



Department for  
Communities and  
Local Government

# A Better Deal for Mobile Home Owners – Changes to the Mobile Homes Act 1983

Final Impact Assessment

© Crown copyright, 2012

*Copyright in the typographical arrangement rests with the Crown.*

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or e-mail: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

This document/publication is also available on our website at [www.communities.gov.uk](http://www.communities.gov.uk)

Any enquiries regarding this document/publication should be sent to us at:

Department for Communities and Local Government  
Eland House  
Bressenden Place  
London  
SW1E 5DU  
Telephone: 030 3444 0000

November 2012

ISBN: 978-1-4098- 3703-9

## Contents

Impact Assessment (IA)	4
Summary: Intervention and Options	4
Summary: Analysis and Evidence	5
Evidence base (for summary sheets)	6
Policy objective	9
Review of options identified	9
Costs and benefits	14
Other impacts	18

<b>Title:</b> Reform of the Mobile Homes Act 1983 <b>IA No:</b> <b>Lead department or agency:</b> Department for Communities and Local Government <b>Other departments or agencies:</b>	<b>Impact Assessment (IA)</b>
	<b>Date:</b> 04/09/2012
	<b>Stage:</b> Final
	<b>Source of intervention:</b> Domestic
	<b>Type of measure:</b> Primary legislation
	<b>Contact for enquiries:</b> Robert Skeoch 0303 444 3701 robert.skeoch@communities.gsi.gov.uk
<b>Summary: Intervention and Options</b>	<b>RPC Opinion:</b> 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, One-Out? Measure qualifies as One-Out?
£1.87m	-£0.22m	£0.02m	Yes   IN

**What is the problem under consideration? Why is government intervention necessary?**  
Under the Mobile Homes Act 1983 residents have a statutory right to sell their homes, subject to the site owner receiving a commission on the sale and his approval of the purchaser. There is much complaint that some site owners withhold approval unreasonably with a view to secure sales to themselves at a fraction of a home's market value and then either sell it at market value or let or replace it with a new unit for sale. The ability to do so is enforced through the uneven contractual arrangements between the parties, which can also lead to other abuses. Intervention is necessary to ensure residents can exercise their rights as homeowners and sell their homes in the open market.

**What are the policy objectives and the intended effects?**  
To ensure park home residents are able to sell their homes without undue interference from site owners and to make the whole process as simple as possible. To improve the contractual relationship between the site owner and resident to ensure parity between the parties and the scope for abuse is reduced.

**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 provisions in the Mobile Homes Act 1983 to prevent the blocking of open market sales and clarify and improve the contractual relationships between site owners and residents.  
2. Voluntary compliance with an Industry code of conduct or best practice guidance, to supplement the existing legislative provisions.  
  
Option 1 is the Government's preferred choice. This option would help ensure that residents are able to sell their homes in the open market without undue interference from site owners and improve their rights as homeowners.

<b>Will the policy be reviewed?</b> It will be reviewed. <b>If applicable, set review date:</b> 04/2016						
Does implementation go beyond minimum EU requirements?				Yes / No / N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		<b>Micro</b> Yes	<b>&lt; 20</b> Yes	<b>Small</b> Yes	<b>Medium</b> No	<b>Large</b> No
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)				<b>Traded:</b>		<b>Non-traded:</b>

***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: 0	High: 0	Best Estimate: £1.87m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	£0	£0.0m	£0.2m

#### Description and scale of key monetised costs by 'main affected groups'

Site owners will need to invest time in and pay the costs for applications to the Tribunal where residents object to new site rules. Other admin costs relate to providing supporting documents in pitch fee reviews, consulting on new/changes to site rules and preparing, delivery and depositing rules with the local authority and fees paid to local authorities for depositing site rules - £20k during transition and £17k thereafter.

#### Other key non-monetised costs by 'main affected groups'

There may be additional costs to both site owners and residents in the form of legal and other professional fees if the parties choose to be represented at the tribunal in relation to applications for site rule changes, but we have not attempted to quantify those costs because legal and professional representation is not required in the residential property tribunal.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	£0.000	£0.24	£2.07m

#### Description and scale of key monetised benefits by 'main affected groups':

**Residents:** As a result of the policy change, residents will gain market value for the sale of their home, where previously they might have received a sale price well below market value. For the purpose of this impact assessment, an estimate of £15.8m p.a. has been calculated as a transfer from site owners to residents (see para 39). Whilst this is noted as a transfer, it is recognised that site owners previously gained this surplus through unscrupulous behaviour; we (cautiously) estimate this benefit at £240,000 or £2.066m (net present value over ten years).

#### Other key non-monetised benefits by 'main affected groups'

The proposal will make it easier for residents to sell their homes in the open market- and we estimate a 10% increase in the sale rate. Also the contractual arrangements between residents and site owners will be clarified, so that both parties have a clearer understanding of their contractual rights and responsibilities. This will lead to a reduction in abuse in the sector. Paragraphs 36 and 37 recognise a number of benefits, including those to responsible site owners and residents (reduced stress etc), following the policy change. Quantifying these would be difficult and would require extensive modelling. Given the level of costs imposed by the act, we are confident that these benefits are likely to achieve a positive net present value.

#### Key assumptions/sensitivities/risks

There remains a risk that if some site owners are unable to block sales through the approval process they will turn to other means to do so.

Discount rate (%)

3.5

### BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs:£0.02m	Benefits: £0	Net: £ 0.02	Yes	IN

## Evidence Base (for summary sheets)

### Background

- Park homes are caravans not houses.
- Conventional landlord and tenant or leasehold law does not apply to them. Although the occupier of the home owns it, they only have a licence to station it on the pitch in return for paying a pitch fee.
- Although the park home industry has been in operation in its present form since 1960s, it was not until 1983 that full security of tenure and rights to sell their homes were conferred on residents.
- However, this legislation - the Mobile Homes Act 1983 - although amended in 2006, still does not adequately protect and recognise residents as home owners with similar rights as those who own brick and mortar homes. Loopholes in the complex legislation allow unscrupulous site operators to prevent home owners from exercising their rights, particularly in relation to selling their properties.

### Strategic Overview

1. The park home sector comprises about 160,000 residents living in 84,000 units on around 1,950 sites (laid out as estates) across England<sup>1</sup>. The sector is small, accounting for around 0.38 per cent of the housing stock in England, and data is scarce. They are mainly (but not exclusively) in rural and seaside areas. Park home living has increasingly been promoted over the last couple of decades by the industry as an attractive affordable option 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. About two thirds of park operators have age restrictions, with the most common minimum age limit being set at 50 or over<sup>2</sup>.
2. We asked in the consultation whether more up to date data was available on the number of park home sites in England. No consultees commented that the data could be more accurate or provided any new data on the number of park home sites in England.
3. The 2001 census does not identify park homes as a distinct category. Instead they are included in wider groupings of caravans, which legally they are, 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

---

<sup>1</sup> *A new approach for resolving disputes and to proceedings relating to Park Homes under the Mobile Homes Act 1983 (as amended) A consultation paper*, CLG, 2008

<sup>2</sup> *Economics of the Park Homes Industry*, Office of the Deputy Prime Minister, 2002.

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 17 per 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.

4. It is also fair to say the sector, because of its aging resident population, unusual tenure arrangement, economic drivers and poor regulatory controls, has attracted its unfair share of rogue site owners who disregard statutory requirements and resident rights and exploit residents for their own financial gain, sometimes forcing them to sell their homes to the owner of the site at rock bottom prices. This is borne out by the volume of MP letters received in the Department on behalf of their residents, park home issues raised in parliament, the work of the parliamentary park home group and media coverage of the issues. Also, the Communities and Local Government Select Committee recently held an inquiry into the sector and received evidence that malpractice is widespread across the sector.

### **Current Position**

5. Strictly a park home is a mobile home (hence the title of the 1983 Act) which is itself legally a “caravan”. Most homes are similar in appearance to “bricks and mortar” bungalows, although they are factory made units mounted on jacks on a concrete base, which renders them technically mobile. The resident owns the home, but rents the pitch from the site owner.
6. Because park homes are “caravans” and not brick and mortar housing no private rented sector or leasehold legislation applies to them. In fact the pitch agreement as a matter of common law merely confers on a resident a licence to occupy the pitch.
7. Contractual arrangements between site owners and residents are governed by the Mobile Homes Act 1983. This Act was amended in 2006 by the Housing Act 2004, in an attempt to improve residents’ contractual rights. It provides residents with full security of tenure and requires them to be given written agreements when they move onto the site. The Act also provides that certain key terms of those agreements are implied as a matter of law. Residents have an absolute right to sell their homes, but the site owner is entitled to approve the purchaser and receive a maximum 10 per cent commission on sales to a third party.
8. In some respects the Act has been very successful in achieving its objectives. For example, giving full security of tenure and limiting the rights of the site owner to apply for possession except for specified reasons has largely removed the fear of arbitrary eviction. Almost all residents now have written agreements and the requirement that key terms are implied by law means that site owners cannot simply issue agreements at terms wholly favourable to themselves. The custom of requiring a resident to pay commission on the sale of a home was enshrined in statute, but limited to 10 per cent of the purchase price. More recently in April 2011 the Government issued a new means for dispute resolution under the Act

through the residential property tribunal, making it easier and cheaper for the parties to resolve issues between them.

9. However, the legislation is complex and as a result some site owners have used this to prevent residents from exercising their rights. In particular, the perennial problem of site owners preventing residents from selling their homes in the open market remains a key issue.

## **Policy issues**

10. Studies have consistently found that the majority of residents aspire to the park home lifestyle and are satisfied with the accommodation offered by their homes (which they own)<sup>3</sup>. However, complaints received by the Department, indicate there continues to be sharp practice in the sector ignoring residents rights and leading to exploitation.
11. The primary issue, for which there is little quantifiable data, but much secondary evidence through campaigns, complaints, media attention etc, is the routine blocking of resident sales by site owners. Although the site owner is entitled to a 10 per cent commission on the sale of a home to a third party, there is considerably more profit to be made if the site owner can either sell the home himself, or where the home is of little monetary value, replace it with a new home and sell that. Thus, there is much complaint that site owners abuse the approval process to put potential purchasers off proceeding with sales. This sometimes takes the form of simply refusing to approve, not responding to the request for approval or through contacting the prospective purchaser and making misrepresentations and sometimes even threats. Although if approval is unreasonably withheld the home owner can apply to a residential property tribunal for approval of the purchaser, more often than not the purchaser has walked away from the sale by the time this happens. Consequently, if purchasers are persistently put off in this way, residents who need to move, or those who have inherited a home and continue to be liable for its outgoings, will agree to sell it to the site owner at a fraction of its market value.
12. It is difficult to quantify the scale of the problem due to the paucity of data on park homes. However, surveys suggest that between 7 per cent<sup>4</sup> and 14 per cent<sup>5</sup> of existing residents have directly experienced pressure to sell their homes at a discounted rate, including through harassment. These figures will almost certainly underestimate the extent of the problem, as residents who had been under pressure and left the park because of it, could not – by definition – participate in the surveys.
13. We know, however, from the survey data above that 53 per cent of new residents bought their homes directly from the site owners- compared to 39 per

---

<sup>3</sup> See, for example, *Mobile Homes Survey*, DoE, 1992; *Economics of the Park Homes Industry*, Office of the Deputy Prime Minister, 2002; and *Park Home Living in England: Prospects and Policy Implications*, Centre for Housing Policy, 2009

<sup>4</sup> *Economics of the Park Homes Industry*, Office of the Deputy Prime Minister, 2002.

<sup>5</sup> *Park Home Living in England: Prospects and Policy Implications*, Centre for Housing Policy, 2009



cent from an existing home operator. 34 per cent of purchases from the site operators were of new homes and whilst some of this can probably be accounted for by the sale of homes on newly created pitches- it also shows that very probably many residents sold their existing homes to the owner. Whilst there is little quantitative evidence in the data of these sales being forced though at discounted rates; it is perhaps surprising that 19 per cent of second hand homes are re-sold by site owners. Assuming these homes were sold at market value any profit in the sales would depend on how much the site owners acquired them from the former residents at below market value. We are aware of more recent informal research that suggests that the problems of sale blocking and forced sales may be far more widespread.

## **Policy Objective**

14. Our objective is to ensure residents are able to exercise their rights as home owners more effectively. In particular, that they are able to sell their homes in the open market without undue interference from the site owners and to reduce the opportunity for site owners to employ tactics to force residents to sell their homes at discounted rates to them, which they either resell at full market value or replace with a new home for sale. Through this we will be opening up the market and enabling more residents to sell their homes at their full market value.

## **Review of options**

15. The consultation stage impact assessment set out three policy options for achieving the above objective.

16. **Option 0- Do nothing.** Doing nothing would allow unscrupulous site owners to continue to operate in the sector largely unchecked. Sale blocking would continue and residents would continue to sell their homes to site owners at a fraction of the market value causing them financial loss while allowing site owners to unreasonably profit by the process. The consultation paper asked whether the law should be reformed to prevent sale blocking. 98 per cent of those who responded agreed it ought to be, confirming the Government's decision to reject this option.

17. **Option 2 – Voluntary Compliance.** Any voluntary compliance would need to be in the form of a code of conduct or through best practice guidance. It would need to supplement the existing legal regime, rather than be free standing. Given the existing level of non compliance with the law, there is no likelihood that the perpetrators would comply with such a code of practice even if they signed up to it. It would also be unenforceable since those people are often not members of Trade Bodies. Requiring compulsory membership of a trade body would also not be the solution, since the trade bodies have made it clear that they do not support self regulation and would not want the rogue elements as members. For the reasons outlined, the Government rejected this option.

18. **Option 1- Strengthen provisions in the Mobile Homes Act 1983 to prevent the blocking of open market sales and clarify and improve the contractual relationships between site owners and residents.** Sale blocking is one of the

most serious problems in the sector and the Government considers the practice to be widespread and not limited to the operations of a few rogue site owners. 80 per cent of respondents in table 1 were aware of sales being blocked on mobile home sites.

Table 1

<b>Q1: Are you aware of sales being blocked on mobile home sites? If so, how?</b>		
	Yes	No
Local authorities	27	12
Site owners and trade bodies	7	10
Residents and Residents' Associations	160	30
Others	14	0
Total	208	52

98 per cent of respondents to the consultation also agreed that the law should be reformed to prevent sale blocking.

19. Option 1 was the Government's preferred choice as it would help ensure that residents are able to sell their homes in the open market without undue interference from site owners and improve their rights as homeowners.
20. The first strand of proposals in this option aim to *restrict the opportunity or ability of a site owner to unreasonably interfere with a resident's sale of a home to a third party.*
21. We identified three different ways unreasonable sale blocking could be eliminated. The first would be to remove the requirement for the resident to seek the site owner's approval of the purchaser (option A). The second would be for the purchaser to be deemed to have been approved unless within a specified time, the site owner has lodged an objection in the tribunal to approval on the basis of information supplied to them by the seller (option B). The third would be to allow a resident to apply to a tribunal for a declaration that a site owner has acted unreasonably in withholding approval of a purchaser (option C).
22. There was some concern that legitimate businesses would incur costs through the proposals to eradicate sale blocking. We were asked to explain why we had not consulted on a separate option for increasing penalties for those site owners who do not conform with the law. The reason for not consulting on this separate option is that the right to sell a home is a contractual right enshrined in statute. Though it is unlawful to block a sale (by unreasonably withholding approval of a purchaser), it is not illegal per se (i.e. criminal) and it would be disproportionate to create a new offence and introduce criminal sanctions. Civil awards in the form of damages for loss are available for those home owners who lose sales because of the unreasonable conduct of site owners. Such cases however require a high burden of proof and in any case are only actionable after the event. Our primary objective is to ensure that residents' sales are not blocked by site owners in the first place, rather than punishing those who have succeeded in blocking a sale. We would add that under the current law, a business can incur costs if it withholds approval of a

purchaser and a home owner refers that decision to a residential property tribunal. Under the option we have adopted, site owners will cease to incur such costs.

23. The consultation sought views on consultees preferred option and received the following responses in table 2.

Table 2

<b>Q4: Which of the three options do you prefer?</b>			
	Option A	Option B	Option C
Local authorities	4	27	1
Site owners and trade bodies	0	2	24
Residents and Residents' Associations	114	57	8
Others	13	5	1
Total	131	91	34

In the Government's view, **Option A** has the benefit of being the simplest and least bureaucratic of the options, since it does not involve a tribunal and associated costs. More importantly it removes the site owner altogether from the picture. **Option B** is more bureaucratic than option A. However, it shifts the burden onto the site owner who has to go to the expense and time of taking proceedings. **Option C** is the most similar to the current system which simply doesn't prevent sale blocking. It also potentially involves making two sets of applications to a tribunal making it the most bureaucratic and expensive of the options and leaves the burden of challenge with the home owner.

Evidence from the consultation and the Communities and Local Government Select Committee inquiry

(<http://www.publications.parliament.uk/pa/cm201213/cmselect/cmcomloc/177/17702.htm>) indicate that sale blocking is usually achieved by making contact with a prospective purchaser and in many cases through demanding an interview with them. If site owners are to be prevented from interfering with a resident's sale of a home, then direct contact between the site owner and the purchaser would need to be avoided.

Having considered the responses and comments to the consultation and the Select Committees final report, the Government's decision is to proceed with Option A to remove the role of the site operator in approving a buyer. We do so because the role of the site operator is to approve the purchaser - i.e. ensure his suitability under the site rules (if any). The site operator cannot impose conditions on the approval and he cannot refuse permission to sell or assign. The role of the approval process is, in fact, very limited, but it opens up the potential for significant abuse. In considering the way forward, we have had to balance the value of that process against the potential for abuse. We have also considered whether there would be other ways to achieve the aims of the approval process while reducing the potential for abuse. On balance, our view is that option A would be the most effective in eradicating unlawful sale blocking and would also be the cheapest and least bureaucratic. Also, removing the site owner from the approval process and the need for appeals to the tribunal will not impose any costs on businesses.

24. The second strand of proposals, which complement the buying and selling proposals above, aim to strengthen contractual obligations to remove barriers in open market sales and prevent site owners from profiteering through inflated pitch fees.

We consulted on a range of proposals and having considered the responses and comments to the consultation, the Government has decided to take some of 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 in the tables below refer to the actual questions in the consultation paper).

- To require consultation for site rules to be changed and that a copy of all current site rules be deposited with the local authority.

Site owners will be required to deposit the site rules with the local authority, which will make it available for public inspection, together with the site licence. The intention is to ensure that residents (and prospective purchasers) know the type of restrictions that apply to live on a site and also prevent site owners from unilaterally imposing or changing site rules. Any changes or new rules will need to be consulted on with residents and if a majority of the residents object to them the rules cannot be imposed unless the site owner has obtained approval of them from a residential property tribunal.

Table 3

<b>Q7: Do you agree that site rules should not be changed without prior consultation with the home owners (or in default the tribunal)?</b>		
	Yes	No
Local authorities	41	0
Home owners and Home owners' Associations	16	1
Residents and Residents' Associations	192	0
Others	16	0
<b>Total</b>	<b>265</b>	<b>1</b>

99 per cent of respondents in table 3 agreed that there should be a proper consultation with homeowners before any rules are made or changed.

Over 95 per cent of respondents in table 4 agreed with the proposal for accurate site rules to be lodged with the local authority and if the rules are not deposited or are inaccurate, the site operator cannot rely on the rules at all in any proceedings against the home owner.

Table 4

<b>Q10: (a) Do you agree that site rules should be deposited with the local authority and available for inspection by a prospective purchaser? (b) Do you agree with the consequences that should follow if a site operator does not deposit the rules or the correct rules?</b>				
	(a)		(b)	
	Yes	No	Yes	No
Local authorities	32	5	28	6
Site owners and trade bodies	9	4	7	4
Home owners and Home owners' Associations	192	0	186	3
Others	16	0	12	0
Total	249	9	233	13

- Require site owners to provide a written statement of how a new pitch fee is made up

When site owners carry out pitch fee reviews (normally once a year) they are required to supply the residents, on request and free of charge, documentation which supports the claim for the proposed pitch fee. However, surprisingly, the site owner is not required to provide a summary of how the proposed new pitch fee is made up in the notice proposing the increase. Our proposal is to reduce information asymmetry by ensuring the pitch fee notice gives residents sufficient information to know how it has been calculated.

Table 5

<b>Q22: Should the site operator be required to provide a written statement specifying how the pitch fee is calculated and giving information about its implementation? If so is the information specified above the right amount and type?</b>		
	Yes	No
Local authorities	37	0
Site owners and trade bodies	15	1
Home owners and Home owners' Associations	193	1
Others	16	0
Total	261	2

99 per cent of respondents in table 5 agreed with the proposals to ensure that home owners have enough information about the proposed new pitch fee so they can make informed judgements as to the reasonableness of the proposed amount at the outset.

## COSTS AND BENEFITS

### Establishing a baseline

25. In 1992, resident to third party sales of park homes were estimated to be around 6 per cent of the stock i.e. about 5,000 units per annum. 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 decade<sup>6</sup>, and this is assumed to drive growth in the number of third party sales (and stock – therefore the proportion of third party sales to total stock remains at a constant 6%) over the ten year horizon of our assessment. We have applied historic growth rates to the 1992 data up to 2010, and then the 1.85 per cent growth rate (as described above) to arrive at an estimated 6,584 sales in 2012 - the starting date for our assessment.

### Cost of proposals being taken forward

26. Under the existing rules costs are already incurred by site owners. Our proposals, which are to simplify the contractual arrangements between the parties and ease understanding of rights and obligations, will impose a number of new costs on both site owners and residents.

27. 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.

28. As the residential property tribunal is likely to be part of the First Tier Property Tribunal by the time the legislation comes into force, the fees will be set by the Lord Chancellor and will be set at a level which reflects the actual cost to the tribunal service in processing and disposing of the application, with certain exemptions. The Lord Chancellor will consult on fees for applications to the new Property Chamber.

Having regard to that, and to the fees charged by the Upper Tribunal (Lands Chamber) in 2010, we estimate that an application by a site owner for new or changed site rules to be approved would cost £500.

29. We assume that

- About 70 per cent of all sites have **site rules** (1,365) – which we assume a constant profile will be changed over 10 years. In line with our growth assumption, this implies a transition of 1,390 sites depositing rules in 2012. Judging by the total decisions in all jurisdictions made by the Tribunal to date (35), we estimate that in about **5 cases**, residents will object to the changes to the site rules and the site owner will pursue the matter in the tribunal.

---

<sup>6</sup> 2010-based National Population Projections, ONS, 2011

- The above assumptions are projected forward for the 10 year appraisal period in line with the 1.85 per cent growth assumption.

30. For applications to the tribunal in respect of site rules and pitch fees we have estimated that:

- Applicants will require 2 hours for compiling the evidence and completing the application form and a further 1.5 hours for presenting the case to the tribunal.
- We have used a proxy of 'managers and proprietors in hospitality leisure services' with gross hourly wages of £13.67 up-rated for National Insurance/pensions (1.3). This is based on data and advice from the Office of National Statistics.
- Given that the majority of park residents are of retirement age, the best measure would be one which measures the value of their leisure time. Given that this data is not available, we have used as a proxy the average gross hourly earnings of 'administrative occupations' from the ONS. The value is equivalent to £11.67 per hour
- We have not included the cost of legal representation because it unnecessary for a party to be legally represented in tribunal proceedings.

31. The proposals:

- Relating to **site rules** will require consultation with all residents on a site and involve:
  - (a) Writing to them enclosing a copy of the proposed change and inviting written comments on those proposals, considering the representations and notifying home owners of the outcome of the consultation and the decision reached. We estimate this process will take the site owner approximately 5.5 hours.
  - (b) Printing and distributing the consultation paper and the decision will cost the site owner approximately £5 per home per site with an average of 43 homes on each site.
- To require all **site rules** to be deposited with the local authority will involve an estimated one off cost to site owners of £15 per site.
- In relation to **pitch fee review information**, site owners will be required to serve notice of a review in writing and ought to have to hand any supporting documentation. Requiring this information to be provided to residents is simply an issue of transposing it to the notice and we estimate this will cost about £10.00 per site.

32. In addition, we believe there may be costs to site owners who may need to seek advice on new provisions. We have not attempted to directly quantify these costs due to not knowing the likelihood of these costs arising – if at all.

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

<b>Costs of option 1</b>			
<b>Groups Affected</b>	<b>Source of cost</b>	<b>Total Net Present Value over ten-year horizon</b>	<b>Comments on the calculation of annual costs</b>
<b>Site owners</b>	a. Cost of consulting on new/changes to site rules	£4,378	Cost per hour (£17.77) * number of hours in consultation process (5.5) * number of affected sites (base=5)
	b. Estimated application fees and admin costs of applying to a tribunal to approve site rules where residents object to the new rules	£4,937	[Court costs (£500) * number of objection cases per year (base=5)] + [Admin cost (£62) * number of objection cases each year (base=5)]
	c. Admin cost of preparing, delivering and depositing rules with the local authority	Transitional: £20,149 Cumulative Annual: £16,748	Transitional: Admin cost (£15) * total number of sites (1,390) Annual: Admin cost (£15) * number of sites that change rules every year (base=1,365 over 10 years)
	d. Estimated admin costs of providing residents with pitch fee review supporting documents	£178,694	Estimated cost per site (£10) * number of sites (base=1,950)
<b>Total Monetised costs</b>		<b>£224,906</b>	

#### 34. One-In-One-Out

This change in legislation is in the scope of one-in-one-out. The annual net cost to business is calculated at £0.02m and this is calculated using costs a to d in the table above. The change aims to prevent site owners from forcing residents to sell their homes at below market value. Given that site owners can earn profits from the subsequent sale of these homes at market value, it might be argued that the legislation imposes a cost to business. It is our view that this does not represent a legitimate cost, since it has been obtained via unlawful practices, and subsequently has not been included in this analysis. Genuine site owners will still be able to purchase homes at below cost value, if they reflect genuine benefits to residents, for example those who hope for a quick and easy sale.

#### **Benefits**

35. We asked in the consultation for comments and suggestions as to whether the benefits below were a fair reflection of the impact of option 1 and whether those benefits could be qualified. No consultees commented that the benefits were not a fair reflection on the impact on the groups affected and none suggested how the benefits might be quantified.

36. The principal benefit expected to arise from adopting option one are on the ability of residents to sell their homes at the market value without site owners blocking or otherwise interfering with the process. This has the wider benefit of opening up



the market and making the match up of prospective buyers and sellers more efficient.

37. The other benefits include:

- to purchasers from being able to see, from site rules deposited with the local authority, what the regulations are for living on the site without having to make direct contact with the owner before purchase;
- benefits to responsible site owners through an enhanced reputation of the sector's product; and
- benefits to residents by reducing the potential for harassment and intimidation leading to improved quality of life, health and wellbeing.

38. In line with earlier assumptions, around 10 per cent of residents experience harassment and problems in selling their homes in the open market. Correspondence received in the Department also suggests a discount of up to 2/3rds of the property value when the resident sells to the site owner. Therefore, we have estimated the maximum transfer from site owners to residents as £15.8m per annum (658 transactions). This assumes an average property value of £40,000. This constitutes the difference of £24,000 per property - between a reduced sale value of £13,000 (less the 10 per cent commission to site owners), compared to full sale value of £40,000 (again, less 10 per cent).

39. We can estimate what proportion of this transfer of between residents and site owners may not occur in the future as a result of these changes by reference to the evidence from the residential property tribunal which under the current regime can hear appeals from decisions to refuse purchasers. Since May 2011 there have been around 15 such cases and in every case the tribunal ruled that the site owner's refusal to give approval was unreasonable. This is a very small number of cases, but that is because normally by the time a case reaches the tribunal the prospective purchaser has withdrawn from the transaction. This is, therefore, a small proportion of the 658 transactions that may have involved a reduction in value to residents so is likely to under-estimate the on-going benefit to residents of this change. However, we assume that each year in the future 10 cases would have come forward and been upheld – again, acknowledging that this is only a small proportion of the likely real loss of value to residents (as some would not bring cases). This would result in benefits per annum of £240,000 (10 cases each realising additional sales value of £24,000); or £2.066m over ten years (net present value).

40. The table below provides our estimate of the net present value of the benefits from adopting option one.

<b>Benefits of option 1</b>			
<b>Groups Affected</b>	<b>Source of Benefit</b>	<b>Total Net Present Value over ten-year horizon</b>	<b>Comments on the calculation of annual costs</b>
<b>Residents</b>	Increased sale value from proportion of residents who would in the absence of the change successfully appealed and who therefore benefit from realising the full value of their property	£240,000 per annum Net present value: £2.066m	See paragraph 39 above. Assume that 10 cases per annum would come forward and be successful at Tribunal and that in each case the benefit to the resident in terms of increased sales value is £24,000.
<b>Total</b>		<b>£2.07m</b>	

### Other impacts of option 1

<b>Summary of other impacts</b>		
<b>Impact</b>	<b>Overall Effect of Initiatives</b>	<b>Reasons</b>
<b>Competition</b>	None	
<b>Small/Micro Firms</b>	Possible adverse effect	Most of the costs outlined above will be incurred by small/micro firms, as site owners typically employ very few staff. A waiver under the current moratorium has however been granted to include micro businesses within the scope.
<b>Legal Aid</b>	None	
<b>Sustainable Development</b>	None	
<b>Carbon</b>	No overall consequential effects	
<b>Other environment</b>	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.
<b>Health</b>	Yes – some consequential positive effect overall	Should improve health, safety and wellbeing via inclusion and prevention agenda, health and safety of housing, park homes and sites within and for local communities.
<b>Race</b>	None	
<b>Disability</b>	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.
<b>Gender</b>	None	
<b>Human Rights</b>	None	
<b>Rural proofing</b>	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**

41. The changes to the legislation should ensure park home residents are able to sell their homes without undue interference from site owners and to make the whole process as simple as possible. As a waiver has been granted under the current moratorium on small/micro businesses, the proposals will be implemented as soon as the proposed legislation receives royal assent.

## **Post-Implementation Review Plan**

42. The date for the post implementation review will be three years after the implementation of the proposed changes. Review groups with key partners will provide a response to the changes as well as help to establish the actual costs and benefits incurred. Through maintaining regular contact with relevant partners, we can monitor the number and type of complaints in addition to other feedback from the industry, residents and local authorities. This will also gauge the delivery of intended effects.