

# **BRIEFING DOCUMENT FOR CONSULTATION WITH RESIDENTS OF MOBILE HOMES – OCTOBER 2007**

## **1. INTRODUCTION**

### **1.1 Deferred Executive Decision**

This matter was first submitted to the July 2007 meeting of the Housing Executive. A proposal to re-introduce the charging of commission on the sale of mobile homes at our two mobile home parks was deferred, subject to further consultation.

### **1.2 Planned Consultation**

A programme of consultations meetings is in place. Firstly, to meet with the ward Councillors for the parks, the Housing Executive member & Opposition Spokespersons and the Residents Consortium in order to discuss the proposal prior to consultation with mobile home residents in early October with one open meeting for each park. Once consultation is completed a report with recommendations will be placed before the Housing Executive in November 2007.

## **2. BACKGROUND**

### **2.1 General**

The two mobile home sites operated by the Housing Service do not provide Council Housing homes. People cannot be housed on a mobile home site via our Housing Register nor does the Council screen mobile home residents to licence sites only to those most in housing need.

Mobile home owners purchase their homes on the open market. It is not possible to raise a mortgage for the purchase of a mobile home so the purchasers have to be 'cash buyers'.

In the past with minimum works being undertaken on the mobile home parks they have provided a small net income. A substantial amount of work is now necessary to both sites so they will cease to provide that income in future and the Council will have to divert resources from council housing to meet these costs.

### **2.2 Why are mobile home sites worth up to £130,000?**

A new two-bedroom mobile home can be purchased for around £30,000.

Sale prices in the last year for mobile homes on City Council sites range from £75,000 for a plot with a derelict unit (which would incur removal & replacement costs) up to £130,000 for a plot with a one year old unit.

Clearly holding a license on a City Council site is what generates around 70% to 75% of the value of a sale. This is based on the desirability of a local authority license which is held in perpetuity rather than being for a set period.

Current licences (see below) provide for a 10% commission rate on sale.

### **2.3 Improvements required on both mobile home sites**

In the near future there are various improvements needed at both parks:

- A single resource needs to be created to provide effective management for both of the parks.
- Cliffdale gardens requires 13 concrete sheds
- The shed roofs at Henderson are coming to the end of their lives and 60 of these need to be removed and disposed of and new shed roofs supplied.
- Both of the parks have issues regarding parking and need improvements to the current bays and new road markings.

### **2.4 History of commission charges in Portsmouth**

Before 1995 the Council charged a 10% commission on the sale of mobile home, however at the February 1995 Housing Committee meeting Councillors decided to cease charging the commission. This was not the recommendation of the report put before the committee and there is no documentation to evidence the reason for this decision. The report put before the committee did however state that in 1993/4 the commission amounted to £8,500.

### **2.5 Legal Position on commission charges on sale of a mobile home**

All current licences (the legal agreement between mobile home owners & the Council) include a clause in part 4 allowing the Council to charge a 10% commission on the sale of the mobile homes. The clause in the licences is based on the Mobile Homes Act 1983, which states:

*“Where the occupier sells the mobile home, and assigns the agreement ... the (Council) 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).]”*

In March 2007 Central Government completed a review & consultation process which examined the practice of charging commission on sales of Mobile Homes. It decided that no reduction should be made to the maximum amount of commission chargeable. There is therefore no legal barrier to the re-introduction of the charge.

## 2.6 When would a 10% commission charge be applied?

This charge will only be required when a home is sold and will be payable by the seller. Commission will not be charged when the property is gifted to a member of the license holders' family, unless they subsequently sell the home. Nor will it be charged when the home changes ownership through inheritance provided that the home passes to a member of the licensee's family. A charge would be made if the new owner then sold the home.

The definition of a family member is given in the Mobile Homes Act 1983 which states:

*“Who is a family member? - A wife or husband, parent, grandparent, child, grandchild, brother, sister, uncle, aunt, nephew or niece. Any relation by marriage or of half-blood counts as full relation. Stepchildren, adopted children, and illegitimate are also included, as are people living together as husband and wife”.*

## 2.7 Do other Mobile Home Sites charge commission?

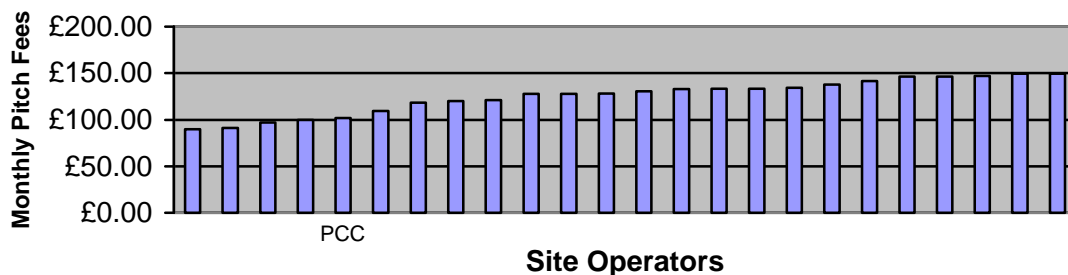
A comparison of our charges and those of 26 other southern region park home operators has shown that Portsmouth City Council is the only operator in the region not charging a commission. All of the other park operators surveyed charged 10% commission on the sale of mobile homes. Three of these are local authorities.

Comparison of Commission Charges		
NAME OF PARK	LOCAL AUTHORITY or PRIVATE	Commission Percentage
1. BASINGSTOKE AND DEANE DISTRICT COUNCIL	LOCAL AUTHORITY	10%
2. DIBLES PARK FAREHAM	PRIVATE/LEASED FROM LA	10% of which 5% paid to Fareham
3. VALE OF WIGHT DISTRICT COUNCIL	LOCAL AUTHORITY	10%
4. WILLOWS RIVERSIDE PARK WINDSOR	PRIVATE	10%
5. HIGH VIEW PARK LANGLEY	PRIVATE	10%
6. STRANDE PARK COOKHAM	PRIVATE	10%
7. SURREY HILLS PARK SURREY	PRIVATE	10%
8. FORDBRIDGE PARK SUNBURY ON THAMES	PRIVATE	10%
9. MEADOWLANDS PARK SURREY	PRIVATE	10%
10. OAKTREE PARK HAMPSHIRE	PRIVATE	10%
11. MYTCHETT PARK SURREY	PRIVATE	10%
12. DEWLANDS PARK VERWOOD	PRIVATE	10%
13. WESTWOODS & GLENDENE PARK HAMPSHIRE	PRIVATE	10%
14. LONGBEECH PARK CHARING	PRIVATE	10%
15. CHELTENHAM PARKS CHELTENHAM	PRIVATE	10%
16. RAVENSWING BERKS ALDERMASTON	PRIVATE	10%
17. BECKENHAM PARK KENT	PRIVATE	10%
18. CRANBOURNE HALL PARK BERKSHIRE	PRIVATE	10%
19. FIRS PARK PETERSFIELD	PRIVATE	10%
20. DRAPES COPSE SOUTHAMPTON	PRIVATE	10%
21. ROWNHAMS PARK NEW FOREST	PRIVATE	10%
22. RS HILL & SON PARK HOMES ALL OUTSIDE HAMPSHIRE	PRIVATE	10%
23. CHURCH FARM CLOSE PARK SOUTHAMPTON	PRIVATE	10%
24. DENMEAD MOBILE HOMES PARK DENMEAD	PRIVATE	10%
25. GREENFORD PARK HOMES COMPANY HAMPSHIRE	PRIVATE	10%
26. MERRYWOOD PARK HAMPSHIRE	PRIVATE	10%

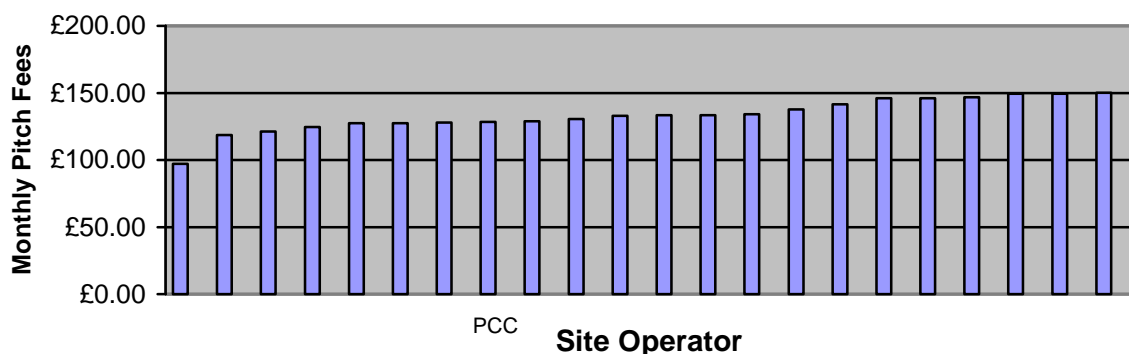
## 2.8 How does Portsmouth City Council compare in terms of site rents charged?

The Council charges three different levels of site rent/pitch fee dependent on the size of the home. Comparison with other park operators shows that the majority base their pitch fees on the size of the plot rather than the size of the home. A comparison of pitch fees showed that our pitch fees are below the average charge. The comparison also showed that by having different site charges dependent on the size of the unit we are charging a lower pitch fee to the owners of smaller mobile homes.

### Comparison of Single Unit Pitch Fees



### Comparison of Twin Unit Pitch Fees



## 3. WHAT'S CHANGED SINCE WE CEASED TO MAKE THE COMMISSION CHARGE IN 1995?

### 3.1 Council Housing – significant financial pressures

The law requires that council housing accounts are held separately from all the City's other accounts. Authority to set rents & charges, including mobile home commission & pitch fees, is delegated by the Council to the Housing Executive. The Council Housing budget report to the Housing Executive approved on 6<sup>th</sup> Feb 2007 set out in some detail the budget pressures the Council & our council housing tenants are facing. A copy of the report is available from Peter Pennekett, Finance Manager for Health, Housing & Social Care, phone 023 9284 1272 or email

[peter.pennekett@portsmouthcc.gov.uk](mailto:peter.pennekett@portsmouthcc.gov.uk)

Several years ago after a major review of the options for the future of council housing our tenants & leaseholders clearly indicated that they wanted the City Council to retain & manage their council homes. At that time financial projections over 30 years, checked & agreed by Central Government, showed we could afford to manage & maintain our council homes over 30 years.

Since then Central Government has materially changed the rules. We now estimate that council housing (our council tenants!) will have to pay Central Government almost half a billion pounds over the next 30 years. The result is that now our revised projections show that the Council can only afford to manage & maintain our council homes for the next 9 years.

In addition to all this 75% of the income from every "Right to buy" council house sale has to be paid over to the Government. That is estimated to total around a quarter of a billion pounds over the next 30 years.

The next biggest call on our council housing budgets is the need to maintain our council homes now & in the future, towards which we have to put aside over £16 million a year.

Rents & charges for council tenants are having to rise far faster than inflation, mainly to pay the Government. This year we'll pay £2.4 million, next year we'll pay nearly £5 million rising each year thereafter up to 2012.

Council housing budgets therefore face very significant financial pressures. The City Council's priority is to try & secure the financial future of council housing for our tenants & leaseholders. To that end the Council must consider all possible sources of additional income for council housing.

#### **4. OPTIONS**

##### **Option 1 - Not to introduce a commission charge and to sell the parks to a private operator**

##### **What would the sale of the parks mean for the residents?**

The Mobile Home Act 1983 states that any agreement between a site owner and a resident is binding not only on the site owner who made the agreement but also on any new owner of the site.

Our consultation with other site operators shows that a commission charge of 10% would be introduced and there is a possibility that the pitch fees could be increased. Both of these are possible under the current license.

**Option 2 - Re-introduce a 10% commission charge on the sale of mobile homes and link pitch fee increases to changes in average council housing rents.**

The commission charge will cost the mobile home resident:

	10%commission
If a home is sold for £80,000	£8,000
If a home is sold for £100,000	£10,000
If a home is sold for £120,000	£12,000

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.

Financial Year →	2005/6	2006/7
Approximate total sale price of Mob Homes	£940,000	£1,020,000
Commission at 10% would have raised	£94,000	£102,000

**Option 3 - To raise the pitch fee in order to increase revenue. This would require the pitch fees to be almost doubled.**

In 2002 the ODPM published a report called "The Economics of the Park Home Industry". This report states in section 5.15-5.17 that households living on park homes have a considerably lower income than the population as a whole. The report states that the low levels of income are an important consideration to be held in mind when considering policy options, as the impact on resident's finances of any action that either directly or indirectly increases pitch fees could be considerable.

This does not therefore seem a practical alternative for mobile home residents.

**TIMETABLE**

September – consultation with Ward Councillors, Housing Exec & Opposition Spokespersons. Consultation with council housing Residents Consortium (representing all council tenants & leaseholders).

October – consultation with mobile home site residents

13 November – Housing Executive meeting to consider report from Head of Housing Management