

Finance Committee

Financial Scrutiny of *Regulated Mobile Home Sites (Wales) Bill*

Paper to note: Financial Memorandum

Date of paper

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Related Information

National Assembly for Wales, [*Regulated Mobile Home Sites \(Wales\) Bill*](#), 24 October 2012

National Assembly for Wales, [*Explanatory Memorandum – Regulated Mobile Home Sites \(Wales\) Bill*](#), 24 October 2012

National Assembly for Wales, [*Consultation on the Proposed Mobile Homes \(Wales\) Bill*](#), May 2012

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1. Introduction

On 29 November 2011, Peter Black AM was successful in his ballot to introduce a Proposed Member Bill relating to park homes. On 1 February 2012 the National Assembly for Wales agreed that Mr Black could lay a Bill based on the pre-ballot information he had provided. Following a consultation exercise¹ from May to July 2012 on his proposals for legislation, Mr Black introduced the *Regulated Mobile Home Sites (Wales) Bill*² on 24 October 2012. The scrutiny of this Bill is the responsibility of the Communities, Equality and Local Government Committee.

2. Aims

Mobile homes, which are often referred to as ‘park homes’, are used by their owners all year round as a permanent home on a residential caravan site known as a ‘park’. In recent years, the problems experienced by some mobile home owners in relation to buying and selling mobile homes, contracts between the home owner and site owner and pitch fees have come to public attention. Consequently, this Bill proposes to introduce a new licensing, inspection and enforcement regime for residential mobile home sites in Wales. Three potential options were considered in the Explanatory Memorandum (EM)³ – to continue with existing arrangements; to implement a voluntary arrangement to achieve the Bill’s objectives, and the preferred option, to introduce the proposed Bill (option 3).

3. Content of Bill

The proposed licensing regime is modeled on the existing legislative framework that applies to Houses in Multiple Occupation (HMOs) and requires site operators to pass a fit and proper person test and makes changes to the contractual relationship between the home owner and site operator. It also gives local authorities powers to enforce the new licensing regime.

4. Financial implications of the Bill

According to the EM, the preferred option within the Bill will give rise to costs in Year 1 of £462,500 and annual costs of £82,500 for the subsequent four years. **The total minimum costs over the first five years of the Bill are estimated to be around £800,000.**

The EM states that these new costs would fall on site owners, local authorities, the Residential Property Tribunal and the Welsh Government.

The EM suggests that the **largest costs fall to site owners in terms of site license fees, which will be paid to local authorities.** Transitional costs were estimated by the **Welsh Government** to be **at least** £270,000 for preparation, publication and publicity along with training for staff enforcing the regulations (these are included in year 1). However, a

¹ National Assembly for Wales, [Consultation on the Proposed Mobile Homes \(Wales\) Bill](#), May 2012 [accessed 25 October 2012]

² [Regulated Mobile Home Sites \(Wales\) Bill](#), October 2012 [accessed 25 October 2012]

³ National Assembly for Wales, [Regulated Mobile Home Sites \(Wales\) Bill – Explanatory Memorandum](#), 24 October 2012 [accessed 25 October 2012]

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detailed breakdown and upper estimate of these was not provided and it is hoped witness sessions will help firm up these costs. In addition, the estimated costs to the site owners set out in the EM assume that ownership of sites will remain static over the five year period. As they do not include any additional costs for licence fee income from new site owners, this may underestimate the financial implications of the Bill for site owners and overestimate those for local authorities who may receive additional licence fee income.

The basis of some of the assumptions used in calculating the financial implications of the Bill are unclear and not explained in the EM. Guidance produced by the Finance Committee of the Third Assembly⁴ states that an indication of the accuracy and robustness of estimates and assumptions used in the calculation of figures and costings included in financial information accompanying legislation.

As an illustrative example of this, when estimating the licence fee per unit, it is not clear why £100 has been chosen instead of £50 or £150.

Table 1: Summary table of the estimated costs of Option 3 (Introducing the Bill) (£)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Site Owners	363,000	13,000	13,000	13,000	13,000	415,000
Local Authorities ¹	-178,500	61,500	61,500	61,500	61,500	67,500
Residential Property Tribunal	8,000	8,000	8,000	8,000	8,000	40,000
Welsh Government ²	270,000	-	-	-	-	270,000
Total costs	462,500	82,500	82,500	82,500	82,500	792,500

Source: [Explanatory Memorandum to the Regulated Mobile Home Sites \(Wales\) Bill](#), October 2012 [accessed 25 October 2012]

1 Based on a site license fee of £100 per unit, £340,000 license income is paid to local authorities in year 1 from site owners

2 These figures were provided by the Welsh Government as a minimum cost, the EM states that a more detailed breakdown of what is included is being sought. Timing of costs will be dependent on the timetable of implementation, for simplicity all transitional costs are included in year 1.

The EM states that it is difficult to put a financial value on the benefits of the Bill.⁵

The benefits identified by the Bill include those arising from changes to the complex current legal system, giving local authorities powers to provide effective oversight and enforcement, raising standards at mobile home sites and a reduction in the exploitation of residents.

⁴ Finance Committee, [Guidance on information used to support a proposed Assembly Measure](#), January 2009 [accessed 25 October 2012] states that the financial information accompanying legislation should include the estimates and/or assumptions that have been made and an indication of the accuracy and robustness of the figures, estimates and assumptions that have been used in the calculations and of the final costings. If it is not possible to give an accurate estimate, a range of costs (minimum and maximum) might be given.

⁵ Ibid.

5. Key Issues

The site license fee

The EM explains that under the proposed licensing regime, authorities will be permitted to charge a fee for processing and issuing a site license, which will be renewable at least every five years. The cost of the new site license fee is not on the face of the Bill, but the EM provides an illustrative example assuming that the fee is based on the number of units on a site; the estimated costs in table 1 are based on a cost of a site license fee of £100. The basis for using this figure is not clear in the EM. At this stage it is not clear whether the income for the site license fee will provide enough funds for local authorities to undertake and administer inspections making the scheme self-financing. The EM states:

As part of the work by the Welsh Government to determine regulations around licensing, further modelling work would need to be done to calculate more definite costs including time taken to undertake inspections and administrative work associated with this⁶.

Site owners prohibited from passing on costs

The Bill specifically prevents site owners from passing on costs associated with this Bill to mobile home owners. This means that site owners will have to absorb these costs. The EM states that just under one third of the 92 sites are corporately owned and under unintended consequences it states that:

If a park were to become unprofitable in the long run this could lead to a site owner considering changing the status of their parks or leaving the industry.⁷

Breakdown of Welsh Government costs

The EM states that there will be costs for the Welsh Government dependent on the level of regulations in the Bill and how much existing legislation needs to be amended or replaced. There are **14 regulation and order-making powers within the Bill** and the Welsh Government may need to draft, consult upon and implement these. Existing legislation relation to HMOs may provide a basis for some of the new legislation and there is also provision for two sets of guidance. **The Welsh Government has provided an estimate of at least £270,000 for transitional costs**, which includes preparation, publication and publicity along with training for enforcement staff. **However, there is no detailed breakdown of this estimated figure, and also no upper estimate.** The EM states:

It is anticipated that more detailed estimate will be available when regulations are drafted and consulted upon.⁸

⁶ National Assembly for Wales, [Explanatory Memorandum – Regulated Mobile Home Sites \(Wales\) Bill](#), para 237, 24 October 2012

⁷ National Assembly for Wales, [Explanatory Memorandum – Regulated Mobile Home Sites \(Wales\) Bill](#), para 272, 24 October 2012

⁸ National Assembly for Wales, [Explanatory Memorandum – Regulated Mobile Home Sites \(Wales\) Bill](#), para 224, 24 October 2012