



## London Cultural Improvement Programme

### Heritage Change Programme

#### 1. New Ways of Working

##### 1.1 Options Appraisals

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# Heritage Change Programme

## 1. New Ways of Working

### 1.1 Options Appraisals

#### The ten key stages of an options appraisal for Heritage Services explained

##### Introduction

The operating environment which local authority Heritage Services find themselves in has never been more challenging. With significant pressure on budgets due to the financial climate, Heritage Services are now having to making tough decisions on a day to day basis. When considering the future sustainability of services, many Boroughs are undertaking some or all aspects of an options appraisal, often linked to the development of a business case.

From consultation and research undertaken by the London Cultural Improvement Programme as part of the Heritage Change Programme, the sector has expressed a need for simple and clear guidance on how to approach an options appraisal and supporting business case.

This guide has been designed and adapted specifically for Heritage Services based on current practice being supported by Local Partnerships and prior to that, the I&DeA ( now LGID - Local Government Improvement and Development).

It has been developed by practitioners who are currently supporting a number of local authorities in exploring options relating to management models, cross boundary collaboration, facility developments and prioritising services experiencing reductions in funding.

##### How to use this guide

This guidance document has been designed to provide initial guidance for senior managers exploring options and supporting business cases for their Heritage Services including museums, archives and historic assets. Many of the principles contained within this document are equally applicable for other Culture and Sport services.

## The ten key stages of an options appraisal

1. Establishing the strategic need
2. Establish the range of resources available
3. Establishing the key outcomes and objectives you want to achieve in terms of meeting the strategic need
4. Establish your “do minimum” or “baseline” position
5. Establish your organisation’s position on risk
6. Develop your evaluation criteria for the long-and short-listing process
7. Identify the full range of options, which may be available to deliver your desired outcomes and objectives
8. Create a short-list from a high level option appraisal
9. Evaluate fully the short-listed options against the evaluation criteria
10. Progressing the preferred option.

## The ten key stages of an options appraisal explained

### 1. Establishing the strategic need

Depending on circumstances this may identify a problem to be solved such as supporting the community’s local identity and encouraging a sense of pride linked to the history and culture of the Borough. As another example, you may wish to explore how outcomes can be achieved such as supporting lifelong learning in older adults through Heritage Services or to support achieving outcomes for place based approaches in your area through Heritage Services.

It is vital to use a broad base of evidence to establish strategic need rather than your perception as an Officer. Supporting this with user and non user research and data from partners will create a clearer assessment of need and provide a better steer towards your role in meeting it.

### 2. Establish the range of resources available.

The process of options appraisal should ideally take place within defined resources for example a fixed budget or be geared to attracting new resources through a partnership agreement with a supplier or range of suppliers. Matching options to resources will form a key part of making the business case ‘stack up’.

If your options appraisal includes assets such as Museums, Historic Houses etc, you will need to establish what the minimum operating and lifecycle costs are to

maintain buildings, (often listed) to the required condition. This could constrain your choices unless you are exploring freehold transfer of assets to a third party.

**3. Establishing the key outcomes and objectives you want to achieve in terms of meeting the strategic need.**

This may be simply defining the change you want to achieve or involve defining ‘the likely solution’ such as providing a new facility, opportunity or a new service. This should not however constrain your approach to looking at the options. Focus on what you need to achieve your desired outcomes and objectives, rather than trying to apply them to the current range of services in existence. It is more than likely that some elements of your Heritage Service will be misaligned to your future strategic need and desired state to meet that need.

**4. Establish your “do minimum” or “baseline” position.**

There may be a bottom line in terms of costs or minimum outcomes that must be achieved for the Service to continue. There may also be a minimum or “do nothing” solution to consider. Be realistic in what minimum resources are required to deliver some element of the service. Don’t forget to think laterally or creatively of alternative ways your services could be delivered. Talk to your neighbouring Boroughs to explore synergies along with key stakeholders and partners.

**5. Establish your organisation’s position on risk.**

You will need to establish your organisation’s tolerance to risk. Risk comes in many forms and the key areas for consideration are as follows:

- Management risk – e.g. the loss of direct control over services in some instances
- Political risk – the potential that decisions could be unpopular and impact on elections
- Reputational risk – the potential damage to the Council’s reputation
- Financial risk – the potential financial risks attached to an option – e.g. loss of revenue, financial underperformance or having insufficient funding to implement your desired outcomes.

**6. Develop your evaluation criteria for the long and short listing process.**

You will need to be clear how you intend to come to a decision and what factors should and must be taken into account. This presents an opportunity to involve Members and wider stakeholders. Try to use a consensus based approach to establish the criteria and use weighting each criteria to emphasise the Council’s priorities. It is strongly recommended to involve your Finance Director where practicable.

**7. Identify the full range of options, which may be available to deliver your desired outcomes and objectives.**

Develop a long list of possible options to ensure the optimal solution is included in the options from the outset. Ensure you explore all possible approaches and avoid

opinion bias. Take account of new approaches in the market and collaborative solutions involving the third sector. We have provided guidance on management options suitable for Heritage Services as part of our range of support through the Heritage Change Programme.

**8. Create a short list from a high level option appraisal.**

Use the evaluation criteria to select and exclude options that either fail to meet your objectives or exceed the resources available. Some options may need to be tested to see if they are legal – in particular Archive Services linked to public records.

This process would always include the ‘do minimum’ option. Using a weighted scoring system will ensure transparency and provide an audit trail to justify the final choices taken. Normally this process would be officer led, but the short-listing evaluation should involve Council Members.

**9. Evaluate fully the short-listed options against the evaluation criteria.**

The shortlisted options should have been developed to the point where sufficient information linking issues such as financial performance, VAT, NNDR, risk, impact on services, staff, partners, Council control and access to funding has been established. Normally this would be integrated into your business case in parallel. This will enable a balanced and independent review of each option to be undertaken.

Chinese walls <sup>1</sup> should be in place for officers who may be transferring to an externalised organisation if that option is selected. For example, they should not be involved in any evaluation of options or analysis of the pros and cons of options.

Supporting this ensure that all participants in the evaluation exercise are independent, have been sufficiently briefed (pre reading is recommended) to enable them to understand the relative advantages and disadvantages of options. Use the weighting and a scoring framework so it is clear how you came to your decision. Use a consensus based approach to score the shortlisted options and keep a record of the outcome. Allow plenty of time for this process.

**10. Progressing the preferred option.**

After the above analysis has been completed, a preferred option or options will emerge. This must be fully recorded and reflected in the business case and linked to a detailed and costed implementation plan to act as a roadmap for the delivery of the option. See our guidance on business cases for more information.

Depending on the nature of the option being reviewed, this may be one or more providers with which you wish to negotiate. Appropriate decision making and governance arrangements will clearly need to apply throughout the process to enable elected members to take well informed and clear decisions.

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<sup>1</sup> The ethical barrier between different divisions of a financial (or other) institution to avoid conflict of interest.

## Where to go for more support

### New Ways of Working Signposting

The Heritage Change Programme has reviewed the available information for London Boroughs considering transforming their services and new management models.

The range of information can be quite overwhelming and as a response to requests by London Boroughs, we have highlighted the key publicly available documents here with weblinks.

The key areas covered are as follows

- Guidance on options appraisals and business cases
- Guidance on alternative management models.

Please note these documents should only be used as a guide and specialist advice should be sought as appropriate.

### Guidance on options appraisals and business cases

Title	Author and Information	Weblink
<b>Options appraisal, the business case and procurement (2010)</b>	<p><b>Local Partnerships (Formerly I&amp;DeA)</b></p> <p>This is the second of three detailed guidance papers to support 'Understanding commissioning.' A guide for Local Authorities.</p> <p>It provides a clear ten stage approach for options appraisals and guidance on how to approach development of business cases.</p> <p>This is currently the most recent guide to approaching options appraisals and business cases for Culture and Sport organisations.</p>	<a href="http://bit.ly/es7L5g">http://bit.ly/es7L5g</a>
<b>HM Treasury Green Book Guidance (2009)</b>	<p><b>HM Treasury</b></p> <p>HM Treasury has developed a series of guides to assist local authorities in developing business cases. These include:</p> <ul style="list-style-type: none"> <li>• Using the Five Case Model – for creating business cases.</li> <li>• A guide to assessing business cases.</li> </ul>	<a href="http://bit.ly/eXiUvM">http://bit.ly/eXiUvM</a>
<b>Rethinking Service Delivery (2003)</b>	<p>This guidance from the previous government still provides some excellent advice.</p> <p>Making sure that you are mapping the right course, have buy-in from all stakeholders, assessing all options and having a viable business case are the essential steps for partnerships. These are</p>	<a href="http://bit.ly/gTKrxb">http://bit.ly/gTKrxb</a>

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Title	Author and Information	Weblink
	<p>areas that often lack proper consideration, which can lead to problems later on in procurement. "From Vision to Outline Business Case" explains how it should be done.</p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• How to translate the vision into a Strategic Outline Case</li> <li>• How to conduct a business review</li> <li>• Tips when working with other authorities and other public sector bodies</li> <li>• How to prepare an Outline Business Case and what to include</li> <li>• Conducting an options appraisal</li> <li>• An overview of the structures for partnership - the different governance models and where each is appropriate</li> <li>• The overall project management approach</li> <li>• A technical advice note on appointing external advisors.</li> </ul>	

### Guidance on alternative management models

Title	Author and Information	Weblink
<p><b>Exploring the trust option for museum services (2008)</b></p>	<p><b>Renaissance Yorkshire</b></p> <p>This is a practical guide targeted at local authority officers who have responsibility for, or who are involved in, a local authority museum service and who are considering the transfer of services from the local authority to a Trust.</p> <p>It is intended to be a practical document to help you to think about what might be involved in transferring a local authority museum service to a Trust. The critical focus of this guide is the first stage of the transfer process – the feasibility stage.</p>	<p><a href="http://bit.ly/gDsXEA">http://bit.ly/gDsXEA</a></p>
<p><b>Moving to Museum Trusts: Learning from Experience Advice to Museums in England &amp; Wales (2006)</b></p>	<p><b>MLA</b></p> <p>The Museums, Libraries and Archives Council (MLA) have developed a summary of the means by which museum trusts were set up, their reasons for doing it, their agreements for continued local authority or other public funding, and their experience as independent entities since they were set up.</p>	<p><a href="http://bit.ly/g42ZUL">http://bit.ly/g42ZUL</a></p>
<p><b>Pillars of the</b></p>	<p><b>The Development Trust and English Heritage</b></p>	<p><a href="http://bit.ly/d">http://bit.ly/d</a></p>

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<b>community: The transfer of local authority heritage assets (2011)</b>	<p>English Heritage in partnership with the DTA's Asset Transfer Unit and other organisations in the Heritage Sector, have pooled their knowledge together to produce this new guidance document on the transfer of heritage assets from local authorities and other public bodies to communities. Pillars of the community is a web based resource and only available to download.</p>	<a href="#">OZD4d</a>
<b>Delivering Public Services in the 21<sup>st</sup> Century (2010)</b>	<p><b>Galleries Scotland</b></p> <p>This piece of work has been conducted in response to the current climate of public service reform and spending cuts in Scotland. Museums Galleries Scotland (MGS) had seen various publications suggesting alternative methods of delivering public services. <b>Galleries Scotland</b> had also become aware that some Local Authorities were considering the move to trust status for delivering museum / cultural services.</p> <p><b>Galleries Scotland</b> were concerned that Local Authorities should have as much information as necessary to inform decision making about potential changes to the way they deliver their services. <b>Galleries Scotland</b> was also aware that trusts are not the only model. The first step in providing support for Local Authorities was to conduct a systematic review of the literature. This was a piece of desk based research, and the purpose was to present an overview of the literature available on the subject of public service delivery in the UK, identify gaps and present conclusions. There is some useful guidance in this document but reviewers should be advised that some aspects of this advice will only apply in Scotland.</p>	<a href="http://bit.ly/d8PSkt">http://bit.ly/d8PSkt</a>
<b>Choices for Change (2011)</b>	<p><b>Galleries Scotland</b></p> <p><i>Choices for Change</i> has been designed to help public sector organisations in Scotland prioritise, assess and make decisions about service delivery in the current economic climate. It is predominantly aimed at museums and local authorities but the content is relevant and useful for a wide range of organisations.</p> <p>The <i>Choices for Change</i> website will provide:</p> <ul style="list-style-type: none"> <li>• Current news</li> <li>• Live research</li> <li>• Guidance and case studies</li> <li>• Toolkits</li> <li>• Contributions and discussion.</li> </ul> <p>There is some useful guidance in this document but reviewers should be advised that some aspects of this advice will only apply in Scotland.</p>	<a href="http://www.choicesforchange.info/">http://www.choicesforchange.info/</a>