



A BETTER DEAL FOR MOBILE HOME OWNERS – Changes to the local authority site licensing regime

Impact assessment



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Title: Park Homes Site licensing –Caravan Sites and Control of Development Act 1960 IA No: Lead department or agency: Department for Communities and Local Government Other departments or agencies:	Impact Assessment (IA)			
	Date: 10/02/2012			
	Stage: Consultation			
	Source of intervention: Domestic			
	Type of measure: Primary legislation			
	Contact for enquiries: Robert Skeoch 0303 444 3701 robert.skeoch@communities.gsi.gov.uk			
Summary: Intervention and Options			RPC Opinion: RPC Opinion Status	

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as One-Out?
£1.87m	-£36.24m	£3.97m	Yes IN

What is the problem under consideration? Why is government intervention necessary?
 Existing legislation gives little protection to owners of park homes. Although their property rights (including the provision and standard of communal facilities and utilities) are specified in contracts and through law, these are rarely monitored or enforced by authorities due to a lack of resources and sanctions, which have not been updated since 1960. In a growing sector, there is a need to ensure that siteowners fulfil their contractual obligations. At present, there is a risk that a minority of siteowners may take advantage of weak regulation by lowering site standards without fear of strong sanctions.

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

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
 0. Do nothing (i.e. retain and rely on continued use of existing provisions without amendment or changes).
 1. Strengthen the powers and resources available to local authorities to uphold licensing agreements.
 2. Voluntary compliance with a code of conduct or similar facility, either instead of, or in addition to the existing legislative provisions.

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

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

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: Grant Shapps  Date: 10/04/2012

Summary: Analysis & Evidence

Policy Option 1

Description: Strengthen the powers and resources available to local authorities to uphold licensing arrangements.

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -£15.12m	High: £18.86m	Best Estimate £1.87m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low			
High			
Best Estimate		£7.1m	£58.6m

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

The majority of the costs fall to siteowners, who will need to pay new fees for licenses of with a present value of around £26.5m over a ten year period as well as additional costs of administration and servicing enhanced monitoring and enforcement, which are estimated at around £9.8m. Costs to local authorities of increased monitoring and enforcement are estimated at around £22.3m.

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

There may be additional start-up costs to local authorities through to implementing revised licensing regime and siteowners who may need to seek advice on new provisions. We have not attempted to directly quantify these costs, though we have made a broad estimate of the costs to local authorities of the new monitoring regime more generally and the costs to siteowners in complying with new monitoring arrangements.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low		£5.3m	£43.5m
High		£9.4m	£77.4m
Best Estimate		£7.3m	£60.5m

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

Benefits accrue to two groups. Local authorities receive the estimated £26.5m (present value) in license fees over a ten year period, and park residents receive the benefits of around £34.0m worth of additional site facilities, bringing them up to the required standard.

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

Additional benefits are likely to accrue to local residents by reducing the potential for a minority of siteowners to harass tenants by threatening to deprive them of site amenities - leading to wider health benefits. Other benefits might accrue to the sector by allowing local authorities to offer a more professional and effective service to siteowners and residents, and to responsible siteowners by improving the standard and reputation of the sector's product.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5%

Some sensitivity analysis has been carried out, but there remains a risk that the proposed system does not provide sufficient monitoring to release significant benefits to residents. There is also a risk that where there are high fixed monitoring costs for a local authority, and a small number of sites, fees for each site may have to be very high if local authorities were to achieve full cost recovery through the proposed fee system.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
Costs: £4.21m Benefits: 0 Net: -£4.21m	Yes	IN

Evidence Base (for summary sheets)

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 England¹. The sector is small, accounting for around 0.38% of the housing stock in England, and data is scarce. Most sites employ few staff, and would qualify as “micro businesses.”

Is there any more up to date data available on the number of park home sites in England?

2. Park home living has increasingly been promoted over the last couple of decades by the industry as an affordable alternative to traditional housing especially for older people. In 1992, about 55 per cent of park homes were occupied by people aged 60 or over, this proportion had risen to over 68 per cent a decade later. About two thirds of park operators have age restrictions, with the most common minimum age limit being set at 50 or over². The census does not identify park homes as a distinct category, and instead they are included in wider groupings of caravans or other mobile temporary structures such as houseboats. Whilst for these reasons census data can only be indicative of the situation in park homes, it points to a greater tendency for residents to suffer from long term limiting illnesses, which is likely be related to the age category. The 2001 Census showed that about 31 per cent of all people living in caravans or other mobile temporary structures reported a long term limiting illness, compared with the national average of 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.
3. However, an unusual tenure arrangement, an aging resident population, and poor regulatory controls present risks that residents will be exploited by siteowners. We have received reports that a number of rogue site owners operate in the sector, who disregard statutory requirements and exploit residents for their own financial gain, diminishing the value of residents’ homes and putting their health and safety at risk. This is borne out by the volume of MP letters received in the Department on behalf of residents; park home issues raised in parliament, the work of the parliamentary park home group and media coverage of the issues.
4. All park home sites are required to be licensed by local authorities under the Caravan Sites and Control of Development Act 1960 (the 1960 Act). The tenure arrangements for park homes is unusual in that the resident owns the home, but rents the plot of land on which it is situated from the site owner. Since a park home is a “caravan” under the 1960 Act and not therefore attached to the land in the usual sense of the word, the resident

¹ *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*

² *Economics of the Park Homes Industry, Office of the Deputy Prime Minister, 2002.*

does not possess a legal estate in it, unlike, for example, a leaseholder. The home is legally a “chattel”, and the resident only has permission, i.e. via a licence, to station it on the plot.

5. However, most homes are similar in appearance to “bricks and mortar” bungalows, and attract a very different type of resident to caravan dwellers. The homes themselves are factory made units mounted on jacks on a concrete base, which renders them technically mobile, but in practice it is costly to do so, and few sites will accept homes that have not been purchased from the site owner so options to move are limited. This puts the site owner in a very strong position vis-à-vis the resident, as residents are not able to move from one site to another easily if residents’ expectations are not met. And there are few safeguards in place to ensure they are met.
6. Under the 1960 Act local authorities can attach conditions to a licence, governing such matters as:
 - the permitted number of caravans on the site;
 - their spacing, density, size and siting;
 - the occasions on which the site can be used; and
 - the amenity of the land; health and safety issues and facilities on the site.
7. The Secretary of State has the power to issue model standards which the authority must have regard to in setting site licensing conditions. Model standards were published in April 2008. However, under the 1960 Act, local authorities cannot refuse to grant a licence to anyone owning a site (except in very exceptional circumstances), and therefore cannot require site standards to be met before issuing a license. The Act also does not allow local authorities to charge fees for issuing and monitoring site licenses, or taking enforcement action if conditions are not met. In practice, this severely limits local authorities’ resources to provide effective scrutiny of the sector. Even where sanctions are applied, the maximum penalty the magistrates’ court can impose for a breach of site license is £2,500. In most instances, this is a fraction of the cost of necessary remedial work, so it does not provide an effective deterrent.
8. A lack of enforcement means that residents’ property rights are poorly defended – residents are required to pay the site owner (upfront for the park home and an ongoing pitch fee) with very little assurance over the standard of service provided (or ability to switch supplier). Studies have consistently found that the majority of residents are satisfied with the accommodation and lifestyle offered by their park homes³, but that a significant minority have continued to suffer from the behaviour of “rogue operators” in the sector. DCLG has frequently received complaints that required standards are not met and that in some cases residents have been harassed to give up their rights and sometimes even their assets by site owners. It is difficult to quantify the scale of the problem due to the paucity of data on park homes. However, surveys suggest that

³ See, for example, *Mobile Homes Survey*, Niner, 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

between 7%⁴ and 14%⁵ of existing residents have directly experienced such harassment, putting residents' health and safety at risk through neglect of maintenance and repair to the site and its services. 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. We are aware of more recent informal research that suggests that the problem may be far more widespread. We welcome views on this from respondents.

9. In 2005, the department issued a consultation paper that set out possible changes to the existing park homes site licensing scheme. This was followed by the publication of the summary of responses which also set out the Government's intention to pursue a number of proposals. Following further discussions with stakeholders and their representatives, a further consultation was carried out in 2009⁶ on detailed proposals to modernise the scheme. The partners involved in our consultation and liaison included the key park home industry and, residents groups, advisory and local government representatives, and members of the police service who have expertise and experience in these areas.

Policy Objective

10. Our objective is to encourage sites to be professionally managed and maintained to agreed standards. We also want to ensure that property rights are well defended, to reduce the potential for unscrupulous siteowners to exploit residents by reducing standards. The Government does not intend to change the existing standards or conditions that apply to sites, through the Model Standards or site conditions. However, it does want to improve monitoring of compliance with those standards, and provide more realistic sanctions for siteowners who do not meet them.

What impact do you think increasing the financial penalties for non compliance with licence conditions will have on site owners' behaviour?

Review of options identified – summary

- Option 0 – Do Nothing: Retain existing provisions without amendment or changes;
- Option 1 – Strengthen powers and resources available to local authorities to uphold licensing agreements;
- Option 2 – Voluntary compliance with a code of conduct or similar facility.

These options are discussed in more detail under separate headings, below.

⁴ *Economics of the Park Homes Industry*, Office of the Deputy Prime Minister, 2002.

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

⁶ *Park Home Site licensing – Improving the Management of Park Home Sites: Consultation*; CLG, 2009

Option 0 – Do Nothing

11. It is clear that the majority of residents are satisfied with the lifestyle and amenities offered by their park home. However, inadequate enforcement of standards has meant that a significant minority still suffer from poor site standards and harassment by rogue operators. By retaining and relying on the continued use of existing provisions without amendment or changes, the current licensing regime would allow unscrupulous site owners to continue to operate in the sector. This would mean that:

- the burden of monitoring and enforcement of compliance with standards would continue to fall on taxpayers; and
- at least 7-14% of residents would continue to suffer from standards of behaviour and accommodation that are below what they have paid for (and is legally required). There are likely to be externalities in terms of the costs imposed on residents (many of which will be vulnerable individuals), as harassment can often endanger their health and safety.

Option 1 – Strengthen the powers and resources available to local authorities to uphold licensing agreements

12. A new regime would need to apply to existing sites and existing site licence holders, as well as any new ones, but we are specifically consulting on whether reforms should apply to the 3,000 licensable holiday caravan sites in England or just to “protected sites” i.e. Park Home sites and “mixed use” sites where any of the homes included are protected under the Mobile Homes Act 1983. They are not intended to apply to sites which are not required to be licensed under the Caravan Sites and Control Development Act 1960, e.g. sites owned by local authorities.

13. The new system would:

- *Enable authorities to refuse to grant a licence if it is not satisfied the site is fit for purpose:* At present, local authorities are obliged to automatically grant a licence within two months of an application irrespective of site condition. This means that substandard sites can be licensed and authorities are obliged to take enforcement action retrospectively. By enabling local authorities to refuse to grant a licence if it is not fit for purpose, it would encourage siteowners to meet required standards before siting residents, rather than afterwards. However, in practice, the standards required of siteowners would remain unchanged.
- *Give authorities powers to charge for their licensing functions:* local authorities are currently unable to charge for licensing sites. This means that the cost of monitoring and issuing licenses falls on council tax payers in the local area. We propose, therefore, to permit local authorities to recover their costs in carrying out their licensing functions, including being able to require payment of a fee for consideration of:

- a. an application for a licence and any licence granted;
- b. a transfer of a licence and any transfer of the licence; and
- c. an application to alter a licence (initiated by the site owner) and for the issue of any altered licence.

It will be for local authorities to determine appropriate fee structures having regard to the circumstance and size of the park home sector in their areas. We also propose that the local authority would have the discretion to charge for providing its advice and assistance.

- *Allow local authorities to do works in default and increase the penalties for breach of licence:* Under the existing legislation a local authority may impose a wide range of standards to ensure that the site is fit for the habitation and kept in good repair. If a site owner is in breach of a licence condition the local authority has a power to prosecute in the magistrates' court and on conviction the maximum penalty that can be imposed is a fine of £2,500. This maximum was set in 1982 and has not been increased since. For the site owner, the risk of a fine might be cheaper than the cost of carrying out the works. The new system would work in the following way:
 - (i) by enabling the local authority to serve a formal notice of breach of the licence and requiring the works to be carried out by a specified time;
 - (ii) enable the local authority to prosecute for breach of the licence if (and only if) the notice has not been complied with;
 - (iii) upon conviction for that breach increasing the penalty to either an unlimited fine (to enable the Court to take into account the impact of the offence on residents), or to cap it at £50,000, which would enable the Court to set a fine which was an effective deterrent in the majority of cases; and
 - (iv) following a successful prosecution giving power to the authority to undertake the works itself and recover its cost from the site owner.

Additionally, where the works are safety critical, the authority will on application to a Justice of the Peace, have the power to enter the site in an emergency and do the works itself without prior prosecution for an offence.

- *Modernise other elements of the Act to bring them into line with other legislation.* For example, at present:
 - a. there is no requirement that all owners of a site are joint licence holders. This means that it is possible for an owner who is in breach of licensing conditions to transfer that licence to another owner in an attempt to avoid enforcement action; and
 - b. a site owner can also escape personal liability for breach of a licence, which he may be personally responsible for, if the licence holder is a

company - since it is the company (and therefore the company being “responsible”) and not him that commits the offence.

The reformed system would close these loopholes and bring the rules under the 1960 Act into line with the rules that apply for offences under the Caravan Sites Act 1968.

14. We propose to undertake a review of the new licensing regime three years after implementation to ensure that it has delivered its objective of tackling substandard sites. Micro businesses would not be exempted, as this would leave many – if not all – sector residents with little protection against declining site standards and/or harassment.

Option 2 - Voluntary Compliance

15. The possibility of allowing voluntary compliance with a code of conduct or similar facility, either instead of, or in addition to the existing legislative provisions was considered. However, we have concluded that this would not be appropriate for a number of reasons. Significantly the leading trade body, the British Holiday & Homes Park Association has indicated its unwillingness to participate in self – regulation of the industry and has called for improvements to the statutory scheme. Furthermore, given that the worst site owners against whom effective enforcement action will need to be available are not members of the trade body, it is difficult to see how self regulation would in any way affect their practices.

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

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

17. Finally although such a scheme would be a good indication of site standards for a prospective purchaser, it would do nothing to tackle poor existing conditions on sites if site owners refused to address those issues. Existing conditions that current residents face is the primary target of these reforms.

Costs and benefits

Establishing a baseline

18. In 2008 there were estimated to be 1,950 sites for park homes across England. 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% a year over the next decade⁷, and this is assumed to drive growth in the number of sites over the ten year horizon of our assessment. We have applied this growth rate to the 2008 data to arrive at an estimated 2,060 sites in 2011 - the starting date for our assessment. We assume that 10% of site licenses have to be amended in any one year, due to site transfers.
19. In our baseline, we assume that only minimal monitoring is undertaken by local authorities due to a lack of resources, and the limited tools at their disposal to encourage compliance once substandard sites are detected.

Costs of option 1

20. Many of the suggested measures in option one do not change the standards that sites are required to meet as these will continue to be governed by reference to the model standards which were published in April 2008. Changes in the penalties for non-compliance are outside the scope of this assessment.
21. However, the new proposals would still impose a number of new costs on both local authorities and siteowners/residents. It is difficult to predict how the burden of additional costs would be split between siteowners 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.
22. We believe that the introduction of additional enforcement tools and resources will encourage local authorities to step up their monitoring arrangements for park home sites. It is difficult to predict to what extent they will do so, but we have assumed that for each local authorities an additional 30% of a full time employee's (FTE's) time would be devoted to these efforts. We assume that each FTE is on a salary of £35,000, and that 245 local authorities (of 326) would need to upgrade their capacity (not all local authorities have park homes to regulate).
23. The proposals to allow local authorities to charge (i) to issue a license; (ii) an annual fee for monitoring of licenses; and (iii) a fee to amend the license will all impose a cost on siteowners. The intention is that these fees are set at a level to offset the costs to local

⁷ 2010-based National Population Projections, ONS, 2011

authorities of regulating the industry, but these will vary by district. We assume that local authorities set fees at a level to more than offset the increased monitoring costs above, and that – on average – the following tariff schedule is adopted:

- Upfront cost for new license: £1,500
- Annual fee for license holders: £1,350
- Amendment fee: £250

24. Increased monitoring by local authorities may also require siteowners to submitting greater evidence of site standards on a more routine basis. We estimate that the cost of providing this information would be around £500 a year for each site owner. We also expect that siteowners will have to spend marginally more time in applying for a license or amending one to ensure that it provides evidence that the site is up to standard. We assume that this will initially require two hours of the site owner's time (estimated to cost around £100) in making the application or amendment. We recognise that some siteowners will need to appeal a decision with respect to an application. We assume that 10% of failed applications for new licenses or amendments to existing ones are successfully appealed, and that the cost of each appeal is £500. Finally, we expect that there will be costs to local authorities in taking any enforcement action (beyond the costs of normal monitoring), which may or may not be recovered from siteowners. We anticipate that these costs will be around £500 for each enforcement action.

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

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

26. We have not attempted to directly quantify these costs, though we have made an estimate of the costs to local authorities of the new monitoring regime more generally and the costs to siteowners in complying with new monitoring arrangements. The costs to the site owner from undertaking remedial work are not recognised here, as these are costs that siteowners are already legally obliged to incur⁸.

Due to the small size of the sector, we have limited data to work with. We would welcome respondents' comments or suggestions on whether our calculations provide a fair reflection of the likely costs to different parties, and if not, how our analysis could be strengthened.

⁸ Benefits (or illegally withheld costs) accruing from illegal activity are not typically recognised in appraisals. This is because an illegal transfer of property that is *unwanted by one party* (in this example the withholding of maintenance represents an illegal transfer from residents to the siteowner); results in a transfer out of the legal economy. In this assessment, we therefore do not recognise the cost of the remedial work to siteowners (as it was illegally obtained), but we do recognise the benefit of the work to the residents when it is undertaken.

This study treats transfers out of the legal economy and into the illegal economy as costs of crime:
<http://webarchive.nationalarchives.gov.uk/20110218135832/rds.homeoffice.gov.uk/rds/pdfs/hors217.pdf>.

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

Costs of option 1			
Groups Affected	Source of cost	Total Net Present Value over ten-year horizon	Comments on the calculation of annual costs
Site owners	a. Cost to site owners of annual licence fees.	£25,484,570	Annual cost of licenses (£1,350) * number of siteowners each year (base = 2060). This is simply a transfer from siteowners to councils and so not a net economic cost.
	b. Cost to applicants for new licenses (previously free under current provisions).	£514,334	Number of new siteowners per year (assumed to grow by 1.8% per year) * cost of new licenses (£1,500). This is simply a transfer from siteowners to councils and so not a net economic cost.
	c. Amendment fees for license holders.	£471,936	Number of licenses amended each year (10% of total siteowners) * cost of amending licenses (£250). This is simply a transfer from siteowners to councils and so not a net economic cost.
	d. Extra administration costs to siteowners of new license applications	£223,064	Number of new licenses granted or amended each year * site owner admin cost (£100)
	e. Estimated cost of appealing against a license decision	£111,532	Number of new licenses granted or amended each year * rate of appeal (10%) * Inflation-adjusted cost of appeal (base = £500)
	f. Cost to siteowners of submitting material to assist local authority monitoring/enforcement	£9,438,730	Number of siteowners each year (base = 2060) * cost of submitting additional material (£500)
Local authority	g. Cost to local authority of additional monitoring/enforcement	£21,394,467	Number of local authorities (assumed fixed at 245) * cost of 0.3 additional FTEs to monitor new system (£10,500)
	h. Estimated court costs in taking enforcement action	£943,873	Number of substandard sites (10% of siteowners each year) * cost of court action (£500)
Total Monetised costs		£58,582,506	

Benefits of option 1

28. There are two significant benefits that are expected to arise from adopting option one:

- (i) the return of annual revenues from existing license holders as well as from issuing and/or amending licenses. However, this is simply a transfer from siteowners to councils and so not a net economic benefit; and
- (ii) the benefits to residents arising from additional work undertaken on substandard sites.

29. The amount collected in revenues by local councils is calculated in the same way as the costs a, b and c in the previous section.

30. We know from the survey data above that at a conservative estimate between 7%⁹ and 14%¹⁰ of residents suffer from poor site management practices. We estimate that these complaints relate to around 10% of sites that are significantly below required standards. In such instances, for illustrative purposes we assume that siteowners under-invest in site facilities by 20%. Survey data shows that average site operating costs are around £180,000 per year¹¹, which would imply that annual remedial work would cost siteowners an average of £36,000. This calculation would suggest that the total value of remedial work would be around £7.4m¹² - which reflects the difference between the service that tenants' have paid for (the required standards) and the standard that is currently being provided. In our assessment, we take the cost of the remedial work to be the benefit accruing to residents from the work, as this is work that residents have already paid for through their pitch fee. The cost of necessary remedial work that is not performed is therefore the value that is presently being extracted from residents by siteowners. We therefore assume that this is the value that is returned to residents when a site is brought back up to standard.¹³

Is this a fair estimate of the benefits that are likely to arise from improving substandard sites to legal standards? If not, how could our estimate be improved?

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

⁹ *Economics of the Park Homes Industry*, Office of the Deputy Prime Minister, 2002.

¹⁰ *Park Home Living in England: Prospects and Policy Implications*, Centre for Housing Policy, 2009

¹¹ Figure from *Economics of the park homes industry*, ODPM, 2002. Inflated to 2011 prices using HMT GDP deflator

¹² £35,000*10%*2060

¹³ For simplicity, we assume no consumer surplus. However, it is possible that many consumers value the promised facilities beyond what they have already paid for, which means that our estimate here will be conservative.

How is local authority behaviour likely to change as a result of the regime and how effective would the new system be at improving substandard sites?

Due to the small size of the sector, we have limited data to work with. We would welcome respondents' comments or suggestions on whether our calculations provide a fair reflection of the likely benefits to different parties, and if not, how our analysis could be strengthened. We would also welcome comments on whether and what additional costs might be incurred by site owners, other than those identified in the table in paragraph 27, by the implementation of option 1.

32. The below table provides our estimate of the net present value of the benefits from adopting option one. Consultees' comments or suggestions are welcome on these estimated benefits, or whether any others would arise and what these are likely to be. In addition, we believe that there may be benefits to:

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

33. We have not attempted to directly quantify these benefits.

Benefits of option 1			
Groups Affected	Source of Benefit	Total Net Present Value over ten-year horizon	Comments on the calculation of annual costs
Local Government	Revenues from licenses	£26,470,841	Sum of the costs a, b and c to siteowners described above
Park residents	Fees from initial one off applications	Low: £16,989,713 Base: £33,979,427 High: £50,969,140	Cost of remedial work per site (base = £36,000) * proportion of substandard sites (10%) * total number of sites each year (base = 2060) * number of sites compelled to make improvements (low = 25%, base = 50%, high = 75%)
Total		Low: £43,460,554 Base: £60,450,268 High: £77,439,981	

Other impacts of option 1

Summary of other impacts		
Impact	Overall Effect of Initiatives	Reasons
Competition	Possible adverse effect caused by introduction of fees.	Possible adverse effects caused by extra costs associated with introduction of licensing fees, as different areas are likely to charge different rates. In particular, where there are high fixed monitoring costs for a local authority, and a small number of sites, fees for each site may have to be very high if local authorities were to achieve full cost recovery. This may make the park homes business unviable in some areas, and could result in a clustering of sites where fees are low and local authorities can benefit from economies of scale. Or it may result in fewer, larger sites so that only one license fee has to be paid for a larger number of tenants. To mitigate this risk, we are proposing to allow local authorities discretion over the fee structure and any exemptions.
Small/Micro Firms	Possible adverse effect	Most of the costs outlined above will be incurred by small/micro firms, as siteowners typically employ very few staff. For a fixed license fee, the cost will be proportionally greater on small firms as the cost per resident would be higher. However, the fee structure is to be determined by local authorities, so the impact will depend on what structure each decides on. We shall be seeking a waiver to include micro businesses within the scope.
Legal Aid	None	
Sustainable Development	Yes – some consequential positive effect overall.	Provides for a clearer system of licensing for service providers and regulating bodies – resulting in better quality and more choice and diversity in housing stock.
Carbon	No overall consequential effects	No evidence seen or available to indicate any significant direct or overall effect.
Other environment	Yes – some consequential positive effect overall.	Should improve the effectiveness, use, safety, security etc of housing stock, park homes and sites within and for local communities.
Health	Yes – some consequential 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.
Race	None	
Disability	Yes – some consequential positive effect likely.	Should make park homes, sites and services more secure, fairer, inclusive and accessible overall, especially to vulnerable people who may otherwise suffer from harassment or poor standards of accommodation.
Gender	None	
Human Rights	None	

Rural proofing	Yes – some consequential positive effect likely.	Likely to affect rural more than urban communities. Should make park homes, sites and services more inclusive and accessible in all locations overall, especially to those hardest to reach and in most need.
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Consultation

34. We hope that this consultation can help to provide further information on costs and benefits especially where there are gaps in monetised values as indicated. Respondents are therefore invited to comment or provide information which they feel should apply or be taken into account in this impact assessment. This applies especially to site owners, local authorities, and residents of park homes.