

COMMITTEE:	East Lothian Council
MEETING DATE:	9 December 2025
BY:	Depute Chief Executive – Resources and Economy
REPORT TITLE:	Consultation Response: Future of Council Tax in Scotland
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 To enable Council to consider the proposed response to the Scottish Government consultation on the future of council tax in Scotland.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 Agree the proposed consultation response set out within Appendix 1, to be submitted by 30 January 2026.
- 2.2 Agree that, alongside this response, a letter will be sent to the Cabinet Secretary for Finance and Local Government from the Council Leader, setting out some of the Council's broader concerns regarding the allocation of funding to local authorities as set out in para. 3.4.

3 BACKGROUND

- 3.1 Scottish Government has published a consultation seeking views on how Scotland's council tax system could be made fairer and more up to date. It explores illustrative models such as revaluing properties, adjusting tax bands and introducing protections to help households manage any changes to their bills.
- 3.2 Key considerations in developing this response are set out below:
- **Local factors:** East Lothian is an outlier in many respects, and in responding to this consultation the impact on East Lothian's residents

must be taken into consideration. Whilst council tax reform as stated could see a number of residents paying less, a higher proportion of our residents may be more significantly impacted by the proposed changes.

- **Local Accountability:** It is important that the proposed reforms preserve the link between council tax and local service decisions. The proposal that the changes would be revenue neutral at a national level are concerning and risk reducing East Lothian's funding from Scottish Government while increasing residents' bills.
- **Revaluation:** The proposed response indicates support for revaluation to update the 1991 system with banding thresholds reflecting local housing markets rather than national averages. Recognising the significant costs of carrying out a full revaluation, it is recommended that in future values could be kept up to date through less resource-intensive indexation processes.
- **Preferred Model:** A 14-band system is suggested as the preferred model to allow for a more progressive system. The least preferred option would be retention of the existing 8-band system alongside a revaluation.
- **Affordability Risks:** East Lothian's high property values, rapid and continued population growth over a number of years, and large proportion of higher-band homes mean national thresholds could disproportionately impact residents who may see their bills increase. It is important to ensure that adequate measures are in place to respond to affordability concerns.
- **Mitigation Measures:** The Council supports transitional relief to phase in any changes, as well as expansion of the Council Tax Reduction (CTR) Scheme, provided that additional funding is made available to cover the costs of this.
- **Funding Concerns:** Current CTR funding is not sufficient to cover costs, with current spend on the scheme estimated at £7 million in 2025/26 compared to funding of £5.7 million.
- **Fairness:** The proposed response highlights East Lothian's significant contribution to economic growth in Scotland and calls for measures to ensure that its residents are not penalised by reforms that increase existing funding disparities.

3.3 A proposed response has been prepared by officers and is attached at Appendix 1 to this report. This was shared with cross-party budget working group members and discussed at the meeting on 24 November 2025.

3.4 Due to the potentially significant impact of the proposed reforms on East Lothian residents, and the limited scope for additional comments to be included as part of consultation responses, it is proposed that in addition to the consultation response, a letter is submitted to the Cabinet Secretary for Finance and Local Government setting out the following concerns:

- The consultation proposes that these reforms will be revenue neutral and, consequently, it is likely that East Lothian would see a reduction in the funding it receives from Scottish Government while our residents see their council tax bills increasing if these proposals were implemented.
 - This undermines the principle of council tax as a local tax, with residents able to see the link between the tax they pay and the quality of local services.
 - East Lothian is already significantly disadvantaged through the current distribution of grant funding to local government, with one of the lowest levels of funding per capita in Scotland, resulting in significant increases in council tax charges being necessary in recent years.
 - While the Council supports the objective to achieve a more up to date, progressive and proportionate system for council tax, it does not feel appropriate for changes to be considered in isolation from the broader local government funding system.
- 3.5 Consultation responses must be submitted on or before the closing date of 30 January 2026.
- 3.6 At this stage, the next steps and timeframes in relation to the proposed reforms are not clear. As this evolves, we will continue to engage through national discussions and ensure that East Lothian Council's view is represented as far as possible.

4 POLICY IMPLICATIONS

- 4.1 There are no direct policy implications associated with this report.

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: No direct financial implications arise from the submission of this consultation response. Changes to the council tax system could have significant financial implications for the council but it is yet possible to quantify these.
- 5.2 Human Resources: No direct personnel implications.
- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk: None

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 ***Select the statement that is appropriate to your report by placing an 'X' in the relevant box.***

An Integrated Impact Assessment screening process has been undertaken and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

X

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

7.1 Appendix 1: Proposed consultation response

8 BACKGROUND PAPERS

8.1 Link to consultation: <https://www.gov.scot/publications/consultation-future-council-tax-scotland/pages/1/>

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Ellie Dunnet
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Date	19 November 2025

Head of Service Approval

Name	Sarah Fortune
Designation	Depute Chief Executive – Resources and Economy
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Yes
Approval Date	25 November 2025

Consultation: The Future of Council Tax in Scotland

Respondent Information Form

Please Note this form **must** be completed and returned with your response.

To find out how we handle your personal data, please see our privacy policy - [Privacy - gov.scot](https://www.gov.scot/privacy)

Are you responding as an individual or an organisation?

- ☐ Individual
- ☒ Organisation

Full name or organisation's name

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The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:

- ☒ **Publish response with name**
- ☐ Publish response only (without name)
- ☐ Do not publish response

Information for organisations:

The option 'Publish response only (without name)' is available for individual respondents only. If this option is selected, the organisation name will still be published.

If you choose the option 'Do not publish response', your organisation name may still be listed as having responded to the consultation in, for example, the analysis report.

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

- ☒ **Yes**

☐ No

About You Questions

1. About you Question 1

[For individual respondents] Please tell us which local authority area(s) you live in

Local Authority Area(s):

[For organisational respondents] Please tell us which local authority area(s) your organisation operates in

Local Authority Area(s): East Lothian

2. About you Question 2

If you pay council tax, please indicate which council tax band(s) apply to the property (or properties) for which you pay council tax:

- ☐ Band A
- ☐ Band B
- ☐ Band C
- ☐ Band D
- ☐ Band E
- ☐ Band F
- ☐ Band G
- ☐ Band H
- ☐ I don't pay council tax
- ☐ I don't know

Questions for Consultation

1. Do you think the current council tax system in Scotland needs to be reformed?

- ☒ **Yes**
- ☐ No
- ☐ Don't know

2. Do you think property values used to calculate council tax should be updated to reflect current market values, instead of using 1991 values (i.e. should there be a revaluation of every Property in Scotland)?

- ☒ **Yes**
- ☐ No
- ☐ Don't know

3. How often do you think property values should be reviewed and updated for council tax purposes?

- ☐ Every 3 years
- ☐ Every 5 years
- ☐ Every 7 years
- ☐ Every 10 years
- ☒ **Other, please specify [50 words maximum]**
- ☐ Don't Know

East Lothian Council agrees that it is important that basis of tax charges remains relevant and up to date. Given the significant costs that will be associated with a full revaluation exercise, it is suggested that this could be achieved through indexation in the future.

4. Following a revaluation, do you think council tax band property value thresholds should be set at a national level or vary by council area?

- ☐ Thresholds should be set nationally to be the same across all council areas
- ☒ **Thresholds should vary by council area based on local housing markets**
- ☐ Don't know

5. Which of the following is most important to you in the design of council tax bands?

- ☐ Ensuring tax rises between bands are gradual and predictable (differentiation)
- ☐ Ensuring households in higher-value homes contribute more (progressivity)
- ☐ Don't know
- ☒ **Other, please specify [50 words maximum]**

The council supports proposals for a more progressive tax system provided that adequate financial support is available to those who require it. Furthermore, the council strongly believes that residents should be able to see a link between the amount they pay and the quality of local services.

6. Which of the potential council tax systems do you most support?

- ☐ Revaluation with 8 existing bands
- ☐ Revalued 12-band (differentiated) system
- ☐ Revalued 12-band (progressive) system
- ☒ **Revalued 14-band system**
- ☐ The current council tax system
- ☐ Don't know

7. Which of the potential council tax systems do you least support?

- ☒ **Revaluation with 8 existing bands**
- ☐ Revalued 12-band (differentiated) system
- ☐ Revalued 12-band (progressive) system
- ☐ Revalued 14-band system
- ☐ The current council tax system
- ☐ Don't know

8. Do you support the establishment of a transitional relief scheme to limit how much a household's council tax bill can increase each year following reform?

- ☒ **Yes**
- ☐ No
- ☐ Don't know

9. Which transitional relief scheme would you prefer?

- ☐ Scheme 1: Cap increases at 10% or £300 per year
- ☒ **Scheme 2: Cap increases at 25% or £600 per year**
- ☐ Other, please specify [50 words maximum]
- ☐ Don't know

10. Do you support the establishment of a council tax deferral scheme for homeowners?

- ☐ Yes
- ☒ **No**
- ☐ Don't know

11. In your view, who should be eligible to receive support from a council tax deferral scheme?

[Select as many as you think should apply]

- ☐ Pensioners (over state pension age)
- ☐ Disabled people
- ☐ Households with children
- ☒ **Households experiencing financial hardship**
- ☐ Other, please specify [50 words maximum]
- ☐ Don't know

12. Should households who defer payment pay interest on the amount deferred?

- ☒ **Yes**
- ☐ No
- ☐ Don't know

13. Do you think the Council Tax Reduction scheme should be expanded to support more households following any reform?

- ☒ **Yes**
- ☐ No
- ☐ Don't know

14. Which changes to the Council Tax Reduction scheme would you support? [Select as many as you think should apply]

- ☒ **Broaden eligibility criteria for CTRS to include low-income households where the property moves into a higher band due to council tax system changes**
- ☒ **Change CTR so support is withdrawn more gradually as rising incomes move individuals out of eligibility**
- ☐ No changes needed
- ☐ Other, please specify [50 words maximum]
- ☐ Don't know

15. Do you have any information you wish to share that has not already been discussed in the paper on the impact of council tax reform on any of the following:

- Groups who share protected characteristics
- Island Communities
- Businesses or organisations in the public, private or third sector
- Your local area

Please provide details, making reference to the type of impact to which your comments relate. [free text, 300 words maximum]

- **We believe that a higher proportion of East Lothian residents may be impacted by the proposed reforms, particularly if council tax band property**

value thresholds are set at a national rather than local level as a consequence of the following factors:

- Highest change in property value: 500% between 1993 and 2004 (Scottish average 357%)
 - 4th highest average property value 2025: £312,797 (Scottish average £211,159)
 - Highest population growth 2001 – 2021: 21.5% (Scotland 8.2%)
 - Higher proportion of band E-H properties: 38% (Scottish average 28%)
 - Growing proportion of band E-H properties: 31% (2005), 38% (2025)
 - % service expenditure funded from council tax: 24% (Scottish average 19%)
- We are therefore concerned about the affordability of the proposed reforms for East Lothian residents, and strongly support the option to take local variations into account.
 - Under the current CTR system, income fluctuations result in frequent changes to entitlement and unpredictable council tax bills. This can create financial instability for vulnerable households, undermining the intended support of the CTR scheme.
 - To improve stability and reduce administrative burden, awards could be fixed for set periods, e.g. quarterly or half-yearly based on income at the start of each period, eliminating the need for constant reassessment due to fluctuating earnings.
 - The council does not hold sufficient data to determine whether the impact of the proposed reforms would have a disproportionate impact on groups who share protected characteristics but strongly advocate further research being undertaken to better assess the impact of the proposed reforms.

16. Please provide any other comments or views on the consultation themes or council tax reform that you have not been able to share above. [free text, 300 words maximum]

- The council supports the principle of council tax as a local tax and believes that residents should be able to see a link between the amount they pay and the quality of local services.
- East Lothian Council supports proposals for a more progressive tax system provided that adequate financial support is available to those who require it.
- However, the council has significant concerns at the proposal that these reforms will be revenue neutral nationally and consequently, East Lothian will likely see a reduction in the funding it receives from Scottish Government while our residents see their council tax bills increasing.
- This element of the funding system undermines the nature of council tax as a local tax and removes flexibility from local areas to tailor spending according to local priorities.

- East Lothian already receives one of the lowest levels of per capita funding from Scottish Government and the proposals in their current form will increase the existing disparity.
- The council continues to make a significant contribution to economic growth in Scotland and does not believe that its residents should be disproportionately impacted by these reforms due to rising property values.
- Given this, it is extremely difficult for East Lothian Council to support the proposed reforms unless this element of distribution is reviewed, or other measures are taken to mitigate the potentially disproportionate impact of this on our residents.
- In relation to council tax reduction, the council supports proposed reforms to the council tax reduction scheme with a view to widening the support available to more low-income households. These changes will need to be supported through appropriate additional funding, noting that current funding levels do not sufficiently cover the costs of the existing scheme. In 2025/26 the council will receive funding of £5.7million against estimated costs in excess of £7million.