Manchester Off-Shored

A Public Interest Report on the Manchester Life Partnership Between Manchester City Council + The Abu Dhabi United Group

Centripetal Cities

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Contents

Executive Summary 5

List of Selected Abbreviations 9

List of Figures 9

1. Introduction 11
    - 1.1. Background 11
    - 1.2. Why A Spotlight On The Partnership Is Important 11
    - 1.3. Aim And Scope Of The Report 11
    - 1.4. Report Structure 12

2. The Context Of The Manchester Life Development 14
    - 2.1. Manchester City Council In Context 14
    - 2.2. Abu Dhabi United Group In Domestic And Global Context 15
    - 2.3. Context Of The Manchester Life Partnership 17
    - 2.4. The Manchester Life Sites 17
    - 2.5. The Presence Of Alternative Developers 18

3. What Is Manchester Life? 20
    - 3.1. Manchester Life: The Different Functions 20
    - 3.2. What Does Manchester Life Do? 23

4. The Manchester Life Partnership 25
    - 4.1. The Ownership Of Land 25
    - 4.2. The Ownership Of The Property Assets 28
    - 4.3. The Ownership Of Rights To Income From Manchester Life Assets 29
    - 4.4. Direct And Indirect Financial Support From The Public 30

5. Where Does The Manchester Life Money Go? 34
    - 5.1. The Organisation Of Legal Entities Within The Manchester Life Development 34
    - 5.2. Governance Of The Joint Ventures 36
    - 5.3. What Does The Joint Venture Do and (How) Does It Make Money? 39
    - 5.4. Where Does The Rental Income Go (and Is It Taxed)? 40
    - 5.5. Key Issue: There Is Likely To Be Little Distributable Profit For The JV Partners 41

6. Transparency and Accountability 45
6.1. Cross-Company Flows Add Complexity and Reduce Traceability 45
6.2. Loans and Admin Expenses Are A Black Box 46
6.3. The Use Of Secrecy Jurisdictions Limits Transparency 47
6.4. Other Accounting Issues Add Opacity 47

7. Offshoring Manchester 50
7.1. Offshoring Assets 51
7.2. Offshoring Control 51
7.3. Offshoring Local Democracy and Reputation 52

8. Recommendations 54

Appendix 1. Methodology 57

Appendix 2. Abu Dhabi's Human Rights Record 58
Abu Dhabi 58
Human Rights In Abu Dhabi 58
Labour Rights 59
Lgbt Rights 59
Managing Reputation and Extending Global Influence: Soft Power Strategies 60
The Foreign Policy/Military-Industrial Context 60
The Pegasus Scandal 61
Challenges To The Manchester Life Partnership 61
How Manchester Relates To The World 62
Responses To Criticism Of Manchester Life 62

Appendix 3. Manchester Life: Future Plans 64

Appendix 4. Transparency and Democratic Accountability In Local Government 66

Executive Summary

- Over the last 25 to 30 years Manchester city centre has experienced a property development boom unlike that of any major UK city outside of London.
- This development has – in no small measure – been financed by the inflow of overseas capital and in recent years investment from Abu Dhabi has been a major source of financing for Manchester's sports and real estate assets.
- This has raised concerns about the ongoing relationship between Manchester City Council and the Abu Dhabi regime, given the latter's human rights reputation[1].
- That relationship has deepened in recent years as the council has entered into joint ventures with Abu Dhabi investors in a number of property development projects.
- This report examines the structure and economics of the Manchester Life development - one such joint venture between Manchester City Council and entities ultimately owned by the Abu Dhabi United Group[2].
- Our report examines how the Manchester Life project is organised legally, how it draws on various public resources (land, planning, expertise and loans) and where the money goes from rental and sales income. In so doing, it considers questions of transparency, accountability and ethical compromise.
- It also considers the wider implications of our analysis for state-led urban redevelopment and alternative models of regeneration.
- To do this our report first discusses the context for the decision by Manchester City Council and Abu Dhabi United Group to form the Manchester Life joint venture.
- We note that the council has by necessity had to tap global capital markets for urban development projects due to its limited tax raising powers, whilst the owners of Abu Dhabi United Group have incentives to diversify their investments out of oil and to improve their reputation on the world stage[3].
- There are thus, potentially, mutual economic benefits in a joint venture of the kind undertaken
- We note, however that the council held considerable bargaining power as the holder of land and development rights. There were also potential reputational risks associated with being seen to do business with investors from a regime with a poor human rights record, which would ordinarily be priced into any venture of this kind.
- Normally the economic benefits received by each party would depend on the exercise of that bargaining power; it would influence the overall distribution of risk exposure, ownership and income rights within the project structure.
- This report argues that the distribution of benefits were asymmetric in this context:
  - the leaseholds for land, property assets, rental and sales income rights, and ultimate joint venture control were all allowed to be held by entities ultimately owned by the Abu Dhabi United Group, often via Jersey.
  - To date, we are not able to identify any income received by the council from its joint venture stakes in Manchester Life, despite being exposed to some of the risks of the project.
  - It has been argued that overage arrangements are in place, but details of those arrangements are confidential. We can find no income from those arrangements in the council's accounts.

1 Collins D (2019) Manchester, the city that sold out to Abu Dhabi. *Sunday Times.* Available at: https://www.thetimes.co.uk/article/manchester-the-city-that-sold-out-to-abu-dhabi-9mwx7nfck (accessed 11/05/2022).
2 Abu Dhabi United Group are a private equity firm owned by Sheikh Mansour bin Zayed Al Nahyan - a member of the Abu Dhabi Royal Family and Minister of Presidential Affairs for the United Arab Emirates.
3 Kerr S and Stafford D (2008) Abu Dhabi investors buy Manchester City. *Financial Times.* Available at: https://www.ft.com/content/abf1a412-784f-11dd-acc3-0000779fd18c (accessed 11/05/2022).

- Our assessment of the Manchester Life development is that Manchester City Council 'sold the family silver too cheap' - it represents a transfer of public wealth to private hands that is difficult to justify as prudent.
- We highlight three inter-related problems:
    i. Despite holding a strong bargaining position, the council's desire to attract inward investment quickly meant it showed little sensitivity to the longer-term profitability of the extractive rights handed to the partner, over which it also might stake a claim.
    ii. Relatedly, the deal outcomes also suggest the council was slow to switch gears once development momentum was established; concessions might be understandable in a context of uncertainty or in towns and cities where there is little appetite for investment, but a city like Manchester should have been able to negotiate better terms with real estate finance returning six years after the financial crisis.
    iii. Finally, ventures of this kind can build compromising *interdependencies* of governance, economics and reputation, which create short and long-term risks.
        - Short term, it led to accusations that the council had become too close to Abu Dhabi partners and were ostensibly offering a 'sweetheart deal'[4]. It also led to accusations of censorship when one artistic performance critical of the emerging relationship in a council-commissioned Peterloo memorial was amended at the council's request[5].
        - Longer-term, it raises questions about what values - and whose values - the city represents. The potential for the relationship to become an ethical, political and economic liability are growing against the backdrop of concerns about the foreign policy and geo-politics of authoritarian regimes. Manchester's self-image as a vibrant, open, tolerant city may be compromised if the council is seen as aiding elites from authoritarian regimes to generate investment returns that shore up their political and economic power back home.
- From a public accountability perspective, we argue there must be more robust public scrutiny to ensure transparency around land and property deals to improve the balance of benefits for the Manchester public purse and wider community/environmental demands.
- There is a need to rethink the wider model of urban development in order to generate circuits of investment and return that are more deeply embedded locally and nationally, rather than extracted by overseas elites through tax havens.
- From an ethical perspective, there is a need to reflect on what values and which interests the city wishes to embrace and empower when it engages in joint ventures, business deals and close relationships, especially when celebrating its own progressive history.

4 This is the precise term used by a rival, cited in Collins D (2019) Manchester, the city that sold out to Abu Dhabi. *Sunday Times.* Available at: https://www.thetimes.co.uk/article/manchester-the-city-that-sold-out-to-abu-dhabi-9mwx7nfck (accessed 11/05/2022).

5 Collins D (2019) Town hall 'censors' Peterloo massacre memorial performance. *Sunday Times.* Available at: https://www.thetimes.co.uk/article/town-hall-censors-peterloo-massacre-memorial-dnzp9g2s5 (accessed 11/05/2022).

Our empirical findings in more depth…

Offshoring Assets and Income

On ownership:

- The leaseholds for land were sold to Abu Dhabi interests at values below comparable rates, despite the council's view that all transactions achieved best consideration, were underwritten by a red book valuation at the time and involved the payment of a premium.
- All Manchester Life property assets are owned by Jersey-domiciled subsidiaries ultimately owned by Abu-Dhabi-interests. We estimate the total value of Manchester Life assets to be nearly £350 million.

On income:

- The council claims to have a revenue-sharing or 'overage' arrangement with Abu Dhabi partners, but no details of that arrangement have been disclosed.
- The traceable rental and sales income streams flow to Abu Dhabi interests only:
  - The rental income from the Build to Rent properties in the Manchester Life portfolio[6] flows to a rental agent, ultimately owned by Abu Dhabi interests - Manchester Life Management Company. The rental income received was recorded as £10.1 million after VAT in 2021. That entity remits practically all surpluses (which are not reported as 'profits') to Jersey-based entities ultimately owned by Abu Dhabi interests.
  - The total sales value of Build to Sale properties we estimate to be £112.9 million, based on an assumed value of £220,000 per unit. Sales income also appears to be remitted to Jersey-based companies owned ultimately by Abu Dhabi interests.
- The partnership benefitted from considerable public subsidies in different forms: the below comparable leasehold rates for land transferred offshore for sites in a neighbourhood that had received prior public investment; no affordable housing requirements (whether delivered on- or off-site or negotiated via section 106 financial contributions) and a series of public loans.
- Manchester City Council's only disclosed income from the joint venture to date comes from a 49% stake in development companies whose income largely derives from a management fee on recharged developer costs.
  - At the time of writing, this amounts to just 49% of £164k retained earnings in the only profitable development company; but this figure will, we estimate, fall close to zero in the next accounting year.

On tax:

- Corporation Tax for rental or sales incomes, as far as is publicly disclosed in the joint venture companies and other onshore Manchester Life entities, is negligible as a consequence of the loading of administrative costs and the extensive use of offshore vehicles domiciled in Jersey.
- Manchester Life Management Company paid only £4k in Corporation Tax in 2021 on rental income of £10.1m.
- In communications with Manchester Life, the organisation states that 'all Manchester Life companies have paid all UK Corporation or Income Tax due on rental income and profits on for-sale developments'. But the precise tax arrangements and the quantum of tax paid is unknown.

For the then leadership of Manchester City Council, it raises questions about whether local decision makers could have made better use of their bargaining power, whether the Manchester Life partnership represents a good use of public resources and value for money; and whether this development could have been put together differently with the council claiming a greater share of the assets and income.

6 Collins D (2019) Manchester, the city that sold out to Abu Dhabi. *Sunday Times.* Available at: https://www.thetimes.co.uk/article/manchester-the-city-that-sold-out-to-abu-dhabi-9mwx7nfck (accessed 11/05/2022).

Offshoring Control

- Within the joint ventures, Abu Dhabi has a majority of the shares: Abu Dhabi interests own 51 class A shares whilst Manchester City Council owns 49 class B shares in each of the joint venture development companies to date.
- The joint venture articles of association in the development companies also provide Abu Dhabi partners with a majority of directors on the board: three directors to Manchester City Council's two.
- According to the original articles, the majority owners – in this case the Abu Dhabi interested parties – have the right to dismiss and appoint directors under certain circumstances, effectively offshoring control *in extremis.* These articles appear to have been revised, but crucial sections on director removal are missing from Companies House submissions.

This raises questions around accountability in Manchester's future urban redevelopment and whether these control rights could constrain the council's future regeneration aspirations in this part of the city.

Offshoring Local Democracy

- The use of tax havens plus the extensive inter-company trading in the Manchester Life development prevent full transparency of the project economics. It is not possible to determine how much profit the Abu Dhabi partners are making from this development.
- The absence of transparency limits the exercise of local democracy and accountability: it is difficult to assess the council's handling of public resources if the profits that accrue to the Abu Dhabi partners are not visible.
- These findings may also be instructive in the context of future developments in Manchester such as massive development project of Victoria North with the Far East Consortium partners, but also in other cities such as Newcastle where Saudi Arabian investors have also invested in sports assets – in this case Newcastle United Football Club – with a view to potentially diversifying into property development and improving its international image through 'sports-washing' and 'city-washing'[7].

We conclude with a series of immediate short-term actions to be undertaken by Manchester City Council to open up transparency and accountability and longer-term recommendations designed to address the concerns of international investment into UK cities.

7 Chadwick S (2021) Best of 2021: Why Saudi Arabia bought Newcastle United. City AM. Available at: https://www.cityam.com/best-of-2021-why-saudi-arabia-bought-newcastle-united/ (accessed 11/05/2022).

List of Selected Abbreviations

- **ADUG:** Abu Dhabi United Group
- **MCC:** Manchester City Council
- **MCFC:** Manchester City Football Club
- **MLDC1:** Manchester Life Development Company 1
- **MLDC2:** Manchester Life Development Company 2
- **MLDC3:** Manchester Life Development Company 3
- **MLMC:** Manchester Life Management Company
- **MLSDC:** Manchester Life Strategic Development Company
- **UAE:** United Arab Emirates

List of Figures

- **Figure 1:** Overview Of The Four Key Housing Development Functions Of Manchester Life (p.20)
- **Figure 2:** Total Units Developed By Manchester Life By Site/Type (p.22)
- **Figure 3:** Table Showing The Public Land Transfers To Jersey-Based Entities (p.25)
- **Figure 4:** Map Of Phase One And Two Manchester Life Developments (p.26)
- **Figure 5:** Price Of Land Per Unit: Manchester Life vs Comparable Developments (p.27)
- **Figure 6:** Estimated Gross Value Of The Manchester Life Portfolio (p.29)
- **Figure 7:** Graph Showing Expected Affordable Housing Contributions In Manchester Life Developments If 20% Target Was Met (p.31)
- **Figure 8:** Homelessness Presentations And Duty Owed At Point Of Presentation To Manchester City Council (Q1 2018/19 – Q1 2021/22) (p.32)
- **Figure 9:** Corporate Ownership Map Of Manchester Life Development Companies (p.35)
- **Figure 10:** Flows Of Money Into And Out Of MLDC1 (p.40)
- **Figure 11:** Manchester Life Management Company Profit And Loss Breakdown (p.41)
- **Figure 12:** Turnover And Net Income (Profit After Interest And Tax) For MLDC, MLDC2 and MLSDC (p.43)
- **Figure 13:** Schematic Representation Of Flows Within The Manchester Life Development (p.46)

1. Introduction

1.1. Background

In September 2008 Abu Dhabi United Group (ADUG), a private equity group with personnel close to the powerful and wealthy Abu Dhabi state[8], bought Manchester City Football Club (MCFC)[9]. But the investment in MCFC is only part of the story. The purchase of this sporting institution was followed by a variety of property-related investments in Manchester, the most substantial of which is the Manchester Life development - a joint venture between the same private equity group (ADUG) and the local authority, Manchester City Council (MCC).

Manchester Life claim that the joint venture was designed to 'create a development company capable of deploying the scale of inward investment required to make a significant contribution towards achieving the City's residential growth ambitions for Ancoats and New Islington, and creating the necessary momentum for regeneration to take hold'[10]. The partnership was established to develop a number of Build-to Rent (BtR) and Build-for-Sale (BfS) properties across the Ancoats and New Islington areas of Manchester. To date that partnership has delivered 1,468 housing units, mainly for rent, with many more units planned across East Manchester.

This joint venture has not been without controversy. Concerns have been raised about the ethics of being seen to do business with organisations linked to a regime whose human rights record has been the subject of criticism by NGOs like Amnesty International and Human Rights Watch. But there are additional questions about the transparency of the partnership and matters of local accountability that need exploring.

1.2. Why A Spotlight On The Partnership Is Important

There has been very little public scrutiny of the Manchester Life development to date. The partnership is reported as a '£1billion deal'[11] involving public land disposals, a high-profile international partner and numerous public interest questions. But while *ad hoc* reports in national and local newspapers have highlighted some troubling aspects of the partnership (throughout the report we provide sources), nothing systematic has been produced to date. There is, therefore, a public interest in providing an overview and assessment of the transparency, accountability and ethical issues that arise from an examination of the structure and economics of the partnership.

1.3. Aim And Scope Of The Report

The aim of this report is to enhance public knowledge about the structure and economics of the Manchester Life partnership between MCC and ADUG, providing an overview and assessment of the *transparency, accountability* and *ethical* issues that arise from it. The question of accountability requires us to examine the *economic returns* received by the two respective partners from the joint venture in the context of their bargaining power.

In terms of scope, the report focuses on these transparency, accountability and ethical dimensions. The broader place-making aims of the partnership and delivery against them are discussed in-depth on both the Manchester Life and Manchester City Council websites[12] and fall outside the scope of this report.

8 Buschmann R, Naber N and Winterbach C (2022) Sponsorship Money – Paid for by the State. *Der Spiegel.* Available at: https://www.spiegel.de/international/europe/sponsorship-money-paid-for-by-the-state-a-2ad5b586-1d82-4a21-8065-f3c081cd91a4 (accessed 11/05/2022).

9 Morrison B (2012) Richer Than God: Manchester City, Modern Football and Growing Up by David Conn – review. *The Guardian.* Available at: https://www.theguardian.com/books/2012/jun/28/richer-than-god-david-conn-review (accessed 11/05/2022).

10 For a fuller explanation of the aims of Manchester Life, including its placemaking claims see: https://mcrlife.co.uk/about-manchester-life/

11 Jupp A (2014) City owner and council to build 6,000 new homes in £1bn deal. *Manchester Evening News.* Available at: https://www.manchestereveningnews.co.uk/business/manchester-city-etihad-stadium-adug-7313788 (accessed 11/05/2022).

12 https://mcrlife.co.uk/about-manchester-life/; https://democracy.manchester.gov.uk/documents/s12020/Manchester%20Life%20Presentation%2031%20October%202019%20v3.pdf

Our evidence is drawn from company accounts, planning applications, and other secondary sources (see Appendix 1 for methods and data sources), as well as responses from Manchester City Council and Manchester Life themselves. Not all information was freely available: the use of companies domiciled in the secrecy jurisdiction of Jersey meant that we could not assemble a complete picture of the project economics, illustrating the transparency and accountability challenges which are a central theme of our report.

We conclude with some reflection on the economic and ethical value of this scheme, and make several constructive recommendations for how future urban developments within Manchester could be done differently.

We hope this report provides a resource for greater understanding, scrutiny and debate by the public, media and elected officials in the city, and for local authorities and communities elsewhere that might be considering similar partnerships.

1.4. Report Structure

The report is set out as follows:

In section 2 we outline the background and bargaining context of the MCC and ADUG Manchester Life joint venture.

In section 3 we provide a detailed description of the Manchester Life developments, showing the sites, activities and outputs that comprise the wider partnership.

In section 4 we outline the outcomes of the bargaining agreement between MCC and ADUG on issues such as public leasehold transfers, ownership of assets and rights to rental and sales income, as well as direct and indirect financial support from the public sector.

Section 5 traces the income flows through the multiple legal entities and the ways in which revenues and costs are accounted for and how much money the council receives from the deal.

Section 6 highlights outstanding transparency and accountability questions.

Section 7 distils the evidence from the report to argue that assets, income, and certain aspects of control and accountability have all been effectively offshored, and that alternative development models should be considered.

We conclude the report with a series of recommendations focused on both the Manchester Life partnership specifically as well as broader guidelines in relation to flows of international investment into UK cities.


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2. The Context Of The Manchester Life Development

2.1. Manchester City Council In Context

It is important to understand the Manchester Life joint venture in the context of the council's thirty-year experiment with property-led urban regeneration.

Historically, the council's strategic priorities have been oriented towards attracting inward investment in order to build residential density in its urban centre[13]. This model of urban regeneration follows the logics of the 'new economic geography' thesis of urban growth - that agglomeration builds economies of scale and scope, crowding-in skills which boost innovation and productivity, producing positive spill-overs into adjacent areas[14]. The council's use of this model of urban development has a particular history.

The rapid centralisation of policy-making and taxation under the Thatcher administration during the 1980s denied local councils the resources, tax-raising powers and strategic agency to reverse deindustrialisation and decline[15]. This fostered a search for alternative development strategies. In a context where local property developers had formed strong local political networks after land use and development powers were taken from the County Council, Manchester's borough planning committee became more accommodating to the argument that FLOR (flats, leisure, office and retail space) would bring the jobs and prosperity the council desired[16].

This accommodation gradually became a guiding principle of council action. Manchester's flat topography and industrial legacy meant there were plentiful brownfield sites and a collar of easy-to-convert empty warehouses amenable to development. Meanwhile, during the 1990s, the financial sector's interest in property assets as a store of value and source of profit meant there was an abundance of capital available to fund urban regeneration[17]. Within that context of revenue constraint, developer influence, a favourable topography, and increasingly liquid global capital markets, successive councils turned to property development as a source of growth and prosperity.

Manchester City Council sought to create the local conditions conducive to private sector investment and development, which intensified during the 2000s housing boom. A series of public-led programmes followed: land remediation of former industrial spaces and working-class estates[18] and large-scale regeneration projects such as New East Manchester and accompanying cultural regeneration[19]. These initiatives established Greater Manchester as a location open to real estate finance having previously been on the margins of such flows.

The financial crisis of 2008 threatened to disrupt this growth model. The number of residential units in Manchester's development 'pipeline' reached a highpoint of over 4,000 units in 2006 before falling to under 500 units in the years of 2010, 2011 and 2012[20]. Since 2013, however, in a context of low interest rates and rising asset values, the city-regional centre experienced a revival of global real estate finance interest, gathering pace from 2014-on. Greater Manchester then negotiated a UK-first city-regional devolution deal with the Conservative Government, establishing the Greater Manchester Combined Authority (GMCA), which comprised ten constituent GM local authorities overseen by a directly elected mayor[21]. This gave Manchester City Council greater autonomy to play a more involved role in tapping global financial markets to facilitate high density developments.

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13 Hodson M, McMeekin A, Froud J and Moran M (2020) State-Rescaling and Re-Designing the Material City-Region: Tensions of Disruption and Continuity in Articulating the Future of Greater Manchester. *Urban Studies* 57(1): 198–217.
14 Peck J and Ward C (2002) City of Revolution: Restructuring Manchester. Manchester: *Manchester University Press.*
15 While A, Jonas A and Gibbs D (2004) The environment and the entrepreneurial city: searching for the urban 'sustainability fix' in Manchester and Leeds. *International Journal of Urban and Regional Research* 28(3): 549-569.
16 Folkman P, Froud J, Johal S, Tomaney J and Williams K (2016) Manchester transformed: why we need a reset of city region policy. CRESC Public Interest Report, the University of Manchester, November 2016.
17 Aalbers M and Christophers B (2014) Centring housing in political economy. *Housing, Theory and Society* 31(4): 373-394.
18 Luke N and Kaika M (2019) Ripping the heart out of Ancoats: collective action to defend infrastructures of social reproduction against gentrification. *Antipode* 51(2): 579-600.
19 Ward K (2003) Entrepreneurial urbanism, state restructuring and civilizing 'New' East Manchester. *Area* 35(2): 116-127.
20 Deloitte (2017) Transforming the skyline: Manchester Crane Survey 2017. London: Deloitte Real Estate, p.7.
21 Haughton G, Deas I, Hincks S and Ward K (2016) Mythic Manchester: Devo Manc, the northern powerhouse and rebalancing the English economy. *Cambridge Journal of Regions, Economy and Society* 9(2): 355-370.

With world city aspirations, yet still relatively deprived areas on its outskirts, the council sought to attract outside capital to redevelop the city centre at pace. It is within that context that the appeal of inward investment from Abu Dhabi (and other overseas investments) should be understood.

2.2. Abu Dhabi United Group In Domestic and Global Context

In a similar way, it is important to understand the history of Abu Dhabi United Group's (ADUGs) interest in Manchester property in order to provide insight on the bargaining context around Manchester Life. And to understand ADUG strategy, it is necessary to consider the context within which Abu Dhabi elites are operating and the organisation of the Abu Dhabi state as an absolute monarchy.

ADUG is organised as an investment and development company privately owned by His Highness Sheikh Mansour bin Zayed Al Nahyan. The distinction between ADUG – the main investment vehicle used in many Manchester-based investments including the purchase of Manchester City Football Club[22] and Manchester Life – and that of the Abu Dhabi state itself has been the subject of much debate. As noted, ADUG is owned by His Highness Sheikh Mansour bin Zayed Al Nahyan ('Sheikh Mansour') who maintains the entity is entirely separate from the Abu Dhabi government[23].

There are, however, strong overlaps between the key personnel involved in ADUG and the ruling elite of Abu Dhabi. Sheikh Mansour, for example, is a member of the ruling royal family – brother of Abu Dhabi's ruling crown prince; he is Deputy Prime Minister of the United Arab Emirates, Minister of Presidential Affairs and a member of the Supreme Petroleum Council. In 2017 he became Vice-Chairman of Mubadala Investment Company, one of the world's largest state-owned investment funds[24].

Some commentators argue that the line between state and private enterprise is blurred in Abu Dhabi[25]. The announcement by an ADUG spokesperson when buying Manchester City Football Club that it would 'reinforce Abu Dhabi's position as a capital of both sport and economic development… attracting the world's attention to the United Arab Emirates through this purchase of one of the oldest English clubs', did little to dissuade some commentators that enhancing the prestige and reputation of the Emirate state played a role in the acquisition[26,27]. The suggestion that public/private boundaries are fuzzy have been reinforced by a series of leaked emails published by German newspaper *Der Spiegel* which show this fluidity, suggesting that some of MCFC's player agent fees were cleared by - and apparently invoiced to - a state office[28]. The evidence on relations between, and overlap of, ADUG and Abu Dhabi state personnel and evidence of fluidity between private and state institutions and governance processes lend credibility to the perceptions of Amnesty and others[29] of strategic overlaps between ADUG and the Abu Dhabi state, despite their formal separation.

Abu Dhabi is the largest emirate and capital of the United Arab Emirates (UAE), an absolute monarchy and one of the world's largest oil producers due to its location in the Persian Gulf. According to S&P Global Ratings, Abu Dhabi generates about 90% of its income from oil and derives 50% of its GDP from crude[30]. The country used its oil reserves to amass wealth, including through four sovereign wealth funds with over $1 trillion under management.

Following years of low oil prices, and more recent international attempts to decarbonise the global economy, there is a renewed effort within Abu Dhabi to diversify its sources of income and wealth as the world switches to renewable energy sources[31]. This development poses a threat to the wealth and security

22 Although, since July 2021 the ultimate owner of City Football Group is reported as 'Newton Investment and Development LLC' – also domiciled in Abu Dhabi and owned by Sheikh Mansour. Source: https://www.cityfootballgroup.com/our-business/ownership/ (accessed 11/05/2022).

23 Chairman interview appeared on City TV 19 May 2014 at 7.11pm. Source: http://www.mcfc.co.uk/citytv/interviews/2014/may/khaldoon-interview-i/ and http://www.mcfc.co.uk/citytv/Interviews/2014/May/Khaldoon-Interview-II (accessed 11/05/2022).

24 City Football Group (nd) Ownership. Available at: https://www.cityfootballgroup.com/our-business/ownership/ (accessed 11/05/2022).

25 England A and Kerr S (2021) The Abu Dhabi royal at the nexus of UAE business and national security. *Financial Times.* Available at: https://www.ft.com/content/ce09911b-041d-4651-9bbb-d2a16d39ede7 (accessed 11/05/2022).

26 Conn D (2008) How City became a trophy brand for greater glory of Abu Dhabi. *The Guardian.* Available at: https://www.theguardian.com/sport/blog/2008/sep/02/aneweraforfootballhowcit (accessed 11/05/2022).

27 Anderson R (2014) Boosting Brand Abu Dhabi. Gulf Business. Available at: https://gulfbusiness.com/boosting-brand-abu-dhabi/ (accessed 11/05/2022).

28 Buschmann R, Naber N and Winterbach C (2022) Sponsorship Money – Paid for by the State. *Der Spiegel.* Available at: https://www.spiegel.de/international/europe/sponsorship-money-paid-for-by-the-state-a-2ad5b586-1d82-4a21-8065-f3c081cd91a4 (accessed 11/05/2022).

29 Doward J (2018) Amnesty criticises Manchester City over 'sportswashing'. *The Observer.* Available at: https://www.theguardian.com/law/2018/nov/11/manchester-city-owners-accused-sportswashing-gulf-image (accessed 11/05/2022).

30 S&P Global (2020) UAE's Abu Dhabi GDP to contract 7.5% in 2020 on oil price crash, virus: S&P Global Ratings. S&P Global. Available at: https://www.spglobal.com/platts/en/market-insights/latest-news/oil/053120-uaes-abu-dhabi-gdp-to-contract-75-in-2020-on-oil-price-crash-virus-sampp-global-ratings (accessed 11/05/2022).

31 Davidson C (2011) *Abu Dhabi: Oil and Beyond.* London: Hurst Publishers.

of the Abu Dhabi ruling elite, and their strategies should be understood in that context, irrespective of whether they organise their interests in a private investment vehicle or as a state-owned fund.

Abu Dhabi's ruling elites have followed a two-pronged strategy. They have first sought to diversify the domestic economy. The Abu Dhabi Economic Vision 2030, launched in 2008, set in place a wide-ranging economic development strategy to reduce dependence on oil and gas through domestic investment in skills, technology and infrastructure. They have also tried to attract global investment as part of that first phase. A recent report by the London School of Economics argues that the Abu Dhabi state has pursued a 'soft power enclave' strategy designed to promote the image and influence of Abu Dhabi and the United Arab Emirates abroad. According to the report, a first step involved oil monarchies using their oil wealth to buy the 'accoutrements of good citizenship' and 'progressiveness' through a variety of domestic urban interventions. This included the building of transplant university campuses such as the New York University Abu Dhabi campus within specific enclaves of Abu Dhabi; as well as transplant museums like those of the Guggenheim and Louvre. These investments, the report argues, were not financially motivated primarily, but symbolically demonstrated a desire to comply with Western-defined liberal international norms and tastes to gain global recognition and acceptance[32].

Second, Abu Dhabi elites have also sought to extend their global power and influence in order to diversify into overseas non-oil assets. They have, however, faced obstacles. The willingness of overseas economies to welcome Abu Dhabi investment is tempered by the reputational risks of being associated with a regime whose human rights record is an object of criticism by campaign groups. Human Rights Watch, Amnesty International and other organisations have highlighted restrictions on and breaches of a number of social and political rights in the UAE. This includes on freedom of expression and association[33]; women's rights and gender equality[34,35]; arbitrary detention and the right to a fair trial[36]; and even enforced disappearances and torture[37] as well as its role in the war on Yemen[38] (see Appendix 2 for a full list of claims).

Reputation can matter greatly in Western cities who rely on a perception that their culture is open, tolerant and progressive in order to attract new, young, high-skilled workers to their centre. Moreover, the negative publicity that can accrue to local councils by being seen to do business with such regimes, can also act as a strong disincentive to engage if it raises difficult questions about their own human rights commitments. Manchester City Council, for example, makes an explicit commitment to the Human Rights Act 1998 on its official website, including an endorsement of freedom from torture and inhuman or degrading treatment, a right to liberty and security, freedom from slavery and forced labour and a right to a fair trial[39].

Human rights groups have argued that the distinction between investment vehicles and the Abu Dhabi state are attempts to overcome these reputational problems – and that the purchase of clubs like MCFC are a form of 'sports-washing' to divert public perceptions in the West away from their poor human rights record[40]. An alternative understanding may suggest that Abu Dhabi elites are simply internationalising their 'soft power enclave' strategy: that the purchase of, or investment in, cultural assets (sports clubs, universities, museums) of targeted cities, is part of a first strategic phase in order to win favour with local communities and establish a relation with local power brokers; before using that influence to shape institutions and accumulate diversified assets that generate a

32 Hertog S (2017) 'A quest for significance: Gulf Oil Monarchies' international 'soft power' strategies and their local urban dimensions.' LSE Middle East Centre: LSE Kuwait Programme Paper Series 42. Available at: http://eprints.lse.ac.uk/69883/1/Hertog_42_2017.pdf (accessed 11/05/2022).

33 US State Department (2020) 'United Arab Emirates: Human Rights Report 2020.' Available at: https://www.state.gov/wp-content/uploads/2021/03/UNITED-ARAB-EMIRATES-2020-HUMAN-RIGHTS-REPORT.pdf (accessed 11/05/2022).

34 Human Rights Watch (2021). 'Human Rights Watch Submission to the Committee on the Elimination of Discrimination against Women on the United Arab Emirates.' Available at: https://www.hrw.org/news/2021/03/04/human-rights-watch-submission-committee-elimination-discrimination-against-women (accessed 11/05/2022).

35 Human Rights Watch (2021) 'UAE: Greater Progress Needed on Women's Rights.' Available at: https://www.hrw.org/news/2021/03/04/uae-greater-progress-needed-womens-rights (accessed 11/05/2022).

36 BBC News (2021) Matthew Hedges: UK academic files claim over UAE 'torture'. Available at: https://www.bbc.co.uk/news/uk-england-tyne-56998407(accessed 11/05/2022).

37 Amnesty International (2009) 'Member of United Arab Emirates ruling family implicated in 'torture' video.' Available at: https://www.amnesty.org/en/latest/news/2009/05/miembro-familia-dirigente-emiratos-arabes-unidos-implicado-video-tortura-2009050/ (accessed 11/05/2022).

38 Amnesty International (2019) UAE forces operating network of secret prisons in Yemen – new report. Available at www.amensty.org.uk/press-release/uae-forces-operating-network-secret-prisons-yemen-new-report

39 Manchester City Council (nd) Equality Guidance and Information. Available at: https://secure.manchester.gov.uk/info/200041/equality_and_diversity/5871/equality_guidance_and_information/3 (accessed 11/05/2022).

40 Merrill P (2016) Human rights groups tackle Manchester leaders over UAE ties. *Middle East Eye.* Available at: https://www.middleeasteye.net/fr/news/exclusive-rights-groups-press-manchester-civic-and-football-leaders-over-uae-ties-2135988559 (accessed 11/05/2022).

permanent revenue stream. Abu Dhabi United Group bought and invested heavily in Manchester City FC; whilst Masdar, an Abu Dhabi development company subsidiary, also part-funded the University of Manchester's Graphene Engineering Innovation Centre.

The context, therefore for Abu Dhabi partners, is one of a structural economic need to diversify internationally out of oil with a potential barrier of reputation associated with its human rights record.

2.3. Context of The Manchester Life Partnership

The Manchester Life deal is one where both partners stood to gain something by working with the other: Manchester City Council sought capital to regenerate underdeveloped parts of its city in a context of limited tax raising powers and world city competition, and the ultimate beneficiaries of Abu Dhabi United Group sought greater exposure to non-oil assets and an enhanced reputation abroad. There were obvious risks – not least the potential reputational consideration for the council outlined above. For Abu Dhabi investors, there was some financial risk; but also a risk that future changes to the council leadership might introduce a different opinion on the value of their involvement in urban development projects.

Although real-world negotiations rarely conform to the socially disembedded world of bargaining outlined in mainstream economics, there is some utility in thinking of this as a classic 'Nash' or 'Cooperative' bargaining situation in which two actors decide how to share a surplus that they can jointly create. The ownership of key attributes or assets, the respective needs of each partner and the presence or otherwise of alternative partners should, in theory, affect the ex ante bargaining power of each actor. That ex ante bargaining power could then be levered to influence the terms of new agreements and hence the future payoffs from investing in the new or ongoing relationship. Those factors would ordinarily influence the division of rights to future cashflows from the developed asset between the two parties, or the risk-exposure within the project structure.

A simplified assessment of the bargaining context would be thus: ADUG's reputational issues constrained their access to other development opportunities nationally and internationally. Manchester City Council thus held key assets in the form of access to land and the development rights which gave them negotiating power. ADUG could provide capital, but their bargaining power would depend on the presence or absence of alternative providers (see below). The beneficiaries of ADUG had a structural need to diversify their sources of income; although MCC's world city aspirations and local pressures to improve housing shortages also provided some incentive to enter into a joint venture such as this. Yet working with ADUG carried reputational risks that would, in theory, have to be 'priced-in' by the council who might expect to extract more concessions.

The initial balance of bargaining power should therefore have provided the council with a strong position to negotiate favourable terms. Other factors are relevant however: the development needs of the area and the condition of the sites, and the relative presence or absence of other developers and capital providers who might compete for the partnership with MCC, reducing ADUG's bargaining power.

2.4. The Manchester Life Sites

In terms of the development needs of the area, Ancoats was already in the process of regeneration at the time of the Manchester Life development. This regeneration had partly been supported by a series of local initiatives intended to unlock the value of land there since the 1990s. That regeneration work included:

- Compulsory purchase orders of land and buildings in Ancoats led by the North West Development Agency (NWDA) in the 1990s, including plots that have subsequently been transferred to Manchester Life.
- The demolition of the Cardroom social housing estate as part of the New Islington Millennium Village initiative, involving Manchester City Council and English Partnerships. While Urban Splash was the original lead developer, two Manchester Life buildings have since been built on this land.

- Land remediation including 100,000 tonnes of soil[41] for the New Islington regeneration and other infrastructure works for £20m funded by English Partnerships and delivered by Volker Steven[42]. Other infrastructure included £4.4m from the NWDA for new canal links[43]. Four Manchester Life buildings have since been built in the area.
- Investment by the Homes and Communities Agency (since renamed Homes England) in 2015 that included the purchase of 10,000 sq ft of commercial space in Cutting Room Square[41].

As a result of this investment, by 2014/15 there was already a significant and growing new population in Ancoats, alongside ING-developed Royal Mills, the Ice Plant development of the Northern Group, and the redevelopment of Cutting Room Square in 2010. Small trendy businesses were also in the process of moving into the area, indicating that gentrification was already underway in Ancoats as a natural spillover from the successful regeneration of the Northern Quarter, before the Manchester Life agreement was sealed. Land values were rising and developers were beginning to rediscover profitable opportunities and take more risk following the financial crisis.

The particular area of Ancoats around the marina where Manchester Life was to be sited was comparatively underdeveloped and in need of improvement at that time. But there were signs that this area was 'on the up', with development occurring organically around the site. This should have increased the option value of the land assets held by the council, and thus the value of having access to those assets by any potential partner.

2.5. The Presence of Alternative Developers

The question of 'alternative' developers is complicated. Abu Dhabi United Group certainly had the resource to develop multiple builds at scale and speed. This made them a potentially attractive partner for Manchester City Council, whose stated policy aim was to restore investor 'confidence' in Ancoats following the 2008 financial crisis. However, the Manchester Life contract was seemingly awarded without an open procurement call, with the proposal to form the partnership announced in June 2014[45]. This prompted allegations reported in *The Sunday Times* in 2019 from at least one rival developer that the Council had agreed a 'sweetheart deal' lacking 'any fair competition process'[46]. The complaint may imply there were other interested parties. Yet a reluctance to put developments out to tender are neither improper nor unheard of, but might ordinarily imply that the preferred partner had made an offer that made the need to go to the market obsolete. Against this backdrop, the ownership of land and associated development rights and the closed nature of the deal should have further strengthened the bargaining power of the council.

To summarise, Manchester City Council had a desire to attract finance for the redevelopment of parts of the Ancoats neighbourhood, but held considerable bargaining power over the terms of any potential deal. In examining how the Council used its bargaining power, we will now describe the Manchester Life development in section 3, before examining the specific details of the Manchester Life partnership in section 4.

41 Place North West (2007) Green spotlight: New Islington. *Place North West.* Available at: https://www.placenorthwest.co.uk/features/green-spotlight-new-islington/ (accessed 11/05/2022).

42 Volker Stevin (nd) 'New Islington Sustainable Community Scheme.' Available at: https://www.volkerstevin.co.uk/en/our-projects/detail/new-islington-sustainable-community-scheme (accessed 11/05/2022).

43 Place North West (2010) Work starts to bring Ancoats and New Islington together. Available at: https://www.placenorthwest.co.uk/news/work-starts-to-bring-ancoats-and-new-islington-together/ (accessed 11/05/2022).

44 Jackson N (2015) HCA injects £1.2m in refurbishment. *The Business Desk.* Available at: https://www.thebusinessdesk.com/northwest/news/719328-hca-injects-1.2m-in-refurbishment (accessed 11/05/2022).

45 Manchester City Council (2014) A stimulus for residential growth: Report of the Chief Executive. Available at: https://democracy.manchester.gov.uk/Data/Executive/20140624/Agenda/4__A_Stimulus_for_Residential_Growth.pdf (accessed 11/05/2022).

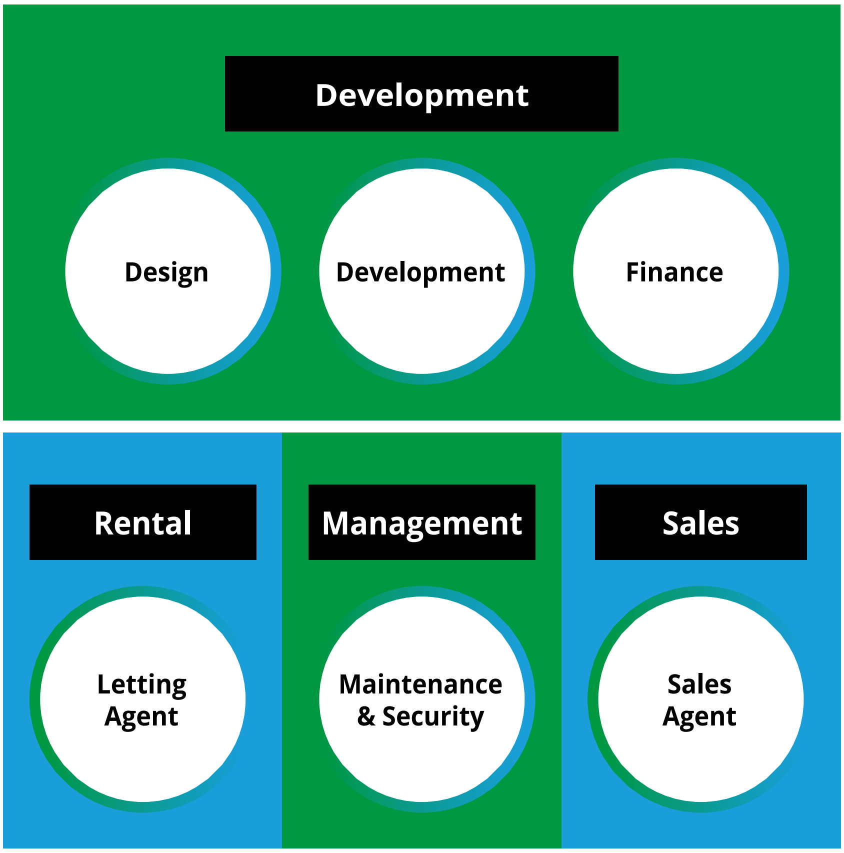
46 Collins D (2019) Manchester, the city that sold out to Abu Dhabi. *Sunday Times.* Available at: https://www.thetimes.co.uk/article/manchester-the-city-that-sold-out-to-abu-dhabi-9mwx7nfck (accessed 11/05/2022).

3. What is Manchester Life?

3.1 Manchester Life: The Different Functions

Manchester Life is not a single company but rather comprises a complex of housing development functions: development, rental, management and sales (figure 1).

Figure 1: Overview Of The Four Key Housing Development Functions Of Manchester Life



Development functions involve the design, development and financing of the buildings to be let. Developers assemble the land assets, designers, architects and finance which are all essential to the construction process. Much of the organisation/coordination of this process was performed by the joint ventures between MCC and ADUG through the Manchester Life Development Group vehicles (see section 4). Within the Manchester Life development, the following providers were involved:

Land

was provided in Ancoats and New Islington by Manchester City Council, with sites leased out to the joint venture on a long-term, 999-year basis from public stock.

Finance

was largely provided by the Abu Dhabi United Group. However, there was also a contribution in the form of public loans (see section 4 below).

Construction

was overseen by the contractors John Sisk and Son, GRAHAM Construction and Eric Wright Construction.

Consulting

services were provided by, amongst others, MAC Construction Consultants. This involved quantity surveying, Principal Designer and Construction Design Management Adviser services to help the phased delivery of approximately 1,000 new PRS and for sale residential units across six sites[49].

Architecture and design

was carried out by major practices including Fielden Clegg Bradley Studios, Chapman Taylor, Callison RTKL, PRP, and Buttress.

Rental functions

involve the letting of properties and the collection of rents from the 'Build to Rent' developments within Manchester Life's portfolio.

Management functions

involve the provision of maintenance and security services, alongside the offer of amenities to tenants and leaseholders that include concierge, communal club rooms and outdoor spaces, and gym access.

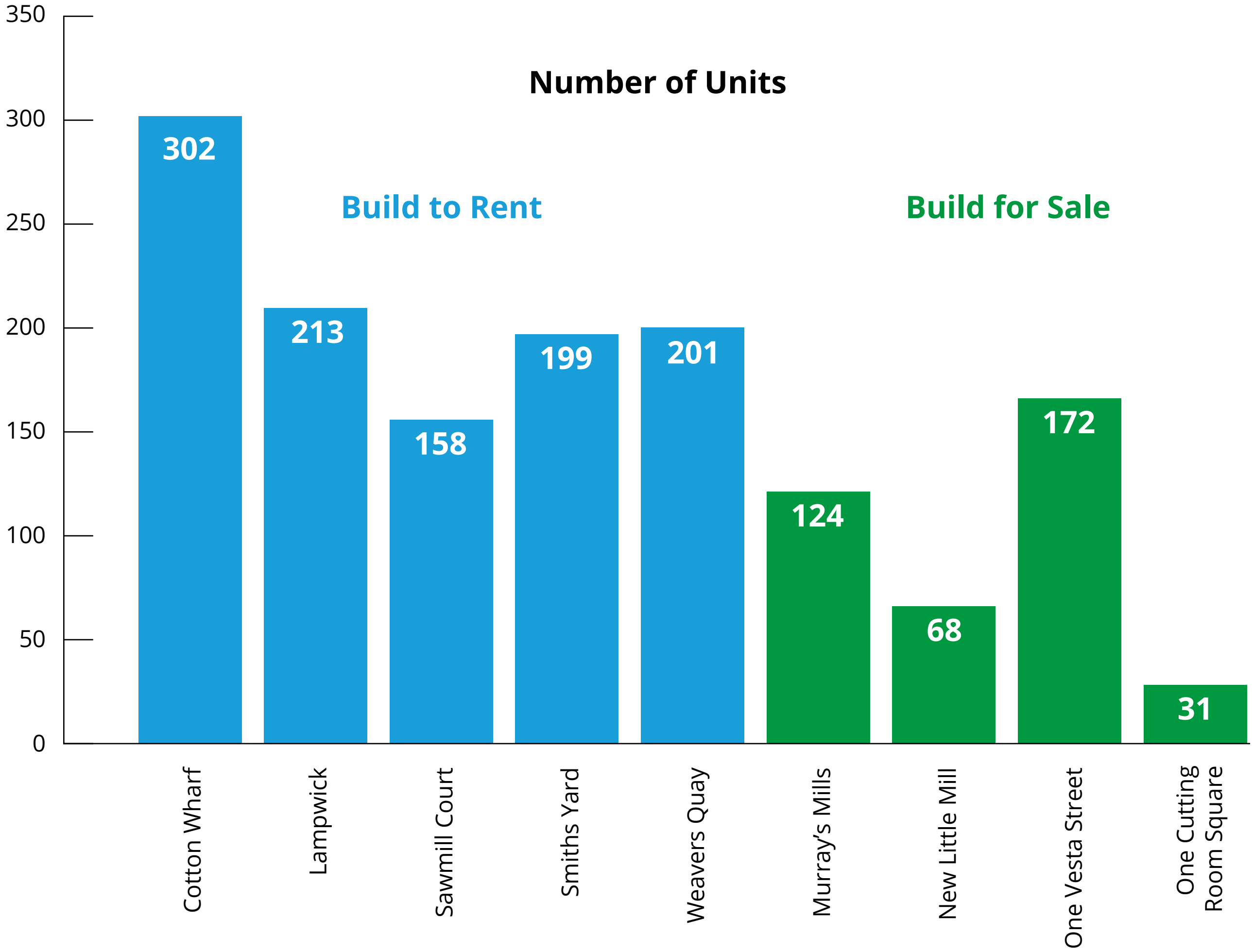
Sales functions

involve the sale of apartments and townhouses built by Manchester Life to leaseholders, conducted in partnership with management agents such as Reside Manchester.

49 MAC (nd) 'Manchester Life.' MAC Construction Consultants. Available at: https://macconsultingltd.com/projects/manchester-life (accssed 11/05/2022).

To date, the following developments have been constructed (figure 2):

Figure 2: Total Units Developed By Manchester Life By Site/Type



Development outputs from phase one and two included nine sites located in Ancoats and New Islington, collectively accounting for 1,468 apartments and townhouses. They have been built through a combination of new-build development and the renovation of existing buildings such as former mills. The earliest of these gained planning permission in July 2015, while the latest were approved in July 2017. Phase three began with planning permission received in July 2021.

Rental outputs include 1,073 Build to Rent housing units, split over five sites and accounting for 73.1% of homes built through Manchester Life. Build to Rent refers to housing specifically built and designed for the private rented sector, owned at the scale of a block or higher by institutional investors and other institutional landlords. While most are owned by Manchester Life, in late 2021 the partnership announced it had sold one development at Lampwick Quay for an undisclosed sum to the US-based asset manager PGIM. Manchester Life continues to provide management and staff for the property, which opened to residents on 1st September 2021. The Abu Dhabi owned Manchester Life Management Company is the UK-domiciled rental agent.

Sales outputs include 395 homes built for sale to owner occupiers split across four project sites, accounting for 26.9% of development to date. Reservation fees are paid to Reside Manchester Ltd Client Account.

We set out the company structures behind these functions and outputs, the way they intersect and how this shapes various flows of finance across the wider partnership in section 5.

3.2. What Does Manchester Life Do?

The Manchester Life company runs what it terms a 'through the life' approach[50], overseeing the four functions of finance, development, lettings and sales agent, and the landlord and manager of completed apartment buildings. Manchester Life describes its rental offer as:

> ***'From start to finish we are focussed on providing exceptional customer service, streamlining the rental process, and ensuring the attention to detail that encourages you to feel at home and stay for longer'[51].***

Most of the developments comprise apartment buildings with a minority of townhouses. There are also a number of commercial units operated by Manchester Life on the ground floor of some developments. No affordable housing has been built to date through the partnership, although there are plans to build 107 affordable homes on land owned by Manchester City Council in the vicinity in concert with Great Places housing association.

For future developments, see Appendix 3.

50 Manchester Life (nd) 'Our History.' Available at: https://mcrlife.co.uk/about-manchester-life/ (accessed 11/05/2022).
51 Manchester Life (nd) 'Rent with us: tenancy renewals process.' Available at: https://mcrlife.co.uk/rent-with-us-tenancy-renewals-process/ (accessed 11/05/2022).

4. The Manchester Life Partnership

This section examines the outcome of the bargaining arrangement struck between the two joint venture partners: Manchester City Council and the Abu Dhabi United Group. We outline outcomes in relation to the land deal, the ownership of the property assets, the rights to the rental income, the governance of the joint venture, and local and national state support.

4.1 The Ownership of Land

In 2014, as part of the development process, it was decided by senior leadership at Manchester City Council that public land would be used to take forward the various Manchester Life developments. Some of this land included parts of the former Cardroom Estate that had previously hosted 200 social housing units. Each parcel of land was sold to a subsidiary company of Loom Holdings, the Jersey based holding company for ADUG, rather than a UK based company, thereby 'off-shoring' land previously held publicly in the city[52].

The lease-holdings for these plots of land were 999 years - considerably longer than any comparable public land transfer the authors were able to identify (which were normally between 150 and potentially up to 250 years maximum). Abu Dhabi based interests thus now control these parcels of land for just under one thousand years, even though the council retains ownership of the freehold.

Figure 3 provides details of the public land leasehold transfers for six[53] developments to the Jersey based subsidiaries of Loom Holdings. Figure 4 shows where that land is situated geographically. The land we can identify amounts to 6.91 acres with total payments to the council of £4,951,280. This works out at an average of £716,538 per acre.

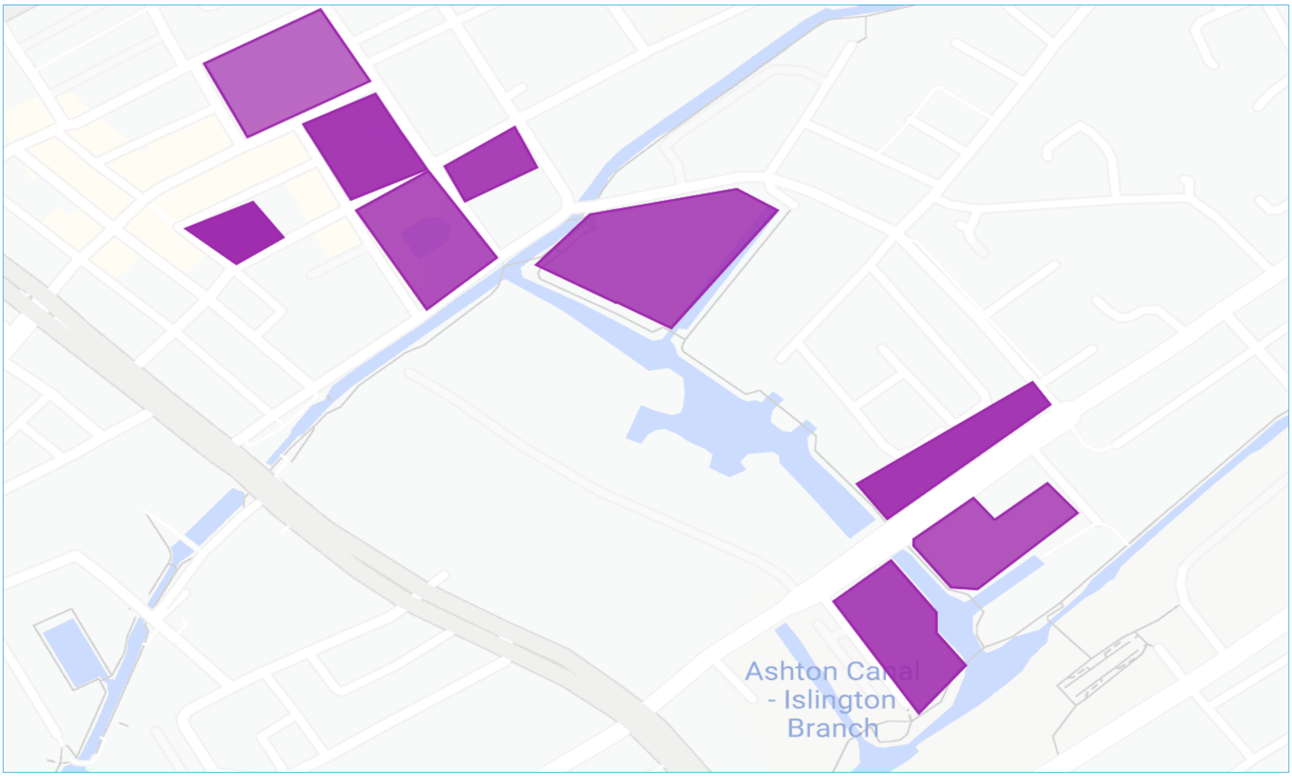
Figure 3: Table Showing The Public Land Transfers To Jersey-Based Entities

Name of scheme	Jersey based entity land transferred to	Price of leasehold sold	Total acres	Price per acre
One Vesta Street	Vesta Street Developments Ltd	£881,280[54]	0.63	£1,398,857
Cotton Wharf	Silk Glass Developments Ltd	£1,280,000	2.4	£533,333
One Cutting Room Square	Loom Cotton Development Company Ltd	£400,000	0.42	£952,381
Sawmill Court	Flour Developments Ltd	£870,000	0.96	£906,250
Smith's Yard	Blossom Iron Developments Ltd	£1,100,000	1.5	£733,333
Weavers Quay	Glass Developments Ltd	£420,000	1	£420,000
TOTAL		**£4,951,280**	**6.91**	**£716,538**

(Source: planning documents, land registry)

52 Gillespie T and Silver J (2020) Who Owns the City: The privatisation of public land in Manchester. Available at: http://www.gmhousingaction.com/who-owns-the-city/ (accessed 11/05/2022).
53 Not including Lampwick – purchased by Lampwick Developments Ltd from a third party in 2019 – or the two historic mill complexes, Murrays' Mill and New Little Mill.
54 Please note this figure only relates to half of the 1.26 acre Vesta Street site, with the remaining half purchased from a third party.

Figure 4: Map Of Phase One And Two Manchester Life Developments



(Source: Gillespie and Silver, 2020)[56]

Data gleaned from viability assessments suggests that the prices of land leased by Manchester City Council to Manchester Life are lower than for comparable sites purchased by other developers. When accounting for the price paid per unit, the value of land at Eliza Yard, a 118 Build to Sell development brought forward in 2021, was estimated at £5,600 by the consultancy Savills. This compares to an estimated price paid per unit of roughly £15,000 for the Victoria Riverside site bought by the Hong Kong developers Far East Consortium, and £17,000 for the Fierra Capital development on Long Acre Street, both considered comparator developments by Savills.

In response to our queries, Manchester City Council said that all leases achieved best consideration, were underwritten by a red book valuation at the time and involved the payment of a premium. Variations in the range of prices per unit paid may partially reflect additional costs due to differences in site conditions and may also reflect decisions to sell at different moments in the property market cycle, with land values likely to be lower in the post-recessionary period of 2014 and 2015. It is nonetheless notable that the price per unit paid to developers can be much higher for neighbouring developments even in years like 2016, such as the £38,251 paid for the NCP car park site on Tib Street in Manchester's Northern Quarter – two years before the leaseholds were sold for the One Vesta Street development, where the price paid per unit was considerably lower (figure 5).

The council claims that they have 'overage' arrangements[57] in place which may provide them with additional income. However, they were unwilling to disclose the details of those overage arrangements on commercial grounds: e.g. how much are they entitled to, what events trigger the overage payment (does the leasehold need to be sold, for example?) and above what threshold do overage payments kick in? The council also did not provide us with a figure for how much they had received via overage payments in the project overall (i.e. via land, buildings, rental income etc), and we can find no details of these arrangements or record of any overage payments received by the council in their accounts or the public domain generally.

56 Gillespie T and Silver J (2020) Who Owns the City: The privatisation of public land in Manchester.
57 An overage agreement is one where the purchaser of land agrees to pay the seller an additional sum of money above the purchase price following a specified future event that enhances the value of the land.

Figure 5: Price Of Land Per Unit: Manchester Life[58] vs Comparable Developments

Name of scheme	Price of leasehold sold	Number of units	Price of land per unit	Transaction date
One Vesta Street	£881,280	86[59]	£10,247	August 2018
Cotton Field Wharf	£1,280,000[60]	302	£4,238	April 2015
One Cutting Room Square	£400,000	31	£12,903	Nov 2015
Sawmill Court	£870,000	158	£5,506	April 2015
Smith's Yard	£1,100,000	199	£5,528	April 2015
Weavers Quay	£420,000	201	£2,090	April 2015
Land costs per unit in comparable developments Source: https://docs.planning.org.uk/20210525/27/QSY749BCH2H00/8wyqtuqk4d6ktebm.pdf (p.28)				
Ancoats Gardens	£2,745,000	155	£17,700	2016/2017
Victoria Riverside, Dantzic Street	£5,2000,000	344	£15,116	May 2018
Swan Street	£10,000,000	373	£26,810	Feb 2021
NCP Tib Street	£7,000,000	183	£38,251	Sept 2016

(Source: planning documents)

It is important to be sensitive to the conditions of each plot. A lower estimated price per unit paid may also reflect requirements for lower carbon development at, for example, Eliza Yard as a land plot owned by Manchester City Council. However, overall our estimates of the prices paid per unit for other Manchester Life projects suggest that Manchester Life have been able to access land at a cheaper rate than many comparable developments. We estimate that if the leasehold transfers had used a calculation of £17,700 per unit, equivalent to that of Ancoats Gardens, the Council could have leased land to Manchester Life for a total of £17,292,900. This would have generated an additional £12,341,620 in income to the public purse, rather than the £4,951,280 that was actually received.

It should be noted that the market price paid to the council for these leaseholds is also much lower than land bought by the council in the vicinity at market value. For instance, the council bought the nearby Ancoats Retail Park in 2017 at over £3.2m per acre, over four times higher than the average price of the leaseholds paid by Manchester Life entities. The Council may be selling the leasehold at the bottom of the market, while buying land back once a property boom is underway. If that is the case, there are questions to be answered about the council's stewardship of its land assets and whether they are effectively protecting the option value of their own land assets.

In response to our queries on these features of the development, the council has stated that 'from the outset Manchester Life was set up to restart the market and be a platform for multiple investors to deliver a significant number of homes on the eastern edge of the city in 2012/15 as a consequence of the earlier financial crisis of 2014/15. The partnership was established with robust financial and structural arrangements to protect the Council's interests'[61]. This periodisation is contestable in our view – we would argue that the financial crisis took place in 2007/8 and that by 2014/15 some confidence had returned to real estate markets after significant government and central bank interventions. And whilst the council

58 We do not include Murrays' Mills and New Little Mill in our table because they are conversions of historical buildings rather than new build developments, so the comparison would not be fair, or Lampwick, because the site was purchased from a third party and not Manchester City Council. The recorded leasehold value for New Little Mill is £100,000, for Murrays' Mills is £300,000, and for Lampwick is £1.9m.
59 50% of the total 172 units, adjusted to reflect that only half the site was leased from Manchester City Council.
60 NB: Cotton Field Wharf's freehold document suggests that Manchester City Council bought the land from the HCA in 2014 for £2,480,700 but there is no title plan attached or an explanation for why the land at Cotton Wharf was leased for a lower value - it could be that the land the council bought covered a larger area.
61 Email communication with the authors, 08/06/2022.

stresses that their governance arrangements have protected value for money, without evidence of value returned to the council we have no means of assessing that claim. In our view, the comparably low rates paid for the leaseholds for land in the absence of competition raise value for money questions.

Summary: ADUG interests were sold the leaseholds for land within the Manchester Life development at what appear to be low rates – and those leaseholds are held offshore in subsidiary companies based in Jersey.

4.2. The Ownership of The Property Assets

The Manchester Life property assets also appear to be wholly owned by ADUG interests.

The Jersey-based entities which own the Phase One Manchester Life property assets are[62]:

- **Glass Developments Ltd (who own Weavers Quay).**
- **Loom Cotton Development Company (who own One Cutting Room Square and Murrays' Mills).**
- **Silk Glass Developments Ltd (who own Cotton Field Wharf).**
- **Flour Developments Ltd (who own Sawmill Court).**
- **Blossom Iron Developments Ltd (who own Smith's Yard)**

There are then the following Jersey-domiciled entities which initially owned the Phase Two Manchester Life property assets[63]:

- **Lampwick Developments Ltd (who own Lampwick)[64].**
- **Vesta Street Developments Ltd (who own One Vesta Street).**
- **New Little Mill Developments Ltd (who own New Little Mill).**

The above Jersey-based entities are in turn owned by other Jersey-domiciled entities: **Loom Holdings Ltd** owns the Phase One developments and **Loom Holdings 2 Ltd** owns the Phase Two developments.

Both Loom Holdings Ltd and Loom Holdings 2 Ltd are ultimately owned by Abu Dhabi United Group.

A conservative estimate[65] of the value of the property assets is that they are worth around £348.9 million, of which £236.1 million are Build to Rent assets and £112.9 million are for sale assets (figure 6). It is unclear whether the council will receive any portion of an uplift in property asset values. The council claim there are overage arrangements in place, but we have no information on their details.

It should also be noted that the offshore structure makes it difficult to identify any movements in the value of those assets (property revaluations can produce large profits) or of changes in ownership after the deal because the jurisdiction of Jersey requires companies to submit only minimal accounts, raising questions about the transparency and democratic accountability of the Manchester Life developments. Indeed, it is unclear how the council themselves are keeping track of any uplift in property asset values as part of any overage arrangement, given the reporting is so minimal and takes place in a secrecy jurisdiction.

62 GRAHAM Construction (2019) Weavers Quay residential development reaches completion. Available at: https://www.graham.co.uk/about-us/news/graham-completes-weavers-quay-residential-development (accessed 30/06/2022).
63 Manchester Life (2021) PGIM Real Estate invests in Manchester Life's Lampwick Quay on New Islington Marina. Available at: https://mcrlife.co.uk/pgim-real-estate-invests-in-manchester-lifes-lampwick-quay-on-new-islington-marina/ (accessed 30/06/2022).
64 The Lampwick development was subsequently sold to PGIM Real Estate on 22 September 2021, although Manchester Life Management Ltd has been retained as the management agent.
65 Based on an average of £220,000 per unit, the average price of an apartment in Ancoats in 2020 (via Zoopla).

Figure 6: Estimated Gross Value Of The Manchester Life Portfolio

Name	Value
Cotton Wharf	£66,440,000
Lampwick	£46,860,000
Sawmill Court	£34,760,000
Smith's Yard	£43,780,000
Weavers Quay	£44,220,000
Murrays' Mills	£27,280,000
New Little Mill	£14,960,000
One Vesta Street	£37,840,000
One Cutting Room Square	£6,820,000
Eliza Yard	£25,960,000
Total Value of portfolio	**£348,920,000**
Value of Build to Rent assets	**£236,060,000**
Value of Build for Sale assets	**£112,860,000**

Summary: the council has no stake in the Manchester Life property assets (i.e. the apartment blocks built as part of the Manchester Life development); they are 100% owned by Jersey-domiciled holding companies, which are themselves owned by Loom Holdings vehicles and ultimately owned by the Abu Dhabi United Group.

4.3. The Ownership of Rights To Income From Manchester Life Assets

As noted, the property assets are ultimately held by Abu Dhabi interests in Jersey via Loom Holdings. Rental income accrues to those wholly owned subsidiaries, collected by a UK-based management company/agent (Manchester Life Management Ltd), which is itself owned by five of these entities.

The annual rental income that accrues to the Jersey-based entities is significant. If we assume a rental income of £950 per calendar month on each unit, with 1073 Build-to-Rent units built, that would amount to just over £12m per year in revenue[67], before the deduction of costs and expenses.

The Council's accounts show no direct profit-sharing arrangement related to the rental income, even though other profit-sharing arrangements of this kind are reported in their accounts[68]. This confirms previous reports in *The Sunday Times,* that 'the council does not receive rental income but stands to get money back through longer-term profit sharing arrangements'. The spokesperson did not reveal what those profit sharing arrangements were; and we can find no specific details of them in the public realm. After pursuing this issue with the council, they referred us again to the aforementioned 'overage' arrangements[69].

On those apartments that were sold, we do not hold full information, but buyers of those apartments in Vesta Street made payments to Vesta Street Developments Ltd, one of the offshore Jersey-based companies owned by Loom Holdings. This would imply that the sales income also moves offshore to the Abu Dhabi owned vehicles, rather than the UK-based joint ventures where the council has a claim. It is also unclear how much Corporation Tax was paid on these transactions which we have estimated at £112.9 million[70]. In our communications with Manchester Life, the joint venture stated that, 'all

67 That estimate is broadly in line with the £10.1m reported as revenue by MLMC at year end May 31, 2021.
68 For example, the council does disclose its profit-sharing arrangements for their share in Miles Platting and Plymouth Grove PFIs in Note 48, p128 of their latest audited accounts (2019/20).
69 It is worth noting again that until we contacted the council, we were completely unaware of the existence of any overage agreements. There is no reference to them in the council accounts or – indeed – in any publicly available documents we could find about the Manchester Life project. The only reference we have found subsequently is one reference to overage arrangements in the minutes of a Manchester City Council Executive meeting on 8 March 2017, which remove the commercial detail of the arrangements.
70 Based on an average of £220,000 per unit, the average price of an apartment in Ancoats in 2020 (via Zoopla).

Manchester Life companies have paid all UK Corporation or Income Tax due on rental income and profits on for-sale developments'. However, when asked to provide full details of the quantum of tax paid, they declined. Stamp Duty Land Tax is payable regardless of where the purchaser is situated.

Summary: Manchester City Council do not appear to receive any direct rental income or property sales generated from the Manchester Life development. They claim to have an overage agreement in place, but we can find no detail of the arrangement; nor can we find any overage receipts from the Manchester Life project in the council's accounts.

4.4. Direct and Indirect Financial Support From The Public

ADUG bring finance to the Manchester Life partnership. However, that partnership has also drawn on a set of public resources in developing its real estate portfolio in the Ancoats and New Islington areas of the city. In this section we document the scope and value of these contributions.

Public Loans

Manchester Life received support in the form of public loans, through the Greater Manchester Housing Investment Fund (HIF)[71]. The HIF acts as a public loan fund, established as part of the 2014 devolution deal between Greater Manchester's ten constituent local authorities and the then-Conservative Chancellor George Osborne, intended to unlock development by providing finance for projects that, while otherwise viable, found it 'difficult to fund from elsewhere'[72].

Loans made by the HIF must be 'recoverable' in so far as they should generate a return on investment, with the ten local councils that comprise the Greater Manchester Combined Authority (GMCA) collectively liable for repaying 80% of the initial £300m fund to the Treasury in 2025.

Manchester Life's share of these loans amounts to £55m (£24.5 million for *New Little Mill* via New Little Mill Developments Ltd; £10,517,000 for Vesta Street via Vesta Street Developments Ltd and £20,694,000 for *Lampwick* via Lampwick Developments Ltd). These loans were given on a commercial basis to the Jersey based entities and contributed to the construction costs.

Affordable Housing/Section 106

The Manchester Life project also received support indirectly. The Manchester Life project has no obligation to provide affordable housing as part of the development, whether in the form of homes delivered 'on-site' as part of a development, or 'off-site' as financial contributions paid to the council elsewhere (via section 106 mechanisms). Figure 7 shows the expected affordable housing contributions in Manchester Life developments, based on the council's own guidance for 20% of new build development in the city to be affordable – the equivalent of 294 housing units in the Manchester Life development. In various Manchester City Council reports on planning applications for Manchester Life developments it was stated by planning officers that affordable housing was not required because there was sufficient supply in the area:

> ***'This approach is acceptable as the proposal help diversify the market within this area of Manchester, which is predominately socially rented or privately owned. In this regard, there is already a high level of affordable housing in the immediate area and there is a demand for high quality privately rented accommodation to meet the needs of young professionals and young families'.***[73]
> (Sawmill Court planning report)

71 Place North West (2017) Manchester Life gets £25m housing fund loan for Lampwick. Available at: https://www.placenorthwest.co.uk/news/manchester-life-gets-25m-housing-fund-loan-for-lampwick/ (accessed 11/05/2022).

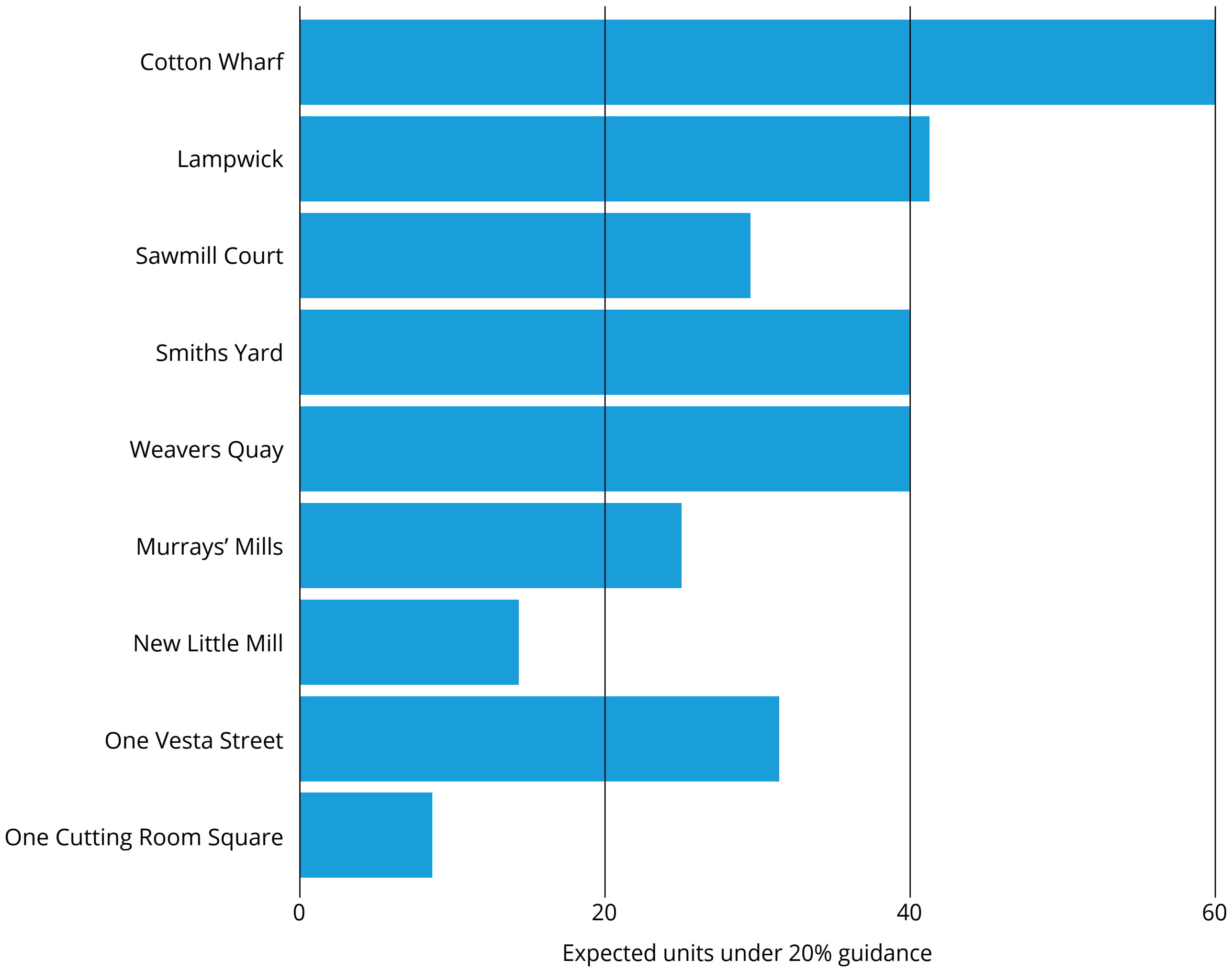
72 GMCA (nd) 'Greater Manchester Housing Investment Fund.' Greater Manchester Combined Authority. Available at: https://www.greatermanchester-ca.gov.uk/what-we-do/planning-and-housing/greater-manchester-housing-fund/ (accessed 11/05/2022).

73 Manchester City Council (2015) Item 16: Land Bounded By Bengal Street, Jersey Street, Murray Street & Blossom Street, Ancoats, Manchester, M4 6AJ, application number 110077/FO/2015/N1. Report to the Planning and Highways Committee 10 December 2015, p.29.

'The proposal will consist of properties for private rent and will therefore not include any affordable provision. In this instance it is considered that this approach is acceptable as the proposal seeks diversify [sic] the rental market within this area of Manchester, which is predominately socially rented, along with the other regeneration benefits the development will bring'.[74]
(Cotton Field Wharf planning report)

Yet a recent report by the council revealed[75] that each 3-bedroom property listed in Ancoats on the city's rehousing website Manchester Move receives on average 600 bids before being let, indicating a significant shortage of social and affordable housing in the area, as well as the wider city. This raises questions about priorities within Manchester City Council's spatial planning policies when there is an apparent gap between the claims made and the evidence on widespread housing need.

Figure 7: Graph Showing Expected Affordable Housing Contributions In Manchester Life Developments If 20% Target Was Met

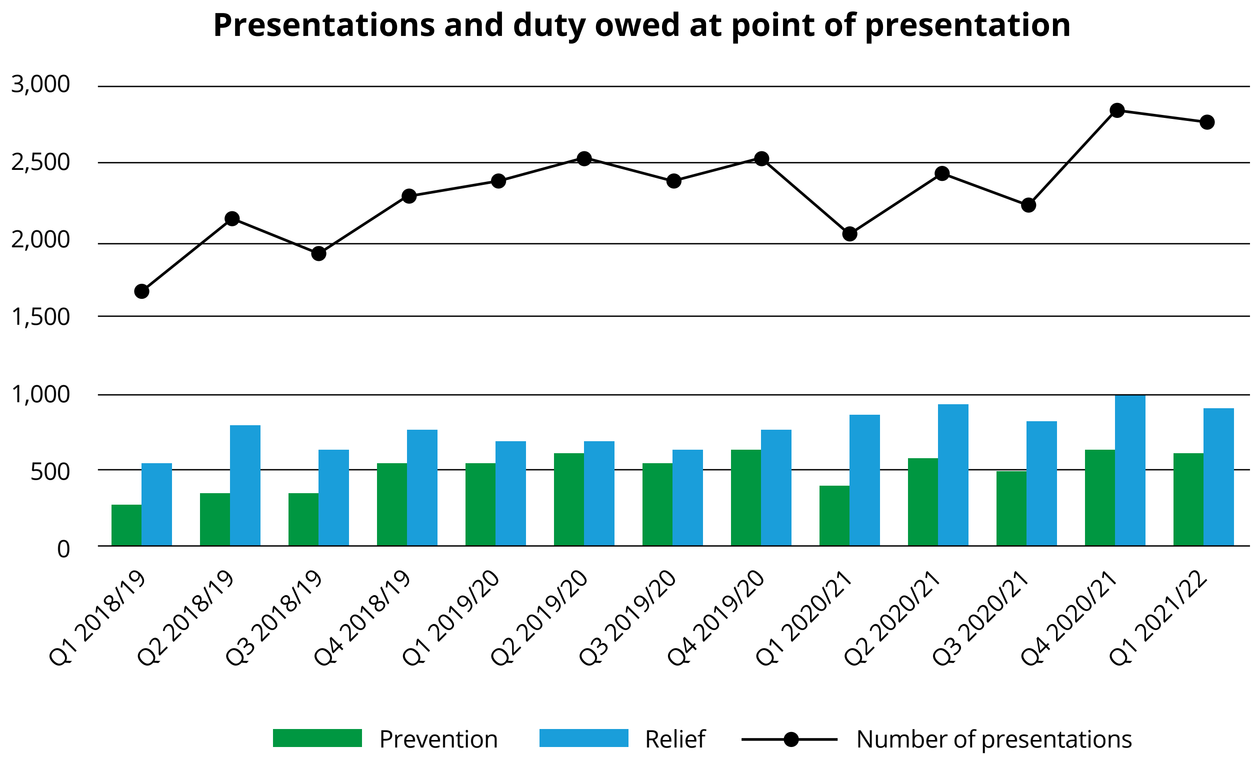


Affordable and social homes built in Manchester will need to increase by an order of magnitude to meet the city's affordable homes target, at a time when increases in homelessness presentations in Manchester have returned to their pre-pandemic levels (figure 8). The rising pressure of homelessness raises the question of why Manchester Life was not obliged to build affordable homes or make Section 106 contributions, given high levels of need in the city.

74 Manchester City Council (2015) Land At New Union Street, New Islington, Manchester, M4 6HF, application number 108562/FO/2015/N1. Report to the Planning and Highways Committee 2 June 2015, p. 280.
75 Griffiths N (2021) Inside Manchester council's plan to tackle the city's social housing crisis. *Manchester Evening News.* Available at:: https://www.manchestereveningnews.co.uk/news/greater-manchester-news/inside-manchester-councils-plan-tackle-21849613 (accessed 11/05/2022).

Low levels of affordable housing contributions in Manchester city centre have become a matter of controversy in recent years[76], and there is no suggestion that Manchester Life has received favourable treatment or been subject to any different appraisals compared to other developers in the planning process. However, considering these high levels of homelessness, and demand for affordable housing in East Manchester, the failure to deliver these affordable homes or make Section 106 contributions in a joint venture in which Manchester City Council is an active partner could be understood, in practice, as indirect financial support to the development beneficiaries.

Figure 8: Homelessness Presentations and Duty Owed at Point of Presentation to Manchester City Council (Q1 2018/19 – Q1 2021/22)



(Source: Manchester City Council, July 2021)[77]

Summary: the Manchester Life development has been the recipient of direct and indirect financial support through public loans and affordable housing/section 106 exemptions.

76 Silver (2018) From Homes to Assets Housing Financialisation in Greater Manchester.

77 Manchester City Council (2021) 'Presentation of the director of homelessness to the Communities & Equalities Scrutiny Committee, 20 July 2021, Appendix 1.' Available at: https://democracy.manchester.gov.uk/documents/s25574/Appendix%20-%20Homelessness.pdf (accessed 11/05/2022).

5. Where Does The Manchester Life Money Go?

Section 2 highlighted the strong bargaining position of the council in the development phase of the Manchester Life project: they held the land and the development rights in a context where the financial crisis was six years behind them, where the buds of growth were returning, and land and property prices were rising. The representatives of ADUG, on the other hand, had an economic need to diversify out of oil and carried reputational costs that would normally need to be priced in to a joint venture for any council. Concerns about the deal from within the developer community suggest there may have also been interest from other developers and capital providers.

The development was not put out to tender, which would imply that there was an expectation that no better deal would be available in the market.

The evidence presented in section 4 raises questions of this expectation. It suggests that the council's relatively strong bargaining position was not exercised to extract concessions: the lease holdings were sold to ADUG interests at apparently low rates; the council allowed the Jersey based subsidiaries of Loom Holdings vehicles (themselves a subsidiary of ADUG), to take full ownership of the property assets; there is no publicly disclosed arrangement that provides for the council to take a direct proportional share in the rental fees or property sale income outside of an undisclosed overage arrangement which may or may not apply; and there is no evidence that the council has received any direct income from the Manchester Life development to date (outside increases in council tax, business rates etc).

There are, however, a series of joint venture development companies co-owned by Manchester City Council and Loom Holdings. We will now explore how they are structured, how they generate income and how they are governed, before examining 'where the money goes'.

5.1. The Organisation of Legal Entities Within The Manchester Life Development

All of the disclosed joint venture entities between the council and Loom Holdings are UK-domiciled (i.e. registered UK companies), to our knowledge.

There are (at the time of writing) four joint venture companies involving Manchester City Council interests: three involved in the *development* of the Manchester Life project: **Manchester Life Development Company** (MLDC), **Manchester Life Development Company 2** (MLDC2) and **Manchester Life Development Company 3** (MLDC3). A fourth joint venture with Manchester City Council interest – the **Manchester Life Strategic Development Company** (MLSDC) – provides *strategic direction* to create mixed-use development and support the broader regeneration objectives in the Ancoats and New Islington Neighbourhood.

There are then a variety of other entities owned ultimately by Abu Dhabi interests which provide different functions. As section 4.2 noted, the property assets (i.e. the apartment blocks) are owned by separate Jersey-domiciled entities. These entities are **Glass Developments Ltd, Loom Cotton Development Company, Silk Glass Developments Ltd, Flour Developments Ltd** and **Blossom Iron Developments Ltd** (Phase One) and **Lampwick Developments Ltd, Vesta Street Developments Ltd** and **New Little Mill Developments Ltd** (Phase Two).

Those Jersey-based entities are in turn owned by other Jersey-domiciled entities: **Loom Holdings Ltd** (Phase One developments) and **Loom Holdings 2 Ltd** (Phase Two developments). These entities also have an ownership stake in the three joint venture development firms and perform a *financing* role supplying debt and working capital to the development joint ventures. Both entities are ultimately owned by Abu Dhabi United Group[78]. The strategic development joint venture is part owned by

78 Note that some accounts actually report the ultimate owner to be 'Abu Dubai United Group', but we assume this is a misprint.

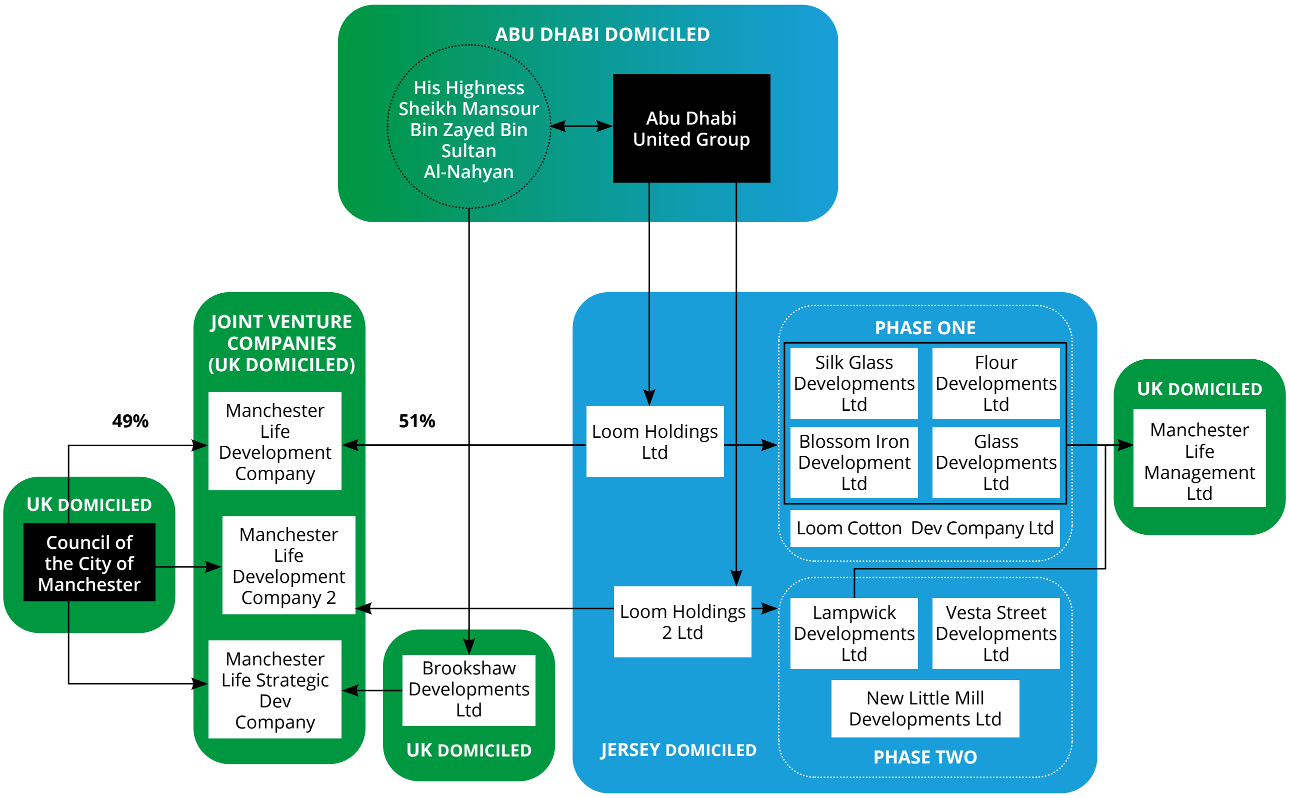
Brookshaw Developments Ltd – which is owned directly by **Sheikh Mansour Bin Zayed Bin Sultan Al-Nahyan**. MLSDC is the only part of the Manchester Life development that the council consolidates in its own Accounts[79].

There is also the **Manchester Life Management Company** (MLMC) – a UK-domiciled entity that acts as a *letting and management agent* (which includes acting as an agent for the rental income) on behalf of its shareholders. In 2021, its shareholders were five Jersey-domiciled entities: Glass Developments Ltd, Silk Glass Developments Ltd, Flour Developments Ltd, Blossom Iron Developments Ltd and Lampwick Developments Ltd, which each own 20% shares in the company[80]. Except for Lampwick, which was sold to the US real estate investment firm PGIM Real Estate in September 2021[81], all are themselves owned by Loom Holdings Ltd, and ultimately by the Abu Dhabi United Group.

Figure 9 provides a map of these ownership relations.

Summary: The extensive use of vehicles domiciled in the secrecy jurisdiction of Jersey makes tracing financial flows and measuring the profitability of the project to Abu Dhabi based partners very difficult. We are unable to assess how much profit Abu Dhabi partners are making from the deal, and thus whether this joint venture represents a sound use of public assets and good value for money. This raises transparency and accountability issues.

Figure 9: Corporate Ownership Map Of Manchester Life Development Companies



79 This point was confirmed by the accountant for MCC.67

80 See the 2021 annual accounts for Manchester Life Management Ltd, p.13.

81 Manchester Life (2021) PGIM Real Estate invests in Manchester Life's Lampwick Quay on New Islington Marina. Available at: https://mcrlife.co.uk/pgim-real-estate-invests-in-manchester-lifes-lampwick-quay-on-new-islington-marina/ (accessed 30/06/2022).

5.2. Governance of The Joint Ventures

Issues of control are central in any joint venture. MLDC and MLDC2 are established as private companies limited by shares, with Loom Holdings Limited holding 51 Class A shares and Manchester City Council holding 49 Class B shares[82], with each share worth £1. However, Loom Holdings Limited (by virtue of their shareholding) hold the controlling interest in the joint venture. The ultimate controlling party of the joint venture is the Abu Dhabi United Group[83]. In terms of the board (see below) ADUG/ Loom Holdings-representative directors outnumber council directors three to two in MLDC1 and MLDC2, with a two-to-two split in MLSDC. There are – as yet – no accounts disclosed for MLDC3.

This 51/49 split is (or was) salient in the context of certain control rights. The original certificate of incorporation states that the holder or holders of *more than half* in nominal value of the issued ordinary shares in the capital of the Company may at any time, and from time to time, appoint any person to be a director (provided that any such appointment does not cause the number of directors to exceed a number which may be fixed) or remove any director from office. That would imply that in the event of board disagreement, the representatives of Loom Holdings interests might wield some leverage via the power to dismiss directors. It may not be practical or strategic for Loom Holdings representatives to remove current council members from the board, given the important role played by the council board members in the development of the Manchester Life project and the damage it would do to trust and the likelihood of future joint ventures. These provisions nonetheless raise questions about what would happen if a different council leader were to step in with a quite different vision of urban development policy in Manchester.

We raised this issue with the council. They replied that:

> ***'In 2014, at the inaugural board meeting the Articles were revised and updated. The current articles do not contain this provision. These can be accessed at Companies house'***

We checked Companies House for MLDC1's revised articles and found that the relevant section on the appointment and removal of directors (section 60, as well as pages 14-29) had been omitted. We therefore have no way of verifying whether this clause is still in force. We would note however that the rules around appointing and removing directors in the articles of association when incorporating MLDC2 in June 2016 – two years after the inaugural board of MLDC1 – were practically identical to those outlined in MLDC1's incorporation i.e. that, 'the holder or holders of more than half in nominal value of the issued ordinary shares in the capital of the Company may at any time and from time to time appoint any person to be a director...or remove any director from office'. MLDC2 did later revise their articles of association, but the implications are ambiguous. Holders of class 'A' shares (ADUG representatives) are allowed to appoint three directors and holders of 'B' shares (council representatives) may only appoint two, formalising the board majority enjoyed by Abu Dhabi representatives. 'A' shareholders, however, appoint the chairperson of the general meeting. And in terms of director removal, section 61.3 states *'Each A Director and B Director may at any time be removed from office by the holders of a majority of the A Shares or B Shares (as the case may be)'.* We take this to imply that only Class A shareholders can remove 'A' Directors and Class B shareholders can remove 'B' Directors, but the wording is unclear – it may also imply that any individual director can be removed by the majority of class A and B shareholders, where Abu Dhabi representatives hold the majority of shares.

Whatever the interpretation, these control rights hand Abu Dhabi representatives a board majority which may affect future council leaders' ability to influence outcomes. This raises democratic questions about whether relations like this future-proof the long-term influence of Abu Dhabi interests over the city; and shelter those interests against changes to urban policy, whether they have a popular mandate or not.

82 Although the shares are recognised as different classes, a pari passu principle is in operation - meaning both are treated as equal classes.
83 Note that some accounts actually report the ultimate owner to be 'Abu Dubai United Group', but we assume this is a misprint.

The past and present **directors** of the joint ventures are:

(Manchester City Council, Manchester Life JV Directors)

- **Sir Howard Bernstein** (Director of MLDC1 27/8/14 to 1/4/17 & MLDC2 31/8/16 to 1/4/17) was the former chief executive of Manchester City Council from 1998 to 2017. He has been a major figure in driving Manchester's regeneration since the late 1990s. While originally integral to the development of the Manchester Life partnership and its plans, structures, terms and conditions, he stepped down as a director of the joint ventures in April 2017. He has since taken a position as strategic development adviser with City Football Group and serves on their behalf as a director of the board for Eastlands Strategic Development Company, another joint venture between ADUG and the council engaged in regeneration around the Etihad Stadium[84].
- **Sir Richard Leese** (Director of MLDC1 27/8/14 to 1/12/21, MLDC2 31/8/16 to 1/12/21 & MLSDC 15/1/18 to 1/12/21) was leader of Manchester City Council from 1996 until December 2021. As leader for 25 years, Sir Richard Leese was another driving force behind the development of the partnership as part of Manchester's wider urban regeneration. Prior to his retirement, he was the most senior elected official (and the only publicly named councillor) with a director role in the partnership.
- **Eddie Smith** (Director of MLDC1 1/4/17 to 29/5/20, MLDC2 1/4/17 to 29/5/20 and MLSDC 1/4/17 to 29/5/20), was director of growth and development at Manchester City Council, retiring in April 2020[85]. He was also the chief executive of New East Manchester Urban Regeneration Company, the vehicle specifically set up to bring investment into the area around Eastlands - including the town hall's partnership with Manchester City which oversaw the redevelopment of the Etihad stadium[86].
- **Joanne Roney OBE** (Director of MLDC1, MLDC2 and MLSDC since 29/5/20) is the current Chief Executive of Manchester City Council, taking up her role after Sir Howard Bernstein's retirement in 2017. She took over Eddie Smith's directorial positions on the three Manchester Life joint venture companies when he stepped down in May 2020.
- **Bev Craig** (Director of MLDC1, MLDC2 and MLSDC since 1/12/21) is the new leader of Manchester City Council, taking over from Sir Richard Leese in December 2021. Craig also assumed Sir Richard's directorships in MLDC1, MLDC2 and MLSDC.

(Abu Dhabi United Group/Loom Holdings, Manchester Life JV Directors)

- **Martin Edelman** (Director MLDC1 from 27/8/14, MLDC2 from 3/8/16 and MLSDC from 15/1/18) is a member of the City Football Group board. He is also a partner of Paul Hastings, LLP, a New York City based law firm and a director of Blackstone Mortgage Trust, a Real Estate Investment Trust owned by the private equity firm.
- **Simon Pearce** (Director MLDC1 from 27/8/14, MLDC2 from 31/8/16 and MLSDC from 15/1/18) is a is a member of the City Football Group board. He is a Special Advisor to the Executive Affairs Authority of Abu Dhabi, and a communications specialist involved with crafting of the Abu Dhabi brand internationally.
- **Ali Ahmed Abd-Al Mouhsen Ali Afrayhat** (Director MLDC1 from 27/8/14 & MLDC2 from 31/8/16) is a director of Manchester Life since its inception and the chief legal counsel for the Executive Affairs Authority of Abu Dhabi.

84 City Football Group (2017) 'Sir Howard Bernstein appointed Strategic Development Advisor.' Available at: https://www.cityfootballgroup.com/information-resource/news-and-press-packs/sir-howard-bernstein-appointed-strategic-development-advisor/ (accessed 11/05/2022).

85 Williams J (2019) The man who helped rebuild east Manchester is to leave the town hall after 20 years. *Manchester Evening News.* Available at: https://www.manchestereveningnews.co.uk/news/greater-manchester-news/man-who-helped-rebuild-east-17318521 (accessed 11/05/2022).

86 Place North West (2019) Eddie Smith set to depart Manchester City Council. Available at: https://www.placenorthwest.co.uk/eddie-smith-set-to-depart-manchester-city-council/ (accessed 11/05/2022).

Other notable individuals:

- **Sheikh Mansour Al-Nahyan** is the ultimate owner of ADUG, which owns Loom Holdings and City Football Group Ltd (the owner of MCFC). He also owns Brookshaw Developments Ltd. He is deputy prime minister of the United Arab Emirates, minister of presidential affairs, billionaire and one of the key members of the royal family of Abu Dhabi. He is the brother to the crown prince of Abu Dhabi Mohamed bin Zayed Al-Nahyan[87].
- **Khaldoon Al Mubarak** is chairman and director of Brookshaw Developments Ltd, chairman of City Football Group Ltd and managing director and CEO of Mubadala Investment Company, the Emirati state owned holding company with over $360 billion of assets[88]. He is considered 'one of the royal family's most trusted advisers"[89] and the 'de facto prime minister of Abu Dhabi'[90].

Summary: With regard to the joint ventures, Loom Holdings (or Brookshaw Developments Ltd)/Abu Dhabi partners own 51% of each company to the council's 49%. In terms of governance, Loom Holdings/Abu Dhabi partners have three directors to the council's two (with the exception of the MLSDC). The original certificates of incorporation for MLDC 1 and 2 allowed the holder of more than half of the issued ordinary shares to appoint or remove any director. That power may have changed, but Abu Dhabi JV partners still retain majority ownership and board representation in the development companies.

87 Mohammed bin Zayed Al Nahyan is Crown Prince of Abu Dhabi, Deputy Supreme Commander of the United Arab Emirates Armed Forces and the de facto ruler of Abu Dhabi. MbZ as the Crown Prince is known internationally is a powerful figure on the international stage and dominant actor in UAE affairs.

88 Mubadala (2018) 'Mubadala Investment Company Announces Full Year 2017 Financial and Operational Highlights.' Available at: https://www.mubadala.com/en/news/mubadala-investment-company-announces-full-year-2017-financial-and-operational-highlights (accessed 11/05/2022).

89 Thomas L (2008) The Suave Public Face of Abu Dhabi's Billions. *New York Times.* Available at: https://www.nytimes.com/2008/11/01/business/worldbusiness/01wealth.html (accessed 11/05/2022).

90 Der Spiegel (2018) Manchester City Exposed Chapter 3: Recruiting Pep Guardiola. Available at: https://www.spiegel.de/international/world/manchester-city-exposed-chapter-3-recruiting-pep-guardiola-a-1236621.html (accessed 11/05/2022).

5.3. What Does The Joint Venture Do and (How) Does It Make Money?

What do the joint ventures do?

The joint venture development companies – Manchester Life Development Company (MLDC1) and Manchester Life Development Company 2 (MLDC2) manage and coordinate development services for Phase One and Phase Two of the Manchester Life initiative respectively. This includes providing a range of services: the preparation of the client's brief for each development, appointment of design and consultant teams, preparation of planning applications and the provision of any information required by the clients.

Consequently, the joint venture entities occupy only a small part of the development chain and the council thus can lay claim to only a fraction of the income generated by the project through these vehicles.

How do they make money?

The revenues booked by the joint ventures are accounted for as a management fee based on an unspecified percentage of all costs incurred under the Pre-Construction Services Agreements, and an unspecified development management fee under each Design & Build Contract[91] (as agreed with the related party Jersey-based entities). They do not represent the full build cost of the project.

Total revenues booked by MLDC1 between 2015-2021 amount to just over £5m. The bulk of the build costs are thus invisible because they are financed by the Jersey-based entities who do not release detailed UK-style accounts. Consequently, the legal organisation of the Manchester Life project and the use of secrecy jurisdictions means it is not currently possible to work out what fraction of the total economics of the Manchester Life project is taken by the joint ventures.

In terms of costs, MLDC1 and MLDC2 do not employ any workers (there are only directors), but instead make use of external consultants which incur administrative charges. MLDC and MLDC2 also receive working capital loans from Loom Holdings and Loom Holdings 2 respectively, which create liability obligations. MLDC1 and 2 also have obligations to contractors which appear as 'trade payables'.

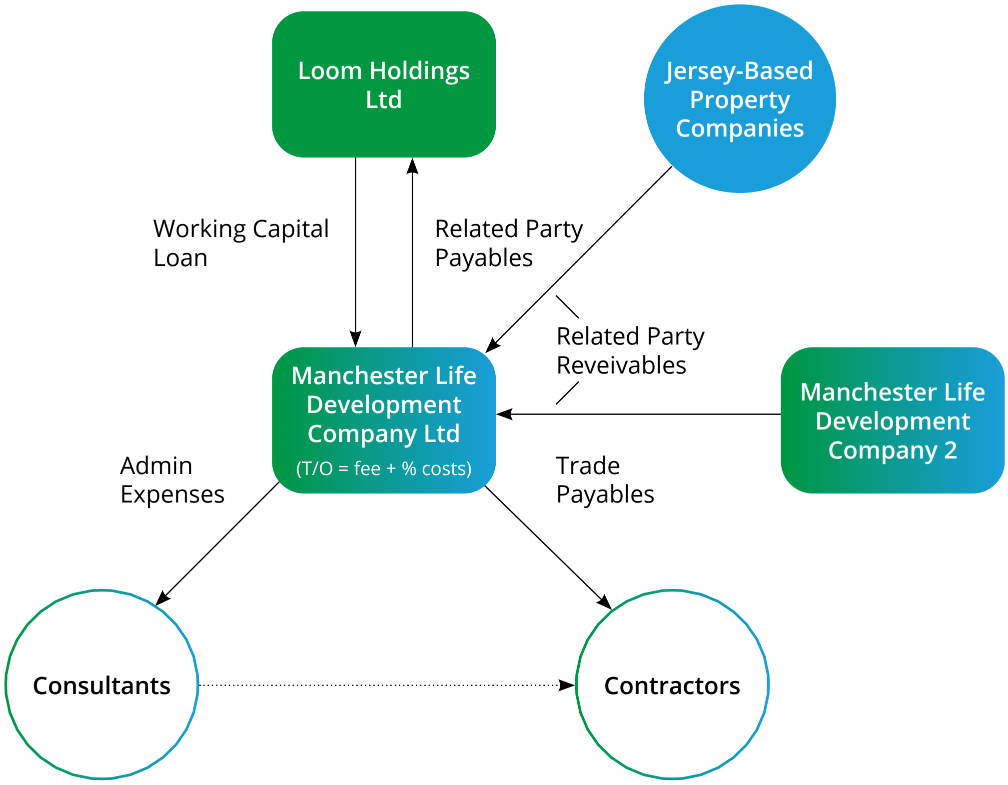
The companies also book 'receivables' which are the amount outstanding from the Jersey companies for work completed to date on a stage of completion basis. MLDC1 and 2's receivables and payables are much higher than their reported turnover and admin expenses figures in most years. In layman's terms, this means that the joint ventures owe a lot to their contractors and lenders but are owed a lot by the property development companies. Figure 10 provides a simplified outline of the accounting relations between these entities more clearly.

MLSDC is part of a slightly different ownership cluster and generates no revenues but incurs significant administrative expenses (see discussion below). MLDC3 has yet to file accounts.

Summary: It is unclear what proportion of the total project income the joint venture companies receive because most of the income (flows of rental and sales) and costs (payments for the build) flow in and out of the Jersey-based entities, where disclosure is minimal. Financially, the joint ventures act like 'conduits' with lots of payables and receivables: they owe money to consultants and capital providers and are owed money by the Jersey property companies and other entities.

91 See note 1g in the 2019 Manchester Life Development Company annual report, p.13.

Figure 10: Flows of money into and out of MLDC1



5.4. Where Does The Rental Income Go (And Is It Taxed)?

Once the properties are built and occupied, MLMC - the onshore company wholly owned by the Abu Dhabi owned Jersey property companies - administers the rental income. MLMC recover all their operating costs from the rental income collected. The company also receives a management fee based on a percentage of rental income from letting out properties (2016 accounts, p. 8).

The company reports its turnover as the rental amounts received from tenants, net of VAT and discounts. In 2021 that amounted to £10.1m. As figure 11 shows, administrative expenses increase to more or less precisely consume all revenues in 2018 and 2019, leaving virtually no taxable profit. We learn from the notes that a 'surplus' between tenancy income and costs are not treated as a 'profit' but are rather as 'payables' to the parent companies domiciled in Jersey. This is not adequately explained in the financial statements, but it implies that all rental income is routed back to the Jersey entities, minus a management fee – which also appears to be entirely consumed by administrative expenses.

The company provides no breakdown of admin expenses. Manchester Life Management Ltd has increased its number of employees from 2 in 2016 to 48 in 2021. In 2016 wages and salaries were just 20% of total admin expenses - this was the only year in which wages and salaries were disclosed. As a lettings and management agent, employees are unlikely to receive high wages, so will likely only account for a relatively small proportion of the £10.1m admin expense in 2021. Other administrative costs might include running the estate, legal services etc. But it is unclear how admin expenses for 48 modestly remunerated employees could amount to £10m+ in one accounting year.

MLMC is UK-domiciled, but treating the difference between the rental income collected and the costs incurred to do so as a payable to the Jersey entities, rather than a taxable surplus, limits the tax paid to the UK exchequer. From 2016 to 2021 the cumulative revenue of MLMC was £26,107,560 but the tax paid by the company was just £9,593, the equivalent of 0.04% of revenues for the period since 2016 (even though those revenues would go towards surpluses recognised by the Jersey property entities). The tax arrangements of the Jersey-based entities owned by ADUG is unclear. In our communications with Manchester Life, the joint venture stated that 'all Manchester Life companies have paid all UK Corporation or Income Tax due on rental income and profits on for-sale developments'. However, when asked to provide full details of the quantum of tax paid, they declined.

MLMC receives inter-company loans from the Manchester Life Development Company. Since May 2017, MLMC also entered into a related party financing facility agreement with Loom Holdings Limited, while receiving a letter of support from Abu Dhabi United Group to effectively guarantee it remains a going concern. No interest accrues to these loans – the values of £836 (2016) and £450 (2020) are imputed only. Although technically a related party, the joint venture in which MCC hold an interest, finances the interests of another entity that is wholly owned by Abu Dhabi interests but charges no interest. It is unclear why an entity that is allowed to recover its running costs from the rental income it manages also requires finance from other parties.

Figure 11: Manchester Life Management Company Profit And Loss Breakdown

	Sales Revenue	Administrative Expenses	Operating Profit	Interest Payable & similar expenses	Profit Before Tax	Tax	Profit/Loss for the financial year
2016	£-	£57,528	£(57,528)	£836	£(58,364)	£-	£(58,364)
2018	£1,018,000	£1,018,000	£-	£-	£-	£-	£-
2019	£5,853,230	£5,853,230	£-	£-	£-	£5,268	£(5,268)
2020	£9,174,330	£9,173,555	£775	£450	£325	£325	£-
2021	£10,062,000	£10,053,000	£9,000	£-	£-	£4,000	£5,000

Note: the accounting year changed from 31st December 2017 to 31st May 2018, hence there is no '2017' accounting year.

Summary: The rental income is collected by MLMC but is remitted back to the Jersey property companies after charging a management fee. Administrative expenses consume most or all revenues each year, leaving very little taxable profit in the UK.

5.5. Key Issue: There Is Likely To Be Little Distributable Profit For The JV Partners

On the outstanding question of how much profit the council stands to make from its JV involvement, it is important to recognise that profits on construction projects are inherently volatile and lumpy, with large sunk costs at the beginning of a project, and profits arriving towards the end as properties are developed.

MLDC1 is the joint venture whose developments are most advanced and so provides the clearest picture. As noted, MLDC1 receives a management fee based on an unspecified percentage of all costs incurred under the Pre-Construction Services Agreements and each Design & Build Contract. Profits are then recognised after costs are deducted from those fees. MLDC1 made negative profits at the aggregate in 2021, with all developments complete (figure 12). They have £164k in retained earnings. They also have £897k in cash, of which £124k is restricted/held in escrow, leaving £773k of unrestricted cash[92]. The company is owed £208k but owes £945k, leaving just £36k after debts are settled once the unrestricted cash is taken into account. By our estimates, if the company trades for another year, the company will have no retained earnings to distribute to the project partners, given the company is now loss making (it incurs administrative expenses but generates very little revenue because the majority/all of the construction is now complete). The length of time before winding up a development company

92 Source: Note 9 in the 2021 annual report. NB: the cash figures do not sum in that note – one of many accounting anomalies we observe in this project.

can materially affect its profitability if it continues to retain the services of consultants and other costly admin expenses.

MLDC2 by year end 31st May 2021 had completed the One Vesta Street development[93]; with New Little Mill and Lampwick Quay almost complete (both fully completed August 2021). It should be recognised that there are normally large sunk costs at the beginning of a development which can translate into large early annual losses. These losses are then later recovered when construction activity is high (given fees are calculated as a percentage of costs incurred). It is therefore too early to tell whether the accumulated losses on MLDC2 to date will continue or whether the two development completions in August 2021 will result in a significant profit in next year's accounts. To date the performance looks slightly worse than MLDC1, but it is too early to tell. Given that the JV receives no sales or rental income, and revenues are recorded as a proportion of costs incurred on a stage of completion basis which smooths revenues over time, we do not expect a significant profit.

MLSDC currently generates no revenue, but does incur administrative costs, despite employing only one employee. It is not clear what these administrative expenses are for or to whom they are paid. However, those costs mean that the company has accumulated losses of £965,594 over two years and owe Brookshaw Developments Limited a further £320,447 for expenses covered by that firm. These losses have whittled away the £490,000[80] equity provided by the council in 2020. There is only £133,441 of the £1,099,034 in the equity investment remaining after just two years' trading.

The council's JV partner in MLSDC is Brookshaw Developments Ltd. Their current parent is 'Acre Real Estate Investment and Development - Sole Proprietorship L.L.C.', a company registered in Abu Dhabi and wholly owned by His Highness Sheikh Mansour bin Zayed Al Nahyan. Prior to that they were owned by Abu Dhabi United Group Investment & Development Ltd, which was also wholly owned by His Highness Sheikh Mansour bin Zayed Al Nahyan.

Brookshaw Developments Limited, are themselves loss making, and by 2021 had negative shareholder equity of £13.6m. Brookshaw Developments Ltd currently owe their parent company (which was at accounting year end 2021, Abu Dhabi United Group Investment and Development Ltd) £10.9m. They also owe £6.3m to group companies, nominally City Football Group Limited and City Football Investments Limited, which are both under the same common control as Brookshaw Development Ltd. The auditor has consequently flagged the company as a going concern risk:

> ***'The company [Brookshaw Developments Limited] is reliant on ongoing financial support of Acre Real Estate Investment and Development - Sole Proprietorship L.L.C and there is no letter of support in place. As stated in note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern'.***

If no letter of support for Brookshaw Developments Ltd is forthcoming, and if the parent were to pull the plug on Brookshaw, which has £320,447 outstanding from MLSDC, then this might mean that the council do not recover the full cost (or any) of their equity investment in the joint venture. Moreover, the use of council equity in a joint venture which pays considerable administrative fees to unspecified companies or persons and owes money to an entity under common control with City Football Group, raises important transparency and accountability concerns.

93 Although it was dealing with defects in that development.
94 This is reported under their 'other' investments in note 33 of the MCC accounts. This was clarified by the council chief accountant.

Figure 12: Turnover And Net Income (Profit After Interest And Tax) For MLDC, MLDC2 and MLSDC

	MLDC1		MLDC2		MLSDC		Aggregate	
	Turnover	Net Income	Turnover	Net Income	Turnover	Net Income	Turnover	Net Income
2015	£92,000	-£631,000					£92,000	-£631,000
2016	£345,000	-£733,000					£345,000	-£733,000
2017	£1,821,000	£873,000	£102,000	-£43,000			£1,923,000	£830,000
2018	£1,955,000	£887,000	£52,000	-£268,000			£2,007,000	£619,000
2019	£768,000	£10,000	£560,000	£216,000			£1,328,000	£226,000
2020	£38,064	-£438,833	£686,387	£60,723		-£436,943	£724,451	-£815,053
2021	£41,728	-£144,620	£649,453	-£29,439		-£528,651	£691,181	-£702,710
TOTAL	**£5,060,792**	**-£177,453**	**£2,049,840**	**-£63,716**	**-**	**-£965,594**	**£7,110,632**	**-£1,206,763**

(Source: FAME Database)

Summary: The economics of MLDC1 suggest there will be little distributable profit to the Council from their ownership stake in the joint ventures with Abu Dhabi entities. Furthermore, there are transparency and risk issues with MLSDC which require further investigation. The JV investments do not look capable of generating meaningful profit, and may end up loss making. This raises questions the council's value capture strategy in this development.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6. Transparency and Accountability

Section 5 raises important transparency and accountability issues within our review of the Manchester Life development. There are four other issues that are salient:

i. The difficulty of tracing the cross-company financial flows and the implications for accountability.

ii. The limited disclosure around administrative costs and loan-related payments which makes it difficult for outside observers to see what is being paid for and whether best value is being attained.

iii. The use of secrecy jurisdictions which makes it impossible to see how much profit is being made by Jersey-based entities.

iv. Other accounting issues.

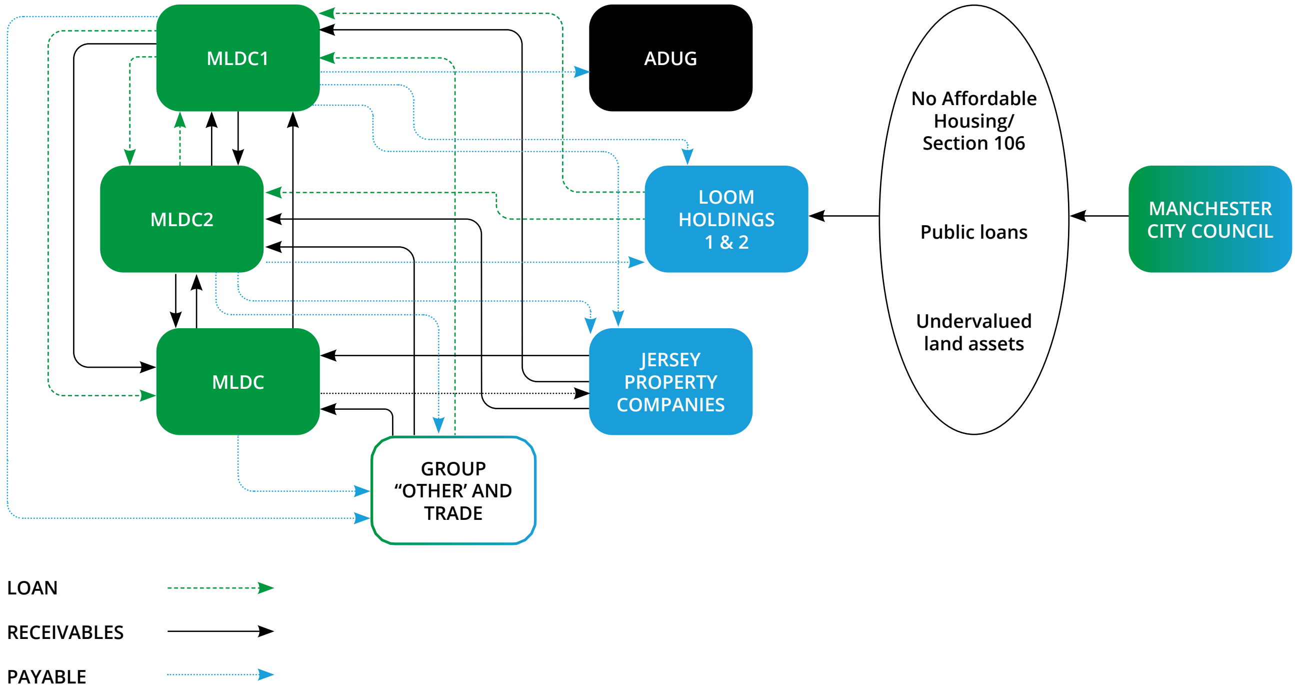
6.1. Cross-Company Flows Add Complexity and Reduce Traceability

Manchester Life is not a single company, but rather a complex of related party transactions. However, those transactions do not follow a logical, linear pattern, where one actor provides the capital and nothing else, another the development and nothing else etc. There are instead multiple flows of different kinds between entities (see figure 13). MLDC1, for example, is both a development company and supplier of capital to other entities within the group; loans flow from one development company to another, rather than being financed by the Jersey entities. Similarly, the letting agent receives small loans from the development companies, whilst also offering unspecified consulting services to the development companies. There are also references to loans being made to 'companies that share a director'. Expenses for one company are paid by another; as is value added tax in some circumstances. The lack of detailed accounting information and the complexity of the related party relations increases opacity and makes it more difficult for external observers to hold project partners to account. The way money moves around within the network of companies raises questions about the governance and financial management of the operations.

That is all the more important when we see reporting discrepancies between these entities over time. Sums owed by one entity to another would appear as a 'payable' on the debtors balance sheet and as a 'receivable' on the creditors balance sheet. Yet we find a small number of anomalies in the way these receivables and payables are booked across these organisations so that the sums do not always balance[95]. The related party reporting also becomes less detailed in 2020, with notes referring merely to 'group companies' rather than specific entities, which again limits transparency and accountability.

95 We have raised each of these discrepancies with the Council's accountant for them to review.

Figure 13: Schematic Representation Of Flows Within The Manchester Life Development



Intercompany relations also extend to the issue of director remuneration, creating more opacity. Although the directors are not paid directly by the joint ventures, according to the 2018 accounts of MLDC1, 'Directors salaries were borne by related party entities in the current year and in the prior year'. However, we are not told which directors and which related parties this refers to. This is because it was deemed 'not practical to apportion the salaries to the various entities served by the Directors'. This lack of detail is unsatisfactory and probably not helpful to council members then serving as directors. In response to our queries about these arrangements, the council states that, '[council] directors have not received any remuneration at all from any Manchester Life Company', and that such payments would be unlawful under the Local Government Act 1972[96].

6.2. Loans and Admin Expenses Are A Black Box

As noted, there are numerous loans made between related parties within the Manchester Life network. Most attract only an 'on-paper' interest charge (i.e. interest is 'imputed' for the purposes of tax, even though it is not paid). However, the MLDC1 2020 accounts note a single 'payable' liability of £1,263,411 owed to the ultimate controlling party of the company (presumably Abu Dhabi United Group) 'in respect of loans received'. This is a sizeable liability and fundamentally alters the economics of the joint venture, leaving much less in the entity by way of retained earnings. This payment also came at a time when the accounting notes on the related party transactions became less specific, referring merely to the 'group companies' rather than specific entities. The wording of the relation also lacks clarity. It is clear that £795,991 of the £2,059k payables outstanding as of 2020 reflects 'the carrying value of the loan from Loom Holdings of £795,991 for working capital' (i.e. a loan repayment obligation). But it is not clear whether the £1,263,411 payable to the ultimate controlling party of the company 'in respect of loans received' is a loan 'repayment' or a loan 'fee'. If the latter, it would seem high.

As we have noted throughout our analysis, various entities within the Manchester Life network report only generic 'administrative expenses' when explaining their costs, which makes it difficult for observers to work out who is being paid and what activities are being performed. It also prevents observers identifying any potential conflicts of interest with regard to the parties these entities contract with. It is important to note that the way Manchester Life entities report admin expenses is legal and legitimate,

96 Email communication with the authors, 08/06/2022.

but given the presence of a council partner in the joint venture, public scrutiny should be at a premium because they are investing local residents' money. More granularity on the admin expenses is needed.

6.3. The Use Of Secrecy Jurisdictions Limits Transparency

The use of secrecy jurisdictions means it is impossible to see how much profit and what return is being generated by the Jersey-based entities. Due to the minimal reporting requirements in Jersey, it is impossible to understand the full economics of the Manchester Life developments. Consequently, it is difficult to say whether the best use of land and money was achieved.

6.4. Other Accounting Issues Add Opacity

There are, what appear to be, discrepancies within the accounts of individual companies. This includes:

- In MLDC2's 2020 accounts, the amounts receivable from related parties disclosed in note 11 do not match those in note 8.
- In MLDC1's 2021 accounts, the sum of restricted and unrestricted cashflows in note 9 is incorrect.
- In MLMC's 2020 accounts, its 2019 current assets – assets expected to be sold or used over the course of its normal activities – are reported as £406,054. However, in its 2019 accounts, its current assets were reported as £646,000, a £239,946 difference; relatedly, the company's 'payables' – money owed by other companies, including Jersey-based entities within the same corporate group – are also £240,000 lower in the 2020 reporting of its 2019 performance. It is not clear whether a form of 'netting'[97] is taking place and no notes are provided that would aid this interpretation.
- In MLMCs accounts, the 2019 figure for related party debtors stated in note 12 in their 2020 accounts do not tally with the 2019 current assets in its balance sheet.
- In MLMC's accounts, short term liabilities are reported as £57,600 in 2016, but later reappear as long-term liabilities in the 2018 accounts. An explanation of this may be that Manchester Life Management paid Silk Glass £123,700 in 2018 in respect to a VAT refund, in addition to a £111,800 payment as a surplus of tenancy receipts against costs. The notes on the VAT refund suggest there was a corresponding £57,500 payable in the previous year, almost matching the previous discrepancy. However, the notes to the 2016 accounts explain that the £57,500 is owed to Manchester Life Development Company as opposed to Silk Glass due to an intercompany loan.

These accounting issues make it difficult to accurately reconstruct the true picture of the money that is being transferred between UK and Jersey-registered subsidiaries in Manchester Life's wider group structure. It also adds to the sense that the systems of financial oversight and accountability need tightening, which in this case also extends to the auditing of these accounts. In response to queries over these issues, the council states that it 'is satisfied that the Company paperwork is in order and all accounts have been audited, approved, and signed off by the statutory auditor'[98].

97 'Netting' refers to the combination of mutual obligations between financial counterparties to reduce overall levels of settlement risk.
98 Email communication with the authors, 08/06/2022.

Summary 1: the complexity of the flows, the lack of detail around loans and admin expenses, the use of secrecy jurisdiction and some unclear accounting means that transparency and thus accountability is limited within the Manchester Life development. These four features in combination raise important questions about transparency, accountability and financial oversight in this deal.

Summary 2: this lack of transparency, particularly the use of secrecy jurisdictions, prevents observers from seeing how much profit the private sector partners make, and thus assess whether this development amounts to good value for money and a good use of the council's land resource for Manchester's residents. When contracts are awarded on a non-competitive basis, it is all the more important to have full transparency on the economics of the development, to ensure that the right decisions were made at council level, and that there is proper conduct throughout the build.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7. Offshoring Manchester

Our analysis of the Manchester Life partnership deal indicates that the council did not use its relatively strong bargaining position to maximise its share of the development income from this project. Manchester is often hailed as a post-industrial miracle – a model for other post-industrial cities to follow. However, financiers and developers will always be drawn to councils with prime, developable land in large cities who are willing to do a deal and extract few concessions. It is time to re-evaluate the success and sustainability of that model.

This is not to say Manchester City Council had many alternatives at its disposal. We would emphasise our approach in section 2.1 which is to understand property-led development as the outcome of constrained choices within a particular historical context which afforded little revenue raising and strategic powers locally. The local pathologies generated by an overly-centralised UK state are undoubtedly part of this story, but beyond the scope of this report. Rather, we would emphasise that within these constraints, there are still local choices and we would question the short-termism epitomised by the Manchester Life development in three respects.

First is the imbalance between growth and control within developments like Manchester Life, where a preoccupation with attracting inward investment led to an insensitivity to the extractive rights handed over in the bargaining process.

Second is the seeming inability to switch gears and strategy once momentum is established. Deals will always need to be cut in under-developed areas or in a context of uncertainty, but once the impetus of real estate investment returns, a city like Manchester should be able to negotiate better terms and experiment with different models of urban regeneration – one that tries to embed the circulation of value created from properties developed locally, rather than see it disappear into tax havens.

Third, is that the insensitivity to reputational risks associated with the joint venture may backfire. Ventures of this kind can build compromising interdependencies of governance, economics and reputation, which create short and long-term risks. Short term, it can lead to local suspicion that the council exercises favouritism towards Abu Dhabi partners, given their investments in local sporting and cultural assets. Manchester Life was described by one developer as a 'sweetheart deal'. But it can also lead good councils to protect and defend the practices of their long-term partners. There were, for example, accusations of censorship when one artistic performance critical of the emerging relationship in a council-commissioned Peterloo memorial was amended at the council's request (see below). Longer-term, it raises questions about what values - and whose values - the city represents. The potential for the relationship to become an ethical, political and economic liability are growing against the backdrop of concerns about the foreign policy and geo-politics of authoritarian regimes. Manchester's self-image as a vibrant, open, tolerant city may be compromised if the council is seen as aiding elites from authoritarian regimes to generate investment returns that shore up their political and economic power back home.

Our conclusion then is that Manchester Life is an example of a development which, like a vortex, pulls resources of different kinds to its centre before remitting them to another jurisdiction. Manchester Life is in this sense 'offshored'.

It has offshored *ownership* of the leaseholds and the property assets.

It has offshored aspects of *control* over this specific set of developments.

There is also the risk of offshoring elements of local democratic *governance*.

7.1. Offshoring Assets

Section 2 noted the consensus view that the political and economic power of Abu Dhabi elites are heavily concentrated in oil interests which may be challenged by net zero commitments across the world. They thus need to diversify internationally into non-oil assets. To achieve this, those investors must bolster their global trust, influence and reputation amidst ongoing concern about human rights issues in the Emirate state. In the economics of bargaining, these diversification and reputational needs should enable any counterparty to extract concessions. Under those conditions we might reasonably expect the balance of benefits to accrue to the counterparty, particularly if they hold strategic assets like land and development rights, and competition is foreclosed.

Our findings suggest that whatever bargaining position Manchester City Council had, it was not used effectively to lever claims over the land and property assets, and their income streams. The leaseholds for land were sold at low rates to Abu Dhabi interests, the council has no share of the property assets and does not receive rental income streams or asset sales income directly. There may be overage arrangements in place, but their form and the amounts received from them have not been disclosed by the council. We can find no income from the Manchester Life investment in the council's accounts. On top of that, the project was given direct and indirect public financial support through government-backed loans and the relaxation of affordable housing contributions.

If public land is part of the 'family silver' of any public local authority - a scarce and finite resource whose value should be protected or maximised - there needs to be an explanation for why the leaseholds were sold at rates below those of comparable plots, why the leaseholds were granted for uncharacteristically long durations, and why leverage was not used to negotiate a direct claim on rental income or asset sales built on that land (rather than opaque overage arrangements). This is important because Manchester is heralded as an urban regeneration model that other authorities should follow, but if that model is built upon attracting developers in the short term by selling access to its assets at a discount, then that may not be a sound and sustainable model for others. Indeed, it could be interpreted as an example of imprudent stewardship and an unwarranted transfer of public wealth to private hands, which others might wish to avoid. From a public accountability perspective, there must be more robust public scrutiny to ensure transparency around land and property rights to improve the balance of benefits for the people of Manchester. This is particularly the case when land deals are conducted without an open bidding process.

7.2. Offshoring Control

This lack of transparency highlights implications for the offshoring of public control over development through the Manchester Life deal. Ultimate control was effectively handed to ADUG interests through the composition of the joint venture board and the 51%-49% shareholding split in Loom Holdings' favour. It is unclear why the joint venture was constructed in such a way. It is also unclear why it is within the interests of the council to allow so much of the economic activity to take place offshore – outside of local control - in a space where the Manchester public cannot obviously see the full build costs of the properties and the profits made. Finally, it is not obvious why UK public funds would be used to support a development structure that is typically used in other examples to reduce tax returned to the UK Exchequer[99].

The offshoring of control raises questions about whether the long land leases over Manchester Life lock in a new built environment in Ancoats and New Islington for subsequent generations. Manchester's model of urban regeneration has generated interest in how the city centre has been redeveloped in such a short space of time, with its population rising from under 1,000 in the early 1990s to almost 70,000 in 2022, according to council estimates[100]. There has been much less focus on the terms of this development however, and the potential for negative, consequences. These include the loss of

99 Again, we would like to point out that in our communications with Manchester Life, they replied that 'Manchester Life companies have paid all UK Corporation or Income Tax due on rental income and profits on for-sale developments'. However, when asked to provide full details of the quantum of tax paid, they declined.

100 Pidd N (2022) Fears of pandemic exodus from England's cities prove unfounded. *The Guardian.* Available at: https://www.theguardian.com/society/2022/jan/12/fears-of-pandemic-exodus-from-englands-cities-prove-unfounded (accessed 11/05/2022).

alternative uses for that land that could have been used to support the city's social infrastructure; social and affordable housing, green space and community facilities. 999-year leaseholds produce limitations on future development programmes and reduce options for future council leaders by offshoring long term control and accountability.

7.3. Offshoring Local Democracy and Reputation

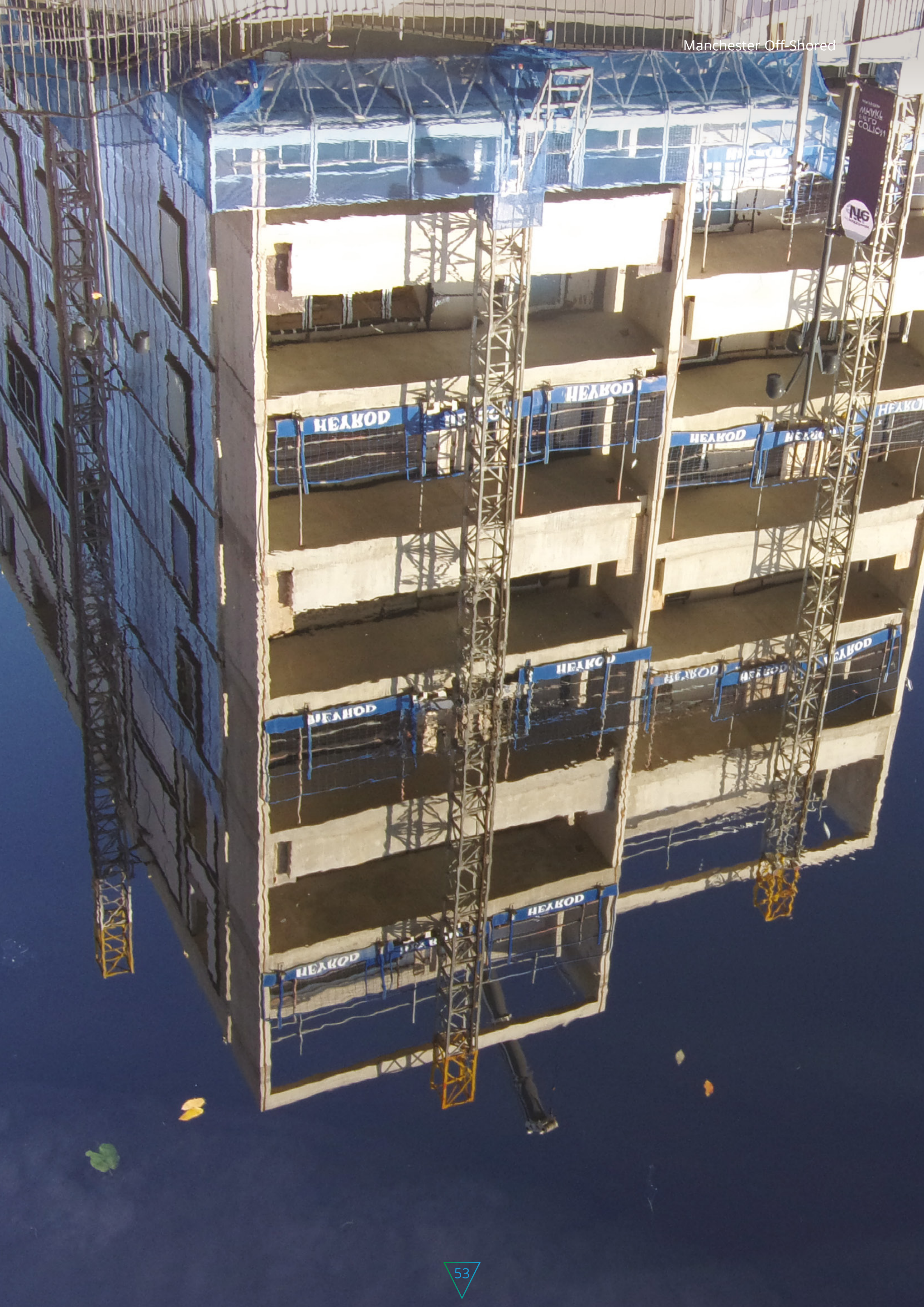
Partnerships of this kind necessarily create economic, governance-related and reputational interdependencies between the two parties, which can be compromising. Manchester City Council's response to criticisms over its partnership with Abu Dhabi United Group on human rights grounds (see Appendix 2) led to media of allegations of 'censorship' when it intervened to remove a reference made by artists to the joint venture in a council-commissioned performance held to commemorate the 200th anniversary of the Peterloo Massacre[101]. This is a limited example, but it is important that Abu Dhabi partner interests do not influence the conduct of our democratic institutions.

This is salient because the influence of overseas money on democratic politics has been brought into sharp and shocking focus with Russia's invasion of Ukraine. The world has woken up to the corrosive influence of oligarch money in London, and the role of property in particular as a store of value for overseas elite wealth there. Proponents used to argue that free markets would have a liberalising effect – that they would provide overseas elites with access to liberal, open societies and modes of civil conduct that would shape their worldviews and lead to positive changes back home. But the example of Russian influence in London highlights a different, less benign outcome – that Western democracies were unusually open to oligarchic money and our institutions were open to their influence; that our regulatory system was ill-equipped to manage the networked power that their money brought, and that money flowed back to a regime with private geo-political intentions that were anathema to our national interests. In this context, the council needs to take these political and ethical questions more seriously - about who is transforming UK cities, and with what motives: what social forces are emboldened when overseas elites are given access to UK land and property assets, and what will those income streams be used for?

The ethical implications of the council's relation with Abu Dhabi entities were largely deflected under the previous leadership. In an August 2021 interview, Richard Leese argued that 'if an over-intimate relationship has produced one of the most distinctive and best places in the country we could do with a few more of them'[103]. Such views gloss over the alleged relationship between ADUG's owners and the Abu Dhabi state, and helps normalise their involvement in Manchester's property development. This could be thought of as a form of 'city-washing' – using brand Manchester to endorse and promote brand Abu Dhabi.

101 Collins D (2019) Town hall 'censors' Peterloo massacre memorial performance. *Sunday Times.* Available at: https://www.thetimes.co.uk/article/town-hall-censors-peterloo-massacre-memorial-dnzp9g2s5 (accessed 11/05/2022).

103 Schofield J (2021) The Big Interview: Sir Richard Leese, 25 years at the top. Manchester Confidential. Available at: https://confidentials.com/manchester/the-big-interview-sir-richard-leese-after-25-years-in-charge (accessed 11/05/2022).



8. Recommendations

Our report highlights transparency, accountability and ethical issues around the Manchester Life partnership. We recommend a series of disclosures to address the shortcomings outlined in our reports. However, we believe it is important to also recommend some basic principles for transparent, accountable and ethical conduct in future joint ventures, which we report separately below.

In terms of immediate disclosures, we believe there should be:

- Full disclosure of any profit-sharing agreements.
- Full disclosure of all associated revenues, costs, assets and liabilities of entities based in Jersey, Abu Dhabi and any other domiciles related to the Manchester Life project.
- Full disclosure of the relevant committee minutes which detail decisions pertaining to the partnership's land transfers, the division of financial claims between the two parties, governance arrangements and procurement processes.
- A public commitment from Manchester City Council to discuss human rights issues in Abu Dhabi with ADUG, with an expectation that no future partnership activity is likely until their human rights record is deemed to have improved by an independent third-party.

In the medium to long term we also recommend a series of principles for transparent, accountable and ethical partnerships that could form a general set of guidelines to be adopted by local authorities involved in real estate developments.

- A commitment to report the economics of any land or property or development deal transparently. This would involve a commitment to maintain as much of the activity onshore as is economically and socially justifiable; and in cases where secrecy jurisdictions are used, to report the economics of those entities in full – revenues, costs, assets and liabilities – in a format that is commensurable with UK standards of reporting. This would ensure that local authority-led urban development should be fully transparent and open to public scrutiny.
- To employ independent third-party land valuers with associated public scrutiny in any land transfer agreements or sales of lease holding that involve substantial public transfers. This would minimise any potential loss of income from land transfers.
- A review of council value-capture policies in order to assess whether best value is achieved in its land sales or joint ventures
- • Ensure any future developments by Manchester Life comply with a minimum 20 per cent affordable/social housing contributions.
- 'Fit and proper' tests for all public-private partnerships with international investors including financial and human rights considerations, an issue on which other councils such as Wigan are responding to rising public concern[104]. This should subsequently be incorporated into the UK planning system through legislation.
- A commitment to improving in-house capacity in local authorities such as Manchester City Council to scrutinise large complex financial transaction and to challenge viability assessments in section 106 agreements to secure the maximum affordable housing contribution locally. This could then be self-financing and is in-step with practice in other councils, such as in the London borough of Tower Hamlets[105].

104 It is not just the Russian invasion of Ukraine and Russian oligarch wealth in London that has made this a high profile public issue. Recently Lisa Nandy in responding to questions about Chinese investment in her constituency and connection to the Chinese government, she responded "If it were to transpire that BCEGI UK were passing money back to their parent company that would then be handed to the Chinese government, I would seek assurances from the council that they would find a way of writing into the contract that that did not take place as a condition of handing over money." Ms Nandy, who has met representatives from BCEGI UK, says the company has assured her it has a 'one-way' financial relationship with the Chinese state. She has also received assurances from the council that the construction company will have no access to databases with confidential information". Source: Timan J (2021) Controversy over Chinese state-owned company's involvement in Wigan town centre redevelopment. Source: Timan J (2021) Controversy over Chinese state-owned company's involvement in Wigan town centre redevelopment. Wigan Today. Available at: https://www.wigantoday.net/news/politics/controversy-over-chinese-state-owned-companys-involvement-in-wigan-town-centre-redevelopment-3304453M (accessed 11/05/2022).

105 London Borough of Tower Hamlets (nd) 'Development Viability.' Available at: https://www.towerhamlets.gov.uk/lgnl/planning_and_building_control/Infrastructure_planning/Development_viability.aspx (accessed 11/05/2022).

- Establishing Public Transparency Boards to scrutinise important urban development activities of local authorities. This would involve independent panels made up of financial procurement and public interest experts in the voluntary, corporate and academic sectors. These PTB's could be responsible for the 'fit and proper' assessments.
- To discourage the revolving door phenomena, there should be US-style policy involving a cooling-off period/time-limited restriction for council employees which would prohibit appointments for a number of years where the applicant has had significant and direct responsibility for policy, regulation, or the awarding of contracts relevant to the hiring company. One senior member of Manchester City Council involved in the establishment of the Manchester Life partnership and who acted as a director of Manchester Life entities, left the council and went to work for another Abu Dhabi related entity. There is no suggestion of improper practice, but we do not think the optics of this are good.
- The piloting and upscaling of alternative development models that build on principles of sustainability, community wealth-building, retaining public assets and addressing housing need.

As a postscript, our report's findings contain lessons for the UK's longstanding uneven regional development issues - most recently articulated under the policy slogan of 'levelling up'. Our study raises interesting questions about the relationship between the local state and the nation state in a globalised economic world. Nation states – or at least the governing classes of those nation states – are becoming global investors in their own right. The UK state is therefore lagging behind. If developments such as Manchester Life channel funds away from the UK Exchequer and direct them towards the ruling elite of another state, then we might begin to think about extractive versus embedded circuits of capital and whether the UK national government can work in partnership with local authorities to rewire those circuits through national infrastructure banks or a sovereign wealth fund to ensure that the proceeds of urban regeneration circulate domestically and build wealth organically to all who live in our city. The national state could become a more involved partner with local government in 'community wealth building' through new forms of nationally- and locally-embedded investment.

Appendix 1. Methodology

This public interest report has been produced as an output of the ESRC-funded project 'Manchester, The Centripetal City: The Lessons Of Property-Led Regeneration For Core Cities And Their Proximal Towns In The Northern Powerhouse'. It has aimed to answer the following research questions:

1. What have been the consequences of the Manchester Life partnership for value for money and the safeguarding of public assets?
2. What have been the implications of the partnership for transparency and local democratic accountability?
3. What have been the wider ethical and political implications of the partnership?

To answer these questions, we engaged the following strategies:

- A desk-based review of academic studies, policy reports and media and industry documentation.
- An accounting analysis of the publicly available data on the finances of the Manchester Life partnership, followed up with queries to Manchester City Council and Manchester Life.

Our key data sources have been as follows:

- Our accounting data has primarily been generated through an analysis of company reports and documentation available in the public domain through websites such as Companies House, cross referenced with financial databases such as FAME. This includes an analysis of the UK-registered entities within the Manchester Life partnership, alongside Manchester City Council's public accounts. To bolster our findings and ensure accuracy, we have contacted the council where necessary to clarify accounting and corporate governance questions.
- Data sources for the Manchester Life developments have been generated through an analysis of planning documentation, reports and viability assessments available in the public domain on Manchester City Council's website. To analyse the history and context of the partnership, we have cross-referenced these sources with information derived from media and property industry reports, including regional publications such as *Place North West* and the *Manchester Evening News,* and national and international publications such as the *Sunday Times* and *Der Spiegel.*
- To situate our analysis within the wider context of housing and urban development, we have drawn from sources including reports to Manchester City Council, and a review of academic and urban policy literature.
- To address questions over the ethical implications of the partnership, we have drawn on reviews of the human rights record of Gulf state actors by NGOs such as Amnesty International and Human Rights Watch, alongside media investigations and the academic analysis of state investment strategies.

Appendix 2. Abu Dhabi's Human Rights Record

Human rights groups and other civil society campaigns have raised a series of concerns about the Abu Dhabi state. These range from human rights abuses and the UAE's role in potential war crimes[106], to how it has benefitted from public land sales in the city and the positive associations it gains through the partnership in terms of its 'global brand', raising questions for how Manchester orientates itself towards the world.

Abu Dhabi

Abu Dhabi is the largest emirate and capital of the United Arab Emirates (UAE), an elective monarchy located in the major oil-producing region of the Persian Gulf. Ruled by the UK until independence in 1971, the country has used its oil reserves to amass substantial wealth, including four sovereign wealth funds with over $1 trillion under management[107]. There are 1.4 million Emirate citizens and 7.8 million expatriates, most of whom are guest workers with fewer legal rights. Within Abu Dhabi there are reports of deep inequalities and documented human rights abuses.

Human Rights In Abu Dhabi

Human rights in Abu Dhabi are often under the spotlight of organisations such as Amnesty International and Human Rights Watch. Their reports have highlighted a series of human rights issues in the UAE, including Abu Dhabi[108]:

- The imprisonment of human rights activists following 'unfair trials on vague and broad charges that violate their rights to free expression and association'.
- Prison conditions for detainees that include the 'serious risk of arbitrary and incommunicado detention, torture and ill-treatment, prolonged solitary confinement, and denial of access to legal assistance'.
- Unequal treatment of women in the legal system, despite reforms introduced since 2019 that officially prohibit 'discrimination in law but essentially still allow for judges to discriminate against women in practice'.

The Amnesty overview of human rights in the UAE in 2020 argues[110]:

> ***'Over two dozen prisoners of conscience, including well-known human rights defender Ahmed Mansoor, continued to be detained in the United Arab Emirates (UAE). The state continued to restrict freedom of expression, taking measures to silence citizens and residents who expressed critical opinions on COVID-19 and other social and political issues. A number of detainees remained in prison past the completion of their sentences without legal justification'.***

In Abu Dhabi itself there are a range of high-profile human rights issues which have included the imprisonment and solitary confinement of human rights lawyer Ahmed Mansoor[111] on a ten-year sentence for social media posts. His imprisonment has become a focus of campaigners in Manchester in recent years.

106 Human Rights Watch (2022) Yemen: Latest Round of Saudi-UAE-Led Attacks Targets Civilians. Available at: https://www.hrw.org/news/2022/04/18/yemen-latest-round-saudi-uae-led-attacks-targets-civilians#:~:text=(Sanaa)%20%E2%80%93%20The%20Saudi%20and,and%20Human%20Rights%20Watch%20said (accessed 11/05/2022).

107 Baker S (2021) Abu Dhabi is biggest employer of wealth fund executives. *Pensions & Investments.* Available at: https://www.pionline.com/sovereign-wealth-funds/abu-dhabi-biggest-employer-wealth-fund-executives (accessed 11/05/2022).

108 Human Rights Watch (2021) 'United Arab Emirates: Events of 2020.' Human Rights Watch. Available at: https://www.hrw.org/world-report/2021/country-chapters/united-arab-emirates (accessed 11/05/2022).

110 Amnesty International (2021) 'United Arab Emirates.' Amnesty International. Available at: https://www.amnesty.org/en/countries/middle-east-and-north-africa/united-arab-emirates/report-united-arab-emirates/ (accessed 11/05/2022).

111 Human Rights Watch (2021) 'The Persecution of Ahmed Mansoor: How the United Arab Emirates Silenced its Most Famous Human Rights Activist.' Human Rights Watch. Available at: https://www.hrw.org/report/2021/01/27/persecution-ahmed-mansoor/how-united-arab-emirates-silenced-its-most-famous-human (accessed 11/05/2022).

There are also accusations of the ill treatment including solitary confinement for over six months of the British PhD student Matthew Hedges[112] who was imprisoned when undertaking a research trip. Hedges was initially sentenced to life imprisonment for spying by a court in Abu Dhabi, before being pardoned and returned to the UK[113].

Labour Rights

Nearly 8 million migrant workers form the bulk of the private sector workforce in the United Arab Emirates, classed under the sponsorship (kafala) system as guest workers in the country, with fewer legal rights and protections and an enforced reliance on their employers for rights of residence.

New labour laws passed since 2015 have aimed at bringing the UAE into line with international conventions, featuring measures including the removal of the need for an employee to have their employers' permission to change their job or leave the country, and increased access to labour dispute resolution mechanisms. Trade unions remain banned however, and as explained by the Carnegie Foundation, poor conditions, vulnerability to trafficking and sexual exploitation, and a failure to enforce laws such as bans against the confiscation of passports by employers remain common[114]:

> ***'Despite the reforms, the kafala system continues to give employers a high degree of control over workers, thereby increasing workers' vulnerability to trafficking, forced labor, and other exploitation'.***

Poor conditions are especially prevalent in sectors such as construction, with estimates in 2017 that nearly 1 million migrant workers in the UAE were labouring in what have been claimed by opposition groups to be 'hazardous conditions[115]. Labour rights violations also include the gendered exploitation of highly precarious domestic workers, who according to Human Rights Watch:

> ***'Fac[e] a range of abuses, including unpaid wages, house confinement, workdays up to 21 hours, and physical and sexual assault by employers'[116].***

LGBT Rights

According to the charity Stonewall[117], legal restrictions on LGBT activity in UAE in 2018 included:

- Restrictions on support for LGBT rights on the grounds of violating public morality.
- The criminalisation of consensual sexual activity outside of heterosexual marriage, with a penalty of a minimum period of one year's imprisonment.
- No legal protections against discrimination on the grounds of sexual orientation or gender identity.
- Provisions for the death penalty for same-sex acts still exist under religious laws (although these are rarely if ever enforced by courts in practice).
- While gender reassignment surgeries were legalised under medical grounds in 2016, courts have resisted the recognition of changes to a person's legal gender following surgery. Policing of gender expression continues to exist, including prison terms for wearing clothing that does not conform to gender norms[118].

112 Siddique H (2021) British academic sues UAE officials over torture claims while in detention. *The Guardian.* Available at: https://www.theguardian.com/world/2021/may/06/british-academic-sues-uae-officials-for-alleged-torture-while-in-detention-matthew-hedges (11/05/2022).
113 Hall R (2018) Matthew Hedges: UAE sentences British academic to life in jail on spying charge. *The Independent.* Available at: https://www.independent.co.uk/news/uk/home-news/matthew-hedges-jailed-life-sentence-court-trial-uae-abu-bhabi-british-academic-a8644476.html (accessed 11/05/2022).
114 Qadri M (2020) 'The UAE's Kafala System: Harmless or Human Trafficking?' Carnegie Endowment for International Peace. Available at: https://carnegieendowment.org/2020/07/07/uae-s-kafala-system-harmless-or-human-trafficking-pub-82188 (accessed 11/05/2022).
115 ICFUAE (2019) 'The abuse and exploitation of migrant workers in the UAE.' The International Campaign for Freedom in the United Arab Emirates. Available at: http://icfuae.org.uk/issues/migrant-workers%E2%80%99-rights (accessed 11/05/2022), p.10.
116 Human Rights Watch (2020) 'United Arab Emirates: Events of 2019.' Human Rights Watch. Available at: https://www.hrw.org/world-report/2020/country-chapters/united-arab-emirates# (accessed 11/05/2022).
117 Stonewall (2018) 'Stonewall Global Workforce Briefings 2018: United Arab Emirates.' Stonewall. Available at: https://www.stonewall.org.uk/system/files/uae_global_workplace_briefing_2018.pdf (accessed 11/05/2022).
118 Human Rights Watch (2017) 'UAE: Stop policing gender expression: Arrest of Singaporeans sheds light on misuse of law.' Human Rights Watch. Available at: https://www.hrw.org/news/2017/09/07/uae-stop-policing-gender-expression (accessed 11/05/2022).

Managing Reputation And Extending Global Influence: Soft Power Strategies

Our report highlights why Abu Dhabi elites seek to extend their global reach and influence. This goal required reputation management, which was formalised and institutionalised as policy via the UAE *Soft Power Strategy* which involved the development of a soft power council[119]. This soft power strategy worked on the assumption that a 'state's global influence can be systematically and strategically developed through policies and planning of a carefully crafted national brand'[120]. Emails exchanged between Simon Pierce of ADUG and City Football Group director, Marty Edelman and senior City figure Ferran Soriano in 2013 highlight their awareness of a need to manage image and brand on issues like homosexuality and women's rights[121].

The relationship between Abu Dhabi entities and Manchester began with the purchase of Manchester City FC in 2008, a move viewed as 'sports washing' by the human rights organisation Amnesty International. Sport washing denotes the way sport is used to improve the image of an entity - such as high wealth individuals, nation-states, as well as corporations and other actors. In response to the take-over of MCFC, concerns were raised that the purchase was part of its 'soft power strategy' to gain political and cultural influence, and that the football club was bought with the explicit purpose of improving the brand of Abu Dhabi in the UK and globally. Amnesty International's Gulf researcher Devin Kenney was reported in *The Observer*[122] stating:

> ***'The UAE's enormous investment in Manchester City is one of football's most brazen attempts to 'sportswash' a country's deeply tarnished image through the glamour of the game'.***

Within Manchester, Abu Dhabi interests extend beyond sporting assets, but also other institutions including the social housing provider Great Places, business deals with Manchester University such as the Graphene Engineering Innovation Centre, the Co-operative Group's sponsorship of the new East Manchester arena, and even the naming of a Metrolink tram stop as the Etihad Campus. Manchester has thus become a prime site for Abu Dhabi investment in its wider cultural fabric, facilitated through the close relationships between senior political and economic figures in the city. Despite this potential for 'city-washing' however, there has been little public discussion among senior elected officials about whether this is desirable for the city given concerns raised by campaigners over the costs of this investment or the human rights implications of Abu Dhabi as a prominent investment partner.

It is important to note that Abu Dhabi related entities have also sought commercial deals with other cities. These initiatives have included developing strong relationships from New York University (including a campus in Abu Dhabi) to art galleries and museums such as the Louvre (costing $525 million in license fees and $650 million for the building[123]) and Guggenheim outposts through to using famous architects for prestige buildings and developing tourism.

The Foreign Policy/Military-Industrial Context

The UAE has recently participated in the Saudi-led war in Yemen, and fought against militias led by the Shi'ite Houthi movement. This war has included the use of British-made arms and military advisors, despite a reported death toll of 112,000 since 2015, 5 million people are at risk of starvation, and a further 20 million at risk of displacement, described by the UN's refugee agency as 'the world's worst humanitarian crisis'[124]. Relations between Britain and the UAE have become strained in recent years however, with BAE Systems failing to secure an arms contract for 60 Eurofighter jets in 2013[125].

119 Arabian Post (2017) UAE launches Soft Power Council to enhance global reputation. Available at: https://thearabianpost.com/uae-launches-soft-power-council-to-enhance-global-reputation/

120 Saberi D, Paris C and Marochi B (2018) Soft power and place branding in the United Arab Emirates: examples of the tourism and film industries. *International Journal of Diplomacy and Economy,* 4(1): 44-58.

121 Wigmore T (2018) Want to know how successful sportswashing is? Just look at the Manchester City fans who cheerlead for Abu Dhabi. i news. Available at: https://inews.co.uk/sport/football/manchester-city-abu-dhabi-uae-sports-washing-229247 (accessed 11/05/2022).

122 Doward J (2018) Amnesty criticises Manchester City over 'sportswashing'. *The Observer.* Available at: https://www.theguardian.com/law/2018/nov/11/manchester-city-owners-accused-sportswashing-gulf-image (accessed 11/05/2022).

123 Nisbett M (2021) Can Soft Power be Bought and Why Does it Matter? Arts and International Affairs. Available at: https://theartsjournal.net/2021/01/29/nisbett-2/ (accessed 11/05/2022).

124 UNHCR (2021) 'Yemen Crisis Explained.' United Nations High Commissioner for Refugees. Available at: https://www.unrefugees.org/news/yemen-crisis-explained/ (accessed 11/05/2022).

15 CAAT (2021) 'Country Profile: United Arab Emirates.' Campaign Against the Arms Trade. Available at: https://caat.org.uk/data/countries/united-arab-emirates/ (accessed 11/05/2022).

Investigative reports by *The Guardian* suggest one reason for this is the UAE's dissatisfaction with the then-Prime Minister David Cameron's failure to proscribe the Muslim Brotherhood. An Islamist group founded in 1928, the Muslim Brotherhood is considered an internal threat to the UAE's government following the short-lived presidency of the brotherhood-linked Mohammed Morsi in Egypt, who rose to power in the aftermath of the 2011 Arab Spring before being deposed in a military coup two years later. In response, *The Guardian* reports that David Cameron's government established an undisclosed lobbying unit in Whitehall to promote non-military investments in Britain, including the prospect of investing £1billion in the Manchester Life partnership[126]. According to *The Guardian,* efforts to promote Manchester Life included a meeting between Howard Bernstein and the civil servant Martyn Warr, a director of UK Trade and Investment and former counter-terrorism official, who lobbied for the deal on behalf of Cameron. There is, therefore, also a national context to the Manchester Life joint venture.

The Pegasus Scandal

The UAE has also been accused of using the Pegasus spying software in the UK, with *The Guardian* reporting that of the 400 UK based people to appear in the data:

> ***'The principal government responsible for selecting the UK numbers appears to be the United Arab Emirates'[127].***

The Guardian went on to argue that:

> ***'The UAE has become a fast-emerging cyber power, whose powerful surveillance capability is controlled by the family of its ruler, Sheikh Mohamed bin Zayed'.***

Individuals targeted included the aforementioned Matthew Hedges, human rights lawyers, the independent member of the House of Lords Pola Uddin, and the *Financial Times* editor Roula Khalaf. It is not known if any 'exiled dissidents and supportive activists' based in Manchester were targeted.

Challenges To The Manchester Life Partnership

The high profile of the Manchester Life deal and the close links between senior figures in ADUG and the Emirate state have generated controversies over whether ADUG is an appropriate procurement partner for Manchester City Council.

To date, there has been little public response from Manchester City Council to ethical concerns raised over the well-documented human rights issues with its business partner. In 2016 Human Rights Watch and Amnesty International sent a letter to political leaders in Manchester demanding that they use their close commercial ties with Abu Dhabi to call for an end to torture, abolish coerced labour and free jailed activists. It stated[128]:

> ***'Relationships involving the Council and the UAE should not and need not come at the cost of an abandonment of the values that Manchester proudly proclaims as part of its heritage'.***

The letter by these human rights organisations received no formal reply from the then council leadership. A further letter was sent by local campaigners to a range of politicians including the Manchester Central MP Lucy Powell, the GM Mayor Andy Burnham, and Manchester City Council politicians to name a street in the city after the imprisoned human rights campaigner Ahmed Mansoor. The group argued that it would be a:

> ***'Fitting honour to bestow upon an individual who embodies so many of the qualities that the city and the wider region celebrates as a key part of its history'.***

126 Ramesh R (2015) UK set up secret group of top officials to enable UAE investment. *The Guardian.* Available at: https://www.theguardian.com/politics/2015/nov/09/uk-secret-group-of-top-officials-enable-uae-investment-united-arab-emirates (accessed 11/05/2022).

127 Sabbagh D, Pegg D, Lewis P and Kirchgaessner (2021) UAE linked to listing of hundreds of UK phones in Pegasus project leak. *The Guardian.* Available at: https://www.theguardian.com/world/2021/jul/21/uae-linked-to-listing-of-hundreds-of-uk-phones-in-pegasus-project-leak#:~:text=The%20principal%20government%20responsible%20for,control%20of%20a%20mobile%20phone. (accessed 11/05/2022).

128 Merrill P (2016) Human rights groups tackle Manchester leaders over UAE ties. *Middle East Eye.* Available at: https://www.middleeasteye.net/fr/news/exclusive-rights-groups-press-manchester-civic-and-football-leaders-over-uae-ties-2135988559 (accessed 11/05/2022).

Lucy Powell, agreed that the proposal should be considered by the council. In their letter to councillors, the group stated[1292]:

> *'Trade and investment are important, but, as its history demonstrates, Manchester has always used new relations with different parts of the world to argue for the values of human rights and dignity that are so important to many in the city'.*

However, the request was denied by Manchester City Council, which claimed it was official policy not to name streets after living people. Despite that, the approach-way to the MCFC stadium (technically private land and hence free from this policy) was renamed the 'Sir Howard Bernstein Way' in honour of the former Chief Executive of the Council who would subsequently go on to work for the Abu Dhabi-controlled City Football Group.

In a further set of developments, the council was also accused of actively trying to censor public debate and criticism of the Manchester-Abu Dhabi partnership. This took place during events commemorating the 200th anniversary of the Peterloo Massacre, when democracy protesters were killed by soldiers. The Council was accused of 'censoring' the performance by asking the artists to remove mention of the business deal with Abu Dhabi that activists had included as part of a mass sing-along.

As David Collins in *The Sunday Times* reported, 'Those involved in organising the performance say the council requested changes to the script'[130]. The journalist spoke to one councillor who commented that, 'For our council to seek to remove a voice of protest from the Peterloo event is unconscionable'. The council itself responded by suggesting, 'Given that the work was commissioned by the council it was perfectly normal...to question whether the script's perspective on a number of different elements was entirely fair and accurate'.

How Manchester Relates To The World

These various concerns raise questions about Manchester City Council's official commitments to equality and diversity through the Equality Framework for Local Government[131] and Human Rights Act. For instance, the council states that:

> *'Manchester City Council respects the rights and freedoms that the Act affords the city's residents, and seeks to embed these into the way that it delivers services, provides employment and empowers the city's communities. Manchester is justifiably proud of the diversity of its population, and safeguarding the dignity and human rights of our diverse communities is at the heart of what we do every day. This plays an important role in how we continue to develop as a council, and as a city'.*

While ADUG is legally a private business, its close connections with the Abu Dhabi state raise uncomfortable questions over the willingness of Manchester City Council to overlook human rights considerations when choosing its partners.

Manchester's history shows that it is not separate from the world, but an active participant. It is vital that if local politicians and businesses intend for Manchester to act as a 'key international gateway to the UK', then consideration for human rights should be integral to how Manchester's institutions act in relation to people beyond the city.

Responses To Criticism Of Manchester Life

There are important questions about the reputational risks for the council of being involved in a joint venture with Abu Dhabi investors. Officials in Manchester have rarely addressed concerns by human rights campaigners. In an interview with Danny Moran of *Manchester Confidential,* Richard Leese responded when asked how he felt about human rights issues:

129 Perraudin M (2018) Manchester campaigners want street named after Emirati activist. *The Guardian.* Available at: https://www.theguardian.com/uk-news/2018/apr/16/manchester-residents-lobby-to-name-street-after-emirati-activist-ahmed-mansoor (accessed 11/05/2022).

130 Collins D (2019) Town hall 'censors' Peterloo massacre memorial performance. *Sunday Times.* Available at: https://www.thetimes.co.uk/article/town-hall-censors-peterloo-massacre-memorial-dnzp9g2s5 (accessed 11/05/2022).

131 LGA (2018) 'Manchester City Council - Local Government Equality Framework Re-accreditation Peer Challenge June 27/28 2018.' Local Government Association. Available at: https://secure.manchester.gov.uk/downloads/download/6292/eflg_excellent_report (accessed 11/05/2022).

> *'Well, Abu Dhabi isn't Qatar. I don't think it's a comparable regime. I've only been to Abu Dhabi once but actually I have read a history of Abu Dhabi which is very interesting. You wonder why they are so disposed to the UK given what we've done to them over the years. From what I can see they don't have the same way of treating migrant workers as you have in Qatar. Abu Dhabi is a relatively conservative Muslim regime but I suppose if you get into the issue of covered heads for women, actually they expect men to cover their heads as well'[132].*

In a more recent interview with Jonathan Schofield, again in Manchester Confidential, Leese was questioned about whether the relationship between MCC and Abu Dhabi was too intimate. He replied, 'If an over-intimate relationship has produced one of the most distinctive and best places in the country we could do with a few more of them'[133].

As the interviewer reflected, 'The answers ignore the dubious human rights record of Abu Dhabi'.

132 Moran D (2018) Manchester and the sheikhs: is it time to make a stand? *Manchester Confidential.* Available at: https://confidentials.com/manchester/manchester-and-the-sheiks-is-it-time-to-make-a-stand?id=5bf7ef8818d20 (accessed 11/05/2022).

133 Schofield J (2021) The Big Interview: Sir Richard Leese, 25 years at the top. *Manchester Confidential.* Available at: https://confidentials.com/manchester/the-big-interview-sir-richard-leese-after-25-years-in-charge (accessed 11/05/2022).

Appendix 3. Manchester Life: Future Plans

Plans for future developments by Manchester Life partnership are already in place and a number of applications have been approved as of August 2021. These incorporate a range of sites of the Poland Street/Back of Ancoats masterplan using Council owned land assets.

- **Eliza Yard,** a 118-unit apartment scheme of 1- to 3-bed flats, targeted at young professionals, families, and older people, in addition to ground floor commercial space. No affordable housing is planned for the site. Land was sold by the council for £660,000[134].
- **Ancoats Dispensary,** comprising 39 1- and 2-bed apartments for affordable rent to be developed by the housing association Great Places, using land acquired by Manchester Life from Urban Splash and subsequently transferred to Manchester City Council for zero consideration.
- **Downley Drive,** comprising 68 affordable homes to also be delivered by Great Places and split across 45 1- and 2-bed apartments and 23 2- and 3-bed houses. The apartments will be built for social rent, while the houses will be split between 11 affordable rent and 12 shared ownership properties. Land to the north within Downley Drive partially includes a site of previously demolished housing, originally earmarked for the neighbouring Miles Platting PFI.
- **Land off Jersey Street** planned for between 150 and 180 homes by Manchester Life, although no further details have yet been given at the time of writing in early 2022.
- Manchester Life has submitted plans for a **Mobility Hub** located between Poland Street and Ardwick Green, which includes 400 car-parking spaces, bike storage, and a delivery depot aimed at reducing on-road traffic due to home deliveries. While intended to partially replace on-street parking and to be combined with traffic reduction methods, the local greenspace campaign group Trees not Cars has criticised the plans on the grounds that the provision of private car-parking space fails to discourage car use, while also arguing that the hub fails to be property integrated with public transport networks.
- Outside of the Manchester Life partnership, the council also plans to develop affordable housing north of **Wadeford Close,** on the edge of Ancoats.

While receiving land from the council, both of the Great Places affordable and social housing developments at Ancoats Dispensary and Downley Drive will be funded by part of a £30m wave one strategic partnership grant from Homes England. This funding is intended to support the construction of 750 affordable homes across the North West by 2022. Homes built for affordable rent through this process may be charged at up to 80% of market rent, which for Ancoats currently sits at £800 for a 1-bed flat and £1,000 for a 2-bed flat, although Great Places has stated that the actual rents will be charged at a lower rate[135].

Beyond these immediate sites the Manchester Life partnership has the potential to access a range of public land across the east of the city particularly between the Etihad Stadium and the city centre that has seen surging land values over recent years.

Other Property Development Around The Stadium

In 2017 MCC bought the **Central Retail Park** in Ancoats for £37 million from Nuveen Real Estate, one of the world's largest private equity real estate companies. It is unclear if this land will be developed with Manchester Life or whether the land will be transferred to one of the Abu Dhabi subsidiary companies on a similar lease to other parcels of land. The original intention of the Council was to develop 1500 homes through Manchester Life136 but that has now changed to a commercial-led mixed-use development as reported to the Council's Executive in February 2020.

134 Source: https://docs.planning.org.uk/20210525/27/QSY749BCH2H00/8wyqtuqk4d6ktebm.pdf
135 Robson S (2021) Council's new 'affordable' apartments in Ancoats could cost up to £1,000 a month. *Manchester Evening News.* Available at: https://www.manchestereveningnews.co.uk/news/greater-manchester-news/councils-new-affordable-apartments-ancoats-20675314 (accessed 11/05/2022).
136 Middleton-Pugh (2020) Central Retail Park earmarked for 1m sq ft office scheme. *Place North West.* Available at: https://www.placenorthwest.co.uk/news/central-retail-park-earmarked-for-1m-sq-ft-office-scheme/ (accessed 11/05/2022).

As outlined above there are also a range of property development planned and proceeding in and around the **Etihad Stadium** valued at £350 million and built at a cost of £112m using National Lottery funds[137]. The stadium itself was converted from the Commonwealth Games venue to the needs of the football club with MCC paying £22 million and Manchester City Football Club £20 million. MCC receive £2 million per year from the football club which since 2003 has brought in £34 million[138].

137 Conn D (2011) Manchester City to pay council £2m a year for stadium naming rights. *The Guardian.* Available at: https://www.theguardian.com/football/2011/oct/04/manchester-city-council-stadium-naming-rights? (accessed 11/05/2022).
138 Ibid.

Appendix 4. Transparency and Democratic Accountability In Local Government

Transparency and democratic accountability are vital to the operation of local authorities and public confidence that our cities are well governed, financially well-managed and that decisions taken by elected and appointed officials are serving the public interest. As the Department for Communities and Local Government set out when developing the Local Government Transparency Code (2015[139]) there is a need:

> ***'To place more power into citizens' hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services. Transparency is the foundation of local accountability and the key that gives people the tools and information they need to enable them to play a bigger role in society. Transparency is the foundation of local accountability and the key that gives people the tools and information they need to enable them to play a bigger role in society'.***

There are a range of ways that democratic scrutiny can be undertaken in regards to the Manchester Life partnership, especially within MCC where there are a series of different ways in which these functions are performed:

- The **Audit Committee** which 'oversees the effectiveness of governance and risk management arrangements, internal systems of control, and anti-fraud and anti-corruption arrangements'[140]. This Committee, made up of seven elected representatives would be responsible for monitoring the financial deals, the flows of money into/out of the Council controlled companies involved in the partnership, potentially any loans, exposure to risk, the company accounts and more.
- There is also the local planning system with applicants decided by the **Planning Committee** which is made up of 12 elected representatives who determine planning applications made by entities seeking to develop housing and commercial schemes.
- The scrutiny of decisions within **the ruling Labour Party** group that runs MCC - both among elected councillors themselves and through the broader membership of the political party in the city.
- Outside the council, organisations such as **media groups,** especially national and local newspapers will play a key role in assessing, monitoring and reporting on the various issues. There has been a range of critical scrutiny of the Manchester Life deal and the relationship between Abu Dhabi and MCC, particularly in the national media through *The Times* and *The Guardian*. There has been less coverage by the main newspaper in the city, *The Manchester Evening News,* but other media outlets such as *The Meteor* have long followed the partnership and the various issues that have risen from it.
- **Civil society and Campaigning groups** such as Amnesty International, The Public Meeting and Greater Manchester Housing Action have all run events, campaigns and public education programmes that have sought to draw attention to the Manchester Life partnership and the various concerns held by these organisations.

139 DCLG (2015) 'Local Government Transparency Code 2015.' Department for Communities and Local Government. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/408386/150227_PUBLICATION_Final_LGTC_2015.pdf (accessed 11/05/2022).
140 Manchester City Council (nd) Committee details: Audit Committee. Available at: https://democracy.manchester.gov.uk/mgCommitteeDetails.aspx?ID=144 (11/05/2022).

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Centripetal
Cities