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Llywodraeth Cymru  
Welsh Government

Welsh Government  
Consultation Document

## The Park Homes Commission Rate

Date of issue: 25 May 2017

Action required: Responses by 17 August 2017

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.  
This document is also available in Welsh.

<b>Overview</b>	This consultation seeks to establish whether the commission rate payable to park owners upon the sale of a park home should continue at its current level of 10% or be reduced or abolished.
<b>How to respond</b>	Please answer the questions in the questionnaire at the end of this paper.
<b>Contact details</b>	<p>For further information:</p> <p>Private Sector Housing Team  Housing Policy Division  Welsh Assembly Government  Merthyr Tydfil office  Rhydycar  Merthyr Tydfil  CF48 1UZ</p> <p>email:  <a href="mailto:PrivateSectorHousingMailbox@wales.gsi.gov.uk">PrivateSectorHousingMailbox@wales.gsi.gov.uk</a></p> <p>telephone: 0300 062 8189</p>
<b>Data protection</b>	<p>How the views and information you give us will be used</p> <p>Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about. It may also be seen by other Welsh Government staff to help them plan future consultations.</p> <p>The Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response and other identifying information are published with the response. This helps to show that the consultation was carried out properly. If you do not want your name or address and other identifying information published, please tell us this in writing when you send your response. We will then blank them out.</p> <p>Names or addresses we blank out might still get published later, though we do not think this would</p>

happen very often. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 allow the public to ask to see information held by many public bodies, including the Welsh Government. This includes information which has not been published. However, the law also allows us to withhold information in some circumstances. If anyone asks to see information we have withheld, we will have to decide whether to release it or not. If someone has asked for their name and address not to be published, that is an important fact we would take into account. However, there might sometimes be important reasons why we would have to reveal someone's name and address, even though they have asked for them not to be published. We would get in touch with the person and ask their views before we finally decided to reveal the information.

## **The residential park homes sector in Wales**

- The Welsh Government is committed to the development and maintenance of a sustainable and attractive residential park homes sector in Wales with well managed parks and homes that are in good condition. Park Homes (or mobile homes as they are also known) provide an important tenure of choice for many individuals. It is estimated that there are currently around 100 residential park home sites in Wales containing some 3,400 households. About 10,000 people in Wales live in park homes as their main place of permanent residence. Park homes are therefore an important housing resource in Wales.
- Park homes can be an attractive, suitable and economically viable housing option for some people as they can provide an alternative tenure to traditional “bricks and mortar” housing. For some people it can be a "lifestyle" choice - parks are often in picturesque surroundings, and can have restrictions on who can live there; for instance many operate an "over-50's" rule and attract people wishing to down-size upon their retirement. Many provide a strong sense of community and additional services to residents.
- It is essential that people choosing this housing option enjoy the benefits of adequate protection and good management of the sites on which they live. Similarly, park owners need to have the right encouragement and incentives to ensure that their sites are well managed and of a good standard. Good management practice is equally beneficial to residents living on the sites and the park owners themselves. It is clear that many proprietors are anxious to maintain high standards, which can only enhance their reputation as good park owners. Individual park home owners also have responsibilities to maintain their homes in good condition and to behave responsibly with due respect to other residents.
- The terms park home and mobile home are often used interchangeably. For the purposes of this consultation the term “park home” is used. Any reference to a “park home” means a mobile home under the Mobile Homes (Wales) Act 2013. A “resident” or “park home resident” means an “occupier of a mobile home” under the Act. This consultation relates to residents who are homeowners, and not those who are tenants. A “park owner” is a “site owner” under the Act.

## **Current legislative and financial arrangements**

- The Welsh Government has already introduced a range of measures to improve the management of the sector and to support its long-term aim of ensuring there is a vibrant, sustainable park homes sector in Wales.
- The Mobile Homes (Wales) Act 2013 reformed and restated the law in respect of mobile home sites in Wales and included the introduction of a fit and proper person test for site managers, enhanced enforcement powers for local authorities when inspecting sites and fine site managers where poor management practices have taken place. The Welsh Government has also changed the rate of inflation to which pitch fee increases can be linked, from the Retail Price Index to the Consumer Price Index.
- Previous studies into the economics of the industry have identified that there are 3 established main sources of income for park owners:

- Sales of new park homes
- Pitch fees
- Re-sale commission charge on privately sold park homes

### **Sale of new park homes**

- Sales of new park homes can generate a source of income for a park owner. This can happen when a pitch is vacant or when new pitches have been developed on a site and a new park home can be purchased and placed on the pitch to market for sale. The sale of new park homes is dependent on either pitches becoming vacant or the site having the capacity to increase the number of pitches under its site licence and any planning consents.

### **Pitch fees**

- The pitch fee is the amount that must be paid by the resident in return for being allowed to keep their park home on the pitch and is set out in the agreement between the park owner and the resident. The process of changing the pitch fee is called the 'pitch fee review' and can only be undertaken once a year. The Mobile Homes (Wales) Act 2013 says that the pitch fee should only go up or down by a set percentage in line with the Consumer Price Index (CPI).
- However, in reviewing the pitch fee, due regard may be given to:
  - Any money spent on improvements to the site by the park owner since the last review date which benefit the residents. The park owner must have consulted on the improvements in advance.
  - Any decrease in the amenity of the site since the last review date. Any reduction in the services that the owner supplies to the site and deterioration in the quality of those services.
  - Any effect of any law that has come into force since the last review date.
- If a park home owner doesn't agree with the new pitch fee amount they can refuse to pay it, although they are obliged to continue paying the existing pitch fee until an agreement can be reached. If an agreement cannot be reached, the park owner or the park home owner can apply to the Residential Property Tribunal for a decision on what the new fee should be. When the tribunal decides the pitch fee, it becomes effective from the date set by the tribunal.

### **Re-sale commission charge on privately sold park homes**

- Upon the sale of a park home, the new occupier is required to pay the owner a commission on the sale of a mobile home at a rate of not exceeding that prescribed by the Welsh Ministers, currently 10% of the purchase price of the mobile home. In practice this means the amount the seller receives from the purchase price for their home is reduced accordingly to take account of the 10% the buyer will have to pay to the park owner.
- A commission on the resale of a residential park home has been in existence for as long as people have used park homes as a permanent residence. In the 1960s the park was under no legal obligation to allow the park home to be sold on the pitch but some agreed to do so in return for a commission. The rate was typically around 20%. The Mobile Homes Act 1975 gave all residents the statutory right to sell their home on the park and in return compensated park owners for requiring them to grant

security of tenure by introducing a statutory right to commission which was initially capped at 15%. This was then reduced to 10% by the Mobile Homes Act 1983; it has remained at this level ever since. The Mobile Homes (Wales) Act 2013 provides for Welsh Ministers to set the level of commission by regulations, which they did in 2014, setting the rate at 10%.

- The general justification for the commission charge is that what is sold is an amalgam of the value of the park home and the value of the site on which it is placed. Without the pitch/site location, the park home may be valued at a lower price for re-sale. Arguably, it is also considered by some, to be a compensation payment to the park owner for the continued loss of the use of the land on which the homes sits, so it is part of the price for the security of tenure given to the park home resident.
- Park home residents regard the requirement to pay the commission as unfair and outdated. They believe their pitch fees effectively cover the renting of the pitch and provide adequate recompense to park owners for the use of their land. A number of reviews have been undertaken to determine whether the rate is appropriate or should be changed.
- The focus of this consultation is specifically on the current commission rate of 10% and whether it continues to be fair, reasonable and justified.

## **Previous Research and Consultation**

- Some park home residents believe the commission rate is unfair and have been calling for its abolition. Efforts to establish a factual view on whether commission rates are unfair and should be changed or removed have prompted successive Governments to undertake a series of reviews;

### **2002 - Economics of the UK Park Home Industry Study - Office of the Deputy Prime Minister**

- A study was undertaken by the then Office of the Deputy Prime Minister (ODPM) into the Economics of the UK Park Home Industry in 2002. The findings did not make a case for changing or removing the commission rate.

### **2006 – Consultation on the Park Homes Commission Rate – Department for Communities and Local Government and Welsh Assembly Government.**

- The consultation sought views on three possible options of (1) retaining (2) reducing or (3) abolishing the 10% commission rate. The findings established that there was no overall consensus on which option should be taken forward with park owners and residents firmly split in opinion. In conclusion, it was considered that no change to the rate could be justified at that time.

### **2014 – Review of Data – Welsh Government**

- A review of the data and the decision of the 2002 report not to change the commission rate was undertaken by officials in 2014. This followed suggestions that there was undue bias by and influence towards industry representatives. However no such bias or influence was identified.

### **Review of the Economics of the Park Homes Industry in Wales 2015/2016**

<http://gov.wales/statistics-and-research/economics-park-home-industry/?lang=en>

- The study was commissioned to undertake a comprehensive assessment of the economics of the park home industry in Wales, including whether the commission rate remains appropriate and, if so, at what level the rate should be set. The findings did not support any change to the commission rate for existing residents, as it felt the risk to the continued viability and sustainability of some sites may be too high. However, limited available financial information that had not been verified made it difficult for the research to state with confidence that the findings are fully representative of the industry as a whole. It could therefore only provide indications of the role of the commission rate in the industry.

### **Where are we now?**

- Park home residents continue to strongly oppose the ongoing need for the commission rate. They feel it cannot be justified, and that in the absence of the evidence that justifies its importance to the viability of the sites and the sector more widely, the time has come for it to be removed.
- The lack of comprehensive, verified data in the latest review has made it difficult to quantify the importance of the commission received by a park owner on sale of a home to site businesses or how the revenue stream it provides is utilised by those businesses. Without this information, the suspicion for some residents will be that the charge cannot be justified.
- However, there are also concerns that residents themselves could be adversely affected if the commission rate was changed. Both the ODPM and the Welsh Government studies indicated that park owners may seek to replace the income lost from the commission rate through other means, in particular perhaps by increasing pitch fees in order for their business to remain financially viable. This could prove difficult for many park home residents who are pensioners, or otherwise, on fixed incomes. In addition, if the loss of the commission income were to undermine the continued viability of a park, or undermine investment in the park and its infrastructure, this could impact on residents' quality of life and the value of their homes. There is also a risk that the park owner may decide to close the park entirely. This would result in residents having to find alternative parks to relocate their homes on, or, potentially put them at risk of homelessness. Hence it is important to understand the implications of any change to the commission rate on all parties before taking action.

### **Where next?**

- What is clear from the successive reports and reviews is that the commission rate remains a difficult topic and that views remain polarised. Continued uncertainty, lack of clarity and debate on this topic undermines good relationships between park home owners and site managers. Uncertainty may also make longer term business planning more difficult for park owners. As such the Cabinet Secretary for Communities and Children is keen to ensure that a fair and balanced decision is made on this matter.
- Although the commission is paid by the new occupier, there is a direct financial impact on the seller who effectively receives what is left from the sale price when the commission rate has been deducted. Effectively, they receive up to 10% less than

the agreed selling price. There is concern this may leave some park home residents feeling trapped and unable to move on. Many park home residents are older and if uncertainty arises about their ability to remain living independently and safely in their homes, selling their park home may be the first thing they need to consider. For example, for those who are thinking that they may need to go into sheltered accommodation or residential/nursing care, the loss of 10% from the sale price of their park home may impact on what options are available to them and what accommodation they can move on to if they sell their home. This can cause anxiety and uncertainty.

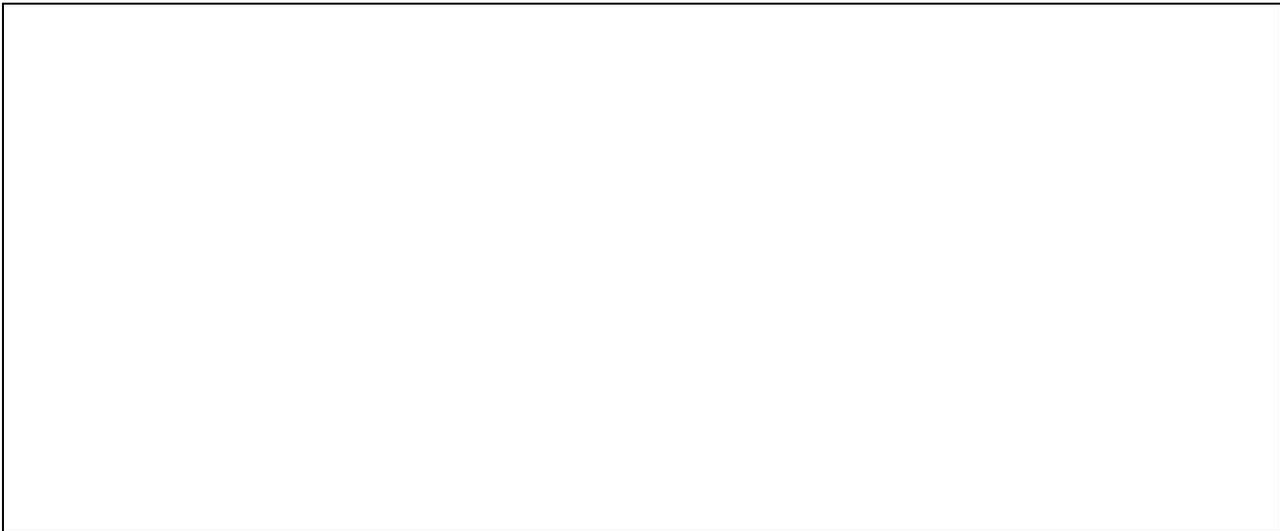
- On 21 March 2017, the Cabinet Secretary for Communities and Children therefore announced his decision to undertake a consultation on proposals to retain, reduce or abolish the 10% commission rate payable to park owners. In his announcement he made clear his disappointment that, a greater level of information had not been disclosed by the industry to enable a more robust analysis and assessment to be undertaken.
- Those undertaking the Welsh Government Review in 2015/16 faced a number of challenges in compiling their report. In spite of the fact that over half the total number of park owners engaged in the research, only a quarter of the park owners provided detailed financial information. This means it is difficult to understand fully the economics of the industry at present with any certainty and the precise implications of making any change to the commission rate.
- Following careful consideration of the findings of the report, the Cabinet Secretary now feels that it is time to change the approach to understanding the significance of the commission rate. He is now calling on all those who have an interest in the sector to respond to this consultation and provide the necessary evidence to inform his decision on what should happen to the payment of commission.
- It is important that everyone with an interest engages in this consultation and uses this opportunity to provide evidence in support of what they consider should happen, be that to retain the status quo, or to implement changes.



**4. On average, how often is commission income received by a park owner? i.e. how often are pre-owned park homes sold? How is the income incorporated into the business plan? Please provide any evidence you have to support this**

**5. How is the commission income received by a park owner used? Please give examples and provide supporting evidence where available.**

**6. How might any change to the payment of commission impact on the viability of park home sites in the short term and/or the long term? Please provide any evidence, supporting documentation you have to support your comments.**



**7. How might a park owner seek to mitigate the impact of those risks to the short or long term viability of their site? Please provide any evidence you may have to support your view.**



**8. How does the payment of commission by a new occupier affect a resident's ability to sell the mobile/park home? Please provide any evidence you may have to support your view.**

**9. How much value to a park home does being situated on a pitch add? Please provide any evidence you have to support your view.**

**10. The Welsh Government wishes to understand all consequences of the potential reduction or abolition of the commission. Please explain all consequences in your view and provide any evidence you have to support your view.**

**11. If you are a park owner, would you be prepared to share detailed information on your park's accounts with the Welsh Government?**

**If so, please provide the preferred method to contact you to discuss any such arrangements.**

**12. What impact has the introduction of the Mobile Homes (Wales) Act 2013 had on the sector so far? Please provide any evidence to support your view.**

**13: We would like to know your views on the effects that the proposed changes to the park homes commission rate would have on the Welsh language, specifically on opportunities for people to use Welsh and on treating the Welsh language no less favourably than English. What effects do you think there would be? How could positive effects be increased, or negative effects be mitigated?**

**14: Please also explain how you believe the proposed policy could be formulated or changed so as to have positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language, and no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.**

**15: If you have any related issues which we have not specifically addressed, please use this space to report them:**

**Consultation  
Response Form**

Your name:

Organisation (if applicable):

email / telephone number:

Your address:

Responses to consultations are likely to be made public, on the internet or in a report. If you would prefer your response to remain anonymous, please tick here:

## List of consultees

- All AM's
- All LA Housing Directors
- All LA Environmental Health Departments
- Residential Property Tribunal
- Regulatory and Housing Services
- Older Peoples Commission for Wales
- Community Law Partnership
- Citizens Advice
- Shelter Cymru
- Independent Park Home Advisory Service
- Gypsies and Travellers Wales
- Tai Pawb
- National Federation of Gypsy Liaison Groups
- Qualifying Residents Associations
- British Holiday & Home Parks Association
- National Caravan Council
- Fire Services
- Age Cymru Advice
- National Association of Park Home Residents
- LEASE / Park Home Living
- Park Owners
- Park Home Residents?