Appendix A4.3, General guidance on options appraisal
12/02/2010

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1. Introduction

1.1 Option Appraisal (OA) is an essential tool to help you to deliver organisational goals. Used effectively, it will help to target investment to where it will make the biggest contribution towards improving service performance and raising standards.

1.2 OA is an integral part of the effective selection process. It flows from the priorities identified through the analysis process, which is aligned to the Council’s corporate strategies and plans. OA forms part of a ‘top-down’ process that deals with strategies and plans on a corporate basis, and ensures that subsequent projects align with them.

1.3 This guide is primarily for those who are responsible for carrying out a project OA. It should also be of interest to anyone taking decisions based on OA results.

1.4 The purpose of this guidance is to:
- provide a framework to help you to appraise projects and select the option that will best meet the Council’s requirements.
- explain how OA can provide the decision-making framework for:
  - defining objectives;
  - identifying different ways in which these can be achieved; and
  - examining the important factors before taking a decision on implementing a project;
- set project OA in the context of the Council’s corporate and service strategies, and prioritisation;
- explain why and when OA should be carried out, and how it relates to subsequent project evaluation;
- describe the general approach that should be used, involving 8 key stages;
- outline how to develop options that will meet the Council’s objectives, to gather the necessary information, and then to assess and report on each option - leading to the selection of the preferred option;
- explain how to forecast the whole life cost consequences of alternative solutions, and how to compare financial and non-financial costs and benefits through a simple scoring and weighting system;
- emphasise the importance of consultation throughout the process, and of identifying and joining up funding sources;

1.5 This is intended as a general guide to OA. It aims to ensure that you use the most appropriate process for all the projects that are appraised. If you would like more detailed information some Useful References are included at the end of the guide.

1.6 Through the analysis phase of the project, the Council will obtain a significant amount of data on the current state performance. This must be considered alongside information on benchmarking to establish the scale of opportunity for savings and quality improvements.

1.7 By using the appropriate range of information to prioritise potential projects, you will be able to ensure that the Council takes a balanced view.
2. What is Option Appraisal?

2.1 It is a decision making tool for use in defining objectives, identifying the different ways in which they can be achieved and examining all the important factors before taking a decision on implementing a project. An effective OA will help you to answer three questions:

- Have you taken into account all relevant factors in deciding what the project should be?
- Should you go ahead with the project?
- What is the best way to carry out the project?

2.2 OA involves a set of principles that you should be used to help decisions to be made. All appraisals will follow the same broad approach. The principles are:

- being clear about what you are hoping to achieve – your objectives;
- considering the different ways in which they could be achieved – the options;
- assessing the costs and benefits of the different options;
- identifying all the pros and cons of the options and quantifying them and valuing them wherever possible;
- considering any risks and sensitivities;
- considering the most appropriate and best value use of resources, not just focussing on the lowest initial costs.

2.3 These principles will apply whatever decision you are taking, but it is not a standard OA procedure. You should adapt the level of detail that you will need to build into your appraisal to fit the scale and nature of each project you are considering. The level of detail that you will need to consider for a small project will be significantly less than for a larger project.

3. Why should you do an Option Appraisal?

- to enable informed and transparent decisions;
- to provide a consistent approach to decision-making;
- to help achieve maximum effectiveness and best value;
- to provide a clear basis for review.

3.1 Carrying out a formal OA will help the Council to make informed decisions about the projects that it chooses to take forward. It ensures that decisions taken are based on a clear consideration of the relative merits of all the options and provides a clear justification for the decisions that are taken. This will include making explicit any assumptions that are made and communicating them to stakeholders.

3.2 Using a clearly defined OA process will mean that consistent decisions can be made by different individuals or groups in the organisation. This is particularly the case where decisions are being made which affect several departments or service areas.

3.3 The adoption of appropriate OA is good practice in decisions about projects. The importance of developing an effective appraisal system is reinforced by it being a requirement for many funding programmes. Best Value seeks to ensure that resources are used to maximise effectiveness and value for money through joining up funding streams and focusing on lowest lifetime costs rather than lowest cost.
3.4 Used properly, an appropriate OA system should lead to better decisions. By using a more disciplined and consistent approach to appraisal, it will help to make sure that you do not miss out anything important when decisions are being made.

4. When should you do an Option Appraisal?

4.1 Whenever you are planning projects for which there are a number of different ways to meet desired objectives. Other factors that should lead you to carry out an appraisal include:

- where you have any doubts about whether to go ahead;
- where there is a change of use or disposal of a site or building;
- where there might be wider objectives which could be achieved as part of the same project with relatively low incremental cost, and certainly lower than if two or more separate projects were carried out (e.g. extending the scope of a project to meet the needs of a range of users);
- where there are particular sensitivities about a project affecting a range of stakeholders;
- where there is a high level of risk or uncertainty;
- where the project involves the authority entering into a long term relationship or partnership with another organisation;
- where you need to demonstrate transparency in the decision making process;
- where the long-term solution may be different from the short-term solution.

4.2 With some projects, it is easy to see the benefits of carrying out an OA. For example, if the Council is considering amalgamating offices in support of its rationalisation commitments, or as a result of sufficiency, condition or suitability assessments, it will be faced with a number of options, such as:

- refurbishment and modernisation of existing buildings on either site;
- new build on one site, with disposal of the other;
- disposal of both sites, with new build or leasing on a new site.

4.3 In each of these cases, there will be further possible solutions relating to designs and specifications. Detailed appraisal of each of these options will help to ensure that the right decision is taken in the light of current circumstances. With less complex projects, the principles of OA still apply, but the scale of the process should be proportionate to the planned project.

4.4 For an OA to be meaningful, you should carry it out well before a final choice has been made on the preferred approach.

4.5 By going through the OA process before the decision is taken, you will ensure that each of the options is considered appropriately. Each option may not need to be appraised to the same level of detail, as you may be able to rule out some options early on in the process.

4.6 The specific timing of your appraisals will be influenced by a number of factors, including:

- the authority’s planning cycle for capital spending;
- the timing of specific funding programmes;
- the range of priority projects which your authority is considering;
• the nature of the project. A repeat project with reliable data can be appraised relatively quickly. New and complex projects will need more time (and resource);
• the level of sensitivity associated with the project, and therefore the extent of consultation needed;
• planning applications and decisions.

These need to take place in sufficient time to enable all options to be considered meaningfully and properly, without any having to be rejected because of lack of time etc.

5. How do you do appraisals?

5.1 Each OA that you carry out will involve the same broad stages. However, the size and nature of the project you are planning will influence the specific activities that you will need to carry out at each stage.

5.2 Whilst each appraisal will include all these stages, in practice some of the stages will take place simultaneously. Consultation and investigation of funding options are described as separate stages, but in practice are likely to take place throughout the course of your appraisals and will influence each stage.

5.3 As new information is generated and analysed you may need to revisit some of the earlier stages as the OA develops. The more complex the project you are appraising, the more the process is likely to evolve. The stages are described below.

Stage 1 - Define objectives

5.4 Once priorities have been identified the first stage in every OA, regardless of its nature, involves defining a clear set of objectives. You should ensure that these are sufficiently wide, joined up and inclusive of all policy interests. This process is key to shaping what you are trying to achieve.

5.5 It is only by having clearly defined objectives that you will be able identify the different approaches you could take and consider the relative merits of each option. Unless you are clear about what you are hoping to achieve, possibilities may be overlooked, or you may misinterpret the relative significance of different factors. This holds whether the OA is for a small-scale project, or for a large scale cross-service area-wide implementation.

5.6 The Council has a range of different objectives that have been set at different levels, from the strategic and corporate objectives downwards. The over-arching objectives of the authority set the context for the corporate and individual services. Project level objectives should be considered in the context of their contribution to corporate and service objectives and targets.

5.7 The objectives that are set need to be broad enough to ensure that they do not rule out potential realistic options, but they should not be too general. If objectives are too broad, this can create too much flexibility and lead to unnecessary work.

5.8 In developing objectives, it is good practice to make them as SMART as possible:
• Specific - everybody should be clear exactly what is to be achieved;
• **Measurable** - a SMART objective provides a clear quantifiable target;
• **Agreed** - everybody should agree what is to be achieved;
• **Realistic** - your objectives should be achievable;
• **Time dependant** – your objectives should include a clear deadline for achievement.

5.9 By setting objectives in this way, it will help to ensure that you are clear what you hope to achieve, therefore enabling you to decide on the different options open to you. A clear set of objectives will also mean that it is possible to evaluate the performance of the project once it has been implemented.

5.10 Your objectives are likely to include some which are regarded as essential and others that are desirable but not as important. In this case, you should set out your objectives in order of priority. These priorities can then be used to decide on the weightings you use in assessing your options.

5.11 You should aim to have a relatively short and focused list of objectives. It is better to have five or six clear and manageable objectives than a much longer list.

**Stage 2 - Develop the Options**

5.12 Once objectives have been defined you can then begin to consider the different approaches you could take to achieve them – the options. The objectives set out what you want to achieve; the options describe how you could achieve it.

5.13 The range of options that you consider will depend on the nature and scale of the project being appraised. For a small-scale project there are unlikely to be a wide range of alternatives. With a large scale scheme the range of possible options will probably be much wider and will require much more detailed consideration.

5.14 It is important that you initially consider a sufficiently wide range of options, which can then be narrowed down. This is better than making a decision without considering enough alternatives and then seeking to justify the elimination of options retrospectively. It is likely that some options can be ruled out at a very early stage. Usually only a small number will require full-scale analysis.

5.15 The time which you have available to carry out your appraisal will be limited, but it needs to be sufficient to allow time for investigating and securing planning consents etc.

5.16 When planning your project, you should actively consider more radical options. These may include cross-service or partnership use of premises, more innovative designs, or more environmentally-friendly solutions. In association with these, you should also explore the possibility of securing and joining up a range of relevant funding sources.

5.17 Your set of options should include a “base case” for comparison. This will normally be an option based on doing nothing or doing the minimum (maintaining the existing level of service). In most cases, the do minimum is the best option to use as a base for comparison. Comparing your options with this base case will help you find evidence to support the need for something to be done and identify what you will be unable to achieve if the project doesn’t go ahead.
Stage 3 – Gather Information

5.18 Once you have decided on your options, you will need to start drawing together the relevant information on each, to enable you to assess them. The information on each option will include:

- contribution to the achievement of the objectives and targets;
- initial capital expenditure;
- any capital receipts generated;
- whole-life capital and revenue costs;
- any expected income generated over the whole life of the project;
- likely impacts on day-to-day activities of existing facilities during project implementation;
- design quality issues;
- environmental impacts (positive and negative);
- other impacts that will result from pursuing the option, including service delivery impact.

Across all these factors, you will need to take account of differences in scale and timing in relation to each of the different options.

5.19 Some of the information to make the comparisons will be readily available. In other cases it may be more time consuming. The key thing is to seek to draw together the amount of information and the level of detail that you need to make an effective comparison between the options.

5.20 Your appraisal will be looking to compare what you expect each of the options to deliver in the future. To be able to do this, you will need to take account of future projections and forecasts. For example, where the Council currently owns and operates offices on a number of sites, appraisal of proposed capital investment in these facilities will need to take account of a range of factors, including:

- the scope for greater use of the facilities by other potential users;
- projected future demand for services by non-users;
- service delivery trends, needs and expectations;
- other factors that will influence the demand for the facilities.

5.21 You will need to build assumptions into your appraisals, especially with larger, more complex and longer term projects. The assumptions you have built in will need to be clearly set out. The degree of uncertainty associated with them will need to be considered. For example, assumed costs based on a detailed survey and a bill of quantities should be more reliable than those based on broad industry averages.

5.22 Your assessment of the likely impact of a proposed scheme should be based on your own experiences with similar projects, on evidence from elsewhere or on your best estimates. The key is to make best use of all the information available to you, using estimates where necessary.

5.23 It is important to recognise that the impacts of your proposed project will not all be positive. In particular, you should consider how they would be distributed across different stakeholders. For example, relocating an office will impact on the relative distance that service providers and users will need to travel. This could then lead to an increase in traffic and therefore the risk of road accidents, and so on.
5.24 The actual process of implementing a capital scheme may have a significant impact on service users. For example, when planning a major office move, it will be necessary to consider the nature and timing of the works being carried out and whether it is possible to do them whilst the office is open, or if the staff have to be relocated temporarily. These impacts may vary significantly between different options.

5.25 Where a significant project is planned, the impacts are potentially wide-ranging and complex. In such a situation, you may wish to consider specific research with stakeholders to explore their views on the expected impacts of different options. The results of these consultations can then be built into your assessment.

5.26 **Design quality** - this is one of the key issues to consider when carrying out an OA. It is not just about aesthetics, it is much broader. A well designed facility should be functional, sustainable, attractive, durable and buildable. For new buildings and major refurbishments, the impact on the locality needs to be considered.

5.27 While all these aspects are important, they will not all have equal rating and their relative importance will vary depending on the project. For example, aesthetics may be a high priority in a new building, but a low priority for, say, a boiler replacement. Before you carry out an appraisal, it is important that you decide which aspects of design quality matter most to you in the project. A scoring and weighting approach can be useful in this regard.

5.28 **Environmental Impact** - Your appraisal should consider the potential environmental and sustainability issues relating to each option, including:
- consumption of resources;
- production of waste;
- pollution impacts;
- transport impacts;
- approaches to minimising environmental impact.

5.29 The extent to which options are consistent with the Council’s environmental policies will need to be factored into the appraisal. Some projects will have relatively little net environmental impact and so the environmental impact assessment will be relatively straightforward. Where major schemes are planned, the environmental impact assessment will need to be more comprehensive. Specific guidance on incorporating sustainability and environmental impact assessment in option appraisal has been produced by the RICS in conjunction with the Environment Agency.

**Stage 4 - Assess and Analyse Options**

5.30 The assessment of options can begin as soon as you have reasonably comprehensive information on any aspect of the proposals. It is not necessary to wait until you have all the information.

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5.31 When assessing options you should bear in mind budgeting issues and also managing users’ expectations. The focus should be on budgeting for the highest priority best value solutions - less urgent projects may have to wait.

5.32 **Valuing Costs and Benefits** - It will be possible to place a financial value on many elements of the options you are considering. You should compare the financial aspects of each option on a consistent basis. In general, you should ignore the impact of inflation and assume that inflation would have a consistent impact on all aspects of your proposal. It is therefore normal to express all costs and benefits in real terms at today’s general price level. However, if you expect a particular element to increase or decrease in price at a significantly different rate to everything else, then you should make an adjustment to take this into account. For example, land values in some areas may be increasing rapidly, which would make early acquisition of land attractive, or would make it beneficial to delay any disposals.

5.33 You will need to include all the expected costs (and any income you expect to generate) over the full life of the asset – either until you expect to decommission the building or you would plan to make further significant investment.

5.34 You should include the initial and on-going capital costs of each option, together with their respective on-going revenue costs. You need to consider all costs in this way, because the option with the lowest initial capital cost will not necessarily be the lowest cost overall.

5.35 You should consider the implications of an investment for the users of the building, especially where they have responsibility for ongoing operating and maintenance costs.

5.36 When you are comparing whole life costs, you should use discounting to ensure that you are comparing like with like.

5.37 **Discounting** - When comparing options, it is likely that you will find differences in the timing of expenditure or income. You will need to be able to take these timing differences into account when considering your options. This will include both the initial capital outlay and the on-going capital and revenue costs of the scheme, plus any income that may be generated over the life cycle.

5.38 In general terms, it is more attractive to delay expenditure, but to receive income as soon as possible. To take this into account, you should use discounting to consider future costs and income in terms of current values.

5.39 The impact of discounting will increase the longer the lifetime of the scheme and the bigger the variations in timing between your options. For small scale and short duration schemes, it may not be necessary to use discounting to be able to make appropriate comparisons.

5.40 A discount rate is used to reduce the value of expected future costs and benefits to their values today – their Present Value. The normal discount rate used for public sector projects in the UK is 3.5%. The discount rate is used to calculate a discount

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2 Taken from the revised version of the HM Treasury ‘Green Book’ which became effective from 1 April 2003 and reduced
factor which, when multiplied by the future expenditure or income, will give its present value.

5.41 The formula to calculate the present value at the middle of the base year (Year 0) of a payment in the middle of Year \( n \) is:

\[
D_n = \frac{1}{(1+r)^n}
\]

- \( D_n \) is the discount factor for year \( n \)
- \( r \) is the discount rate, expressed as a decimal

For example, using a discount rate of 3.5%, a payment of £100,000 at the middle of year 5 has a present value of:

\[
£100,000 \times \frac{1}{(1+0.035)^5} = £84,175
\]

5.42 The term Net Present Value is used to describe the sum of the discounted future costs minus the discounted future income of an option\(^3\).

5.43 **Non-Financial Assessment** - You will normally have a considerable amount of non-financial information available to assess options. Some will be easily quantified, some will be much “softer”. The non-financial information for each option should be set out in a consistent format, so that you can make easy comparisons through scoring and weighting or other approaches.

5.44 **Risks and Uncertainties** - You will be using estimates to carry out much of your appraisal. This means that there is a risk that your estimates may be wrong. There may be delays in the timing of a project while planning permission is secured, or funding applications may be unsuccessful, either of which may impact on your ability to deliver the scheme. Certainty can be improved though earlier planning applications.

5.45 As you consider options, you should assess the degree to which risks and uncertainties vary between them. It may be that a less risky option is preferred over one that has the potential to deliver a broader package of benefits, but with more risk that it may not succeed. Some of the risks that you may face include:

- the need to take a decision to go ahead before designs and costs have been finalised;
- delays in securing planning permissions;
- the need for a development to go to public inquiry;
- failure to secure the required level of capital receipts from a disposal;
- over-runs of construction costs;
- potential delays in completion, especially if this means, for example, that a replacement building is not ready when needed;
- increases in maintenance and operating costs;
- failure to meet income generation targets.

5.46 For simple projects, there are likely to be few major risks and uncertainties. As the options become more complex, it is increasingly important to consider the likely risks. You should make maximum use of previous experience to ensure that you are able to estimate risks and uncertainties accurately.

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\(^3\) HM Treasury ‘Green Book’ includes more detailed guidance on discounting and describes a range of different ways in which discounting can be used in appraisals.
not being over-optimistic. Whilst it is possible that the outcomes may be better than expected, it is more likely that they will be less successful.

5.47 When you are considering the risks associated with different options, you should at the outset consider possible counter-measures that could be introduced in order to minimise the risks and keep the project on course.

5.48 **Changing Options** - As you analyse information you may develop new ideas or variations. As more information becomes available, you may wish to change the specification of the options or vary the assumptions made. This may include positive changes such as improving the original project specifications, rather than just lowering costs. Appraisal should be a dynamic process. You should adapt the process as necessary to ensure that it enables you to make the right decision based on the information available.

5.49 **Analysing the Options** - Once you have gathered all the information you need about each option, you will need to be able to analyse it in a consistent manner. Your aim in carrying out the analysis should be to distil the information down into a form that will enable you to make comparisons.

5.50 The Council holds properties, in the main, to enable it to deliver services. Decisions on where these buildings are sited and the investment that is made in them will not be made purely on the basis of financial value. It is important to be able to take all factors fully into account in analysing the options. Value for money is clearly critical, but the best value option will not necessarily be the one with the lowest whole life costs or highest income.

5.51 **Scoring** - To be able to compare the information that is not easily valued and is essentially qualitative, the commonest approach is to score each option on its contribution towards the objectives. In other words, you are rating each option against the extent to which they deliver what you are seeking to achieve.

5.52 The scale that you use to score your options should be wide enough to reflect the differences between the different options, even if they are quite small. A ‘0-10’ scale will usually be appropriate, where a rating of ‘0’ is a complete failure to deliver an objective, whilst ‘10’ would indicate that an option delivers an objective in full.

5.53 **Weighting** - It is unlikely that all the objectives set will be equally important. You may regard achievement of some of the objectives as being absolutely essential, whilst some of the others might be less important and be seen as a “nice to have” result.

5.54 Once all the non-financial elements have been scored, you can then apply weighting factors based on the relative importance of each objective. These weightings help to ensure that the most important factors have the greatest influence on the outcome of the appraisal. Using a weighting of 1-5 for each objective will usually be sufficient to ensure that the appropriate result is achieved.

5.55 The illustration below shows how scoring and weighting of non-financial factors can be applied by setting out in a table the options against the objectives.

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### Options 1, 2 and 3 all yield the same total score (13), but Option 3 has the highest weighted score (56), reflecting its maximum rating against Objective 1, which has the highest weighting factor.

5.56 If you choose to use a scoring and weighting approach, you must make sure that this does not discourage people from using their judgement in considering the different options. What is essential is that all the influencing factors are taken into account in order to identify a preferred option on the basis of sound reasoning.

5.57 **Combining Financial and Non-Financial Factors** - The final stage of the analysis is to combine the financial and non-financial factors to help identify your preferred option. Possible approaches to this include:
- applying *weighting factors* to the results of your financial assessment, or
- by combining the weighted scores for non-financial factors with the Net Present Value\(^4\) of each option, to develop a *value for money rating*.

5.58 **Weighting factors approach.** In the example above, the weighted scores of non-financial factors are out of a total possible score of 70. To combine the non-financial and financial factors, you will need to decide on their relative importance. For example, you may decide that achievement of the overall project objectives (non-financial factors) is twice as important as selecting the option with the lowest cost. In this case, where the weighted scores of the non-financial factors are out of a total of 70, the financial factors of each option would be scored out of 35, with the lowest cost option being given the highest score. The preferred option would be the one that yields the highest combined score.

5.59 **Value for Money Rating.** Once the total weighted score has been calculated for each option, this figure is divided by the total financial cost. The project with the highest value for money rating would be the preferred option.

5.60 Drawing together the financial and non-financial elements will help you to choose between options that have very similar cost levels, or deliver similar levels of benefits.

### Stage 5 – Carry out Consultation

5.61 Throughout the course of OA you will need to ensure that you involve people who have an interest in the outcome of the project. A lot of options may be generated through consultation, whilst others may be ruled out as a result of stakeholder feedback before a detailed appraisal takes place.

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\(^4\) The capitalised value of future costs or benefits - see paragraph 5.42.
5.62 You should seek to involve stakeholders (service providers, service users and non-users as appropriate) at an early stage of the process and continue to communicate with them as the appraisal continues, especially when new information comes to light as the process goes ahead.

5.63 Where major changes are planned affecting a community service, it will generally be helpful to the success of the scheme to involve a wide cross-section of stakeholders.

**Stage 6 – Determine Funding Options**

5.64 Considering the most appropriate project options cannot be divorced from thinking about the existing funds available for capital spending and possible routes to attracting funds from other sources. This process, along with consultation, must start at the beginning and then run in parallel with and influence each of the appraisal stages described earlier.

5.65 The resources available for capital investment are limited. It is therefore important to prioritise effectively to maximise the use of the resources in order to achieve best value. The resources available provide the basis against which you begin to prioritise and are an essential consideration in appraising the available options.

5.66 Possible funding options will include:

- Opportunities through Prudential Borrowing;
- dedicated capital resources from Central Government;
- capital receipts (developer contributions);
- other funding bids;
- fund raising.

Funding routes will vary, depending on the nature and scale of different capital schemes.

5.67 The funds available will also lead you to consider different routes to procurement, such as the Private Finance Initiative (PFI), other partnership arrangements and Section 106 agreements\(^5\). Your OA will need to factor in the impact of different procurement routes on the extent to which different options meet your requirements. Regardless of the procurement route selected, the principles of OA remain the same, although the results may need to contribute to further stages that would not be required with traditional procurement.

5.68 It is possible that alternative approaches to resourcing a project may enable you to deliver far more than your specific objectives. For example, one of the Council’s priorities for capital spending may be to replace an existing office with a joint-use facility. Alternative funding through, for example, a design, build, finance and operate partnership agreement may be able to provide the facility required, together with a range of additional facilities for the local community.

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\(^5\) Under Section 106 of the 1990 Planning Act, planning authorities have the power to enter into voluntary agreements with developers to ensure certain steps are taken which will assist the development to take place, ameliorate adverse impacts, or fulfil other policy requirements. This mechanism, previously known as planning gain, has increasingly been used by Councils to ensure community benefits are secured through developments.
5.69 It is likely, therefore, that consideration of the options to fund capital priorities will actually influence the nature of the projects selected. This highlights the dynamic nature of the appraisal process and reflects the importance of following through all the appropriate options until a clear preference is demonstrated.

5.70 In the same way that there will be only limited options to carry out some projects, the funding opportunities available to resource some schemes will be very restricted. In other cases, there will be a wide range of potential funding opportunities that will need to be investigated carefully and at an early stage.

5.71 Capital schemes should be driven by your priorities for service delivery and capital spending. There is a danger that funding programmes with a set timescale for bidding and delivery lead to opportunistic bids to carry out lower priority projects than would have been carried out if the funds had been available through a non-specific route.

5.72 Securing Best Value through lowest whole life cost solutions will be a factor when considering funding options.

**Stage 7 – Report Findings**

5.73 The final output of the appraisal is a report to decision makers, which sets out the process that you have undertaken and the results it has produced, i.e. how you have arrived at the preferred option.

5.74 The appraisal report will need to be proportionate to the appraisal carried out. It will also need to reflect the use that will be made of the report. Is it to recommend an internal decision, or is it to support an external funding bid? Where the report is required for the latter, specific requirements may be set by the fund or programme, both in terms of content or format.

5.75 The report should present:
- the rationale for the planned activity;
- the specific objectives you are seeking to achieve;
- descriptions of the options and how they were identified;
- summaries of the relative costs and benefits of each option;
- discussion of risks and sensitivities;
- the analysis of the options;
- a description of the preferred option, including the preferred funding route and procurement approach.

5.76 The report should be supported by an outline of any underpinning assumptions and a clear description of any weightings that have been used to decide on the preferred option.

5.77 The aim in producing the final appraisal report should be to ensure that it includes the level of detail required in order to support the preferred option. If at any point it is not clear from the report why a particular choice has been selected, then you should include further information. However, you should avoid including information for the sake of it. This will lead to an over-long report, which will be less useful to the readers.
5.78 The report should aim to get the key messages across to the readers as clearly as possible. An executive summary should be included, recognising that some people will only have time to read it quickly, whilst others will want to go into more detail. Where appendices are used, there should be clear references to them in the main text.

5.79 The style and format are important in making it a useful aid to the decision making process. Different ways of presenting AMP data can be used to benchmark the performance of buildings. This can help in identifying priority areas and informing the appraisal process.

**Stage 8 – Post-implementation Project Evaluation**

5.80 OA and project evaluation are closely linked. In this context, evaluation is the post-implementation review of a project, to assess whether the investment has gone as planned and has led to the expected benefits.

5.81 OA involves the comparison of a range of possible options, considering the hypothetical outcomes of each choice. Evaluation involves reviewing the course of action that was chosen, to assess whether the right option was selected and whether it achieved the objectives set.

5.82 Evaluation also helps in identifying factors that have impacted on performance. Over the longer term, this may include assessing how effective the investment was in delivering the planned service outputs. Effective evaluation is the key to the continual improvement of your ability to develop successful capital schemes. The results of evaluations should provide inputs to future appraisals, to ensure that you are learning from past experiences.
USEFUL REFERENCES AND WEBSITES

- *Finding the Right Solution – A guide to option appraisal* – DfES (2002) – This is the key publication that the Waltham Forest guidance has been based on. It includes a number of worked examples, including a Whole Life Costs example table in Excel spreadsheet format.


- *Options Appraisal and the Outline Business Case* – Public Private Partnerships Programme (4Ps)


- www.rethinkingconstruction.org - link to the report of the Construction Taskforce on the scope for improving the quality and efficiency of UK construction.

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