



Options appraisals: A guide for applicants

1. Introduction

This document is aimed at organisations intending to submit an application to the Big Lottery Fund (BIG). While we hope that it will be helpful to a wide range of applicants, it is primarily targeted at community-based organisations applying for capital grants for projects involving land and/or buildings.

All applications for such grants must provide an options appraisal and in most cases we would expect applicants to complete this process themselves.

Options appraisals are an essential part of any project (especially those involving land and buildings) and in this document we will set out some of the key questions to be considered as you work towards completing this requirement.

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

An options appraisal will assist you in planning your project effectively. If the process is well managed it will help maximise the chances that your project will meet those needs identified within your community.

An options appraisal also shows 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 your project's outcomes
- identify a number of different approaches that could be used to achieve your outcomes i.e. the options available to you
- assess the costs and value for money of each of the options identified
- assess the benefits, uncertainties and risks associated with all of the options you have identified

- decide upon the best way (i.e. the best option) to carry out the project
- decide whether to go ahead with the project or not.

In short the options appraisal will ensure that you have considered all of the key points before you make your decisions. It will also allow you to make clear, informed and objective judgements as well as helping to minimise any uncertainties.

An options appraisal that only considers one approach is unlikely to identify the best option and BIG would be unlikely to consider it to be adequate.

The amount of detail that you will have to include in the options appraisal will depend on the scale, complexity and anticipated cost of your project.

3. Key steps in carrying out an options appraisal

The overall stages that the options appraisal should follow are:

Stage 1: Define your project's outcomes in consultation with your community

Stage 2: Determine the options available i.e. the different ways that you could achieve your project outcomes

Stage 3: Gather information about the advantages and disadvantages of each option

Stage 4: Develop a system to enable you to assess each option thoroughly

Stage 5: Assess each option using your system

Stage 6: Select your preferred option

Stage 7: Produce the options appraisal report.

It is important that the community is consulted throughout the options appraisal process. By doing so, you will ensure that they are involved in the process and that the option that is finally selected is the one which most closely meets their needs.

We can now outline more details about the seven stages outlined on page 1.

3.1 Stage 1 – Defining project outcomes

Before you begin any project you must be clear about the problems or issues within your community and the changes or differences you want to make through your project. If appraising options for a building the building itself is unlikely to be part of your actual outcomes. Outcomes are much more likely to be about the people who will use or benefit from the building resource.

You should have gathered robust evidence about what needs to change and why. You should also be clear about the project work you want to do to make these changes happen so that the project will improve the lives of people in your community over its lifetime.

We refer to the changes or differences you want to make as the outcomes of your project. BIG is an outcomes funder. We want to fund projects that help us to achieve our outcomes. You can find out more about our outcomes on our website www.biglotteryfund.org.uk/er_eval_explaining_the_difference.pdf

You should only proceed with an options appraisal once you have clearly defined your project outcomes.

When developing your project outcomes, you may find it helpful to ask yourselves:

- ▶ What is it we want to achieve through the proposed project (your overall aim)?
- ▶ Why are we trying to achieve this?

The need for the proposed project is likely to have been identified through community consultation and supported by other evidence such as statistical data (e.g. the Scottish Index of Multiple Deprivation) and research reports

- ▶ Why are we the best group to carry out this project?

You need to tell us why you think your organisation is the best group to carry out the project. In considering this question, you may wish to ask yourselves:

- Do we have experience of doing similar work?
- Are there people on our management committee with skills and knowledge relevant to the project e.g. building professionals, project managers etc?
- How representative are we of the community in which the project will take place?
- Are all members of our community eligible to join our organisation or is membership restricted to specific people or groups etc?
- How many people are members of our organisation?
- How many people are on our management committee/board?
- How do people join our organisation and how do people become members of our management committee/board?
- What, if any, criteria do people have to fulfil to be eligible to sit on our management committee/board?
- What mechanisms do we have in place to enable the membership of the management committee/board to change over time?

3.2 Stage 2 – Determining the options available

Information about the types of options you may want to consider to deliver your project (e.g. buying or renting buildings, refurbishment or alteration of existing buildings, new build etc) can be found in the 'Land and buildings application guidance notes for Scotland' available from our website www.biglotteryfund.org.uk or by calling our enquiries line on 0300 123 7110.

Even if you own land and/or buildings and your project requires land and/or buildings to deliver its outcomes, it is essential that your options appraisal considers a full range of options. You should not base your appraisal solely on the land/buildings you own unless this is genuinely the only option available to you.

3.3 Stage 3 – Gathering information about the advantages and disadvantages of each option

There will be many factors that you will want to consider in order to assess the advantages and disadvantages of each option. The individual factors will vary depending on the nature and size of your project. However, your options appraisal should be assessing the strengths and weaknesses of an agreed set of key factors that are considered in each option.

For capital projects you may want to consider points such as:

- ▶ Ownership issues: Is the land/building available to buy or rent?
- ▶ Planning and other statutory provisions: You will need to establish whether planning permission is required and, if so, whether or not it has been granted and if there are any restrictions. If planning permission has not been granted, you will need to consider what impact this may have on the land/building's suitability? What uses of the site/building are permitted currently?
- ▶ 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 of the site/building fabric: 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 visibility: is the site/building close to your target beneficiaries? Is it easily seen from the road, pavement etc. so that people know it's there?
- ▶ Accessibility: Is the site/building centrally located? Is it easily accessible by pedestrians, by public transport? How much car parking and bicycle parking space is there? How accessible is the facility to people with disabilities?
- ▶ Safety and security: Will people feel safe in and around the site/building? What is the crime rate in the area? Is there a high instance of vandalism etc?
- ▶ Costs: Consider the costs of each option. You will want to ensure that you get good value for money so think about and calculate the capital costs and the running costs for each option.

An option that is expensive in capital terms may not necessarily be expensive in revenue terms e.g. it may cost more to build a new community centre (capital costs) than to refurbish an existing facility or convert an existing facility but a new building might be cheaper to run (revenue costs) as a result of better design, better materials and improved insulation. Lower running costs may make the project more sustainable in the long run and may justify higher capital costs.

More expensive options are likely to require more fundraising effort than less expensive ones, so it may take longer to get all of the funding in place.

- ▶ Risks: Assess the risks of each option. For example, is one option simpler and more likely to be successful than another? Simpler options might be less risky than expensive, complex alternatives.
- ▶ Think about timescales: Some options might be more complex than others and be more time-consuming to achieve. How quickly can you secure the site/building, 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.

3.4 Stage 4 – Developing a system for assessing the options

It is important that you adopt a consistent approach when you are 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. However, one approach is to use a system involving scoring and weighting.

In this case each option is assessed against a number of pre-defined factors that you consider to be important.

Each option is then assessed against each factor and is given a score on a scale from 0 to 10, based upon the extent to which it contributes to achieving the project outcomes.

A score of 0 indicates that it fails to contribute to the project outcome, while a score of 10 indicates that it fully contributes to the outcome.

Some factors will be more important than others in helping you to achieve your outcomes. The weighting element 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 a sample assessment 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

3.5 Stage 5 – Assessing each option

Once you have developed your system, you would assess each option individually calculating the total weighted score for each.

The options can then be ranked according to their total weighted scores.

3.6 Stage 6 – Selecting 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.

3.7 Stage 7 – Produce the options appraisal report

The options appraisal report has to be written in such a way that it enables your management committee/board to decide which option they wish to pursue.

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

4. Responsibility for the options appraisal

As the applicant, you have overall responsibility for the options appraisal. Therefore you should carry out the appraisal if you have the skills and knowledge to do so. If you do not feel qualified to undertake the entire options appraisal, then you will need to appoint professionals to do the work for you. This means that you need to prepare a brief (or specification) for the work so that they know exactly what they are expected to do. It is essential that the brief is absolutely clear so that the professionals fully understand what is required.

The Architectural Heritage Fund (AHF) has produced a template brief for professionals that you may find useful. It can be found within their 'Options Appraisals Grants – A Guide for Applicants, April 2008 (www.ahfund.org.uk).

5. Next steps

After you have completed your options appraisal and made your decision, you will need to determine whether your project is viable by carrying out a feasibility study.

Please refer to the 'Land and buildings application guidance notes' for information on carrying out a feasibility study and the key areas that it must include.