Forestry Corporation

Policy

Title	FCNSW Credit Control and Receivables Management Policy	**Version**	5
Policy No.	P 2025/02	**Effective date**	15/04/2025

Acknowledgment of Country

Forestry Corporation of NSW acknowledges the traditional custodians of the land on which we live and work, and pay our respects to Elders past, present and future.

1. PURPOSE

The purpose of this policy is to promote financial stability and operational efficiency by managing credit risks and the billing-to-collection process.

2. BACKGROUND

FCNSW annual revenue exceeds $300 million per annum, and includes sales revenue sources such as timber, forest materials, access permits, service contracts and leases. The majority of revenue is on credit terms so it is essential there are robust controls to protect the revenue.

3. SCOPE

This policy covers all sales revenue and applies across all operational units and geographical regions where the corporation conducts business. It includes all stakeholders engaged in financial transactions with FCNSW such as customers, suppliers, contractors, and partners.

4. POLICY

FCNSW will minimize financial exposure and optimize cash flow by defining and enforcing robust credit control measures, including:

- structured credit assessments,
- customer credit limits,
- ongoing colections monitoring, and
- debt recovery strategies.

The procedures related to these measures can be found at :

FCNSW of NSW Credit Control and Receivables Management Page

4.1 Payment Terms

FCNSW's default payment arrangement is payment in advance for the supply of goods. This applies to:

- New customers requesting delivery before a credit assessment.
- Customers without the required financial security.
- Customer preference to pay in advance.

FCNSW standard payment terms are 14 or 30 days from the end of the month. For permits or products not under contract, payment terms are 30 days from the invoice date. All variations to the payment terms must be authorized through a Trading Outside Credit Terms (TOCT) submission following the Delegation of Authority.

4.2 Customer Credit Limits and Security

FCNSW will establish customer credit limits by assessing the creditworthiness via a financial assessment for accounts with annual transactions over $250,000 and security may be required based on the risk score. Preferred security form is a bank guarantee from a financial institution regulated by APRA. Credit limits are subject to periodic reviews based on changes in budget figures, increased supply, contract modifications, or assignments or per contract terms.

- The maximum amount payable for timber delivered over two months, or
- The amount determined by FCNSW's Credit Assessment.
- Property rentals will require a bond. Initial permits or licenses will not be issued until payment is received.

4.3 Billing and Collection Process

FCNSW will operate effective billing and collection procedures to ensure prompt payment for all revenue-generating activities; in the event of overdue amounts FCNSW will undertake debt recovery procedures which may include stop supply, fines, permit cancellation, eviction, repossesion and legal action.

Interest will be charged on overdue accounts from the date of default, in accordance with the terms of the agreement or permit. If no rate is specified, interest will be set per Section 101 of the Civil Procedure Act 2005 (NSW), based on the Reserve Bank of Australia's cash rate plus 8%. Interest will continue to accrue until the debt is fully paid.

4.4 Non-Payment of Permit and License Fees Policy

Failure to pay Apiary or Access Permit and License Fees issued by FCNSW will result in permit and license cancellation, requiring the removal of equipment and eviction from the site. Non-payment may lead to repossession of the site, fines, and legal actions. Operating without a valid permit or license can incur significant penalties, including fines up to $1.1 million for severe breaches. All permit and license holders must comply with FCNSW payment terms under the applicable NSW legislation.

4.5 Allowance for Doubtful Debts

The calculation of doubtful debts will follow the Australian Accounting Standards Board (AASB) 9 Financial Instruments. FCNSW will use the Current Expected Credit Loss (ECL) model. The ECL allowance represents the probability-weighted valuation of debts that are unlikely to be collected.

4.6 Bad Debts

The Credit Control Committee will recommend the write-off of any bad debts, in accordance with the delegation of authority once all recovery efforts have been exhausted.

4.7 Personal Property Security Act 2009 | Registration of Security Interest

FCNSW will register its security interest in unpaid timber/products under the Personal Property Security Act 2009 to prioritize its claim over other secured creditors concerning unpaid timber/products and derivatives.

5. ROLES AND RESPONSIBILITIES

Role	Responsibility
Executive Leadership Team (ELT)	· Approve Trading Outside of Credit Terms (TOCT) requests.
Credit Controller	· Manage the processes to ensure customer credit limits are adhered to. · Coordinate internal and external credit assessments, provide recommendations on customer credit limits, risk categories, and security. · Manage security measures with external customers. · Manage credit assessments for contract sales (conducted every three years or as needed). · Chair the FCNSW Credit Control Committee. · Monitor trading alerts. · Escalate issues and exposure changes to internal stakeholders including - FC, CFO, GM as appropriate. · Advise on debt recovery and default customers.
Regional Managers / Regional Sales and Procurement Managers / Account Managers	· Approve trade under the delegation of authority and prepare TOCT papers for GM approval. · Authorize cessation of supply and issue of Wood Supply Agreement (WSA) contractual breach notices. · Approve the issue of forfeiture notices and other permit/access breach actions.
Account Managers / Sales Administration Officers	· Responsible for customer engagement on debts outside of contract/permit terms. · Manage timber supply within Credit Limits and terms. · Follow up on actions related to establishment and renewal of approved security. · Follow-up actions from CCC meetings.
Credit Control Committee (CCC)	**Members:** - Credit Controller (Chair) - CFO - Financial Controller - Commercial Managers - Corporate Telco Manager - Scion Sales Administration Officers - Land Administration Managers **Responsibilities:** - Review outstanding debts and actions the Account Manager/business has taken.

	- Confirm actions required when a customer reaches or exceeds the credit limit.
Customer Liaison Officer / Regional Administration Sales Officers / Distribution Coordinator / Land Administration Officers / Telecommunications & Property managers.	· Ensure prompt recording of sales and delivery dockets. · Manage and generate invoices as specified in contracts or permits. · Manage customer engagement on outstanding amounts.
Legal Counsel	· Issue legal notices for breaches of credit terms. · Register all new/changed agreements with the Personal Property Security Register (PPSR).

6. DEFINITIONS AND ACRONYMS

- Credit Assessment: The evaluation process used to determine the financial reliability of a customer or partner, which includes reviewing their ability to meet credit obligations.
- Debt Recovery: The process of pursuing payments of debts owed by customers, including the use of legal actions or collection agencies if necessary.
- Credit Limit: The maximum amount of credit extended to a customer or client, based on their creditworthiness as assessed by the credit control process.
- TOCT (Trading Outside of Credit Terms): The practice of allowing a customer to trade outside the agreed-upon credit terms, subject to management approval.
- PPSR (Personal Property Security Register): A national register where security interests in personal property are recorded to protect the lender's interest in case of a default by the borrower.
- WSA (Wood Supply Agreement): A legally binding agreement between FCNSW and a customer outlining the terms of timber supply, including delivery, payment, and penalties for non-compliance.

7. LEGISLATION AND OTHER COMPLIANCE OBLIGATIONS

- Forestry Act 2012 (NSW)
- Treasurer's Directions (TD), Government Sector Finance Act 2018
- Australian Accounting Standards
- Competition and Consumer Act 2010
- Privacy Act 1988
- ASIC Act 2001
- Apiaries Act 1985 (NSW)
- Biosecurity Act 2015 (NSW)

8. RELATED POLICIES

- Privacy Policy
- Code of Conduct

9. RELATED DOCUMENTS

- WSA Security and Payment Terms
- Permit Terms
- Policies relating to Payment channels, EFTPOS, Cyber Source, Privacy Policy, ANZ transaction Credit Card Policy
- Timber or Other Product Accounts Under Agreement – General Collection Process
- FCNSW Permits and License and other products – General Collection Process

10. REVISION HISTORY

Version	Author	Summary of changes	Approver	Approval date
5	Joanne Froio	Clarification that credit assessments are required for all revenue sources.	Executive Leadership Team	15/4/2025

For previous document versions, refer to Content Manager

11. CONTACT OFFICER

Credit Controller, Finance & Technology.

Executive Endorsement

Chief Executive Officer