



Department for
Communities and
Local Government

A Better Deal for Mobile Home Owners – Changes to the Local Authority Site Licensing Regime

Final Impact Assessment

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Title: Park Homes Site Licensing - Caravan Sites and Control of Development Act 1960 IA No: Lead department or agency: Department for Communities and Local Government Other departments or agencies:	Impact Assessment (IA)		
	Date: 04/09/2012		
	Stage: Final		
	Source of intervention: Domestic		
	Type of measure: Primary legislation		
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Summary: Intervention and Options

RPC Opinion: GREEN

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as One-Out?
£1.02m	-£32.99m	£3.62m	Yes IN

What is the problem under consideration? Why is government intervention necessary?

Existing legislation gives little protection to owners of park homes. Although park home sites are subject to licensing by local authorities to ensure they are safe and healthy places to live, licences are rarely monitored or enforced by authorities due to a lack of resources and inadequate sanctions (these have not been updated since 1960). In this growing sector of ownership of park homes, there is a need to ensure that site owners fulfil their obligations. At present, there is a risk that a minority of site owners may take advantage of weak regulation by lowering site standards without fear of strong sanctions.

What are the policy objectives and the intended effects?

The policy is intended to strengthen the licensing regime and monitoring arrangements for park home sites to ensure that site conditions are maintained in accordance with existing standards. This should help protect vulnerable residents to ensure that site owners meet their obligations. The policy does not intend to change the standards that apply to park home sites.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

0. Do nothing (i.e. retain and rely on continued use of existing provisions without amendment or changes).
1. Strengthen the powers and resources available to local authorities to uphold licensing agreements.
2. Allow voluntary compliance with a code of conduct or similar facility, either instead of, or in addition to the existing legislative provisions.

Option 1 is the Government's preferred choice. This option would help ensure that local authorities have the ability to monitor site compliance and intervene early to protect the rights of tenants.

Will the policy be reviewed? It be reviewed. If applicable, set review date: /

Does implementation go beyond minimum EU requirements?						
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		Micro	< 20	Small	Medium	Large
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)				Traded:	Non-traded:	

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by the responsible Minister: Mark Prisk MP



Date

01/11/12

Summary: Analysis & Evidence

Policy Option 1

Description: FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £-	High: £17.1	Best Estimate: £5.4

COSTS (£m)	Total Transition (Constant Price) Year	Average Annual (excl. Transition) (Constant Price) Year	Total Cost (Present Value)
Low	0.0	4.1	33.9
High	0.0	4.1	33.9
Best Estimate	0.0	4.1	33.9

Description and scale of key monetised costs by 'main affected groups' The majority of the costs fall to site owners. The largest costs faced by site owners is that needed to pay new fees for licenses, with an estimated present value of around £21.4m over a ten year period, and additional costs of administration and servicing enhanced monitoring and enforcement, which are estimated at around £9.4m. The total costs payable by site owners is just over £33m (these costs can be viewed separately as costs A to H in the table on pages 13 and 14). Costs to local authorities (LAs) of increased monitoring are estimated at around £21.4m (which forms the basis of estimated fees for licenses on a cost recovery basis only - therefore a transfer).

Other key non-monetised costs by 'main affected groups'
There may be additional start-up costs to local authorities due to implementing the revised licensing regime and providing advice to site owners on the new provisions. We have not attempted to directly quantify these costs, though we have made a broad estimate of the costs to local authorities of the new monitoring regime more generally and the costs to site owners in complying with new monitoring arrangements.

BENEFITS (£m)	Total Transition (Constant Price) Year	Average Annual (excl. Transition) (Constant Price) Year	Total Benefit (Present Value)
Low	0.0	1.9	17
High	0.0	5.6	51
Best Estimate	0.0	3.7	34

Description and scale of key monetised benefits by 'main affected groups'
Park residents receive the benefits of around £34.0m worth of additional site facilities, bringing them up to the required standard.

Other key non-monetised benefits by 'main affected groups'
Additional benefits are likely to accrue to residents by reducing the potential for a minority of site owners to harass and threaten to deprive them of site amenities - leading to wider health benefits. Other benefits might accrue to the sector by allowing LAs to offer a more professional and effective service to site owners and residents, and to responsible site owners by improving the standard and reputation of the sector's product.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
Some sensitivity analysis has been carried out, but there remains a risk that the proposed system does not provide sufficient monitoring to release significant benefits to residents. There is also a risk that where there are high fixed monitoring costs for an LA, and a small number of sites, fees for each site may have to be very high if LAs were to achieve full cost recovery through the proposed fee system.		

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
Costs: 3.62 Benefits: Net: -3.62	Yes	IN

Evidence Base (for summary sheets)

Background

- Park homes are caravans not houses and no housing health and safety regulations apply to them.
- Due to housing shortages in the post 2nd World War era there was a rapid expansion in unauthorised and unregulated residential caravan developments. The Caravan Sites and Control of Development Act 1960 was the first piece of legislation introduced to regulate (through licensing and planning) both the number of caravan sites and standards within them.
- The Act applies to all caravan sites including those used for holiday purposes.
- This Act has not been updated for 50 years and no longer meets the licensing requirements of modern park home sites, which are laid out as private estates with almost all services and amenities provided by the owner of the site.

Problem under consideration

1. The park homes sector is small, accounting for around 0.38 per cent of the housing stock in England. The lifestyle has increasingly been promoted over the last couple of decades by the industry as an affordable alternative to traditional housing especially for older people. In 1992, about 55 per cent of park homes were occupied by people aged 60 or over, this proportion had risen to over 68 per cent a decade later.
2. The census does not identify park homes as a distinct category, and instead they are included in wider groupings of caravans or other mobile temporary structures such as houseboats. Whilst for these reasons census data can only be indicative of the situation in park homes, it points to a greater tendency for residents to suffer from long term limiting illnesses, which is likely be related to the age category. The 2001 Census showed that about 31 per cent of all people living in caravans or other mobile temporary structures reported a long term limiting illness, compared with the national average of 17per cent. It is fair to say that residents of park homes tend to be older and more vulnerable than residents in other forms of accommodation.
3. All park home sites are required to be licensed by local authorities under the Caravan Sites and Control of Development Act 1960. The tenure arrangements for park homes is unusual in that the resident owns the home, but rents the plot of land on which it is situated from the site owner. Since a park home is a

“caravan” under the 1960 Act and not therefore attached to the land in the usual sense of the word, the resident does not possess a legal estate in it, unlike, for example, a leaseholder. The home is legally a “chattel”, and the resident only has permission, i.e. via a licence, to station it on the plot. This unusual tenure arrangement, an aging resident population, and poor regulatory controls present risks that residents will be exploited by site owners.

Rationale for intervention

4. We have received reports that a number of rogue site owners who operate in the sector, disregard statutory requirements and exploit residents for their own financial gain thus diminishing the value of residents’ homes and putting their health and safety at risk.
5. They are able to do so because in practice residents cannot move their homes, although they are technically mobile, and because few sites will accept homes that have not been purchased in situ. As a result, an unhappy resident does not have the option to vote with their feet and move because there is no market and nor can they easily sell their homes because of the poor conditions of the site or other obstacles put in the way by site owners. Consequently this puts the site owner in a very strong position vis-à-vis the resident. There are also few safeguards in place to ensure residents’ expectations are met.
6. Also, under the 1960 Act, local authorities can attach conditions to a licence, governing such matters as:
 - the permitted number of caravans on the site;
 - their spacing, density, size and siting;
 - the occasions on which the site can be used; and
 - the amenity of the land; health and safety issues and facilities on the site.
7. The Act does not however allow local authorities to charge fees for issuing and monitoring site licences, or taking enforcement action if conditions are not met. In practice, this severely limits authorities’ resources to provide effective scrutiny of the sector or take enforcement action. Even where sanctions are applied, the maximum penalty the magistrates’ court can impose for a breach of site licence is £2,500. This does not provide an effective deterrent as in most instances the fine is a fraction of the cost of necessary remedial work.
8. This lack of enforcement means that residents’ property rights are poorly defended even though they are required to pay the site owner an ongoing pitch fee. Their inability to switch easily between sites also means they have very little assurance over the standard of service provided.

Policy Objective

9. DCLG has frequently received complaints that required standards are not met and that in some cases residents have been harassed to give up their rights and sometimes even their mobile homes by site owners. It is difficult to quantify the scale of the problem due to the paucity of data on park homes. However our consultation in April (<http://www.communities.gov.uk/publications/housing/mobilehomeowners>) and the Communities and Local Government Select Committee hearing (<http://www.publications.parliament.uk/pa/cm201213/cmselect/cmcomloc/177/17702.htm>) earlier this year, gave clear indications of the problems faced by residents. The information gathered has also provided some quantification of the scale of the problems in the sector.
10. Our objective is to encourage sites to be professionally managed and maintained to agreed standards. We also want to ensure that property rights are well defended, to reduce the potential for unscrupulous site owners to exploit residents by reducing standards. The Government does not intend to change the existing standards or conditions that apply to sites, through the Model Standards or site conditions. However, it does want to improve monitoring of compliance with those standards, and provide more realistic sanctions for site owners who do not meet them.

Review of options

11. In the Pre-consultation Impact Assessment, three options were set out for consideration:

Option 0 – Do nothing

12. By retaining and relying on the continued use of existing provisions without amendment or changes, the current licensing regime would allow unscrupulous site owners to continue to operate in the sector. This would mean that:
- the burden of monitoring and enforcement of compliance with standards would continue to fall on taxpayers; and
 - a significant proportion of residents would continue to suffer from standards of behaviour and accommodation that are below what they have paid for (and is legally required). There are likely to be externalities in terms of the costs imposed on residents (many of whom will be vulnerable individuals), as poor conditions and harassment can often endanger their health and safety.

13. For these reasons, the Government rejected this option. This decision was also supported by respondents to the recent consultation who unanimously agreed that local authorities should be able to charge for their licensing functions and should be granted more power to enforce licensing standards.

Option 2 - Voluntary Compliance

14. The Government also considered the possibility of allowing voluntary compliance with a code of conduct or similar facility, either instead of, or in addition to the existing legislative provisions. However, we concluded that this would not be appropriate because the industry trade bodies have indicated an unwillingness to participate in self regulation and have called for improvements to the statutory scheme. Furthermore, given that the worst site owners against whom effective enforcement action will need to be available are not members of the trade bodies, it is unlikely that self regulation would in any way affect their practices.

15. We also considered whether a form of “kite marking” or grading of sites could be introduced so potential occupiers of park homes were aware of the standard of management of sites in advance of purchasing their homes. The problems with that approach, however, are:

- It is unlikely the trade bodies would be prepared to run such a scheme, since it may involve making judgments about individual members against the quality of others, thus causing discord. Furthermore, the bodies could be in no position to make judgments on non members and if they did so this could lead to litigation with owners claiming bias in favour of members.
- This would mean that such a scheme would either need to be operated by local authorities or another independent body. Either way, this creates burdens on the scheme operator, and cost to those who participate in it.

16. Finally although such a scheme would be a good indication of site standards for a prospective purchaser, it would do nothing to tackle the existing poor conditions on sites if site owners refused to address those issues. Existing conditions that current residents face are the primary target of these reforms. For these reasons the Government also rejected this option.

Option 1 – Strengthen the powers and resources available to Local authorities to monitor and enforce licences

17. Increasing fines alone would not achieve our stated objectives as local authorities would still be under resourced to prosecute failing site owners (see paragraph 19 below). The Government’s favoured option was therefore to increase the level of fines for non compliance and also enable local authorities to resource their licensing functions by charging site owners for licences. Without a proper funding stream many local authorities are unable and unwilling to devote resources to monitoring and enforcement. However, by charging fees, local authorities will be more accountable to site owners and residents (who may eventually have to pay for the licence through increased pitch fees/rent). Authorities will have to justify the level of fees charged by showing what services have been provided and enforcement action taken. The cost of monitoring and issuing licences will no longer fall on council tax payers in the local area.

18. We therefore consulted on a range of proposals to enable the stated policy objectives in paragraph 10 to be achieved. Having considered the responses and comments to the consultation the Government has decided to take a number of its initial proposals forward. These are set out in more detail below together with details of the number of responses received to particular questions in the consultation paper (all numbered questions refer to the actual questions in the consultation paper).

- *Give authorities powers to charge for their licensing functions:* We proposed to permit local authorities to recover their costs in carrying out their licensing functions by being able to require payment for:
 - a. the consideration of an application and granting of licences;
 - b. transfers of licences; and
 - c. an application to alter a licence (initiated by the site owner) and for the issue of any altered licence.

Table 1

Q29: Do you agree that local authorities should be able to charge a fee for consideration of these issues? Are there any other licensing functions for which charges should be levied?		
	Yes	No
Local authorities	46	0
Site owners and trade bodies	6	10
Home owners and Home owners’ Associations	155	15
Others	17	0
Total number of respondents	224	25

90 per cent of respondents in Table 1 agreed with the proposals for local authorities to charge for their licensing functions. Most respondents were also not aware of local authority prosecutions for breaches of licence conditions, citing a lack of funds and resources as one of the main reasons for this. The Government therefore proposes to give local authorities a power to levy a fee for the administration and monitoring of licences. It will however be for local authorities to determine appropriate fee structures, having regard to the circumstance and size of the park home sector in their areas. We will work with local authority practitioners and the industry trade bodies to develop an appropriate model fee plan to ensure fee structures are fair, consistent and transparent.

- *Allow local authorities to issue compliance notices:*

Under the existing legislation a local authority may impose conditions on a licence to ensure that the site is fit for habitation and kept in good repair. If a site owner is in breach of a licence condition, the local authority only has a power to prosecute in the Magistrates' Court. They cannot serve a formal notice requiring the work to be done ahead of the prosecution as with other types of housing. Despite problems with the quality of some sites, many authorities are reluctant to prosecute because of the costs involved and the very small fines. The current enforcement powers are ineffective. We, therefore, consulted on giving local authorities a power to serve an enforcement notice on the site owner requiring works to be done to remedy a breach of a licence condition. We also proposed that the costs of such enforcement action, including administrative charges and cost of doing the works in default, would be payable by the site operator.

Table 2

Q34: Do you agree the local authority should be required to serve a notice of the breach of condition which should specify how it can be remedied?		
	Yes	No
Local authorities	40	2
Site owners and trade bodies	15	1
Home owners and Home owners' Associations	182	2
Others	16	0
Total number of respondents	253	5

98 per cent of respondents in Table 2 agreed with the proposals with some also suggesting that consideration be given to an appeals process via the Residential Property Tribunal. Having considered the comments the Government has decided to take forward the proposals and also put in place an

appeals procedure. Where the works are safety critical, instead of having to serve a notice, the authority will on application to a Justice of the Peace, have the power to enter the site in an emergency and do the works itself and recover its costs from the site owner. In either case where costs and expenses are claimed by the local authority from the site owner the reasonableness of the claim can be challenged at the Residential Property Tribunal.

- *Increase the penalties for the breach of licence:*

If a site owner is in breach of a licence condition the local authority has a power to prosecute in the magistrates' court. The maximum fine on conviction is £2,500, which was set in 1982. For the site owner, this fine might be cheaper than the cost of carrying out the works. We, therefore, consulted on lifting the cap on fine levels so that in future the courts can impose fines that reflect the benefit that a site owner might gain from not complying with his legal obligations.

Table 3

Q40: Do you agree that the current maximum fine for a breach of a site licence condition is inadequate and should be increased?		
	Yes	No
Local authorities	46	0
Site owners and trade bodies	14	2
Home owners and Home owners' Associations	177	1
Others	16	0
Total number of respondents	253	3

99 per cent of respondents in Table 3 agreed that the current maximum fine (£2500) was inadequate and should be increased to serve as a deterrent to those who fail to comply with their licence conditions. The Government, therefore, will propose to lift the cap on fine levels in the necessary legislation.

- *Modernise other elements of the Act to bring them into line with other legislation.*

A site owner can escape personal liability for breach of a licence which he may be personally responsible for. If the licence holder is a company, it is the company and not him that commits the offence and is therefore "responsible". We therefore proposed to close these loopholes by bringing the rules under the 1960 Act into line with the rules that apply for offences under the Caravan Sites Act 1968.

Table 4

Q43: Do you agree that if the site operator is a body corporate which commits an offence, then the relevant officer who is responsible for the offence should also be guilty of it?		
	Yes	No
Local authorities	44	0
Site owners and trade bodies	11	3
Home owners and Home owners' Associations	181	0
Others	16	0
Total number of respondents	252	3

97 per cent of respondents in Table 4 agreed with the above proposals. The Government will amend the existing legislation to make an officer of a corporate body who plays a significant role in an offence committed by that company, guilty of that offence.

19. We did not consult on an option to only increase penalties for those who did not comply with the existing law, and leave the existing licensing regime in place. This is because increasing fines in a vacuum would not result in better compliance. Although most respondents to the consultation thought that fines were inadequate and needed to be raised (see Table 6), most had no knowledge or experience or only negative experience of local authority prosecutions (see Table 5). Prosecutions are rare and that is because local authorities do not have the resources to monitor licence compliance across all sites in their areas and take appropriate enforcement action. Unless there is a comprehensive reform to the licensing regime which permits local authorities to recover their licensing function costs and charge individuals for the cost of enforcement action, there is no evidence that local authorities would successfully prosecute more cases in the future simply because potential fines were higher, since they still would not have the resources to monitor or enforce the licences. However, increasing fines per se is not enough to ensure standards are met, which is why we are introducing a new power for local authorities to do the required works in default after a successful prosecution if the site owner still refuses to do so.

Table 5

Q39: What is your experience of local authorities prosecuting for breach of licence conditions?			
	Positive	Negative	None
Local authorities	14	19	
Site owners and trade bodies	3	8	
Home owners and Home owners' Associations	4	44	125
Others	4	3	
Total number of respondents	25	74	125

9 per cent of respondents (Table 5) had a negative or no experience of authorities prosecuting for breaches. The responses indicated that most local authorities had not been involved in prosecutions for breach of licence conditions mainly because of the low fines and high prosecutions costs. Some respondents felt that local authorities “lacked the punch to address weaknesses in licensing conditions and had become laughing stocks”.

Table 6

Q40: Do you agree that the current maximum fine for a breach of a site licence condition is inadequate and should be increased?		
	Yes	No
Local authorities	46	0
Site owners and trade bodies	14	2
Home owners and Home owners' Associations	177	1
Others	16	0
Total number of respondents	253	3

99 per cent of respondents (Table 6) agreed that the current maximum fine of £2500 should be increased.

Implementation

20. Most of the costs outlined below will be incurred by small/micro firms, as site owners typically employ very few staff. We will therefore implement these proposals after the moratorium on micro businesses ends in 2014.
21. We also consulted on whether the reforms should apply to the 3,000 sites used for holiday purposes and “mixed sites” (comprising park homes and holiday caravans). We have however decided to exclude sites used for holiday purposes from the new licensing regime as it would be disproportionate for them to be included in a regime designed for residential sites. Mixed sites will however be included in the new regime.

Costs and benefits

Establishing a baseline

22. In 2008 there were estimated to be 1,950 sites for park homes across England. This is the latest available estimate which has generally accepted by local authorities, residents and industry trade bodies. We have assumed that growth in the sector is driven principally by demand from retired individuals, given the demographic makeup of the community and the styling of most parks as a retirement lifestyle option. The ONS forecasts that the number of individuals of retirement age and above will grow on average by 1.85 per cent a year over the next decade¹, and this is assumed to drive growth in the number of sites over the ten year horizon of our assessment. We have applied this growth rate to the 2008 data to arrive at an estimated 2,060 sites in 2011 - the starting date for our assessment. We assume that 10 per cent of site licences have to be amended in any one year, due to change of ownership of sites.

23. In our baseline, we assume that only minimal monitoring is undertaken by local authorities due to a lack of resources, and the limited tools at their disposal to encourage compliance once substandard sites are detected.

Costs of option 1

24. None of the suggested measures in option one change the standards that sites are required to meet as these will continue to be governed by reference to the model standards which were published in April 2008. Changes in the penalties for non-compliance are outside the scope of this assessment.

25. However, the new proposals would still impose a number of new costs on both local authorities and site owners/residents. It is difficult to predict how the burden of additional costs would be split between site owners and residents, and we do not attempt to do so here. Where we assign costs to a site owner in the below analysis, we are mindful that the cost may ultimately be passed through to the resident, but this should not make a difference to the resulting aggregated costs and benefits of the proposal.

26. There was strong support for the introduction of powers to enable local authorities to resource their functions (Table 3) and take appropriate enforcement action when licences are not complied with (Table 4). We believe that the introduction of additional enforcement tools and resources will encourage local authorities to step up their monitoring arrangements for park home sites. We were asked if through the consultation we could quantify local

¹ 2010-based National Population Projections, ONS, 2011

authority behaviour change (i.e. more of a willingness to ensure licence compliance) because of their ability to raise fees. Although the ability to charge fees was welcomed by all local authorities who responded, none indicated specifically that they would not change their behaviour nor would we have expected them to say so. We are giving local authorities a power to charge fees so they can more effectively monitor and enforce licences (which are powers too, not duties). It is, therefore, a matter for local authorities as to whether they wish to enforce the licensing regime and the Government will not require them to do so. However, if a local authority chooses to impose fees for site licensing then it would be under an obligation (albeit not legal) to monitor and enforce licensing. This is particularly so because they have consistently claimed that the reason for being unable to carry out their functions is because of lack of resources. Furthermore, as the site owner may pass on fees to the residents through the pitch fee, residents will be able to ensure they are getting value for money in terms of monitoring and overall improvements to conditions, through the services the local authorities are providing.

27. We have assumed that for each local authority an additional 30 per cent of a full time employee's (FTE's) time would be devoted to these efforts. We assume that each FTE is on a salary of £35,000, and that 245 local authorities (of 326) would need to upgrade their capacity (not all local authorities have park home sites to regulate).

28. The proposals to allow local authorities to charge (i) to issue a licence; (ii) an annual fee for monitoring of licences; and (iii) a fee to amend the licence, will all impose a cost on site owners. The intention is that these fees are set at a level to offset the costs to local authorities of regulating and monitoring sites, but these will vary by district. We assume that – on average – the following tariff schedule is adopted:

- Upfront cost for new licence: £1,500
- Annual fee for licence holders: £1,113
- Amendment fee: £250

29. Increased monitoring by local authorities may also require site owners submitting greater evidence of site standards on a more routine basis. We estimate that the cost of providing this information would be around £500 a year for each site owner. We also expect that site owners will have to spend marginally more time in applying for a licence or amending one to ensure that it provides evidence that the site is up to standard. We assume that this will initially require two hours of the site owner's time (estimated to cost around £100) in making the application or amendment. We recognise that some site owners will need to appeal a decision with respect to an application. We

assume that 10 per cent of failed applications for new licences or amendments to existing ones are successfully appealed, and that the cost of each appeal is £500.

30. Finally, we expect that there will be costs to local authorities in taking any enforcement action (beyond the costs of normal monitoring), which may be recovered from site owners. We anticipate that these costs will be around £500 for each enforcement action. Our proposal is to give a site owner a right of appeal to a Residential Property Tribunal against an enforcement notice and the costs associated with the service of the enforcement notice, such as administration, legal and inspection costs incurred by the local authority. A fee to make an application to the tribunal would be incurred which we estimate would be around £200 and we anticipate that in around 5 per cent of cases where enforcement action is taken an appeal to the tribunal would be made. We estimate that enforcement action would be taken against around 200 sites per annum.

31. In addition, we believe that there may be costs to:

- Local Government, owing to start up costs or work for local authorities implementing revised licensing regime; and
- Site owners who may need to seek advice on new provisions.

32. We have not attempted to directly quantify these costs, though we have made an estimate of the costs to local authorities of the new monitoring regime more generally and the costs to site owners in complying with new monitoring arrangements. The costs to the site owner from undertaking remedial work are not recognised here, as these are costs that site owners are already legally obliged to incur².

33. Due to the small size of the sector, we have limited data to work with and many of our assumptions in the pre-consultation impact assessment were based on anecdotal knowledge and information about the sector. We asked respondents for comments on whether our calculations provided a fair reflection of the cost to the different parties. No issues were raised and we have therefore maintained those calculations in this assessment.

34. The monetised costs for option 1 have been summarised below.

² Benefits (or illegally withheld costs) accruing from illegal activity are not typically recognised in appraisals. This is because an illegal transfer of property that is *unwanted by one party* (in this example the withholding of maintenance represents an illegal transfer from residents to the site owner); results in a transfer out of the legal economy. In this assessment, we therefore do not recognise the cost of the remedial work to site owners (as it was illegally obtained), but we do recognise the benefit of the work to the residents when it is undertaken. This study treats transfers out of the legal economy and into the illegal economy as costs of crime: <http://webarchive.nationalarchives.gov.uk/20110218135832/rds.homeoffice.gov.uk/rds/pdfs/hors217.pdf>.

Costs of option 1			
Groups Affected	Source of cost	Total Net Present Value over ten-year horizon	Comments on the calculation of annual costs
Site owners³	a. Cost to site owners of annual licence fees.	£21,394,467	Annual cost of licences (£1,133) * number of site owners each year (base = 2060). This is simply a transfer from site owners to councils and so not a net economic cost.
	b. Cost to applicants for new licences (previously free under current provisions).	£514,334	Number of new site owners per year (assumed to grow by 1.85 per cent per year) * cost of new licences (£1,500). This is simply a transfer from site owners to councils and so not a net economic cost.
	c. Amendment fees for licence holders.	£471,936	Number of licences amended each year (10 per cent of total site owners) * cost of amending licences (£250). This is simply a transfer from site owners to councils and so not a net economic cost.
	d. Extra administration costs to site owners of new licence applications	£223,064	Number of new licences granted or amended each year * site owner admin cost (£100)
	e. Estimated cost of appealing against a licence decision	£111,532	Number of new licences granted or amended each year * rate of appeal (10 per cent) * Inflation-adjusted cost of appeal (base = £500)
	f. Cost to site owners of submitting material to assist local authority monitoring/enforcement	£9,438,730	Number of site owners each year (base = 2060) * cost of submitting additional material (£500)
	g. Enforcement charges incurred by site owners served with compliance notices.	£831,661	Number of sites issued compliance notices [nominal=200] * cost of enforcement charges [£500]
	h. Estimated cost to site owners of appealing against a compliance notice	£16,633	Number of sites issued compliance notices [nominal=200] * percentage of site owners who appeal [5 per cent] * cost of appealing [£200]
LA	i. Cost to local authority of additional monitoring/enforcement	£21,394,467	Number of Local authorities (assumed fixed at 245) * cost of 0.3 additional FTEs to monitor new system (£10,500)
	j. Estimated court costs in taking enforcement action	£943,873	Number of substandard sites (10per cent of site owners each year) * cost of court

			action (£500)
Residents	k. It is likely that some site owners will transfer the costs incurred through the new licensing scheme onto the residents.		A figure has not been calculated due to the difficulty in its determination, but this would not impact on total monetised costs (below). As such, we have conservatively estimated all these costs will fall on site owners.
Total Monetised costs		£33,946,229 (excludes [a] as a net cost. However, the incidence is on site owners and therefore scored in the one in one out calculation)	

One in One Out (OIOO)

35. This policy is in the scope of One In One Out. The annual net cost to business is calculated at £3.62m, and this is calculated using costs a to h in the table above.

Benefits of option 1

36. We know from survey data that at a conservative estimate between 7per cent⁴ and 14per cent⁵ of residents suffer from poor site management practices. We estimate that these complaints relate to around 10per cent of sites that are significantly below required standards. In such instances, we assume that site owners under-invest in site facilities by 20per cent. Survey data shows that average site operating costs are around £180,000 per year⁶, which would imply that annual remedial work would cost site owners an average of £36,000. This calculation would suggest that the total value of remedial work would be around £7.4m⁷ - which reflects the difference between the service that tenants have paid for (the required standards) and the standard that is currently being provided. In our assessment, we take the cost of the remedial work to be the benefit accruing to residents from the work, as this is work that residents have already paid for through their pitch fee. The cost of necessary remedial work that is not performed is therefore the value that is presently being extracted from residents by site owners. We therefore assume that this is the value that is returned to residents when a site is brought back up to standard.⁸

37. We asked at consultation stage whether our assumptions represented a fair estimate of the benefits that are likely to arise from improving substandard sites to legal standards and if not how these could be improved. No respondents to the consultation indicated that the benefits were not a fair estimate or that they could be improved.

38. We also need to make assumptions about the proportion of substandard sites that are persuaded or compelled to make improvements as a result of the new system, and the value of the work undertaken to residents. As we cannot know with certainty how many sites will make improvements in response to the new sanctions and enforcement powers, it is sensible to undertake sensitivity analysis around the outcome of the stronger enforcement framework. We assume that in the “low” effectiveness scenario, only 25per cent of substandard sites (themselves a small proportion of the overall stock) are brought up to standard as a result of the new system. Our “base” effectiveness scenario assumes 50per cent of substandard sites are improved, and our “high” effectiveness scenario assumes 75per cent of substandard sites are improved⁹.

39. The table below provides our estimate of the net present value of the benefits from adopting option one. This central estimate is some £34m present value over the 10 years period.

Benefits of option 1			
Groups Affected	Source of Benefit	Present Value over ten-year horizon	Comments on the calculation of annual costs
Park residents	Benefits to residents getting improved standards of site management and maintenance	Low: £16,989,713 Base: £33,979,427 High: £50,969,140	Cost of remedial work per site (base = £36,000) * proportion of substandard sites (10per cent) * total number of sites each year (base = 2060) * number of substandard sites compelled to make improvements (low = 25 per cent, base = 50 per cent, high = 75 per cent)

40. In addition, we believe that there may be benefits to:

- Local Government, by giving them the resources and tools to offer a more professional and effective service to site owners and residents;
- Responsible site owners through an enhanced reputation of the sector’s product;
- Residents by reducing the potential for harassment.

We have not attempted to directly quantify these benefits.

41. Responses from residents and residents’ associations to certain questions in the consultation paper also provided an insight into the potential non monetised benefits of option one. They gave numerous examples of situations where they had suffered abuse and harassment by site owners. However, when asked

about their experiences of local authority intervention in harassment and intimidation cases or prosecuting for breach of site licence conditions, the overwhelming majority only had negative experiences. The main reasons given were the lack of resources and the power to act. Residents therefore supported the introduction of licensing fees and the proposals to clarify the legislation on harassment to enable authorities to act quickly in those situations. The prevention of further harassment and abuse, both physical and psychological, would be of great benefit to residents many of whom vulnerable.

Other impacts of option 1

Summary of other impacts		
Impact	Overall Effect of Initiatives	Reasons
Competition	Possible adverse effect caused by introduction of fees.	Possible adverse effects caused by extra costs associated with introduction of licensing fees, as different areas are likely to charge different rates. In particular, where there are high fixed monitoring costs for a local authority, and a small number of sites, fees for each site may have to be very high if local authorities were to achieve full cost recovery. This may make the park homes business unviable in some areas, and could result in a clustering of sites where fees are low and Local authorities can benefit from economies of scale. Or it may result in fewer, larger sites so that only one licence fee has to be paid for a larger number of tenants. To mitigate this risk, we are proposing to allow local authorities discretion over the fee structure and any exemptions.
Small/Micro Firms	Possible adverse effect	Most of the costs outlined above will be incurred by small/micro firms, as site owners typically employ very few staff. For a fixed licence fee, the cost will be proportionally greater on small firms as the cost per resident would be higher. However, the fee structure is to be determined by local authorities, so the impact will depend on what structure each decides on. The proposals will however not be implemented until after the moratorium on small/micro businesses ends in March 2014.
Legal Aid	None	
Sustainable Development	Yes – some consequential positive effect overall.	Provides for a clearer system of licensing for service providers and regulating bodies – resulting in better quality and more choice and diversity in housing stock.
Carbon	No overall consequential effects	No evidence seen or available to indicate any significant direct or overall effect.
Other environment	Yes – some consequential positive effect overall.	Should improve the effectiveness, use, safety, security etc of housing stock, park homes and sites within and for local communities.
Health	Yes – some consequential	Should improve health, safety and wellbeing via inclusion and prevention agenda, health and safety of housing, park homes

	positive effect overall	and sites within and for local communities.
Race	None	
Disability	Yes – some consequential positive effect likely.	Should make park homes, sites and services more secure, fairer, inclusive and accessible overall, especially to vulnerable people who may otherwise suffer from harassment or poor standards of accommodation.
Gender	None	
Human Rights	None	
Rural proofing	Yes – some consequential positive effect likely.	Likely to affect rural more than urban communities. Should make park homes, sites and services more inclusive and accessible in all locations overall, especially to those hardest to reach and in most need.

Summary and implementation plan

42. When implemented, the proposals under this option will ultimately grant local authorities the necessary power and funding to carry out their licensing functions more effectively. It will also standardise the quality of park home sites and encourage better practice and site management throughout the sector by closing loopholes in the current legislation.

43. However, implementation will not be before the end of the micro Business Moratorium on new regulatory measures, scheduled to end in March 2014.

Post Implementation Review (PIR) Plan

44. We will carry out a post implementation review of the policy three years after implementation to check that the regulations are operating as expected to tackle the problems identified above. Review groups with key partners will help to establish the actual costs and benefits incurred. Through maintaining regular contact with relevant partners, we can monitor the number and types of complaints in addition to other feedback from the industry, residents and local authorities. This will also gauge the delivery of intended effects.