

STATEMENT BY THE WELSH GOVERNMENT

TITLE Changes to the Park Homes Commission Rate

DATE 5 June 2018

BY Rebecca Evans AM, Minister for Housing & Regeneration

Shortly before recess, I published the summary of responses to our consultation on the park homes commission rate and outlined my intention to reduce the maximum rate.

I am pleased to be able to provide Members with further details about the pace and rate of change and of the wider actions I propose to take to support the park homes sector.

I would like to thank everyone who took the time to respond to the consultation and the financial analysis work – there were almost 400 responses.

I would also like to thank the site owners who shared financial information with our independent financial analysts.

Members will be familiar with many of the arguments on both sides of this debate. I am sure that we all want to ensure viable, well-managed sites continue to offer an attractive lifestyle to people who choose to live in a park home.

The issue of commission rates on the sale of park homes is one where views remain polarised. It has been debated for as long as people have used park homes as a permanent residence. In the 1960s rates were typically around 20%, reducing to their current rate of 10% in the 1980s. Over the last 40 years, the sector has been transformed – park home living today bears little resemblance to park home living in the 1960s.

Establishing a consensus about the way forward has not been possible because views are so polarised. And gathering sufficient evidence on which to base a balanced decision has not been easy.

I have deliberated long and hard and I have challenged my officials and the sector to provide more and better evidence and analysis to ensure we find a balanced and proportionate way forward which best supports park home living.

The evidence we now have supports the view that the value of a park home is a combination of the value of the home plus the pitch on which it is sited. A park home

on its own costs less than one already sited, particularly if located on a well-run, attractive site with good facilities in a sought-after location. The costs to site a home can be significant. This has been a fundamental part of the argument in favour of the commission rate over the years.

It is clear that the current commission rate impacts significantly on people who own a park home. For some, the loss of significant equity from the sale of their homes is becoming a barrier to being able to sell and move on to alternative accommodation or accommodation which is more suitable for them. Commission may also be deterring potential buyers from purchasing a park home as they worry about the implications of losing 10% of its value if they need to sell in the future.

This poses a risk that park home living may become less attractive and cease to offer an alternative lifestyle choice.

The independent financial analysis, carried out for the Welsh Government, shows that commission is an important element of income for site owners, especially for smaller sites.

Any decision about changes to the commission rate must therefore balance the potential benefits and risks to both parties – park homeowners and the site owners.

If a site was to become no longer viable, the owners would need to consider how to change their business model in order to make it sustainable, usually by seeking an increase in pitch fees. The ultimate risk is that unviable sites close, leaving park homeowners without a pitch and having to re-locate their homes. This can be a complex and costly arrangement and homes without a pitch can have a reduced value.

I am committed to ensuring everyone can access suitable, good-quality, secure and affordable homes. Reducing the maximum commission rate will help to remove the financial barriers for residents who either want or need to sell. It will also help to ensure that potential buyers are not put off buying a park home because they are worried about how it will affect them, should they need to sell in the future.

However, I am mindful of the need to avoid placing sites at risk of closure whilst also seeking to protect residents from steep and sudden increases in pitch fees.

It is my intention to reduce the commission rate to a new maximum level of 5%. This will be done by reducing the commission rate by one percentage point each year over a period of five years. The regulations to achieve this will be subject to the scrutiny of this Assembly by the affirmative procedure. I will bring forward regulations at the earliest opportunity in the New Year.

I believe this approach strikes a reasonable balance in protecting the interests of all parties.

Reducing the commission rate gradually will help reduce the risks to the viability of some sites by providing site owners with time to adjust their business models to

reflect this change. I accept that this adjustment may include increases in pitch fees for some.

I have considered carefully the calls from some to use powers in the 2013 Act to restrict any potential increase in pitch fees but have decided against this course of action.

This process has highlighted a range of much wider issues relating to alleged poor practices by some site owners and variations in the implementation of the Mobile Homes (Wales) Act 2013.

I intend to issue refreshed information about park home living, focused on delivering accessible and clear guidance to all parties. Working with the sector, I will develop best practice materials and will look at how we can strengthen the role of LEASE in providing advice.

I will work with local authorities to ensure they adopt consistent approaches to site licensing and enforcement. We have a fantastic example of collaborative working in the private rental sector with Rent Smart Wales as the lead authority. I will explore what we can learn from this model that might benefit the residential park home sector.

Llywydd, we all want to see viable, well-managed sites, which offer an attractive lifestyle choice for those who choose park home living.

I believe a phased reduction in the commission rate, supported by improvements in information, advice and support and consistent standards and adherence to the current legislation can help deliver just that.

Check against delivery

Embargoed until after *MINISTER FOR HOUSING & REGENERATION* has delivered the statement.