

BOARD MEETING
COINNEAMH BÙIRD

**MINUTE OF THE EXTRA HIE BOARD MEETING HELD ON 24 AUGUST 2022
STARTING AT 1100 BY TELECONFERENCE**

PRESENT: Alistair Dodds (*Chair*)
Stuart Black
Ailsa Raeburn
Amanda Bryan
Angus Campbell
Anna Salgado
Belinda Oldfield
Calum Ross
Freda Newton

IN ATTENDANCE:

Carroll Buxton	Deputy Chief Executive
David Oxley	Director of Strategic Projects
Martin Johnson	Director of Strategy and Regional Economy
Nick Kenton	Director of Finance and Corporate Services
Rachel Hunter	Director of Service Delivery
Sandra Dunbar	Director of Business Improvement and Internal Audit
David Howie	Head of Strategic Projects
Roy Kirk	Project Director
Andrew Carton	Team Leader (HIE), Enterprise Sponsorship Team, Scottish Government
Adrian Kitson	Head of Executive Office
Gillian Suttie	Executive Assistant

1 Welcome and apologies

The Chair opened, and thanked all in attendance for joining the extra meeting noting at short notice due to the time critical nature of the item to be discussed.

Apologies were noted from Donald MacRae, Paddy Crerar and Keith Nicholson. It was noted that Mr MacRae had provided comments on the paper to be discussed to the Chair who would provide these at the appropriate time during the meeting.

2 Declarations of Interest

There were no declarations of interest.

3 Space Hub Sutherland – Agreement of Head Lease and Sub Lease

The Director of Strategic Projects presented a paper seeking HIE Board approval for the head lease and sub-lease for Space Hub Sutherland (SHS) and requesting that authority be delegated to HIE CEO/LT to formally conclude the lease and sub-lease. It was anticipated action would be required before the end of August 2022. The Director reminded the Board of the previous paper they considered relating to options appraisal and the assessment of risks and benefits relating to the preferred option.

Orbex's Series C fundraise is moving to around £40.0m at the end of August which is more than anticipated. As a prerequisite to the close, the Scottish National Investment Bank (SNIB), and other investors required the lease option for the sub-lease, effectively ensuring access to the SHS site for Orbex, to be concluded prior to the round closing at the end of August. The agreement of a head lease and sub lease option would provide Forres Newco with access to the site to progress development. Both the head lease and sub-lease documents have been the subject of detailed discussion and negotiation between all parties and HIE staff are supportive of the documentation being concluded. The process has been informed by legal advice and independent property advice.

It was noted that SNIB had increased their level of investment from around £11.0m to 18.0m highlighting their strong support for the project with the additional funding to support rocket development.

HIE is receiving legal and independent property advice to support the assessment of any subsidy in relation to the head lease and sub-lease. HIE is looking to act in line with the Market Economy Operator Principles in agreeing the terms of the sub-lease. The lease is for 75 years with Orbex seeking a 50 year lease with the option to extend to 75 years. On the head lease, HIE would be tied in for the first 5 years with the option to leave annually thereafter, Orbex and Forres Newco would have the option to leave on a 5 year cyclical basis.

The launch fee payable to Melness Crofting Estate is £30k per annum or 2% of launch fees with each launch costing in the region of £750k to £800k. This is paid in arrears. There will also be a community benefit fee with Orbex agreeing to pay 1% into a community benefit fund on a similar basis to the launch fee.

Infrastructure costs are being covered by HIE with these costs being recovered from Orbex/Forres Newco over the term of the lease.

[Paragraph removed in the interests of the effective conduct of public affairs].

Orbex have recently announced the recruitment of 50 jobs and Minister for Business, Trade, Tourism and Enterprise, Mr McKee will be visiting the Forres site after the HIE Board meeting next Tuesday and this may include announcement of the SNIB investment.

The Director of Business Improvement and Internal Audit outlined that the project was classed as novel and contentious which required Scottish Government agreement of the business case and Scottish Government have confirmed that HIE could continue with decisions relating to the leases.

Signing of the head lease and sub lease passes decommissioning liability, which is a planning condition, to Orbex via the sub lease. This was approved via Scottish Parliament processes.

The Chair opened-up the meeting for comments and questions. Areas covered included the following: the number of launches per annum; the community benefit fee per launch; providing a lease direct to Orbex; the collar/cap on fees; grant award versus shareholding; the community liaison group and HIE's involvement with this group; and ongoing legal and management fee costs to HIE.

HIE staff were able to provide answers on all of these areas to provide assurance to the Board, specifically confirming that the Melness Crofting Estate have legal representation and are satisfied with the quantum they are receiving. Areas that require to be checked and confirmed to the satisfaction of the Chief Executive and the Leadership Team prior to formal conclusion of the lease and sub-lease are as follows:

- The final subsidy advice
- If there was to be a sale of the company in the future, would the lease transfer with the sale? The Board's attention was drawn to the previous Board paper and assessment of risks and the role of national regulation in this area.
- A typo in the Board paper is to be amended to read "the head lease does comply" from "the head lease does not comply".

In addition, it was noted that prior to any grant being concluded the level of grant required would be tested for additionality and subsidy compliance. The Board will be provided with an update on the grant in due course.

[Paragraph removed due to commercial sensitivity].

A question was also asked in relation to any issues regarding the flight path over other land outwith the lease area. The Head of Strategic Projects confirmed that there is a corridor which will cross other land but this is governed by the CAA. There is currently no awareness of any impediment to the flight path.

Following discussion, the Board approved the request that authority be delegated to the HIE Chief Executive and Leadership Team to formally conclude the lease and sub-lease before the end of August 2022 provided they were satisfied that all outstanding issues had been concluded.

David Howie and Roy Kirk left the meeting.

4 AOB

[Item removed in the interests of the effective conduct of public affairs].

The Chair closed the meeting noting his appreciation to Board members for their attendance at this additional Board meeting.

Adrian Kitson
Head of Executive Office
24 August 2022