

Options appraisals: A quick guide



1. Introduction

This document is intended as a guide for groups submitting an application which includes capital funding to The National Lottery Community Fund (TNLCF).

Options appraisals are an essential part of the planning process of any project (especially those involving land and buildings) and in this document we set out a few key points to consider and suggest some steps to take to help develop your appraisal.

2. Why do you need to do an options appraisal?

An options appraisal will assist you in planning your project effectively. By demonstrating that you have considered a range of alternatives about how your project could be delivered (including the option of doing nothing) and that the option you have agreed on is the most appropriate one.

A good options appraisal will enable you to:

- Clarify both your community's needs and key project aims.
- Help to engage your community in the project.
- Investigate and consider a broad sweep of options which may tease out possibilities you hadn't previously considered.
- Assess the costs and value for money of each of the options identified.
- Assess the benefits and risks associated with the options you have identified.
- Decide upon the best way to carry out the project.
- Decide whether to go ahead with the project or not.

In short, it will help you consider a whole host of important points before you make your decisions, and allow you to make clear, informed and objective judgements.

Before we think about some key steps to consider when developing your options appraisal, it's important to say that the options appraisal process represents a great opportunity to harness the ideas and strengths of your community. So, make sure to develop your options with as diverse a group as possible so that the preferred option is truly representative of its community of place or interest.

3. Key steps in carrying out an options appraisal

There are lots of different ways of approaching an options appraisal, but we like the idea of splitting the process up into 4 key stages:

Stage 1: Determine the options available.

Stage 2: Gather information about the advantages and disadvantages of each option.

Stage 3: Develop a system to enable you to assess each option.

Stage 4: Select your preferred option.

let's think about the 4 stages in more detail:

Stage 1 - Determining the options available

The options available will be project specific, but for capital projects, they may include:

- Refurbishing, modifying or extending your own building.
- Demolishing your building and constructing a new fit-for purpose venue.
- Purchasing a new site or building and developing it.
- Asset transfer of a parcel of land or a building for development.

Whether any of these options are feasible will depend on a range of factors including, the ownership arrangements, the funding available, the location, the accessibility, the timing and of course the scale of the project

For larger capital projects involving new build, land/building purchase or major refurbishments, we would expect the appraisal to explore all the options listed above.

For smaller projects, where you own the land/building in question, and where some of these factors are restricted, e.g. you may have very limited funds available, or, you cannot move from your current building, then developing the land/building you own may genuinely be the only option available to you. Where this is the case, your options appraisal should encompass different ways of developing your own land/building to achieve a fit for purpose solution.

Stage 2 - Gathering information about the advantages and disadvantages of each option

Once you've established the basic options available to you, the next stage is to consider the advantages and disadvantages of each option. Again, this is project specific, but for capital projects you may want to consider points such as:

- **Ownership issues:** Do you own the land/building on a freehold or leasehold basis? Are there any restrictions on the land or within the lease?
- **Buying a new building:** Are you looking at a new building available to buy or rent? Is asset transfer an option?
- **Planning and other statutory provisions:** Is planning permission required? Is the building listed? Will your proposals require a change of planning use?
- **Size:** Is the site/building big enough for your current needs and is it big enough to enable you to expand your project in the future if necessary?
- **Flexibility:** Will the design of the site/building allow you to adapt it to meet current and/or future needs? How easy would it be to adapt?
- **Physical condition:** A building which is in poor structural condition is likely to cost more and take longer to re-develop than one in good condition.
- **Location and Accessibility:** Is the land/building centrally located? Is it easily accessible via public transport? How much car and bicycle parking is there? How accessible is the facility to people with disabilities?
- **Safety and security:** Will people feel safe in and around the land/building? What is the crime rate in the area? Is there a high instance of vandalism etc?
- **Costs:** You will want to ensure that you get good value for money so estimate

the capital costs and running costs for each option. More expensive options may take longer to get all the funding in place.

- **Risks:** Assess the risks of each option. These might be financial, organisational, legal or reputational risks and it's important you take time to identify them and understand your appetite to take on risk as part of your decision.
- **Think about timescales:** Some options might be more complex than others and be more time- consuming to achieve. How long will it take to secure funding? how long will the capital works take?
- **Environmental impact/considerations:** You will need to consider each option in terms of its impact on the environment such as energy usage and energy efficiency and its potential to encourage reuse and recycling of materials to minimise resource use.

Stage 3 - Developing a system for assessing the options

It is important to adopt a consistent approach when assessing the advantages and disadvantages of the available options. A consistent approach will help you to compare the options against each other and to draw appropriate conclusions. There is no set approach for assessing the options, but an approach you might consider is to use a system involving scoring and weighting.

In this case each option is assessed against several factors you consider to be important. Each option, is then given a score on a scale from 0 to 10 for each factor, based upon the extent to which it contributes to delivering your project. The higher the score, the better the option.

Some factors will be more important than others, and the weighting system allows you take this into account. A higher weighting would be set for those factors which are most important to you with a lower weighting set for the less important factors.

Once the option has been allocated a score for each factor, the weighting factor is then applied to the score to produce an overall weighted score.

Table 1 (below) shows an example of a weighted scoring system.

Option X			
Factor	Score	Weighting	Weighted Score
Site ownership	7	10	70
Site size	10	4	40
Site Location	2	10	20
Building condition	5	7	35
Building adaptability	8	6	48
Access to public transport	9	7	63
Cost	2	9	18
Planning considerations	10	4	40
TOTAL			334

Stage 4 - Select your preferred option

The option with the highest score is the one which is likely to be the most suitable choice in helping you to deliver your project outcomes successfully. Once you've arrived at the decision, you should summarise the process and the outcome in a formal options appraisal report

The report should provide a clear justification for why you have chosen your preferred option. You should outline all its advantages, disadvantages and the costs and risks associated with it.

4. Responsibility for the options appraisal

As the group applying for funding, you have overall responsibility for the options appraisal, and we would expect you to use your strengths, skills, experience and local knowledge in developing it. However, for some aspects of the process, you may feel that independent specialist advice and support is necessary. E.g. in establishing the costs and condition of buildings/land, or, considering what statutory consents may be required.

5. Next steps

After you have completed your options appraisal and identified your preferred option, the next steps are likely to involve developing more detailed and specific project design, cost, funding and legal information.