

# Back Your ABCs with Solid Ts&Cs

## How to Get on Top of Unpaid Accounts

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CMSolutions research shows that being paid late, or not at all, is one of the largest factors causing cash-flow stress to childcare centres. The last 18 months have seen several COVID support incentives for both families and childcare centre operators, however current challenges in the economy are still having a flow on effect to households.

Like all of us, parents are faced with multiple living expenses, and childcare fees may be considered just another bill in the pile. Unsurprisingly, feedback suggests that single parents or parents in casual employment appear most often on the outstanding account report as the cost of living adds increasing pressure on already 'cash-strapped' parents.

Interestingly, the greatest amount of personal debt is in capital cities; research shows that residents of capital cities account for 62.4% of new personal insolvencies (Bankruptcies). In QLD, the Greater Brisbane regions with the highest number of people entering personal insolvency were Ipswich, Springfield – Redbank and Browns Plains. In the rest of Queensland, they were Townsville, Mackay and Ormeau – Oxenford.

With growing pressures to household expenses, centre operators are being left with growing amounts of outstanding fees due to parents leaving fees unpaid, or 'centre hopping': a worrying trend of hopping from centre to centre and leaving a train of unpaid fees behind them. Unfortunately, there's no 'silver bullet' when it comes to improving on-time payment.

One of the first reactions to mounting unpaid fees is to seek out and recover those debts en masse; but making sure you have solid credit management strategies in place is one of the best steps you can take to ensure you don't fall prey to unpaid fees and payments in the future.

### Getting Your Ducks in Order

At Optimum Recoveries, our first step to 'solving' cash flow issues is to take a long hard look at the terms and conditions in place. Much like when applying for a new phone plan, your terms and conditions are the backbone laying out what is expected from both parties when entering into any agreement.

Your enrolment forms will already have several agreements that outline the actions you are expected to take for a number of instances, like health matters, as well as other roles and responsibilities. Simply adding in some terms and conditions related to payments and credits to these enrolment forms outline a set of enforceable rights that are designed to reduce your centre's exposure to risk when things don't go according to plan.

By adding in these additional clauses, you'll be better equipped to know who you are dealing with up-front, and what actions you are legally allowed to take to recover late or unpaid fees when they arise.

### **With the right set of terms and conditions, you may:**

- Conduct pre-placement credit checking
- Have the Child Care Benefit paid direct to the centre
- Pass on collection costs to the parent should it become necessary to engage a collection agency
- List a default against the parent if necessary, so that it shows on their credit record as a warning beacon to other centres. The listing can be amended to “Paid” when the parent attends to the account.

Including actions such as the right to conduct pre-placement reference and credit checks, as well as a solid entry interview about which centre the child is coming from, can help you avoid parents who are prone to centre hopping when the debt becomes too much.

### **Creating An Action Plan for Following Up Your Accounts**

Correctly worded terms and conditions added into your enrolment forms is the first step in your action plan for following up your accounts – but there are several other steps involved. Having a series of set follow-up actions can give you a roadmap to follow up accounts before they're considered debts.

Creating plans for when to send a properly worded reminder email, text or letter that can be swiftly issued to parents who are overdue is an essential step in the fee recovery process. Sometimes however, there's no way around it, and you'll just need to 'make that call' to request payment. Many people find this challenging, time consuming and awkward, and have limited success (even more so in the not-for-profit sector). On top of that, the Australian Competition and Consumer Commission (ACCC) has a strict set of [guidelines](#) that outlines when, how often, and on what grounds you are able to contact someone who owes you money.

### **Optimum Recoveries is a trusted and experienced debt management partner, which CMSolutions members can engage for:**

- Water-tight credit policies and legally binding terms and conditions tailored specifically to meet the needs of CMSolutions members in the childcare industry,
- Sample reminder letter templates; and,
- Assistance with recovering overdue debts.

As a registered and experienced debt collection agency, Optimum Recoveries are experts in securing outstanding payments in a respectful, timely, and professional manner (as well as ensuring everything is done 'by the book').

To get in touch with Optimum Recoveries, members can call 1300 556 937 or email them at [orqld@optimumrecoveries.com.au](mailto:orqld@optimumrecoveries.com.au). Don't forget to mention you are a CMSolutions member to secure your discount.