MAYOR OF LONDON

Queen Elizabeth Olympic Park Fixed Estate Charge Review

Submission to the Mayor

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CONTENTS

Introduction

This review of the Fixed Estate Charge (FEC) levied at Queen Elizabeth Olympic Park (QEOP, the Park) was undertaken at the request of the Mayor of London. The Deputy Mayor of Planning, Regeneration and Skills, Jules Pipe, led the review, supported by GLA officers. The Mayor's request followed representations from the Chobham Manor Residents Association (CMRA) and subsequently, on their behalf, from ward councillors and the local MP, questioning the fairness of the charge.

The FEC is a fixed charge, dependent on the nature of the use of premises; it is index-linked and paid to the London Legacy Development Corporation (LLDC). It is used for the upkeep and maintenance of the Park and its venues; and applies to all types of occupier on the Park estate with a legal interest exceeding five years. The FEC contributes towards the management, maintenance and security of the parklands, footpaths, cycle ways, bridges and waterways that make up the Park. Unlike a service charge, it does not cover the full cost of the upkeep of the Park and is not allocated to specific costs.

This report's findings are drawn from a fact-finding exercise, including evidence from stakeholders; consideration of similar models through a benchmarking exercise; and other relevant information. The importance of ensuring the long-term financial sustainability of the Park was a major consideration of the review.

The report considers options for alternative funding models for QEOP; and alternatively improved benefits for residents who pay the FEC, including enhanced engagement between them, LLDC and their management agents.

Executive summary

The legacy of the London 2012 Olympic and Paralympic Games is regarded as the most successful legacy of any Olympic and Paralympic Games. This has been driven by QEOP, which is established as a unique and immensely important public asset and a successful regeneration programme, transforming the area financially, economically and socially, with new homes, jobs, skills, education and culture, along with sport, at its heart. Maintaining a high-quality Park is important both for residents and to encourage and maintain inward investment in the area.

The FEC is a fixed, index-linked charge levied on residential and commercial occupiers of LLDC land established in 2016 by the then Mayor of London to contribute towards the management and maintenance of the Park, including parklands, footpaths, cycle ways, bridges and waterways, and venues that make up QEOP.

This review was undertaken at the request of the Mayor of London, in recognition of the fact that there are residents living in or around the Park who have questioned the fairness of the charge. This report sets out the findings from a review undertaken by the Deputy Mayor for Planning, Regeneration and Skills, Jules Pipe. These findings are drawn from a fact-finding exercise, including considering evidence from stakeholders, consideration of similar models and other relevant information. The importance of maintaining the long-term financial sustainability of the Park, to safeguard and continue the legacy for the benefit of residents and visitors alike, was also a major consideration of the review.

The FEC is one part of the funding for the Park. It provides a significant and increasingly important revenue stream for the long-term custodianship of QEOP; and for LLDC to be able to deliver and maintain the legacy for London and beyond. At present the Mayor of London provides the majority of the funding required to run the Park and venues, along with all the life-cycle/maintenance costs for the Park and venues.

It is LLDC’s stated objective that as developments on the Park are completed, the requirement for grant funding from the Mayor of London (excluding the London Stadium) will be reduced and eventually eliminated in the long term. This will allow the Mayor of London to increasingly fund regeneration in other areas of London that require support.

Evidence was gathered from relevant stakeholder organisations, including: those who pay for or collect the FEC; the Growth Boroughs (the four London boroughs in which the Park is situated in or by: Hackney, Newham, Tower Hamlets and Waltham Forest); and local landowners. Several themes emerged from the responses and these are explored through the report. These are detailed below.

The first theme is recognition of the quality of the Park, and agreement that it should be maintained as a quality space in perpetuity. This was underlined by positive responses from Growth Borough residents to a visitor research survey; and by the views of Chobham Manor residents delivered through a post-occupancy evaluation.

Most stakeholders supported the FEC as a way of funding the maintenance of the Park and recognised that: the Park benefits local people more than others, including access to the venues which are subsidised by LLDC; and that the Park needs to be funded in the long term. Most stakeholders agreed that those who reap the most benefits from the quality of the Park (including high-quality green spaces; affordable, world-class venues; and impact on property values) should contribute to its maintenance. However, some of the responses stated that the financial burden on local residents was too great; and most did not agree that the FEC was charged at the right level, with most respondents and residents suggesting it was too high. The section in the report on benchmarking finds that the FEC charge is comparable to similar schemes, if at the high end of the range. The review does suggest that, through local authorities' funding from business rates or a council tax levy, options could be explored to reduce the burden on current FEC payers. However, a bespoke scheme local to the Park would require primary legislation, and agreement to a simple proportional contribution by the Growth Boroughs would be unachievable in the current financial climate of overstretched local authority budgets.

A key theme from the evidence was also the perceived unfairness of other residents close to the Park (for example, East Village and Glasshouse Gardens residents) not paying the FEC – although these residents pay other charges that contribute to maintaining other public areas of the Park. For example, Get Living London (which manages the East Village public realm) is responsible for maintaining and securing the wetlands area of QEOP, Victory Park and other public realm on its estate, which can be enjoyed by residents who pay the FEC, as well as the general public. FEC payers in Chobham Manor, and East Wick and Sweetwater pay a service charge, additional to the FEC, that contributes to the public realm within those estates.

The review has considered many suggested improvements to the FEC and its administration for both existing and future residents and business occupiers. After careful deliberation of all the evidence, the review concludes that the FEC should be retained as a key part of the funding for the Park. This is because, on balance, it represents a legitimate and pragmatic way for those who benefit most from the Park to make a fixed contribution to its continued maintenance.

This review has also found that some inherited anomalies are present from the start of the FEC scheme, which was not set up in the most equitable way. It would have been fairer, had decisions been made at the planning stage, to ensure that other residents and businesses of the Park – but outside the FEC boundary – be subject to the FEC. LLDC does not own the land for these developments, and therefore has no means of levying the charge against them, so these anomalies cannot be dealt with in retrospect. The review makes suggestions to improve information and access for those residents who do pay the FEC.

Stakeholders were split on the question of whether the FEC should be indexed. Those in favour pointed to the real need to maintain the Park to current standards when costs rise due to inflation. Those who disagreed noted reasons of affordability and suggested that there was not enough transparency around costs to understand whether indexation was appropriate. Responses also suggested that other funding options should be explored to reduce the need for indexation. The conclusion of this review is that removing indexation of the FEC would have a significant impact on funding, and lead to a reduction in the quality of the Park over time; therefore, it is recommended that this is retained through the existing mechanisms. To address the current cost-of-living crisis, and in particular the rate of inflation, a temporary cap on indexation of the FEC has been suggested. However, such a cap would require additional alternative funding to be identified to balance LLDC's budget, which is a legal requirement. Having increasing costs and tethered FEC income would lead to a long-term imbalance in the budget.

Some residents felt that the communication of the workings of the FEC was not made clear during the sales process, particularly for phase 1 residents of Chobham Manor, after which documentation was amended. The existence of the FEC would have been raised with purchasers during the conveyancing process; and it is recommended that LLDC should continue to review and validate the information provided by developers to ensure that: the FEC obligation is explained clearly; this is a systematised part of the process; and it is understood by all residents in advance of signing leases. Better communication and more transparency to FEC payers about how FEC funds are used, and about future funding models, was also a theme from this review, and it is recommended that an annual report is produced by LLDC for FEC payers. It is also suggested that LLDC communicates to residents the legal position of the FEC (that it is not a ground rent) and future plans for managing the estate.

Other areas of improvements to the FEC scheme that have been suggested, and form the basis of recommendations, include: developing a package of benefits for residents who contribute to the funding of the Park through the FEC, bearing in mind the tax position of providing such benefits; and looking at providing greater accountability and opportunities to influence decision-making about the Park for FEC payers.

The review also looked at the FEC boundary and recommends that the boundary should not change, with one exception: Rick Roberts Way. Given the geographical position of the land – with the physical barrier that is Stratford High Street (see map at appendix 2) – the benefits of the Park cannot be said to be the same as those neighbourhoods that are within or adjacent to the Park boundary. It is therefore recommended that Rick Roberts Way is removed from the FEC boundary. As it is a fixed estate charge rather than a service charge, this change does not affect the contribution of FEC payers.

London Legacy Development Corporation and Queen Elizabeth Olympic Park

LLDC is a custodian of the London 2012 Olympic and Paralympic Games regeneration legacy, including QEOP. LLDC is responsible for ensuring the long-term management and stewardship of the Park and the wider estate; and the long-term success of the place as an economic driver for London.

Over £13bn of public and private sector investment has been made in the Park and the wider area. This investment has created a place that is unique as both a legacy of the 2012 Olympic and Paralympic Games, and a successful regeneration programme, transforming the area financially, economically and socially, with new homes, jobs, skills, education and culture, along with sport, at its heart.

As part of the convergence agenda, investment in the Park and its surrounding areas has helped to reduce the unemployment rate for the four Growth Boroughs: in 2012 unemployment was 12.1 per cent against the London average of 9.5 per cent; by 2020 the figure had reduced to 5.3 per cent against the London average of 4.7 per cent.

Work is completing on East Bank, the new culture and education powerhouse at QEOP bringing world-class cultural and educational institutions to the Park. The £1.1bn investment will drive a £1.5bn return to the economy, including significant benefits to the local economy. LLDC currently manages and maintains the Park to a standard appropriate to the Park’s world-class status following the London 2012 Olympic and Paralympic Games – said status being that of an international sporting, cultural and tourist destination, thereby securing its regeneration, development, and legacy.

The Fixed Estate Charge

The FEC is a fixed, index-linked charge paid to LLDC to assist with the upkeep and maintenance of the Park, its assets and venues; it applies to all types of occupier on the QEOP estate. The FEC contributes towards the management of the parklands, footpaths, cycle ways, bridges and waterways that make up QEOP.

In April 2016, the then Mayor delegated to LLDC powers to maintain and ensure the upkeep of QEOP, and to collect the FEC to contribute to the funding of this obligation; and directed LLDC to use these delegated powers. Whilst LLDC already maintained QEOP, and levied and collected the FEC, this direction and delegation put it beyond doubt that LLDC is acting as a public authority in terms of its obligations to levy the FEC to maintain and ensure the upkeep of QEOP.

The Mayoral Decision (MD) MD1646, which was signed by the then Mayor on 29 April 2016, "delegates powers to maintain and upkeep QEOP to a standard appropriate to the Park's status and so as to secure its regeneration and development, and to levy and collect the FEC from occupiers of the QEOP in furtherance of this." This MD complements and supplements the general powers delegated to LLDC in 2012 (MD1066).

LLDC requires that all occupiers of the Park with a legal interest in excess of five years are liable to pay the FEC. On developments within the Park, the charge is levied on developers, who in turn must ensure that all purchasers of homes (freehold and leasehold), and business occupiers enter into a covenant to pay the FEC through their leases or freehold transfers (as applicable). Equally, the developers are obliged to collect the FEC on LLDC's behalf under the terms of their development agreements. Vendors of homes, whether by freehold or leasehold, require a Certificate of Compliance from LLDC for onward transfer to ensure that, at the point of transfer, there are no breaches to the covenants specified in the agreements, including the payment of the FEC.

The FEC provides greater operational flexibility to LLDC and is more affordable for Park occupiers than the alternative: a variable service charge arrangement where all costs would need to be covered, as the FEC enables partial costs to be levied. As a fixed charge rather than a variable service charge, the FEC is not subject to the requirements of the Landlord and Tenant Act 1985 (Sections 18-22), which prescribes how service charges are to be implemented along with the relevant RICS Service Charge Codes.

One key principle of the FEC is that residential and commercial occupiers alone should not pay the full cost of managing the accessible Parklands, public realm and venues, and life cycle costs; but will instead be required to contribute, by way of the charge. This puts a requirement on LLDC to reduce costs and seek other forms of income. The fixed nature of the FEC also has the advantage of protecting FEC payers from negative economic conditions (with the exception of inflation as the FEC is subject to indexation) – for example, rising energy costs or a surge in expenditure (e.g., reactive works) leading to an increase on Park and venue operational costs beyond the rate of inflation. Having the FEC rather than a service charge also means that VAT is not applied (added) to the sum levied on FEC payers. A ruling by HMRC in 2016 confirmed that the FEC is outside the scope of VAT.

The FEC provides a significant and increasingly important revenue stream for the long-term custodianship of QEOP and for LLDC to be able to deliver and maintain London's legacy aspirations. A plan of the QEOP estate is attached at Appendix 1.

LLDC is only able to levy the FEC on land that it owns, so there are areas in close proximity to the Park, such as East Village, where the FEC is not levied.

The FEC income is ringfenced for the benefit of and investment in QEOP and its assets. The FEC is based on a fixed rate per square foot of the area occupied. The charge is subject to annual inflationary indexation. The 2022 charge (once indexed for inflation) is set out in the table below.

Table 1 – Categories of uses that pay the 2022 Fixed Estate Charge

Use	Charge	Definition
Commercial	£1.89 per square foot	Industrial, office, retail and university
Private housing (including private rental sector (PRS) units), state schools; civic, community and culture amenities	£1.26 per square foot	Housing sold on the open market for current market rates PRS units State schools Civic amenities Community and culture amenities Community or public service amenities that fall under D1 or D2 of the Town and Country Planning (Use Classes) Order 1987) – to be confirmed with the Regeneration team
Affordable housing	£0.63 per square foot	Affordable housing is social rented, affordable rented and intermediate housing provided to eligible households whose needs are not met by the market – see National Planning Policy Framework. (See details about onward apportionment below.)

The FEC principles have been applied across LLDC's freeholders and long leasehold tenants. For residential properties, LLDC levies the developer, and the developer apportions costs.

The FEC Boundary and Park sit across the Growth Boroughs, who do not make a direct financial contribution to the Park but do receive council tax and business rate receipts from residents and businesses within the Park. These receipts have grown substantially with the development of the Park, and support the services provided by each borough to local residents, including those in new properties built as part of the area's regeneration.

Affordable housing

The mechanics of the onward apportionment is not prescribed in development agreements by LLDC; which allows variances in the approach taken by the two current developers: Chobham Manor LLP, and East Wick Sweetwater Developments Ltd.

The overall charge is derived and invoiced by LLDC on the developers, and they then allocate between different tenures. Both developers charge the FEC to private homeowners and shared owners (at a reduced rate). Neither developer passes on the charge for the following affordable tenures: affordable rent; and intermediate rent (London living rent and London affordable rent). Chobham Manor LLP passes the charge on to its social rent tenants, but they plan to stop doing this from April 2023, whereas East Wick developers have not passed on the charge for phase 1 of their development. LLDC is seeking to ensure greater consistency for their future developments, where contracts can be revisited.

'Great estate' principle

LLDC seeks to manage its estate along similar principles to the 'great estates of London' (e.g., Grosvenor, Cadogan, Howard de Walden, Portman and Bedford Estates – to be found in Mayfair, Belgravia, Pimlico, Chelsea, Marylebone and Bloomsbury), that exercise control over long-term design and management, in emphasising the importance of a long-term vision to protect amenities and maintain a high-quality environment.

The Estate is currently managed by LLDC though the delivery of the estate and facilities management contract with Equans (formerly Engie), which provides estate and facilities management for the Park and venues, and horticulture services. The management of the Copper Box Arena (CBA) and London Aquatics Centre (LAC) has been contracted to Greenwich Leisure Limited (GLL) on a 10-year operational contract. LLDC has recently commenced a procurement process for the Park operational contracts, including for Estate and Facilities Management, the management of the LAC and CBA and has let the Park security contract through the appointment of G4S in 2022. The procurement exercises have been designed to ensure that the service levels are adequate, and the costs are competitive.

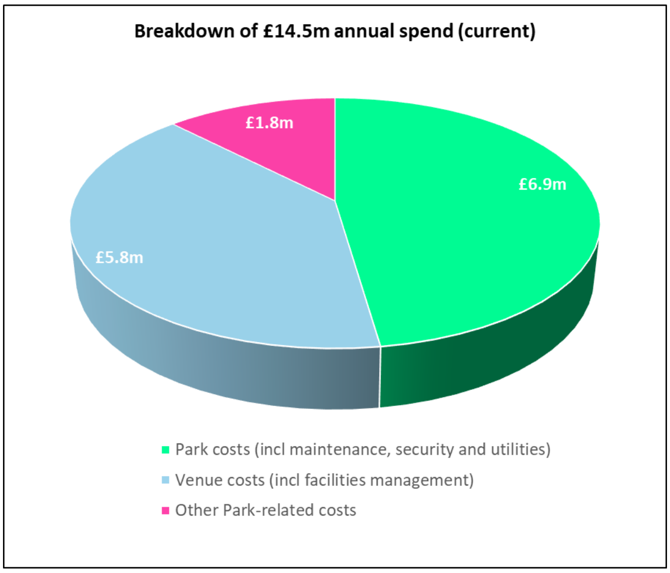
Prices in the LAC and the CBA are currently pegged in line with prices in the local boroughs. While this is a significant benefit to local users, who are best placed to take advantage of the inherent subsidy, it means that the challenge to achieve a sustainable financial model is made more difficult as – for example – the LAC, as a world-class Olympic-standard venue, is significantly different in scale and operational cost to a local borough swimming pool.

Some savings are expected to be made on venue costs following these procurements, and LLDC is also undertaking commercial work to reduce costs and increase income across the Park. Even so, it is likely that further funding will still be required to meet the venues' costs.

The London Stadium pays the FEC but is not funded through the FEC in the same way as other LLDC venues.

Operating and funding the Park

Based on current service delivery, the costs of operating and maintaining the Park and venues[1] are set out in the following chart:



The table below provides further detail of the costs of operating and maintaining the Park and venues for 2021-22 and the projected spend for 2025-26 – the financial year after LLDC moves into its next phase, with town planning powers reverting to the Growth Borough and a reduced geographical boundary (see 'the future of LLDC' below). Note that actual figures for 2021-22 were impacted by the COVID-19 pandemic.

Expenditure	2021/22 Actual £m	2025/26 Projected £m
Estates and Facilities Management - Park (incl security)	5.4	5.6
Utilities - incl water, electricity, heating and cooling	1.6	1.7
LLDC staffing costs (apportioned)	0.9	1.0
Other - incl event delivery and technical professional advice	0.3	0.2
Park headquarters and depot operations	0.2	0.2
Park visitor experience	0.1	0.1
Car park operations	0.1	-
Total Park[1] costs	**8.7**	**8.9**
Estates and Facilities Management - Venues	2.8	0.2
Venue operational/management costs	2.1	1.2
LLDC staffing costs (apportioned)	0.6	0.7
Rental properties operational/management costs	0.3	-
Total Venue costs	**5.8**	**2.0**
Total costs	**14.5**	**11.0**

[1] *This covers 'Park costs' and 'other Park-related costs' from the chart on the previous page*

[1] Note that 'venues' includes attractions such as the ArcelorMittal Orbit and other outlets such as the Timber Lodge Café; but excludes 3 Mills Studios, as this is located away from the Park, and excludes the London Stadium.

These costs are funded through various sources illustrated in the following table (note that LLDC is not required to allocate sources of income to specific costs); the highest contribution at present is from the Mayor of London via a grant to LLDC. The contribution made by residents paying the FEC does not exceed the costs of maintaining the Park so residents are not contributing to the cost of subsidising the venues.

Income	2021/22 Actual £m	2025/26 Projected £m
GLA grant - Park	4.1	0.8
Fixed Estate Charge	2.8	5.8
Car parking income	0.9	-
Recharges	0.4	-
Events	0.4	0.2
Park commercial (e.g. sponsorship)	-	2.0
Other	0.1	0.1
Total Park income	**8.7**	**8.9**
GLA grant - Venues	4.3	0.5
Income - Venues	-	0.8
Rental properties	1.5	0.7
Total Venues income	**5.8**	**2.0**
Total income	**14.5**	**11.0**

The GLA grant is the balancing figure and not ringfenced to the Park.

The total FEC collected in the previous financial years from the date of Mayoral Decision 1646 in April 2016 to 2020-21 was c£9.6m.

The Mayor of London also funds the necessary capital (‘lifecycle’) investment required to maintain the quality of the Park and venues to their current high standard. In 2021-22, this was £1.8m and will total a further £10.7m by 2025-26; none of this capital investment is funded by the FEC.

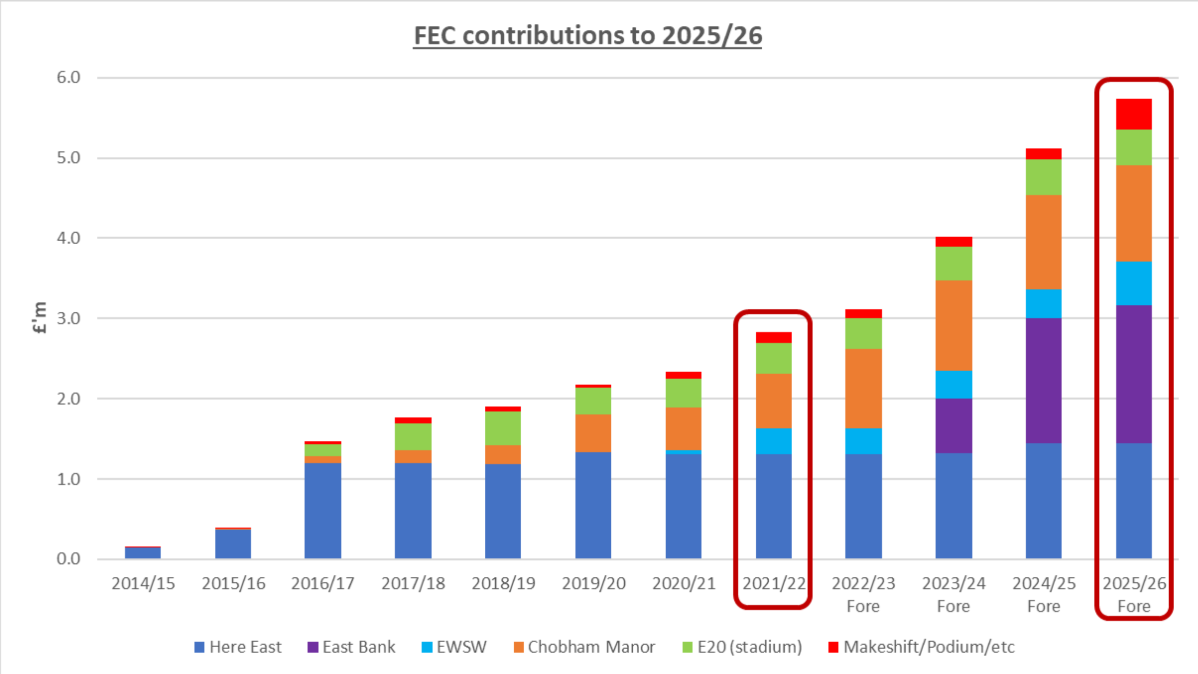
For the long-term financial sustainability of the Park, LLDC’s objective is that, excluding the London Stadium, as developments on the Park are completed the requirement for grant funding from the Mayor of London (and therefore London’s taxpayers) will be reduced. The aim is that they will be eventually eliminated. This will allow the Mayor of London to fund regeneration in other areas of London that more urgently require this support.

This is to be achieved through the FEC being paid by future residents living within the FEC boundary as more homes and commercial properties are built and occupied on LLDC land; increased income from commercial activities (e.g., sponsorship or additional events); and savings made on Park and venue costs including through the Park and venue contract re-procurements that are being undertaken at present.

The previous table above also shows how the costs of operating the Park and venues are projected to change by 2025-26 (see ‘the future of LLDC’ below). Note that this is for illustration only; the projected figures are highly dependent on savings and commercial improvements being delivered, as well as other factors such as the cost of inflation between now and then.

In the first instance, any savings made from the venues would be used to reduce the level of subsidy provided by the GLA rather than reducing the contribution from the FEC, allowing the GLA to invest in regeneration activities across a wider geography of need in other areas of London.

By 2025-26, with more occupiers on the Park, the FEC will fund circa 52 per cent (currently circa 22 per cent) of the total projected costs. Therefore, other income streams, such as those secured through commercial arrangements, will continue to be important for the long-term financial sustainability of the Park and venues. The chart below sets out a projection of FEC contributions to 2025-26 and how these are broken down by category of FEC payer.



Along with the other funding streams, the FEC is designed to safeguard the 'great estate' principles of maintaining a quality estate in perpetuity, ensuring that residents and property values continue to benefit from being located next to a quality open space with excellent sporting and cultural amenities. This should help ensure that the long-term maintenance of the Park is not dependent on discretionary funding from the Mayor of London in future.

Homes on, and local to, QEOP attract a premium price because of the quality of the environment created by the Park. There continues to be very strong demand for them, with price rates rising among the fastest in London. However, there are conflicting views on this from stakeholder organisations, set out in section 5, and more evidence on the strength of house prices is set out later in this report.

The FEC is a fixed charge, rising only to allow for inflation. Although in the long term the completion of LLDC's housing programme will increase the income generated by the FEC, this will still not cover all the costs of maintaining the Park and venues, and the contribution made by residents paying the Fixed Estate Charge is not expected to exceed the costs of managing and maintaining the Park. There is therefore no intention on the part of LLDC to reduce the FEC charge for residents at the point of full occupation. This is different to a service charge that would load all the costs on the early occupiers, who would then see them reduce over time, as more properties came into the charging regime.

Information about the FEC

The requirement to pay the FEC to contribute to the maintenance of QEOP (in addition to council tax) is made clear to residents and occupiers by the sales offices of developments and forms part of the reservation pack to ensure prospective residents understand the charge.

LLDC's website sets out details of the FEC, including an FAQ page.

Each development platform is separately managed – with, for example, Chobham Manor being managed by London & Quadrant (L&Q). The obligation to pay the FEC as an occupier-owner is made clear by the Taylor Wimpey Sales Office at Chobham Manor and forms part of the reservation pack to ensure prospective residents understand the charge (a copy of the Sales Sheet is attached as Appendix 3). This narrative may be missing on properties that are subsequently sold on; albeit the obligation is clearly contained within the leases and transfers granted upon sale and will be highlighted during the conveyancing period prior to completing the purchase.

The communication of the FEC both at the point of sale through the marketing suite, and throughout the management, has been criticised by some residents. The information shared by early residents in Chobham Manor appears to include a factual error in relation to how RPI will be applied. Those residents have also asserted that they were told that there would be future benefits from paying the FEC.

In summary, the developers are required to advise potential residents of the FEC obligation at the point of sale, information is provided in reservation packs, and it is contained within the leases.

Addressing whether the FEC is a ground rent

Residents have written to the Mayor's Office and LLDC questioning whether the FEC is a ground rent (a term given to a rent payable under a lease, usually annually, for which the landlord does not have to provide any service in return). The ability of landlords to charge ground rents has been restricted by the coming into force of the Leasehold Reform (Ground Rent) Act 2022.

LLDC has received legal advice confirming the FEC is not a ground rent and is an 'estate charge' – a payment towards the costs of maintaining an estate.

Estate charges are not subject to any of the reforms in respect of ground rents. Indeed, the Government accepted, in their consultations on the proposed reforms of leasehold, the legal basis for such charges which have existed for many years.

To ensure that there is no ambiguity in the future, one of the recommendations of this report is that LLDC writes an open letter to all residents clarifying that the FEC is not a ground rent, and setting out the legal basis for this.

Engagement with residents

LLDC communicates and engages with local residents regularly and consistently, including through publications; community engagement (for example Your Neighbourhood Talks and free community events); and engagement with residents' associations. LLDC also engages with resident representatives in the Park through the **QEOP Residents' Forum**, which meets quarterly and is chaired by LLDC.

The CMRA is also a member of the **Park Panel**, which assists LLDC and its delivery partners to deliver its vision, mission, strategic objectives, and associated activities.

The future of LLDC

LLDC was established as the first ever Mayoral Development Corporation (MDC) in 2012, to take forward commitments made in the original London 2012 bid in relation to the physical and socio-economic regeneration of Stratford and the surrounding area. There remains significant work to do to fulfil the commitments made in the original London 2012 bid with respect to the regeneration of east London. However, it is anticipated that by 2025 all development projects on LLDC land will be in contract for delivery over the next 10 years. The Mayor of London has directed that Town Planning Powers will revert to the Growth Boroughs in December 2024 and the MDC will remain to: deliver development; oversee the long-term management of the estate; realise the ongoing delivery of legacy, social and economic aims; and coordinate future inward investment and strategic planning for the area. The governance of the MDC will be revised, but will continue to include relevant Growth Borough Mayors on its Board. The MDC will continue to be responsible for collecting the FEC, and managing the Park and venues. The boundary of the MDC will be reduced, subject to consultation which is scheduled to commence early 2023.

From 2025 the costs of the MDC will be lower and increased commercial income is anticipated as it strives for financial sustainability. A sustainable financial position is an ambition, but the Mayor of London will need to contribute to the Park for many years to come.

It is a recommendation of this report that LLDC should publish an open letter to residents reassuring them about the future plans for managing and maintaining the estate; and about the local oversight that will be included in the governance of LLDC.

Evidence

This section provides evidence about the FEC from a fact-finding exercise with key stakeholders and further information from other relevant sources.

Methodology

Twenty-six stakeholder organisations were asked to respond to a fact-finding questionnaire, and 20 responded; these organisations are listed below. The stakeholder organisations were selected because they are: organisations representing residents who pay the FEC; commercial, community, educational and cultural organisations who pay or will pay the FEC; housing developers on the Park who collect the FEC from residents; Growth Boroughs; and local landowners.

Stakeholder organisations that responded:

- London Borough of Hackney
- London Borough of Newham
- London Borough of Tower Hamlets
- London Borough of Waltham Forest
- CMRA
- Taylor Wimpey
- Taylor Wimpey London
- L&Q
- East Wick and Sweetwater Projects
- Sadler’s Wells Trust
- University of the Arts London
- University College London
- V&A
- LLDC
- Lee Valley Regional Park Authority
- GLL
- Here East
- Westfield
- Barge East
- East Wick Residents representatives

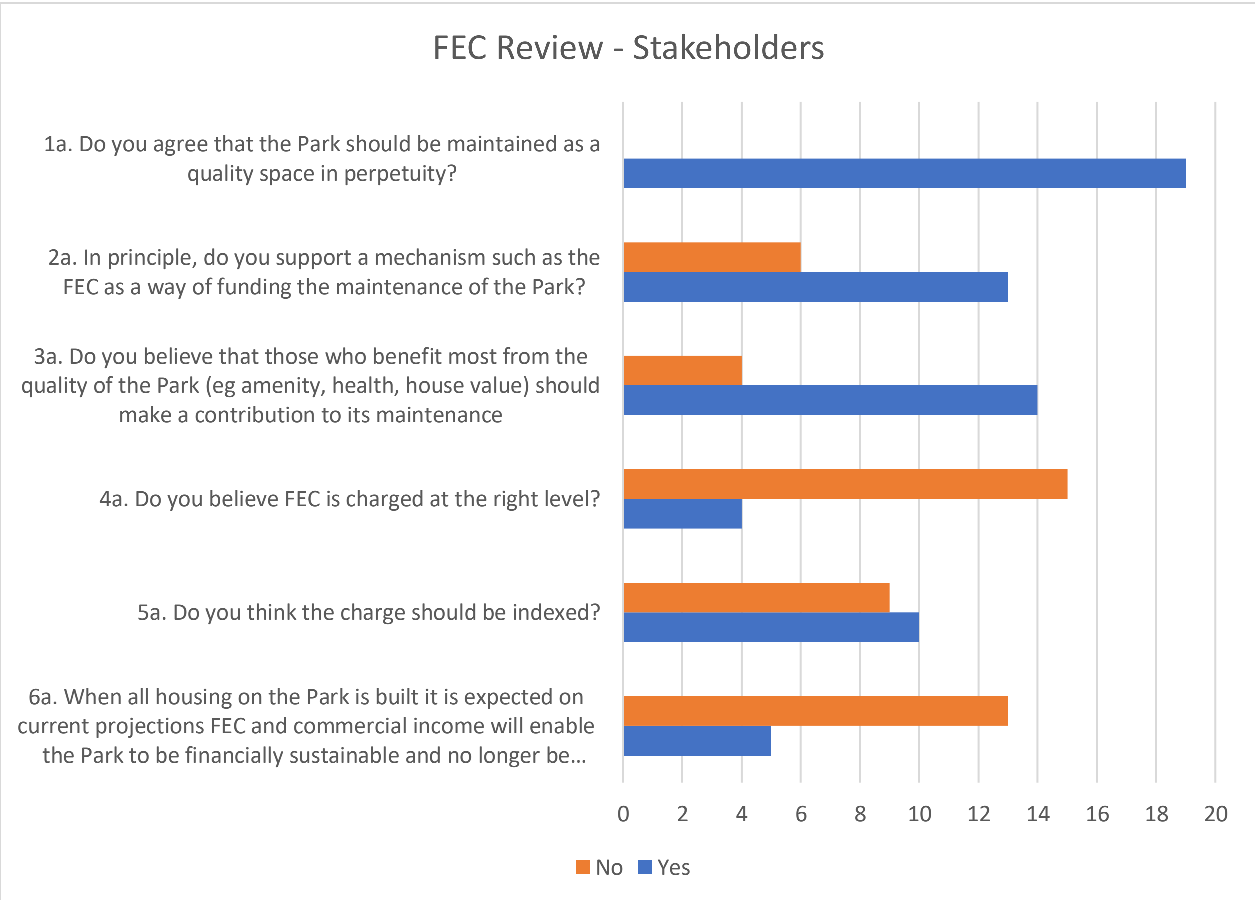
The following stakeholder organisations were asked but did not respond to the questionnaire:

- Bobby Moore Academy
- Balfour Beatty
- Balfour Beatty Investments
- Lendlease
- Mossbourne Riverside Academy
- Get Living London*

*Get Living London submitted a letter in response to the fact-finding exercise, but this did not answer the questions set out in the fact-finding questionnaire and they did not complete a questionnaire.

A further 22 responses were received from private individuals living at Chobham Manor. Although the questionnaire was directed through the CMRA, their responses are included in the section ‘Views of residents,’ below and Appendix 2.

Analysis



Summary of comments from stakeholders

Q1. Do you agree that the Park should be maintained as a quality space in perpetuity?

All stakeholders (including LLDC and the Growth Boroughs) agreed that the Park should be maintained as a quality space in perpetuity. There was a recognition of the quality of the Park; and its importance to local people, with benefits for health, fitness and wellbeing, and its status as a resource for people living in deprived areas. Responses also mentioned the success of the Olympic legacy and ensuring that the Park remains a free amenity for all.

LLDC noted the importance of the Park as a public asset; and LLDC's role in ensuring the long-term management and stewardship of the estate, and the long-term success of the place as an economic driver for London. It also noted its role of managing and maintaining the Park to a standard appropriate to the Park's world-class status as the venue, and a legacy asset, of the London 2012 Olympic and Paralympic Games; and as an international sporting, cultural and tourist destination. Reducing the quality of the place would have a significant detrimental impact on the continued investment in the Park and the wider area, and the benefits that would bring.

Businesses recognised the positive impact a well-maintained and secure Park had on footfall. Negative responses in the comments from stakeholders focused on the FEC funding mechanism, covered below.

Comments from the Growth Boroughs aligned with these views and noted the pre-2012 Supplementary Planning Document that recognised the development as "one of the best places to live and work in London". They also mentioned the role of the Park in helping to lever socio-economic benefits for local communities and the need to maintain the quality of the Park for new neighbourhoods.

Q2. In principle, do you support a mechanism such as the FEC as a way of funding the maintenance of the Park?

LLDC noted the importance of continuous maintenance of the Park to appropriate levels of quality and its importance for social cohesion and well-being. It suggested that the FEC is the most equitable means of ensuring that the greatest contribution to maintaining the quality of the Park is made by those who benefit most from it, can most easily access the subsidised venues (LAC and CBA where prices are maintained in line with local prices, below their market price) and benefit from the lowest crime levels in the wider area; and by homeowners and developers who will see the quality of the Park reflected in the valuation of their properties.

The majority of stakeholders supported, in principle, the proposition that a mechanism such as the FEC could serve as a way of funding the maintenance of the Park; but there were six stakeholders who disagreed with this, and there were some nuances in the comments. Stakeholders recognised that the Park had more benefits for local people than for others, including access to the subsidised venues; and that the Park needed to be funded in the long term. However, some of the responses stated that the financial burden on local residents was too great, and noted that East Village residents do not pay the FEC, which was in their view unfair. Some responses suggested that funding generated from council tax and business rates could be used to fund the Park.

The Growth Boroughs agreed with the FEC in principle but suggested that other funding options be explored, noting that it would be fairer if other residents and institutions in the area, who are not subject to the FEC, could contribute.

Q3. Do you believe that those who benefit most from the quality of the Park (e.g., amenity, health, house value) should make a contribution to its maintenance?

The majority of stakeholders (76 per cent) agreed that **those who benefit most from the quality of the Park (e.g., amenity, health, house value) should make a contribution to its maintenance;** but there were four stakeholders who disagreed with this, and there were some nuances in the comments. There was general recognition that the Park benefits local people and businesses; and that it is fair that they make a contribution to its upkeep. Stakeholders commented on the importance of a well-maintained Park to security and prevention of crime. There were conflicting views on the impact on house prices, with at least one stakeholder's view that the FEC is a detrimental to house prices; but others noted that house prices locally are among the fastest-rising in London. Stakeholders suggested that other funding options should be considered and that local residents paying the FEC should receive benefits, for example free entry to attractions.

LLDC agreed with the statement and noted that homes on the Park and locally attract a premium price (they are among the fastest-rising house prices in London) because of the quality of the environment. LLDC also made the point that the benefits of having a quality park within walking distance are well documented by CABE Space and others: adding 20 per cent to property values, reducing stress, improving mental health, providing urban cooling and cleaner air. It noted the safety and security provided to residents due to the management of the Park and the risk of increased antisocial behaviour if investment was reduced.

Three of the four Growth Boroughs agreed with the principle but noted that others who are not from the local area, and local residents and institutions who are not part of the FEC, also benefit from the Park. Boroughs also noted that the cost-of-living crisis made it difficult for residents to afford the FEC. One borough did not agree with this principle, suggesting that the burden on residents was too high and that this should be borne by businesses on the Park.

Q4. Do you believe the FEC is charged at the right level?

LLDC agreed with this statement, noting that in 2016 an informal benchmarking exercise was undertaken with the King's Cross scheme; and that LLDC's estate charge and approach is broadly in line with that adopted at King's Cross, with LLDC's charges per square foot below those of King's Cross for private residential, affordable housing and commercial tenants – despite King's Cross not providing benefits such as close proximity to world-class sporting facilities at affordable price points.

The majority of stakeholders (77 per cent) did not agree with LLDC that the FEC is charged at the right level, with a majority suggesting that it is too high; four stakeholders responded that the FEC is charged at the right level. Stakeholders noted a high financial burden on institutions (particularly not-for-profit organisations) and residents, and suggested that it could discourage those considering moving to the Park. There were also comments about broadening the categories of FEC payers to other local occupiers; and reducing the FEC through removing the subsidy for the venues. Some of the comments did not recognise that Get Living London is responsible for maintaining and securing the wetlands areas of QEOP and Victory Park.

All four Growth Boroughs suggested that the level at which the FEC is charged is too high. It was also suggested that more information be provided relating to future LLDC budget projections, and how the FEC contributes to these.

Q5. Do you think the charge should be indexed?

Stakeholders were split on the question of whether the FEC should be indexed. Those in favour pointed to the real need to maintain the Park to current standards when costs rise due to inflation. Those who disagreed noted reasons of affordability, and suggested that there was not enough transparency around costs to understand whether indexation was appropriate. Responses also suggested that other funding options should be explored to reduce the need for indexation.

LLDC suggested that the charge should be indexed, noting that the cost of providing services on the Park increases over time with inflation. It noted that to prevent a net real-income deficit, which would lead to reduced budgets and a subsequent managed decline, along with the significant risks to public and private investment in the area, the charge needed to rise with the cost of inflation.

Three of the Growth Boroughs did not agree that the FEC should be indexed, noting the cost-of-living crisis and the need for greater transparency; and suggesting that other funding options should be explored. One borough noted that the Office for National Statistics has stopped using RPI as the principal measure of inflation. One borough supported indexation to a degree to allow for price inflation of goods and services that must be procured to maintain and operate the Park.

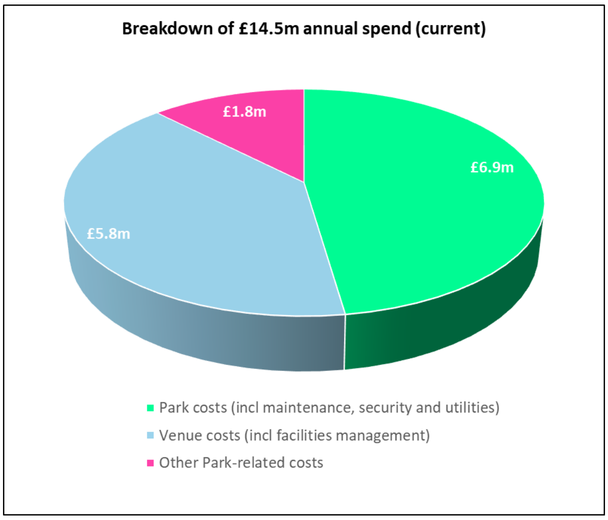
Q6. When all the housing on the Park estate is built it is expected that, on current projections, the FEC and commercial income will enable the Park to be financially sustainable and no longer be dependent on discretionary subsidy funding from the Greater London Authority. Do you agree with this ambition?

LLDC agreed with this statement and noted that moving to a higher proportion of discretionary funding would be destabilising for the MDC estate over the longer term. Funding would become more vulnerable to changing political aspirations and administrations; and would likely lead to more nervousness across the business elements of the Park as far as future-proofing quality is concerned. This could lead to reduced budgets and lower standards adversely impacting future investment. It also pointed to the work it is doing to reduce costs and increase revenues to reduce funding requirements from the Mayor of London.

The majority of stakeholders did not agree with this ambition and comments included suggestions that the Park should also be funded through alternative sources, such as events, council tax, central government funding and GLA subsidy. Stakeholders agreeing with the ambition noted the risks of potential funding cuts impacting on the quality of the Park if there is a high proportion of discretionary funding.

All four Growth Boroughs disagreed with this statement and suggested that ongoing subsidy from the GLA would be the fairest way to fund the Park. None of the boroughs suggested that a contribution might be made through council tax for local communities who use the Park, as is the case for some other parks in London, for example Putney Heath. This is explored in section 7 of the report.

Q7. If the FEC is reduced or abolished and there is a resultant gap in the long-term funding of the Park, which of the areas identified in the chart should be reduced to achieve a financially sustainable position?



Not all stakeholders identified areas that should be reduced; some noted that more detailed information would be required to give a view. The majority of stakeholders suggested that venue costs, including facilities management, should be reduced. Comments included the suggestion that venues should be self-sustaining; and questions were posed around the fairness of subsiding venues' operations for residents who do not use them, however this review has found that the contribution made by residents paying the Fixed Estate Charge will not exceed the costs of maintaining the Park so residents can be assured that they are not contributing to the cost of the venues. Some responses mentioned the contribution to the FEC made by the London Stadium (see section 3) and others seemed unaware that the Stadium is not funded from the FEC. Comments from stakeholders suggested that Park costs – including maintenance, security and utilities – could be reduced, and included the suggestion that there could be opportunities for economies of scale with the Growth Boroughs and Lee Valley Regional Park.

The four Growth Boroughs all suggested that venue costs should be reduced, suggesting that these could be self-financing and that more could be done to ensure benefits of the venues are enjoyed by local residents.

In response to question 7, LLDC highlighted the additional business rates and council tax generated in and around QEOP, which is close to £80m per annum collected by the local authorities. Furthermore, LLDC suggested that if a funding shortfall results from a reduction in the charge, the most obvious, accountable and targeted source would be a contribution from business rates and council tax from the local authorities that benefit from the Park being in their borough, but that do not make a direct contribution to the upkeep of the Park, including roads, lighting and other amenities that council taxpayers would usually fund.

Q8. How could the current scheme be improved (e.g., access to influencing groups or improved information provision)?

LLDC noted three areas where improvements could be looked at for those paying the FEC. These are: benefits; access; and representation and transparency. It notes the tax implications of providing direct discounts to FEC payers; this means that large-scale targeted benefits to FEC payers would not be possible, but there is scope for exploring other opportunities in this area.

Aside from comments relating to funding and income generation that are covered elsewhere, stakeholders responded to the question, "Could the current scheme be improved (e.g., access to influencing groups or improved information provision)?" These included:

- transparency: more information provided about costs and the services that FEC payments are funding

- engagement: residents to have an opportunity to be represented, and be able to influence decision-making
- benefits: enhancing benefits residents receive, including preferential discounts on the Park.

The Growth Boroughs made similar comments, including greater transparency and an annual breakdown of costs, a greater say for residents including consideration of the establishment of a community-led management organisation.

Potential options for improvement of the scheme are considered in sections 7 and 9.

Stakeholders were also asked if they wanted to **make any other points** (Q9). All major points are covered elsewhere in the report.

Views of residents

The views of residents were sought through the CMRA and East Wick Residents; and were included in the stakeholder responses immediately above. As a result of a public meeting, a number of other residents were invited by the Mayor of Newham to put forward their views. Twenty-two residents did so, and a summary of their responses is set out in appendix 2.

The comments from residents were similar to those made by stakeholders, with an acknowledgement that the Park should be maintained as a quality space in perpetuity. A majority of residents did not think that those who benefitted most should make a distinct contribution such as the FEC. There was a high level of support for the Park to be funded through public funds rather than the FEC, but there was also support for the FEC by a minority of respondents, with some noting that they were aware of the FEC charge when purchasing their properties. Some residents stated that it was unfair that others living close to the Park did not pay the FEC. Should the FEC be reduced, the majority of residents favoured a reduction in contribution to venues to achieve it. Improvements to the scheme suggested by residents aligned with responses from stakeholders.

Chobham Manor Post-Occupancy Evaluation

LLDC’s pilot Post-Occupancy Evaluation study, undertaken with residents who moved into the first phase of Chobham Manor, found very high levels of satisfaction with the neighbourhood as a place to live and stay. One hundred responses were received from residents, representing 92 of the 259 homes in phase 1 of the development. The overall results of the study are positive:

- 87 per cent of those taking part were satisfied with the neighbourhood
- 82 per cent were positive about their block or street
- 79 per cent were positive about their homes, and in terms of the community and its management
- 82 per cent (+11 per cent neutral) of residents surveyed are proud of their home.

- 61 per cent (+28 per cent neutral) agree there is a sense of community amongst immediate neighbours
- 73 per cent (+22 per cent neutral) agree there is a sense of community in the neighbourhood
- 64 per cent (+23 per cent neutral) intend to stay in Chobham Manor for longer than five years
- 76 per cent (+22 per cent neutral) of households with children intend to stay for longer than five years

Park visitor survey

Further evidence of the benefit that the Park brings to the local area can be found through regular visitor research surveys, split evenly as onsite and online surveys. The research conducted in April 2022 engaged with 543 residents from the four Growth Boroughs responded onsite, with over 90 per cent agreeing that: the Park is an asset for the whole community; the Park is an attractive place with high quality landscape and architecture; and the area is changing for the better.

Visits and discussions

As part of this Review, a site visit with CMRA representatives was undertaken. The main points made by residents (some of which are not directly related to the FEC) are summarised below, and covered elsewhere in the report:

- The information residents were given when they reserved and purchased properties suggested possible benefits that did not transpire once they had moved into their properties. This seems to be particularly the case for earlier residents. There was also a suggestion that residents had been given verbal assurances that: maintenance and security would be provided in spaces within the development; there would be benefits for residents (i.e., free tickets/reduced prices); and the FEC level would decrease as more people started to pay it.
- The fairness of Chobham Manor residents paying the FEC, but East Village and others not doing so, was questioned, along with the differences in the level of East Village service charge compared with all the charges paid by Chobham Manor residents.
- Complaints were made about the service provided by L&Q, in particular about their management of spaces within the development. It was also suggested that L&Q had not done a good job in letting out homes.
- The FEC was discouraging residents from moving in, and businesses from taking on the commercial space. Concerns were also raised that increased costs from the FEC, energy rates, council tax, etc, will price out existing residents.
- Complaints were made about the impact of events including noise, litter and damage to pavements, etc, and about the standard of maintenance of other local green spaces that are not as highly maintained as QEOP.
- There were requests for greater transparency about how the funding is spent; and for consideration of ways that residents can influence decision-making (see below).

- Concerns were expressed that the level of the FEC will make it difficult for people to get mortgages on the properties, given the level of charges applied.
- Positive feeling was expressed about the East Bank development, but it was suggested that the visitors it will attract and economic benefits it will produce should help to fund the Park.
- Concerns were also mentioned about the District Heating Network and increased energy prices.

Benchmarking with similar models

This section considers the QEOP FEC in relation to charges levied at similar estates through a benchmarking exercise.

Estate charges are common on strategic regeneration projects such as QEOP to pay for the cost of maintaining common areas, including roads, parks and squares. This avoids placing the financial burden for maintenance on local authorities and gives regeneration agencies more control over the activation of the public realm, security, materials and lighting to suit the different stages of development.

LLDC commissioned an independent report from SAY Property Consulting in 2022. The report contains commercially sensitive information relating to other schemes and is not for publication. This sets out the charges levied by some well-known large-scale, mixed-use schemes in London for the provision of estate services including the price; how the price is adjusted over time; and the services that are provided. Whilst there are no directly comparable schemes to the Park, the six schemes have been selected because they are large and include significant open public spaces in addition to the streets used to access the individual buildings.

For these schemes, the residential contributions (per square foot) range from an average of £0.40 to £1.29 plus VAT, which compares with LLDC's FEC (which is not liable for VAT) of £1.27 to private residential occupiers and £0.62 for the affordable tenures.

Residents of the Park also pay for the estate management of the public realm in their immediate vicinity. This means that LLDC's charge is at the higher end of the comparable models. However, unlike the other estates, LLDC maintains world-class venues with prices capped to local borough prices for the benefit primarily of local people; and there is more open space to manage than the other estates.

The report demonstrates that, whilst the services provided are broadly similar, there are many variations on how the charge is structured and managed over time. Greater transparency of LLDC expenditure on the Park and venues would help show at a high level where the funding comes from, what it is spent on, and the gap funding required. Producing an annual report should provide charge payers with greater assurance about the charge; and the efforts LLDC is making to reduce costs, drive up commercial income and deliver a sustainable budget (see consideration 4 set out in section 9).

Funding models

As set out in the Benchmarking report, it is not unusual to fund estates, in particular regeneration programmes, through schemes similar to the FEC. Currently, FEC payers contribute circa 33 per cent towards the costs of the upkeep of the Park; this is forecast to grow to circa 65 per cent in 2025-26 with the remainder being funded by the GLA (and therefore business rates payers) and third parties (e.g., commercial partners). This is more equitable to residents than the examples shown in the Benchmarking report, where the payer of the estate charge picks up the whole cost and there is no taxpayer contribution. By comparison to others the FEC provides access to more extensive parklands and public realm, for a smaller proportion of the cost. LLDC has argued that this represents better value for money (with affordable housing tenants charged at a lower rate); it also offers close proximity to competitively priced (subsidised), excellent venues, and is not subject to VAT.

Given the importance of QEOP and its unique nature, there is understandably a widely held expectation that it will be maintained at a high standard in perpetuity for the benefit of local businesses, residents, London and the UK; this was reflected in the responses to the fact-finding exercise.

Experience shows that under-funding public space risks creating a need for significant investment in the long term – as seen in the challenges that the GLA has recently found at the Crystal Palace National Sports Centre, which has been under-funded for many decades, and consequently is in serious dis-repair and requires huge investment.

The funding model of a London-wide precept for Lee Valley Regional Park has caused difficulties, in terms of the perceived fairness for boroughs that are geographically very far away from the Lee Valley having to pay for its upkeep. It could also be argued that this funding model has led to green spaces that are not always as highly maintained as QEOP.

Benchmarking shows that the FEC is not outside the range of charges levied by other estate landowners; and is comparable to similar schemes, if at the high end of the range. QEOP is a unique park that brings clear benefits to those who pay the FEC. This was particularly evident during the pandemic. There was a view expressed in the fact-finding exercise that the FEC charge is too high, for residents in particular. Alternative funding models that could be introduced to reduce this burden are considered below. Current and projected FEC levels are set out in section 4.

Funding through relevant local authorities

The four Growth Boroughs benefit from the growth in collection of business rates (which are projected to rise) and council tax from the Park, already approaching some £80m of revenues. Some of this will be offset by the rise in council costs resulting from the development surrounding the Park and associated growth in residents, but a portion of any remainder could be used to grant-fund LLDC or provide rebates. However, such income cannot be hypothecated to a specific locality; will be part of a council's General Fund; and will therefore always be in competition with general borough-wide expenditure demands. Such a model could be regarded as diverting funding from essential services, at a time when council budgets are under significant pressure. Where funding is provided in this way, its level is more likely to be subject to changes in political policy, local priorities and cuts, which could threaten the continuity of the quality of the Park.

Another option would be to investigate an additional charge to be levied on a geographical sub-set of council taxpayers in perpetuity. There is a precedent in the model for Wimbledon and Putney Heath. Those who live within three-quarters of a mile of the perimeter of Wimbledon Common, measured by the most direct route along roads or footpaths, or within the old Parish of Putney, are subject to an additional levy on top of any council tax. This levy is collected on behalf of the conservators by the appropriate local authority – Kingston upon Thames, Merton or Wandsworth – and it is the responsibility of the council concerned to decide whether to identify the levy separately on its council tax bills. Legal advice has confirmed that to allow a borough to have a geographic specific charge smaller than the borough as a whole i.e., just households within a short travelling distance of the Park, would require the Government to pass primary legislation.

The Growth Boroughs have indicated that they would not agree to this kind of arrangement; if there were to be an arrangement like this all of the Growth Boroughs would need to agree a binding mechanism to end the FEC. However, it would be a fair way of ensuring those who benefit from their proximity to the Park contribute to its upkeep and correct the anomalies created at the introduction of the FEC. Therefore, a recommendation to further explore this option is included in this report.

The Mayor of London

The FEC level could be reduced in perpetuity through increased contributions from the Mayor of London. This would impact on the Mayor of London's budgets and would divert funding from helping those in other areas of greater need in the capital. Furthermore, there is a risk to the quality of the Park of potential funding cuts from the GLA in the future. The current subsidy provided by the Mayor of London for the Park protects FEC payers and the Growth Boroughs from the majority of the operational costs of the Park, recognising that total income from the FEC is relatively limited at this stage of the Park's development. However, given the need to invest in other regeneration projects in London, and the inequity of business rates income from all across London continuing to be focused on one location, this cannot continue when the new neighbourhoods in the Park are in place and the regeneration programme is complete.

Funding through central Government

A request could be made to central Government for funding; but in the current economic and political climate it is unlikely that the Government would agree to this. In addition, it would come with even greater risk that it will be arbitrarily reduced in the future.

Venues

There was also a view expressed that the contribution that the charge makes to subsidise the venues could be reduced and the saving passed on to FEC payers.

At present the prices to use the venues are tagged to prices in the Growth Boroughs. Given the high standard of the venues and the link to the Olympic and Paralympic Games, prices could be increased, but this risks pricing out local residents, particularly those with lower incomes. A price differential applied only for residents of the Growth Boroughs could be considered. Figures from membership and those taking lessons show local, Growth Borough usage of the venues of 74 per cent for the CBA and 79 per cent for the LAC (this does not include attendance at events), so a very significant increase would be required for non-Growth Borough residents to achieve a material difference in income. This option would also run contrary to a promise as part of the London 2012 Olympic and Paralympic Games legacy around pricing for community use of Olympic venues. It is hoped that the current re-procurement of venue operators will provide savings; and that these savings would be used to reduce the Park funding burden for the GLA. This would go some way to rebalancing the cost burden of the Park and venues from primarily being met by all Londoners. However, any savings made from the venues would first be used to reduce the level of subsidy provided by the GLA rather than reducing the contribution from the FEC. A reduction of the costs for residents paying the FEC could be achieved by **increasing the charge for commercial FEC payers**. This has been discounted as agreements have already been entered into with commercial users in the area, who already pay proportionately more per square foot than residential users.

A reduction of the FEC could also be made through a **reduced QEOP budget** beyond that already envisaged. This would lead to a reduction in the quality of the estate (and all stakeholders agreed that the Park should be maintained as a quality space in perpetuity); and would have a significant detrimental impact on the continued investment in the Park and the wider area, and the benefits that would bring, as well as house prices.

Conclusions

QEOP is a unique national and global destination and a driver of investment and economic growth both in Stratford and spreading eastward across the northern corridor of the Thames. LLDC is the custodian of its role in the Olympic and Paralympic legacy, and seeks to ensure that investment continues and major institutions want to be a part of the Park, in turn ensuring its success for future generations.

Unlike other public parks, QEOP is funded by the GLA, and by occupiers of leasehold land on the Park – businesses, residents and community organisations – all of whom derive a benefit from business activity, house price value and local amenity.

It is clear that there are some inherited imperfections within the design of the FEC scheme and it was not set up in the most equitable way. For example, it would have been fairer had decisions been made at the planning stage to ensure that other residents and institutions near the Park (e.g., East Village and Glass House Gardens) be subject to the FEC. This distribution of the charging regime has come about, to a degree, by chance and by the nature of the original land sales and leases. LLDC does not own the land for these aforementioned developments, and therefore has no means of making a charge, so these anomalies cannot be dealt with in retrospect.

However, it is noted that Get Living London (which manages the East Village public realm) is responsible for maintaining and securing Victory Park, the wetlands area of QEOP, which can be enjoyed by residents who pay the FEC, as well as the general public. Furthermore, those immediately outside the Park may also access the facilities regularly and they do not pay the FEC either.

The charge is fixed in nature and there are significant challenges preventing it from being changed permanently, in particular the resources required to change each of over 1,000 individual agreements with FEC payers, which would require a costly and laborious exercise including mortgagor consent and legal fees for both sides

A recent analysis by Deloitte suggests a strong link between major regeneration schemes in London and growth of house prices, with homes in Stratford (108 per cent growth since 2013) growing much faster than the London average (87 per cent since 2008). Sales of new homes at LLDC’s new neighbourhoods have been healthy, so the fears of some residents that the charges would lead to the properties not being mortgageable have not materialised; Taylor Wimpey has also confirmed that it is not aware of this as an issue.

In contrast, there is a widely held view that if, through lack of funding, the Park was not maintained or became associated with high levels of crime or antisocial behaviour, this would significantly reduce the demand for housing and adversely impact the investment in jobs, skills and housing. It would also impact on the Growth Boroughs which have a statutory duty to deal with antisocial behaviour.

Given the potential alternatives, and after considering other models and the evidence provided in this report and its appendices, it is recommended that the FEC is retained as the most realistic and practical method available of ensuring that the benefits to local businesses and residents of the QEOP are maintained, and allowing for future Mayoral investment across other parts of London. The legal basis for the FEC is sound, and the FEC is part of contracts and leases with Park occupiers.

Rick Roberts Way is currently owned by LLDC and procurement has commenced to appoint a developer for the site. Given the geographical position of the land – with the physical barrier that is Stratford High Street (see map at appendix 2) – the benefits of the Park and its venues cannot be said to be the same as those neighbourhoods that are within or adjacent to the Park boundary. Rick Roberts Way will therefore be excluded from the FEC boundary. The removal of Rick Roberts Way will not increase current and other future FEC payers' contributions, because the FEC is a fixed charge rather than a service charge; therefore, its level is not determined by the total number of FEC payers. The disposal of Rick Roberts Way by LLDC will entirely be through a freehold sale.

The FEC should be retained as part of the funding for the Park; but there are changes that should be considered to make improvements, particularly for residents currently paying the FEC and in light of the current economic climate. This includes exploring funding raised through the local authorities (as set out in 'Funding models,' above) and the suggested improvements considered below.

Indexation

There is an option to discontinue indexation of the FEC, but this would lead to significant impact on funding and a reduction in the quality of the Park over time, giving rise to the concerns set out above. Even with the new contracts being procured, there will be increases in the costs to manage and maintain the Park and venues over time to reflect the prevailing economic position. Therefore, indexation needs to be maintained to ensure that the estate as a whole does not head into decline. When the Government adjusts how RPI is measured to instead use the Consumer Prices Index including housing costs (CPIH) in the future, expected in 2030, agreements already in place that that use RPI will follow Government advice for using CPIH. Historically, CPIH has generally been a lower figure than RPI.

Given the cost-of-living crisis and current exceptionally high levels of inflation, an argument could be made for a temporary cap on indexation of the FEC. Introducing a temporary cap could be difficult to implement, but possible through a side letter to headlease holders, which would be within the legal parameters of the original delegation to LLDC to manage the FEC.

Such a cap would require additional funding to be identified in order that LLDC's budget would balance, which is a legal requirement.

Financial modelling work suggests that a cap of up to 3.5 per cent for up to two years could be brought forward with limited impact initially but would have a significant cumulative impact on Park funding models over time, as the charge would be at a permanently lower level, despite inflationary pressures impacting on the costs of maintaining the Park.

Benefits

It is proposed that LLDC brings forward a package of benefits that can apply to FEC payers as soon as possible.

There are two strands of benefits (discounts and access) that could be developed into a benefits package for those paying the FEC:

1. Provide a benefit to residents through access to preferential discounts, for example, discounts at LLDC venues (noting these would be provided by the respective venue operators rather than LLDC directly).

2. An alternative approach, or one that could be adopted in parallel, would be to create a database of FEC-paying residents and allow them access to tickets for events on a pre-sale basis. This aligns with LLDC's strategy to develop a first-party database and increase direct engagement with Park users and other local people.

It is important to note that the potential tax implications of providing direct discounts to FEC payers means that large-scale targeted benefits to FEC payers are not possible. There is, however, scope for exploring more ad hoc opportunities in this area, including where a provider wants to make a direct offer to residents, and these should be explored.

Transparency and accountability

Through the fact-finding exercise, it has been made clear that the nature of the FEC, what it pays for and whether it provides value for money has not been demonstrated fully to some residents. More transparency is required so that FEC payers can clearly see how the FEC is spent, what improvements are being made and how costs are being controlled. An annual publication should be made available to all FEC payers for this purpose.

The fact-finding exercise and the benchmarking report also demonstrate that more could be done to ensure greater transparency on the FEC, and how this relates to the costs of running the Park and venues, for both those who pay the FEC and the public. This could be achieved through an annual report.

LLDC must also take positive action to ensure that sales teams for each development have a clear understanding of the FEC and that verbal information is consistent with the documentation provided at the point of sale. LLDC should also communicate the legal position more specifically that the FEC is not a ground rent and the reasons for this to residents.

A clear and transparent process for future sites also needs to be developed to ensure clear messaging at all points throughout the sales process and into occupation.

The greater transparency should be broadly similar to (but cannot be subject to) the RICS Code of Conduct as set out in sections 4, and 6, whilst recognising that the FEC is not a service charge. Changes in transparency need to be balanced with the risk that the charge would become considered a service charge and would therefore be subject to VAT, resulting in a higher charge to residents. However, having greater transparency would go some way to alleviating the concerns that residents have about not knowing to what they are contributing.

There were some factual errors in documents provided to early residents of Chobham Manor; the FEC is not a ground rent and is designed to rise in line with inflation annually not every 10 years, as stated in the original documentation. However, when taking on a property, residents would have been informed of the existence of the FEC by conveyancing solicitors. These errors have been corrected in future documentation but clearly that was after the purchase by residents of Phase 1. The nature of the scheme and the approach needs to be made unequivocally clear to all residents at the point of sale, taking up of tenancy agreement.

LLDC should give FEC-paying residents a specific voice in the Park Panel and other public-facing fora, which should help provide charge payers an input to planned changes on the Park, as well as providing some reassurance to residents as LLDC moves into the next phase of the Olympic legacy project in 2025.

Improving service to residents

The response to the fact-finding exercise provided by LLDC refers to complaints and concerns raised by a number of residents from earlier phases of Chobham Manor that are outside the scope of the FEC review, but which relate to the quality of service that they have received from L&Q (which manages the neighbourhood) and the District Heating Network provided by East London Energy (ELE). LLDC is working on behalf of the residents on a task-and-finish process with L&Q to resolve the concerns that have been raised about their services. LLDC is also pressing ELE on its customer service and communications with residents to try to make the charging process more transparent and comparable to other utility providers. It is recommended that LLDC continues to work to ensure that services to residents are improved, and lessons from Chobham Manor are learned for LLDC's future housing developments.

Considerations for the Mayor of London

Whilst imperfect, the FEC currently remains the most realistic and practical charging model for raising contributions to the Park's upkeep from its immediate beneficiaries. As set out in section 8, it is recommended that the FEC is retained as part of the funding for QEOP in the future. Existing RPI indices should be retained as the measure for indexing the FEC until the new method (CPIH) is adopted. It is also recommended that Rick Roberts Way should be excluded from the FEC area for the reasons set out in section 8. No other changes to the FEC boundary are recommended.

Considerations for improvements are set out below.

1. Consideration should be given to seeking alternative funding for the Park and understanding its implications for future FEC charges. Given that local authorities are unlikely to be able to contribute from their existing revenue budgets, the GLA should explore with the boroughs the appetite for bespoke council tax charging arrangements and the likelihood of achieving the necessary change in primary legislation. These approaches should be structured to minimise the risk of potential funding cuts in the future.

2. Given the current cost-of-living crisis and the exceptionally high RPI, consideration could be given to a temporary cap on the rate of inflation applied to the FEC. Although possible, any such cap would require additional funding to be identified in order that LLDC's budget would balance in the short and long term. Given the ultimate source of such funding, this would need to be considered in the context of GLA budget-setting in future financial years. As the government has provided no certainty of GLA income beyond March 2024, there is no certainty that this is deliverable, as well as exposing the Park to risks from the decisions of a future Mayor.

3. LLDC should look at facilitating a package of benefits for residents who contribute to the funding of the Park and venues through the FEC, bearing in mind potential tax implication of providing such benefits. This needs to be developed within tax constraints and delivered by LLDC within existing budgets.

4. LLDC should provide greater transparency to FEC payers about how FEC funds are used and future funding models through an annual report, bearing in mind commercial sensitivities and the need to ensure that it does not inadvertently create a service-charge model. LLDC would need to manage the cost of doing this within existing budgets.

5. Greater accountability and an opportunity to influence decision-making about the Park should be given to FEC payers, potentially through LLDC's Park Panel or a "Friends Group." This would need to be managed within existing LLDC budgets.

6. LLDC should continue to review and validate the information provided by developers to ensure that the FEC obligation is explained clearly, and that this is a systematised part of the process to ensure that all details and consequences are understood and accepted by all potential residents in advance of signing leases. LLDC must also take positive action to ensure that sales teams for each development have a clear understanding of the FEC, and that verbal information is consistent with the documentation provided at the point of sale. Apart from staff time, this should not greatly impact LLDC's funding. Any costs associated with this would need to be managed within existing LLDC budgets.

7. LLDC should write an open letter to all residents confirming that the FEC is not a ground rent and setting out the legal basis for this.

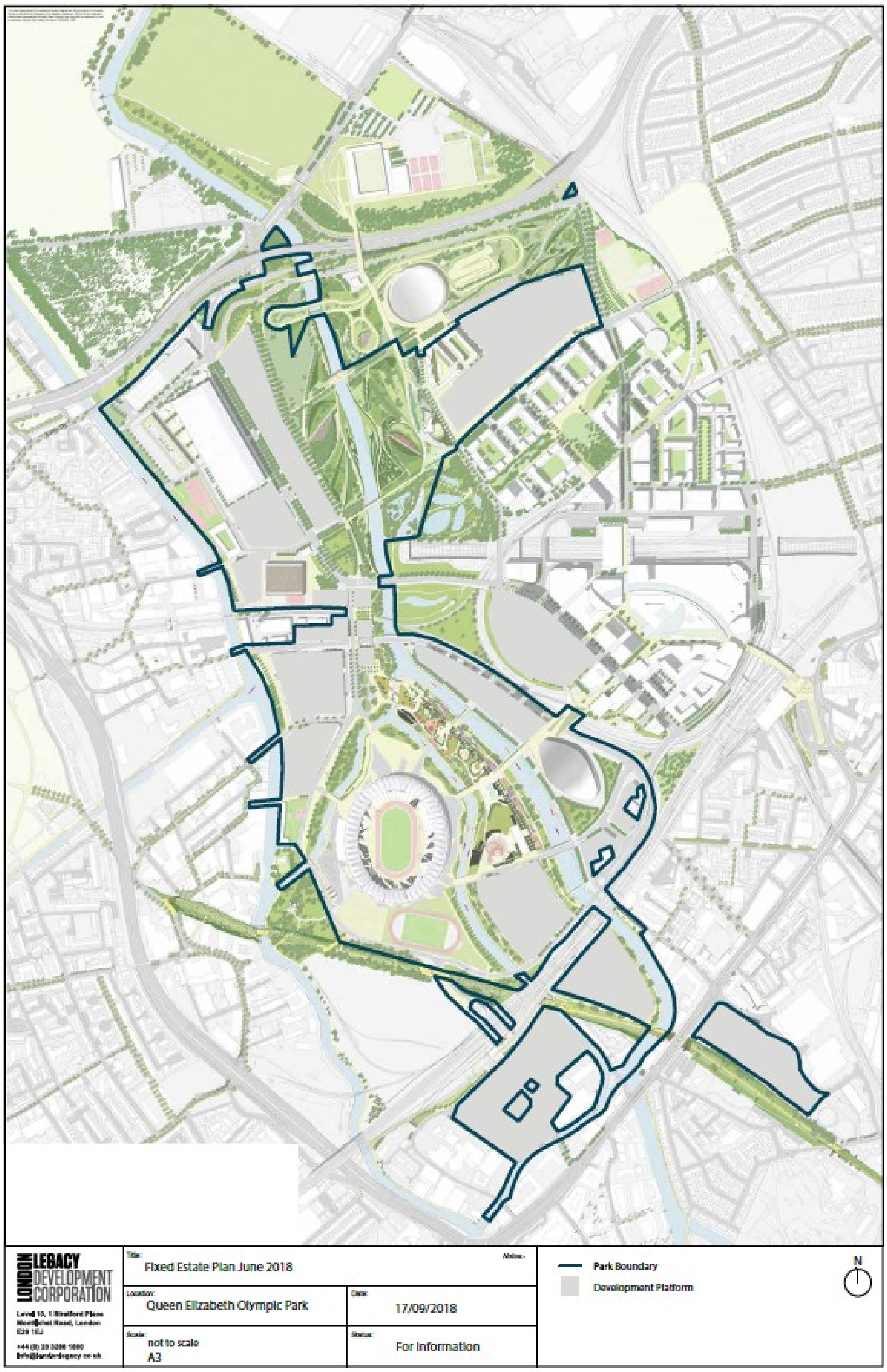
8. LLDC should send an open letter to residents reassuring them about the future plans for managing and maintaining the estate and of the local oversight that will be included in the governance of LLDC.

Although it is beyond the scope of this review, there is one further recommendation:

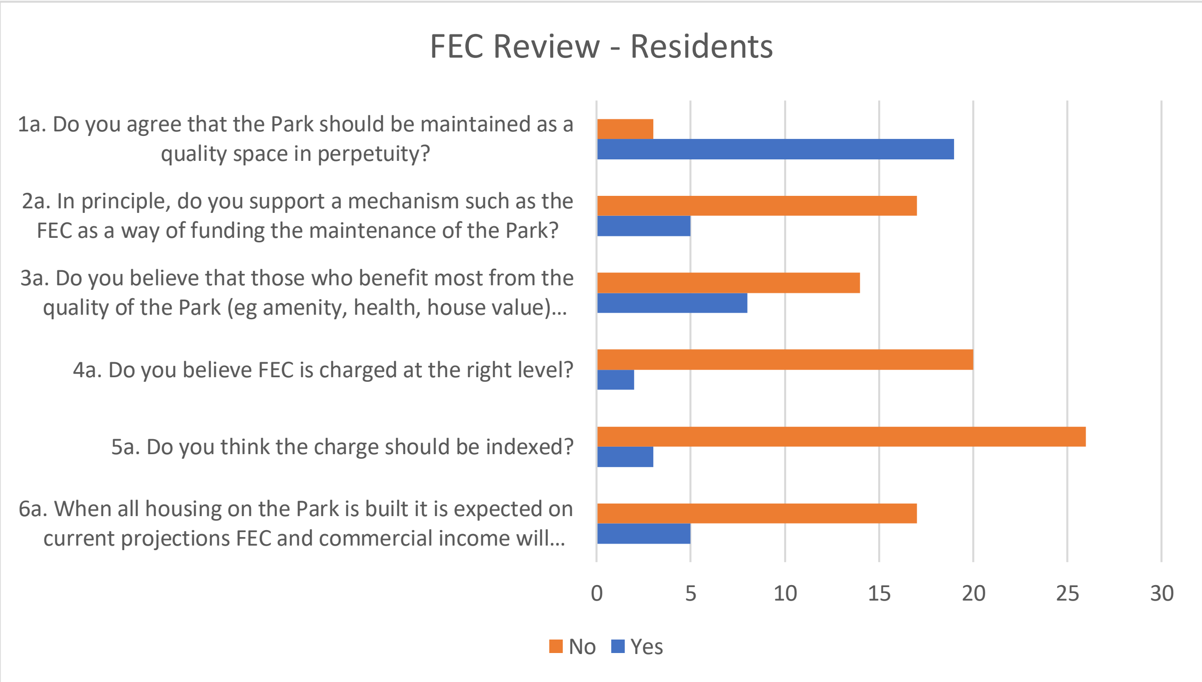
9. LLDC should continue to ensure that the service provided by L&Q for Chobham Manor is improved, with reference to the views of residents through this review. Lessons from Chobham Manor should be learned in the operations of future residential developments in the Park with relevant contractual provision and monitoring in place. Similarly, LLDC needs to ensure that ELE delivers the District Heating Network and makes improvements to the service it provides to residents.

Appendices

Appendix 1 – Plan of the QEOP estate



Appendix 2 – Residents' responses to fact-finding – summary



Appendix 3 – Chobham Manor sales sheet

CHOBHAM MANOR
E20

CHOBHAM MANOR
Queen Elizabeth Olympic Park,
1 Hyett Terrace,
Honour Lea Avenue,
Stratford,
London, E20 1HH
020 3435 9269
chobhammanor.co.uk

QUEEN ELIZABETH OLYMPIC PARK FIXED ESTATE CHARGE

The Fixed Estate Charge is in place to contribute towards the cost of maintaining and operating Queen Elizabeth Olympic Park as one of London's 'Great Estates'. It is in place to ensure the parklands and estate is maintained to the highest standard for the enjoyment of all those living on, working in or visiting the Park. One of the benefits to owning a property within the Queen Elizabeth Olympic Park is that the area is managed as an entity; standards are set and laid out to the various parties in order to keep a cohesive appearance and conserve the area. The Fixed Estate Charge is not a variable Service Charge, it is not linked to the provision of specific services, but may contribute to the provision of things such as:

- Maintenance of communal areas of the Park
- Provision and maintenance of fire alarms and fire and other safety equipment services and apparatus in the communal estate areas
- Provision and maintenance of street furniture, directional signs, notices, seats and amenities in the communal estate areas of the Park
- Provision of pest control services for the communal estate areas of the Park
- Maintenance of hard and soft landscaping and other horticultural services within the communal estate areas of the Park
- Provision and operation of refuse and rubbish disposal (and removal of graffiti) from the communal estate areas of the Park

How is the Fixed Estate Charge structured?

The Fixed Estate Charge is levied by London Legacy Development Corporation as landowner however the level of charge paid by each owner will differ according to the size of home or business they own. The apportionment of the Fixed Estate Charge is determined in consultation with the developer of the relevant part of the Park. This means each development on the Park will have its own apportionment system. The Fixed Estate Charge rates are set out in the legal paperwork linked to your property.

In order to understand the basis of your charge, please contact your managing agent or for further information, please visit http://www.queenelizabetholympicpark.co.uk/the-park/homes-and-living/fixed-estate-charge

L&Q

Taylor Wimpey

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