



Debt Collection arrangements: Childcare Settings (Nursery and other childcare)

Ted Wragg Trust

Committee:	Audit, Finance and Resources Committee
Approved on:	22 April 2020
Next review date:	April 2022

Associated documentation	
Financial Regulations	Updated: 25 September 2019

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1. Introduction

1. Collecting childcare fees can be a difficult and sensitive issue for providers. In the event of non-payment, excluding a child can be a challenging, emotional step to take, with schools being all too aware of the potential impact on the children affected. What needs to remain paramount, however, is the sustainability of the school and its ability to provide a high-quality service. This guidance will help prevent a spiralling debt situation occurring. In many cases, clear policies and good communication with families can largely prevent debts arising or reaching unmanageable levels.
2. All staff with financial responsibility are required to confirm that they have read and understood this guidance.

2. Understanding why debt can occur

3. Understanding how families find themselves in debt with fees can help schools develop effective policies and strategies. There are usually 3 main triggers which can create a debt situation. These are:
 - Changing circumstances (divorce, redundancy, bereavement etc.)
 - Poor money management
 - Spending behaviour

4. Debt can slowly build up over time, or occur suddenly, for instance in the case of redundancy or illness. Debt can have a major personal impact, affecting relationships within and outside the family. Sometimes individuals keep the debt a secret from their partner or other family members, hoping it will resolve itself, or through not wanting to cause anguish to others. Childcare providers might discover this when approaching a parent who is not aware of financial problems of their partner, resulting, for instance, in bounced cheques.
5. Whilst schools can be understanding in terms of personal debt, priority must be given to the sustainability of the Setting and its ability to provide high quality childcare. Encouraging a 'payment on time' culture when a child takes up a place in the school is essential.

3. Creating and encouraging a 'Payment On Time' culture

3.1. A simple and clear payment structure with clear policies and procedures

6. The first step in avoiding debt owed by families is to provide a clear and concise fee structure and policy. Fees must be set based on realistic occupancy forecasts and sound business planning. When a parent/carer signs a contract before a child takes up a place in a setting, there should be a paragraph in the contract which says the parent/carer agrees to pay fees on time. This combined with a clear Payment of Fees Policy can be a powerful way to prevent and/or minimise debt. A sample 'Payment of Fees policy' is included at the end of this guidance.

3.2. Effective invoicing systems and methods of payment

7. It is essential to ask for childcare fees in advance, ideally two weeks. That gives time for any late payments to be addressed. When a payment is late it must be addressed immediately.

3.3. Highlighting fees that are late

8. Parents/carers can overlook the fact a payment is late. The following may help to prevent this:
 - Talking face to face diplomatically as soon as late payment arises is the best way to tackle what can sometimes be a difficult issue for both provider and customer.
 - Assign priorities to correspondence and / or use different fonts / coloured paper.

3.4. Advice about support with childcare costs, and sources of help with money management

9. Publicising the variety of help that is available to support childcare costs by the use of posters, newsletters and leaflets will help inform parents/carers.
10. Free information can be downloaded from the following website:

<https://www.gov.uk/help-with-childcare-costs>

4. Debt Recovery

11. If the unfortunate situation arises where a debt is unpaid and all stages of the fee payment policy have been addressed, schools should refer matters to Money Claim Online.
12. Money Claim Online uses a collaborative approach that reaps good results and maintains the creditor/debtor relationship for the future. It is also worth considering that people who owe money expect to be chased by the organisation they owe money to. Human nature being what it is however, responds much quicker once a third party becomes involved. Using a Money Claim Online is a last resort but an important one to ensure our nurseries remain sustainable. **Unless there is a good reason, referral is therefore required.**

Sample Payment Policy

In order to run a high-quality childcare setting it is essential that fees are paid on time. Childcare should be paid for in advance to secure the child's place and allow for staff planning in accordance with OFSTED regulations.

Fees are invoiced monthly and must be paid by month-end, i.e. before the child attends any paid sessions. This applies without exception unless other arrangements have been made with management.

Any account falling into arrears will trigger the following procedure:

- If an account falls into arrears a reminder invoice will be issued to bring the account up to date within seven days. ([Note for schools: Overdue payment reminder](#)).
- If this fails a letter will be issued informing that if the account is not paid in full by month-end the account arrears will be passed to a Debt Collection Agency and the child will be unable to attend nursery for paid sessions ([Note for schools: Final notice request](#)).
- Any child leaving the Setting with outstanding fees will trigger the following procedure:
 - In order to give a last opportunity to settle an account the parent/carer will be informed of the date the place will be withdrawn which will trigger immediate referral to the Debt Collection Agency.
 - If the account is not settled it is out of the hands of the school, and all payment plus additional charges by the debt collection agency will have to be paid to them. ([Note for schools: Notice of place withdrawal](#)).

Note for Schools:

Schools should incorporate the payment policy and clauses below (adapted to local circumstances) within standard terms and conditions:

1. Fees

- (a) Responsibility for payment – The person or persons signing this Contract shall be held liable for the payment of all fees and charges unless otherwise agreed in writing with the Setting.
- (b) When payable, invoices will be raised on the 15th of the month for the following month, e.g. April's invoices will be raised on March 15th. Full payment must be made by month-end. Overdue payments will attract a late payment charge of £10.
- (c) Payment policy: We reserve the right to take appropriate action to recover unpaid fees as set out within the payment policy. Any costs incurred by the Setting shall be recoverable by You. Continued failure to pay may result in legal proceedings which may have implications for your credit rating.
- (d) Unpaid Fees and costs – All costs incurred in the collection of unpaid fees including our administration costs and any costs and disbursement paid to solicitors acting on behalf of the Setting shall be recoverable in full, from you.
- (e) Fee increases: Parents/carers should expect fee increases from time to time, including an inflationary increase in fees each year. If there is an increase in fees, we will give a minimum of

one month's notice to allow time for You to prepare. Other Terms and Conditions will not be affected.

- (f) Refund of Fees: There will be no refunds for absence because of sickness, holiday or for any other reason.

Friendly reminder (by text or email as appropriate to the setting)

This should be sent directly by the nursery (slightly before the due date, being 1st month)

Dear [insert name],

Just a reminder that all nursery fees are payable by xx. If you have not yet done so, please make payment asap.

Overdue payment reminder (3rd month)

Address

Date

Dear [insert name],

I enclose a copy of invoice number(s) xxxx which is/are overdue for payment.

The total amount outstanding is £.

If you feel there is a discrepancy on the invoice please contact me as soon as possible by telephoning [insert number] otherwise I look forward to receiving your payment by return.

Yours sincerely,

Your Name

Your Job Title

Include: How to pay

Final notice request (Day 14)

Address

Date

Dear [insert name],

Invoice Number(s) or child(ren) name

Overdue Amount £xxx

Despite my previous reminder the above debt is still outstanding.

It is now essential that your account is cleared within the next fourteen days or that you contact me to discuss sensible proposals. If I do not hear from you by [suggest 7 days], I will have no alternative but to withdraw provision from [insert date – 1st of following month].

I would be pleased to discuss this in person and welcome you getting in touch. My contact details are:

Your continued inattention to this debt will result in your account being passed to an outside agency for collection through the legal system. This will incur additional fees payable by you. For children attending school, we will also need to consider whether your child(ren)'s participation in paid non-curricular activities can continue.

Yours sincerely,

Your Name

Your Job Title

Include: How to pay

Notice of Place withdrawal and legal action. Send recorded delivery 25th.

Address

Date

Dear [insert name],

Further to my previous letters, I am writing to confirm that your child's nursery place will be withdrawn from [insert date]. (Note to schools: allow the child to attend up to five days from 1st, if the parent now initiates contact / one day otherwise to address welfare).

It is with regret that unless you respond immediately, the outstanding debt will also be referred for court action in 7 days. Full details of our claim are below:

Amount owed: (copy invoice(s) attached)

Agreement dated: (copy attached)

How to pay: Details of 'how to pay' are included below.

We remain open to 'sensible' proposals should you wish to discuss the matter.

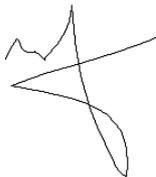
Yours sincerely,

Your Name

Your Job Title

Include: How to pay

Signed:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Chair of Trust

Date: 22.04.20

