

July 2021

MRN Preparation Fund - Round 2

1. Background

- 1.1. In late 2018 the DfT asked STBs to provide a prioritised list of schemes eligible for MRN funding. Each STB was asked to submit their 'Top 10' schemes. Midlands Connect did an initial 'call for schemes' across the partnership and received a total submission of 82 potential schemes. However, after an initial sift of eligibility against MRN funding criteria and a simple assessment of how credible it was to be delivered in the funding period (2020-2025) that list quickly came down to 19.
- 1.2. After a more detailed assessment of deliverability only seven of those 19 schemes met the minimum threshold of demonstrating they can be delivered between 2020 and 2025. This meant that although the guidance stated that each region could put forward up to 10 schemes for consideration, in fact the Midlands could only put forward a programme of seven credible schemes. This shortfall, however, was counter-balanced by an increased number of Large Local Major Scheme submissions for our region to put forward a collective funding ask that is proportionate with what the Midlands should 'expect'.

MRN/LLM Period 1 – Lessons Learnt

- 1.3. Whilst the process adopted for MRN/LLM Period 1 resulted in a programme that is deliverable, it was not necessarily the most optimal list of schemes to meet the region's desired objectives, merely the most deliverable schemes for the period available from the process. There was also an imbalance across the region, with only one of the seven schemes being in the East Midlands (albeit another in the EM had previously been chosen as an 'Early Announcement' scheme).
- 1.4. During the process, and in discussions with the MC Steering Group and Board, it became clear that there had been a significant lack of investment in scheme development across the region in the past 5 years or so. Reducing revenue funding for local government is likely to have been a factor in this

MRN/LLM Period 2 – Our intent to do better

- 1.5. All STBs have been lobbying DfT to make some development funding available to support the MRN initiative. However, currently there is only funding available to move a scheme from Strategic Outline Business Case (SOBC) to Outline Business Case (OBC); meaning that local authorities must wholly fund the initial stages of scheme identification and development.
 - 1.6. The Regional Evidence Base developed for MRN Period 1 followed a corridor-based approach and was aligned with the DfT's objectives for the MRN. We intend
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to provide some thoughts on how we include the local priorities and challenges in the process from scheme development to scheme prioritisation. Our aim for a more geographically balanced submission for period 2 that aligned with our regional objectives.

- 1.7. With the intention to increase the future pipeline of schemes, Midlands Connect has set aside some of the Core Budget each year to assist local highway authorities to develop their ideas into schemes with potential to seek MRN funding in the future. This funding will be prioritised to support schemes that deliver against MRN and Midlands Connect's objectives.

2. MRN Preparation Fund

- 2.1. A small budget is available to MC local authority partners wishing to explore submitting a scheme for consideration to MRN Period 2 (MRN2). This is a rolling fund to be used over the three financial years, with the intention to build-up a sizable 'pool' of credible business cases that the region can then prioritise for submission to DfT when the next MRN fund and Regional Evidence Base process is called. A date for which is unknown at this stage, but it could possibly be in 2023 (if the same pattern as MRN1 is followed). This fund is an allocation from Midlands Connect's core funding to support the development of new MRN schemes and is called as '**MRN Preparation Fund**'.
- 2.2. From FY 2020-2021 to 2022-2023 a budget of £300,000 has been set aside each year from the MC Core Budget for the MRN Preparation Fund. A fund of this value would equate to a minimum of 18 schemes (if using a maximum award from the fund of £50k as suggested below) across the region being developed to a common minimum level of development over the three-year period.
- 2.3. The first round of the MRN preparation fund was announced by Midlands Connect on 6th August 2020 with the deadline for submission for 6th November 2020. MC received 8 submissions from 7 local authorities, for the first round of the MRN preparation fund and following the process of evaluation and prioritisation, six schemes from six different local authorities were selected for the first round of MRN Preparation funding.
- 2.4. Like last year, in this year £300,000 has been set aside from the MC Core Budget for the MRN Preparation Fund to support the development of a maximum six new MRN schemes within the region.

3. Eligibility Criteria for the Preparation Fund

- 3.1. The eligibility criteria for Preparation Fund remain broadly similar to round 1. However, on our Steering group's suggestions, we have relaxed the funding rules a bit this year in order to also support the strategic studies aimed at identifying opportunities and constraints of the MRN in authority areas.

3.2. The eligibility criteria for Preparation Fund are as follows:

1. *Submissions must show that they will be eligible for DfT MRN funding under the current basic criteria (acknowledging that these criteria could be changed by DfT in the future):*
 - *The proposed scheme must be either directly on the MRN or designed primarily to benefit the MRN (e.g. a new off-line intervention to divert traffic away).*
 - *The scheme development undertaken utilising the Preparation Fund is likely to generate a scheme that will have a £20m to £50m construction value; although there is some flexibility with the lower value.*
 - *The submitting authority must be able to demonstrate that they are likely to have sufficient political and governance support for the project that a required 15% capital contribution will likely be supported by their authority if it were eventually submitted to DfT. Albeit recognising that priorities do change, and the affordability of that contribution cannot be fully understood at this stage.*
2. *Our strong preference is that promoters match the MC contribution at least 50/50 up to a maximum value of £50k from the MC Fund. If there is an under subscription to the Fund then MC may consider submissions which cannot fully 50/50 match fund.*
3. *Our preference is that the Fund is utilised by promoters to develop a scheme to a minimum of the 'Pre-SOBC' level of detail required by DfT; but ideally to SOBC level. **However, we are also open to promoters using the fund to undertake more strategic studies on the MRN network in their area with the intention of seeking more specific investment opportunities at a later date.** (If this is the likely intention of your bid, please get in touch with MC asap to discuss your ideas.)*
4. *Those schemes already with an SOBC will not be eligible for funds to move to an OBC. The purpose of the fund is to create a large pool of schemes to a minimum level of development and not to keep progressing schemes which already meet that minimum level.*
5. *Following an initial evaluation of submissions to the MC fund; the actual funding will be released to promoters once an indicative consultant's quote for the work is provided so that the exact value of the 50% MC contribution can be known. Any overrun of costs or extension of scope will have to be wholly met by the scheme promotor, no further funding will be made available by Midlands Connect.*
6. *Any submission not awarded funding in this round, will automatically be put into the list for the next year without necessarily having to re-submit; although improvements to the submission can be made if desired. The funding allocation process will be repeated each year, with a new opportunity for promoters to submit each year.*
7. *Authorities may submit multiple locations seeking development funding, but initially only one per local highway authority area will be awarded Preparation Funding in the three-year period. This rule will not limit how many schemes any individual authority wishes to put into the full MRN2 prioritisation process when that occurs (currently*

assumed to be around 2023). If they wish to pursue more than one scheme for consideration during MRN2 then this will have to be at their own cost.

8. *MC's Technical Team will provide a technical assurance role (with a pre agreed level of involvement) during the development of and completed Pre-SOBC or SOBC to ensure that what's submitted is fit for purpose.*
9. *Pre-SOBC or SOBCs must be completed and submitted to MC in a year from the award of funding.*
10. *A scheme which receives funding from the Preparation Fund does not receive any preferential treatment when it comes to the prioritisation process for submitting the region's priorities for the full DfT MRN funding. This process will take all submitted schemes and evaluate consistently using a framework agreed by the region to be developed prior to the next round of MRN funding becoming available (assumed to be around 2023).*

4. MC's Role to Assist with Business Case Development - Technical Assurance

4.1. Midlands Connect would like to collaborate with scheme promoters to assist in the development of business cases Midlands Connect intends to provide an assurance role in the development of MRN business cases led by local authorities. The objective would be to provide a quality assurance function and a consistent approach to the robustness of the evidence as well as accurately reflecting the regional context and strategic rationale. Ultimately the intention is to accelerate businesses cases and ultimately delivery by hopefully reducing the number of technical queries that come back and for from DfT analysts.

4.2. Examples of how this will be achieved in practice include but are not limited to;

- *Midlands Connect having project board representation.*
- *Involvement through the full lifecycle of scheme development.*
- *Development of an assurance template to monitor schemes' progression and highlight any risks at an early stage. Technical Assurance Template to include:*
 - *Strength of evidence behind the Strategic Case*
 - *Alignment with MRN Objectives*
 - *Robustness of Highway Modelling*
 - *Treatment of Wider Economic Impacts and Dependent Development*
 - *Capturing of Environmental Impacts*
 - *Approach to Social and Distributional Impacts*
 - *Consistency with Green Book and TAG*
 - *Scenario and Sensitivity Testing*

- *Formulate an internal assurance statement to submit to DfT*

5. Process for Allocating Funding in Year 2

- 5.1. Understanding that the demand for the fund might outstrip what's available, Midlands Connect will develop a framework to evaluate and prioritise the submissions for the Preparation Fund.
- 5.2. The complexity of the framework will depend on the demand for funding. If the demand for funding is aligned with what's available, we would undertake a light-touch evaluation of submissions to make sure they meet basic criteria. But we will start to develop a more rigorous process in case the demand for funding exceeds the available funds in subsequent years.
- 5.3. Similar to round 1, this year also we would evaluate submissions based on strategic rationale, deliverability assessment and alignment with MRN/regional objectives. An indicative list of criteria is included in Appendix A.
- 5.4. This information would be gathered using the input proforma issued along with this 'call for submissions. We would therefore request the interested authorities to complete the proforma in the best way possible.
- 5.5. MC may revisit the Fund eligibility criteria, framework for evaluating submissions and technical assurance protocols next year to address to any significant changes in policy or objectives. These processes are likely to evolve over time and would become more refined with experience and increased in demand for the Fund.

6. Deadline for Response

- 6.1. The deadline for submitting the application is **Friday 3rd September 2021**

7. Timescales for MRN Round 2

- Call for Submission for MRN Preparation Funding Round 2 – 09 July 2021
- The deadline for submitting the application - 3 September 2021
- Recommendations to Midlands Connects Steering Group - End September 2021
- Funding Announcement (Subject to SG approval) - October 2021.

Appendix A

Indicative Framework for evaluating submissions for the MRN Preparation Fund

Category	Criteria	GREEN	AMBER	RED
Basic Eligibility Qualifiers	Is the scheme eligible for DfT MRN funding under the current basic criteria?	All the criteria are met	Some of the criteria are not met, however if the conditions are relaxed in future, the scheme might qualify	Most of the criteria are not met
	Does the local authority meet and accept the terms and conditions for funding	Accept all the conditions	Generally, accept the conditions, but have concerns on the few clauses that they would like to discuss with MC	Have serious concerns and cannot accept most of the conditions for funding
MRN Objectives	Supports all road users	Likely to provide improvements for all road users through inclusion of infrastructure and/or notable reductions in negative impacts	Anticipate some opportunities for improvements that benefit all road users through infrastructure and/or reductions in negative impacts	Unknown or limited/no change anticipated in accessibility for all road users and reductions in negative impacts
	Improved access to the main economic centres in the region	Likely to provide direct access to a main economic centre and part of strategically important corridor, connecting main economic centres	Part of strategically important route connecting main economic centres or facilities access to main economic centres	Not likely to provide/improve any access to a main economic centre and not part of strategically important routes that connects the main economic centres
	Support Housing/Employment Growth	Investment needed to enable delivery of development growth that has a firm policy/planning status by providing direct access or alternative route for access.	Investment could unlock future development growth, but development growth does not have a firm policy/planning status.	Investment is not intended to, or does not, unlock or support development growth.
	Reducing congestion	Likely to reduce congestion and associated delays by improving a well-known pinch point.	Could reduce delays and improve journey times, however the magnitude of the problem is not known now.	Investment is not intended to or does not reduce any congestion.
	Supporting the Strategic Road Network	Likely to provide direct benefits to SRN - part of the key diversion route, or a bypass to the congested section of the SRN.	Not likely to provide direct benefits to SRN but would help in improving the overall network resilience.	Not likely to provide any benefits to the SRN.



Category	Criteria	GREEN	AMBER	RED
Regional and Local Objectives	Decarbonisation	Scheme is not likely to cause any detrimental impact to the carbon emissions but is likely to contribute positively to fulfil the local authority's decarbonisation targets in future.	Scheme may cause some minor increase in carbon emissions. However, these are very easy to mitigate which would be included as a part of the package	Scheme likely to cause significant increase in the carbon emissions.
	Environmental Impacts	Scheme is not likely to cause any detrimental impact to the environment but would contribute positively to the local environment such as: - help in improving air quality and biodiversity - help in reducing risk of flooding or effectively managing noise - help in improving water quality, landscape and cultural heritage sites	Scheme may cause some minor disbenefits to the local environment. However, these are very easy to mitigate which would be included as a part of the package	Scheme likely to cause significant detrimental impacts to the local environment
	Alignment with Midlands Connect regional objectives (Included in Appendix B)	Proposal fully aligns with the MC's regional objectives	The proposal aligns with some of the regional objectives	The proposal does not align with any of the regional objectives
	Supports investment priorities within the MC transport strategy	Could directly improve journeys for a route/scheme identified in the MC Transport Strategy	Could indirectly (i.e. through investment elsewhere) improve journeys for a route/scheme identified in the MC Transport Strategy	Unlikely to impact any route/scheme identified in the Transport Strategy

* Scheme refers to any scheme individually or as part of wider programme



Appendix B

Midlands Connect Strategy Refresh Objectives

are ready for HS2 and can fully exploit the economic and regeneration potential the new railway will bring.

provide the journey times and reliability necessary to enable Midlands businesses to access skilled workers and reduce their costs from accessing supply chains and national/international markets.

enable the population and employment growth critical to the future needs of the Midlands economy.

integrate with local networks to provide seamless, end-to-end journeys for pan-regional journeys.

enhance the quality of life of Midlands residents through cleaner air and improved accessibility to homes, job opportunities, essential services and leisure activities.

positively contribute to the 'Net Zero' carbon target by 2050.

minimise other impacts on the environment from delivering new infrastructure.