

**LOCATION OF THE GREEN
INVESTMENT BANK**

Secretary Of State's Decision

8 MARCH 2012

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The Secretary of State's decision on location of the Green Investment Bank

Background

1. The Government has decided to establish a new financial institution, the Green Investment Bank (GIB). Its role will be to help overcome market failures in the financing of green infrastructure and to accelerate investment in the UK's transition to a green economy. It will be an independent company operating at arms length from Government on the basis of agreed objectives and priorities. Our key concern is to ensure that the location of the GIB properly supports our aim for the GIB to be an effective financial institution that makes a real impact, mobilising additional commercial finance and increasing the speed and scale of investment in the UK's green infrastructure.
2. The Government recognises the widespread interest in the GIB's location, with many different locations being proposed. In response, we have undertaken a rigorous process of reviewing the merits of those locations to ensure decisions on this matter were taken on the basis of all relevant information and in a fair and transparent manner.

Invitation to make representations

3. On 12 December, the Secretary of State for Business, Innovation and Skills (BIS) published details of the criteria he would apply in reaching decisions about the location of the GIB and invited interested parties to submit information on the extent to which particular locations meet these. There are two primary criteria that represent fundamental requirements essential to ensuring the operational effectiveness of the GIB. These are concerned with (i) the ability of the GIB to recruit and retain staff with the necessary expertise and quality and (ii) the ability of the GIB to engage effectively with the transaction eco-system – the other parties with which the GIB will need to work in order to co-finance major infrastructure projects. A third criterion concerns consideration of how different locations might affect the total costs involved in operating the GIB.

Process for assessing representations received

4. BIS received representations from 32 proposed locations. For the purposes of assessing these, BIS formed a small review panel made up of

BIS officials supported by colleagues from Infrastructure UK (part of HM Treasury) and the professional recruitment consultants, Odgers Berndtson who are assisting BIS with its work to create the GIB. The panel reviewed critically the data supplied and through this process was able to eliminate from further consideration those locations it did not consider capable of satisfying the two primary criteria to an adequate standard.

- The remaining locations were subjected to a further round of critical assessment with each measured against a scale designed to quantify the extent to which they met the two primary criteria: completely, mostly, partially or not at all. A weighted scoring system was then applied to enable relative effectiveness to be presented in numerical terms with a maximum possible score of 200 points. The scoring system is attached at Annex A. This process resulted in a short list of the six strongest locations: those considered potentially capable of enabling the GIB to operate to at least a minimum necessary level of effectiveness.

Outcome of the assessment process

- The six locations shortlisted for final consideration are listed below along with the total scores and rankings they achieved:

Location	Recruitment: Financial Services	Recruitment: Green Economy	Recruitment: Other Professional	Engage Transaction Ecosystem	Total Score	Rank
Birmingham	Mainly - Weak	Mainly - Strong	Mainly - Strong	Mainly - Strong	70	5
Edinburgh	Mainly - Strong	Mainly - Strong	Completely	Mainly - Strong	115	2
London	Completely	Completely	Completely	Completely	200	1
Manchester	Mainly - Strong	Mainly - Strong	Mainly - Strong	Mainly - Strong	100	3
Milton Keynes	Mainly - Weak	Mainly - Strong	Mainly - Strong	Mainly - Strong	70	5
Peterborough	Mainly - Weak	Completely	Mainly - Strong	Mainly - Strong	75	4

- The scoring system helps illustrate quantitatively the different relative degrees of operational effectiveness that may be achieved in each of the

shortlisted locations. However, final decision-making also takes into account a qualitative assessment of the degree of confidence offered that the GIB would genuinely be able to fulfil its mission if located in the different locations.

8. For each of the shortlisted locations, it was appropriate to assess how the costs of operating the GIB would differ if located there so that cost considerations could be taken into account. Cost issues were not examined for other proposed locations on the basis they were not possible options. It was clear that the great majority of the costs of operating the GIB would not be affected significantly by the choice of its location. For a small proportion of the GIB's operating costs, some variations would arise depending on location, primarily reflecting variations in property costs, different travel and overnight accommodation requirements and the need to incur staff relocation costs. To a great degree, each of these variable costs tended to cancel out the others so that, overall, the total difference in cost of locating in each of the six cities was negligible. In view of this, it would have been inappropriate to attach significance to such cost factors in reaching conclusions about which city would represent the most appropriate location for the GIB.
9. A more detailed account of the review process is being published separately alongside this decision.

Secretary of State's decision

10. The Secretary of State has decided that the headquarters of the GIB should be in Edinburgh and that the GIB's primary project finance transaction team should be in London. The Edinburgh headquarters will be specified in the company's constitutional documents. Once the GIB has been established it will operate at arm's length from Government, with the Government acting as its sole shareholder. As such, further detailed decisions about its structure and organisational arrangements will be a matter solely for the GIB's directors and senior management who will be responsible for ensuring the organisation operates effectively and efficiently to deliver its objectives.

Summary of reasons

11. Information on the GIB's likely range of activities and structure was set out in Section 2 of the self assessment guidance document published on 12 December. In order to achieve its mission of mobilising additional private sector investment in green infrastructure, the GIB will have to undertake the full range of activities summarised in paragraph 12 of that document.

12. As the assessment demonstrated, Edinburgh is an established centre for financial services coupled with a thriving green sector. It has a substantial pool of financial sector professionals of the kind the GIB will need to undertake a number of aspects of its work. It has the excellent transport and communications links that will enable GIB staff to engage with partner organisations as necessary. As the GIB develops into one of the UK's leading investors in green infrastructure, it will benefit from the asset management skills for which Edinburgh is well known. Consequently the corporate headquarters, asset management and back office functions of the GIB will be located in Edinburgh. The existing strengths of the financial services sector in Edinburgh suggests that it offers the greatest opportunity for a genuine green finance cluster to develop outside London, helping to contribute towards the Government's goal of rebalancing the UK's economy.

13. Large scale and complex project and structured finance transactions will represent the major part of the GIB's commercial activities. Almost all the other banks and finance providers that will be the GIB's co-investors in such projects are located in London and it is there that almost all such transactions are done. The GIB must be able to work in a co-ordinated way alongside these co-investors. It could only participate effectively in the necessary negotiations and due diligence required when agreeing project finance deals if its major project deal origination and transaction execution team spent considerable time in London. Equally, there is a real prospect that the GIB would simply not be able to attract the necessary number and quality of key transaction staff required to fulfil this role if the team was located outside London. This would represent an unacceptable risk to the GIB's effectiveness and ability to deliver its mission. For these reasons, the GIB's main transaction team will be based in a London office.

14. Giving the GIB a presence in both Edinburgh and London should achieve significantly increased commercial reach across the UK compared to one location. For similar reasons, the GIB may, in due course, choose to open further offices across the UK as it develops its activities.

Annex A: Details of assessment and scoring system applied

GIB CANDIDATE LOCATION PREFERENCE SCORING

Criterion	ASSESSMENT SCALE				
	Not at all	Partially	Mainly		Completely
			Weak	Strong	
1-1 Staffing – Financial Services			0	30	60
1-2 Staffing – Green Economy Experts			0	5	10
1-3 Staffing – Other Professional Experts			0	15	30
2 Transaction Ecosystem			0	50	100

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