Statement from Mayor Rokhsana Fiaz OBE
regarding publication of the London Stadium report

Newham Full Council, Monday 16th July 2018

Today, I am announcing the release of the report concerning the previous administration’s decision to invest in the London Stadium.

The report, which will be published tomorrow (Tuesday 17th July), follows an independent review by Peter Oldham QC commissioned by the previous Mayor into the council decisions made to invest in the Stadium. For me, the report helpfully tells us that concerns raised by financial advisors at the time – namely that a £3 million annual return on a £40 million investment wasn’t achievable – were ignored.

So while the council had the legal power to invest in the stadium, the final decision to invest £40 million in March 2013 was flawed.

Specifically, the council’s decision was flawed because it wrongly decided that one of its own self imposed conditions for investment – the condition of an annual financial return of £3 million per annum – was met.

For instance, there was strong and persuasive financial advice from the Council’s external financial advisors, Navigant, that the stadium deal and investment of £40 million would not lead to the return in investment claimed.

So ultimately, our view is that Newham’s investment was £40 million down the drain.

Let’s be clear: the vision for the stadium and the benefits it could provide was exciting. But frankly the enthusiasm for the stadium’s potential outweighed the objective scrutiny that was required in March 2013 and did not take place.

Where was the political and executive oversight by the Mayor and the Cabinet lead for finance? If that scrutiny had happened, it would have highlighted the risks involved in the investment because a key condition could never have ever been met.

For example on page 18 of the report, it states: ‘Given that Navigant did not believe, on the information available to it, that NLI would receive a profit share of £2.0m per annum (i.e. what NLI would receive if E20 made £3m net pa), its
overall conclusion was that the loan of £40m was not value for money.' Why was that ignored?

So the investment was significantly flawed because insufficient attention was paid to the detail when council officers made the final decision in consultation with the then Mayor.

I also struggle to understand why the clear statement in the Navigant Report did not ring alarm bells amongst officers considering the decision, the then Mayor and his cabinet member for finance.

Despite the strong and persuasive financial advice from the Council’s external financial advisors that the investment of £40 million would not lead to the return in investment claimed; why was the decision to invest then made in its favour in any case?

When I became Mayor I pledged that openness and transparency in decision-making would run throughout the new administration. A vital part of that is strengthening our scrutiny measures, member oversight and involving residents as much as possible in our decision making.

There is a lot we can learn from this review on how transparency and good governance in Newham Council can be improved:

- Assurances that were given back in 2013 to members by the then Mayor and senior officers about the robustness of the investment were misleading; they did not accurately set out the risks identified by our financial advisors. How can we going forward, mitigate against that?

- The review questions the use of urgency procedures on every decision between 2011 and 2013, which created the risk that councillors and officers often did not have enough time to properly read and understand highly complicated reports. Whilst I recognise that urgent decisions can arise, the QC’s report comments that the Council should maintain its normal timetable for decision making unless there is good reason to depart from it and should be more challenging about assertions of urgency.

- It brings into question serious issues concerning the practice of delegating multi-million pound decisions to officers, with the practical effect of reducing member oversight and governance arrangements.
One effect of using the urgency procedures to make the decision taken on the 21st March 2013, was to prevent the power of members to call in the decision to the Scrutiny Committee. The practical effect was that the decision could not be scrutinised by Overview and Scrutiny – but more broadly councillors outside the Cabinet were wholly excluded in the decision-making process.

It is quite wrong that an investment of this magnitude and profile had such limited member oversight and scrutiny.

Most of the decisions were also not made available to the public, press and other councillors on the grounds of commercial sensitivity.

This would have been justifiable for key information when negotiations were taking place but it had the effect of limiting the transparency of the process, particularly to councillors who could have scrutinised the decisions but also maintained its confidentiality.

The overall impact of the governance process adopted was to create a potential lack of accountability for such a major decision: decisions were made behind closed doors; and delegated to senior officers and not made by the elected Mayor or councillors and with input limited to a small group of elected members and the previous Mayor.

I have already started to introduce measures that mean this kind of closed and unscrutinised decision-making will not happen again.

I will be delegating decisions to the Cabinet collectively on most issues.

I will be making our scrutiny procedures more robust.

I will also be ensuring that members and residents are involved in a meaningful way in our democratic process to ensure more accountability.

As a Council, we should never be opposed to exploring opportunities that regeneration can present and we should be prepared to take risks. In my view, robust scrutiny and clarity are essential to prevent such detrimental mistakes being made again.

Led by myself and the Cabinet, the Council will continue to work closely with all partners involved in the stadium including the Mayor of London and London
Legacy Development Corporation so that all potential benefits from the stadium in future are maximised for our residents, including free access to world class events and proper community involvement.

And what next?

I was elected on a series of pledges including ‘Cleaning up Newham’, and in line with that:

- Overview and Scrutiny must proceed with its inquiry into the London Stadium investment and will benefit from examining the report. I would urge them to do so in public.

- However, a much broader review is required into the culture and practices within the Council that have developed over the past two decades, and which have enabled this form of decision-making and governance arrangements.

- So I will bring back proposals to Full Council in September details of the process and individuals who will undertake this critical piece of work for the future well-being of the London Borough of Newham.

- I will also be asking Audit Board to look into the implications of the report.

- In September, I will also be bringing forward changes to the scheme of delegation and establishing the Commission looking into the Directly Elected Mayoral model and enhancing residents involvement in decision-making.