

# POLICY



**Date adopted:** 30/05/2017  
**File no:** 274706-1  
**Minute number:** 148/2017

**Policy title:** **TRADING TERMS AND CONDITIONS AND APPROVAL OF CREDIT ACCOUNTS**

**Directorate:** ORGANISATIONAL SERVICES

**Branch:** FINANCE

**Policy objective:** To control the approval and trading terms for the supply of goods and/or services on credit to Council's clients.

**Policy scope:**

This policy will apply to the application and trading terms for a credit account as they relate to the clients of any area of the Council where goods or services may be supplied on credit.

**Definitions:**

Not applicable.

**Policy statement:**

The following procedure is to be undertaken for this policy:

1. Initial application
  - (a) Where a Branch Business Unit requires that an account be set up for a client in order that goods or services may be supplied on credit, application is made by completing a set of trading terms and conditions by that client and forwarding them to Council's Debt Recovery and Accounts Receivable Section for processing. The application is required to include details of the applicant, their trading history, references and the credit limit required. The relevant branch or business unit within Council will ensure that the details are correct as well as adding the Council information as required.
  - (b) This process will apply to all areas of Council with the exception of Community Services where accounts relate to hiring agreements. These may be approved by the manager of that area and may require the payment of a bond.
  - (c) If, however, such an application is made by a person or related entity that has previously held a credit account with Council or was supplied goods and/or services, or was provided the use of Council's facilities on credit, and that person failed to settle that account, and the debt was subsequently written off by Council or continues to remain unpaid, then such an application is to be refused. In order to facilitate this, the Accounts Receivable Officer will maintain a register of these debts and forward a listing to each director for referral on a regular basis.

2. Credit checks

- (a) Should the credit limit applied for be less than \$500, then the Accounts Receivable Officer will make appropriate enquiries to establish a trading history. Where the credit limit is greater than this amount, a credit reference report is to be conducted by an external agency. This report provides details of trading history and referees as well as any adverse information.
- (b) Approval of the application and the extent of any credit terms provided, as well as the requirement for the payment of a bond, will be determined on the outcome of these enquiries and the references provided, or the status of the credit reference report.

3. Processing and approving the application

- (a) Where the rating is favourable to the level of credit applied for, the completed trading terms and conditions and credit reference reports are returned to the initiating Branch Business Unit for approval by the delegated officer.
- (b) Where such references are not favourable, the responsible manager will be advised accordingly. Recommendations will be provided on whether to accept the account or not and if so, on what terms. The recommendation may entail an interim credit approval to apply to the account such as a reduced limit, cash terms or the payment of a bond.
- (c) Should the responsible manager wish to approve the application outside these terms then a management plan will be required to be developed, in conjunction with the Senior Recoveries Officer, to monitor the account. Each management plan is to be signed off by the appropriate director. Should the account then fall into arrears or exceed the credit terms provided for, then the plan will be implemented in order to manage the account.
- (d) Once the trading terms and conditions are approved and signed by both parties, the account is set up in accordance with these terms and the appropriate credit limit and the client will be advised accordingly.

4. Managing the account

- (a) This policy, in conjunction with other policies that relate to the collection of overdue debts, also governs the extent of the credit limits to be set and the course of action the Accounts Receivable Officer and Council's Debt Recoveries and Account Receivables Section will undertake once credit terms are exceeded. Council's Recoveries Section will provide to the Branches Business Units details of any account in breach of its terms and request that all trading with that client be suspended until such time as their account is brought up to date. Where a management plan has been put in place for any of these accounts, action taken will be in accordance with this plan.
- (b) Where such trading is not suspended and the account continues to remain in breach of its terms, these details will be forwarded to the Director of Organisational Services. A report may then be tabled at the City Governance Committee meeting providing details of the account, the extent of action taken to recover the debt, and a recommendation for strategies in order to gain settlement of the account.
- (c) This action is seen as mandatory in order to reduce the risk to Council of incurring a bad debt.

**Related policies/legislation/other documents:**

DOC ID	DOCUMENT TYPE	DOCUMENT NAME
<a href="#">7505341</a>	Template	Trading Terms and Conditions Without Execution

