

Office of Local Government

DEBT MANAGEMENT AND HARDSHIP GUIDELINES

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GUIDELINES UNDER SECTION 23A OF THE
LOCAL GOVERNMENT ACT 1993

DEBT MANAGEMENT AND HARDSHIP GUIDELINES

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Foreword

Council rates and charges fund a vast array of services, infrastructure and facilities that local communities rely on. It is therefore vital that councils have good policies and processes in place to ensure rates and charges are collected promptly, fairly and efficiently, while minimising the risk of debt from overdue payments.

Local communities expect governments, including councils, to have modern payment processes in place that best suit current day needs, including electronic payments of rates and charges and options to smooth out payments across the year for more substantial bills.

It is important for councils to recover debt from unpaid rates and charges fairly and equitably. Councils are encouraged to give special consideration for people facing hardship to limit unnecessary fees, interest and legal costs that can cause additional financial stress in difficult times.

To support NSW councils to develop and apply modern, fair and effective debt recovery and hardship policies and practices in line with the requirements of the *Local Government Act 1993*, the NSW Office of Local Government, in conjunction with the NSW Department of Justice, has published these section 23A Debt Management and Hardship Guidelines.

The Guidelines set out information that councils must take into account when developing and implementing debt management and hardship policies, as well as best practice examples of easy-to-follow communication, hardship assessment, early mediation and dispute resolution.

They should be implemented alongside appropriate financial management practices to enable councils to maintain financial sustainability and achieve financial performance benchmarks.

Tim Hurst

Chief Executive
Office of Local Government

Part 1:

**Debt Management
and Hardship for
Local Government**



1.1 Introduction

NSW councils collect rates and charges each year in line with the *Local Government Act 1993*. Councils receiving funds on time are in a better position to be financially sustainable and continue to deliver the services and facilities local communities need and expect.

Each council should adopt robust, fair and transparent policies and procedures outlining how they will communicate with ratepayers, collect monies owing, assess hardship claims and, where necessary, recover overdue payments to manage debt.

Good debt management by councils generally flows from having good rates and charges collection processes in place.

The Office of Local Government has worked with the NSW Department of Justice to prepare these *Debt Management and Hardship Guidelines*.

The Guidelines support councils to review and update existing debt management policies and practices to collect rates and waste charges, water and sewerage charges, and align them to best practice across the sector. They provide guidance on proactive measures councils can take to ensure prompt payment and minimise default, as well as how to follow up ratepayers and recover any debts incurred fairly and effectively.

When recovering debt, and at other times, councils must consider whether a ratepayer is facing hardship and the best way to support a person in hardship to pay their bills. Guidance on developing relevant hardship policies and procedures is also included.

Councils must take these section 23A Guidelines into account when exercising debt management and hardship functions or making relevant decisions. Debt Management and Hardship policies may be prepared separately or as a comprehensive article but must be integrated in their application.

Some helpful definitions for key terms in these Guidelines are set out at **Appendix A**.

1.2 Status and scope of Guidelines

The Guidelines are issued under section 23A of the *Local Government Act*. Councils must therefore take the Guidelines into account when implementing local debt management and hardship policies and/or procedures. They apply to all NSW councils, whether or not debt recovery functions are outsourced.

While the Guidelines have been developed with particular reference to collecting debts from individual ratepayers, much of the information will also be relevant to the collection of other debts, such as from businesses or other organisations.

Councils must always seek and be guided by their own independent legal advice on these matters.

The Guidelines have drawn on best practice material in a number of NSW council policies and the *Debt collection guideline: for collectors and creditors (Commonwealth, 2015)* and the *Debt Recovery Guidelines – Responsible collection of State debts: Guidelines for Revenue NSW to collect State debt* (Revenue NSW). Valuable and timely feedback from the Revenue Professionals and a number of its member council practitioners is also acknowledged.

1.3 Objectives

The Guidelines assist councils to develop policies and procedures that provide for:

- efficient and effective collection of council rates, charges and outstanding debt
- contemporary and flexible options to collect money from ratepayers
- fair and equitable treatment of ratepayers, including those facing hardship
- how to identify and work with ratepayers in hardship when collecting money
- reduced use of expensive court processes to recover debts
- improved financial sustainability of councils, including performance in managing outstanding rates and charges, and
- compliance with legislative requirements, including the *Local Government Act* and privacy laws.

1.4 Legal framework

The Local Government Act provides the legal framework for how councils set and levy rates and charges each year and recover debt from overdue rates and charges, including for waiving or reducing rates in cases of hardship. A best practice debt recovery summary flowchart is set out at **Appendix B**.

Rates and charges are set in a council's Revenue Policy as part of their Integrated Planning and Reporting requirements. Rates and charges are made by 1 August each year. Notices state rates owing, any arrears and interest, any postponed rates, amount due and date to pay. Notices also advise that interest accrues after the due date, at a daily rate set by council up to a cap set yearly under the *Local Government Act*.

Councils are permitted to agree to periodic payments of rates and charges, write off accrued interest and postpone rates payments. In extreme cases, councils may also sell land to recover unpaid rates and charges. Councils may also provide discount incentives for prompt payment in full, if desired.

Hardship provisions are stipulated to encourage councils to have fair and equitable policies in place to assess hardship claims, particularly for pensioners, and procedures that make it as easy as possible for ratepayers in hardship to pay.

The NSW Government encourages councils to incorporate modern and flexible periodic and electronic payment systems and other incentives to make it as easy as possible for ratepayers to pay promptly and to minimise the risk of debt.

Relevant legislative excerpts from the *Local Government Act* and a list of other relevant laws are at **Appendix C**.

1.5 Principles

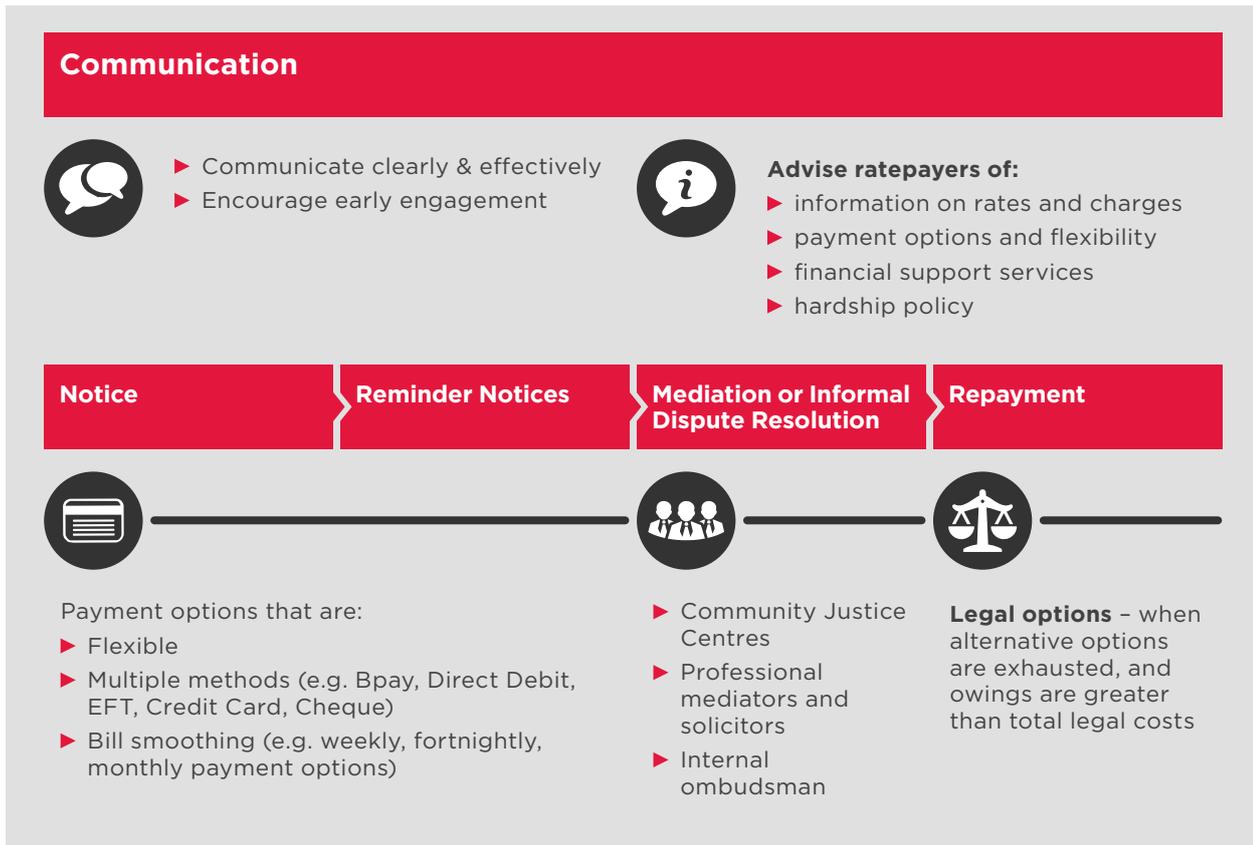
The advice and options in this Guideline are based on best practice from across the local government sector, with reference to a set of guiding principles.

Councils should consider the following guiding principles in establishing or reviewing their own policies and practices to support effective debt management:

- **fair, equitable and respectful treatment** – of all ratepayers, including respectful communication with those facing hardship
 - **a ‘stop the clock’ approach** – to suspend debt recovery, legal action and interest accrual while a ratepayer’s hardship application is awaiting determination, or while they are complying with an approved payment arrangement
 - **informal action first** – timely action to prompt payments and communicate relevant information when following-up overdue amounts prior to taking formal action
 - **minimise costs** – try to achieve payment without increasing ratepayer debts
 - **maintain confidentiality and privacy** – information provided by applicants is treated confidentially and only used for appropriate purposes, such as to assess a hardship application
 - **regular review of policies and procedures** – to identify good practice and areas for improvement, and
 - **consistent debt management and hardship approaches and policies.**
- **clear and accessible communication** – easy-to-understand information about rates and charges, how to pay, hardship, who to contact and the council’s approach to overdue rates and dealing with hardship claims
 - **local flexibility** – providing payment options and processes that meet local needs and the special circumstances of those facing hardship

1.6 Good practice summary flowchart

Figure 1 below summarises the good practice approaches to debt recovery and hardship taken by a number of NSW councils. These are further expanded on and explained in the following sections of the Guidelines.





Part 2:

Ensuring prompt payment



When ratepayers act and pay promptly, and when councils are fair and realistic, the need for debt management is reduced. Below are some practical ways that councils can assist ratepayers to act promptly to meet their financial commitments.

2.1 Information for ratepayers

Most ratepayers act responsibly if they are given enough information about the rates and charges they owe, as well as reasonable opportunity and flexibility to pay in an easy and timely way that takes their needs into account.

Councils should support this approach by ensuring that their policies and procedures:

- allow for alternative payment options including flexible payment arrangements before rates are due – for example, periodic payments (i.e. weekly, fortnightly, monthly or quarterly), and electronic payment options
- authorise council staff to make suitable payment arrangements with ratepayers that have not paid on time, such as a Time to Pay agreement
- include helpful information on rates notices to encourage ratepayers to contact council early if they may have difficulty paying, and
- encourage staff to refer ratepayers making enquiries to financial counsellors and other low cost support services.

Councils can take proactive steps to reduce overdue payments and support ratepayers experiencing hardship such as:

- promoting debt recovery and hardship policies
- developing clear, simple information, such as ‘fact sheets’ about rates and charges and options available to make sure they are paid on time

- translating material into other languages commonly used in their local area or including a list of local language services
- promoting flexible payment options in other communication materials, and
- improving access to policies, e.g. having key search terms to find them online (i.e. “debt recovery”, “local government”, “rates”, “hardship”).

Councils may also consider offering a discount on rates for ratepayers that promptly pay their rates in full under section 563 of the *Local Government Act*.

2.2 Rates and charges notices

Councils recover rates and charges owed by issuing a notice under section 546 of the *Local Government Act*. Information that must be included on rates and charges notices is listed in clause 127 of the *Local Government (General) Regulation 2005*.

Some ratepayers have difficulty navigating and understanding the complex and detailed information in rates notices. To support understanding and timely payments, councils should include in their policies and procedures how they will ensure notices have accurate, easy to understand and accessible information.

For example, while formatting is not prescribed, councils should design rates notices to be accessible and easy to understand. Councils with diverse communities should consider translating key information on rates notices into relevant languages.

Some important information to highlight prominently on, or with, notices includes:

- name of rateable person – every effort should be made to identify this
- the rate or charge amount due
- any outstanding rate or charge overdue and any interest charges
- when each payment is due
- payment options
- how to contact the council with any questions about the notice
- where to go for further information, such as a link to the council website, on:
 - a council’s financial hardship policy
 - any English as a Second Language (ESL) services, and
 - local financial counselling services.

Good Practice Case Study

A number of councils are sending out a flyer with their rates notices to provide advice to ratepayers about what to do if they cannot pay on time.

2.3 Modern and flexible payment options

Ongoing advances in technology are making it easier than ever for councils to create easy payment options for ratepayers. Communities expect councils to provide modern and flexible options that support easy payment and take into account different needs and circumstances.

Electronic billing and payments

Electronic billing and payments help to make sure that bills are received and payments are made on time, including for ratepayers living or travelling outside the local government area, and allow ratepayers to schedule payments and avoid going in person to a council during regular work hours.

NSW council policies should enable ratepayers the opportunity to make payments electronically and enable ratepayers to enter into an agreement to receive their rates notices electronically (via email).

Periodic payments and payment smoothing

Most people need to budget in advance for significant annual expenses, such as rates, waste, water and sewerage charges, as well as other utilities and insurances.

Councils should provide flexible options to enable periodic payment as do most modern businesses and governments. This may include ‘payment smoothing’ to reduce the impact of large bills by spreading payments evenly out across the year.

Allowing ratepayers to make small, consistent payments helps councils obtain rates and charges on time and helps ratepayers manage their budget more easily. Councils should consider combining this with a direct debit option, potentially with a discount incentive, to create seamless, automatic payments.

Council should enable periodic payment options, including payment smoothing, to help ratepayers pay on time. This may be as frequently as monthly, fortnightly or weekly to balance convenience to ratepayers with what is practical for councils.

Section 564 of the *Local Government Act* enables councils to enter into agreements with ratepayers that allow periodic payments to be made, at the council's discretion.

Councils should consider preparing a template agreement to make it easier to provide this option to all ratepayers.

Centrepay

Centrepay is a voluntary way for people to pay bills directly from their Centrelink payments through regular automatic deductions.

Councils should consider using and promoting Centrepay to ratepayers as an easy way to pay rates and charges through regular deductions from Centrelink payments. There is no cost to the ratepayer and councils pay a small transaction fee based on an agreement negotiated with the Commonwealth Department of Human Services.

Benefits to councils include reduced administrative costs, a secure option that helps ratepayers on lower fixed incomes to automatically pay bills on time, and a reduced risk of overdue rates and charges and recovery costs. Further information is at: www.humanservices.gov.au/individuals/services/centrelink/centrepay

2.4 Contacting ratepayers, currency of contact details and privacy laws

Councils should include information in their policies and procedures about their approach to proactively contacting ratepayers to collect rates and charges and recover debt beyond the legal requirements to serve rates and charges notices under section 127 of the *Local Government (General) Regulation* (see **Appendix C**).

Policies and procedures should include information about:

- **reasonable and appropriate contact** – for the council to contact a ratepayer about rates and charges payments and any outstanding debt
- **ensuring contact details are current** – for what a council will do in this case, for example, if a rates notice is returned to the council
- **reasonable and appropriate follow-up** – to again contact a ratepayer
- **conduct towards a ratepayer** – in line with the law and the council's Code of Conduct and including respect and courtesy as well as protection from misleading, humiliating, intimidating, demeaning or abusive conduct
- **how information will be used and confidentiality and privacy will be maintained**, and
- **strategies for dealing with inappropriate behaviour from ratepayers** – potentially including training, escalation of matters to be handled by senior staff and ceasing contact in extreme situations.

Councils, or their debt recovery agent if this function is outsourced, should proactively update contact details and contact ratepayers about rates and charges owed, and outstanding debts while maintaining confidentiality and meeting privacy protection laws.

Councils should consider reviewing their Privacy Management Plans and Privacy Notification/Consent Forms to ensure they have resident and ratepayer permission to share personal information between internal business units of the council for general administrative purposes, including the collection of rates and charges.

Taking a proactive contact approach will help resolve payment issues and outstanding debt quickly and cheaply with little adverse impact on finances and ratepayers.

Appendix D to this Guideline provides further detail about best practice on contacting people to recover debt based on other relevant debt recovery guidelines.

2.5 Payments by pensioners

Under the *Local Government Act* eligible pensioners are currently entitled to a \$250 discount on their annual rates and domestic waste management service charges, as well as an \$87.50 discount on each of their annual water and sewerage charges in NSW, with the subsidy cost shared between the NSW Government (55%) and councils (45%).

Councils can choose to provide and meet further pensioner discounts on these rates and charges for hardship or in certain circumstances (s575).

The Local Government Act outlines separate requirements and flexibility for pensioners in relation to overdue rates and charges which councils must consider when adopting local debt management and hardship policies. Councils should balance the need to ensure financial sustainability with factors such as local socio-economic conditions and social justice principles.

Strategies councils should consider for pensioners include:

- working to achieve payment through informal means
- actively promoting flexible payment options, such as time to pay (s564)
- mandatory review before commencing legal action to recover debts
- deferring rates payments
- writing off debts (s582 and 583), and
- considering individual circumstances of pensioners.

These strategies are also relevant for other ratepayers.

Further information about pensioners is under **section 3.4** and **section 4** of these Guidelines.

2.6 Measuring council performance

Councils should monitor and report on their financial performance to ensure they are financially sustainable. This reporting provides each council with a means to check how they are going over time and identify areas where further attention is needed.

A key indicator of council financial performance is outstanding rates and charges. For this purpose, these payments are outstanding if they have been overdue for at least 30 days.

The local government performance indicator for outstanding rates and charges is presented as a ratio. This ratio reflects the impact of uncollected rates and charges on liquidity and the efficiency of council's debt recovery practices by comparing outstanding amounts to the total amount of rates and charges levied by each council.

The Office of Local Government has set councils a performance benchmark of:

- less than 5% for councils in city and coastal areas, and
- less than 10% for other regional and rural areas.

In 2016-17, outstanding rates and charges for NSW councils ranged from 1.1% to 35.7%, with outstanding amounts owed ranging from \$140,000 to \$25.98 million. The figures clearly show that, while some councils are meeting their performance benchmark, others are not.

Councils should regularly check the total value of outstanding rates and charges as well as their performance against the State-wide performance indicator.

Part 3:

Recovering debts fairly and effectively



Councils and communities rely on rates and charges to fund vital local services and facilities. Councils need effective debt recovery policies in place to recover rates and charges in a timely way to ensure they remain financially sustainable and able to continue to deliver quality services.

However, from time to time some ratepayers will face difficulties, such as loss of employment or illness, and councils need to take a fair and flexible approach to managing their debts.

To balance these considerations, councils should have policies that first seek to recover outstanding payments using a fair and effective process that promptly determines how each debt will be paid outside a formal court process. This minimises overall costs to the individual ratepayer, who may already be facing difficulties, and cost to the community.

Council Activity in the NSW Local Courts

In 2013 NSW councils filed 34,098 actions in the Local Court. Of these claims, around 95% were for unpaid rates and charges. The average claim was \$1,600 and over 80% were for less than \$2,000. Almost 70% of these matters settled, were paid or written off by councils prior to judgement.

In around 27% of these matters the ratepayer did not file a notice of defence in the court action. This means that these ratepayers were either not aware of the proceedings, did not understand the court process, were not willing to make a response to the claims, or were unable to seek representation.

3.1 Debt management options

Each council should determine how best to resource their debt collection and recovery role based on local circumstances and need.

While some councils undertake this role in-house, others engage professional businesses or debt recovery agents.

Agents acting on behalf of councils do so under express or implied authority. The council is ultimately liable for the agent's actions in recovering debt and the debt management process, as for any in-house debt recovery process.

Where councils choose to outsource debt collection and recovery, they should have appropriate contracts and operations in place that take into account **sections 2.4** and **3.2** of these Guidelines and the following principles:

- **contacting ratepayers** – this should require clear, fair and efficient processes to identify, locate and contact ratepayers to recover debt
- **provision of information and documents** – this should facilitate prompt and efficient processes for agents relaying requests to the council, and for councils to respond to those requests, and for collection activity to be suspended at times when it is arranged for the council to respond directly about account information or documents
- **conflicts of interest** – this should require any conflicts to be identified, declared and managed, including circumstances where the same business is performing other work for the council and/or is representing council in any subsequent legal action
- **personal conduct** – this should require agents to approach ratepayers with respect, courtesy and discretion
- **pensioners and others facing hardship** – this should set out special requirements for how these ratepayers are to be assessed and managed to meet council's legal obligations and policies
- **use of alternative resolution options** – this should set out the council's requirements around attempting to resolve matters informally before filing in court and/or to follow certain dispute resolution guidelines or procedures, and
- **confidentiality and privacy** – this should set out how personal information must be managed, including limiting provision and use of information.

3.2 Reminder notices and payment arrangements

Even councils that proactively use best practice to support ratepayers to pay rates and charges on time will have some outstanding payments to manage each year.

Councils are required to issue an annual rates and charges notice and reminders of each quarterly instalment one month prior to the relevant due date.

If a rates instalment is overdue, councils should issue ratepayers with a reminder notice, advising that full payment is required by a stipulated due date, unless a payment agreement has been made or a deferred payment has been approved.

Where contact details are out of date or rates notices are returned to the council, there is little advantage in issuing multiple reminder notices. In this case, councils should make attempts to obtain current ratepayer contact details. See **Appendix D** for information about how some councils achieve this.

Payment arrangements and repayment negotiations

Generally, if a ratepayer fails to meet two payment arrangements, councils issue a reminder notice advising that full payment is required within the date specified, after which debt recovery action will commence.

Councils are encouraged to work with ratepayers by taking a flexible and realistic approach, such as by:

- making reasonable allowances for ongoing living expenses
- considering if the ratepayer is on a fixed low income (for example a disability pension or other welfare payments) and prospects of future income, and
- any other debts owing to different creditors.

Under no circumstances should councils provide ratepayers with financial advice. Any repayment arrangement reached should be fully and accurately documented and a copy provided to the ratepayer.

Where this prompts a ratepayer to reveal financial or other difficulties preventing payment, councils should follow special policies and procedures to assess and deal with hardship, as discussed in **Section 4**.

Council policies and procedures should include information about how best to deal with non-payment.

*Councils should consider checking currency of contact details at the reminder notice stage, if they appear out of date, and how best to bring the notice to the ratepayer's attention (see also **section 2.4 and Appendix D**).*

Some councils offer prominent 'Change of Name' and 'Change of Address' services online for ratepayers and regularly undertake electronic ratepayer contact detail updates.

Councils should develop a template reminder notice for overdue payments including:

- amount owing and date on which payment was due
- any interest charges that apply, or will apply, under the Act
- advice that the ratepayer should contact council immediately to discuss an alternative payment arrangement if unable to pay in full
- contact details to discuss the debt
- advice that the council officer will be respectful, courteous and discreet when working with the ratepayer to resolve the matter
- notification that, if payment is not made, council will first seek resolution through internal dispute resolution but may need to resort to legal proceedings
- notification that all legal costs and expenses incurred in recovering rates will be charged against the property under the Act
- advice where to find further information about local support services, including free legal advice or financial counselling
- confirmation that council may agree to a payment arrangement before or after legal action has commenced but may continue legal action if the ratepayer does not comply with their arrangement with council, and
- notification, if relevant, that the ratepayer will be listed on the Credit Reference listing by credit bodies if payment is not made by a certain date.

If a ratepayer does not pay by the date on the reminder notice, council should consider issuing a final notice or letter of demand before taking legal action. Council should again try to find current contact details prior to sending the notice.

The final notice should repeat the reminder notice information, refer to the previous reminder notice and confirm that council will take further action without notice unless payment is made or the ratepayer negotiates an alternative arrangement with council.

3.3 Counselling, mediation and informal dispute resolution (IDR)

Local court data shows that councils file many claims for small debts at a much greater rate than State and Commonwealth governments, electricity and water providers combined. This results in unnecessary time, cost, use of court resources and stress on ratepayers. It can also indicate poor debt management practices.

Council should let ratepayers know about legal and financial counselling options, as well as any mediation or dispute resolution processes in place to help resolve issues.

Importantly, if a ratepayer is actively participating in a dispute resolution process, has made an application for financial hardship that has not yet been determined, or is complying with a payment arrangement made with a council in good faith, any action to sell the debt, retrieve the debt or start legal proceedings should be suspended (and then only be commenced if liability is confirmed).

Any business or agent acting on the council's behalf must also be aware of the council's policy in relation to mediation and dispute resolution. Further detail about different levels of mediation and dispute resolution is below.

Referring ratepayers to legal and financial advice

Councils can outline options for ratepayers to access support services to help resolve legal or financial issues and/or negotiate arrangements to manage debt. This will be mutually beneficial as it may result in an early agreement about payment arrangements.

Community legal centres and financial counsellors assist people resolve debt issues by providing free, tailored expert advice. Solicitors from these centres or Legal Aid can provide legal advice and assistance to ratepayers.

Financial counsellors provide a mix of social, financial and paralegal advice and advocacy on debt issues. Assistance can include:

- assessing whether or not the debt is legally owed
- advice around protected income and assets (in broad terms, where a ratepayer's sole income is social security and they have only basic household assets, a creditor may be unable to enforce a debt against them), and
- advice about budgets, options for reducing expenses and possible debt repayment strategies, and
- negotiating with other creditors to free up income that can assist people to pay rates and other essential charges.

Support services councils should refer ratepayers to

www.moneySMART.gov.au/managing-your-money/managing-debts
Financial Advice, including financial counsellor search function

www.legalaid.nsw.gov.au/get-legal-help/find-a-service
Legal Aid service (Legal Advisers)

Community Legal Centres in different local government areas:
www.clcnsw.org.au/find_legal_help

Mediation, negotiation and informal dispute resolution (IDR)

Mediation or informal dispute resolution is a quick, cheap, flexible and confidential process. It can help preserve business or personal relationships.

Mediation or informal dispute resolution is a key option to support councils to reach a payment arrangement with a ratepayer and many councils report high success rates using this. This should occur before any legal action is commenced. It may also occur during resolution of a legal claim or after a court has made a judgement.

Council policies should include Informal Dispute Resolution options. Timely mediation to resolve debt informally, prior to filing in court, benefits both councils and the ratepayers. It is effective and efficient best practice.

Options for mediation and informal dispute resolution differ across NSW and include:

- **Community Justice Centres** – these centres provide free, community mediation services and can assist with many disputes, including debts
- **Professional mediators and solicitors** – a list of people able to assist at cost is available through the Law Society of NSW and District Court of NSW – this is usually only appropriate for larger outstanding debts, and
- **Internal Ombudsmen.**

3.4 Specific considerations for pensioners

Where a ratepayer that owes council a debt for rates and charges is a pensioner, additional options for support and flexibility may exist.

Councils should bring these options to the attention of ratepayers as soon as possible to minimise further costs accruing to those ratepayers and should set out in their policies and procedures how pensioner matters will be handled and relevant factors to consider in assessing applications.

For further information about pensioners refer to **Section 4** of these Guidelines.

3.5 Water and sewerage charges

Like rates and waste charges, councils levy ratepayers for water and sewerage services council provides. To the extent possible, the overall debt collection and recovery process should be consistent with the recovery of rates and charges.

Also like for rates and waste charges, pensioners are eligible for a discount on their water and sewerage charges.

While some special considerations apply to collecting these charges and responding to overdue payments, councils should also ensure they have appropriate policies and procedures in place to manage non-payment for water and sewerage charges.

Notifying ratepayers and occupiers

Particular considerations that should be included as part of these policies will apply where council may consider restricting water supply due to non-payment.

Councils should be aware that:

- a decision to restrict water supply must be consistent with the *Local Government (General) Regulation* and allow sufficient water use to maintain personal hygiene
- if payment is not made after a reminder notice is issued, council may choose to issue a notice of Intention to Restrict Water Supply
- notices should advise what action will be taken and a time period set by council, together with other matters usually set out on a reminder notice for rates
- notices should be sent to the legal owner of the property affected at his or her last known address and a copy sent to the 'Occupier' at the property address
- if council receives no response to a Notice of Intention to Restrict, a further Water Restriction Notice should be served on the occupier, and, the property owner at their last known address. This further notice should state when service will be restricted, at least 7 days from the date of the notice
- arrangements for payment should not be entered into directly with tenants
- if payment is not received and a restrictor is installed, a notice should be given to the occupier advising that water supply has been restricted or, if that is not possible, left at the property address, and
- the final notice should state that water supply will not be restored until payment is made, including a reconnection fee.

3.6 Writing off debt

If a debt cannot be recovered, or a council chooses not to take any further action, outstanding debts should be settled, where legally allowable.

One option is to reduce or write-off an outstanding debt. This can happen before, during or after any legal action is commenced, and may include:

- rates and charges in certain circumstances – clause 131 *Local Government (General) Regulation*
- accrued interest – s.567 *Local Government Act*
- pensioners' rates and charges – s.582 and 583 *Local Government Act*, and
- sundry fees and charges – s.610E, *Local Government Act* (after public notice).

Further information about the procedures for these actions is set out in the [Council Revenue and Rating Manual](#).

Bad debts may be written off by a General Manager with delegated authority. For example, an elected council may resolve that the General Manager can write off debts below a certain amount or in specific circumstances without council resolution in accordance with the *Local Government Act*, such as in cases where it is believed that an attempt to recover the amount would not be cost effective.

3.7 External Dispute Resolution options

Businesses in many industries belong to an external dispute resolution (EDR) scheme. Specialist collection and debt purchasing agencies may also decide to join a scheme. At times, these schemes can help to resolve disputes that are unable to be resolved through the council's internal or informal dispute resolution processes.

Some councils are members of the Energy and Water Ombudsman scheme (EWON). Councils may wish to consider joining such a scheme for water charges. Further information is available at: www.ewon.com.au/.

The benefits of external review are that it provides an independent and transparent process to present a case, explain decisions and often resolve issues before the need for court action. It can also inform continual improvement in council policies and procedures.

Council policies should specify any circumstances in which outstanding payment issues are to be elevated to more formal dispute resolution processes.

3.8 Legal options

While there are a number of local government court claims for unpaid rates in NSW each year, only 0.1% go to a final hearing. Almost all disputes are resolved through negotiation or other informal dispute resolution processes prior to judgement, and this is often required before a claim can be heard.

Court claims dealing with unpaid rates and charges can waste time, resources and cause unnecessary stress to ratepayers. Excessive court claims by councils can be a sign of poor debt recovery practices.

Councils should take legal action in court as a last resort rather than a matter of practice. This should only occur if an informal payment arrangement with a ratepayer is not successful, a ratepayer breaches an existing payment arrangement or a ratepayer has a long history of not paying rates and charges.

In considering whether to commence legal proceedings, councils should also consider the amount of a debt, how overdue it is and action taken to date. Special considerations may apply if the ratepayer is a pensioner, has a mental illness, is in hardship or otherwise requires assistance to defend a legal claim.

Councils should develop and apply a set of principles or criteria as part of their policies to assist in their decision about whether to proceed with legal action. This could include whether the ratepayer has:

- attempted to contact council or make instalments
- previously failed to pay their rates
- complied with any alternative arrangements to make payments
- more than one rates instalment outstanding, and
- participated willingly in mediation or other attempts to settle the debt.

Filing in court

Only when other options are exhausted – and a council determines the next best option is to file in court – councils may use the NSW Department of Justice Online Registry to file forms including Statements of Claim and applications for default judgement. This may reduce the need to engage agents to file matters for councils. Further information is at: onlineregistry.lawlink.nsw.gov.au/content/.

NSW Government Civil Justice Strategy

The Department of Justice is developing a new Civil Justice Strategy that places a strong emphasis on dispute resolution prior to filing in court, particularly by State agencies and councils. This strategy recognises that more than 95% of court matters settle before final judgements and that the formal justice system should be involved in civil matters such as outstanding debts only where necessary.

Statements of Claim

Councils can recover debts in the Local Court for up to \$100,000. A flowchart of the debt recovery process is at **Appendix B**. The Small Claims Division handles debts up to \$10,000. This provides a lower cost process with less formality, less technicality in proceedings and fewer rules of evidence. Costs that can be awarded are therefore capped to a fixed amount. Most matters are usually dealt with by court assessors rather than magistrates.

Court orders and recovery action

The court may order that a ratepayer owes a council a debt. If not paid, the council or agent may take recovery action. This should only be authorised by a council officer with appropriate delegation. Council policies that contemplate legal action should provide guidance about how to choose an appropriate course of action such as an examination summons or garnishee order. Councils should only ever choose options that are commensurate with the nature of the debt owed.

Sale of land for unpaid rates

Under Chapter 17, Division 6 of the *Local Government Act*, councils are able to sell land to recover rates and charges in certain circumstances where the debts have been outstanding for more than five years. Councils should only resort to this option as a last resort, particularly where a ratepayer lives on the property and the debt owing is a small amount. Councils should be guided by sound policies and procedures if taking this action.

If a property is sold and the amount received by council is less than the outstanding rates and charges, the council should consider the debt paid in full as per Section 719 of the *Local Government Act*.

If the amount received is more than the amount outstanding, the council will hold the money for persons having estates or interests in the land immediately before the sale according to their respective estates and interests.

Section 720 of the *Local Government Act* provides for councils to pay the balance of the purchase money or any part of the balance to or among the persons who are, in its opinion, clearly entitled to it. Receipt by the person of any payment made under this section is an effectual discharge of the council's liability.

Part 4:

Ensuring hardship is fairly and effectively assessed



Councils should act proactively, fairly, realistically and flexibly when they think a ratepayer may be experiencing hardship. They should also take into account the individual circumstances causing hardship. This will better ensure that the ratepayer is supported to meet their financial commitments.

Councils should ensure hardship information is easily accessible and understandable to ratepayers.

Councils should ensure that their hardship and debt management policies and procedures are integrated well, even if they are written as separate policies.

Many of the principles, policies and processes that apply to debt management, as outlined in the earlier sections of these Guidelines, also apply to hardship. Below is additional information that councils should take into account when preparing and implementing hardship policies and procedures.

4.1 Understanding hardship

Hardship is difficulty in paying debts when repayment is due. Any person who cannot pay their rates or charges due to hardship can apply to council for assistance at any time. Ratepayers should be encouraged to seek assistance from the council as soon as practical. The council should then consider each case on its merits.

Short term hardship can arise from a temporary change in circumstances:

- Loss or change in income
- Illness
- Loss arising from an accident
- Natural disaster or emergency situation
- Death in the family
- Separation, divorce or other family crisis
- Family violence, and/or
- Some other temporary financial difficulty due to loss of income or increase in essential expenditure.

Long term hardship can arise from any of the reasons listed above, or it can relate to the problem of managing living costs with a low or fixed income such as a pension or superannuation payment.

4.2 Clear and upfront communication with ratepayers about hardship

As for debt management generally, councils should adopt and widely communicate local hardship policies and procedures in an easy to understand and accessible format. This should include having fact sheets, forms and other information on the council's website.

Where possible, councils should include information about language services to support the hardship claim process.

Councils should additionally define and clearly communicate financial support contacts, or information about where contacts can be found, as part of their debt management and hardship communication strategies. Key contacts could include:

- Financial Counsellors Association
- Financial Rights Legal Centre
- Mortgage Hardship Service
- National Debt Helpline, and/or
- any other relevant services in the local area.

Councils should clearly communicate key sections of their debt management and hardship policy to ratepayers, including alternative payment options available to ratepayers (**section 2.3**), privacy provisions for ratepayers engaging with council (**section 2.4**), and arrangements for pensioners (**section 2.5** of this Guideline).

4.3 Assessing applications for hardship assistance

Councils should have information in their policies and procedures about how they will consistently assess hardship applications.

Resources, such as hardship factsheets and application forms, should be easily accessible on the council website to allow ratepayers to make an application. Information should include a contact point in the council for any queries a ratepayer has. Applications should be able to be submitted by the ratepayer or by another person on their behalf.

How applications may be assessed

As each local community is different, councils should develop a methodology for assessing hardship based on local circumstances. Applications may be assessed by the council or a delegate (e.g. a Hardship Committee or council employee). Factors to be considered may include, but are not limited to, whether the ratepayer:

- has provided appropriate evidence of financial and/or other hardship
- receives Centrelink benefits
- receives other benefits (e.g. emergency relief funding)
- whether the applicant could be considered in acute financial hardship, for example, if an individual earns below 75% of the minimum weekly wage
- is experiencing domestic or family violence involving financial abuse
- has been referred by an accredited financial counsellor, welfare agency or legal assistance service, or
- has a payment history that indicates they have difficulty in meeting payments in the past.
- has appropriately completed a hardship application form (if required).

Councils may wish to consider best practice hardship processes of peer councils and/or talk to Legal Aid NSW or local financial support agencies when developing their hardship assessment processes.

Capacity to pay

An individual's capacity to pay should be assessed as part of this process. The payment amount and/or payment plan should take into account and reflect a ratepayer's personal circumstances including, but not limited to:

- the ratepayers total disposable income and current financial commitments
- the number of children and/or dependents of the ratepayer, and/or
- advice from an accredited financial counsellor.

Financial hardship and council assistance

There are several ways the council may help a ratepayer who is experiencing financial hardship including, but not limited to:

- a payment plan or agreement (s564 of the *Local Government Act*) so that rates and charges (whether overdue or not) are paid on a weekly, fortnightly or monthly basis
- interest may be waived or reduced for a set period of time
- a pensioner rebate (additional to the legislated rebate) may be given
- interest, rates or charges may be written off, waived, reduced, or deferred for eligible applicants (s564, s577, s601 *Local Government Act*).

When a payment plan is being arranged, the delegated council officer should work with the applicant to ensure the plan is realistic in terms of the applicant's capacity to pay.

When a payment plan is agreed the applicant should be given written notice of:

- how long the plan will last
- the amount of each instalment payable under the plan
- the due date of each instalment
- what action the council will take if the applicant misses a payment
- who to contact if the applicant's circumstances change, and
- details of any payment deferral options (e.g. s601, *Local Government Act*).

Penalty interest charges may normally be written off or reduced if:

- if the applicant complies with their payment plan, or
- if the applicant is a 'first time' defaulter with a good payment history and there are mitigating circumstances.

Hardship application decisions and appeals

The council, or delegate deciding hardship applications, should generally make a recommendation to the General Manager about whether or not to grant hardship. The General Manager would then make a decision.

The applicant should be informed of the General Manager's decision in writing within a reasonable timeframe after making the application (say 14 days) and should be given reasons for the decision.

If not satisfied with the outcome, the applicant should be able to appeal the decision, potentially to the elected council. Any hardship request considered by the elected council should be done at a closed meeting.

Length of payment arrangements

Any form of assistance provided under a local debt management and hardship policy may be for 6 months, 12 months, or a period agreed to between both parties. A further application for hardship consideration may be made after this period.

Cancelling hardship arrangements

A hardship arrangement may be cancelled if the ratepayer:

- fails to comply with their payment plan
- no longer owns the land
- advises the council that financial hardship no longer applies, or
- provides false or misleading evidence of financial hardship to council.

Where a ratepayer fails to comply with their payment plan or contact the council about failing to pay, council should send a reminder to make a payment or contact the council.

If the ratepayer does not respond within an appropriate timeframe, say ten business days, and the council determines the payment plan is unlikely to be met, the payment plan may be cancelled and this decision communicated to the ratepayer in writing. The ratepayer's debt would then become subject to the normal debt recovery processes of the council.

Relevant checklists are in **Appendices E** and **F**.



Appendices



Appendix A

Definitions

Term	Definition
Agent	A person who has the express or implied authority to undertake collection activity on behalf of a council in circumstances where a debt has not been sold or assigned
Authorised representative	A person such as a financial counsellor, solicitor, financial advisor, carer, trustee or guardian who has been authorised by a ratepayer to act on their behalf
Capacity to pay	A payment amount or plan that takes account a ratepayer's personal circumstances including, but not limited to: <ol style="list-style-type: none"> total disposable income and current financial commitments number of children and/or other dependents of the ratepayer, or advice from an accredited financial counsellor
Costs	Amounts incurred by a council in recovering overdue debts (e.g. Court, interest and professional costs) which can be legally recovered from the ratepayer
The Council	The elected representatives, or councillors, who form the governing body of a local council.
Council policy	Policy created and approved by the General Manager of a council and/or the elected body
Credit listing	The listing of an unpaid debt on a person's credit report
Credit report	Any record or information that: <ul style="list-style-type: none"> is being or has been prepared by a credit reporting agency has any bearing on an individual's <ul style="list-style-type: none"> eligibility to be provided with credit history in relation to credit, or capacity to repay credit, or is used or has the capacity to be used as a factor in establishing an individual's eligibility for credit.
Debt collector	A person collecting a debt in the course of a business, including councils, agencies collecting a debt on a council's behalf and independent collection agencies
Debt Recovery Procedure	A council procedure that defines the processes to implement to meet the objectives of a council's debt recovery policy
Default Judgment	In cases where the ratepayer does not respond to a Summons issued to them, the Court may make a default judgment whereby it will make a decision without having the matter heard in Court
Financial counsellor	A person who provides information, support and advocacy to assist people in financial difficulty

Term	Definition
Garnishee	Legal document issued by the court ordering third parties who hold funds on behalf of the defendant (eg. an employer) to pay funds to a council. Garnishees can be issued against a defendant's wages, bank accounts or other third party holding funds on behalf of the defendant.
Hardship	Hardship is any situation where an individual is having difficulty paying legally owed debt. This can result from life changes (for example, because of illness, unemployment or changed financial circumstances) restricting the short-term capacity to pay
Judgment debt	A debt confirmed by an order or judgment of a court
Notice of Demand	Demand letter from a council or a council's legal recovery representative issued in accordance with the Australian Competition and Consumer Commission and the Australian Securities and Investments Commission guidelines
Penalty interest	Interest raised in accordance with the <i>Local Government Act</i> and as adopted by a council in its Revenue Policy
Pensioner	An eligible pensioner as defined in clause 134 of the <i>Local Government (General) Regulations 2005</i>
Rateable valuation	Land value used for rating purposes i.e. net of allowances allowed by the <i>Valuation of Land Act 1916</i> and s.585 <i>Local Government Act</i>
Reasonableness	Assessed according to an objective standard, taking into account all relevant circumstances
Rent for rates	Section 569 of the <i>Local Government Act</i> allows a council to order tenants of properties with overdue rates to pay rent to a council in lieu of unpaid rates, under specific circumstances
Sale of Land	In accordance with s713 of the <i>Local Government Act</i> , a council has the authority to sell land which has any unpaid rates or charges for more than 5 years, or 1 year for vacant land, where the owing debt exceeds the land valuation
Write off	The accounting procedure for cancelling a debt that is no longer collectable resulting in its removal from the ratepayer's balance sheet account

Appendix B

Debt recovery process flowchart

	Debt recovery process	Council / delegated authority	Debtor
1	Rate and charges notice s562 1 August 31 days	<ul style="list-style-type: none"> Flexible payment options Financial hardship policy Debt recovery policy Debt communication 	<ul style="list-style-type: none"> Contact Council Ensure contact details are correct Payment of Council debt <ul style="list-style-type: none"> Fixed Flexible Apply for hardship arrangements
2	Rate and charges instalment notice s562 30 days		
3	Notification of outstanding debt 14 days	<ul style="list-style-type: none"> Confirm debtor contact details are correct Debt review Early dispute Resolution (EDR) Financial Counsellors 	<ul style="list-style-type: none"> As above Payment of council debt, via agreement
4	"Notice of Demand" Final reminder notification 14 days	<ul style="list-style-type: none"> As above Develop payment agreement s564 Defer payment requirements, s601 Write off interest, debt, s564, s567, s607, c1131 Refer for legal action if not paid Sale of land, s713 	<ul style="list-style-type: none"> As above
5	Statement of claim 28 days	<ul style="list-style-type: none"> Debt review File claim Process claim Report 	<ul style="list-style-type: none"> As above
6	Notice of motion default judgment		Quarterly payment by: <ul style="list-style-type: none"> 31 August 30 November 28 February 31 May
7	Recovery action Weeks, months, years		

Note: Red indicates action referred to the NSW Local Courts, whereby rates, charges and fees remain unpaid after a final reminder notification.

Appendix C

Local Government Act and regulations – excerpts

The *Local Government Act 1993* (the Act) provides the legal framework for how councils in NSW may set and levy rates and charges and recover debt from overdue rates and charges. This is supported in provisions in the *Local Government (General) Regulation 2005*. Some relevant excerpts are set out in the tables below.

Councils must take a range of other laws into account when undertaking these activities. This Guideline does not capture all other legislation, in relation to which councils should take their own advice.

Local Government Act 1993

Section 546 How is a rate or charge levied?

- (1) A rate or charge is levied on the land specified in a rates and charges notice by the service of the notice.
- (2) The notice may be served at any time after 1 July in the year for which the rate or charge is made or in a subsequent year.
- (3) A notice that is required to effect an adjustment of rates or charges may be served in the year for which the rate or charge is made or a subsequent year.
- (4) The notice may include more than one rate, more than one charge and more than one parcel of land.
- (5) It is not necessary to specify the name of the rateable person or the person liable to pay the charge in the notice if the council does not know the person's name.

Section 562 Payment of rates and annual charges

- (1) Annual rates and charges may be paid in a single instalment or by quarterly instalments.
- (2) If payment is made by quarterly instalments, each instalment is to be a quarter of the rates or charges, disregarding any remainder, together, in the case of the first instalment, with the remainder. However, if the amount of an instalment, other than the first instalment, is not a multiple of 10 cents, the amount of each instalment in excess of a multiple of 10 cents is to be subtracted from that instalment and added to the first instalment.
- (3) Except as provided by subsection (4):
 - (a) if payment is made in a single instalment, the instalment is payable by 31 August, and
 - (b) if payment is made by quarterly instalments, the instalments are payable by 31 August, 30 November, 28 February and 31 May.
- (4) If the rates and charges notice is not served by 1 August:
 - (a) the single instalment (if payment is made in a single instalment), or
 - (b) the first 2 instalments (if payment is made by quarterly instalments),
is or are payable by 30 November, or by the day that is 30 days after service of the notice, whichever is the later.
- (5) On or before 31 October, 31 January and 30 April, a council must send reminder notices (to be sent separately from the rates and charges notice) to each person whose rates and charges are being paid by quarterly instalments.

Section 563 Discount for prompt payment in full

A council may discount the amount of a rate or charge to such extent as it determines if the whole of the discounted amount of the rate or charge is paid by a date nominated by the council

Section 564 Agreement as to periodical payment of rates and charges

- (1) A council may accept payment of rates and charges due and payable by a person in accordance with an agreement made with the person.
 - (2) The council may write off or reduce interest accrued on rates or charges if the person complies with the agreement.
-

Section 566 Accrual of interest on overdue rates and charges

- (1) Interest accrues on rates and charges that remain unpaid after they become due and payable.
 - (2) Interest accrues on a daily basis.
 - (3) The rate of interest is that set by the council but must not exceed the rate specified for the time being by the Minister by notice published in the Gazette.
 - (4) Accrued interest is, for the purpose of its recovery, taken to be a rate or charge which is due and payable.
 - (5) Interest continues to accrue on unpaid rates or charges even though judgment for payment of the rates or charges may have been obtained in a court. Interest is not payable on the judgment debt, despite any other Act.
-

Section 567 Writing off of accrued interest

The council may write off accrued interest on rates or charges payable by a person if, in its opinion:

- (a) the person was unable to pay the rates or charges when they became due and payable for reasons beyond the person's control, or
 - (b) the person is unable to pay the accrued interest for reasons beyond the person's control, or
 - (c) payment of the accrued interest would cause the person hardship.
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Section 570 Transfer of land in payment of rates or charges

A council may accept a transfer of the land in respect of which rates or charges are or accrued interest is due and payable in full satisfaction of the rates, charges or accrued interest.

Section 577 Extension of concession to avoid hardship

(1) If a council considers it proper to do so to avoid hardship, the council may, by order, direct that:

(a) a person specified in the order:

(i) who occupies a dwelling as his or her sole or principal place of living, which dwelling is the sole or principal place of living of an eligible pensioner, and

(ii) who is jointly liable with that eligible pensioner or with that eligible pensioner and one or more other persons in respect of the land on which that dwelling is situated, and

(iii) in respect of whom a reduction of rates or charges would not, if that person were solely liable in respect of that land, be required to be made under this Division, or

(b) any person belonging to a class of persons specified in the order, being persons referred to in paragraph (a),

is, on and from the effective date of the order, taken, for the purposes of this Division, to be or to have been an eligible pensioner.

(2) If a council considers it proper to do so to avoid hardship, the council may, by order, direct that:

(a) an eligible pensioner specified in the order who, although not liable, or although liable jointly with one or more other persons, to do so, has, for such period as, in the opinion of the council, warrants the making of an order under this section in respect of that person, paid the whole of the rates or charges for the land on which that dwelling is situated or is, in the opinion of the council, likely to pay the whole of the rates or charges in circumstances that in the opinion of the council warrant the making of an order under this subsection, or

(b) any person belonging to a class of persons specified in the order being persons referred to in paragraph (a),

is, on and from the effective date of the order, taken, for the purposes of this Division, to be or to have been the person solely liable in respect of the land on which the dwelling is situated.

(3) An order under this section has effect according to its tenor.

Section 578 When does an order under sec 577 take effect?

(1) An order under section 577 takes effect (or is taken to take effect) on such date as is specified in the order (the effective date), being a date in the year commencing on 1 July during which the order is made, whether or not that date is before or after the date on which the order is made.

(2) If a council makes an order under section 577 that is taken to take effect on a date that is before the date of the making of the order, the council may, in that order or in a subsequent order, give such directions as to refunding any rates or charges that have been paid and the charging of interest on overdue rates or charges and as to such other matters as the council thinks fit.

(3) An order under subsection (2) has effect according to its tenor.

Section 579 When and how is an application made for the purposes of this Division?

- (1) An application under this Division is to be made within the time and in the manner prescribed by the regulations.
- (2) If no such regulations are in force, the application is to be made within the time and in the manner fixed by resolution of the council and, if an application is made for an order referred to in section 577, as the council may require.
- (3) If, pursuant to an application made under this Division, a reduced rate or charge applies, the council may, if the eligibility of the applicant for a reduction in a subsequent rate or charge is verified by the council as prescribed by the regulations, reduce the subsequent rate or charge without requiring a further application under this Division.

Section 580 Variation by regulation of amounts of reductions

The amount by which a rate or charge is to be reduced in accordance with this Division may be varied from time to time by the regulations.

Section 582 Abandonment of pensioners rates and charges

A council may waive or reduce rates, charges and interest due by any person prescribed by the regulations who is in receipt of a pension, benefit or allowance under the Social Security Act 1991 of the Commonwealth.

Section 583 Writing off of pensioners rates and charges

- (1) A council is to write off amounts of rates, charges and interest which are reduced or waived under this Division.
- (2) A council may not take proceedings to recover an amount so written off unless the amount has been written off because of a wilfully false statement in an application under this Division or except as provided by section 584.

Section 585 Who may apply for postponement of rates?

The rateable person for land described in any of the following paragraphs may apply to the council for a postponement of rates payable for the land in the current or following rating year (or in both years):

- (a) a parcel of land on which there is a single dwelling-house used or occupied as such and which is zoned or otherwise designated for use under an environmental planning instrument for the purposes of industry, commerce or the erection of residential flat buildings, not being land referred to in paragraph (b) or (c),
- (b) a parcel of land (which may comprise one or more lots or portions in a current plan) on which there is a single dwelling-house used or occupied as such and which is zoned or otherwise designated under an environmental planning instrument so as to permit its subdivision for residential purposes, not being land referred to in paragraph (c),
- (c) a parcel of rural land (which may comprise one or more lots or portions in a current plan) which is zoned or otherwise designated under an environmental planning instrument so as to permit its use otherwise than as rural land, or its subdivision into two or more lots or portions, one or more of which has an area of less than 40 hectares.

Section 595 Rates to be written off after 5 years

- (1) If 5 years have elapsed since the commencement of a rating year for which part of the rates levied on land have been postponed under this Division, the part postponed and any interest accrued on that part must be written off by the council.
 - (2) Nothing in this section affects the right of the council to recover rates and interest, even though they have been written off under this section, if it subsequently appears to the council that they should not have been written off.
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Section 601 Hardship resulting from certain valuation changes

- (1) A ratepayer who, as a consequence of the making and levying of a rate on a valuation having a later base date than any valuation previously used by a council for the making and levying of a rate, suffers substantial hardship, may apply to the council for relief under this section.
- (2) The council has a discretion to waive, reduce or defer the payment of the whole or any part of the increase in the amount of the rate payable by the ratepayer in such circumstances, for such period and subject to such conditions as it thinks fit.
- (3) An applicant who is dissatisfied with a council's decision under this section may request the council to review its decision and the council, at its discretion, may do so.

Section 710 Service of notices on persons

- (1) A notice required by or under this Act to be served on a person may be served as provided by this section.
 - (2) The service may be:
 - (a) personal, or
 - (b) by delivering the notice at or on the premises at which the person to be served lives or carries on business, and leaving it with any person apparently above the age of 14 years resident or employed at the premises, or
 - (c) by posting the notice by prepaid letter addressed to the last known place of residence or business or post office box of the person to be served, or
 - (d) by transmitting the notice by facsimile transmission to a number specified by the person (on correspondence or otherwise) as a number to which facsimile transmissions to that person may be sent, or
 - (d1) by transmitting the notice by electronic mail to an email address specified by the person (on correspondence or otherwise) as an address to which electronic mail to that person may be transmitted, or
 - (e) by fixing the notice on any conspicuous part of the land, building or premises owned or occupied by the person, or
 - (f) in the case of an offence involving a vehicle, by attaching the notice to the vehicle, or
 - (g) if the person to be served maintains a box at a document exchange established in New South Wales, by depositing the notice in that box or leaving it at another such exchange for transmission to the first mentioned exchange for deposit in that box.
 - (2A) Subsection (2) (d1) does not authorise a notice to be transmitted to a person by electronic mail unless the person has requested the council, in writing, that notices of that kind be transmitted to the person by electronic mail, and has not subsequently withdrawn the request.
 - (2B) A person's request under subsection (2A) is taken to have been withdrawn in relation to a particular kind of notice only if the person has informed the council, in writing, that notices of that kind are no longer to be transmitted to the person by electronic mail.
 - (2C) While a person's request under subsection (2A) has effect in relation to a particular kind of notice, the address to which notices of that kind are to be transmitted is:
 - (a) the email address indicated in the request, or
 - (b) if the person subsequently directs the council, in writing, to transmit notices of that kind to a different email address, that different address.
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- (3) If a notice is deposited in a box, or left at a document exchange, service of the notice is, until the contrary is proved, taken to be effected 2 days after the day on which the notice is so deposited or left.
 - (4) In addition to the means of service prescribed by subsection (2):
 - (a) in any case where the person to be served is, or after inquiry appears to be, absent from New South Wales, the service may be on the agent of that person by any of the means prescribed by subsection (2) (a), (b), (c) or (d), and
 - (b) in any case where the land, building or premises are unoccupied and the owner or the owner's address or place of residence is not known to the council, service by the council may be by advertisement in the approved form published in:
 - (i) a newspaper circulating in the area or part of the area in which the land, building or premises are situated that is published in print form at intervals not exceeding 26 days, or
 - (ii) a manner determined by the council having regard to the object of bringing notices to the attention of owners in cases of that kind, and
 - (c) in the case of the service of a rates and charges notice, the service may be effected by delivering the notice to the premises at which the person to be served lives or carries on business and depositing it in a box or receptacle at, on or in the proximity of those premises that is provided, used or designed for the reception of letters addressed to that person.
 - (5) The notice may be addressed by the description of "rateable person" or "owner" or "occupier" of the land, building or premises (naming or otherwise sufficiently indicating the same) in respect of which the notice is served, and without further name or description.
 - (6) The notice may be wholly printed, wholly written or partly printed and partly written.
 - (7) If a notice has been served by any of the means prescribed by this section, all inquiries required under this section are taken to have been made, and the service is conclusive evidence of them.
 - (8) Proof by affidavit or orally that a notice has been posted, or its transmission by electronic mail has been initiated, in accordance with this section is conclusive evidence of service.
 - (9) For the purposes of this section, a justice of the peace is authorised to take and receive an affidavit, whether any matter to which the affidavit relates is or is not pending in any court.
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Section 713 Sale of land for unpaid rates and charges

- (1) For the purposes of this Division, a rate or charge is overdue if:
- (a) in the case of vacant land, it has remained unpaid for more than one year, or
 - (b) in the case of any other land, it has remained unpaid for more than 5 years, from the date on which it became payable.
- (2) A council may, in accordance with this Division:
- (a) sell any land (including vacant land) on which any rate or charge has remained unpaid for more than 5 years from the date on which it became payable, and
 - (b) sell any vacant land on which any rate or charge has remained unpaid for more than one year but not more than 5 years from the date on which it became payable, but only if:
 - (i) the council obtains a valuation of the land from the Valuer-General, and
 - (ii) the total amount of unpaid rates or charges on the land exceeds the valuation, and
 - (iii) the council sells the land within 6 months after the date when the council received the valuation.
- (3) The council must not sell any such land unless the general manager or the public officer certifies in writing:
- (a) what rates and charges (including overdue rates and charges) are payable on the land, and
 - (b) when each of those rates and charges was made and how it was levied, and
 - (c) when each of those rates and charges became payable, and
 - (d) what amounts are payable by way of overdue rates and charges on the land, and
 - (e) what amounts are payable by way of rates and charges (other than overdue rates and charges) on the land.
- (4) The council may, in the case of adjoining parcels of land (whether in the same or different ownerships) each of which may be sold under this Division:
- (a) sell them separately or as a single parcel and under whatever conditions of sale it considers proper, and
 - (b) do such things as it considers appropriate for the purpose of selling the land at its full value.
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cl.127 Rates and charges notices

(1) A rates and charges notice must contain the following information:

- (a) the land to which it relates,
- (b) the land value of the land to which it relates and the base date of the general valuation from which the land value is derived,
- (c) particulars of each rate or charge levied on the land by the notice,
- (d) if the rate consists of a base amount to which an ad valorem amount is added, particulars of the base amount,
- (e) the date the notice is taken to have effect,
- (f) particulars of any outstanding arrears of rates and charges levied on the land and of any interest payable on those amounts,
- (g) the total amount due and the dates for payment of the rates or charges concerned,
- (h) the amounts payable for, and the due dates for payment of, instalments of rates or charges,
- (i) particulars of any waiver of an amount of special rate in consideration of payment of a lump sum,
- (j) a statement that concessions are available to eligible pensioners for any quarter in which they are eligible pensioners,
- (k) particulars of any concession extended in respect of payment of the rates,
- (l) particulars of any discount for prompt payment in full of a rate or charge,
- (m) particulars of any postponement of rates or postponed rates,
- (n) particulars of any option to pay a lump sum towards the capital cost of any works, services or facilities instead of a special rate in the notice,
- (o) a statement that if payment is not made on or before the due date or dates interest accrues on the overdue amount,
- (p) a statement as to how to make inquiries about the notice,
- (q) the text, or a summary, of the following provisions of the Act (if applicable):
 - (i) section 524 (Notice of change of category),
 - (ii) section 525 (Application for change of category),
 - (iii) section 526 (Appeal against declaration of category),
 - (iv) section 555 (What land is exempt from all rates?),
 - (v) section 556 (What land is exempt from all rates, other than water supply special rates and sewerage special rates?),
 - (vi) section 557 (What land is exempt from water supply special rates and sewerage special rates?),
 - (vii) section 562 (Payment of rates and annual charges),
 - (viii) section 563 (Discount for prompt payment in full),
 - (ix) section 564 (Agreement as to periodical payment of rates and charges),
 - (x) section 566 (Accrual of interest on overdue rates and charges) (xi) section 567 (Writing off of accrued interest), (xii) section 574 (Appeal on question of whether land is rateable or subject to a charge),

Appendix D

Best practice procedures for contacting ratepayers

Councils should contact ratepayers if they have not paid their rates after a reminder notice is issued, and potentially in other circumstances in which rates and charges are owed.

Council officers can contact local residents and ratepayers without breaching their obligation to protect their privacy.

The following is an overview of some issues and practical considerations when contacting ratepayers about outstanding debt. If there is any doubt, councils should seek and be guided by their own legal advice.

When can a ratepayer be contacted?

1. When you have a reasonable purpose for contacting a ratepayer

You must only contact a ratepayer for a *reasonable purpose* and only to the extent necessary. It may be necessary and reasonable if your purpose is to:

- make a demand for payment
- offer to work with the ratepayer to reach a flexible repayment arrangement
- accurately explain the consequences of non-payment, including any legal remedies available to the collector/creditor, and any service restrictions that may apply in the case of utilities
- make arrangements for repayment of a debt
- put a settlement proposal or alternative payment arrangement to the ratepayer
- review existing arrangements after an agreed period
- ascertain why earlier attempts to contact the ratepayer have not been responded to within a reasonable period, if this is the case
- ascertain why an agreed repayment arrangement has not been complied with, if this is the case

- investigate whether the ratepayer has changed their residential location without informing you, when there are grounds for believing this has occurred, or
- other similar purposes.

You may also contact a person at their request.

Whether or not a purpose is reasonable may depend on the personal circumstances of each ratepayer – e.g., if you know a person cannot make repayments (for example, because they are in jail) then continuing to contact them to demand payment is not reasonable or appropriate unless you know, or have good reason to think it is likely, that the ratepayer's financial situation has improved.

There may be circumstances where contact is made for a reasonable purpose, or contact is made initially for a reasonable purpose, and yet other relevant considerations mean the contact becomes unreasonable or unacceptable. Relevant considerations may include the ratepayer's mental illness or intellectual disability, or the ratepayer's incarceration.

If you make contact with a ratepayer in order to convey a demand for payment it may be contact for a reasonable purpose. However, if the ratepayer disputes liability and requests proof of a debt, and you continue to pursue that person without properly investigating the claims, then this will not be contact for a reasonable purpose.

2. It is necessary and reasonable to contact the ratepayer (again)

It is not acceptable to harass a ratepayer. Make a written record of all contact with ratepayers and check these records before contacting a ratepayer. For this purpose *contact* is interpreted widely and includes:

- telephone calls and text messages – whether or not the person receives the call if you leave a message;
- all written correspondence – for example, this includes letters, emails, text messages, faxes, social media, instant chats and other private messages; and
- face to face contact – including contact at their work, home or elsewhere.

Importantly, if you phone a ratepayer and leave a message on their voice mail, and you also send the ratepayer an email, and a text message, then you will have made three separate contacts with that person.

Once you have made contact, leave a reasonable interval before next contacting the ratepayer. Give the ratepayer time to respond to your previous communications, and/or to organise payments if this has been agreed.

If you have spoken to the ratepayer and it is understood that the ratepayer requires a few days to speak to third parties or consider options, then contacting the ratepayer on the following day may be considered unreasonable, even though it is within the recommended limits.

3. It is a reasonable time to contact the ratepayer, given their circumstances and reasonable wishes

The following table sets out general guidance on what may be a reasonable time to contact a ratepayer.

Type of contact	Day	Reasonable contact times
Contact by telephone	Monday to Friday	7:30am – 9pm
	Weekends	9am – 9pm
	National public holidays	No contact recommended
Face to face contact	Monday to Friday	9am – 9pm
	Weekends	9am – 9pm
	National public holidays	No contact recommended
All contact at the ratepayer's workplace	Ratepayer's normal working hours if known, or 9 am to 5 pm on weekdays	

There may be reasons why contact during the above times is unreasonable, or contact outside these times is reasonable. For example, a ratepayer may ask that contact be made at other or more restricted times for various reasons, such as, because he or she is a shift worker, is responsible for children, or caring for a family member. He or she may also not wish to be contacted when other family members are present. In these and other such cases, the reasonable wishes of the ratepayers should be respected, and contact limited to the times requested.

However, you may alter the time of contact if, after reasonable efforts over a reasonable period of time to contact the ratepayer during normal hours or at the times requested, you have not been able to do so.

Generally, you should not contact a ratepayer more than three times per week, or 10 times per month at most (when contact is actually made, as distinct from attempted contact) and only when it is necessary to do so. This does not apply to face-to-face contact – you should not make more than one face-to-face contact with a ratepayer per month.

Think carefully about where to contact a ratepayer. In general, face to face visits should be an option of last resort after less intrusive means have failed. Particular care should be taken in visiting a person's home or workplace.

Ensure the person is the correct ratepayer before discussing their debt

Before discussing the reason for making contact or any other confidential information, make sure you are speaking to the correct ratepayer. It is important that you do not reveal directly or indirectly that the ratepayer has a debt to another person. Particular care should be taken when calling a ratepayer's workplace.

If the ratepayer has requested contact by a particular means (such as email) or specifically asked not to be contacted a certain way, adopt that preference and avoid contacting them by other channels as far as possible.

Rate payers have the right to have an authorised representative (such as a financial counsellor, financial advisor, community worker, solicitor, guardian or carer) represent them or advocate on their behalf. Where possible, it is helpful if this advice is provided formally to council, such as in writing, to ensure council does not inadvertently discuss private information with unauthorised individuals.

If you know, or should know, a ratepayer has chosen to have another person represent them, you should not contact the ratepayer directly unless:

- the ratepayer specifically requests direct communication with you
 - the representative does not consent to represent the ratepayer or tells you he or she does not have instructions from the ratepayer about their debt
 - the representative does not respond to your communications within a reasonable time (normally seven days) and you advise the representative in writing after the reasonable time has passed that if they do not respond within the next seven days, you will make direct contact with the ratepayer; and
 - you advised the ratepayer you require a written authority which states that you are only to communicate through his or her representative, and you do not receive this in a reasonable time (normally seven days).
- Note: that this does not apply where the ratepayer's representative is a solicitor.*

Further exceptions may apply where the representative is not a qualified legal practitioner, qualified accountant or a financial counsellor.

Provide the ratepayer with current information about their debt

Make sure the ratepayer is told what they owe, when it was due, any payments they have made and what the payment was for. He or she may then request further information or documents.

It is also important to make sure that the ratepayer has contact details for the person or team managing their debt for council, such as contact phone number, postal address and email address, and that this information is included in all written correspondence to them.

Conduct towards ratepayer must be respectful and appropriate at all times

A ratepayer approached about an outstanding debt is entitled to respect and courtesy at all times by a council, debt collector or any of their agents or representative.

Inappropriate conduct, as outlined below, is likely to breach the law and the council's Code of Conduct. Ratepayers should never be subjected to

- **abusive, offensive, obscene, discriminatory language or disrespectful or demeaning remarks** – about character, situation in life, financial position, physical appearance, intelligence or other characteristics or circumstances
- **embarrassment or humiliation** – for example, by sending open correspondence to the ratepayer via a shared post-box, posting messages in a public online forum, making employers or co-workers aware that the ratepayer is being pursued for a debt, or creating an impression that the ratepayer is under surveillance
- **aggressive, threatening or intimidating behaviour** – for example, by shouting at or continually interrupting the ratepayer, or by refusing to listen to what they say
- use, or threat of violence or physical force, or

- **misleading information** – about the nature or extent of a debt, consequences of non-payment, identity (for example, falsely stating you work for a solicitor, court or government agency), or action not legally permitted to take (for example, to seize goods).

Strategies for dealing with inappropriate behaviour by a ratepayer

Inappropriate behaviour by a ratepayer does not justify unprofessional conduct by the collector and council staff and agents should deal with this using strategies such as:

- ensuring appropriate training of staff
- attempting to defuse inappropriate behaviour and refocus discussion on the outstanding debt and arrangements for its repayment
- escalating the matter to a senior staff member who has authority and training to manage such situations
- attempts to propose a viable and achievable repayment arrangement, and
- in the event of violence or other extreme conduct, cease contact immediately and refer the matter to the police.

Ensuring contact details are up to date

Currency of contact details is a huge issue for collecting rates and charges. Many councils feel that there is little advantage in sending additional correspondence or notices requesting payment when the address is not current.

Council policies and procedures may specify what the council will do to keep contact details current. When rates and charges notices are returned to the council, some councils proactively check other business areas of the council for more recent contact details, send information to both postal and physical addresses (where known), use internet searches and databases to ascertain more recent contact details, contact real estate agencies, keep a return mail register and undertake other searches.

Keep accurate, up to date records and protect the ratepayer's privacy

You should ensure you maintain accurate, complete and up-to-date records of all communication with ratepayers, including the time, date and nature of calls, records of any face to face contact, all correspondence sent and all payments made.

Councils and other organisations acting on their behalf should always treat a ratepayer's personal information with respect and ensure that they meet the requirements of the *Privacy and Personal Information Protection Act 1998* (the PPIPA) and their Privacy Management Plan prepared under the Act. Personal information means information or an opinion, whether it is true or not, about an individual that can reasonably allow the individual to be identified.

Particular care should be taken in collecting information about the ratepayer and their financial circumstances as well as disclosing that information, whether directly or inadvertently, to other people. For example, telling a ratepayer's neighbour the reason for trying to find the ratepayer would inappropriately disclose personal information about the ratepayer, as would leaving messages with inappropriate detail that may be seen or accessed by other people.

Councils use *Privacy Notification/Consent Forms* to enable the collection and use of personal information from ratepayers. The information collected cannot be used or disclosed for a purpose other than that for which it was collected, unless the ratepayer has consented or another exception applies.

Councils may consider reviewing their Privacy Notification/Consent Forms to request consent from residents and ratepayers for their personal information to be shared between internal business units of the council for purposes specified in the consent form, including for general administrative purposes including the collection rates and charges.

Appendix E

Hardship checklist for local government staff

No	Proposed action by a council	Progress
1	Has the council undertaken a risk assessment of likely defaulting ratepayers to proactively manage financial hardship?	
2	Has the council publically advertised or contacted applicable ratepayer(s) to identify payment options of rates?	
3	Has the council identified if interpretative services are required for the ratepayer?	
4	Has the council referred the rate payer to a financial Counsellor?	
5	Has the council entered into mediation or Informal Dispute Resolution (IDR)?	
6	Has the council deferred payment of additional charges while the hardship application is being assessed?	
7	Has the council developed a payment schedule?	
8	Has the council exhausted all possible options to managed hardship and recover debt prior to referring to the local courts?	
9	Has council reviewed the progress of payment against the signed payment plan?	
10	Are there other options to recover the debt?	

Appendix F

Hardship assistance application checklist for ratepayers

No	Proposed action by ratepayer	Y / N
1	Have you read your council's debt management and/or hardship policies?	
2	Have you compiled the required information noted in the application form?	
3	Have you contacted the nominated council officer to discuss options for the payment of rates or charges?	
4	Have you contacted a financial advisor?	
5	Have you identified an acceptable payment plan?	
6	Have you discussed your options with your local council?	

Further information

Relevant agencies

NSW Office of Local Government

Physical Address	5 O’Keefe Avenue NOWRA NSW 2541
Telephone	02 4428 4100
Fax	02 4428 4199
TTY	02 4428 4209
Email	olg@olg.nsw.gov.au
Postal Address	Locked Bag 3015, NOWRA NSW 2541.
Website	www.justice.nsw.gov.au

NSW Department of Justice

Physical Address	Parramatta Justice Precinct, 160 Marsden Street
Telephone	02 8688 7777
Fax	02 8688 7980
Postal Address	Locked Bag 5111, Parramatta NSW 2124.
Website	www.justice.nsw.gov.au

NSW Online Registry

Telephone	1300 679 272 (Call Monday – Friday 8:30am – 4.30pm)
Website	www.onlineregistry.lawlink.nsw.gov.au

Energy and Water Ombudsman

Physical Address	Level 11, 133 Castlereagh Street, Sydney (please make an appointment)
Telephone	1800 246 545
Postal Address	Reply Paid 86550, Sydney South NSW 1234.
Website	www.ewon.com.au

Further guidance

Commonwealth of Australia (2007), *A guide for business: Debt Collection Guideline for collectors and creditors*, Australian Competition and Consumer Commission and Australian Securities and Investment Commission.

Revenue NSW, *Debt Recovery Guidelines – Responsible collection of State debts: Guidelines for Revenue NSW to collect State debt*

