

REPORT TO: HOUSING EXECUTVE, 19 JULY 2007

**REPORT BY: OWEN BUCKWELL, HEAD OF HOUSING
MANAGEMENT**

WRITTEN BY: JAMES HILL, HOUSING MANAGER

MOBILE HOMES: COMMISSION RATES

Purpose of Report

To improve the income from the Mobile Home Parks by reintroducing the charging of commission on the mobile home sites. The income will be used for HRA services and will provide a valuable source of revenue.

Recommendations

That the following decision is made:

- To commence charging commission at a rate of 7%. (Commence the charge at 7% rather than 10% because this mirrors private site commission rates).

The income estimate is shown in the table on page 2.

Background

Local Authority Housing currently have two mobile home parks:

Cliffdale Gardens	-	54 units
Henderson Park	-	63 units

Whilst our current lease allows for the charging of commission we do not currently charge any commission on the sale of mobile homes.

This matter was considered by the then Housing Committee on 8 February 1995. The Committee decided not to charge a commission rate. The report and minutes do not explain that decision. However the officer report recommended that the commission rate should be charged.

The responsibility for the commission would be that of the seller. The assignment of the lease is carried out at a joint meeting and can only take place where there is a clear rent account. The payment of commission would be made at this point and would be a condition of the assignment.

Staffing Issues

None.

Financial Issues

The maximum commission rate of 10% was recently reviewed by the DCLG where they decided not to make any changes to the rate of commission.

In the period between 1/4/05 and 31/3/07 there have been 21 units sold, 10 during 2005/6 and 11 in 2006/7.

We have not previously recorded the sale prices of the units and can not, therefore, give exact values as to the commission we could have received in this period. The following values are therefore approximations based on a theory that a third of the units sold will have been in poor condition and the other two thirds of homes will have been in good condition. Based on the current sale prices for the park, a good unit will raise a value of approximately £100,000 with a poor unit at £80,000.

The sales for 2005/6 and 2006/7 have been calculated so as to illustrate the kind of income that we would have received had we been charging commission.

	Approximate total sale price for	
	2005/6	2006/7
Total Units sold	10	11
Approx Value of units sold	£940,000	£1,020,000
Income based on a commission percentage of		
10%	94,000	102,000
7%	65,800	71,400
5%	47,000	51,000
3%	28,200	30,600

Legal Issues

The current lease states, In part 4: Express terms of the agreement, 8(b) Sale of Mobile home, "Where the occupant sells the mobile home, and assigns the agreement as mentioned in sub-paragraph (a) above, the owner shall be entitled to receive a commission on the sale at a rate not exceeding such rate as may be specified by an order made by the Secretary of State. (The maximum rate is presently fixed at 10% by the Mobile Homes (Commissions) order 1983 (Statutory Instrument 1983/748).

Service Charges

The management of both sites is now linked to a specific officer and team with a focus on the management of the non-core assets (core asset = council accommodation). The administration of sales and recovery of the commission rate charge will be co-ordinated by the officer and the team.

Corporate Policies

None.

Political Issues

We have instigated major changes in the management of mobile home sites. The residents and ward councillors have been briefed and consulted on the changes. The re-introduction of the commission rate may lead to enquiries and press interest. The re-introduction will need to be carefully managed and commitment given to use the increased income for the HRA and improved services.

Views of other departments

None.

Consultation Undertaken

Both Cliffdale and Henderson Park mobile home sites have Resident Associations (RA's). They have been consulted and are being consulted on the changes to the management of the sites. The proposal is to seek Executive approval to reintroduce the commission charge. We will then inform residents of the reintroduction of the charge.

Other Options Considered and Rejected

Option remains to not recover commission from sales. The lost income of this decision is now understood and shown above.

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Owen Buckwell
Head of Housing Management

Access to Information

- Housing Committee report and minutes for 8 February 1995.

Approval to the Recommendation

The recommendation(s) set out above were

Approved/approved as amended/deferred/rejected by the Executive Member for Housing, Councillor H Mason, on 19th July 2007.

Signed
(Executive Member for Housing)