



19 March 2024

Anne Peat, MSP  
Convener  
Economy and Fair Work Committee  
The Scottish Parliament  
Edinburgh  
EH99 1SP

Via email: [economyandfairwork.committee@parliament.scot](mailto:economyandfairwork.committee@parliament.scot)

Dear Ms Peat,

**Bankruptcy and Diligence (Scotland) Bill – MAP 10 year rule and earnings arrestments**

I am writing to you in light of the some of the amendments lodged relating to the Bankruptcy and Diligence (Scotland) Bill.

As I'm sure you will appreciate at COSLA, for such matters, we take advice from the relevant local authority professionals who have substantial experience in these areas. Given the potential impact on Local Government we have corresponded with the Minister for Community Wealth and Public Finance on these issues, as have professional associations. Whilst we always seek to balance any views we put forward on behalf of COSLA, on this occasion I would strongly urge the Committee to consider the advice put forward by the Institute of Revenues Rating and Revaluation (IRRV) to the Minister on this issue, which I have attached with the permission of IRRV to this correspondence.

I make some additional comments in providing my reply, however I can confirm that we are in full agreement with the advice provided by IRRV, namely:

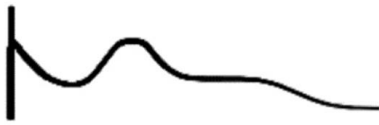
We support the proposed change to align the timescale of MAP bankruptcy with the 5 year period for full administrative bankruptcies, as this would better support those individuals affected.

We do not support the proposal to raise the protected minimum balance for earnings arrestments to £1,000. The IRRV reply sets out the rationale in detail, however our view is that this is simply a matter of addressing the issue of those genuinely in debt by the wrong means, which in turn risks increasing irrecoverable debt and therefore places a significant proportion of Council Tax income at risk. The IRRV sets out comprehensively the ways in which protection is already offered for vulnerable households and those who find themselves in debt. We also concur with the IRRV's suggestion that the threshold is increased annually by the prevailing rate of RPI/CPI or Average Earnings.

COSLA has discussed at length how we can better support Councils in supporting those in debt. This includes our support for promoting progress towards achieving consistency across all Councils in adopting the practices set out in the Stepchange/Improvement Service Report on collaborative Council Tax collection.

All Councils take very seriously our duties to support vulnerable households; but the IRRV would state that the majority of those subject to earnings arrestments are those debtors who choose not to pay their taxes, rather than those who cannot pay their taxes. These amendments will introduce significant cost to Local Government as it will increase irrecoverable debt and may lead to increases in collection costs.

Yours sincerely

A handwritten signature in black ink, consisting of a vertical line on the left, followed by a series of connected loops and curves that extend to the right.

Cllr Katie Hagmann  
COSLA Resources spokesperson

Email to [MinisterCWPF@gov.scot](mailto:MinisterCWPF@gov.scot)

6<sup>th</sup> March 2024

Dear Tom,

**Response from the Institute of Revenues, Rating and Valuation: Response to the Deputy First Minister on MAP and Earnings Arrestment Thresholds**

Thank you for your letter dated 22nd February 2024 giving me and the Institute of Rating, Revenues and Valuation (IRRV) the opportunity to respond. To this end, I have met with colleagues from both the IRRV and COSLA in developing this response.

I would confirm from these discussions the IRRV would submit the following response:

**Minimal Asset Process (MAP)**

The IRRV would support the proposed change detailed in your letter i.e. moving the minimum asset process and align with the full administrative bankruptcies to 5 years.

**Earnings Arrestments**

The IRRV would argue strongly against raising the protected minimal balance for earnings arrestments from the current level £655.83 to £1000 per month.

The IRRV would respectively suggest the protected minimal balance should be raised annually in line with RIP/CIP or increase in average earnings.

The rational for this response is as follows:

a) **Effect on Local Governments ability to collect unpaid Council Tax**

The IRRV has undertaken extensive consultation with Councils and our debt collection partners (Sheriff Officers) and would confirm that annually earnings arrestments collect £30 million per annum to assist local government pay for local services.

Responses from Councils show that in 2023/24, over 40,000 such arrestments were placed and 34,000 of these were successful (83%).

The IRRV feels strongly that changing this threshold would have an adverse effect on the collection of unpaid tax; it sends the wrong message to those who choose not to pay the tax (as opposed to those who cannot pay) and will increase irrecoverable debt and thus reduce resources available to local government.



b) Protection for vulnerable households

The IRRV and local government would stress that we all work locally to protect those households identified as being vulnerable. There are safeguards built into the overall system:

- i. Before any action is taken all households receive a demand notice, reminders and summary warrant letters. If the households contact us at any stage, we would explore options to support households to pay their tax.
- ii. When a summary warrant is granted, Councils review their debtors and remove any households who have been identified as vulnerable (i.e. already receiving full Council Tax Reduction).
- iii. When households are passed to Sheriff Officers for enforcement, the Sheriff Officers make contact by letter/phone/email to debtors seeking contact from them to resolve the outstanding balance.
- iv. Where debtors fail to respond, and only where the Sheriff Officer is aware of the employment details, the debtor will be issued a debt awareness pack giving the debtor 14-days' notice and where to go to receive independent assistance.

At any point in this process, if the debtor contacts Councils or Sheriff Officers, work will be done jointly with the debtor before any further action (such as an earnings arrestments) is placed.

To further reassure you that all Councils undertake their responsibilities to support vulnerable households and all have undertaken to implement the Improvements Service's guidance on collaborative council tax (the full criteria can be found here: [Collaborative Council Tax Collection \(improvementservice.org.uk\)](https://www.improvementservice.org.uk))

c) Additional Costs will be faced by Local Government

Another potential unintended consequence of the proposal would be to increase collection costs for local government. The whole charging model between Councils and Sheriff Officers assumes a level of income obtained by Sheriff Officers in laying both the debt packs and earnings arrestments - this reduces the need for Sheriff Officers to charge collection fees to local government for carrying out collection activities. By removing or changing the earnings arrestment threshold, we may see the sheriff officers having to increase the % fee for collecting unpaid tax.

d) Scottish Water – Water Service Charges

The IRRV would also urge the Deputy First Minister to consult with Scottish Water on the proposed changes as Councils, by statute, also collect Water Services Charges within the Council Tax system. Any changes to the earnings arrestment threshold will have the same financial impact on Scottish Water if the level of Water Service Charges collected is reduced.

e) Overall impact on collection of local taxation

The IRRV strongly believes that increasing the Minimum Protected Balance sends out the wrong message to taxpayers. Councils have struggled over the years with a “won't pay” culture (starting from poll tax days), where it is seen as reasonable by a minority of taxpayers not to pay their dues when it comes to local taxes. Earnings arrestments are a key enforcement tool, used only where all other avenues have been exhausted, for Local Government to collect much needed revenues to pay for local services.

As stated above, all Councils take very seriously our duties to support vulnerable households; but the IRRV would state that the majority of those subject to earnings arrestments are those debtors who choose not to pay their taxes, rather than those who cannot pay their taxes.

In conclusion, the IRRV would support the changes to the Minimal Asset Process but would urge the Deputy First Minister to reject the Social Justice Committee's request to increase the Protected Minimal Balance to £1000 and that this amount should be raised annually by the prevailing rate of RPI/CPI or Average Earnings. The full reasons for this are contained in this response.

The IRRV Scottish Association Executive would be happy to meet the Deputy First Minister and/or Scottish Government Officers to discuss further if the DFM feels that this would be beneficial.

Given the importance of this matter, a copy of this letter will be shared with COSLA and our Director of Finance colleagues for their information and potential further representations.

I look forward to hearing from you once you have considered the content of this response.

Yours Sincerely,



Les Robertson IRRV  
Head of Revenue & Commercial Services, Fife Council  
Chair of IRRV Revenues Forum (Scotland)



Gary Watson IRRV (Hons)  
IRRV Chief Executive