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Consultation – summary of responses

Park homes commission rate

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



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# Summary of responses for the consultation on the park homes commission rate.

## Introduction

This consultation sought 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. It was carried out from 25 May 2017 to 17 August 2017. Whilst financial information from park owners was considered vital to assist decision making, the views and experiences of all those in the sector are just as important to ensure the fullest picture was obtained.

The Welsh Government subsequently conducted a procurement exercise to secure an independent firm of accountants. The successful company, MHA Broomfield Alexander, was tasked with independently analysing the financial information put forward by some park home site owners, in order to fully assess the financial impact of any potential changes to the commission rate.

The report can be accessed here: <https://beta.gov.wales/park-homes-commission-rate>

The questions in the consultation were primarily targeted at site owners in order to better understand their businesses, and obtain the evidence necessary to consider the impact of any potential change. However, residents' views and experiences were also sought to ensure a balanced approach.

As was to be anticipated, overall there is a clear and consistent divide between the views of residents and park owners, with most residents supporting the reduction or abolition of the commission paid, whilst all site owners wish to see it retained at 10%.

This paper provides a summary of all the views, information and evidence submitted during the consultation, and is not an endorsement of those views.

All responses have been published in line with Welsh Government policy. In view of the nature of some of the comments made, and the potential vulnerability of some of the respondents, all responses from individuals have been anonymised, and some comments have been redacted for legal reasons, or in places where they might unintentionally identify someone who has not given their permission to be identified.

Responses received from representative organisations have been published without being anonymised, but where they might unintentionally identify someone who has not given their permission to be identified, these comments have been redacted.

## 1 - Who responded?

385 responses were received to the consultation from 377 respondents

- 31 Park owners
- 318 Park home residents (home owners) including 1 with 42 signatories from one park.
- 11 park home residents (tenants)
- 4 Representative bodies for Park owners
- 4 Representative bodies for residents.
- 9 classed themselves as “other” or responded on behalf of someone else.

NB: Some people responded more than once to the consultation. Where an individual has responded more than once, these have been counted as separate responses where additional comments or information has been provided, but their response to Q2 has only been counted once so as not to distort the views represented.

## **2. Should commission on the re-sale of park homes in Wales be retained at 10%, reduced or abolished?**

- 256 believe it should be abolished
- 49 believe it should be reduced
- 39 believe it should be retained at the current 10% level
- 15 identified other options as being the most suitable solution
- 11 believed it should be abolished, but if that were not possible, reduced or changed in some other way
- 7 did not indicate a specific preference

All park owners and their representative bodies believe the commission rate should remain at 10%. A small number of park owners suggested that if changes were to be made, the recommendation proposed by PACEC in their [report](#) following their review of the economics of the park homes sector, would be the preferred approach to any change introduced.

Nearly all residents felt it should be abolished or reduced. 4 residents thought it should be kept at 10%.

Other suggestions included:

- a fixed rate of perhaps £500 or £1,000 regardless of sale price
- limiting the commission rate to between 1% and 2% of the sale price to make it more comparable with Estate Agent fees.
- commission rate should only apply to any profit between the purchase price paid and the sale price (suggestions for the rate varied from 5% to 10%).
- a star rating system which could see local authorities award up to 3 stars. Sites with 3 stars would get 10% commission, sites with 2 stars, 5% and sites with 1 star 0% to incentivise site owners to improve and invest in their sites, maintaining them to a high standard.

### **Comments received from residents and their representative bodies**

The majority of residents think it should be abolished as they feel it is unfair and unjustified. At the very least, they felt it should be reduced to a lower level, or that some justification for its continuation at the existing level was necessary.

Many of the residents who responded think the commission charge is outdated as it was introduced in the 1950s when homes started selling at a profit. At that time, site owners felt some of that profit was realised because the home was on their land. Previous Governments have legislated to cap the amount of commission that is paid following the sale of a park home. Many felt this was in recognition of concerns raised, the increasing value of homes, and a concern that the level of the commission rates charged at that time was too high.

Some residents thought commission should only be paid if site owners use that money for maintenance and improvement of the site for the benefit of everyone. Many felt they had not seen maintenance or improvement work undertaken on their sites that would justify the commission paid. Others commented they had not seen any evidence that the income from commission is used for such purposes.

Some thought a star rating system would encourage site owners to improve their parks. The rationale for that would be that a higher-rated park home property would sell for a higher amount, and the park owner would also reap the benefit of this system. It was suggested that local authorities could award the ratings.

Many felt that as site owners no longer provide help in selling property, the commission can no longer be justified. Others thought there was no justification for it at all and suggested it was unfair as it does not apply to other housing tenures. Some felt the pitch fee alongside other costs such as council tax, mortgage, and all utility bills is enough to have to pay and commission should not be charged on top of these.

A number were worried that they could not afford to buy anywhere else if they have to sell if these costs were deducted from the final sale price.

Some were also concerned that site owners might raise pitch fees to unaffordable levels to 'replace' commission income, unless they were stopped from doing so by the Government.

A small number were concerned that their park would go into decline without the investment of commission, as the pitch fees alone do not cover all of the maintenance costs. Some feared that their site may have to close and they could become homeless. Another worry was pitch fees rising in order to keep the park operational, but making them unaffordable. They felt it was preferable to keep the commission rate and pitch fees as they currently are.

### **Comments from park owners and their representative bodies**

Most park owners who responded felt that their site would not remain viable without the income received from commission. Many felt their current business model would no longer be sustainable. Without the income, they suggested sites will receive minimal maintenance and improvement work and will fall into decline. They expressed views that homes and sites will lose their value as a result of reduced investment.

A number felt that all occupiers and prospective occupiers are made aware of the 10% fee and freely accept and sign a legally binding contract. Many commented that commission enables pitch fees to be set at a lower rate, making park home living attractive and affordable for people on fixed incomes. They commented that if pitch fees had to rise to maintain the viability of the business, park home living would not remain an affordable option for many.

A majority indicated that without the commission income stream, both the purchase prices of the homes and pitch fees would be higher. Changes to the commission on

existing contracts would therefore not be manageable without some other way of offsetting the loss of that income stream that was a projected income within their business model. They considered it unfair to do this to businesses after residents have had lower purchase prices and pitch fees, and that this change in contract would make their business model unviable.

Some pointed out that sites often provide affordable homes in areas which would normally be unaffordable for many. People often sell their houses to free up equity and buy a small affordable home in a community-based setting, freeing up savings to enjoy their new lifestyle and, in many cases, retirement. They argue the commission rate income enables the site owner to offer a lower, more affordable pitch fee to residents, whilst maintaining a viable business model. Park owners feel residents accept this as they are fully aware of the commission before purchasing a home and it is a contractual obligation to which they have agreed. Many expressed the view that any change should only apply to new contracts so that business models could be adapted to cope with such a change.

Others felt abolishing the commission rate will drive small site owners out of the market and increase the likelihood of less reputable people buying-up parks and not maintaining them properly. This, in turn, would drive the entire sector into becoming an undesirable tenure and create more problems for more residents.

It was suggested that home owners could choose whether to sell on-site with a commission payable for the security of the pitch, or to sell off-site, with no pitch or commission payable. The view was they would rarely sell off-site as around 80% of the resale value is achieved due to the home being sited on the park owners land.

Some highlighted the independent [review](#) undertaken by PACEC and the recommendation that existing agreements should remain as they are but that all new home buyers be given the option, at purchase, of paying higher pitch fees or paying commission when the property is sold. They suggested this would avoid the risk of some small businesses becoming unviable and help to ensure that residents buy their homes fully aware of the decision they have taken.

A further suggestion was made that consideration should be given to this for existing residents, offering them a choice of paying commission or paying higher pitch fees, thus avoiding jeopardising legitimate existing business models.

**3. How much does the income received from the commission contribute to the overall income of a site business?**

**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?**

**5. How is the commission income received by a park owner used?**

**Comments from residents and their representative bodies**

Residents were not able to say how much it contributed to the site business as they do not have access to that information. Most did not think commission income could be included in business plans due to the irregular nature of the income stream. If it cannot be forecast, it can only be seen as a bonus that is just extra profit for the site owner.

Most residents could only provide information in relation to what they knew about sales of homes on their own site. It was generally felt that the number of homes sold across sites varied and there did not appear to be a clear way to determine how many would sell. It was generally thought that the number of sales was usually going to be greater on larger sites with more pitches, than smaller sites. But there was also a difference in the value of homes depending on the location of the site and the condition of the home. These variables would also affect the amount of commission a park business received.

Some residents knew that a number of homes were selling each year on their site and were able to use this to suggest the amount of commission being made by their park owner was considerable. Their concern was primarily that they did not feel any of this income was used to invest in their park. Others highlighted no homes had sold on their site for multiple years. This made them feel that it was therefore not possible to factor this income into any business model and could only be treated as a windfall profit as and when it occurred.

It was generally felt that many park home buyers intend to live in their home until they die. However, sometimes residents have to sell for reasons such as needing to go into care or other changes in circumstances. This was often the point where the implications of the commission payment payable on the sale of the home became a financial barrier and a worry. For some, it was also the point where they first became aware that it was part of their contract. For some residents, they had seen it happen to other residents on their site, and now realised it would be an issue for them if they also faced an unplanned change in circumstances.

Others mentioned that if a park owner makes life difficult and unhappy for residents on a park they create a larger turnover of homes as people choose to sell up. It was suggested that rogue practices, such as this, demonstrate how the system is open to abuse by some park owners, allowing them to make more money from sales commission.

Overall, most residents who responded felt there was no evidence that the income received from commission was used for the benefit of their site. They felt this contributed to the sense of resentment many of them feel at paying the commission, as they did not feel it was justified. There was some recognition that site owners run businesses and incorporate the commission into managing the park and earn a reasonable return on their investment. However, most felt these were becoming less common, and that ruthless large operators were taking over most sites, with massive profit being the only objective.

A small number of residents thought that the commission income was used to finance maintenance and improvement work on their site. They were concerned how this would continue and what would happen to their site if the income was no longer available for such purposes.

### **Comments from park owners and their representative bodies**

A number of site owners provided an average percentage for the amount that commission contributed to their business's income, based on sales averages from previous years. Percentages of total income varied from 6% to 50% depending on the site. Most site owners indicated that commission contributed to approximately 10% to 25% of the total income.

The general view was that for established sites the commission income was a predictable income stream that can be used to plan essential maintenance and improvement works, access business loans and achieve a profitable and sustainable business model. Although commission income is erratic, sometimes creating a feast-and-famine situation, it can be managed and incorporated into business plans effectively, as with most business models. Sometimes the income comes in advance and can be used to create a fund which can be accessed when such jobs arise, other times the site owner invests their own money or secures a loan for works which commission income gradually offsets. Larger jobs such as sewerage or gas pipe renewal which can be very expensive are more manageable this way and it enables upgrade work to take place without seeking additional contributions from residents.

Some mentioned that their banks also recognise and consider commission income as a fairly reliable income stream. In one particular example, a bank indicated that it may not have approved a particular business loan without the income stream from commission being included in the business plan.

Another view put forward was that park owners felt that the commission income helped them to stay on top of continuing renovation and upgrading of infrastructure, deal with pressing matters as and when they arise, but also carry out more expensive jobs – such as road improvements, sewerage and drainage upgrades, etc. as their cash flow is boosted by commission income.

A number of site owners provided examples of the types of maintenance, repairing and improvement works undertaken on their site using commission income. These included:

- Underground electricity cables and sewerage pipes

- Sewerage system and drainage
- Removing blockages from sewerage pipe
- Fire Safety equipment and fire points
- Landscaping, pruning, weed killing,
- Litter picking and keeping paths swept,
- Mowing & strimming
- Tree pruning, lopping and felling
- Road surfaces on tarmac drive and park roadways
- Treatments of invasive species such as Japanese Knotweed
- Street-lighting
- Cleaning and painting signage,
- Fencing and hedging,
- Bollards,
- Removing debris from drainage ditches,

Some use the income to invest in new maintenance equipment such as mowers, gritting equipment, wood chippers and motorised road sweepers.

Other uses the income contributes to include:

- Licensing costs
- Staff costs
- Staff on-site accommodation costs

Another view was that commission income can be placed in reserve to cover services that park owners are responsible for e.g. water mains, stopcocks, electricity cables and metering equipment, and the sewage system. All of these, by law, cannot be charged for as part of the supply charge.

Some site owners indicated their business would be in permanent deficit without this income and this would not be sustainable on a year after year basis.

Once a site's pitches are full, the only income streams would be pitch fees and commission. Many homes remain fit to inhabit for 40-50 years, and potentially even longer. This means that when a home is sold, the use of the land for new home sales is no longer available to the site owner for a considerable period of time.

Concern was expressed by site owners that in the longer term, whilst pitch fee increases are limited to the Consumer Price Index (CPI) rate, supplies and services they have to cover can and do increase at the higher Retail Price Index (RPI) rate. Over time, this will reduce income through pitch fees in comparison to expenditure costs and create greater reliance on commission income to sustain businesses.

Another view stressed was that sites and their business models vary considerably. For example, on sites without a minimum age restriction, it is possible that more residents will sell their homes and move on. Commission income from these sites may therefore be more frequent. However, on sites targeted at older residents, many will stay there until they either need to go into residential care or pass away. Not only is commission income received less frequently, but the opportunity to develop new

pitches is also restricted. These sites often rely on pitch fee income, which on some sites is not sufficient to maintain the site.

## **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?**

### **Comments from residents and their representative bodies**

Many residents thought park owners should not be profiting from their residents all the time and that the yearly income from the ground rent on the homes on their site was ample to run the site. Some felt the loss of commission income for the business wouldn't make any difference to their site, as there had been no expenditure on maintenance and improvement on their park anyway.

Others thought park home living would become more attractive if prospective purchasers knew they would not immediately lose 10% of their investment and that this would benefit the parks.

Others felt that if the commission was abolished, and the owner could not supplement their earnings by introducing higher pitch fees, it would have a detrimental affect on the site.

Some residents on smaller sites were worried that their site could be forced to close and wondered what would happen to residents. If local authorities were put in place to manage the sites, who would pay for that? Others thought they would become homeless if their site closed, and that they would lose a substantial amount of money on the value of their homes. The council would then need to find suitable accommodation for them, increasing the need for more social housing.

Other potential impacts suggested included:

- If the commission is removed totally all parks will be put up for sale, requiring local authorities to take them over and manage them on a not-for-profit basis. It was thought this would improve the well being of residents.
- Improvement and development by parks would immediately reduce or cease with monthly pitch fees being sufficient to keep up ongoing maintenance, but inadequate to either motivate or finance anything else.

### **Comments from park owners and their representative bodies**

All site owners were worried about the potential risk to the long term viability of their business if the commission rate was reduced or abolished. For some, they considered their main business as selling homes and that pitch fees simply cover the day to day running of that specific pitch. Returns on investments are planned years in advance, and the loss of one of the income streams without a means of replacing it will significantly impact on the business modelling used and individual site's business plans.

Many thought that small sites were at immediate risk of closing but that potentially larger sites could absorb the cost more easily. Without making significant changes to their business, they would be trading at a constant loss and the business could not

survive in the long term. Some felt that they could make changes to prevent that happening but that it would adversely change the amenity of the site, to the detriment of their site, business and residents.

It was highlighted that this view was also supported by the Welsh Government's recent [independent research](#) and the published [Explanatory Memorandum](#) for the Mobile Homes (Wales) Act 2013. Both suggested the reduction or removal of the commission fee income as potentially leading to some of the smaller park businesses becoming unviable.

Businesses without outstanding business loans were thought more likely to survive than those with loans, or those needing to borrow as part of their plan to maintain and develop their site.

Another suggestion was that sites closing would adversely impact the housing sector as there would be a reduction in low cost housing available in these areas. The value of the homes on sites which close would drop significantly without the security of tenure that accompanies selling with a pitch on a licensed site. Residents would either need to relocate their homes or sell them without a pitch and move elsewhere.

A number of park owners felt there was also a risk that if businesses were sold then an increasing number of sites would be purchased by more unscrupulous buyers. It was suggested, these buyers would offer a much higher purchase price for the parks, in cash, as they would know how to maximise the profit they could make on the site. This profit would come from the implementation of poor or unscrupulous practices. An example quoted was that the owner of a site which was up for sale had only had interest from buyers that most in the industry are trying to distance themselves from.

A concern raised by some is that the consequences would result in a "race to the bottom", with parks in Wales becoming the worst maintained and least attractive, rather than a sector with park owners motivated to make their sites attractive. The downward spiral into decline would trap existing residents who would be unable to sell their homes if nobody wanted to live there.

Another view highlighted was that, unlike most service charges, the annual review of pitch fees pays no regard to actual costs incurred. This creates significant difficulties for sites with pitch fees which have, historically been low, as owners now struggle to cover the actual running costs, and are unable to charge rates that are comparable to their competitors. These sites are most dependent on commission rate income. Those with the lowest pitch fees are already technically unviable when all costs are taken into account, and are likely to fail if the rate is reduced.

It was generally recognised that the impact of any change will vary from site to site. Five variables were identified as significant in determining whether a business will cope with a commission rate change on a site. These are:

- Is it fully developed, or are there still pitches for new homes?
- Are the pitch fees set at a low, medium or high level?
- Where in the maintenance cycle is it (i.e. physical condition)

- Characteristics of Park (densely populated, provide amenities, significant landscaping, rivers, woodlands etc. to maintain)
- Size of park/business

It was thought that a change to the commission rate will impact sites differently depending on their current pitch fee level, and that it will also be influenced by maintenance cycles. For example, if large pieces of work have already been undertaken the site may remain viable, as opposed to a site that would need to undergo large scale maintenance in the near future.

It was also felt a loss of commission income, without alternative means of generating income, will impact heavily on the capital value of a business and its ability to invest and maintain a quality, accessible housing option. In turn, this will significantly impact on the value of the park, and the homes sited on the park. As the viability of the business diminishes, this may force reputable park owners to consider selling up and moving on, placing the business and the existing home owners at risk of unscrupulous operations with potentially different management values and practices than residents have been previously used to.

Some site owners provided anecdotal evidence as to the adverse impact of any change on the continuing viability of their business. However, as many site owners have provided access to their business accounts for independent analysis, that anecdotal evidence has not been detailed in this paper as it is open to challenge.

Other concerns that were raised included:

- With the unknown impact of Brexit on small businesses, all industries are facing some uncertain times. A change to the status quo may be too much for some smaller family run businesses to cope with.
- In the event of such a park business failing, local authorities may be required to intervene and take over its management. This would be an onerous undertaking in terms of time and scarce resources for local authorities.

## **7. How might a park owner seek to mitigate the impact of those risks to the short or long term viability of their site?**

### **Comments from residents and their representative bodies**

Most residents did not feel there were any risks to their park's continuing viability. Some were concerned that even though there was no good reason, site owners would seek to recover lost income through pitch fees. Some felt this was typical behaviour of some unscrupulous site owners. There was some confusion as to whether they would be allowed to do this or not, but many felt that they should be prevented from doing so by legislation if the commission rate is reduced or abolished.

There were also concerns that other tactics some unscrupulous site owners might use to compensate for the loss of commission income, such as:

- Manipulating utility bills, by refusing to pass on discounts given to them by gas and electric suppliers for direct debit and prompt payment arrangements
- Introducing short term leases
- Offering to purchase homes at a low price when residents want to sell, in order that they may set a new high pitch fee on a home before selling on.
- Frightening and harassing elderly residents to acquire their homes at a fraction of their real value in order to re-sell or replace with more expensive homes
- Charging exorbitant prices for connecting to utilities,
- General maintenance being termed as improvements and charged extra for,
- Leasing parks to other companies owned by family members so that more maintenance charges can be introduced
- Threatening to close the site, sell the land and leave residents homeless

Some responses suggested that site owners could rely on income from their other businesses in order to offset any losses from running the site.

Residents who believed the commission income was necessary for their site to remain open were concerned about whether they could afford the increase in pitch fees needed to offset the lost income and keep their site open.

### **Comments from park owners and their representative bodies**

Most of the suggestions made on how park owners could mitigate the risks fell into 3 broad categories of (a) ways to reduce expenditure, (b) increase income through other sources, or (c) use the land differently.

Examples suggested for ways in which outgoings might be lowered:-

- Reduce maintenance & repairs to bare minimum to satisfy licence requirements
- Turn off streetlights overnight
- Fell trees rather than periodic topping
- Reduce grassed areas and replace with maintenance-free alternatives

- Reduce staff and minimise time spent on site
- Stop carrying out ad hoc additional tasks to support incapacitated residents
- Reduce office 'opening hours,' with greater reliance on answerphone
- Delay progressive/improvement works
- Wait for problems with services (sewerage, electricity, water) to arise before dealing with them

It was considered that decreasing maintenance works would also contribute to an overall decline in the appearance and attractiveness of the site. In addition, waiting for problems to arise rather than anticipating them may lead to poorer services for residents and higher repair costs.

Examples suggested for ways in which income might be increased:-

- Use the provisions contained in the implied terms of the 2013 Act to undertake a pitch fee review to offset lost income due to changes in the law
- Increase standings charges for water, electricity & sewerage through appropriate channels
- Increase the price that new homes sell at
- Seek recompense from residents for expenditure which is usually absorbed by the business but can be legitimately charged to residents instead.
- charge residents additional costs for each improvement or upgrade
- seek a commercial loan to help cover costs
- look for other ways to generate income by other means

It was highlighted that increasing pitch fees would also increase the cost of living for residents to a level many could not afford. If homeowners could not afford increased pitch fees, park owners would face difficult decisions about whether to take steps to recover payment from them. It was felt that this will cause uncertainty and anxiety to some home owners as this was not what they signed up for when they agreed to buy a low-cost park home and pay a low-cost pitch fee, deferring part of the cost until either they or their successors sold it. They felt that they did not agree to pay a higher 'market rent' which would need to be charged in order to recoup any potential losses.

It was also suggested that there is a risk that an increase in pitch fees will have a negative impact on the market value and future sales of mobile homes. If potential buyers cannot afford to pay higher pitch fees this would make park homes more difficult to sell, both by parks and by current residents.

Others mentioned the financial difficulties residents would face if they were unable to afford the costs for improvement works as and when the work is done.

A further concern raised was that loans from banks may be harder to get. In addition, those owners who have already borrowed against the park in order to carry out some development works may encounter some difficulty in repaying the loan if the commission income is lost or significantly reduced.

Others believed that if an increase in pitch fees is not sufficient to replace lost commission income, residents may find that they face a combination of increased

pitch fees and reduced levels of amenities/services. This could create a downward spiral in the relationship between homeowners and the park owner, resulting in more acrimonious cases before the Residential Property Tribunal and potentially a sector in terminal decline.

Examples suggested for using the land differently:-

- introducing rental homes onto the park
- looking to change use to holiday park or increase number of holiday pitches
- sell park as a going concern
- consider a change of use for the land for development to build houses or selling to developers.

Some felt that moving away from owner occupied pitches with security of tenure towards a rented home model would likely increase income for the business. However, a concern highlighted with this model was that rental residents living alongside owner occupier residents can generate discord as the rental residents tend to be less committed to the site and their neighbours, and sometimes take less pride in their homes. Assured shorthold tenancies offer only limited security, and their use could alter the character of park communities, as would an increase or change to holiday rental pitches.

## **8. How does the payment of commission by a new occupier affect a resident's ability to sell the mobile/park home?**

### **Comments from residents and their representative bodies**

Many residents felt the commission puts potential new buyers off purchasing. Experiences were that sales can fall through when the purchaser realises there is an extra 10% to pay on the purchase price; or that they face losing 10% on the future sale of their property. Some were aware of homes that have been up for sale for years.

Some thought the present system required the purchaser to pay this on top of the agreed purchase price, and that this undoubtedly hinders the sale or restricts the asking price. Others thought the seller was responsible for paying the commission out of the agreed sales price.

It was felt that park homes do not generally hold their value in the same way as a more conventional house and in most cases lose value. The seller is therefore likely to struggle to make a profit on the sale of their home. They then have to cover estate agents and solicitors fees and incur a further reduction for the 10% commission. This leaves existing occupiers with reduced funds to buy another home, or pay for sheltered housing, care etc. In most cases, this will lead to a resident experiencing a substantial financial loss following a sale.

A number believed it made it too difficult and very stressful to sell. Others felt trapped by the system. If the commission were abolished they felt it would make the purchase of a park home more attractive and make selling a home easier.

Some felt many residents buy with the intention of living there for the rest of their lives. They don't think the commission will affect them and prefer lower pitch fees as the commission will be payable after their death. But if their circumstances change and they have to sell, the commission rate can then cause them financial hardship and significant difficulties in getting somewhere else to live.

It was suggested that solicitors do not always inform buyers of this clause. As a result residents may not be aware of this clause in their agreement, and it can come as a shock when they come to sell.

A small number felt that it was not necessarily a barrier as it was standard across the industry, with every one knowing what they are signing up to and what the benefits and disadvantages are. As a result of the commission, the purchase of a park home and pitch fees are cheaper than they would otherwise be.

### **Comments from park owners and their representative bodies**

Many felt the commission has a positive effect on a resident's ability to sell, as the money is reinvested in the site, making the site attractive and the home more desirable to potential buyers. The risk is that this will decline without the commission rate unless pitch fees are allowed to increase to replace this income in order to maintain the attractiveness of the site.

It was said that as mortgages are not readily available on park homes, purchasers are commonly cash buyers who have opted to downsize and free up the equity from their homes. As such, they are usually buying into a lifestyle choice rather than people who cannot afford anything else. They understand how the commission rate keeps the sale price and pitch fees lower. If the commission rate were reduced or abolished, higher pitch fees would not necessarily be attractive to residents if they cannot afford the higher living costs.

Some thought their residents generally expect this to be their final home purchase (65% of homeowners in PACEC research did not expect to move home again in their lifetime), and prefer the thought that the commission will be paid after they are gone, rather than paying higher pitch fees during the time they reside in their park home. Views were expressed that the residents who are keen to see the commission rate abolished may not realise that pitch fees could rise as a consequence.

Another view was that the market price of homes was unlikely to change immediately as a direct result of any reduction in the commission rate. However, in the longer term, any reduction in amenities, character or appearance of the park is likely to adversely affect the value and marketability of the homes.

## **9. How much value to a park home does being situated on a pitch add?**

### **Comments from residents and their representative bodies**

Some thought a park home without a pitch/site can be worth very little and therefore it is fair to say the site adds value to the home. But they also felt it needed to be equally recognised that a park with no homes on it had no source of income, so the homes also add value to the park business.

Most recognised that the amount varied, depending on how well the site is maintained and its location. A poorly maintained or less desirable site will add less to the value of the home.

Some thought it was not possible to sell a home without a pitch. Another view provided was that planning laws make it almost impossible to site a park home on a normal building plot. Therefore, if you want to live in a park home you will have to place it on a site. Others mentioned how expensive and complex it would be to buy a home off-site. The costs associated with arranging for it to be transported and sited, meant most buyers would not consider buying a home that is not on a pitch.

Some thought the value added reflected the benefits the site brought including the sense of community and, the security of tenure it provided. However, the disadvantages included restrictions such as not being able to negotiate your own utilities providers, having restrictions on certain activities (e.g. owning pets, erecting sheds, etc.) and other rules (not always considered fair) to comply with.

Others felt the site does not add any value and that a park home has its own market value based on its size, condition, age, etc.

### **Comments from park owners and their representative bodies**

Many felt the amount will vary considerably and there is no clearly definable amount that can be calculated. A park home is usually situated on a pitch with the benefit of a Mobile Homes Act agreement which provides security of tenure until the agreement is terminated. This is sold with the home. The added value stems from this together with its location (land values vary across the UK in common with bricks and mortar residential accommodation), the condition of the home and the facilities available both on and close to the park. Another view was that the pitch adds value because mobile homes require planning permission for siting.

Many provided examples and referred to how prices can be compared by using the price provided by the trade guide Glass's Caravan Guide which quotes values for homes 'off-park and un-sited' against the value of a home for sale and marketed on a site pitch. Comparing the sale price of the same model of home of similar age and in similar condition, they sell for more when they are located on a pitch than those sold off site. The difference between the two, taking account of all relevant factors, can be anything between 50 and 90 percent more for a park home on a site pitch against a park home which is un-sited.

It was recognised that the value amount would vary considerably, but it was suggested that provision of an adequately-sized, properly-serviced and well-maintained pitch on a fully-licensed and well-maintained site is probably around 30% - 50% of that home's value. Others thought if a home owner or their estate wishes to move their homes from a site, the value could decrease by 80-90%. If they were required to move their property, and the home is subsequently found to be unfit for habitation, it may cost more to dispose of it correctly. Another suggestion was that, depending on the site location and the age of the home, it could be worth between 4 times or even 10 times more on-site than off it.

Another view was that although the trade price of individual mobile homes tends to drop each year as they get older until they are worth next to nothing, many homes increase their value due to the value of the pitch that they are sold on.

The location of the site, as well as the security of tenure a pitch offers, also influences the value of a park home. One example provided illustrated how the cheapest of 3 different models of mobile homes would sell for more than the two more expensive models if it is located in a more desirable area.

**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.**

**Comments from residents and their representative bodies**

A wide range of comments and views were received from residents for further consideration in the context on any changes. They included:

- Abolishing the commission will put an end to underhand intimidation of potential buyers by site owners and other tactics like taking 10% then harassing new buyers until they decide to move and get another 10%.
- Pitch fees provide a continuous income stream on every pitch. Even after a resident has died, pitch fees remain payable on their home from their estate.
- Although the commission rate was part of the agreement when the park home was purchased, residents thought it would go towards maintenance but the site wasn't being maintained.
- The use of commission by the park owner should be made transparent to all residents, thus showing how it is used for improvements and maintenance costs of the park.
- If the pitch rate was to be increased because of the abolition of the 10% commission rate, people who live on the site would find difficulty in managing their finances as pitch fees would rise considerably and nearly all residents are pensioners.
- One site owner recently sold a unit to one lady then bought it back for £20,000 less. This seems unfair.
- There should be an Ombudsman for recourse for wrongdoing by site owners such as taking action without notifying residents, being left without water due to degradation or faults in pipework and having no say in who provides electricity.
- If the commission is abolished the Welsh sector will grow far quicker than the rest of U.K. and this lifestyle will appeal to future generations wishing to downsize. It is possible that if the sector abolished/amended the commission, and with the additional protection residents are afforded by the Mobile Home (Wales) Act, sales might increase by 25%.
- The homes would become more desirable, and park home sites more valuable thus providing direct monetary benefits to site owners.
- Site owners might threaten to close parks, thus forcing councils to re-house residents and making the homes almost worthless. Councils should either

take over the running of the sites or let the residents form a co-operative to do it.

- On a large park home site the consequences of abolition would be small as the pitch fees paid would cover the maintenance of the park and a profit would be made by the owner. However, on a small park the pitch fees would not be sufficient to maintain the park and provide profit to the owner. In these circumstances there would be a danger of the park closing.
- One resident was put off purchasing because of the high commission fee, but couldn't afford a bungalow in the area so had no choice but to purchase a park home as needed a home on one level.
- If the site owner was allowed to continue to secure a commission fee on a newly sited park home, then almost certainly, the (rogue) site owner would look at ways of using this fact to block sales of existing residents' park homes.
- Some site owners do nothing for their right to charge 10% commission, they do not want happy residents, as happy residents equals £0.00 on their balance sheet. If the abolition of the 10% were to come into effect, they may just soften their attitude to the residents that keep them in business.
- A home which was purchased 10 years ago and has been well maintained is now up for sale at price lower than bought for but owner still unable to sell. Once sold, the park owner will take 10% and Estate Agent will take 2%. This is not a good investment.
- This park is kept very well by the owner, and the pitch fee income collected would be in the region of approx. £30k per annum. This is not enough to keep current staff and materials/fuel costs to keep the standard as it is now and would therefore mean either a sizeable rent rise or a drop in standards should the commission be removed.
- Some would prefer any increase in pitch fee payments as a result of a change in commission fees to happen after they have gone.
- The level of commission should be determined by how much funds are required by the site to avoid increased pitch fees or reduction of services for residents.
- Site owners would not hesitate to raise the ground rent, this would put up the living cost of poor pensioners, who currently have the choice to remain on site, and therefore avoid commission charges whilst they reside there.

**Comments from park owners and their representative bodies include:**

Similarly a broad range of comments and views were received from park owners. They included:

- Most residents leave the park because (i) they die, (ii) they need to go into sheltered accommodation or be with family, or (iii) they require nursing care. Most do not require capital to fund another purchase.
- If some of these sites close there will be a reduction in low cost housing available in these areas.
- If some sites have to close because they are no longer viable, what would happen to those residents and their park homes? It is not likely that park homes, especially older homes with porches or extensions to be welcomed onto other parks.
- If the commission is abolished, what help would the Government provide to protect small sites at risk of closing?
- The Welsh Government should develop a rural housing policy and consider providing support to park owners who are struggling to make parks viable as they provide a much needed low cost home option for rural areas. Complex social issues impact on the rural let housing market and risk damaging fragile rural communities if issues aren't effectively addressed.
- This would place investment in residential park sector at risk and would harm the industry with potential park buyers switching to holiday parks rather than residential parks.
- Home buyers choose this housing option knowing it will free up equity from their existing home to enjoy a more comfortable retirement, enabling them to live in a desirable location they would not otherwise be able to afford to live in.
- The Commission is in effect a deferred pitch fee enabling lower pitch fees and making the purchase of mobile homes more attractive as residents tend to have low fixed incomes. If fees were set at the "real" pitch fee rate, most residents would struggle to meet them. Pitch fees would need to rise to cover the lost income or businesses will go bust.
- The reduction or abolition would only benefit those existing homeowners selling a park home. Those who do not wish to sell would be disadvantaged by increasing pitch fees.
- The smallest parks would suffer significantly rather than the large more unscrupulous ones.
- Responsible park operators should not be tarnished with same brush as rogue site operators. Any decision by the government should not benefit rogues over reputable site owners. There is a risk rogues will take over more parks as a result of this, which will disadvantage more park home residents rather than benefit them.
- Smaller reputable businesses will likely withdraw from the industry if they can not make a successful business. The PACEC review identified a number

which were already operating at a loss. If further income is lost, more businesses will become unviable. This risks more sites being placed on the market creating an anxious time for many residents.

- There is a risk that this scenario will result in the more “rogue” element of site owners expanding their portfolios. Most residential parks coming onto the market since 2013/2014 have been purchased by a small group of operators whose business approach does not allow them to become members of BH&HPA.
- Where a park purchaser intends to use any means to create a profit from sales opportunities, they can always offer a higher purchase price to recognise the returns they anticipate. As such, a rogue will always outbid a responsible park investor. The fit and proper person test has presented no barrier to the purchase and operation of parks in Wales.
- Pitch fees can only increase by the CPI rate but maintenance and repairs go up more than the CPI. This is not sustainable in the long term.
- The initial price of a home will increase to the detriment of many buyers who will typically be downsizing, hoping for more affordable housing combined with a community focussed lifestyle. The 10% commission payments were introduced for that reason and we should not lose sight of this important fact which has a considerable impact on cash flow and the business value of a park owner.
- The reduction/abolition of commission, coupled with stringent control on pitch fee reviews (in line with CPI) will make it increasingly difficult to bridge the growing financial gap as the park infrastructure ages. If sites are for sale in these circumstances who would want to buy? If unable to sell, the park might have to close.

**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.**

10 site owners shared financial information on their accounts. The Welsh Government conducted a procurement exercise to secure an independent firm of accountants. The successful company, MHA Broomfield Alexander, was tasked with independently analysing the financial information put forward by park home site owners.

The report can be accessed here: <https://beta.gov.wales/park-homes-commission-rate>

**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.**

**Comments from residents and their representative bodies**

Many residents thought the Act had had a positive impact on their lives. They felt their concerns had been listened to and decisions taken had made park home living in Wales a much better proposition which made Wales the envy of the rest of the United Kingdom. Many felt reassured by the Fit and Proper Test to deter the criminal element. Others felt that removing site owners from the sales process had improved matters while the additional rights generally made residents feel more secure and safe. The Act has helped persuade potential buyers to go ahead with their purchase because of the additional protection provided.

It was highlighted that people can now advertise their used park homes for sale without having to go through the site office. Local estate agents are now advertising park home properties routinely and this helps the vendor sell their property.

Some felt it had helped ease home owner's fears about some of the injustices that had occurred on some unscrupulous parks before the Act was introduced and curbed some of the actions of the few unscrupulous park owners who operated at that time.

Others mentioned that the Act sets out clearly the rights and responsibilities of both the home owner and the park owner and is a valuable source of information for both parties. Recently, one site owner confirmed the pitch fee situation in writing and explained that it would be reviewed in the future on the basis of the CPI percentage. This was very welcome.

Other views on the impact of the Act included:

- people who wouldn't have bothered selling up previously, have done so.
- site owners have taken more of a back seat

- there's less bullying and intimidation
- an overall improvement in the 'atmosphere' of some parks.

However, some residents felt the Act had not had a positive impact. Some said their site owners were deliberately ignoring the requirements of the Act by threatening and intimidating residents, and not allowing residents associations, not displaying utilities information, sending intimidating and threatening letters to residents, and breaching model standards.

Some had taken their dispute with the park owner to the Residential Property Tribunal. However, having won their case, it was thought that the issues were not resolved because the Tribunal has not got the powers to enforce their decisions. Some were concerned that despite clear problems and stress due to the park owner's behaviour, the Council still issued a fit and proper persons licence and seemed reluctant to intervene in these matters. They felt that the Council made the rules and then failed to act when they were not complied with.

One suggestion was that when a park owner broke the rules, there seemed to be no system in place to uphold the Act.

One disadvantage of the Act was that site owners only showed potential buyers second hand homes for sale owned by the site owner, others for sale on the site were not mentioned.

It was also suggested that many elderly residents are still unaware of their rights under the Act.

### **Comments from park owners and their representative bodies**

Many felt the changes from RPI to CPI and additional costs to site owners from site licensing requirements have already reduced site income and further reductions will in some cases now make a site's business unsustainable. The impact of these changes on large, corporate sites may be absorbable but this is unlikely to be the case for smaller independent businesses.

It was also felt that 2 years after the implementation of CPI level pitch fee increases, some park owners are already noticing a significant impact on their income and this will impact on their ability to undertake maintenance. Park suppliers and employees are not restricted in this way, and park costs are running ahead of income. This will continue to become an increasing problem.

There was also concern that local authorities appeared to have issued all 96 sites with licences to date and none had been revoked. A number of these licensed site owners are barred from membership to BH&HPA because some of their practices could potentially damage the organisation's reputation. This raised questions about how a procedure which was intended to prevent unscrupulous operators has presented no hurdle to such people. Maybe the Fit & Proper Person test needs revisiting with a view to strengthening it further?

Whilst some of the increased statutory powers for local authorities and greater transparency in relation to processes and procedures, site rules and sales are welcomed, in terms of tackling unscrupulous park owners behaviours, the impact of these changes in procedure inevitably increase administration, time scales, cost and confusion. Of particular concern is:

- Some local authorities are not publishing their register of site rules as they are required to under the Mobile Homes (Site Rules) (Wales) Regulations 2014 so that they are accessible to all in the public domain, and particularly new buyers
- the impact on pitch fees of the move from RPI to the CPI index. In contrast to pension income which, by virtue of the triple lock guarantee of an annual increase of at least 2.5 percent, rose by just over five percent (5.06%) between 2015 and 2016, pitch fees have increased by less than one percent (0.72%)
- the lack of appropriate professional support for owners and prospective purchasers in a largely prescriptive and complex sales process, of obtaining proper professional legal advice.

Others mentioned that the additional sales procedures, processes and extra paperwork are very complex and difficult for elderly residents to understand. Pitch fee reviews now require the completion of a form approximately 12 pages long and a covering letter, where a one page letter used to do the same job.

Examples were provided of added costs and time to parks as a result of the new requirements of the Act, such as:

- Site Rules consultation (£1680 Solicitors' costs, 780 pages of added documentation and 40 hours office time)
- Fit & Proper Persons Licence (£325 fee and 37 hours office time)
- Annual Pitch Fee reviews (£500 Solicitors' costs & 9 added pages of documentation)
- Re-sales process (4 hours office time and 60 pages of documentation for each home)

**13. What effects do you think the proposed changes to the park homes commission rate would have on the Welsh language? How could positive effects be increased or negative effects be mitigated?**

**14. How could the proposed policy 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?**

Most respondents did not answer these questions. Of those who did, most did not understand the relevance of the questions to any proposed change to the commission rate.

Some residents did suggest that it was possible if park home living in Wales became more attractive than in other parts of the UK as a direct result of the commission rate being reduced or abolished, some residents choosing to buy a home on a site in Wales might consider taking Welsh language classes in order to feel like they are fitting in to their new communities, especially in areas where Welsh is a commonly spoken language.

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

**Comments from residents and their representative bodies**

Some residents felt that park homes should all be Council Tax Band A as is the case in England. This used to be the case in Wales but changed when the Council Tax Banding was last reviewed. As a result, park homes residents in Wales are disadvantaged. It was mentioned that residents contribute towards street lighting and roads twice as they pay this for the site as well as to the council.

Others suggested there should be more done to help residents such as:

- a cap on utility on-costs and recharging
- they should be able to choose own utility providers
- legal requirement for each pitch to have metered utilities
- a set percentage of fees required to be placed in a sinking fund to cover long term repairs/maintenance/investment etc.
- stop park owners charging extortionate rates for work done using bullying tactics
- more enforcement action by local authorities against the rogue site owners.

Some felt the rules and regulations on site were ridiculous and simply done to make residents feel miserable. Some of these restrictions seem unfair when they have paid all their pitch fees.

It was suggested that some unscrupulous park owners sometimes operate through a myriad of companies. By doing this, they can show their business is in the red when this is not the true case. In one example the subsidiary company operating the site is registered in the Channel Islands. Another suggestion was that park owners had placed some of their income into limited liability partnerships potentially to avoid tax.

Some felt that whilst the commission charge continues, unscrupulous site owners will always continue the financially lucrative, unlawful bullying of vulnerable residents as this is currently happening on some sites.

Other points made were that not all owners are unscrupulous. Each site is different and some site owners are friendly and inclusive of requests for work to be done etc.

It was suggested that when purchasing a home, some site owners might be open to negotiating the commission rate on the future resale of the home.

Some felt that the commission should be left as it is as that was the term of the contract signed. Some felt this was preferable to pitch fees rising if that was to be the consequence of the commission rate being abolished.

## **Comments from park owners and their representative bodies**

It was suggested that for some parks, any change in the commission rate would derail the economic basis upon which the park was originally established and subsequently developed over decades.

Another concern was that the uncertainty around the UK leaving the European Union made change at this time more unsettling. Further uncertainty for home owners and park owners in respect of the sustainability of the tenure and lifestyle was unfair, particularly if the outcome is for respectable park operators being forced to sell up and move on leaving the park business at potential risk.

Some park owners believed that their residents are generally happy with the way they run their sites and are reassured by the additional protection of park rules, regulation of neighbours' behaviour, and are comforted by the close-knit environment, and the fact that they can contact the park owners in times of need.

Another view made was that park homes offered an important housing solution as they are particularly well suited for those with limited mobility, as once ramps into the homes are constructed, everything is modern and on one level. Homes can be adapted to accommodate specific mobility issues.

It was also highlighted that some park owners have chosen this style of business as part of their own (semi-) retirement/pension plan/portfolio. Any changes will also have an impact on this.

Some felt residents who move onto the park do so in full knowledge and agreement that the commission is applied. They believe most residents recognise it as being fair, given their long term security of tenure, and the enhanced value that a re-sold home enjoys because it is sited on a park (enjoying all amenities). It was suggested that the benefit of the 'enhanced value' seems to increase with the age of the home.

Others argued that, as the contractual provisions regarding commission have been freely and openly agreed between park owners and residents, to suggest that this should be changed now is inherently unfair, and gives no incentive or encouragement to park owners to improve standards further.

## Next Steps

Following detailed analysis of the responses to the consultation and the financial evidence available, the Minister for Housing & Regeneration has given careful consideration to the arguments and to the risk and opportunities of a range of options for the future of commission rates in Wales.

There is clearly a growing, genuine concern that, at its current maximum level of 10%, the commission rate has become a barrier for many residents who want or need to move to alternative accommodation.

On balance the Minister has decided that an approach whereby the commission rate is reduced gradually over a period of time addresses the concerns of park home owners, but also the risks that an immediate reduction or abolition of commission rate might pose to the viability of some sites.

A phased approach to change will provide site owners with time to make any adjustments to their business models and thereby reduce the risk of adverse impacts on the long term sustainability of their businesses and the associated risk that home owners find themselves having to relocate to new sites in the event of a site closure.

This approach also has the advantage of being deliverable through changes to secondary legislation avoiding the lengthy timescales associated with making changes to primary legislation. The Minister will therefore seek to bring forward Regulations in due course.

The consultation responses and engagement with home owners also highlighted a number of areas where there was lack of clarity and/or inconsistent application of the current legislative framework under the Mobile Homes (Wales) Act 2013.

These included for example issues around access to good quality factual information and advice when needed, licensing arrangements for site owners and the use of enforcement powers. Alongside the Regulatory change to reduce the commission rate over time the Minister has therefore decided to set out a programme of work designed to address these wider issues with a view to ensuring that Park Home Sites in Wales are all managed and run to the highest standards and that those buying or selling park homes are well appraised of the implications and can access suitable advice and guidance.

The Minister for Housing and Regeneration will set out further detail including the proposed rate and scale of commission reductions in a statement shortly..