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| Policy Name          | <b>Debt Collection Policy</b> |
| Version No.          | V2                            |
| Approved by Board on |                               |
| Amendment dates      | 2019, 2020, 2021              |
| Review dates         |                               |

## Introduction

Cashflow is an important element of the Southern Tablelands Arts (STA) financial management processes and objectives. Slow debtors' payments and bad debts could have a significant impact on the STA financial position and its ability to meet its stated policy of paying its creditors within 30 days.

## Policy Statement

This Policy sets out a clear, equitable, accountable and transparent process that STA will follow for its debt management and collection practices. It requires close monitoring of debtors at all times.

## Policy Objective

To ensure that all debts owed to STA are received by the due date or followed up within specified timeframes.

### 1.0 Debt Management

The following actions can be undertaken with regard to non-payment of invoices on an escalation process ensuring that full notes are maintained of the contact on each occasion:

- 1.1 When payment has not been received within 30 days of the invoice date, the payment is considered overdue. Give the customer a courtesy phone call or email letting them know that the invoice has not been paid, asking when STA may expect payment and noting the date promised. Ask if there is a problem causing the delay that STA can fix.
- 1.2 Should the agreed payment date pass without receiving payment, immediately
  - i) issue a statement by email to the debtor advising of invoices still to be paid;
  - ii) phone the contact expressing disappointment that the agreed date has passed, asking for the reason it is still overdue, asking for immediate payment and a date by which the overdue amount will be paid;
  - iii) Advise that STA cannot offer further services until the account is in order and the outstanding amount paid in full.
- 1.3 Should the second agreed payment date pass without receiving payment, the ED must advise the Treasurer, immediately escalate by phoning the contact's manager or the next high ranking financial executive or the owner of the business or the most senior executive available on that day at that time. Explain the amount owing, the service provided, the failed agreements to pay, confirm the assurances of no outstanding problem in STA



performance and ask for payment immediately. Advise that debt collection will commence if the invoice is not paid in full within 7 business days and all costs associated with this process will be added to the outstanding debt. Confirm these details in writing including the date by which the outstanding amount must be paid.

- 1.4 If payment is not received within 7 business days of the date listed on the letter discuss the situation with the Treasurer to decide whether to use the services of a debt collection agency.
- 1.5 Using a debt collection agency is a last resort as it has the potential to damage the relationship with the creditor.
- 1.6 The Executive Director has the discretion to vary these steps.

## **2.0 Provision for Doubtful Debts**

- 2.1 Where the recovery of debt is unlikely prior to completing all steps listed above (ie where the debtor is bankrupt or in liquidation) a provision for doubtful debt shall be made by the Treasurer and advised to the Board at the next Board meeting in the Treasurer's Report.
- 2.2 Debts will only be written off when all reasonable attempts to recover outstanding amounts have been made or the costs of recovery are likely to equal or exceed the amount to be recovered.

## **3.0 Ways to avoid bad debt occurring**

- Clearly outline to the customer STA terms of trade.
- State the terms of payment on each invoice all and provide all relevant bank details.
- Only release goods when payment is cleared or on receipt of the bank direct deposit payment. reference or once the direct deposit payment has cleared.
- Issue invoices as soon as possible after the service has been provided or the job is complete.
- Maintain regular contact with customers.
- Monitor debtors at least weekly.
- Develop email templates for payment follow up with customers.

## **Associated documents**