

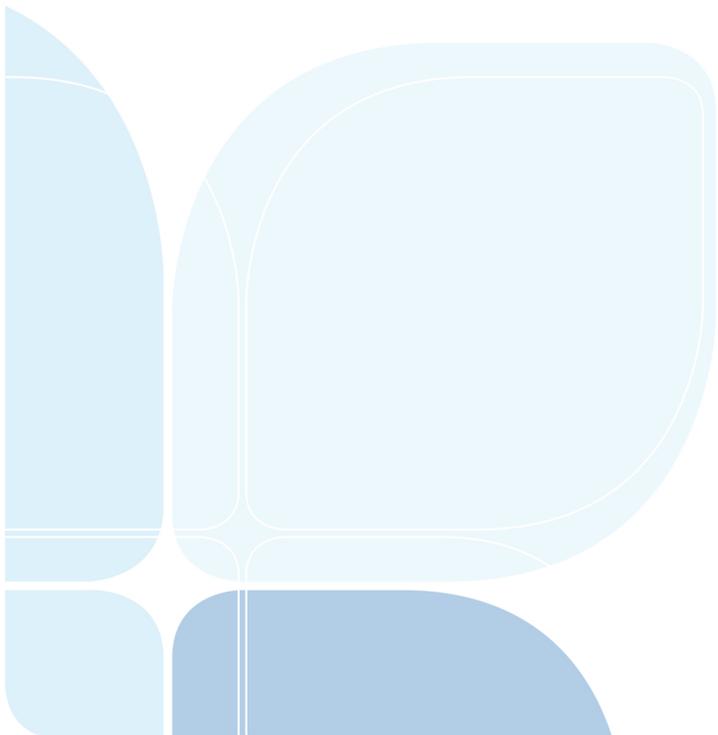


Local Land
Services

Local Land Services

Debt Management Framework

June 2017



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Debt Management Framework

Introduction

This Debt Management Framework administers 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.

The purpose of this framework is to standardise debtor management throughout LLS and provide a structure that facilitates the use of a consistent process to managing debtors.

This framework supersedes previous policy, procedure or process in place across LLS.

Definitions

Bad Debt Write Off: the process of identifying *debt* deemed irrecoverable and reducing the debtor balance by expensing the lost revenue

Collection Agency: external organisation formally engaged to follow up a *debtor* when reasonable local approaches have not worked

Corporation Operations: Department of Industry – Finance, Strategy and Operations (DoI)

Debt: is any monies owed to LLS

Debtor: a person or entity that owes LLS money

Debtor Management Policy: the policy approved by Board of Chairs (BoC) to recover money from a *debtor*

Debtor Management Procedure: the procedure followed by LLS to recover money from a *debtor*

DoI: Department of Industry – Finance, Strategy and Operations (Corporate Operations)

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: an additional charge on top of an outstanding *debt* after exceeding *terms of credit*

Judgment Debt: debt that has progressed past the Statement of Legal Claim to Judgement. Interest, as per Part12, Division 1, 184, 5, is not payable on judgment debt.

Payment Plan: locally approved plan for a *debtor* to repay outstanding *debt*

State Operations: the centralised coordination unit of LLS

Terms of Credit: ability of a person or entity to obtain goods or services from LLS prior to payment

Compliance

The debt management 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.

Performance Indicators

Debt management is central to cash flow and impacts LLS's ability to achieve its corporate objectives, key financial performance indicators and maintain financial sustainability. Table 1 represents the historical Debt balances since the inception of LLS.

The Key Performance Indicator's (KPI) will be utilised to focus on the reduction in the LLS debtor position.

Further KPI's will be implemented as the process matures and would include assessment of:

- Average individual debtor balance reduction
- Reduced high valued debtor balances
- Reduced follow up information requests from the collection agency
- Reduced period for report information to a region
- Track time spent on debtor management

The successful management of debt collection also improves LLS financial position by reducing the rate at which LLS write off debt that is recoverable.

Table 1: Historical Debt Position

Balance date	Debtors excluding credit balances \$	Movement \$	Comments
Jan-14	6.5m	0.0m	9 months after rates due + debt collection activity in latter part of 2013
Dec-14	7.7m	1.2m	5 months after rates due; statements not issued until 09/14 (9 months debt without statements)
Dec-15	6.9m	(0.8m)	8 months after rates due; monthly statements
Dec-16	7.7m	0.8m	9 months after rates due; monthly statements + dunning notices from 04/16

Communication Plan

The benefits of debt management, the policy and procedure need to be communicated to all stakeholders for implementing. A plan has been developed in the table below.

Element	Action	Who	When
1. Debt Management Policy	under review	BoC	Original 2014 Revise February annually
2. Debt Management Procedure	under review	BoC / SET	Original 2014 Revise February annually

3. Communication and development strategy for staff	under review	State Ops/ SET	TBA
4. Communication strategy for external stakeholders	under review	State Ops / SET	TBA

Bad Debt Write Off

LLS will assess the ability to recover overdue debts twice per year:

- Prior to hard close 31 March annually
- Prior to year-end close 30 June annually

The process for recovery does not cease until all possibilities of recovery are eliminated by an external collection agency. LLS may progress to sale of land to recover debt.

The level at which an individual debt balance is approved for write off must be standard across all LLS regions to ensure fairness for all LLS customers.

A bad debt write off is expensed to a region though only the total position across LLS is reported externally.

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

Bad debt write offs greater than \$2,000 should be accompanied by an internal brief to ensure there is an audit trail of the decision and appropriate delegation limits are adhered to.

Accountabilities & Responsibilities

Board of Chairs	<ul style="list-style-type: none"> • Responsible for endorsing policy and communicating to their local board the policy position
Senior Executive Team	<ul style="list-style-type: none"> • Responsible for managing LLS debt position • Responsible for implementing procedure
State Operations	<ul style="list-style-type: none"> • Conducts review of policy and procedures • Any amendments to policy or procedure are submitted to relevant group for approval prior to implementation • Develop stakeholder communications plans for endorsement • Conduit between Department of Industry - Corporate Operations and LLS Regions • Engagement and performance management of external collections agency • Ensure resources are available to carry out the function

Regional General Managers	<ul style="list-style-type: none"> • Disseminate and reinforce policy and procedure through their local region • Ensure resources are available to carry out the function • Provide support and development to staff • Engage State Operations on escalated issues that require assistance or further information where deemed State Operations can assist with the outcome
Managers and Team Leaders	<ul style="list-style-type: none"> • Provide reports to staff • Provide feedback to State Operations on queries from external collections agency • Ensure locally agreed payment plans are monitored • Ensure locally agreed payment plans are enforced and processed • Escalate issues or concerns to General Manager
All staff	<ul style="list-style-type: none"> • All staff are responsible for the management of debtors within their sphere of influence. • Example 1: When a customer is at a branch / office, staff can clarify a customer's contact details to ensure LLS details are up to date as this assists 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

Debt Management Stakeholders

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

Customer	Region	State Operations	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 on track• Liaise with external debt collection agency as required• Provide feedback to Board of Chairs and Agency Head of progress	<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

Appendix A – Debt Management Policy

NUMBER 17/71987

VERSION 01

AUTHORISED BY Board of Chairs

AUTHORISED DATE 28/06/2017

ISSUED BY Chief Finance Officer

EFFECTIVE DATE 28/06/2017

Policy Statement

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

Scope

This policy will apply to all LLS staff and debtors.

Objective;

The objective of the policy is to recover all monies owed to LLS in a timely and effective manner.

Principles

- LLS will apply the policy and adopted procedures 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 expressing financial hardship with respect and compassion.
- LLS will engage an external debt recovery agency to recover overdue debt greater than \$500.
- LLS will engage an external debt recovery agency to recover overdue debt greater than 120 days.
- Recovery action using an external agency will be initiated in conjunction with State Operations, 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 debt management policy, on a case by case basis, allowing for any special circumstances which may exist. This may include deferring a debt, waiving a debt and entering into, or varying payment plans.
- LLS will work with Corporate Operations to ensure customers are promptly invoiced and monthly follow up reminders are sent to debtors.
- Regions will manage debts initiated by that region, in conjunction with State Operations.
- LLS will ensure staff are appropriately trained in debt management activities, debt recovery strategies and dealing with difficult customers.
- Costs of debt recovery actions will be considered when considering classifying bad debt and debt write off, to ensure any recovery actions are valid and economical.
- Bad debt write off will be in accord with Treasurer's Directive 450 and other applicable directives for recovery of debt and approved by General Manager or Manager Business and Finance in line with LLS delegated authority.

- 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 engage with the Department of Local Government to ensure local councils and LLS work together when recovering debts for unpaid rates where possible.
- 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 under \$50 must be paid up-front.

Procedure

The Debt Management Policy will be implemented through the Debt Management Procedure.

Definitions

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State Operations: the centralised coordination unit of LLS

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Roles and Responsibilities

Board of Chairs is responsible for endorsing the Debt Management Framework, Policy and Procedure

The Senior Executive Team are responsible for implementing the Debt Management Policy at a State level

General Managers are responsible for implementing the Debt Management Policy at a regional level

Managers Business and Finance are responsible for implementing the Debt Management Procedure at a regional level.

Regional LLS staff are responsible for applying the Debt Management Procedures at a regional level and for the timely issue of sundry invoices.

State Operations are responsible for engaging with any external collection agency.

Corporate Operations are responsible for the timely issue of rates invoices and monthly reminder notices.

Related Documents

Local Land Services Act 2013

Public Audit and Finance Act 1983

Treasurers Circulars and Directives

Revision history

Version	Date issued	Notes	By
1	28 June 2017	Review of overall policy and replaces all existing policies on this topic as at 1 February 2017	Andrew Ellington (Acting) Chief Financial Officer

Review date

July 2018

Contact

Local Land Services State Operations, Business and Finance, James Lawrence
(james.lawrence@lls.nsw.gov.au) 02 6391 3148

Appendix B – Debt Management Procedure

NUMBER 17/71987

VERSION 01

AUTHORISED BY Board of Chairs

AUTHORISED DATE 28/06/2017

ISSUED BY Chief Finance Officer

EFFECTIVE DATE 28/06/2017

Procedure Statement

This procedure provides guidelines for Local Land Services (LLS) staff to ensure a consistent approach to debt management. This procedure has been developed in conjunction with the LLS Debt Management Policy 2017 and forms part of the LLS Debt Management framework.

Scope

This document applies to all LLS regions, State Operations and the Board of Chairs who are required to comply with the Debt Management Policy and Procedure which aims to ensure a state-wide consistent debt management approach and a reduction to LLS debt position.

Debtor Review

Each region will review the Aged Debtor trial balance report from SapByDesign 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 will 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 regions.

Regions will review the Return to Sender list of customers from previous month. No correspondence will be mailed to debtors on this Return to Sender list. The Manager Business and Finance will have authority to divert from this in specific cases.

State Operations will liaise with Corporate Operations to ensure status of Debtors are correctly stated in SapByDesign and that interest is not charged for debtors on payment plans or judgment debt.

Debt Recovery Process

Each region will review the Aged Debtor trial balance report from Sap by Design at each month end.

A statement/dunning letter, detailing overdue amounts will be issued to customers each month end by Corporate Operations.

Any debtor outstanding > 60 days will be telephoned to discuss payment of the amount, including the option of entering into a payment plan.

Any debtor outstanding > 90 days will be contacted to discuss payment of the amount, including the option of entering into 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 signed.

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 external collection agency, unless there are specific circumstances for this not to happen.

Each region will submit a listing to State Operations every month of debtors to be referred to external collection. The list will include all relevant and required details to facilitate action being initiated.

Regions will ensure any debtors being referred to external collection have contact details validated.

The list of debtors to be referred to external collection agency will be prioritised based on materiality.

State Operations will liaise with external collection agency and regions to progress any recovery action.

Recovery action will be in accord with the work flow document in Appendix C.

Where Rates remain unpaid for a period in excess of 5 years the land may be offered for sale.

State Operations 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 unpaid rates.

Proceeds from any sale will be distributed in accord with relevant legal guidelines, which include payment of any overdue LLS rate amounts.

Payment plans

Regions will negotiate payment plans with customers. All payment plans will be in writing and signed by both parties. Terms are to be realistic and reasonable to have debt paid off within a reasonable time.

All current payment plans are to be reviewed by regions 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.

Legislation

Local Land Services Act 2013

Related policies/procedures

Debtor Management Policy 2017

Other related documents

nil

Superseded documents

This policy replaces:

2014 Interim Debt Management policy and procedure

Revision history

Version	Date issued	Notes	By
1	28 June 2017	Review of overall procedure and replaces all existing procedures on this topic as at 1 February 2017	Andrew Ellington (Acting) Chief Financial Officer

Review date

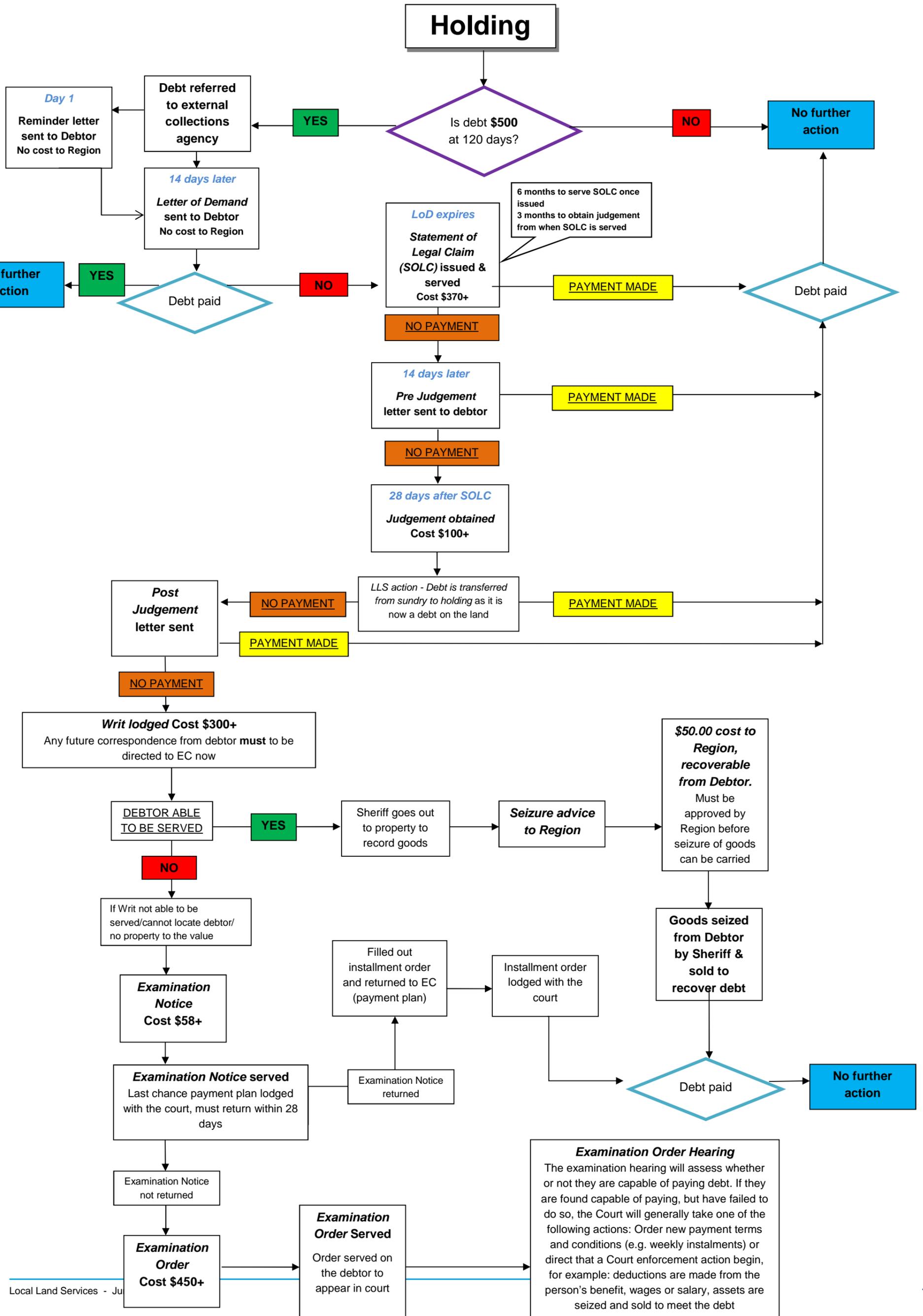
July 2018

Contact

Local Land Services: Chief Finance Officer, State Operations, Business and Finance.

Appendix C – Debt Collection Process Flow Chart

All costs incurred are recoverable from Debtor unless otherwise specified



Debtor Management Contacts

Chief Finance Officer	Andrew Ellington	02 6391 3718 / 0409 796 344
Senior Business and Finance Officer	James Lawrence	02 6391 3148
Corporate Operations		
FSO		
SAP Reporting		
Executive Collections		

Appendix D – Debtor Management Action Plan

The Implementation of the debtor management framework comprises of the following deliverables and timeline.

Action	Responsible	Timeline	Comments
Form a small working party (led by Acting CFO) to review the current regional approach and constraints in debtor management.	CFO	Complete	
Meet with Executive Collections group to review their process, LLS's requirements and cost structure	CFO		
Work with Corporate Operations on their expectations and assistance in providing information on Debt information monthly (see Attachment A)			
Ensure any procurement issues for engaging a debt collection agency are addressed			
Identify what central led processes can make the process visible and report on regularly both to local Boards and Board of Chairs			
Identify the different scenarios and resources required to progress debt collection and monitoring			
Work with State Operations Communications team to ensure the changes to existing processes i.e. interest being levied and collection process, are outlined to customers prior to the next rating cycle			
Provide a process that can be adopted across the regions that links with the lifecycle process of debt management			

