

# Debt Collection Policy

## The Purpose

1. The following debt policy provides guidance to the School Management for the recovery of all debts due to the Governing Council.
2. The debts due to the Governing Council can be classified under two categories:
  - Material and Services Charges legislation and Administrative Instructions and Guidelines
  - Other Charges (specifically extra curricular charges)
3. This policy is to be read and applied subject to any DECD administrative and legal requirements.

## Liability for Debt – Material and Services Charges

1. Section 106A part (6) determines the liability of the material and services charge as follows:
  - a) If the student is not an adult, the parents of the student are jointly and severally liable for the charge;
  - b) If the student is an adult –
    - i) In the case of a student who is dependant of his or her parents – the student and the parents are jointly and severally liable for the charge.
    - ii) In any other case – the student is liable for the charge.
2. A student can only be charged for the Material and Services Charges once per calendar year.
3. Approved School Card holders are relieved from paying Material and Services Charges.

## Liability for Debt – Other Charges

1. Extra-curricular charges are legally recoverable if an agreement or commitment to pay has been entered into. The extra curricular charges must be confined to specific activities and consumable items that are not considered necessary for curricular activities that form part of the core activities in which students are required to participate. Therefore these charges are not part of the Material and Services Charges.
2. Approved School Card holders who have entered into an agreement with the school for these extra-curricular charges can also be legally pursued.

## Invoicing

1. Persons liable for debts due to the Governing Council must have been provided with a compliant tax invoice from EDSAS finance.

## Instalment Plans

1. The Principal and the debtor must negotiate and sign a formal instalment agreement. The agreement must detail the amount and due date for each instalment.
2. If the debtor defaults on an instalment payment and fails to notify the school, prior to this payment, of any financial difficulty, the school without further notice may cancel this agreement and legally pursue the debt.

## Amount Recoverable – Material and Services Charges

1. The legislation for Materials and Services Charges allows schools to recover a 'standard sum' of '*insert applicable amount*' for primary students and '*insert applicable amount*' for secondary students for '*applicable year*'.

The standard sum is indexed each year by the June quarter of the City of Adelaide CPI. A circular is distributed annually by DECD with the calculated legally enforceable 'standard sum' amounts for the following year.

2. In addition the legislation states that, on application by the School Council, the Chief Executive can approve an amount greater than the 'standard sum'. This amount is known as the 'prescribed sum'.
3. In order for approval to be given by the Chief Executive, the School Council must demonstrate that they have undertaken a poll of parents affected by the increase, and that a majority of the respondents agreed to the 'prescribed sum'.
4. The 'prescribed sum' does not apply to approved School Card holders. The gap between the School Card Grant and the prescribed sum is considered voluntary and cannot be legally pursued.
5. The school must have complied with the Materials and Services Charges legislation and Administrative Instructions and Guidelines.

### **Amount Recoverable – Other Charges**

1. The amount that has been agreed is the legally recoverable amount. The school must have a copy of the agreement as signed by the debtor.

### **Recovery Action – Material and Services Charges**

1. The Finance Officer is required to ensure that all invoices outstanding are accurately recorded and maintained within the Accounts Receivable module of EDSAS finance.
2. The Finance Officer must document all steps undertaken by the school to recover the debt. This includes recording the dates that invoices and statements were distributed, and/or phone calls and letters that have been sent to debtors.
3. For all outstanding debts a statement must be issued to all persons liable for the Charge prior to end of Term 1. A reasonable period of time must be given between the first and final statement.
4. For all outstanding debts a final statement (stamped final notice) must be issued to all persons liable for the charge. This statement must state “further action will be taken if this account remains outstanding after a period of no less than 14 days.”
5. The Material and Services Administrative Instructions and Guidelines allow schools to undertake legal action at the beginning of Term 2. This also applies to default instalment agreements.
6. The Governing Council must discuss the various debt recovery options. (Further information is available on each option in the Material and Services Charges Administrative Instructions and Guidelines)
  - Option 1: Pursue the debt through the minor claims court
  - Option 2: Engage the services of an independent debt collector.
  - Option 3: Central Debt Collection
7. The Governing Council must approve the school undertaking legal action, based on the options above. The approval to pursue the debt must be minuted in the Governing Council minutes. The anonymity of the families involved must be preserved at all times.
8. The costs incurred in pursuing the outstanding Material and Services Charges cannot be passed onto the debtor.

### **Recovery Action – Other Charges**

The debtor must be given appropriate notification and time to pay the outstanding charge. The debtor must receive as a minimum a final statement, which states that this is the final notice and that further action will be taken.

1. The costs incurred in pursuing these outstanding charges can be passed to the debtor, unlike the Material and Services Charges.

### **Waive or reduce the Material and Services Charge**

1. The Principal can waive or reduce the Charge, where they believe the debtor is experiencing financial hardship.
3. The waiving or reduction of the Charge is to be dealt with confidentially between the debtor and the Principal.

### **Writing Off Debts**

1. A debt may be written off by resolution of the Governing Council on the recommendation of the Principal or delegate.
2. A recommendation to write off a debt can be made when all reasonable avenues to recover the debt have been exhausted, and where it is not cost effective to pursue the debt through legal action.