
Retail Water Bad Debt Write-off

Responsible Officer: Group Manager Corporate and Commercial (Geoff Ward)

Recommendation

That Council approve a request for the write-off of \$18,240.79 in water charges from the SES Capital Pty Ltd water account in relation to the property at 61 Caniaba Road, Loftville due to the reasons outlined in the report.

Background

The amount above which debts may be written off only by resolution of Council is fixed at \$5,000 (inc. GST) (resolution [50/22]).

Council may only write-off rates and charges that meet the following criteria set out in the *Local Government (General) Regulation 2021*:

1. There is an error in the assessment;
2. The amount is not lawfully recoverable;
3. As a result of a decision of a court; or
4. Council believes on reasonable grounds it would not be cost effective to attempt to recover the amount.

Key points

- A cyble unit (electronic data transmission unit on a physical meter) malfunctioned, meaning accurate water usage was not recorded for billing.
- The property was sold during the period the cyble unit was not working. Meaning the information reported in the section 603 certificate was calculated on the wrong baseline, resulting in an undercharge to the previous owner on transfer.
- Requesting write-off for the water use attributable to the previous owner.

Event timeline

- The retail meter in question relates to a caravan park, meaning volumetric water usage is high.
- The property was sold on 20 September 2021. A section 603 certificate was provided, calculated on estimated daily usage from the last water bill.
- In October 2021, the water meter returned a nil read.
- A subsequent nil read was recorded in January 2022.
- The meter reader manually checked the water meter per the Standard Operating Procedure and discovered the cyble unit (electronic data transmission unit attached to the physical meter) had malfunctioned, and was not reporting the correct meter reading.
- The meter and cyble unit were replaced at this time.
- Upon further investigation it was discovered the cyble unit would have stopped working sometime between April and July 2021, prior to the property being sold.
- The property was impacted by the March flood events, meaning the billing information was not representative of historic usage patterns.

Write-off proposal

As the cyble unit's malfunction was not the purchaser's fault and the section 603 certificate was produced by Council it is inappropriate to recoup the entire outstanding amount from the new owner. Hence, it is proposed the outstanding (catch-up) value is pro-rated to the new owner, and the proportion that would have been attributed to the previous owner is written off.

- The new owner's usage for the period from 20/09/2021 to 15/02/2022 (148 days) has been estimated based on the average daily usage for the same period in the previous year.
- This period's average daily usage to calculate the estimated usage has been selected as the first full period of accurate usage recorded was between 15/02/2022 to 19/4/2022 which was during the 2022 floods.

The proposed credit adjustment for this property is \$18,240.79

Actual charge	\$ 30,484.33
<u>Less estimated charge</u>	<u>\$ 12,243.54</u>
Write-off	\$ 18,240.79

The write-off of \$18,240.79 includes the previous owner's usage (estimated at \$17,466.57). Under the circumstances listed above, charging the previous owner the \$17,466.57 is not an option as they are no longer the owner of this property and there is no evidence to confirm their usage.

Recourse to vendor and process improvements

- The cyble units are no longer under warranty, so the vendor has no liability for their malfunction. The maintenance contract with the vendor (Itron) concluded in June 2021, with the vendor unable to provide further support given the age of the hardware (~10 years plus).
- The cyble units and physical meters will all be replaced as part of the in-flight Smart Metering project.
- From a process perspective, there was a failure to follow the existing SOP, and manually check the October nil reading, this would not have materially altered the outcome though, as the sale had already occurred.
- Post the 2022 flood events all physical meters are being read / checked to the cyble units. This control was implemented based on the potential damage incurred due to the floods, however this control will be effective in ensuring a situation such as this is discovered in a timely manner.
- Once the smart metering project is implemented there are automated controls that can be implemented to prevent a similar event.

Property Reference	Credit Adjustment	Recommendation
11743-10000-7 (Lot 5 DP706370)	Full Charge = \$30,484.33 Less estimated charges of \$12,243.54 = \$18,240.79	Credit of \$18,240.79 (based on average daily use from the same period in the previous year)

Finance

Detailed within this report.

Legal

The proposal has been assessed against the write-off criteria under clause 131 of the *Local Government (General) Regulation 2021* and it satisfies the requirements of that provision.

Consultation

A report was presented to the Audit, Risk and Improvement Committee on 28 November 2022 to notify them of the factors and processes contributing to this write-off request and the actions being taken to reduce the likelihood of a recurrence in the future.

Conclusion

It is recommended that Council approve the write-off of \$18,240.79 due to the error in assessment of water usage by the previous and current property owners caused by the malfunctioning cyble unit.