



# The cheque's in the mail

Tips for effective debt collection in schools. **Wendy Collins** suggests methods that finance managers should use to bring the fees in on time

**Y**ou've heard all the common excuses – "Sorry, I've been so busy, I completely forgot to pay our account"; or, "I don't think we ever received that invoice"; or "The cheque's in the mail". Maybe you've heard some creative excuses as well, like, "Our dog became really ill and we had a huge vet bill. We'll pay the school fees as soon as we can".

Whenever finance managers get together, the conversation soon steers towards the topic of the debt collection. Most schools have experienced some problems with overdue fees, whether they be tuition fees, subject levies, or camp costs. For some schools, it can have a significant impact on cash flow.

Unpaid fees can quickly get out of control if they aren't pursued. Schools run on tight budgets and even a modest level of outstanding accounts can potentially cause sizable cashflow problems.

Chasing debts is not a pleasant job. People rarely enjoy asking others for money! Some

parent-clients are routinely slow to pay. Other priorities such as purchasing a new car or having an overseas holiday, take precedence over paying school fees; or there might be genuine hardship or tragedy which has delayed their ability to pay. In both cases, the education of young students can be directly affected. However, there are some simple strategies to follow that will make your job much easier.

First, communication with families is vital. It's important for you to be aware of specific circumstances facing each family who may be experiencing financial hardship. Being ruthless with debt collection might be tempting, but compassion and compromise would be required in cases of bereavement or other serious family difficulties. Therefore, it is not recommended that you simply assign the chasing of all overdue fees to a debt collection agency. Instead, communicate regularly with your principal, as there might be issues which he or she is aware of, impacting on the family. It is a two-way process.

If you become aware of circumstances, it is essential that you communicate these with your principal. You might need him or her to become directly involved with more difficult cases.

School fees are usually due at the start of each term. These revenue inflows are vital to keep your school operating efficiently. If you can get 80% of your parents paying their fees within two weeks of the due date, then you are doing very well. It is the remaining troublesome 20% of the parents who will require more of your time and effort.

One strategy which is effective in reducing overdue fees, is offering a discount for prompt payment. It is surprising that even a small discount, such as 5–10%, can be an effective incentive for ensuring your invoices are paid on time. The small reduction in school revenue is offset by the benefits of available cash flow and your time saved by not having to follow up delinquent accounts.

Alternatively, you could impose a late fee or



penalty interest for slow payers. This can be an effective disincentive for repeating the behaviour in future.

Be a 'squeaky wheel'. As soon as an amount becomes overdue, follow up the slow payer with a phone call or email reminder. It is hard for parents to ignore the personal approach of a polite phone call. You can also follow up with a brief email, referring to your phone conversation. This provides the benefit of a written record and a formal trail of the communication.

Consider posting hard copies of statements containing a clearly noticeable 'overdue' stamp. Psychologically, receiving a physical hard copy via the post, is more difficult to ignore than emails.

Your reminders should avoid any negative accusations. Instead, allow parents the benefit of the doubt. For example, you could explain that they 'appear' to have outstanding fees, and request that they follow up as soon as possible to rectify this 'apparent oversight'. Attach a copy of the original statement and any previous reminders, to avoid the excuse that they didn't receive the initial invoice. It is crucial to make digital notes on your debtor files, recording any contact that has been made, and any commitments made by the parents.

Most parents will eventually pay in full, or if they are experiencing significant difficulties, might propose a payment arrangement. Such agreements are worth considering, as every dollar in the school's bank is better than never being received at all. However, these arrangements should be a temporary solution. If parents expect such measures to be repeated, then it is very likely that they can't afford the fees in the long term.

Some parents might not respond to your communication at all, until the principal gets involved. A firm letter from the head of school, insisting that overdue fees be paid by a set date, might be required. If this is still ignored, another letter should be issued, advising that their son or daughter will not be able to return to school in the next term if the outstanding fees, as

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well as the next terms' fees, are not paid in full by a nominated date. Be prepared to carry through with such a threat and cancel the enrolment if the fees remain unpaid.

Some schools outsource the chasing of overdue fees to debt collection companies. Only consider using these agencies after the student has finished their schooling, and when all other avenues are exhausted. Debt collection agencies often don't have the compassionate touch, nor an understanding of school operations. They are expensive to commission and are unlikely to treat each case on its merits.

Overall, the two most important things to keep in mind when collecting debts are to be consistent and to be conscientious. Be a little bit like a terrier with a bone. You can't ease off, or the overdue accounts will soon get out of control. With good budgeting and diligent attention to overdue accounts, you will avoid being in a position where you must borrow money just to pay the fortnightly wages.

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