

**PARK HOME ESTATE
SHELTON LOCK
DERBY**

PARK HOMES FUTURES STUDY

Prepared on behalf of

**DERBY HOMES
AND
DERBY CITY COUNCIL**

DERBY HOMES AND THE RESIDENTS

by
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PARK HOMES FUTURES STUDY, SHELTON LOCK, DERBY

1 INTRODUCTION

1.1 HLL Humberts Leisure has been commissioned by Derby Homes, on behalf of themselves and Derby City Council, to prepare a detailed report concerning the future operation of the Shelton Lock Park Home Estate.

1.2 In the "Request for Proposal" submitted to tenderers in September 2007, the aim of the project was set out as follows:

"The aim of this project is to research and write a report with recommendations to Derby Homes and Derby City Council on the viability of the Park Homes site at Shelton Lock, in particular with regard to how Derby Homes can best ensure its financial viability in line with recent legislative changes."

1.3 The history regarding the management of the site was described as follows:

"In recent years the cost of running the site has increased above inflation as a consequence of:

- *the introduction of a service level agreement by Derby Homes and the recovery of a realistic management fee;*
- *an increase to the rate of capital financing charges recovered from the site by Derby City Council;*
- *increased management input arising from increased expectations from residents;*
- *increased management input arising as a result of a recent health and safety report on fire risks on the site*

In addition to above inflation site cost increases, changes to the Mobile Homes (1983) Act which came into effect in October 2006 made the Council's policy on proposed ground rent increases non-compliant with the Act.

It is within the framework of higher than inflation site running cost increases and, effectively, capped ground rent increases that Derby Homes require consultancy support to lead on a project to establish the future financial viability of the site. The project should draw on best sector practice and compare the site with other similar sites and report on the impact of the changes introduced in the October 2006 amendments to Mobile Homes Act 1983...."

- 1.4 Following an initial meeting with representatives of Derby Homes and Derby City Council, the following has taken place:
1. On 28 April 2008 at 6.15pm an inaugural meeting was held at Acorn Close Common Room to which all the residents of Shelton Lock together with the district councillors and other elected representatives were invited. The meeting introduced the consultant to the stakeholders and provided an opportunity for the aims of the study to be described. During the meeting I confirmed that I would be visiting the Park on 13 May 2008 and would be available to meet residents.
 2. The site visit took place as agreed on 13 May 2008. I spent the afternoon on the Park and was invited into a number of the homes and carried out a detailed inspection of the Park.
 3. Subsequently, the following information has been provided to me:
 - a) copies of the original and revised standard written statements held by the home owners under the Mobile Homes Act 1983. It is understood from Derby Homes that the revised version of the written statement has been issued to all residents in place of the original.
 - b) copies of the letters sent by Derby Homes to each resident in respect of fire safety issues on 12 October 2007.
 - c) a copy of the survey prepared by Bond & Bryant in connection with the fire safety issues together with a schedule for each home.
 - d) income and expenditure information together with information regarding the service level agreement between Derby Homes and Derby City Council.
 - e) confirmation that there are no Park Rules other than those set out within the written statements.
 - f) a copy of the *Park Homes Handbook* published by Derby Homes.
 4. A draft report was presented to a meeting of residents and representatives of Derby City Council at the Acorn Close Common Room on 13 October 2008. Subsequently I have received representations from 2 residents which I attach as the Appendix.

2 THE KEY ISSUE

- 2.1 The root of the concern which has led to the requirement of this Report is that the trading performance of the park is poor. For the last 3 years the out-turn has been as follows:

2004/2005	Loss	£10,018
2005/2006	Profit	£ 9,179
2006/2007	Loss	£ 6,639
2007/2008	Loss	£16,816
2008/2009	Loss	£23,000 (forecast)

- 2.2 Whilst previous years appeared to be better this was partly because the management fee was previously set at only £1,300 per annum. Had the management fee been at a commercial level the historic picture would have been considerably worse. Effectively the park was being subsidised by other areas within the Derby Homes portfolio, notably the management of public housing stock.
- 2.3 In addition there is a reserve account which currently stands at £30,000 (year 2007/2008). The forecast balance for the year ending 31 March 2009 is £7,000. (This figure would have been considerably lower if a realistic management fee had been applied at an earlier date). On the basis of these figures Derby Homes is now very concerned that the long-term commercial viability of the park is at risk. The reasons for the financial state of the park will be described later in this report. However, it is appropriate at this stage to explain that an agreement appears to have been struck between the residents and Derby City Council in the early 1990s, to the effect that the park should not be expected to make a profit. Any profit over a break-even position was transferred into a reserve account. It has been suggested to us that Derby City Council agreed no pitch fee increase would be applied until such time as the reserve account stood at nil. Therefore, there was no pitch fee increase from the early 1990s until January 2006 when Derby Homes readdressed the situation and gave notice of an increase. It would be prudent to obtain legal advice on the implications of the 1990s Agreement.

3 A DESCRIPTION OF THE PROPERTY

- 3.1 Shelton Lock Park Home Estate accommodates 38 homes within an attractive residential setting, with access along the public highway through a traditional residential estate. The park has been laid out in a conventional grid fashion with tarmac roads, hard-surfaced car parking in four dedicated areas, hard-surfaced footpaths and an extensive central grassed area. There is excellent boundary fencing and there are electric security gates which can control (when working) the single access onto the park.

- 3.2 There is a substantial amenity block in the centre of the park providing bathrooms and toilet accommodation together with a launderette. There is also a substantial open compound with bulk LPG cylinders above ground.
- 3.3 The central area and many of the individual gardens are well tended and it is clear that many of the home owners take great pride in the condition of the homes and the attractiveness of the gardens.
- 3.4 In common with many park home estates, the homes themselves range in age considerably. Some of the units are traditional residential mobile homes with others taking on the appearance of more modern park homes. Some substantial extensions to the homes have been added and there are also large sheds on some of the plots.
- 3.5 In subjective terms I suggest that the park is at least of average quality.

4 FIRE RISK ASSESSMENT

- 4.1 It is understood that a fire risk assessment was carried out by Bond & Bryant in October 2006. Subsequently in 2007 each of the residents was sent a list of the risks identified within their plot with a timescale for remedial action. Some of the requirements appear onerous. For example, some garages and sheds are to be removed within 12 months even though the park owner will have allowed the unit to change hands with the same structures in place, possibly over very many years. This park is unusual in that, since it is owned by a local authority, it has not been subject to a site licence. However, if a site licence had applied, then it is highly likely that these problems would have been flagged up from inception on a private park. Where problems of this nature have not been covered previously by site licence conditions and subsequently the local authority seeks to introduce such conditions, then it would be normal for a reasonable period to be allowed for the work to be undertaken. The approach to dealing with such a change in conditions is set out very helpfully in the "Guidance Notes" attached to the recently issued *Model Standards for Residential Mobile Home Parks (2008)*. Matters to be taken into account in requiring works to be undertaken include the implications for home owners. Whilst there is no site licence at Shelton Lock, I suggest that a similar approach might well be adopted by the Court if ever the matter came to litigation.
- 4.2 The Fire Officer has inspected the site and following that inspection it was decided that the excessive vegetation should be cleared and those fences which are attached to mobile homes should be removed. In other respects it was agreed that further action should await the outcome of this report.

5 PITCH FEES

- 5.1 There are three pitch fee bands on the park which relate respectively to small, medium and large pitches. In respect of each band there are two levels of pitch fee. The first relates to those occupiers who have not yet agreed to a fixed April review date. The second relates to those occupiers who have agreed the fixed April review date. The levels are understood to be as follows:

Non-fixed Review Date			Fixed Review Date		
Small	Medium	Large	Small	Medium	Large
N/A	13.50	N/A	11.68	14.60	16.87

- 5.2 It is understood that these fees include an element to cover water and sewerage charges. However, the original Written Statement, under the express term 3 (b), provides for the occupier to pay, in addition to the pitch fee, "any rates including water rates, electricity charges and other outgoings due in respect of the said mobile home plot". The new Written Statement is ambiguous. In Part (i), at Clause 6, various services are shown as being included within the pitch fee. However these services do not include the provision of a private water supply, and whilst Clause 8 indicates there will be no additional charges, I do not consider this can include a lack of a charge for a private water supply, much in the same way as a separate charge for electricity has presumably never been challenged. Additionally, in Part 5 of the Agreement at Clause 2(b) there is a liability on the occupier to "pay any rates including water rates, electricity charges and other outgoings due in respect of the said mobile home and pitch..."
- 5.3 Taking these various paragraphs into account, there is a strong case for suggesting that a separate charge should be made for the water supply to each unit. However there is a legal issue, namely "has the freeholder by its practice of not making a separate charge in the past effectively implied to the residents that the charge has been wrapped up with the pitch fee?" The Council's case for charging separately is made even weaker by the statement on the issue in the Handbook. (*"The rent you pay also includes water charges"*). This is a matter on which a solicitor should be asked to comment. Where water is charged to residents on privately owned parks, it is common practice for the total bill to be divided between the total number of units, although an allowance needs to be made for any communal use and for any vacant pitches or empty homes.
- 5.4 In terms of the market as a whole, the pitch fees charged at Shelton Lock are substantially lower than the norm within the industry. I would expect the pitch fee level to be approximately double the existing figures. However, whilst such an increase would be expected, there is a wide variation of levels within the industry and the close comparability between rents that is found within, for example, commercial rents does not exist within the park home market. Nevertheless, the pitch fee levels at Shelton Lock will be amongst the lowest in the UK.

- 5.5 The principal question relates to the quantum of increase which might be allowable in the eyes of the Court. I understand that at some time in the 1990s it was explained to the residents that there would not be an increase in pitch fee unless this was required to meet an excess of expenditure over income. This is impliedly enshrined within the *Park Homes Handbook* published by Derby Homes where it is stated on page 4 “*All rents and sales commissions are held separately and used to finance the park. This fund is used to enable Derby City Council/Derby Homes to:*
- *manage grounds maintenance – see page 8*
 - *maintain the access roads, car parking areas and lighting*
 - *maintain and clean the laundry and shower blocks*
 - *repair the main park boundary*
 - *repair mains water supply pipes up to each plot*
 - *repair outbuildings.”*
- 5.6 The degree to which the Council has effectively tied its hands by these various statements is a matter on which legal advice should be sought, probably from a solicitor with special expertise in this area of the law.
- 5.7 If it is agreed that the pitch fees may rise, then I think it unlikely that a judge would be prepared to allow the Council to “catch up” with the pitch fee levels being charged on comparable parks, but an annual increase from now on based upon the RPI would almost certainly be accepted if the matter were challenged in the courts. It is understood that Derby Homes levied an inflationary increase in April 2007 and all but one of the residents have agreed this. However currently the residents are being subsidised due to the approach whereby no profit is being made. At the margin this probably has the effect of increasing the value of the individual homes.
- 5.8 It is understood that some residents have refused to accept a fixed annual review date. I presume this is because they feel that by accepting a fixed review date they are accepting that the pitch fees can increase. However, I do not believe there was ever an agreement that pitch fees would not be capable of ever being increased. There is no machinery in either the original Written Statement or the new Written Statement for a review to automatically result in an increase in pitch fee, and this should provide some comfort to the residents. Fixed review dates are almost universally applied throughout the country and therefore I think it unlikely that a Court would not be prepared to impose a fixed date, as envisaged within the published format of the new Written Statement.
- 5.9 A further concern of which I have been notified recently is the requirement for major water infrastructure improvement. A note from Shaun Bennett, Director of Investment and Regeneration at Derby Homes is as follows:

Main water distribution issues

'The domestic water supply for the site is currently provided by an infrastructure that is the responsibility of the City Council. Severn Trent are responsible for the supply up to the entrance to the park.

We have recently discovered three visible leaks within the park one major and two minor. The major leak has cost £1000 to repair we are carrying out further leak detection over the coming weeks and there will be further repair costs to the two minor plus any other leaks found.

It has become apparent that the leaks are appearing as a result of the overall age and condition of the supply infrastructure. This was laid over 30 years ago and the material used has an expected lifespan of 20-25 years. In addition it is difficult to carry out secure repairs to such an old system.

It is our recommendation that the infrastructure be renewed to the site and we are currently seeking estimates for the cost of this work. This does however give the opportunity to install individual meters for each home on the site.'

Clearly this requirement has implications for future profitability and underlines the need to review the current charging structure.

6 SALES POLICY

6.1 Under the terms of the Written Statements the freeholder charges a commission of 10% of the sale price when the units change hands. If this park were owned by a private park operator then, in most cases, the owner would also generate income in the following ways:

- 1) By offering to buy in homes when they are available for sale. Whilst the freeholder cannot require this by right, in many instances park home vendors are prepared to accept a discount to the market value in return for a quick sale. In some cases the vendors are executors who do not want the hassle associated with selling in the open market. By buying at an undervalue and then selling on at full value within a reasonable period the freeholder makes a profit.
- 2) If the freeholder is able to buy in a very old unit then he can either refurbish the unit and sell on at a profit after costs or, more probably, he would take the unit off site and redevelop the plot for a brand new unit. This can offer a substantial capital gain. It would not be unusual for the net gain (after the development costs and the loss on any sale off site of the original unit) to reach £50,000. In some cases it could be materially more. As the units at Shelton Lock become older the potential for this type of business will increase.

7 MANAGEMENT APPROACH

- 7.1 Certain items within the "property costs" set out on the Financial Statement are capable of being reduced and these are discussed in further detail in subsequent sections. By far the largest item of the property costs is the charge for water and sewerage. Reference to this is made earlier in this report at paragraphs 5.2 and 5.3. In respect of the "running costs", the majority should be capable of material reduction if the recommendations we make in subsequent paragraphs are accepted.
- 7.2 The "other department costs" effectively comprise a management charge for time spent in administering the business. I consider that other public authorities would levy a charge at a similar level given the commitment of time and the requirement for public bodies to ensure a particular level of quality control, internal supervision and proper audit. I imagine it is unlikely that the service could reasonably be offered for a materially lower figure.
- 7.3 If the property were in private ownership, the most likely scenario is that it would either be owned by an individual who might operate the park in conjunction with a small number of other similar parks in the area, or alternatively by one of the corporate groups who have a substantial management structure in place. In the former case, the time spent on the park would be very small except when development was under way (but of course such activity is not within the current business model). The personal time spent by the owner manager would not be separately accounted for but would be regarded as necessary in order to generate the required return on investment. In the case of the second scenario the marginal costs of running this park as part of a group would be minimal. A representative from head office might visit on an occasional basis, but the majority of the time spent would be work of a clerical or bookkeeping nature and not require attendance on site. The only occasion when substantial time would be needed would be if there were a dispute, for example with the environmental health department regarding the site licence conditions. In my opinion it is likely that most day-to-day work on the park including liaison with residents and minor work such as grass cutting and small repairs would be undertaken by the site warden who would be resident on site. He would own his park home and receive a small wage. In some cases this wage is limited to a free pitch fee.

8 DEVELOPMENT OPPORTUNITIES

- 8.1 I consider that the size and layout of the park offers interesting development opportunities. In order to benefit, it would be necessary for works of a capital nature to be undertaken which would incur both capital cost and more intensive management during the planning and implementation stages. However, this work would offer an opportunity to receive an increased income from the park both through capital receipts and a sustainable increase in long-term income. The opportunities are as follows:

1) The Utility Block

It is most unusual for residential parks to offer toilet/washing and launderette facilities. The only reason for such facilities would be when homes on the park do not have a bathroom or shower room. The number of such units in the UK has dwindled to a mere handful. Depending upon the number of such units at Shelton Lock it may be prudent to consider the cost of either installing facilities in the relevant homes if it is practical to do so (estimated cost c.£2,500 per home) or even offering to replace the homes with good quality second hand units, which are readily available in the market (estimated cost c.£10,000 per home). Since the park lies within a dense residential area there will be launderette facilities nearby. Therefore it may be unnecessary for there to be a launderette on site. The closure of this facility would have the following benefits:

- a) the current loss on electricity and gas on account of the facility would be removed;
- b) the costs incurred in cleaning, repairing and insuring the facility would disappear;
- c) the demolition of the building would provide space for additional homes (the cost of demolition would depend upon a number of detailed issues including any contamination within the structure. However I estimate the cost at c.£10,000.)

An alternative option, if it is decided the facilities are still required, would be the imposition of commercial charges and/or the reduction in the number of facilities, perhaps to incorporate a launderette and a single bathroom with WC.

2) Mains Gas Connections

The bulk gas tanks take up a substantial area. It is understood that mains gas is connected to the park and serves the communal building but not any of the homes. The units are still connected to the bulk gas system. There would be merit in assessing the cost of connecting the units to mains gas and comparing this with the benefits of the additional development which would be possible if the bulk tanks were removed. In order to properly assess the costs it will be necessary to carry out a survey of each of the homes. Modern appliances can be converted to mains gas for a relatively modest figure but older appliances would need replacement. Once the homes had been transferred to mains gas the residents should benefit from a reduction in the cost of fuel. In addition to the removal of the bulk tanks by the gas supplier there would be costs involved in breaking up the hardstanding which might be in the order of £2,500.

3) Car Parking

Most park home estates now allow cars to be parked by each unit and, although this reduces the area of the gardens, I understand that this is a preference for most park home owners. They like to have their car adjacent to their unit, with the benefit of convenience and better security. Whilst the current layout of the park would not allow all the cars to be parked by the units, there may be scope to introduce the scheme gradually, thereby reducing the requirement for communal car parking. This would free up space over time for additional development.

8.2 Recommendation

8.2.1 I strongly recommend that a specialist designer who understands the park home industry be commissioned to prepare a master plan for the future of the park making use of the various suggestions set out above. Whilst the number of homes is unlikely to increase, and may actually reduce over time given the increase in the size of park homes, the reconfiguration of the park should offer an opportunity to gradually increase pitch sizes and generate more twin unit park homes which should offer a better income from the park, both through the development process and over the longer term. I estimate the cost of the master-planning would be c.£2,000.

9 MANAGEMENT OPTIONS

9.1 Option 1: The Status Quo

9.1.1 This assumes that Derby Homes will continue to manage the park on behalf of Derby City Council and the residents. The steps I suggest should be taken if the status quo is to continue are as follows:

- a) All residents should be asked to accept the same pitch fee review date, but with the comfort regarding how that review would be conducted as set out above in paragraph 5.8. This will reduce administration and therefore the costs of operating the park. There is now only one resident who has not accepted the fixed review date and steps are being taken to seek enforcement through the Courts.
- b) Annual pitch fee reviews should be implemented and should take into account the various matters referred to within the Written Statement.
- c) Subject to legal advice consideration should be given to separating out the charge for water and sewerage. Levying a separate additional charge may be acceptable to residents as a way of ensuring the viability of the park over the longer term under the

current management regime. If this is not possible either for legal or practical reasons, then I suggest that the pitch fee be reduced by the actual cost of water for the current year and thereafter that the water and sewerage charges be levied as a separate item. In this way, if water charges rise considerably in excess of inflation, the residents will be covering this cost, which is an actual cost, whereas otherwise there is a chance that the residents will be subsidised by the other local ratepayers.

- d) In accordance with the decision explained in paragraph 4.2 the remaining fire risks should be reassessed through the means of a joint inspection with a fire officer. In the light of conclusions reached following the site inspection legal advice should be sought as to the strength of the case for enforcement. Where appropriate the enforcement procedure should be initiated.
- e) The cost implications of the matters referred to in paragraph 8.1 (ie demolition of the utility block and the installation of mains gas) should be established. This will require further information on the homes themselves as well as receipt of estimates for the works. A decision on those actions which should be taken will flow from the further information, including an assessment of the need for launderette facilities. Legal advice should be sought on the implications of removing site facilities. The commissioning of the masterplan as recommended in paragraph 8.2 should also be undertaken.
- f) If the Council does not wish Derby Homes to involve itself in buying and selling homes on the park as described at paragraph 6 above, consideration should be given to entering into an agency agreement with a specialist park home sales company (possibly a local park operator) who would undertake the buying and selling, where appropriate, in return for a profit share and the supervision of any capital works required, eg renewal of hardstanding.
- g) Whilst the pitch fees are materially below the level commonly found in the market, it may not be possible to reach agreement with the residents for the level of pitch fees to be substantially increased. Nevertheless residents may be amenable to the concept of a modest increase initially with annual reviews generally in line with inflation and also on the basis that when units change hands the new occupiers pay the full "market" rate. I do not believe that such a requirement can be enforced without agreement. However I do believe that, if agreement were reached with the residents in writing, then such agreement could be enforced. Legal advice should be sought on this issue.
- h) Equally, if the freeholder buys in any of the homes for resale or redevelopment, as envisaged in paragraph 6, then the "market" pitch fee should certainly be charged to the new occupiers. Although it would be prudent to take legal advice on this point, differential pitch fees on parks are not uncommon and I do not consider that selling a unit with a higher pitch fee than on the remainder of the park is unreasonable. Under this method

very gradually the level of pitch fees across the park as a whole would be increased.

- 9.1.2 If these various recommendations were put into place then income would gradually increase, certain items of expenditure would be removed and the park should become a more sustainable business, even under the current model. I imagine the “other department costs” and the “capital financing costs” which appear on the financial statement would remain unchanged.

9.1.3 I have prepared an estimated trading statement on the following assumptions:

- 1) the residents agree to take over the payment of water and sewerage charges and an inflationary increase in the pitch fee;
- 2) the toilet block is removed and replaced by a new twin unit park home paying a market pitch fee of £25 per week;
- 3) Derby Homes assumes a more pro-active approach in the sale of second hand homes;
- 4) the other development opportunities have not yet been implemented;
- 5) a modest uplift in the housing market to allow park home sales to take place.

Pitch fees		£25,720
Sales		
2 commission sales at	£4,000	£8,000
1 sale of refurbished unit		
Sale price	£50,000	
Less purchase price	(£25,000)	
Less refurbishment	(£5,000)	
		<u>£20,000</u>
		£53,720
Less Expenditure		
Maintenance etc	£4,000	
Electricity	£750 (net)	
Gas	-----	
Water	£1,000 (net)	
Cleaning	-----	
Insurance	£500	
Telephone	-----	
Departmental costs	£17,000	
Capital financing	£7,500	
		<u>30,750</u>
Trading Surplus		<u>22,970</u>

Park Homes Futures Study

I have also prepared a table showing the likely financial position if no action is taken. These figures are set out below:

Pitch Fees		£25,720
Sales		
2 commission sales at	£4,000	<u>£8,000</u>
		£33,720
Less Expenditure		
Maintenance	£4,000	
Electricity	£750 (net)	
Gas	£800 (net)	
Water	£10,000	
Cleaning	£4,000	
Insurance	£500	
Telephone	-----	
Departmental costs	£17,000	
Capital financing	£7,500	
		<u>£44,900</u>
Trading Surplus (Deficit)		(-£11,180)

I have also prepared a table to show the possible profit which might be earned if the toilet block is replaced by a new home.

Capital Works		
Sale of new twin unit park home		£100,000
Less cost of unit	(£45,000)	
Less cost of demolishing toilet block	(£10,000)	
Less cost of new infrastructure for park home	(£15,000)	
Less estimated cost of upgrading say 4 homes (see para 8.1.1)	(£10,000)	
Profit		<u>£20,000</u>

It should be noted that the tables set out in paragraph 9.1 are estimates. They have not been prepared by chartered accountants.

9.2 Option 2: Lease to An Operating Company

9.2.1 In my opinion there are a number of operators within the park home estate industry who would be interested in taking a lease on the park, although leasehold parks are a rarity in this sector of the housing market. The longer the term the higher the rent which would be achieved. It would be possible to incorporate appropriate covenants to protect the reasonable interests of Derby City Council as freeholder and the residents. Although the current low pitch fee level would have a serious impact on the achievable rent under the lease, I still consider that an operator would be prepared to pay a rent of c.£15,000 per annum on a full repairing and insuring basis, on the assumption that the lease is for 25 years with quinquennial reviews to current open market rental value on an upward only basis. If the tenant were successful in increasing the pitch fee level or achieving new or redeveloped pitches then, subject to appropriate drafting, the quinquennial reviews would result in a material increase in the rent achieved. Presumably the value of the rent roll would increase Derby City Council's ability to raise debt for other projects under the prudential borrowing regime.

9.3 Option 3: Lease to the Residents' Association

9.3.1 There are examples of residents' associations holding a leasehold interest. In this case a similar approach to lease terms and rent payable would be applied as suggested in paragraph 9.2.1. There is a risk that a residents' association may, in certain unfortunate circumstances, be controlled effectively by a clique who might not operate the park to the benefit of all.

9.4 Option 4: A Sale of the Freehold Interest

9.4.1 Although the market is currently depressed and it would not be a sensible time to bring a property of this nature to the market, I consider the park would usually be attractive to the market. Even in the current market the park would be saleable and might reasonably be expected to achieve a figure in the order of £650,000 (Six hundred and fifty thousand pounds) for the freehold interest subject to the Mobile Homes Act Agreements. I must emphasise that this figure should not be regarded as a formal valuation, but is purely for general guidance purposes at this stage. If you were to decide that this option should be given further consideration, then I would be able to fine-tune the figure, but I would not recommend the property be brought to the market until the residential property market improves.

9.5 The second and fourth options would inevitably reduce the ability of the residents to influence the day-to-day matters because the current inclusive form of management, whereby residents are consulted on a regular basis on general management issues as well as broader issues, would no longer subsist. However, there are substantial rights to consultation under the recent legislation. It may be considered that such statutorily based rights are sufficient to protect the reasonable interests of the residents and that these interests have to be balanced against the City Council's duties to the residents of the entire district.

9.6 Recommended Option

9.6.1 I appreciate that the choice of option will depend to a certain extent upon quasi political issues on which I am not qualified to comment. However I consider there is a very strong argument for either option 2 or 4 for the following reasons:

- 1) Shelton Lock is a small park home estate and therefore it is, in terms of a cost per plot, expensive to manage. The average size of park home estates in England is approximately 100 units.
- 2) Derby Homes has no specialist knowledge of the park home sector and therefore, in practical terms, it is always likely to be of peripheral concern.
- 3) In order to move the park into stronger profitability a pro-active and development based approach will be necessary. Private park home estate companies are well versed in such work whereas I think it is unlikely a public authority would have an appetite for the entrepreneurial investment of time and capital which would be required for such a project.
- 4) There are significant statutory controls on the operators of privately owned park home estates which are designed to safeguard the interests of park home residents.

9.6.2 For the reasons set out in paragraph 9.4.1 it is not yet an appropriate time to bring the park to the market (either on a leasehold or freehold basis) given the state of the property market. I recommend that in the time between now and the necessary improvement in the economy the action recommended within paragraphs 9.1.1a-d (ie standard pitch fee review dates; annual pitch fee reviews; separate charging for water and sewerage agreement on action following the fire risk assessment) be implemented in any case.

9.6.3 Nevertheless during the meeting at the Acorn Close Common Room on 13 October there did appear to be substantial support for option 1 with the residents paying the water and sewerage charges.