount for the sundry services is paid up-front, and a payment plan for the overdue debt is agreed. Sundry services include stock signs, baits, or other permits.

- Regions will work together to ensure that whole of LLS debt is considered prior to commencing debt recovery or providing service to customers, offering refunds or adjustments.
- All sales of Sundry items must be paid up front unless circumstances prevent this from occurring such as no mobile payment facilities.

6. Debt management

LLS will assess overdue debts throughout the year. The process for recovery does not cease until all possibilities of recovery are eliminated by an external collection agency. Under the provisions of the LLS Act and Regulation, LLS may progress to sale of land to recover unpaid Rates debt.

Once all options for recovery of a Sundry debt have been exhausted, and the debt has been established as irrecoverable, the debt should be written off. Each debt write off will be assessed on a case-by-case basis.

Issues to consider before writing off a debt are:

- Amount of debt
- Costs which may have been incurred, or will be incurred, in each stage of the recovery process (note collection costs associated with recovery action may form part of the judgement debt)
- Any other overdue amounts issues with other LLS Business Units
- Have all possible recovery actions been considered?

Before any Sundry debt is written off a thorough check is to be made across LLS to ensure the customer has no other financial matters of concern with other LLS Business Units. A detailed brief is to be prepared for any bad debt write offs.

A bad debt write off can only be approved per current financial delegation of authority limits.

The delegation for bad debt write-off is per the LLS delegation instrument.

7. Debt management stakeholders

There are 5 (five) key groups involved in the lifecycle of the debt process:

Customer	Region	Enabling Services	Corporate Operations	External Agency
<ul style="list-style-type: none"> • Responsible for paying invoices within agreed terms • Contacted during debt recovery process 	<ul style="list-style-type: none"> • Contact owner of debt • Arrange payment of debt • Refer to Corporation Operations for external agency collection as required • Follow up on payment plans and allocate payments from clients • Invoice debtors for recovery of legal action 	<ul style="list-style-type: none"> • Review overall position of debt and assessment of corrective actions • Ensure collection process across LLS remains consistent and timely. • Liaise with external debt collection agency as required • Provide feedback to Board of Chairs and CEO of debt balances. 	<ul style="list-style-type: none"> • Issue dunning letters • Provide list of outstanding debtors by region • Work with State Operations to identified accounts that require clarification or further investigation 	<ul style="list-style-type: none"> • Provide debt collection service to LLS • Follow up outstanding debtors as requested • Liaise with State Operations as central information point • Invoice LLS for various collection procedures

Procedures

The procedures will guide LLS staff to ensure a consistent approach to debt management and applies to all Business Units.

8. Debtor review

- Each region will review the *Aged Debtor* trial balance report at each month end.
- Any payments received that have not been matched to an invoice are to be investigated and correctly allocated.
- Any items that require adjustment or a Credit note need to be identified and actioned.
- All overdue/credit amounts for a debtor need to be reviewed prior to any write-off or refund, to ensure refunds or write-offs are not processed where the customer has debt with other LLS Business Units.
- Business Units will review the *Return to Sender* list of customers from previous month. No correspondence will be mailed to debtors on this list. The *Manager Business and Finance* will have authority to direct correspondence to known correct addresses.
- Business Units will liaise with the DPE Corporate Services AR section to ensure status of 'debtors records' are correctly maintained to reflect any payment plans and interest charges

9. Debt recovery process

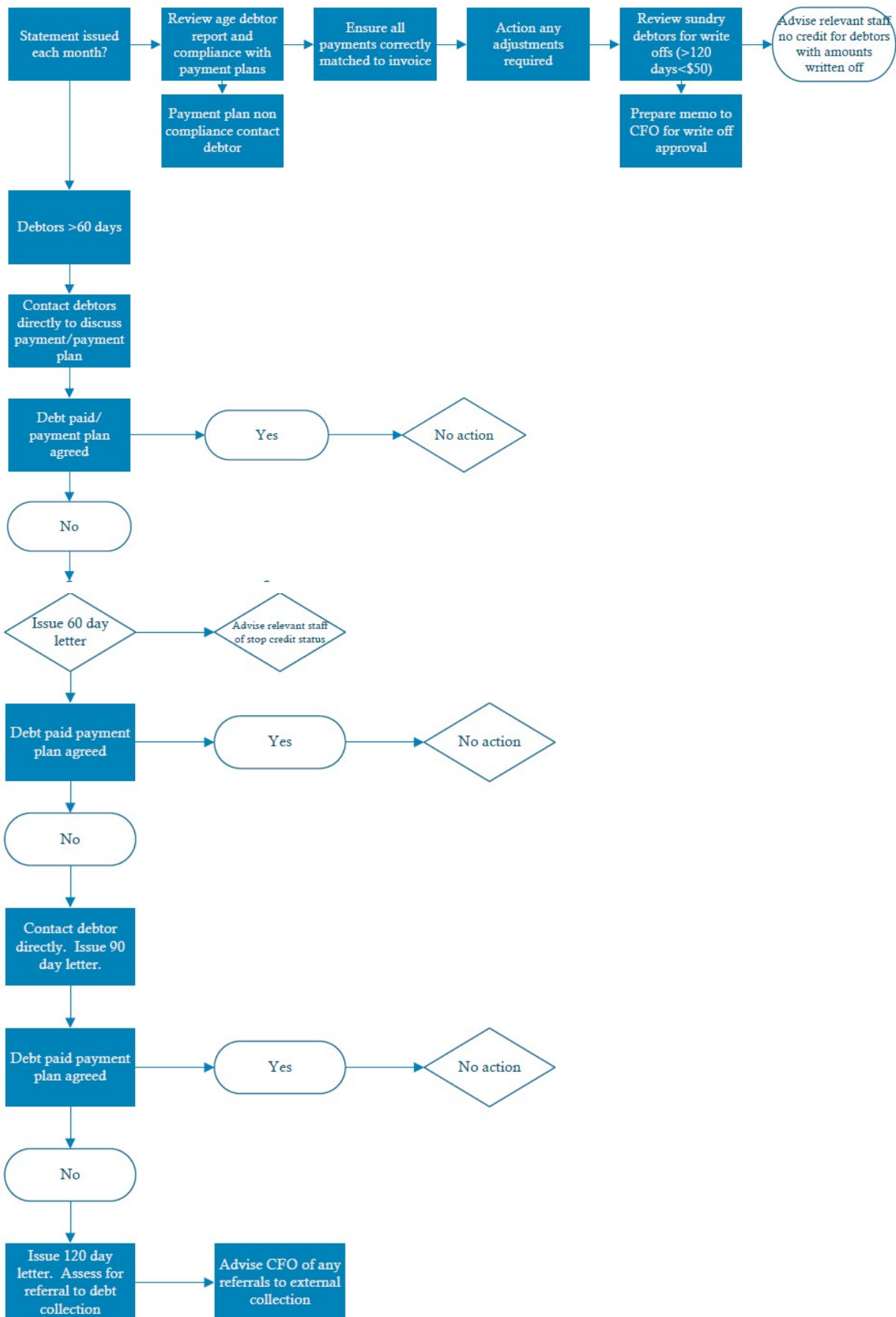
- A statement/dunning letter, detailing overdue amounts will be issued to customers each month end by DPE Corporate Services.
- Any debtor outstanding > 60 days must be contacted directly to discuss payment of the amount, including the option of entering a payment plan.
- Any debtor outstanding > 90 days must be contacted directly to discuss payment of the amount, including the option of entering a payment plan. The debtor will also be advised both verbally and in writing, that legal action may be commenced to recover the amount if payment is not made, or a payment plan is not agreed and adhered to.
- Any non-Rate debtor outstanding > 120 days, with a balance < \$50 will be reviewed for write-off.
- A list of write-offs will be provided to Customer Service staff to ensure that credit is not extended to people who have had a debt written off in past 3 years.
- Any debtor outstanding > 120 days and > \$500 will be sent to an external collection agency, where it is economically feasible to do so.
- Each Business Unit will provide a list of debtors for referral to external collection, to the state Finance Team. The list will include all relevant and required details to facilitate action being initiated.
- Business Units will validate correct contact details of any debtors being referred to external collection.
- Where Rates remain unpaid for a period more than 5 years, the land may be offered for sale to recover overdue Rates.
 - The Chief Financial Officer (CFO) will liaise with the relevant Local Government Authority to ensure no other sale action is planned which may conflict with any action planned by LLS.

- A registered Real Estate agent will be engaged to manage any sale of land for overdue rates.
- Proceeds from any sale will be distributed in accordance with relevant legal guidelines, which include payment of any overdue LLS rate amounts.

10. Payment plans

- Business Units will negotiate payment plans with customers. All payment plans will be in writing on the designated template and signed by both parties. Terms of the payment plan are to be realistic and reasonable to have debt paid off within a reasonable time.
- All current payment plans are to be reviewed by Business Units each month to ensure the terms of the plan are being complied with.
- Customers who have defaulted on payment plan terms will be contacted and advised that the agreement has been breached. They will also be advised that any further breach will void the payment plan, with any overdue amount now to be paid in full within 30 days with interest to be charged and backdated.
- Payment plan terms may be renegotiated by LLS and the customer when the customer's circumstances change.
- For any breach of renegotiated payment plans, customers will be notified that failure to pay the amount in full by the new due date may result in legal action being initiated to recover the overdue amount.

11. Debt management workflow



12. Related Information:

- [Local Land Service Act NSW 2013](#)
- [Government Sector Finance Act 2018](#)
- [Treasury Circulars and Directives](#)

13. Definitions and Acronyms:

Bad Debt Write Off	the process of identifying debt deemed irrecoverable and reducing the debtor balance by writing off the amount consistent with appropriate accounting standards
Collection Agency	external organisation formally engaged to pursue overdue debt and follow up a debtor when reasonable local approaches have not worked
Corporate Services	Department of Planning and Environment (DPE) shared services unit
Debt	any monies owed to LLS
Debtor	A person or entity that owes LLS money
Debt Management Policy	the policy approved by the LLS Board to recover money from a debtor
Debt Management Procedure	the procedure followed by LLS to recover money from a debtor
DPE	Department of Planning and Environment Corporate Services (as service provider to LLS under the service level agreement with Regional NSW)
Delegated Authority	formal financial approval limit associated with a formal position in LLS. This is defined in Instrument of Delegation (Local Land Services) Act Financial Matters (no 4) 2016
Interest	a charge in addition of an outstanding debt after exceeding terms of credit in accordance with the provisions of the Local Land Services Act 2013 (LLS Act) and Local Land Services Regulation 2014
Judgment Debt	debt that has progressed past the Statement of Legal Claim to Judgement. Interest, as per Part 12, Division 1, Section 184(5), is not payable on judgment debt under the LLS Act.
Payment Plan	locally approved plan for a debtor to repay outstanding debt
Finance Team	the centralised coordination unit of LLS responsible for the management and oversight of LLS debt management
Terms of Payment	ability of a person or entity to obtain goods or services from LLS prior to payment

14. Contact:

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15. Document Information and Review:

The framework will be reviewed at least every three years unless a need arises soon.

Approved history

Version	Effective	Approved by	Amendment details or notes
2	1 June 2022	LLS Board	Review completed by CFO; amendments approved by the LLS Board for re-implementation
1	1 February 2017	LLS Board	New framework developed by A/CFO and approved by the LLS Board for implementation