

**ANGUS COUNCIL**

**POLICY AND RESOURCES COMMITTEE – 24 OCTOBER 2023**

**TAY CITIES REGION DEAL  
MERCURY DRONE PORTS - PROJECT UPDATE**

**REPORT BY ALISON SMITH,  
DIRECTOR OF VIBRANT COMMUNITIES & SUSTAINABLE GROWTH**

**ABSTRACT**

This report informs members that the Business Justification Case (BJC) for Mercury Drone Ports, an Angus Fund project, has been approved by the Tay Cities Region Joint Committee. The report informs members of the purpose and outputs of the Request for Information exercise and the intention to lease land at Broomfield Industrial Estate, Montrose to deliver phase 1 of the project. Furthermore, this report notes the signing of the grant agreement for this project and seeks delegated authority for the procurement of a commercial services consultant to provide robust commercial advice to Angus Council before entering legal contracts with private sector businesses for the Tay Cities Region Deal - Angus Fund projects.

**1. RECOMMENDATIONS**

It is recommended that the Committee:

- (i) Notes the approval of the Mercury Drone Ports Business Justification Case by the Tay Cities Region Joint Committee at its meeting on 24 March 2023;
- (ii) Notes the purpose and outputs from the Request for Information from drone operators to determine the appetite for entering a concession contract;
- (iii) Notes the intention to lease land at Broomfield Industrial Estate, Montrose to deliver phase 1 of the project;
- (iv) Notes that the Grant Offer of £1M from Dundee City Council (Tay Cities Deal Programme Management Office) has been accepted and the associated grant documentation has been signed;
- (v) Delegates authority to the Director of Vibrant Communities and Sustainable Growth, following consultation with the Procurement Manager and Director of Legal, Governance and Change to procure a commercial services consultant as per section 5.6 of this report; and
- (vi) Notes the revised financial profile for the Mercury Drone Port project from the approved Full Business Case, as agreed with the Tay Cities Deal Project Management Office (PMO) and Management Group as outlined in section 7 of this report.

**2. ALIGNMENT TO THE COUNCIL PLAN**

- 2.1 This report contributes to the 'Caring for the Economy' priority contained within the Angus Council Plan 2023 – 2028, in particular the following activities:
- We will continue to support and deliver elements of the Tay Cities Deal
  - We will support businesses to grow and invest in Angus through our employment land and commercial property
  - We will be more commercial in our approach to contracts and support growth of business locally whenever possible through a \*community wealth building approach

### **3. BACKGROUND**

- 3.1 The Tay Cities Region Deal was signed by UK and Scottish Government ministers and Tay Cities Region partners on 17 December 2020. The two governments have pledged £300 million over a 10- year period, which will help to lever a further £400 million of investment to create a smarter and fairer city region with over 6000 new job opportunities.
- 3.2 The Angus Fund, which was awarded £26.5 million within the Tay Cities Deal, had its Outline Business Case (OBC) approved by UK Government in a letter to the Leader of the Council on 24 September 2020 and subsequently approved by the Tay Cities Joint Committee on 19 February 2021.
- 3.3 The Angus Fund will help achieve an investment balance across the region by investing in projects across Angus to be developed collaboratively with Angus Council and other local partners as part of the Deal and our own Mercury Programme.

The purpose of the Mercury Programme is to increase productivity through clean growth, protecting places for future generations. The Angus Fund will contribute to the development and implementation of innovative, clean technologies, which will also significantly reduce the region's carbon footprint, contributing to national reductions in carbon use.

To deliver this purpose the Angus Fund will support three connected components, namely:

- clean growth;
- low carbon; and
- agricultural technology

- 3.4 Mercury Drone Ports sits within the Mercury Programme's Clean Growth theme and has been awarded up to £1 million in funding from the Angus Fund.
- 3.5 This project aims to create Scotland's first dedicated drone port, Mercury Drone Ports. Comprising of airspace allowing Beyond Visual Line of Sight (BVLOS) activities and supporting ground based facilities, Drone Port Montrose will create a safe and easily accessible airspace structure that will enable both drone trials and commercial drone operations to take place.
- 3.6 Angus is home to a high concentration of offshore wind farms which currently depend on boats and helicopters for pre-construction surveys and regular maintenance and inspections. Creating this airspace will enable this activity to be decarbonised and generate significant economic efficiencies through reduced costs. These are the direct impacts of the project. In the longer term, the project will indirectly incentivise further investment in the offshore wind sector, open up new possibilities for use cases for drones onshore, and inspire and educate people in Angus and beyond to take advantage of the new technology. The project will work closely with the Civil Aviation Agency (CAA), to develop the airspace across Angus and wider regionally.
- 3.7 Angus Council has supported a "use-case" trial of drones in Angus, demonstrating a range of successful BVLOS applications and safe operations within a temporary airspace that will help facilitate regulatory change. This included successful flights between Stracathro Hospital and Ninewells Hospital delivering medical samples. The cost of this part of the project, £300,000, had been funded at risk as approved by Angus Council per Report No 106/21.
- 3.8 The proposed long term location for the Mercury Drone Port is at the [ZeroFour](#) development site in Montrose. Due to delays within that project, an alternative plot of land has been identified at Broomfield Industrial Estate, Montrose. This plot of land is owned by Angus Council and work in underway to establish its viability for the Mercury Drone Ports in the short term with the view of transferring operations to ZeroFour site when it becomes available.

### **4. BUSINESS JUSTIFICATION APPROVAL**

- 4.1. The Business Justification Case (BJC) for the Mercury Drone Ports was reviewed by UK and Scottish Governments and approved by the Tay Cities Region Deal Joint Committee on 23 March 2023. The purpose of the Mercury Drone Ports BJC is to procure a dedicated unified airspace for Beyond Visual Line of Sight (BVLOS) activities, to create a regional-scale drone trials facility and public drone experience in Angus at a cost of £1 million.

- 4.2 A Business Justification Case (BJC) demonstrates the rationale for undertaking a project and only requires a single stage approval. It is typically for projects that have less expensive spending proposals. Approval of the BJC allows the projects to commence into delivery phase.
- 4.3 It was agreed at a meeting of Angus Council on 18 March 2021 (Report 106/21 refers) to utilise Council funds for the Project, and other projects, in advance of approval of the Full Business Case with grant funding to be claimed back through the Tay Cities Deal following approval of the Full Business Case. With the BJC being approved, the Grant Offer from Dundee City Council (Tay Cities Deal Programme Management Office) for £1M was accepted and the associated grant documentation signed in March 2023. This has allowed the project to proceed into the delivery stage of the project and for the Council to recover costs previously incurred.

## **5. REQUEST FOR INFORMATION (RFI)**

- 5.1 In May 2023, a Request for Information was published on Public Contracts Scotland with the purpose of engaging with the drone operators throughout the UK to establish if there is an appetite from operators to enter into a concession agreement with Angus Council to design, build and operate the Mercury Drone Port. This provided information on the suggested steps operators would follow to design, build and operate a drone port, along with the advantages and disadvantages of entering into concession contract.
- 5.2 Five companies submitted a response. This confirmed key pieces of information which has assisted in the development of the phased approach to delivering the Mercury Drone Port. The chart in appendix 1 highlights the phases of the project.
- 5.3 Angus Council is in discussion with the Civil Aviation Authority (CAA) regarding the requirements for an Operational Safety Case as part of phase 1 of the project. Beyond Visual Line of Site is still in its infancy and regulations surrounding this are still developing, therefore it is essential that Angus Council work closely with the CAA and appoint an approved Air Space Navigation Provider (ASNP) to deliver phase 1 of the project successfully in advance of the concessionaire.
- 5.4 Following responses from the Request for Information and ongoing discussions with the CAA Angus Council will seek to procure the services of an ASNP to deliver the Airspace Change Process (ACP) and develop the Concept of Operations which will determine the air space type MDP applies for. The ASNP will also develop the Operational Safety Case. This process, depending on the complexities involved, can take 18+ months. There is a very limited number of times projects can submit a safety case, therefore essential that Angus Council procure the services of an ASNP provider that has extensive experience and close relationship with the CAA to ensure that all applications submitted are robust.
- 5.5 As per Report 67/23, an Invitation to Mini Competition under the Eastern Shire Procurement Organisation Consultancy Services Lot 10 was published on Public Contract Scotland on 30 June 2023. The purpose is to procure specialist commercial advice for Tay Cities Region Deal - Angus Fund projects (including the Mercury Drone Ports project) prior to entering into any legally binding contracts with the private sector. This will ensure that the project is commercially viable, minimises financial risks to the Council and identifies opportunities where the Council can ensure the best return on this investment whilst complying with public sector trading rules. One bid was submitted therefore a contract was not awarded as Angus Council was unable to demonstrate best value.
- 5.6 Using the information gathered as part of the Request for Information process, officers will work with the Procurement Manager and officers in Legal, Governance and Change to seek alternative options to procure Commercial advisors to assist in developing the concession or consortium for this project and for provision of robust commercial advice to Angus Council before entering relevant legal contracts with private sector businesses for other Tay Cities Region Deal - Angus Fund projects .

## **6. LAND PROPOSAL**

- 6.1 The long-term vision for MDP is to be based at Zero Four Innovation Park. Until the Zero Four project commences, a temporary location for the MDP has had to be identified.
- 6.2 The Yard at Broomfield Industrial Estate, Montrose, has become vacant and is in the process of being transferred into the Economic Development Commercial Portfolio.

- 6.3 Phase 1 of MDP will take approximately 18+ months, therefore it is the intention for Economic Development to explore options for this piece of land with a view of MDP occupying this piece of land once the Airspace Change Process, Concept of Operation and Operational Safety Case has been approved.

## 7. FINANCIAL IMPLICATIONS

- 7.1 This project is currently profiled to spend a total of £1million capital of the £26.5million allocated to the Angus Fund from the Tay Cities Deal funding. The funding is anticipated to be drawn down as follows:

Year £ 000	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	3	4	5	6	7	8	9	10	
TCRD Funding ('000)	£300	£700	£0	£0	£0	£0	£0	£0	£1,000
Expenditure ('000)	£300	£700	£0	£0	£0	£0	£0	£0	£1,000

- 7.2 Given the ongoing discussions with the CAA, delays with Crown Estate Scotland land and failure to procure a commercial services consultant it has been agreed through the internal TCD Board that the financial profiled should be adjusted to suit the requirements of the project. This has subsequently been reported to the TCD Project Management Office (PMO) and Management Group in accordance with the TCD Governance and is reprofiled as follows –

Year £000	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	3	4	5	6	7	8	9	10	
TCRD Funding ('000)	£300	£200	£0	£0	£0	£0	£0	£500	£1,000
Expenditure ('000)	£300	£200	£0	£0	£0	£0	£0	£500	£1,000

- 7.3 Whilst the underspend in 2023/24 has reduced from £700,000 to £200,000 with the balance moving into 2029/30 (Year 10), requests can be made to the TCD PMO to draw this funding forward as required.

- 7.4 Following the acceptance of the Grant Offer in March 2023, Angus Council has drawn down the £300,000 for the BVLOS trials as described in paragraph 3.7 above.

## 8. RISKS

- 8.1 Risk Management strategy – Project technical, legal, financial, management and procurement risks are being managed through the Council's Project Management procedures and reported and monitored through the through the established internal TCD Board.
- 8.2 Officers will continue to work with the Procurement Manager to consider options for the procurement of a commercial services consultant to assist with the proposed concession contract. Following the previous procurement route through the ESPO framework identified in Para 5.5 not demonstrating best value, alternative options will require to be considered, which will lead to time delays for this specialist advice.
- 8.3 The table below also provides risks which were included within the project Business Justification Case and subsequently reported to the TCD Joint Committee. Officers continue to work through these as the projects develops.

<b>Risk</b>	<b>Mitigation</b>
Failure to gain dedicated airspace permission from CAA	<p>This risk will be mitigated by a procurement for specialist airspace designers to develop and submit the application for the airspace. Beyond the initial trials already taking place under the current regulation, no other CAPEX will be spent until this is approved, significantly mitigating the financial risk. This limits the CAPEX risk to £259k.</p> <p>In the case of a rejected application, the submission will be revised to address the reasons for its rejection. A rejection is more likely to mean a delay to project timelines, rather than any reduction in the benefits generated by the project.</p> <p>We have already built considerable contingency into our project timelines to reflect this, with projected benefits due to begin only in 2024.</p> <p>We will continue to maintain a close and supportive relationship with the CAA, to ensure the maximum likelihood of application approval early in the project.</p>
Significant public objection	<p>This risk has been mitigated as part of the original air space change application.</p> <p>Public engagement has been conducted for the trial project and will continue to be conducted on an ongoing basis.</p> <p>This will be a key workstream within the BVLOS Demonstration Project and will be enhanced by both specialist company involvement and academic research support.</p> <p>Early and regular consultation with the CAA during project development, undertaking trials to demonstrate safe usage.</p>
Safety incident during the temporary airspace trial could impact the acceptance a more dedicated airspace application	<p>This risk will be mitigated by setting up a strong, accountable safety management structure.</p> <p>The procured specialist airspace designers will ensure that an Accountable Manager and Safety Manager role the Mercury Drone Ports is in place. If required, an experienced deputy Safety Manager can be retained on a part time basis to provide enhanced quality and compliance.</p> <p>Early and regular consultation with the CAA during project development, undertaking trials to demonstrate safe usage.</p>
A lack of usage or demand for the drone airspace	<p>This risk will be mitigated by having the temporary airspace application establishing an offer to the market that allows business development activities to commence and clients established prior to incurring additional spend to establish the expanded airspace and public drone experience.</p> <p>Initial BVLOS trials will also act as a marketing tool and is expected to attract further local, regional, national and international interest.</p>
Unable to procure a suitable provider for the Mercury Drone Ports Project	<p>Multiple procurement routes assessed in more detail in chapter 4 of the BJC, with a concession route deemed the lowest risk.</p> <p>Procurement exercise underway now to engage with the market.</p>
Further increase in the rates of inflation	<p>The procurement process will help to keep costs down by fostering competition between suppliers, who will benefit from revenue once the project is underway.</p> <p>This revenue will also be subject to inflation, hedging this risk to an extent.</p> <p>Angus Council are regularly monitoring the costs of the project.</p>

## **9. CONSULTATION**

The Director of Finance and Legal, Governance and Change have been consulted in the preparation of this report.

## **10. EQUALITY IMPACT ASSESSMENT**

An Equality Impact Assessment / Fair Scotland Duty has been carried out in accordance with Tay Cities Deal requirements and has been approved by UK and Scottish governments as part of the BJC submission and is attached in Appendix 2.

An Angus Council Equality Impact Assessment had been carried out and is attached in Appendix 3.

**NOTE:** The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- Report No 106/21 Tay Cities Region Deal – Project Acceleration – 18 March 2021

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List of Appendices:

Appendix 1 – Mercury Drone Ports – Project Delivery Phases  
Appendix 2 – Equality Impact Assessment /Fair Scotland Duty  
Appendix 3 – Angus Council Equality Impact Assessment