

The Highland Council

Agenda Item	5.
Report No	CC/26/25

Committee: Caithness Area Committee

Date: 3 November 2025

Report Title: Short Term Let Control Area

Report By: Assistant Chief Executive - Place

1 Purpose/Executive Summary

1.1 At the meeting of The Highland Council on 18 September 2025, Members considered an item setting out the process and options for implementing further Short Term Let Control Areas. The regulatory process to designate a Short Term Let Control Area (STLCA) follows three steps: notification and consultation; submission to, and approval from, Scottish Ministers; followed by public notice of the designation. Reaching a decision on whether to progress with the implementation of a Short Term Let Control Area will require a number of decision points to consider; the supporting evidence, the analysis of the outcome of consultation, and whether ultimately to designate an area. A new structure for how such decisions can be reached was agreed by members, where:-

- i. Area Committees will first decide on whether to progress with the introduction of a Short Term Let Control Area covering all or part of their Area;
- ii. The Economy and Infrastructure (E&I) Committee take the decision to formally commence the process with the evidence gathering and consultation;
- iii. the E&I Committee, having taken into account the evidence and feedback, decide on whether or not to continue with the process;
- iv. the final decision to designate a Short Term Let Control Area is for E&I Committee; and
- v. that a report would come to the next E&I Committee that explored the options for the Council to work in partnership with the UK and Scottish Governments to include Rural Housing in any new growth deal for the Highlands. With the aim to bring additional finance for housing delivery; identify and remove barriers across public agencies that currently hindered development; act as an enabler for innovative community-led housing solutions; and unlock development opportunities where these were supported by local communities.

- 1.2 This report summarises the prevalence of Short Term Lets in Caithness specifically. Relative to other areas of Highland, and to Highland as a whole, there is not a high rate of potential dwellings being used as Short Term Lets in Caithness. While there is growth occurring in specific areas, the overall numbers of short term lets remain small in real terms. There is some indication that newbuild housing completions are being transferred to short term letting at a higher rate than Highland as a whole, but again the actual numbers are small in real terms. An assessment of the Caithness Housing Market Area undertaken as part of the Highland Housing Need and Demand Assessment indicates that the area's housing market is relatively contained, with more affordable properties than other areas of Highland, and lower proportions of sales to those outwith the local area, which indicates that the area is not subject to undue influence from external pressure. There are also no registered Local Place Plans in Caithness where communities have expressed any concerns on these matters.
- 1.3 On balance, the evidence at this time would not indicate that the establishment of a Short Term Let Control Area is justified in Caithness. Areas of growth would benefit from further reconsideration of the evidence base at a future point in time to monitor whether the availability of local housing is significantly impacted, or whether further registered LPPs come forward expressing concerns regarding Short Term Lets in the intervening period. It is reasonable to undertake further assessment of this evidence base after a 12-month period.

2 Recommendations

- 2.1 Members are asked to:
- i. **Consider and note** the evidence presented demonstrating the degree of prevalence of short term lets within Caithness;
 - ii. **Note** that this evidence, at this time, does not demonstrate that the housing market within Caithness specifically, is subject to any significant pressure caused by Short Term Lets at this time, that would warrant regulation through a Short Term Let Control Area;
 - iii. **Consider and agree** that the Caithness Area Committee does not at this time wish to progress with the process of considering the introduction of a Short Term Let Control Area covering all or part of the Caithness Area; and
 - iv. **Agree** to reconsider the evidence base regarding short term lets prevalence in Caithness within a further report brought to the Area Committee again at a future period, in 12 months time.

3 Implications

- 3.1 **Resource** – any decision taken to progress work on bringing into effect a Short Term Let Control Area will have resource implications that will not be met through existing budgets. This will relate to officer time and consultancy fees in establishing a control area and, if agreed, thereafter its implementation. While fees can be recovered for any subsequent processing of planning applications, these do not necessarily result in full cost recovery, and it is likely to result in a significant increase in enquires where fee income will not cover cost.

- 3.2 **Legal** –The Council has the power under Section 26B of the Town & Control Planning (Scotland) Act 1997, as amended by the Planning (Scotland) Act 2019, to designate a Short Term Let Control Area. Potential risks of legal challenge can be mitigated by careful consideration of the evidence to support such proposition.
- 3.3 **Risk** – any decision taken to progress with a Short Term Let Control Area may be subject to legal challenge. This risk can be mitigated by careful consideration of the evidence to support such proposition.
- 3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** – no specific implications to highlight.
- 3.5 **Gaelic** – there are potentially disproportionate impacts on specific Gaelic-speaking communities stemming from a lack of housing availability and affordability in some areas of Highland. Any evidence in relation to Short-Term Lets and their impact on housing availability may therefore have related impacts on specific Gaelic-speaking communities.

4 Impacts

- 4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children’s Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.
- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This report does not relate to the formal implementation of a Short Term Let Control Area, but considers whether there is an evidence base that would justify progressing to a full evidence gathering and consultation phase, and therefore an impact assessment is not required. If a decision was taken to progress to the next stage, which would involve evidence gathering and consultation, an impact assessment would be required in order to inform the decision on whether to progress with such a scheme.

5 Background

- 5.1 Members will recall from the [previous report to Highland Council](#) in September 2025 that The Planning (Scotland) Act 2019 introduced provision for Planning Authorities to designate all or part of their area as a STLCA:-
- to help manage high concentrations of STLs (where it affects the availability of residential housing or the character of a neighbourhood);
 - to restrict or prevent short term lets in places of types of building where it is not appropriate; and
 - to help local authorities ensure that homes are used to best effect in their areas;

5.2 There is currently one STLCA within Highland, established in Ward 20 Badenoch and Strathspey. Members were reminded in the [previous report to Highland Council](#) in September 2025 of the scope of what development would and would not be considered within an STLCA. In summary:-

- Within an STLCA, a change of use of a dwellinghouse to STL (as defined) will be deemed to be a material change of use and so require planning permission.
- However, this only applies to new STLs established after an STLCA comes into force and cannot be applied retrospectively.
- A STLCA will therefore not be able to control existing STLs where no material change of use had occurred at the time of establishment, or other types of short-term accommodation such as guest houses, B&Bs, annexes and pods.
- It would also have no effect on second homes, empty homes or purpose-built holiday accommodation.
- STLs are also subject to separate licensing requirements. Following the designation of a STLCA, the Council, as licensing authority, will require evidence that planning permission has been sought or is in force for when granting future STL licences within a STLCA.

5.3 Members were reminded of the process of designating an area as a control area essentially follows three steps as set out in regulation 3 of [The Town and Country Planning \(Short-term Let Control Areas\) \(Scotland\) Regulations 2021](#). Should the Economy and Infrastructure (E&I) Committee take the decision to formally commence the process with the evidence gathering and consultation described in Para 1.1 (ii), the Planning Authority must undertake:-

- notification and consultation: publish notice of their proposal to designate a control area and consult on the proposal;
- submission and approval: submit their proposal to the Scottish Ministers and obtain their approval; and
- publicity: subject to approval of the Scottish Ministers, the planning authority must give notice of the designation, setting out the area to be covered and the date on which the control area will come into effect.

5.4 Using records from the mandatory [STL Public Register](#), the [previous report to Highland Council](#) in September 2025, detailed initial analysis undertaken on STL prevalence to allow consideration of impacts on the availability of residential housing, as informed by the [Short-Term Lets and Planning Circular 1/2023](#). Across Highland just under 6% of potential dwellings are licensed as short term lets, and around 5% of new housing completions across Highland within the last 5 years are now licensed short term lets, yet it is evident that there were marked differences across the authority as a whole. This report provides greater assessment of this analysis as it relates specifically to the Caithness Area to support Members decide whether to progress to the first stage of the implementation of a short term let control area, namely the evidence gathering and consultation phase.

6 Assessment of Short Term Lets in Caithness

- 6.1 Conducted as part of the ongoing Highland Housing Need and Demand Assessment (HNDA) a robust 'containment analysis' of sub-Highland Housing Market Areas, highlights areas with a high proportion of sales to those outwith the local areas, the Highlands or indeed outwith Scotland. While some degree of transfer between Housing Market Areas is expected in a large authority such as the Highland Council, high proportions of external sales completed to buyers outwith the Highlands, Scotland and the UK could indicate that the local housing market may be distorted owing to increasing external demand.
- 6.2 While five Housing Market Areas of Highland have relatively low levels of containment revealing high levels of demand for housing from those outwith the local area, Caithness is identified as a Housing Market Area with high levels of containment. In Caithness 70% of house sales were purchased by buyers already living in Caithness. A further 7% of sales were purchased by buyers from elsewhere within the Highland Council, while 23% were purchased by buyers outwith Highland, Scotland, or indeed the UK as shown in **Table 1**. Caithness is also an area where average house prices and market entry house prices are both more affordable than in other Highland Housing Market Areas.

Table 1 Caithness Housing Market Area

	Caithness	Highland
HMA Containment	77%	71%
HMA Internal Self-Containment	70%	
HMA Containment Highland	7%	
Sales from Scotland, UK & Elsewhere	23%	29%
Average House Price	£132,944.99	£209,125.12
Income Required to Afford Average House Price	£35,313.51	£55,548.86
% CAN'T afford Average House Price	52%	64%
Market Entry House Price	£78,000.00	£132,310.00
Income Required to Afford Market Entry House Price	£20,718.75	£35,144.84
% CAN'T afford Market Entry House Price	28%	41%
Empty Homes	7%	5%
Second Homes	1%	3%
Short Term Lets	2%	6%

- 6.3 In Caithness 2% of potential dwellings are currently licensed STLs, which is lower than 6% across Highland as a whole. The overall indicators as shown in **Table 1** indicate that in general, Caithness is a Housing Market Area that is more affordable and has lower rates of STLs and second homes than Highland as a whole. Instances where higher shares of house sales to buyers outwith the local area, where median incomes may be higher, provide indications of where housing markets may be distorted due to external influence. As Caithness has a lower share of house sales to buyers from outwith Highland, Scotland and the UK, this is interpreted as meaning that such impacts are not significantly felt in Caithness, in contrast to other areas of Highland.

- 6.4 The [Highland Short Term Lets](#) Map uses records from the [STL Public Register](#) and the National Records of Scotland [Small area Statistics on Households and Dwellings](#) 2024) to identify concentrations of STLs within small statistical areas known as data zones which illustrate precise areas where STLs are concentrated. A breakdown of registered STLs in Caithness wards as of 30th July 2025 is shown in **Table 2**. The majority of STLs in Caithness are detached dwellings, or often unconventional accommodation (pods and chalets). Within the towns of Wick and Thurso, STLs are varied, including a mix of housing stock such as self-contained flats and terraced houses. A map depicting the most common forms of STLs across Caithness is shown in **Appendix 1**.

Table 2 Profile of Caithness STLs

	Ward 2	Ward 3	Caithness Total
Detached House STLs	55	81	136
Semi-Detached House STLs	25	34	59
Terraced House STLs	14	27	41
Self-Contained Flat STLs	16	30	46
All Potential Dwelling STLs	110	172	282
Unconventional Accommodation STLs (Pods, chalets etc)	13	30	43
All Short Term Lets	123	202	325

- 6.5 Unconventional accommodation STLs (pods, chalets and other forms of accommodation not transferrable back to housing stock) are excluded to arrive at the Adjusted Rate of STL, which reflects the potential dwellings used as STLs. In Caithness 2% of potential dwellings are used as STLs. At smaller data zone level, a Map is provided in **Appendix 2**, which illustrates that there is only one data zone in Caithness where the Adjusted Rate of STLs is higher than the Highland average (6%) which is located in Wick, where just under 7% of potential dwellings are used as STLs.
- 6.6 The threshold for a 'high' Adjusted STL Rate arrived at is 11.17%. This means that data zones with Adjusted STL Rates above 11.17% are considered to be outside the statistical normal range, relative to Highland as a whole. There are no data zones in Caithness that exceed this threshold.
- 6.7 Officers have also identified areas with the 'fastest growing' Adjusted Rates of STL, by comparing the current rates with those from 2024 and 2023. This highlights areas which may have average or low Adjusted STL Rates but appear to be on an increasing trajectory and warrant observation and monitoring. A map showing where Adjusted Rates of STLs are changing in Caithness is shown in **Appendix 3**. There were 12 data zones in Caithness where Adjusted STL Rates increased faster than the Highland average, and 7 data zones where Adjusted STL Rates increased more slowly than the Highland average, but the actual numbers of STL's remained small in real terms. Adjusted STL Rates declined in 19 Caithness data zones. The [Highland Short Term Lets](#) Map allows users to interrogate specific areas and view the rates of change. Areas where Adjusted Rates of STLs have increased faster than the Highland average for more than 2 consecutive years are shown in **Appendix 4**.

- 6.8 Analysis of Total New Housing Completions and the STL Licence Register reveals that of the total 175 housing completions in Caithness in the past 5 years, 15 have since become STLs, which equates to 8.6% of completions. This is slightly higher than the Highland average of 5%.

Table 3 Newbuild Completions in Caithness since used as STLs

	Ward 2			Ward 3		
Year	Total Completions	Became STLs	%	Total Completions	Became STLs	%
2020/2021	9	1	11	27	4	15
2021/2022	7	0	0	34	2	6
2022/2023	16	1	6	27	3	11
2023/2024	12	2	17	16	1	6
2024/2025	7	0	0	20	1	5
Grand Total	51	4	7	124	11	9

- 6.9 A review of the [Caithness Area Place Plan](#) and registered Local Places Plans has been undertaken to identify communities that have expressed concern regarding prevalence of STLs, or that have explicitly prioritised designation of a STLCA in their area. Planning authorities are to take into account any registered LPP when they are preparing or amending an LDP. At the time of writing this report, the Highland Council has registered a total of 14 Local Place Plans (LPPs), and the [Local Place Plan Register Map](#) shows the status of areas that have formally registered LPPs, in addition to those that have notified us that they intend to submit one. There are presently no registered LPPs in the Caithness Area, although Thurso have indicated that they wish to submit one. Dunnet and Canisbay have submitted one for checking and validation and it has not been registered at this time. An overview of the Dunnet and Canisbay draft LPP mentions a lack of long-term rental properties and affordable houses to buy, but makes no association with STLs as a reason for this and raises no explicit concerns with STLs.
- 6.10 A Local Place Plan can only be placed on the register if it is valid, meaning if the requirements for Local Place Plans set out within paragraphs 1(4) and 2(1) of [Schedule 19](#) of the Town and Country Planning (Scotland) Act 2019 as amended, and Regulations 2, 3, 4 and 5 of [The Town and Country Planning \(Local Place Plans\) \(Scotland\) Regulations 2021](#), have been complied with in relation to it. Communities may wish to come forward in due course with further LPPs, which would be duly considered at the appropriate stage, but at the present time, there are therefore no registered LPPs in Caithness that have raised concerns regarding STLs in their communities.

- 6.11 The [Caithness Area Place Plan](#) Challenges and Opportunities section summarises consultation feedback and highlights community concern about STLs. In relation to housing, second homes purchased for short term lets were identified as a cause of housing shortage, particularly for first time buyers. In relation to tourism, there were few negative comments about the impact of tourism, however the pressure on housing from short-term lets was mentioned. These community concerns regarding prevalence of STLs do not state explicit aspirations for the introduction of a STLCA in Caithness, and are not borne out by the evidence presented in this report, specifically in relation to Caithness at this time, but worthy of ongoing monitoring.

7 Conclusion

- 7.1 This report summarises the prevalence of Short Term Lets in Caithness and potential impacts on availability of residential housing in Caithness specifically. Relative to other areas of Highland, and to Highland as a whole, there is not a high rate of potential dwellings being used as Short Term Lets in Caithness. While there is growth occurring in specific areas, the overall numbers of short term lets remain small in real terms. There is some indication that newbuild housing completions are being transferred to short term letting at a higher rate than Highland as a whole, but again the actual numbers are small in real terms. An assessment of the Caithness Housing Market Area undertaken as part of the Highland Housing Need and Demand Assessment indicates that the area's housing market is relatively contained, with more affordable properties than other areas of Highland, and lower proportions of sales to those outwith the local area, which indicates that the area is not subject to undue influence from external pressure. There are also no registered Local Place Plans in Caithness where communities have expressed any concerns on these matters. The [Caithness Area Place Plan](#) aforementioned, while raising concerns raised within consultation feedback, these are not borne out by the wider empirical evidence and would benefit from ongoing monitoring over the short to medium term.
- 7.2 On balance, the evidence at this time would not indicate that the establishment of a Short Term Let Control Area is justified in Caithness. Areas of growth would benefit from further reconsideration of the evidence base at a future point in time to monitor whether the availability of local housing is significantly impacted, or whether further registered LPPs come forward expressing concerns regarding Short Term Lets in the intervening period. It is reasonable to undertake further assessment of this evidence base after a 12-month period.

Designation: Assistant Chief Executive - Place

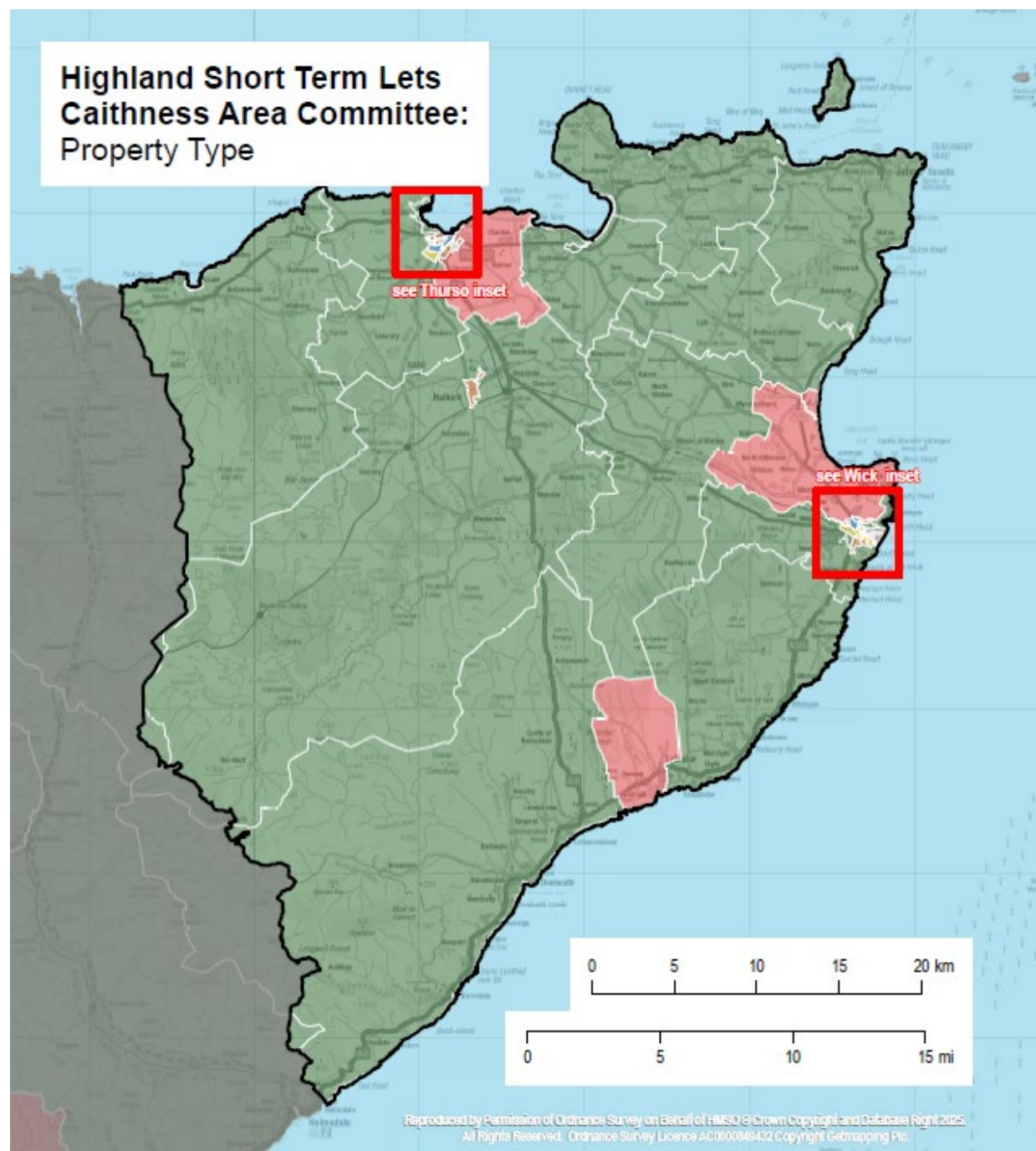
Date: 7th October 2025

Authors: Meadhbh Maguire – Principal Planner

Background Papers: [Report to Highland Council](#) 18th September 2025

Appendices: Appendix 1 Short Term Lets Predominant Property Type
Appendix 2 Adjusted Short Term Lets Rates by Data Zone
Appendix 3 Adjusted STL Rate Change 2023-2024
Appendix 4 High & Fastest Growing Adjusted STL Rates

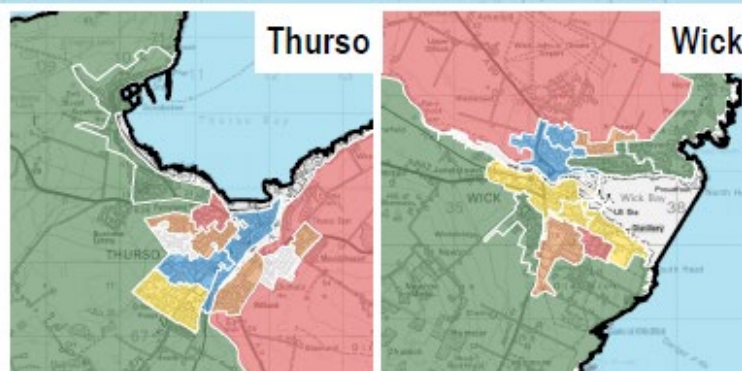
Appendix 1



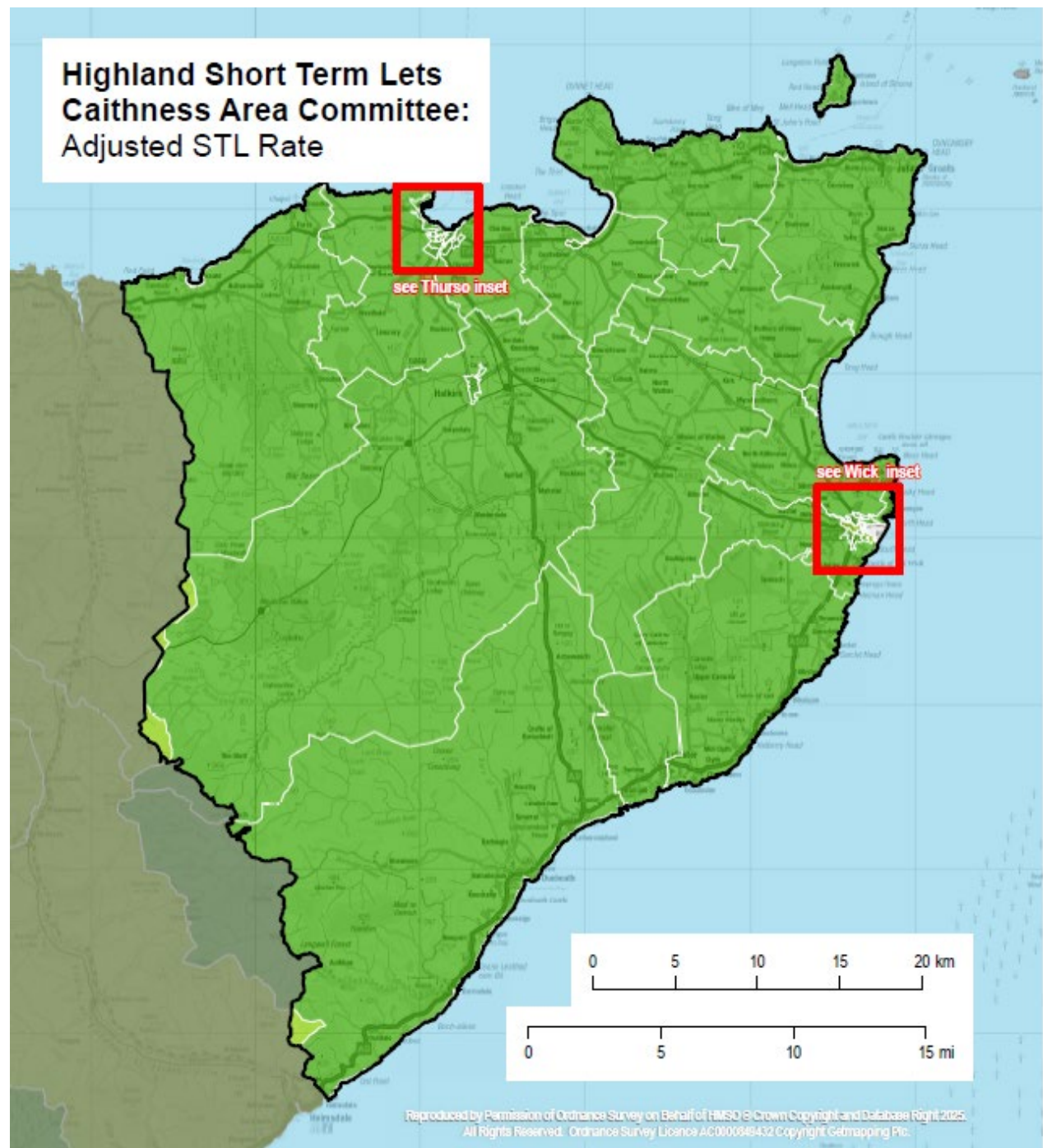
Predominant STL type

Type of property

- Detached house
- Semi-detached house
- Terraced house
- Self-contained flat
- Unconventional accommodation
- No data

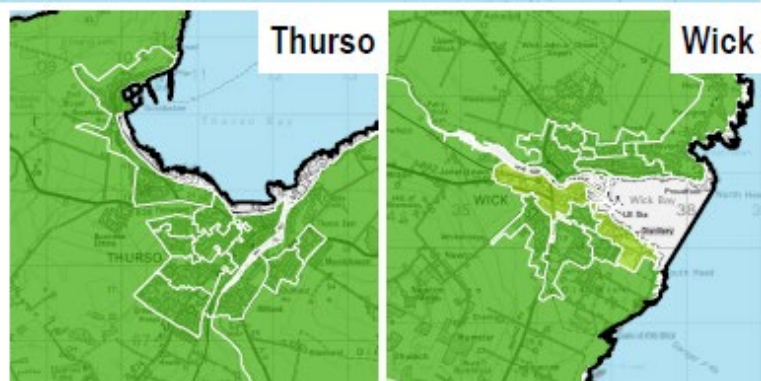


Appendix 2

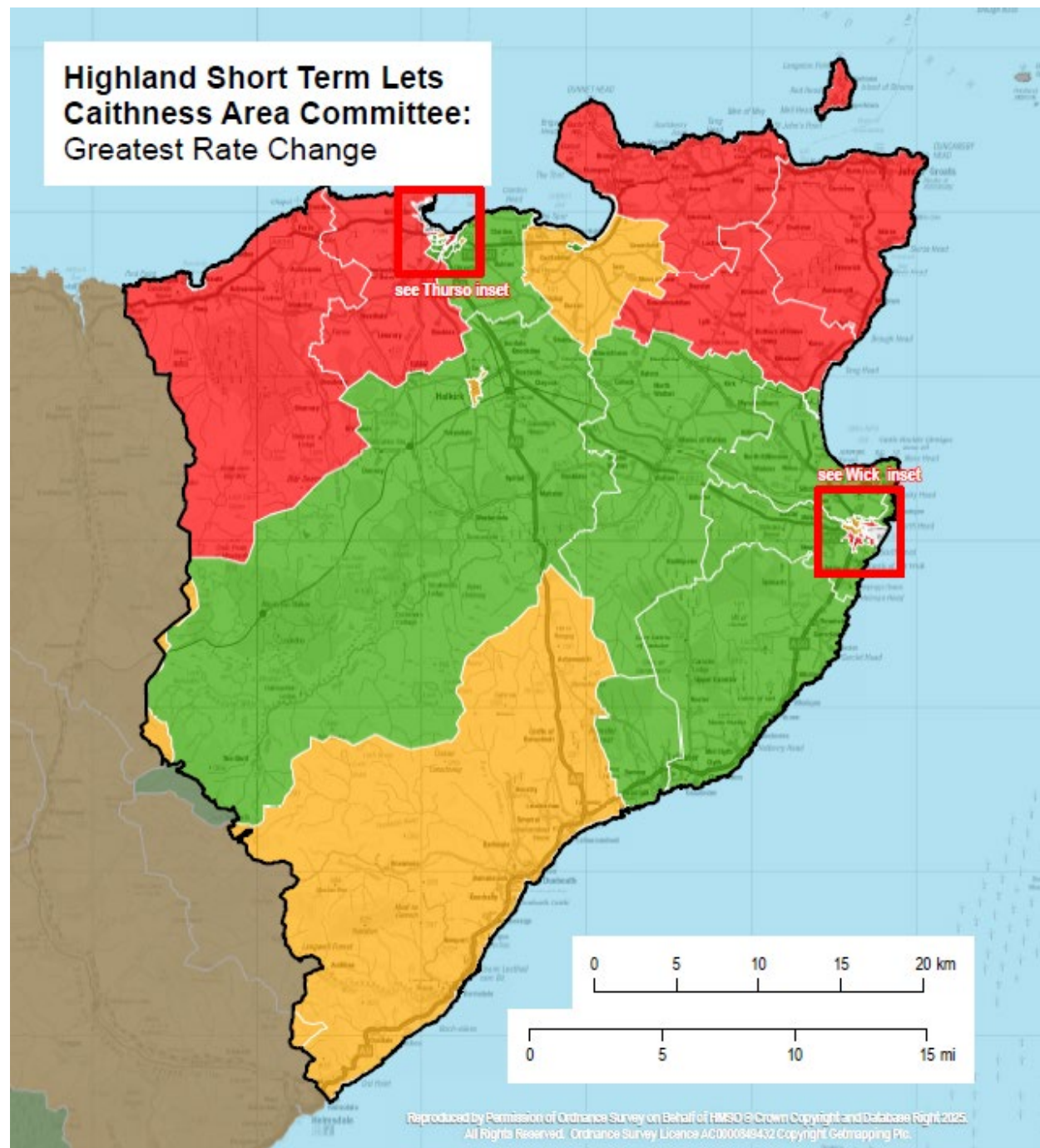


Adjusted STL Rate

- 0.00% - 5.08%
- 5.08% - 11.17%
- 11.17% - 17.27%
- 17.27% - 23.35%
- 23.35% - 29.69%



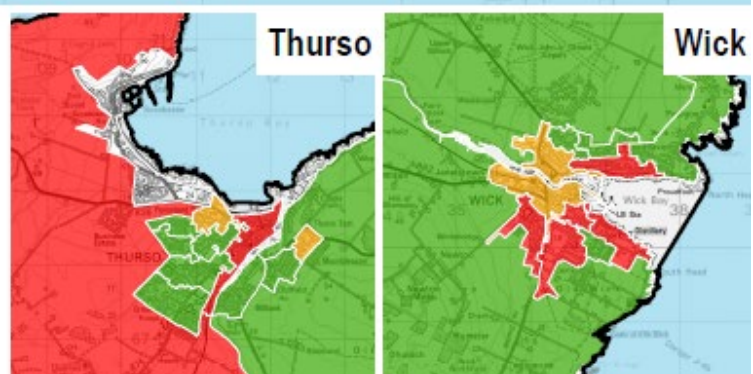
Appendix 3



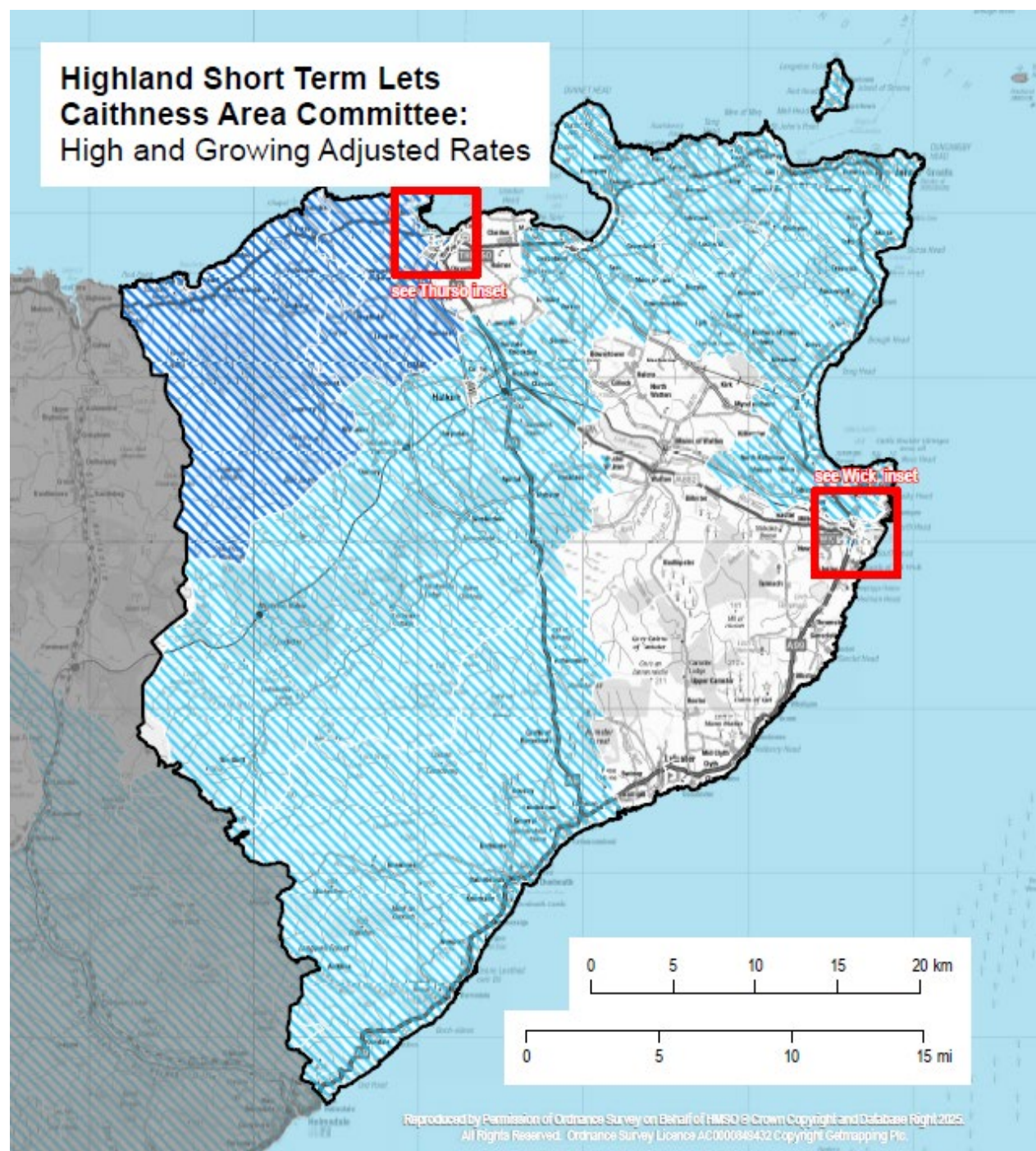
Data Zones with most STL change

% rate change 2023 -

- Declining
- Increasing slower than the Highland average
- Increasing faster than the Highland average



Appendix 4



Adjusted STL Rates increasing
faster than the Highland average
for 2 consecutive years



Adjusted STL Rates increasing
faster than the Highland average
for 1 year



High Adjusted STL Rate

