Title: Park Homes -Changes to the Pitch Fee review inflationary index **IA No:** **RPC Reference No:** **Lead department or agency:** Department for Levelling Up, Housing and Communities **Other departments or agencies:**	# Impact Assessment (IA) **Date:** 21/10/2022 **Stage:** Development/Options **Source of intervention:** Domestic **Type of measure:** Primary legislation **Contact for enquiries:**

Summary: Intervention and Options

RPC Opinion: RPC Opinion Status

Cost of Preferred (or more likely) Option (in 2019 prices)			
Total Net Present Social Value	**Business Net Present Value**	**Net cost to business per year**	**Business Impact Target Status**
£0	-£74m	£7.4m	

What is the problem under consideration? Why is government action or intervention necessary?

Park (mobile) home residents pay a pitch fee to the site owner for the right to station their home on the pitch and to cover the costs of maintaining the site. Under the Mobile Homes Act 1983, the pitch fee can be reviewed and increased annually by the Retail Price Index. The Government carried out a review of the legislation in 2017 and considered arguments about affordability for both residents and site owners and the merits of using CPI or RPI. The Government concluded that CPI should replace RPI as the inflationary index as it would be fairer to residents. In 2018 the Government committed to introduce legislation to change the inflationary index from RPI to CPI when parliamentary time allowed. There is now a Private Member's Bill seeking to implement this change which the

What are the policy objectives of the action or intervention and the intended effects?

The primary objective is fairness to residents. The continued use of RPI is increasingly unfair on residents as there is a gap between the typical CPI increases in their incomes and the RPI pitch fee increase. This will widen over time, creating pressure on residents' finances and anxiety about immediate and long-term affordability of their park home. Changing to CPI will bring greater alignment in how pitch fee and residents' incomes and positively contribute to addressing cost-of-living pressures for residents, many of whom are elderly and live on fixed incomes. The change will also align with the cancellation of the RPI's designation as a national statistic and discontinued use as a general measure of inflation[1].

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

1. Do nothing (i.e. allow pitch fees to be increased by RPI)
2. Encourage the sector to move over time, from using RPI in pitch fee reviews to CPI
3. Amend the legislation to change the inflationary index from RPI to CPI

Option 3 is the Government's preferred choice. This option would make it fairer for residents and help with the cost-of-living pressures**.**

Will the policy be reviewed? No **If applicable, set review date:** n/a MonthYear				
Is this measure likely to impact on international trade and investment?	no			
Are any of these organisations in scope?	**Micro** yes	**Small** yes	**Medium** yes	**Large** yes
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 responsibleSELECT SIGNATORY: ______________ Date: 21 October 2022

[1] "*The Retail Prices Index, Assessment of compliance with the Code of Practice for Official Statistics*", UK Statistics Authority, page 2, paragraph 1.2.3 https://osr.statisticsauthority.gov.uk/wp-content/uploads/2020/07/images-assessmentreport246theretailpricesinde_tcm97-42695.pdf

Summary: Analysis & Evidence Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base	PV Base	Time Period	Net Benefit (Present Value (PV)) (£m)		
Year 2019	**Year** 2020	**Years 10**	**Low:** Optional	**High:** Optional	**Best Estimate:** £0m

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	£0m	10	£7.4m	**£74.0m**

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

The main group affected by the changes will be site owners who can recover their maintenance and repair costs through the pitch fee review process as set out in legislation. The total annualised cost to site owners of capping increases to pitch fees at CPI rather than RPI is around £7,400,000 per year, calculated over the next 10 years from 2023 to 2032. This works out at an average cost per site of around £4,040 per year over ten years to site owners, and a cost per home of around £74 per year over ten years to site owners. Local Authority owned permanent residential sites have been excluded from the analysis as the change would represent a "tax, duty, levy or other charge" under Small Business, Enterprise and Employment Act 2015.[1]

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

There should be no additional costs to local authorities as fee increases are already capped and so no additional enforcement costs are expected.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	£0m	10	£7.4m	**£74.0m**

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

The change to the pitch fee review inflationary index will benefit residents many of whom are retired, elderly or vulnerable, with incomes which typically rise according to the pensions triple lock (by the highest of CPI, earnings, or 2.5%), in terms of their finances and lead to improvements in their living standards.

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

The change could also lead to park home sites adjusting their business models. This could include being managed more efficiently, as site owners seek to reduce waste, but could also entail offering reduced services to residents. We have not attempted to quantify the costs or benefits of these changes.

Key assumptions/sensitivities/risks — **Discount rate** 3.50%

The percentage increase of pitch fees is the maximum amount possible. This may not be the case for all site owners in all years and is therefore likely to produce an overestimate. No additional costs to site owners as only change is to the rate applied in the calculation of annual pitch fee review. The OBR projections for CPI and RPI are based on OBR forecasts of CPI and RPI as set out in March 2022, over the next 10 years. Sensitivity analysis has been undertaken to consider the impact of deviations from this forecast.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			**Score for Business Impact Target (qualifying**
Costs: **£7.4m**	**Benefits:** £0m	**Net:** £7.4m	

[1] *"Better Regulations Framework"* Annex 1: Statutory and administrative exclusions from the business impact target page 27. Excluded under section 22 of the SBEE Act 2015 Tax, duty, levy or other charge (22(4)(a)) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916918/better-regulation-guidance.pdf

Evidence Base

Problem under consideration and rationale for intervention

Summary

1. A park (mobile) home resident pays the site owner a pitch fee for the right to occupy a pitch on the site. The Mobile Homes Act 1983 (MHA 1983) defines the costs that may be included in the pitch fee. Under the MHA 1983, pitch fees can be reviewed annually and increased by no more than the Retail Price Index (RPI) to uprate the pitch fee in line with inflation.   Primary legislation is needed to change the inflationary index used to uprate the pitch fee.

2. In 2017, the Government carried out a review of the legislation governing the park homes sector and, after considering the arguments about the fairness and affordability for both site owners and mobile homeowners, it concluded that the Consumer Price Index (CPI) as a general measure of inflation was the most appropriate inflationary index. The use of CPI would increase fairness as both site owners' pitch fees and residents' income will be subject to the same measure of inflation which is in general use since the designation of RPI as a national statistic is cancelled by the UK Statistics Authority[1]. The vast majority of resident are 65 or over[2] and CPI is the inflation index used within the "triple-lock" to up-rate state pensions[3] and state benefits. Site owners will remain able to recoup their maintenance and repair costs through pitch fees with the inflationary index linked to CPI.

3. The Government committed to change the legislation accordingly when parliamentary time allowed. Given the need for primary legislation and the pressures on parliamentary time, the Government has given its support to the Mobile Homes (Pitch Fees) Bill, a Private Member's Bill, in order to make this change.

Problem under consideration

4. The park homes sector is small, comprising 100,406 registered addresses[4] and accounting for around 0.4 per cent of the occupied dwelling stock in England[5]. Our most recent data, from 2021, estimates that there are about 1,832 park homes sites in England housing about 160,000 people, the vast majority of whom are over 65.[6].

5. Park homes are legally defined as caravans which means that housing and leasehold legislation do not apply to them. The sector is governed by its own caravan legislation

[1] Assessment Report 246, Retail Prices Index, Office for National Statistics, March 2013 https://osr.statisticsauthority.gov.uk/wp-content/uploads/2020/07/images-assessmentreport246theretailpricesinde_tcm97-42695.pdf
[2] "The impact of a change in the maximum park home sale commission" research report, University of Liverpool and Sheffield Hallam University, June 2022 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1083506/Park_Homes_Research_Report.pdf
[3] Since 2010 State Pension have been updated by the "triple-lock" which applies the higher of CPI, average earnings or 2.5%.
[4] "The impact of a change in the maximum park home sale commission" research report, University of Liverpool and Sheffield Hallam University, June 2022 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1083506/Park_Homes_Research_Report.pdf
[5] https://www.gov.uk/government/statistics/english-housing-survey-2020-to-2021-headline-report
[6] "The impact of a change in the maximum park home sale commission" research report, University of Liverpool and Sheffield Hallam University, June 2022 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1083506/Park_Homes_Research_Report.pdf

which regulates the contractual terms between site owners and residents. The tenure arrangement for park homes is unusual in that the resident owns the home but rents the plot of land (pitch) on which it is situated from the site owner. The resident pays the site owner a pitch fee which is set at the time the Agreement is made that allows the resident to pitch their home on the site. The costs which can be included in the pitch fee are defined in legislation[7] and cover the site owner's costs for repairing and maintaining the site. The rationale for placing an inflation index set in legislation is to allow site owners to be fairly compensated for increases in the costs covered by the pitch fee due to inflation. General indexes of inflation are used as we do not have information to specifically assess the rate of inflation that applies to site owners' pitch fee costs and its collection would be disproportionate.

6. The park home lifestyle has also increasingly been promoted over the last couple of decades by the industry as an affordable alternative to traditional housing, especially for older people. Planning for a retirement which is peaceful, affordable, living in a community of good neighbours are key reasons for residents choosing a park home[8].

7. Under the 1983 Act, the pitch fee can be reviewed annually and there is a presumption that when a pitch fee is reviewed it will increase or decrease in line with the rate of inflation measured over the previous 12 months. This is so that site owners' can recover the increase in the direct costs which are included in the pitch fee which relate to inflation.[9] The inflationary change is measured by reference to the RPI, which at that time was widely used as the general rate of inflation. The calculation of the RPI includes relevant costs, such as mortgages and housing costs, and to some extent that might be considered more reflective of the costs of managing a park home site. On the other hand, residents of park homes are often on fixed incomes, such as pensions, which have typically risen below the rate of RPI according to the 'triple lock'.

8. The Government adopted the CPI for the indexation of benefits, tax credits and public service pensions from April 2011 as a more appropriate measure which was consistent with the measure of inflation used by the Bank of England[10]. In 2013, the designation of RPI as a national statistic was cancelled by the UK Statistics Authority. In March 2018 the National Statistician reaffirmed that RPI was not considered a good measure of inflation by the Office of National Statistics (ONS) and discouraged its use[11]. As the RPI rate is generally higher than CPI, park home residents, the majority of whom are over 65, became increasingly concerned that their CPI income rise would not keep pace with the RPI rise in the pitch fee.

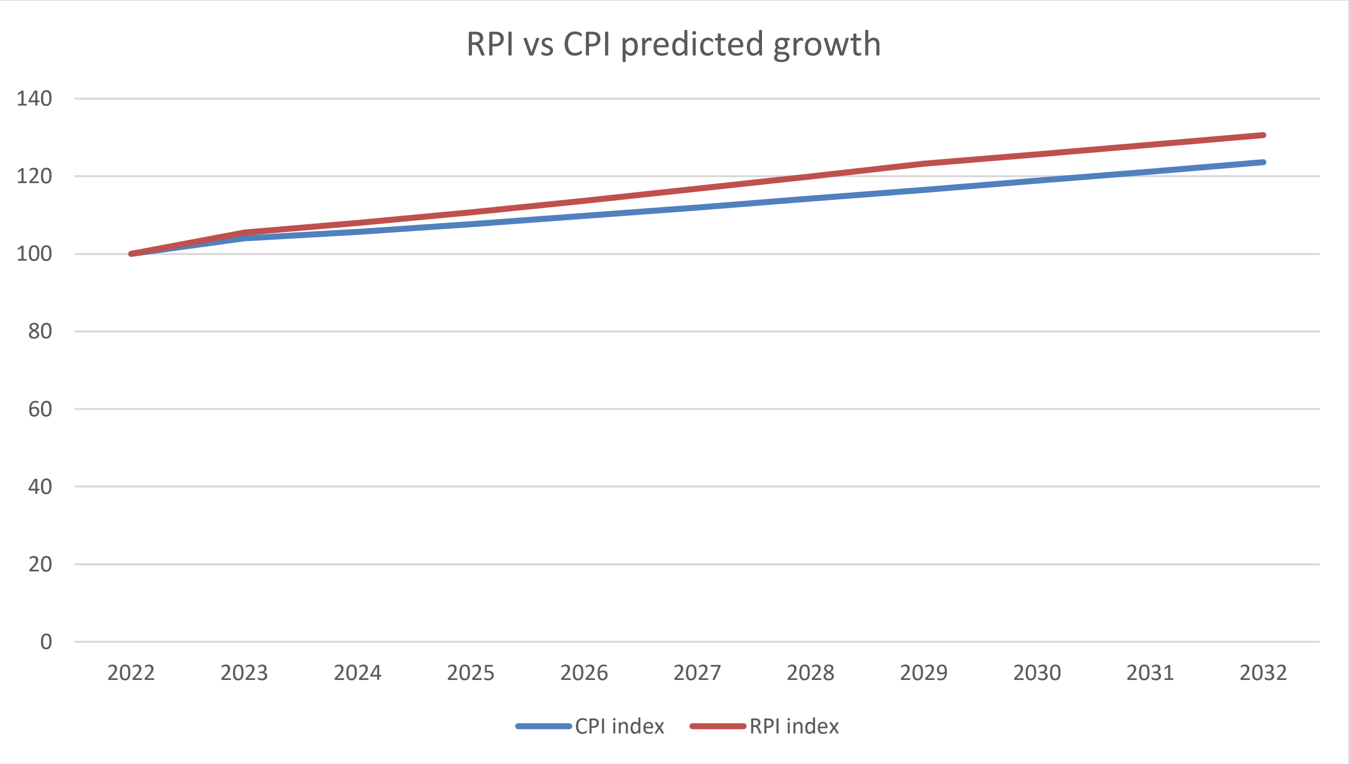
[7] Mobile Homes Act 1983, Schedule 1, Part 1, Chapter 2, paragraph 2, https://www.legislation.gov.uk/ukpga/1983/34/schedule/1/paragraph/32
[8] The impact of a change in the maximum park home sale commission" research report, University of Liverpool and Sheffield Hallam University, June 2022
[9] Mobile Homes Act 1983 Schedule 1, Part 1, Chapter 2 Interpretation paragraph 32 https://www.legislation.gov.uk/ukpga/1983/34/schedule/1/paragraph/32
[10] Written Ministerial Statement, 8 July 2010 Minister of State, Department for Work and Pensions https://publications.parliament.uk/pa/cm201011/cmhansrd/cm100708/wmstext/100708m0001.htm#10070869000014
[11] "Shortcomings of the Retail Prices Index as a measure of inflation" https://www.ons.gov.uk/economy/inflationandpriceindices/articles/shortcomingsoftheretailpricesindexasameasureofinflation/2018-03-08#data-collection-and-classification-of-goods-and-services

a. Since 2010, when the triple lock was introduced, in only 3 years has RPI not risen by more than pensions under the triple lock, and RPI is forecast to remain higher than CPI, earnings growth or 2.5% in the medium term.[12]

9. In 2017, the Government carried out a review of the legislation and asked whether the RPI was the right index or whether the appropriate index should be the CPI[i13]. While residents and local authorities favoured the use of the CPI in pitch fee reviews, site owners favoured the continued use of the RPI[14].

Rationale for intervention

10. The pitch fee review inflationary index allows site owners to increase the pitch fee in line with inflation. The difference between the CPI rate of increase for many residents' incomes and the RPI increase at the annual pitch fee review creates a gap. As RPI is expected to average around 0.7 points above CPI[15], this gap would widen over time, creating pressure on residents' finances and anxiety about immediate and long-term affordability of their park home.



11. Given ONS's view that RPI is not considered a good measure of inflation, we would expect site owners' costs to be more likely to typically rise by CPI, not RPI.

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[12] https://obr.uk/efo/economic-and-fiscal-outlook-march-2022/

[13] Review of park homes legislation Call for evidence - Part 2, Department for Communities and Local Government November 2017 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/662133/Park_homes_-_Call_for_evidence_Part_2.pdf

[14] Review of park homes legislation: call for evidence - part 2 Summary of responses Ministry of Housing, Communities and Local Government May 2018

[15] https://obr.uk/efo/economic-and-fiscal-outlook-march-2022/

12. The Government concluded that CPI should replace RPI. It stated:

> *"….the Government has considered all the arguments put forward including concerns about affordability for both residents and site owners. We also considered the merits of using CPI or RPI as the pitch fee review inflationary index and have concluded that CPI is the most appropriate inflationary index as the designation of RPI as a national statistic has been cancelled by the UK Statistics Authority*[16]. *The Government will introduce legislation in due course to change the pitch fee review inflationary index from RPI to CPI, when parliamentary time allows*."

Policy objective

13. The Government is committed to reforming the park homes sector and improving the quality of life for all park home residents. The vast majority are retired, elderly, among the most vulnerable in our society and are on fixed incomes which typically rise by CPI.

14. The use of RPI as the annual pitch fee review inflationary index is a major concern for residents. Changing the index to CPI, the same index applied to uprate state pensions in the "triple-lock" and benefits, will help alleviate cost of living pressures and anxiety for this group, the majority of whom are elderly. Fairness will be improved through applying the same general inflation index to site owners' pitch fee increases and residents' incomes.

15. The change will apply to all residents of sites with agreements for permanent pitches including Gypsy and Traveller sites run by local authorities. These are excluded under section 22 of the SBEE Act 2015 Tax, duty, levy or other charge (22(4)(a)) and have not been counted in this assessment[17].

Summary and preferred option with description of implementation plan

16. We have considered three policy options for achieving our objectives.

17. **Option 1 – Do nothing**: Keeping the legislation unchanged would not be helpful to park home residents with the current cost of living crisis and particularly with the RPI set to rise further. It would also continue the use of a measure of inflation which is not viewed by the ONS as a good measure of inflation. Its continued use is out of step with its loss of status as a national statistic and application of CPI by Government to state pensions and benefits. Its continuing use will further increase the affordability gap for elderly and vulnerable residents whose income is subject to a generally lower inflationary increase rate. The risk of doing nothing is that residents on fixed low incomes, may struggle with rising costs being particularly susceptible to fuel poverty[18], ultimately becoming unable to

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[16] Assessment Report 246, Retail Prices Index, Office for National Statistics, March 2013 https://osr.statisticsauthority.gov.uk/wp-content/uploads/2020/07/images-assessmentreport246theretailpricesinde_tcm97-42695.pdf
[17] *"Better Regulation Framework Interim Guidance"* page 27 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916918/better-regulation-guidance.pdf
[18] "Sustainable Warmth Protecting Vulnerable Households in England" (2021) states 65 or over and those with a long-term health condition or disability as vulnerable to the impacts of fuel poverty (page 18)

afford their home. Alongside the financial risk is the impact on wellbeing and mental health of this vulnerable group.

18. **Option 2 – Encourage the sector to move from RPI to CPI over time**: Instead of legislation, the Government considered the possibility of encouraging site owners to make the change over time. However, this approach was unlikely to lead to all site owners changing to CPI. This would result in an unlevel playing field which would be unfair on site owners who had made the change. This unfairness would also affect residents as the inflationary interest rate would depend on their site owner. Since the Government's announcement in 2018 of its intention to change the inflationary index from RPI to CPI[19] the department has received frequent correspondence and lobbying from resident representatives, including at quarterly Park Homes All Party Parliamentary Group (APPG) meetings, that this is an urgent priority for residents. We have no similar information that suggests any sites have voluntarily applied CPI at pitch fee reviews, indicating that legislation will be needed apply the change across the sector.

19. **Option 3 – Amend the legislation:** The review in 2017[20], showed the majority of respondents, particularly residents and local authorities favoured the use of the Consumer Price Index (CPI) in pitch fee reviews. 96% of residents who responded strongly favoured the use of CPI because most were retired, on limited incomes and received pensions which generally increased by CPI. This was felt to be unsustainable leading to increasing affordability issues for residents[21]. It was also noted that residents in Wales had seen pitch fees increase by CPI since 2014[22].

20. 93% of local authorities thought the appropriate index to be used for pitch fee reviews should be CPI to reflect the fact that many residents are on benefits or fixed incomes like the state pension which is linked to CPI. However, while this would be likely to generate lower pitch fee increases for site owners, they did not think changing the measure would have a significant impact on the costs of site management[23].

21. All site owners favoured the use of RPI in pitch fee reviews; they felt it better reflected park management costs and that a move to CPI would compromise the ability to maintain parks. 94% of site owners said changing the measure will have an impact on the costs of site management and would be likely to cause a significant reduction in pitch fee incomes over time[24].

22. Having considered residents' and site owners views' including their affordability concerns and that RPI was no longer a national statistic, the Government concluded that CPI was the most appropriate inflationary index. As a result, site owners will continue to recoup

[19] Review of Park Homes Legislation Call for Evidence Part 1 and 2 Government Response, Summary of Proposals, (para I 9 d, page 5) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749771/Park_homes_Review_Government_response.pdf

[20] Review of park homes legislation: call for evidence - part 2. Summary of responses, Ministry of Housing, Communities and Local Government 2017 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/710467/Park_homes_part_2_summary_of_responses.pdf

[21] Ibid

[22] Mobile Homes (Wales) Act 2013, Schedule 2 Part 1, Chapter 2, section 20(1) https://www.legislation.gov.uk/anaw/2013/6/schedule/2/part/1/enacted

[23] Ibid

[24] Ibid

their maintenance and repair costs through pitch fees with the inflationary index being linked to CPI.

23. Option 3 is the Government's preferred option and it will be given effect through the introduction of primary legislation. The Government announced its intention to introduce the legislation in its 2018 response to the Review of Park Homes Legislation and site owners have been aware of this commitment and have had time to adjust their business model. When the legislation is introduced, site owners will have further notice of the intended changes.

24. The change from RPI to CPI will mean lower pitch fee increases for residents. This will improve fairness and reduce costs for park home residents, most of whom are over 65 and many of whom live on low or fixed incomes.

25. The changes will come into effect in 2023 subject to the successful passage of the legislation through Parliament. The changes when introduced will become part of the implied terms of the written agreement between residents and site owners and will be implemented at the next annual pitch fee review. The date of the pitch fee review is dependent on the date of the written agreement between the resident and the site owner. As the dates of agreements vary, the application of the change is expected to take place over the year following commencement of the legislation. Any disputes that may arise will be determined by the First Tier Tribunal, who already deal with pitch fee disputes and other matters in relation to the Agreement under the Mobile Homes Act 1983[25].

Monetised and non-monetised costs and benefits of each option (including administrative burden)

26. The policy of changing the cap on fee increases from RPI to CPI (option 3) is assessed against the baseline of fee increases continuing to be capped by RPI (option 1). Option 2 has not been costed due to the difficulty of estimating the effectiveness of encouraging voluntary changes, however it would likely lie between options 1 and 3 in terms of impact on park home residents and businesses.

27. An appraisal period of 10 years is used as per standard practice for impact assessments, from 2023-24. The policy (option 3) is assessed against a 'Do Nothing' counterfactual (option 1). In this scenario, the pitch fees continue to uprate by RPI until 2029 and CPIH from 2030 (the methodology for RPI is due to be changed in 2030, see below). The counterfactual is used as the baseline for the cost-benefit analysis.

28. All costs and benefits are presented in 2019 real terms adjusted using the GDP deflator. Future costs and benefits are discounted in accordance with the Green Book, using a discount rate of 3.5% per annum.

[25] Mobile Homes Act 1983, 1983 c. 34,Section 4; The Mobile Homes Act 1983 (Jurisdiction of Residential Property Tribunals) (England) Order 2011 https://www.legislation.gov.uk/uksi/2011/1005/article/3/made

29. The figures do not cover the pitch fee review inflationary index change from RPI to CPI which applies to agreements for permanent pitches, on Gypsy and Traveller sites run by local authorities.

Overall EANDCB and impact

30. As far as monetisiable impacts are concerned, the changes to pitch fee uprating have a **net neutral impact on society**, including a **£7.4m Equivalent Annual Net Direct Cost to Business** (EANDCB).

Discounted 10-year net impacts:

	Net present value	Per annum	Business NPV	EANDCB
Central	£0m	£0m	-£74.0m	-£7.4m

Costs resulting from the change:

Number of Park Homes and average pitch fees

31. A recent research report commissioned by the Department, "The impact of a change in the maximum park home sale commission", found in 2021 there were 100,406 park homes at 1,832 separate sites in England.[26]

32. DLUHC research[27] on park homes found an average pitch fee of £172 in 2021. This was uprated by the full rate of RPI to give pitch fees in 2022. 2023 is the first year where the policy impacts the rate of pitch fee increase.

33. Due to a lack of data on numbers over time, these figures are assumed to be constant for the period of the policy.

Monetised

34. The only monetisable aspect of the policy is the change in the maximum percentage increase of pitch fees from RPI to CPI.

35. This has been monetised by assuming that park operators always uprate pitch fees by the maximum amount possible. This may not be the case, and so the figures presented here could be an overestimate.

36. Figures for RPI and CPI, including projections are from the OBR's Economic and fiscal outlook – March 2022.[28] Given the current uncertainty around inflation, sensitivity analysis was also carried out, including testing against more recent estimates.

[26] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1083506/Park_Homes_Research_Report.pdf
[27] Ibid.
[28] https://obr.uk/efo/economic-and-fiscal-outlook-march-2022/

37. The methodology for RPI will be changed in 2030 to converge with CPIH.[29] This new measure is here termed RPI* and has been accounted for by estimating CPIH from 2030 using projected CPI and the average wedge between CPI and CPIH of -0.04%.
    a. The period chosen to estimate this wedge was 2000-2019 to have a sufficiently long period while avoiding distortions caused by the Covid-19 pandemic.

Reduced pitch fees

38. Over a ten-year period, **the total discounted cost of reduced pitch fees would be £74.0m**. This would equal a **discounted annual cost of £7.4m**.

39. The tables below show how the difference between fees updated by CPI and RPI, and therefore the loss to businesses, increases over time.

Table 1: Inflation and annual pitch fees

Year	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
CPI	4.0%	1.5%	1.9%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
RPI	5.5%	2.3%	2.5%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
RPI*								1.96%	1.96%	1.96%
CPI annual pitch fee (nominal)	£2,358	£2,395	£2,440	£2,488	£2,538	£2,589	£2,641	£2,694	£2,747	£2,802
RPI annual pitch fee (nominal)	£2,392	£2,448	£2,509	£2,577	£2,647	£2,719	£2,793	£2,848	£2,904	£2,961
Discounted deflated cost per pitch	**£30**	**£45**	**£56**	**£68**	**£79**	**£89**	**£99**	**£95**	**£91**	**£87**

Table 2: Discounted deflated total cost to business

Year	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Discounted deflated cost per site	**£1,627**	**£2,465**	**£3,068**	**£3,713**	**£4,315**	**£4,877**	**£5,401**	**£5,183**	**£4,973**	**£4,772**
Discounted deflated total cost to business	**£2.98m**	**£4.52m**	**£5.62m**	**£6.80m**	**£7.90m**	**£8.93m**	**£9.89m**	**£9.49m**	**£9.11m**	**£8.74m**

[29] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/938008/RPI_Response_FINAL_VERSION_.pdf

Unmonetised

37. There should be no additional compliance costs to site owners as the process for increasing pitch fees remains the same. The only change they will be making is to use the CPI figure instead of RPI on the pitch fee review form and we do not anticipate additional administration costs. On familiarisation, as the change is minor and will be publicised, we do not anticipate additional costs.

38. As pitch fee increases are already capped, the policy is not expected to come with any new enforcement burdens for Local Authorities.

Benefits resulting from the valuation changes:

Monetised

Reduced pitch fees

39. This is simply the benefit side of the cost to the park home operator of the reduced pitch fees. It is the same size as the cost to the operator but accrues as a benefit to the residents of the park homes. This is a transfer from site owner to site resident.

40. Over a ten-year period, **the total discounted benefit of reduced pitch fees would be £74.0m**. This would equal a **discounted annual benefit of £7.4m**.

Unmonetised

41. No further benefits are expected for the policy as increases to fees are already capped.

Cost pass through

42. Typically, when a service provider faces an increased cost, we would expect some of this cost to be passed on to their customers in the form of higher prices or fees. Legislation provides for site owners to include costs that meet certain criteria, including the cost of a change in legislation, in the pitch fee.[30] In this case, park home operators will be specifically prohibited in the legislation from passing on the difference between the RPI and CPI rates as an additional charge through the pitch fee. There are some Agreements between site owners and residents which include express terms requiring the payment of separate "service charges" in addition to the pitch fee. Express terms are additional contractual matters agreed between the site owner and resident at the time the Agreement is made. Depending on what both parties have agreed as a 'service charge', some site owners could attempt to pass the cost on to residents through the service charge. Residents and site owners have a right to resolve disputes relating to Agreements in the First Tier Tribunal[31] and we would expect the legislation preventing site owners passing on this cost through the pitch fee to be taken into account in such cases. Therefore, we have assumed no pass through of costs from site owners to homeowners.

[30] Mobile Homes Act 1983, Schedule 1, Part 1, Chapter 2, paragraph 18(1) https://www.legislation.gov.uk/ukpga/1983/34/schedule/1/paragraph/18

[31] Mobile Homes Act 1983, section 4 https://www.legislation.gov.uk/ukpga/1983/34/section/4#commentary-key-dbbc5aaf538fccd286ca66c0cd59ea43

Risks and uncertainty to the analysis

43. The following factors have been identified as posing the greatest risk to the analysis:
    a. **Full uprating** – If park operators have not fully uprated pitch fees in 2022, the costs and benefits estimated here will be too high. This will also be the case if they would not fully uprate by RPI in future years (either voluntarily to help residents or because they did not need to).
    b. **Inflation forecasts** – Current RPI and CPI forecasts are from March 2022[32]. These are used as the OBR provides comparable forecasts for CPI and RPI. However, inflation expectations have changed since March, and this could affect the gap between CPI and RPI. This has been accounted for below.
    c. **RPI methodology** – The methodology for RPI is being changed to align with that for CPIH in 2030[33]. As CPIH is not projected by the OBR it has been projected based off the average difference with CPI. If this changes by 2030, then the estimates for the cost of the policy could be either too large or too small.
    d. **Average pitch fees** – If the average pitch fee figure is inaccurate, the net cost to business could be either higher or lower.

Inflation sensitivity analysis

44. This has been investigated in two ways:
    a. Using HMT's independent forecast comparisons[34] we varied inflation in 2022 and 2023. The results are shown below:

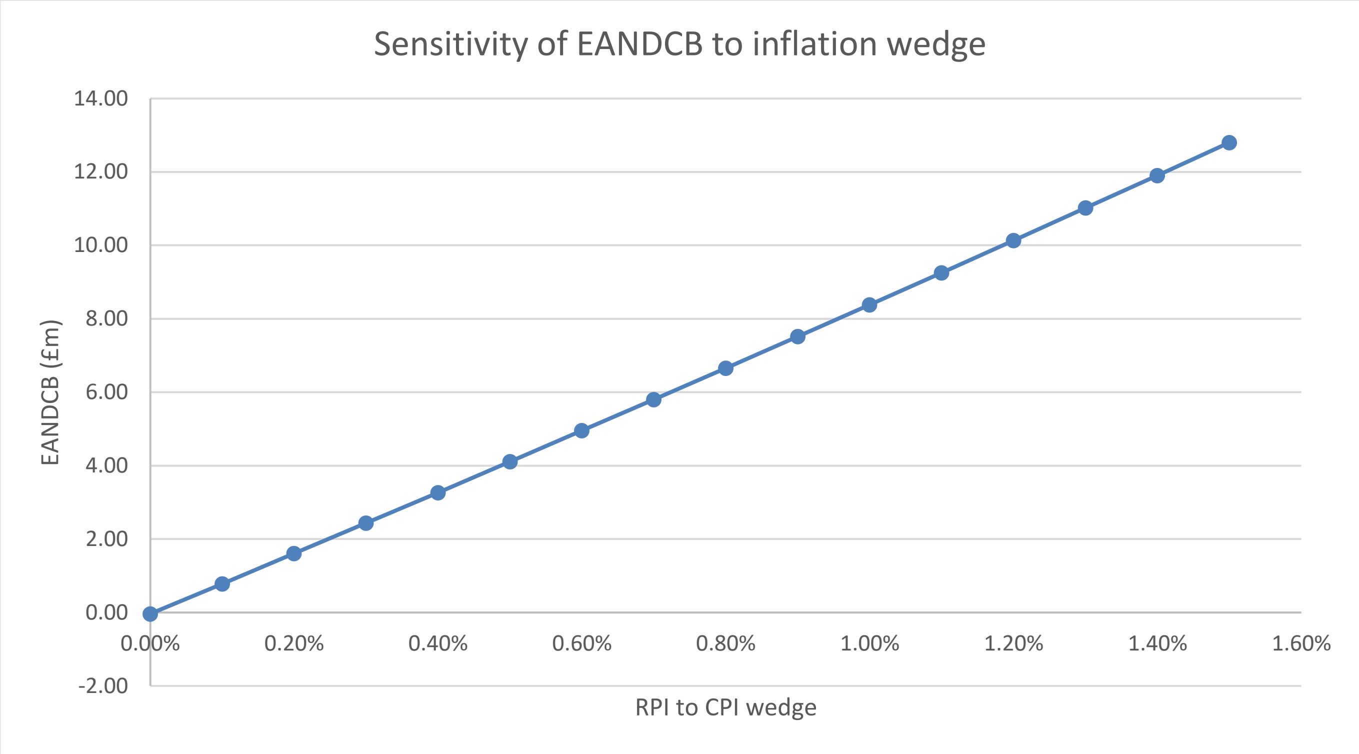
Table 3: EANDCB using alternative forecasts

	2022	**2023**
RPI (OBR March 2022)	9.8%	5.5%
CPI (OBR March 2022)	7.4%	4.0%
RPI (HMT August combined forecasts)	13.3%	4.9%
CPI (HMT August combined forecasts)	10.6%	3.4%
EANDCB (base case) (average for all years)	**£7.4m**	
EANDCB (alternative case) (average for all years)	**£7.5m**	

    b. Varying the average 'wedge' between RPI and CPI. This is the amount that CPI is lower than RPI in percentage points and has been an average of around 0.7% for the last two decades (before which it was around 0.4%). The graph below outlines

32 https://obr.uk/efo/economic-and-fiscal-outlook-march-2022/
33 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/938008/RPI_Response_FINAL_VERSION_.pdf
34 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1100380/Forecomp_August_2022_update.pdf

the sensitivity of the EANDCB to the inflation wedge between RPI and CPI over the ten-year appraisal period.



45. The main risk associated with the policy is that site owners could face costs that increase above the rate of CPI. As we lack data about the cost pressures facing park home site owners, we have not been able to assess their cost inflation. If site owners do face costs increasing above the rate of inflation, they may choose to cut back on services they provide or otherwise be forced to adjust their business models.

46. Whilst there is a presumption that the pitch fee will increase by the inflationary index, legislation sets out the special circumstances that site owners can take into account in setting the new pitch fee[35]. When calculating the new pitch fee, the site owner can consider amounts paid out on improvements for the benefit of residents which have been subject to a formal consultation with them. In cases of a dispute between site owners and residents, in appropriate circumstances, the First-Tier Tribunal can rebut presumption of an inflation only increase, particularly where improvement works have been carried out for the benefit of the occupiers. In such circumstances, site owners' recovery would not be limited to the CPI increase where this judged as unreasonable.

Small and micro-business assessment

47. We do not have exact figures for the number of small and micro-businesses affected by the policy, but according to DLUHC research, the mean number of dwellings per park home site is 56.5, over half of sites have fewer than 34 park homes, and 60% of surveyed parks operate as a single park.[36] We also know that roughly 99% of UK businesses fall into the

[35] Mobile Homes Act 1983, Schedule 1, Part I, Chapter 2, Paragraph 18

[36] "The impact of a change in the maximum park home sale commission" research report, University of Liverpool and Sheffield Hallam University, June 2022 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1083506/Park_Homes_Research_Report.pdf

small and micro categories.[37] This suggests that many park home site operators are likely to be small and micro-businesses and that a significant proportion of the costs of the policy will fall on these businesses.

48. The Government's definition of small and micro-businesses encompasses businesses with fewer than 50 employees. Although we do not have data on park home employment, we believe that most employers in the sector will fall under this definition, and it is highly likely that most workers will be employed by a small or micro businesses.

49. The change of pitch fee review inflationary index to CPI is intended to reduce the cost of living pressures on residents, 80% of whom are 65 or over[38], and reflect the cancellation of RPI as a national statistic, as it is not regarded as a good measure of inflation. As CPI is used by the Government as the inflationary index for the state pension (within the triple lock) and other benefits, many residents would experience a widening gap between the increase in their income and the increase in pitch fees.

50. Exclusion of small and micro-businesses would result in many elderly and vulnerable residents continuing to pay pitch fees increased at a rate higher than in the inflationary increase in their incomes with the gap between the rate of increase over time making it harder to "catch up" if implementation is delayed for this group.

51. As the pitch fee review date is related to the date of the pitch agreement between the resident and the site owner, the change to CPI take place over the year following commencement of the change. In addition, the 2017 consultation and 2018 response itself has acted as mitigation in relation to park home sites as site owners will have had over 4 years notice of the intention to legislate to replace the RPI inflationary index with CPI and to adjust their business models.

52. Small and micro-businesses have not been excluded from the change to CPI as they make up a significant portion of park home site businesses, and that would therefore remove a large proportion of the benefits of the policy.

Wider impacts (consider the impacts of your proposals)

53. The vast majority of park home residents are retired, elderly, among the most vulnerable in our society and with incomes which rise by CPI, such as state pensions[39]. The change to CPI will apply to all residents and is expected to have a positive impact on residents with protected characteristics of age and disability: around 80% of park home residents

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[37] https://researchbriefings.files.parliament.uk/documents/SN06152/SN06152.pdf

[38] "*The impact of a change in the maximum park home sale commission"* research report, June 2022, Executive Summary, paragraph 17

[39] Ibid Around 80% of park homes household members are 65 or older; with sites operated across the deprivation spectrum, 11% situated in deprived or very deprived locations as defined by Index of Multiple Derivations. ".
2011 Census -About 30% of residents of caravans and mobile homes are vulnerable having a long term, limiting illness
"Sustainable Warmth Protecting Vulnerable Households in England" (2021) states 65 or over and those with a long-term health condition or disability as vulnerable to the impacts of fuel poverty (page 18)
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/960200/CCS207_CCS0221018682-001_CP_391_Sustainable_Warmth_Print.pdf

are 65 or older, and approximately 30% of residents of caravans having long-term limiting illness.

54. The change from RPI to CPI will apply to all existing (when reviewed annually) and new site agreements. The change affects site owners' recovery of the expected increase in existing costs due to inflation, rather than direct costs incurred. We do not have information on site owners' costs, but as the rate change does not increase site owners' costs, we expect site owners to be able to adjust their business models in accordance. As the change applies to all suppliers, we do not believe it will directly or indirectly limit the number or range of suppliers, limit the ability of suppliers to compete, limit suppliers' incentives to compete vigorously, or limit the choices and information available to consumers.

37. The change from RPI to CPI applies to agreements relating to permanent pitches only on local authority run Gypsy and Traveller sites. These are excluded under section 22 of the SBEE Act 2015 Tax, duty, levy or other charge (22(4)(a)) and have not been counted in this assessment[40]

38. A summary of the wider impact of this change are at Annex A.

Monitoring and Evaluation

55. The pitch fee inflationary index will be kept under review. The Government will monitor the effect of the change by continuing regular engagement with stakeholders and the Park Homes APPG, along with correspondence to the department. It will also monitor the number and types of cases being brought to tribunal and the development of the measures of inflation by the ONS.

[40] *"Better Regulation Framework Interim Guidance"* page 27 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916918/better-regulation-guidance.pdf

Summary of other impacts		
Impact	**Overall Effect of Initiatives**	**Reasons**
Competition	None	The change will apply to equally to all site owners.
Small/Micro Firms	None	Most businesses in the sector are small/micro firms. 60% of parks surveyed operate as a single park. The inflationary index will however apply equally to all sites irrespective of size.
Legal Aid	None	
Sustainable Development	None	
Carbon	None	
Other environment		
Health	Yes – some consequential positive effect overall	Should improve the finances and disposable income of residents which will improve their health and wellbeing.
Race	None	
Age	Yes – some positive effect overall	Should improve the finances and disposable income of residents which will improve their health and wellbeing.
Disability	Yes – some positive effect overall	Should improve the finances and disposable income of residents which will improve their health and wellbeing.
Gender	None	
Human Rights	None	
Rural proofing	None	