

# The Working Neighbourhoods Fund Scoping Study

## Report 2: Evaluation Plan for The Working Neighbourhoods Fund

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Department for Communities and Local Government  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF  
Telephone: 030 3444 0000

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# 1. Introduction

## The Working Neighbourhoods Fund

- 1.1 The Working Neighbourhoods Fund was announced by the Department for Communities and Local Government and the Department for Work and Pensions in November 2007 and came into being in April 2008. The Working Neighbourhoods Fund, which replaced Neighbourhood Renewal Funding, provides resources to 65 local authorities to tackle worklessness, low levels of skills and enterprise and other elements of deprivation in their most deprived areas.
- 1.2 This Evaluation Plan, which builds upon the findings of the Scoping Study which was published in February 2010,<sup>1</sup> is concerned with specifying the work that needs to be undertaken to complete an interim evaluation of the Working Neighbourhoods Fund. Although focused on the Working Neighbourhoods Fund the issues, concepts and methodological considerations discussed are of relevance to the evaluation of any employment, social inclusion and regeneration policy, whether it has a national or local focus.
- 1.3 When they launched the Working Neighbourhoods Fund in October 2007, the Department for Communities and Local Government and the Department for Work and Pensions noted that the Working Neighbourhoods Fund *“is not just about money. It is about new ways of working. Through the new Local Government Performance Framework and reforms to local government finance, local authorities have greater flexibilities to achieve the objectives which are most important to them and to local people...Galvanising community action on worklessness will be key to the new approach.”*
- 1.4 The Working Neighbourhoods Fund is expected to *“stimulate councils working with communities to take a fresh look at the problems of worklessness, and find proactive and innovative solutions.”*
- 1.5 The recent Tackling Worklessness Review<sup>21</sup> endorsed the approach being taken through the Working Neighbourhoods Fund, noting that *“increased flexibility and more devolution must be seen to work for all communities...the Working Neighbourhoods Fund needs the maximum flexibility to respond but also must be seen to be doing so for all disadvantaged communities – both place and people.”*
- 1.6 Eligible authorities for the Working Neighbourhoods Fund were those that met at least one of three criteria. These were that 20 per cent or more of their Lower Super Output Areas were in the most deprived national decile on the Index of Multiple Deprivation 2007 or 20 per cent or more of their Lower Super Output Areas were in the most deprived national decile on the Employment

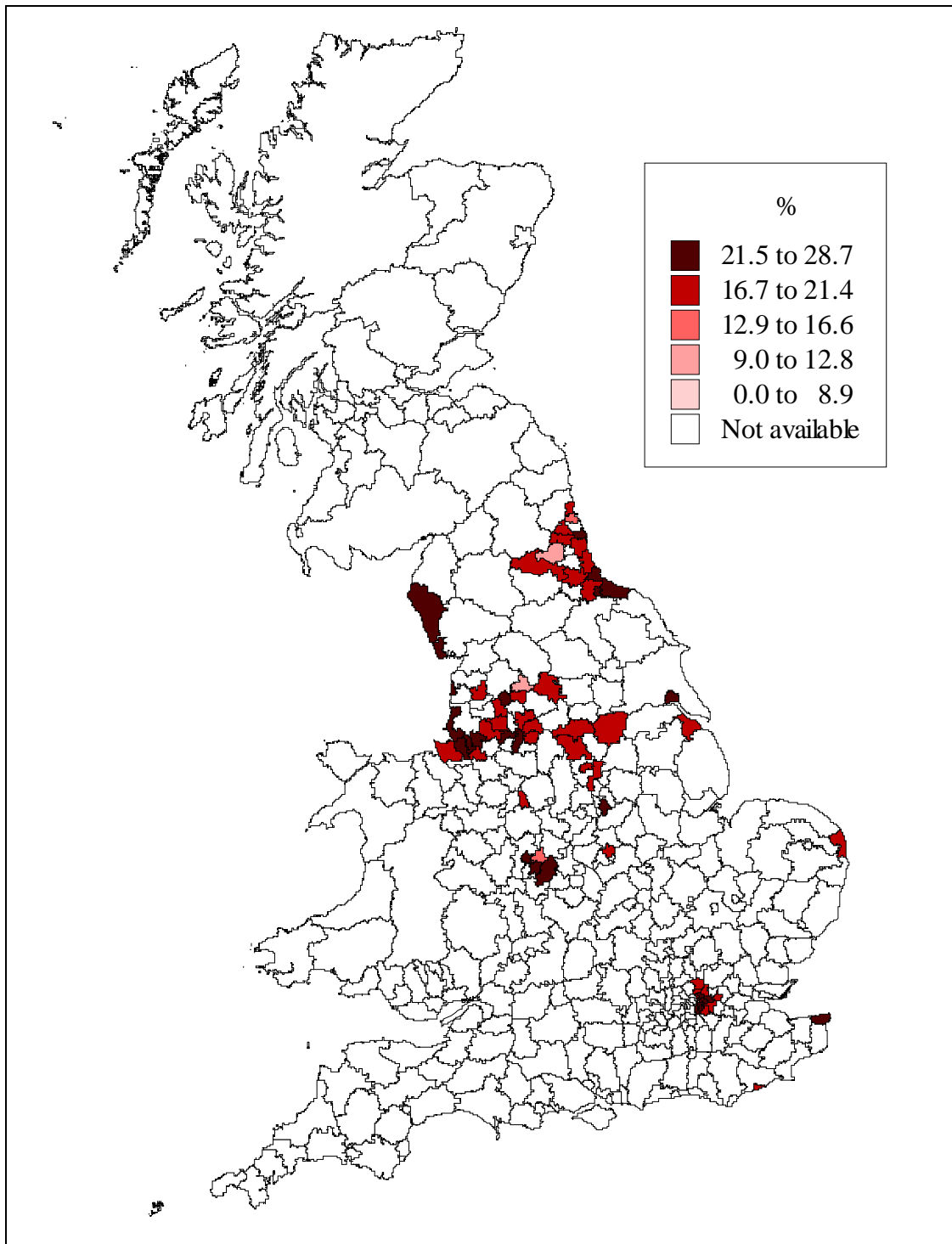
<sup>1</sup> DCLG (2010) The Working Neighbourhoods Fund (WNF) Scoping Study.  
[www.communities.gov.uk/publications/communities/wnfscopingstudy](http://www.communities.gov.uk/publications/communities/wnfscopingstudy)

<sup>2</sup> DCLG (2009) Tackling Worklessness: Review of the Contribution and Role of Local Authorities and Partnerships (Houghton Review) - Final Report  
[www.communities.gov.uk/publications/communities/tacklingworklessnessfinal](http://www.communities.gov.uk/publications/communities/tacklingworklessnessfinal)

Domain 2007, or any authority that was ranked in the top 50 districts on an equally weighted measure of key benefit claim rate and employment rate. Figure 1.1 shows the areas that are receiving Working Neighbourhoods Fund support.

- 1.7 The Working Neighbourhoods Fund is worth some £1.4bn over a three year period (2008-09 to 2010-11). Across the 65 Working Neighbourhoods Fund authorities, the funding allocation per head of working age population over the three year period ranges from £22 to £390. The Working Neighbourhoods Fund does not operate as a stand-alone regeneration programme. It is paid to the local authorities as part of Area Based Grant, a non-ringfenced general grant that brings together a wide range of area-based funding streams across a number of government departments.
- 1.8 Also included in the Area Based Grant pot is the Department for Work and Pensions Deprived Areas Fund which, from 2009-10, forms part of the Working Neighbourhoods Fund allocation. Local authorities, with their partners in Local Strategic Partnerships, are free to use Area Based Grant as they see fit, provided that they can demonstrate performance against the worklessness-related targets they have agreed with government in their Local Area Agreement (e.g. reductions in number of claimants in the worst neighbourhoods). There is an added incentive to focus on these particular Local Area Agreement targets as Local Area Agreement Reward payments are weighted towards successful performance in these.

**Figure1.1: Percentage of workless households in Working Neighbourhoods Fund areas in 2007**



Source: Economic & Labour Market Review, ONS, October 2008

# The Working Neighbourhoods Fund Scoping Study

- 1.9 As the Working Neighbourhoods Fund is neither a programme, nor a stand-alone ringfenced budget, the funding mechanism creates particular challenges both for monitoring how these resources are used and evaluating their impact. In order to explore these issues further, and provide preliminary feedback on how Working Neighbourhoods Fund resources are being used, the Department for Communities and Local Government and the Department for Work and Pensions commissioned a Working Neighbourhoods Fund Scoping Study.
- 1.10 The study has been directed by Professor Peter Tyler and managed by Colin Warnock. The team comprises Angela Brennan, Anna Clarke and Alex Fenton from the Department of Land Economy, Richard Lewney, James Derbyshire and Simone Nitsch from Cambridge Econometrics and Derrick Johnstone from Educe Ltd. An Inception Report was finalised in December 2008. A second report (Report 1) reported on the worklessness problem and early findings on how the Working Neighbourhoods Fund was being used to tackle it. This Report (Report 2) is the final output from the study and sets out an Evaluation Plan for the Working Neighbourhoods Fund.

## The key evaluation questions

- 1.11 According to the Green Book (HM Treasury, 2007) evaluation is *“the retrospective analysis of a project, programme, or policy to assess how successful or otherwise it has been and what lessons can be learnt for the future.”* It is usual in undertaking evaluations to establish a baseline position, assess progress part way through the initiative (at the *interim* stage) and undertake a final evaluation of impact when the initiative has finished. Some evaluations (e.g. the Single Regeneration Budget) have also examined the longer-term effects of an initiative.
- 1.12 This Evaluation Plan, which builds upon the findings of the Scoping Study, is concerned with specifying the work that needs to be undertaken to complete an **interim evaluation**. However, it also provides guidance on how the longer-term impact of the Working Neighbourhoods Fund can be assessed.
- 1.13 As noted above, the Working Neighbourhoods Fund provides resources that can be used in a very flexible way by local authorities and their partners. By the very nature of the process involved, the funding can be combined with a number of other funding streams and used in a variety of different ways at different spatial levels. Evaluating what these funding packages are able to achieve poses a number of evaluation issues of both a conceptual and measurement kind which have not hitherto been extensively researched.
- 1.14 Interviews were undertaken with local authorities and other organisations involved in tackling worklessness during the Scoping Study and, among other topics, they asked respondents to identify the key questions they wanted to be answered through an evaluation of the Working Neighbourhoods Fund.

- 1.15 There was a clear desire to understand how the Working Neighbourhoods Fund had been targeted on different people and in different places and the impact it is having on worklessness. There was also considerable interest on different aspects of the delivery process, including sharing evidence and good practice on matters relating to budget integration, commissioning and effective project design and delivery.
- 1.16 Our conclusion is that the evaluation of the Working Neighbourhoods Fund should have two primary evaluation questions:
- **How and to what extent has the Working Neighbourhoods Fund brought about new ways of working at the local level to tackle worklessness in deprived neighbourhoods, particularly as it relates to the needs of specific groups.** As an important component of Area Based Grant, the Working Neighbourhoods Fund is a key example of moves by Government to devolve responsibility to local authorities to address problems associated with neighbourhood deprivation and, in particular, worklessness. As such the evaluation has to assess the effectiveness of Local Strategic Partnerships and their Local Area Agreements in rising to this challenge.
  - **How effective have Working Neighbourhoods Fund-influenced initiatives been in bringing about change in worklessness** at the local level and in tackling the underlying causes of the problem. In answering this question, success needs to be measured at a number of spatial scales, but a central focus should be impact on the most deprived neighbourhoods.

## Report structure

- 1.17 The next section recommends an evaluation framework with which to answer these questions. Section 3 explores how the Working Neighbourhoods Fund is adding value at the local level. Section 4 considers issues around tracking outcome change and discusses how this data might be used to assess the impact of the Working Neighbourhoods Fund. Section 5 recommends a series of evaluation workstreams. Finally, Section 6 considers how the learning and improvement potential of the evaluation can be maximised.



## 2. Evaluation framework

### Introduction

- 2.1 This section considers the nature of the worklessness problem in the Working Neighbourhoods Fund areas and then applies the standard logic framework used in most recent evaluations to the Working Neighbourhood Fund. It highlights some of the key evaluation issues that have to be addressed in evaluating initiatives designed to reduce worklessness at the local level drawing on recent examples as appropriate.

### Policy context

- 2.2 It is only in relatively recent years that the term 'worklessness' has gained widespread use as a way of describing stress in the labour market, particularly at the local level. There is no precise definition. Clearly, workless people are those who are without employment in the formal labour market, but in practice the term is more often used to describe those who are without work, not in education or receiving formal training and also receive some form of state benefit where not having work is a key factor in determining ability to qualify for the benefit. In addition to people with these characteristics, there will be a significant number of people who are not in employment, do not suffer any physical or mental incapacity that prevents them from working, but who have made a voluntary choice not to seek work and who do not receive any form of work related benefit. There will be others in a state of transition whilst they are being assessed for eligibility to a range of possible benefits.
- 2.3 There are extensive variations in the geographical incidence of worklessness by type of benefit claimant. Thus, there are relatively high proportions on Incapacity Benefit in the older industrial northern areas, but relatively high proportions of lone parent benefit claimants in inner London boroughs. The recession has also increased the numbers claiming Jobseeker's Allowance in a spatially differentiated way.
- 2.4 It has also become common, particularly when seeking to understand more about the causes of deprivation at the local level, to distinguish between the worklessness of an individual and that of the household. Workless households are those where no member of the household unit has a job and the incidence of this has been associated with a number of other aspects of deprivation, particularly relating to health and education in areas experiencing multiple deprivation.
- 2.5 As the background documentation to the Working Neighbourhoods Fund makes clear, many of the most disadvantaged people in the labour market also live in the most disadvantaged places (DCLG, 2007<sup>3</sup>). In 2007 the Working Neighbourhoods Fund areas had 34 per cent more workless

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<sup>3</sup> DCLG/DWP (2007) The Working Neighbourhoods Fund.  
[www.communities.gov.uk/publications/communities/workingneighbourhoods](http://www.communities.gov.uk/publications/communities/workingneighbourhoods)

households than the English average. In 2008, compared with the English average, some 40 per cent more of the population in Working Neighbourhoods Fund areas were claiming out of work benefits, 67 per cent more were Jobseeker's Allowance claimants, 40 per cent more were claiming Incapacity Benefit and 55 per cent more were lone parents on Income Support. The working age population in work in Working Neighbourhoods Fund areas was 9 per cent less than the English average in 2008. The Working Neighbourhoods Fund areas had 170 per cent more of their Lower Super Output Areas in the most deprived national decile than the England average on the Index of Multiple Deprivation 2007. The percentage is much the same if the employment domain on the Index of Multiple Deprivation is used.

- 2.6 Research shows that besides worklessness being concentrated in specific areas some groups in society are more affected than others. Moreover, the causes, or drivers, of the underlying problem are complex and a range of social, economic and physical factors interact to prevent easy resolution and highlight the need to target and customise policy. The fact that the problem is not the result of any one underlying factor working in isolation has been recognised in the discretion that local players have in using the funding provided by the Working Neighbourhoods Fund. The evidence points to the need to understand how a diverse range of factors come together to create the worklessness problem in an area.
- 2.7 Within any Working Neighbourhoods Fund area the worklessness population is made up of quite disparate groups of individuals and households. The reasons why they are out of work vary accordingly. The Scoping Study (Section 2) considered several facets of the problem and its persistence. Demand-side factors emphasise the lack of availability of jobs for residents, particularly in deprived areas, and which can be considered alongside enterprise factors that relate to the ability of an area to attract and retain new businesses. Supply-side factors emphasise the barriers to employment that individuals or households may experience. Institutional factors focus on the structural difficulties people experience in entering the workforce, or that employers experience in finding labour – they include the housing market and 'sorting processes' that concentrate the disadvantaged. Other institutional factors include the benefits and tax system, the availability of childcare, the availability of transport, and access to information and social networks.

## Policy interventions

- 2.8 There remain relatively high levels of worklessness concentrated in certain parts of the United Kingdom despite many years of rapid economic growth and determined efforts on the part of Government to tackle geographical concentrations of economic deprivation in a systematic way. The persistence of the problem has led to a number of initiatives that have sought to build on the experience of Government with its New Deal programmes in different parts of the labour market and also with a number of area based initiatives that have been targeted on areas of high worklessness. Thus, the first Employment Zones began operating in April 2000 based on 15 areas pooling existing funding for training, Jobcentre Plus support and the equivalent of Jobseeker's Allowance to assist people into work.

- 2.9 The Working Neighbourhoods Pilot was introduced in 2004 and operated for two years in 12 pilot areas. It had the objective of trying out innovative approaches to reducing worklessness and comprised a more intensive intervention regime with more support and retention payments to individuals if they secured and stayed in work and extra funding for innovative community based types of support. Then, in 2006 City Strategy was implemented with the objective of reducing worklessness in 15 of the most disadvantaged communities in the United Kingdom, many of them in major urban areas. The emphasis is on partnership working with a tightly defined strategy that recognises the particular factors that are believed to be responsible for keeping worklessness below other areas. These 15 City Strategy Pathfinders were originally due to finish in 2009 but have now been extended to 2011. Other actions to reduce worklessness have been undertaken as part of the National Strategy for Neighbourhood Renewal where reducing worklessness has been one of the main strands. In 2006 the Neighbourhood Renewal Unit published *Worklessness in Deprived Areas: A Review of Evidence*<sup>4</sup> and this indicated the range of initiatives that were being deployed. As part of the National Strategy for Neighbourhood Renewal the Neighbourhood Renewal Fund provided £1.875bn over the period 2001-2006 to the 88 most deprived authorities in England and the Spending Review 2004 made a further £1.05bn of resources available over 2006-08 to 86 local authority districts. Local authorities used some of this funding to address worklessness in their areas.
- 2.10 To evaluate how the actions supported by the Working Neighbourhoods Fund affect levels of worklessness, *particularly in the most deprived areas*, it is necessary to understand how they are being integrated into a policy environment that is changing quite rapidly as the Local Area Agreement and Multi Area Agreement processes bed-in and against a backdrop where the formulation and delivery of spatial policy is now being influenced by the *Review of Sub-National Economic Development and Regeneration*.<sup>5</sup> The Review emphasises the importance of adopting a devolved approach whereby local players should respond to local challenges in seeking to improve local outcomes. There is a focus on clarity in tackling problems, streamlined and coordinated decision making and a strategic approach that recognises the interfaces that exist between the physical, economic and social dimensions. Attention also should be given to coordinating policy delivery at different spatial levels to reinforce the overall thrust of policy endeavour. The importance of the public sector having the capacity to engage with the private sector is recognised.
- 2.11 The *Review of Sub-National Economic Development and Regeneration* emphasises there may be impediments to the workings of labour markets that impede mobility, prevent the acquisition of new skills and impair labour market integration at the local level. In these circumstances while *“the initial causes of deprivation often relate to structural change and personal characteristics, deprivation can become spatially concentrated by place based factors”* (Sub-National Economic Development and Regeneration Review, p.17).

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<sup>4</sup> DCLG (2006) *Worklessness in Deprived Neighbourhoods: A Review of Evidence*. Report for the Neighbourhood Renewal Unit

[www.communities.gov.uk/publications/communities/worklessnessdeprived](http://www.communities.gov.uk/publications/communities/worklessnessdeprived)

<sup>5</sup> HM Treasury (2007) *Review of Sub-National Economic Development and Regeneration*.

[http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/sub-national\\_economic\\_development\\_regeneration\\_review.htm](http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/sub-national_economic_development_regeneration_review.htm)

- 2.12 The role of place based factors, and the nature of the interactions that can occur, is developed further in the recent Department for Communities and Local Government document *Transforming Place; Changing Lives: A Framework for Regeneration*.<sup>6</sup> Particular attention is given to understanding why housing and the physical characteristics of an area matter. The emphasis is on improving the economic performance in deprived areas, improving rates of work and enterprise and creating sustainable places where people want to live and can work, and businesses want to invest. The research focus is on considering the factors that lead to a weakened economic base, concentrations of poor housing in areas with poor connectivity with wider labour markets and problems of adjustment in addressing problems by mainstream public service providers.
- 2.13 The *Review of Sub-National Development and Regeneration* also recognises the importance of incentivisation at the local level. Particular attention has been given to encouraging the growth of business activity within the most deprived areas. Many aspects of policy are relevant, but it is significant that many Local Strategic Partnerships sought to use Neighbourhood Renewal Funding to help in this way. Continued support has been given to small business by Regional Development Agencies and others agencies, with efforts made to ensure that Business Link services reach deprived areas. In some cases there has been an emphasis on encouraging community based enterprise. In 2005, the Local Enterprise Growth Initiative was announced with the objective of increasing the level of entrepreneurial activity and business investment taking place in the most deprived areas.
- 2.14 Further policy context is provided by the recent government policy publications relating to welfare-to-work and skills. In *Work Skills*, the Department for Work and Pensions and the Department for Innovation, Universities and Skills set out proposals to make services at local level work more closely together in pursuit of these objectives. Potentially on offer is devolved responsibility for programme budgets at sub-regional level, given employer leadership and a successful track record by partners. Proposals also include increased joint commissioning by Jobcentre Plus and the Learning and Skills Council,<sup>7</sup> with a greater say for local authorities and Local Strategic Partnerships and a progressive move towards joint commissioning with local authorities and trials of new ways of joining up services that provide help and advice to individuals. These suggestions are taken forward in the Green Paper, *No One Written Off: Reforming Welfare to Reward Responsibility*.<sup>8</sup>

## Evaluating employment-focused initiatives – recent studies

- 2.15 The level of resources committed by Government reflects the importance attached to tackling worklessness at the local level. But it has also been recognised that if the underlying problems are ultimately to be overcome then

<sup>6</sup> DCLG (2008) *Transforming Places; Changing Lives: A Framework for Regeneration*.  
[www.communities.gov.uk/publications/regeneration/transformingplaces](http://www.communities.gov.uk/publications/regeneration/transformingplaces)

<sup>7</sup> And in future, its successor body, the Skills Funding Agency

<sup>8</sup> DWP (2008) *No One Written Off: Reforming Welfare to Reward Responsibility*.  
[www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/no-one-written-off/](http://www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/no-one-written-off/)

it is essential to undertake research and evaluate achievements on the ground, identifying what works, in what circumstances, and why. This is crucial to long-term success. Much important evaluation work and associated research has already been undertaken, or is already in place. A number of studies have been commissioned. Thus, in 2003 a quantitative assessment of the programme impact of Employment Zones was published (Hales, Taylor, Mandy and Miller, 2003<sup>9</sup>) and an extensive net impact of the evaluation of the Department for Work and Pensions Working Neighbourhood Pilot was published in 2008 (Selby, 2008<sup>10</sup>). Most recently, there has been an update of progress on City Strategy – *Evaluating City Strategy: Key Messages from the First National Evaluation Update* (Hasluck, Green and Adam, 2008<sup>11</sup>). The National Evaluation of City Strategy is also providing valuable information of relevance to the evaluation of the Working Neighbourhoods Fund.

2.16 A number of evaluations of area based initiatives published in recent years have also focused extensively on worklessness. These include the Single Regeneration Budget (DCLG, 2007<sup>12</sup>) and New Deal for Communities (DCLG, 2008<sup>13</sup>). Other studies and evaluations have made some contribution and their relevance to the national evaluation of the Working Neighbourhoods Fund has to be considered. In this category are the *National Evaluation of Local Strategic Partnerships and Formative Evaluation and Action Research Programme 2002-2005*<sup>14</sup> and the evaluation of the National Strategy for Neighbourhood Renewal reporting in 2009. The National Evaluation of the Local Enterprise Growth Initiative was recently commissioned and will report in 2010.

2.17 The evaluation of the Working Neighbourhoods Fund will also draw upon findings that emerge from the recent Tackling Worklessness Review (op. cit). This highlighted the importance of:

- integrated public service delivery at the neighbourhood level, with employment and skills provision as a core component
- robust joint commissioning arrangements for skills, work and enterprise (“fragmented commissioning is at the root of fragmented delivery”, p25)
- evidence of a clear role and value of the Working Neighbourhoods Fund
- a local basket of appropriate indicators on worklessness
- leadership by public services as employers and purchasers.

<sup>9</sup> Hales, J., Taylor, R., Mandy, W. and Miller, M. (2003) Evaluation of Employment Zones. Report on a coherent Survey of Long-term Unemployed People in the Zones and a Matched Set of Comparison Areas. For the National Centre for Social Research.

<sup>10</sup> DWP (2008) Net Impact Evaluation of the Department for Work and Pensions Working Neighbourhood Pilot. Working Paper No 51. <http://research.dwp.gov.uk/asd/asd5/WP51.pdf>

<sup>11</sup> Hasluck, C., Green, A. and Adam, D. (2008) Evaluating City Strategy: Key messages from the First National Evaluation Update. Institute for Employment Research.

<sup>12</sup> DCLG (2007) Evaluation of the Single Regeneration Budget: A Partnership for Regeneration -The Final Evaluation.

<sup>13</sup> DCLG (2008) New Deal for Communities: A Synthesis of New Programme Wide Evidence: 2006-07. NDC National Evaluation Phase 2. Research Report 39.

<sup>14</sup> ODPM (2006) National Evaluation of Local Strategic Partnerships: Formative Evaluation and Action Research Programme 2002-2005.

- 2.18 The Houghton Review also alluded to evaluation challenges in commenting on the lack of a “*consistent way to communicate the benefits [of Working Neighbourhoods Fund] to government. We are anxious that local authorities and partnerships have a framework that enables them to demonstrate their contribution and a basis to make the case for freedoms and flexibilities to be extended.*”

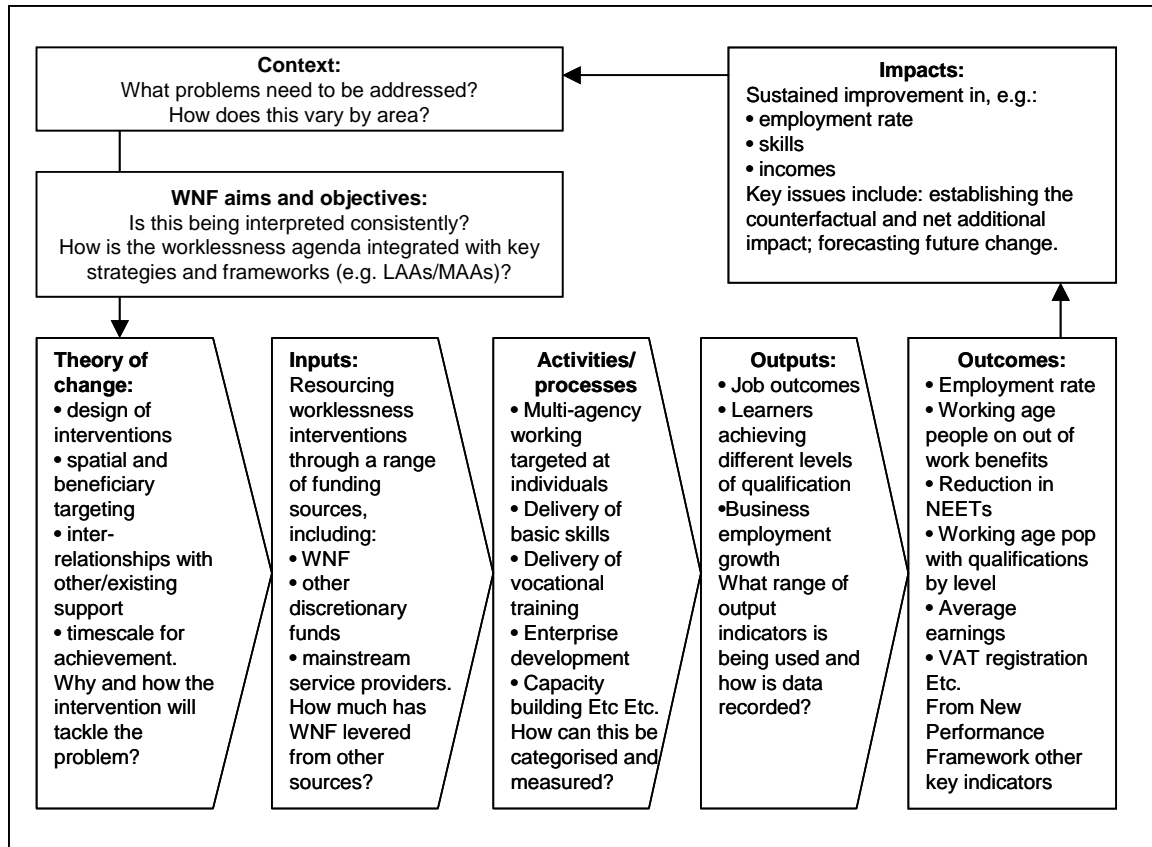
## Evaluating the Working Neighbourhoods Fund – key issues

- 2.19 Much attention has been given to providing guidance that will enable researchers to evaluate local area initiatives (see, for example, ODPM 2003<sup>15</sup>). There are a number of key issues to be considered that inform the choice of the underlying evaluation framework and research methodology.
- 2.20 Figure 2.1 shows how these can be considered as part of a logical framework. Thus, it is necessary to have a thorough understanding of the nature of the problem that is being addressed and the theory of change that underpins the rationale for the intervention and the pathways by which it is envisaged that change will be brought about. Attention needs to be given to the activities delivered using Working Neighbourhoods Fund funding, the delivery arrangements and the key players involved and how they work together.
- 2.21 It is essential to identify the effectiveness of the Working Neighbourhoods Fund and to track progress through the outputs it delivers. Establishing the additionality of the Working Neighbourhoods Fund is fundamental to any assessment of its overall effectiveness. A sound counterfactual needs to be in place to establish what reduction in worklessness can be attributable to the Working Neighbourhoods Fund, over and above that which would have happened anyway. Given the range of other policy initiatives and funding streams in play this is a particular challenge and one which we return to below. The impacts of the Working Neighbourhoods Fund on the relevant outcome measures, once estimated, can be compared to the scale of the baseline problem, helping to guide policy-makers on matters relating to resource allocation and delivery arrangements in the future. It is also desirable that the achievements of the Working Neighbourhoods Fund be brought alongside the expenditure associated with it and an assessment of Value for Money undertaken, although this is perhaps more appropriate at the final evaluation stage.

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<sup>15</sup> ODPM (2003) Assessing the Impact of Spatial Interventions: Regeneration, Renewal and Regional Development – Main Guidance.

**Figure 2.1: A logical framework for the Working Neighbourhoods Fund**



2.22 The Scoping Study (Section 2) provided valuable insight into a number of factors that help to translate the evaluation framework at Figure 2.2 into a practical plan for the interim evaluation. For example, it highlighted the diversity that exists across the Working Neighbourhoods Fund areas in terms of their underlying economic characteristics and how they compare with other areas elsewhere in England. It was also clear that there were extensive variations in the geographical incidence of worklessness by particular groups and that the recession was impacting upon these in a spatially differentiated way.

2.23 This evaluation will have to take account of the current recession and the role that it has played in influencing the deployment of the Working Neighbourhoods Fund and the effectiveness of Working Neighbourhoods Fund -influenced interventions. In general, the effect of the recession has been to substantially increase the level of ‘noise’, both in terms of the direction and characteristics of worklessness trends and the employment and skills policy response. The evidence from the Scoping Study was that key stakeholders were changing their worklessness strategies somewhat as a result of the recession, but the position was complicated by the recent addition of Government initiatives to tackle the effects of the recession, such as Rapid Response (Jobcentre Plus) and the Redundancy Support Programme (Learning and Skills Council). Initiatives such as these, together with emerging programmes like the Future Jobs Fund (Department for Communities and Local Government and Department for Work and Pensions), add further complexities that the interim evaluation has to recognise.

2.24 The next two sections take the key dimensions of the evaluation framework and discuss the key research questions and methodological issues that arise in assessing how the Working Neighbourhoods Fund is adding value at the local level (Section 3) and tracking outcomes and assessing impact (Section 4).



### 3. How the Working Neighbourhoods Fund is adding value at the local level

#### Introduction

- 3.1 This section considers the underlying theory of change of the Working Neighbourhoods Fund and describes the essential characteristics of its deployment at the local level. In doing so it draws out important issues and challenges for the conduct of the interim evaluation and how it should seek to establish the strategic added value of the Working Neighbourhoods Fund at the local level.

#### Working Neighbourhoods Fund theory of change

- 3.2 The evaluation framework presented in Section 2 highlighted the importance of understanding how the Working Neighbourhoods Fund will affect the underlying problems that lead to the persistence of worklessness. The rationale for the Working Neighbourhoods Fund draws upon a considerable body of research that has shown that if local concentrations of deprivation are to be reduced it is necessary to address a number of labour market issues. The evidence base summarised in the Scoping Study, together with the Review of Worklessness (op. cit) indicates quite clearly the multifaceted nature of local labour market problems, the role of demand, supply and institutional influences and the need to consider a range of *people* and *place* issues. In designing specific interventions it is important to understand the benefits from spatial targeting, who will be the beneficiaries and how the intervention works. In particular it is necessary to understand how funding sources come together and the role of the Working Neighbourhoods Fund in leveraging resources, particularly those from mainstream providers.
- 3.3 Sections 1 and 2 have already noted how the Working Neighbourhoods Fund has no specific funding restrictions upon how it can be used and the other sources of funding with which it can be combined. The evidence gained during the Scoping Study (Section 5, paras. 5.8-5.19) indicated that there is considerable diversity in the way the Working Neighbourhoods Fund is being packaged with other funding streams to deliver a variety of activities. Based on feedback from a sample of 20 Working Neighbourhoods Fund areas, about a quarter were fully ringfencing the Working Neighbourhoods Fund, purely to be used on tackling worklessness, almost a half had fully integrated the Working Neighbourhoods Fund with other elements of Area Based Grant and around a quarter had adopted a more mixed approach. Many areas are using the Working Neighbourhoods Fund to give them greater flexibility over project design, duration and ability to lever other resources. In terms of recording, the majority of the Working Neighbourhoods Fund areas plan and report on the Working Neighbourhoods Fund separately from other parts of Area Based Grant, but a sizeable minority do not.

- 3.4 In considering how the Working Neighbourhoods Fund might best be evaluated the central question is whether the Working Neighbourhood Funding *used in conjunction with other funding streams and against a background of enhanced flexibility provided by the Local Government Performance Framework*, enables new ways of working that reduce worklessness more effectively than has hitherto been the case in the areas concerned. Clearly, the Working Neighbourhoods Fund is providing additional resources to address worklessness and if these are used wisely they might be expected to affect relevant outcome indicators. However, the real benefit of the Working Neighbourhoods Fund will be if it helps stakeholders to address local concentrations of worklessness in a more strategic manner than would otherwise have been the case. The objective is to add *strategic added value*<sup>16</sup> which will lead to an impact on worklessness on the ground that is far in excess of that which could be possible from the Working Neighbourhoods Fund funding stream acting in isolation.
- 3.5 The Working Neighbourhoods Fund is thus about multi-agency working targeted at individuals and places in both conventional and innovative ways. Working Neighbourhoods Fund-influenced interventions may fund actions focused on individuals that deliver basic skills, vocational training and enterprise, as well as place making. The deployment of the Working Neighbourhoods Fund may also build the underlying capacity of the stakeholders and agents concerned so that they can deliver the actions required more effectively. It is recognised that the Working Neighbourhoods Fund inspired activity has to be guided and influenced by targets and implementation plans that are agreed by the key partners concerned and which are part of the Local Area Agreement process as well as integrated with other actions undertaken by Local Strategic Partnerships and others.

## Evaluation approach

### **Evidence on how the Working Neighbourhoods Fund is being used and its strategic added value**

- 3.6 The Scoping Study found that almost three-quarters of areas studied were explicitly using all or a large part of their Working Neighbourhoods Fund allocation to tackle a clearly defined tackling worklessness agenda. Of the remaining quarter, there was still a significant focus on worklessness within a more broadly based approach to the allocation of the Working Neighbourhoods Fund. There were very positive signs that the Working Neighbourhoods Fund is adding value, particularly in terms of encouraging local partners to focus attention on worklessness. Figure 3.1, taken from the Scoping Study, shows that the Working Neighbourhoods Fund is perceived to add value across a number of dimensions, but that the most significant is its role as a strategic catalyst; the Working Neighbourhoods Fund has provided the resources to make things happen that would not otherwise have happened and it has acted as a spur to give a higher priority to reducing worklessness. This strategic influence has been felt most strongly in relation to theme partnership and locality plans, particularly Block 4 of Local Area

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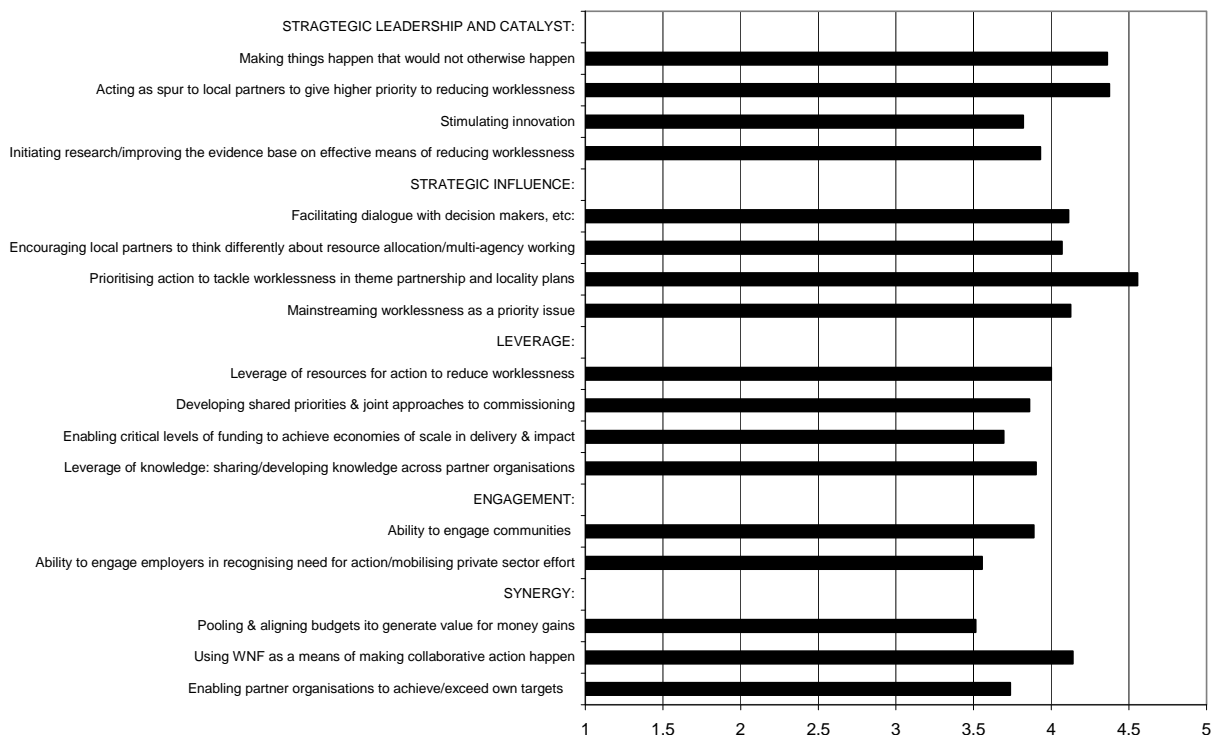
<sup>16</sup> This concept has been further developed in the context of RDA evaluation. See BERR/DCLG (2008) Prosperous Places: Taking forward the Review of Sub-National Economic Development and Regeneration [www.berr.gov.uk/whatwedo/regional/sub-national-review/page\\_40430.html](http://www.berr.gov.uk/whatwedo/regional/sub-national-review/page_40430.html)

Agreements dealing with economic development and enterprise. The flexibility of the Working Neighbourhoods Fund is felt to have been valuable as a means of coordinating endeavour and targeting gaps in resource provision. *Given the importance of the Working Neighbourhoods Fund being used in a strategic manner, the evaluation of the Working Neighbourhoods Fund should investigate its impact on institutional change, partnership working and the delivery of initiatives in the Working Neighbourhoods Fund areas.*

- 3.7 It is necessary to probe how ways of working with the mainstream, in particular Jobcentre Plus and the Learning and Skills Council are changing; particularly in the light of the moves to devolved area based funding through Area Based Grant and the Local Area Agreement/Multi Area Agreement arrangements recognising that Local Area Agreements are a statutory requirement and Multi Area Agreements voluntary with a number of areas exploring the idea at the moment. The impact of the Department for Work and Pensions Commissioning Strategy – though not a central theme of the evaluation of the Working Neighbourhoods Fund – will be relevant and its influence ought to be considered. For example, one major aspect is the introduction of flexible New Deal with lead contractors operating with five year contracts with payments geared to not only job placement but also job retention outcomes. Contractors will have discretion to manage their supply chains as they see fit, and are likely to adopt different approaches to working with local authorities and Local Strategic Partnerships. *It is thus essential to understand how relevant local problems are tackled through the Department for Work and Pensions and the Department for Business, Innovation and Skills funded provision and how this sits beside, or is integrated with, the Working Neighbourhoods Fund funded initiatives.*

**Figure 3.1: The extent to which the Working Neighbourhoods Fund has had a positive influence, or added value to, each of the following so far (Working Neighbourhoods Fund Scoping Study, April 2009)**

Average score where 1 is no Working Neighbourhoods Fund influence and 5 is significant Working Neighbourhoods Fund influence



Source: Scoping Study survey

3.8 In line with the Comprehensive Spending Review 2007 review of the role of the Third Sector in regeneration, particular attention should be given to establishing how the Working Neighbourhoods Fund might be being used to strengthen the role of the Third Sector in delivery as well as helping to involve local communities in understanding problems and how they best be overcome. The Houghton Review also stressed the potential of the sector. To gather the necessary evidence requires interviews with a wide variety of organisations in the voluntary and community sectors, government and business and we discuss this in Section 5.

3.9 The Working Neighbourhoods Fund areas have adopted a range of commissioning approaches which fall broadly into two types: those that seek to include stakeholders and providers and which involve consensus-building around solutions and the provision of grant funding for agreed interventions; and those that clearly separate commissioners from providers and follow a tighter competitive tendering approach. There seems to be a shift from the former to the latter, but while some areas have found competitive tendering to deliver good results, other areas have encountered a wide range of problems (e.g. low numbers of bids, inadequate bids, bureaucracy associated with the process, and role and behaviour national contractors). A number of areas have adopted a mixed commissioning model to provide additional flexibility, particularly for smaller interventions or the continuation of those that are already known to be working well. *The evaluation of the Working*

*Neighbourhoods Fund at the interim stage should consider commissioning issues in some detail and, in so doing, should generate useful evidence to support the implementation of the Department of Work and Pensions localisation policy.*

## Method

- 3.10 From the above discussion it is clear that a key part of the evaluation of the Working Neighbourhoods Fund is to highlight the ways in which local stakeholders are using the Working Neighbourhoods Fund and the nature of changes to existing modes of working induced by the Working Neighbourhoods Fund. In particular it is necessary to identify whether partners have been able to secure enhanced levels of partnership working and if this is reflected in greater awareness of problems, more evidenced-based prioritisation and more effective action on the ground. This requires a substantial body of information to be obtained from those partners who are involved in the planning and delivery of efforts to tackle worklessness using the Working Neighbourhoods Fund. There are many partners involved in various stages of the process and the diversity of involvement and interaction has to be captured.
- 3.11 Moreover, the research has to go further than simply describe what is happening and how this compares with the past. It has to be able to identify what would have happened in the absence of the Working Neighbourhoods Fund (the counterfactual). Two approaches can be taken. The first is to compare and contrast experience in the Working Neighbourhoods Fund areas with similar non-Working Neighbourhoods Fund areas. The second is to identify what the key stakeholders in the Working Neighbourhoods Fund areas believe would have happened in the absence of the Working Neighbourhoods Fund on the basis of their experience. We discuss the pros and cons of these in Section 5.
- 3.12 To ensure that the right research questions are addressed it will be necessary to develop a number of key research tools. It is perhaps desirable not to be too prescriptive in this report, but Figure 3.2 provides a guide to some of the most important topics and issues that should be addressed.

<b>Figure 3.2: Key research questions</b>
<b>National and regional level</b>
<ul style="list-style-type: none"> <li>• Central design and delivery of the Working Neighbourhoods Fund.</li> <li>• Monitoring arrangements for the Working Neighbourhoods Fund, especially in terms of Worklessness Assessments and Work and Skills Plans.</li> <li>• Relationships in principle and in practice between the Working Neighbourhoods Fund and other policy initiatives and their reviews and evaluations.</li> <li>• Implementation feedback from local authorities on the Working Neighbourhoods Fund focus and targeting; the institutional and governance arrangements and how these have changed in response to the Working Neighbourhoods Fund; early emergence of innovative approaches.</li> <li>• Data sources and access.</li> <li>• Evaluation methods.</li> </ul>

## Local level

- Where the Working Neighbourhoods Fund/Area Based Grant is being spent in meeting worklessness objectives – spatial and beneficiary targeting.
- What the Working Neighbourhoods Fund/Area Based Grant is being spent on – activity categorisation to capture % of expenditure on different activities – enabling distinction between supply and demand issues and wider regeneration activities.
- Whether the activities are tried and tested or innovative.
- How mainstream resources are being influenced/nature of complementarity with Jobcentre Plus and Learning and Skills Council funded provision.
- What other funding is being brought to bear and from what sources.
- The institutional and governance arrangements in place, including nature and extent of partner involvement; what delivery planning and decision-making processes are in place, the commissioning processes being adopted and the performance management arrangements in place.
- The strength of the worklessness agenda and how this is woven into and/or aligned with Community Strategies, Local Area Agreements/Multi Area Agreements targets and actions, Local Strategic Partnership strategies for worklessness, Local Economic Growth Initiative and initiatives such as City Strategy.
- The different ways in which the Working Neighbourhoods Fund is adding value to the worklessness response.
- The nature and strength of partnership arrangements to tackle worklessness, including whether these have evolved in response to the Working Neighbourhoods Fund or harness pre-existing mechanisms; and how businesses, third sector organisations and clients/communities are being engaged.
- Identification of key pathways being used to reduce worklessness.
- How directly targeted initiatives are on specific individuals and households.
- Local evidence on displacement and substitution.
- How impact is being affected by migration and travel-to-work patterns.

## Conclusion

- 3.13 The evidence from the Scoping Study provides valuable pointers as to how the contribution of the Working Neighbourhoods Fund to tackling worklessness can be assessed. Tentative evidence from the Scoping Study indicates that the Working Neighbourhoods Fund is acting as a catalyst for change and is adding strategic value by helping local players to reorganise how they are addressing the problems of the workless in their most deprived areas. This highlights the need to understand how the Working Neighbourhoods Fund funding is helping to bring about institutional change and enhanced partnership working.
- 3.14 The degree to which local stakeholders are using the Working Neighbourhoods Fund to focus on the needs of the workless in their most deprived areas also suggests that the evaluation of the Working Neighbourhoods Fund should adopt an approach that tracks and monitors progress in key outcome indicators relating to the workless in the most

deprived areas compared to the wider local authority district. In the next section we consider the methodological challenges that arise in measuring the impact of the Working Neighbourhoods Fund on these targeted areas and groups.

## 4. Tracking outcome change and assessing impact

### Introduction

- 4.1 The Scoping Study found considerable variations in the incidence of worklessness by benefit type across the Working Neighbourhoods Fund areas and the contribution that individual demand/enterprise, supply and institutional factors make. To assess how the Working Neighbourhoods Fund is tackling the problem it is desirable to establish clear baselines, to track outcomes over time and to 'benchmark' changing patterns of worklessness in the Working Neighbourhoods Fund areas relative to other areas. This section specifies the outcome measures that can be used to form a baseline of conditions against which progress can be gauged as well as the data sources, spatial levels of analysis and recommended measurement frequencies. It then discusses the key methodological issues that arise in assessing the impact of the Working Neighbourhoods Fund.

### Tracking outcome change

#### Indicator selection

- 4.2 The Scoping Study (Sections 2 and 3) found it helpful to distinguish between indicators of *outcomes* (essentially measures of worklessness), measures of the factors that are likely to be important *determinants* of those outcomes, and measures of factors that provide the broader *context* within which policy is operating. With regard to *determinants*, the Scoping Study also recommended distinguishing between supply-side indicators (the characteristics of the working-age population), demand-side factors (the number and nature of jobs), and the extent of entrepreneurial activity (which is likely to be of particular importance for long-term regeneration).
- 4.3 Figure 4.1 sets out the proposed indicators, time periods and data sources. The benefits-based indicators draw on the same raw data that contribute to the Work and Pensions Longitudinal Study published on the Department for Work and Pensions and NOMIS websites. There are arguments for some work to monitor the progression of change on individuals. This would require access to the data on individual records within the Work and Pensions Longitudinal Study. These issues are examined later in this section as part of the discussion on impact assessment.

#### Time periods

- 4.4 For the most part, our interest is in measuring the baseline position and in tracking changes over time. For these purposes, each indicator should be measured at the period immediately prior to the launch of the Working Neighbourhoods Fund (ideally 2007 or the last quarter of 2007-08), and then at the time of the evaluation. Hence, the indicators must be available at least annually, and preferably more frequently. In addition, we have proposed a



small number of indicators to characterise the historical context of the area, and these are measured at a lower frequency (for example, average growth in jobs in the area over the past ten years). Both these and the indicators that represent the social and demographic context of an area are likely to change slowly over time and it is not intended that they should be repeatedly measured for tracking purposes.

### **Spatial definitions**

- 4.5 The focus of the Working Neighbourhoods Fund is on neighbourhoods with particular concentrations of worklessness and benefits-based indicators are available to provide the basis for a summary indicator of the worst-affected neighbourhoods in each local authority. Given the remit of the Working Neighbourhoods Fund, tracking performance at this level is very important.
- 4.6 Data at the level of the local authority as a whole is also relevant, because of the institutional arrangements in place for resource allocation and because economic developments at the local authority level provide an important context for initiatives to tackle worklessness at the neighbourhood level. The local authority level also enables a broader range of indicators to be tracked over a longer time period. The availability and/or usefulness of some important data sources are limited below local authority level because of survey sample size constraints.
- 4.7 The scoping study considered gathering data at a wider, sub-regional level. Clearly for some local authorities (in, or close to large cities), the work opportunities available to local residents extend well beyond those in the authority in which they live. However, it would be a complex task to define a travel to work area relevant for each local authority, and the resulting indicator would be less transparent for users, and so we have not proposed this spatial definition for any indicators.
- 4.8 Later in this section we discuss ways in which impact might be assessed and the indicators specified here, supplemented with data on the delivery of the Working Neighbourhoods Fund (particularly data on expenditure and activities), provide the raw material for some of that assessment. A key question here relates to the choice of appropriate areas that can serve as comparators to the Working Neighbourhoods Fund areas. One option is to compare the outturn in each Working Neighbourhoods Fund area with the average outturn for the group of local authorities that belong to the same Office for National Statistics 2001 Area Classification<sup>17</sup> as the Working Neighbourhoods Fund area. For the subset of indicators for which such a comparison is considered useful, data will have to be gathered for all the local authorities that belong to the area classifications to which Working Neighbourhoods Fund areas belong, not just for the Working Neighbourhoods Fund areas.

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<sup>17</sup> See [www.statistics.gov.uk/about/methodology\\_by\\_theme/area\\_classification/default.asp](http://www.statistics.gov.uk/about/methodology_by_theme/area_classification/default.asp).

<b>Figure 4.1: Proposed indicators for the Working Neighbourhoods Fund evaluation</b>			
<b>Indicator</b>	<b>Units</b>	<b>Time period</b>	<b>Data source</b>
<i>Worklessness</i>			
Working-age people claiming out-of-work benefits in the local authority's worst performing neighbourhoods (Lower Super Output Areas)	% of working age population pp	latest quarter change over past year	Department of Work and Pensions <a href="http://www.fti.communities.gov.uk/fti/DataDownload.aspx">www.fti.communities.gov.uk/fti/DataDownload.aspx</a>
Working-age population claiming out-of-work-benefits in the local authority	% of working age population pp	latest quarter change over past year	Department of Work and Pensions <a href="http://www.fti.communities.gov.uk/fti/DataDownload.aspx">www.fti.communities.gov.uk/fti/DataDownload.aspx</a>
Percentage of Lower Super Output Areas in the most deprived national decile on the Employment Domain of the Index of Multiple Deprivation 2007	% of Lower Super Output Areas in the local authority	2007	Index of Multiple Deprivation <a href="http://www.communities.gov.uk/communities/neighbourhoodrenewal/deprivation/deprivation07/">www.communities.gov.uk/communities/neighbourhoodrenewal/deprivation/deprivation07/</a>
Equally weighted measure of key benefit claim rate (Jobseeker's Allowance, Income Support, Incapacity Benefit and Lone Parents) and employment rate	weighted rate, % of working age population pp	latest quarter change over past year	Department for Work and Pensions, Annual Population Survey
Jobseeker's Allowance, Incapacity Benefit, and Income Support Lone Parents 'statistical groups' in Department for Work and Pensions Benefit Claimants Working Age Client Group database	% of working age population for each group (type of claimant) separately pp	latest quarter change over past year	Work and Pensions Longitudinal Study via NOMIS
Jobseeker's Allowance claimants by ethnic group	% of working age population for each group	latest quarter	Work and Pensions Longitudinal Study via NOMIS
Unemployment rate	% of all economically active pp	latest quarter change over past year	Annual Population Survey NOMIS
Employment rate	% of working age population pp	latest quarter change over past year	Annual Population Survey: <a href="http://www.fti.communities.gov.uk/fti/DataDownload.aspx">www.fti.communities.gov.uk/fti/DataDownload.aspx</a>
Workless households	% of all households	latest year	Annual Population Survey <a href="http://www.statistics.gov.uk/downloads/theme_labour/WorklessHouseholds.xls">www.statistics.gov.uk/downloads/theme_labour/WorklessHouseholds.xls</a>
Proportion of 16 -18 year-olds NEET	5 of all 16-18 year-olds	latest year	Department for Children, Schools and Families <a href="http://www.dcsf.gov.uk/14-19/documents/NEET2007.xls">www.dcsf.gov.uk/14-19/documents/NEET2007.xls</a>
<i>State of labour market (Demand side)</i>			
Unfilled vacancies	% of working age population pp	latest month change over past year	Jobcentre Plus (via NOMIS)

<b>Figure 4.1: Proposed indicators for the Working Neighbourhoods Fund evaluation</b>			
<b>Indicator</b>	<b>Units</b>	<b>Time period</b>	<b>Data source</b>
Employee jobs at workplaces	% pa	change over latest year	Annual Business Inquiry NOMIS
	% pa	change over past 10 years	
Workplace workers	% pa	change over latest year	Annual Population Survey NOMIS
	% pa	change over past 4 years	
Average earnings at workplaces	£ per week	latest year	Annual Survey of Hours and Earnings NOMIS or <a href="http://www.fti.communities.gov.uk/fti/DataDownload.aspx">www.fti.communities.gov.uk/fti/DataDownload.aspx</a>
<i>Skills and education (Supply side)</i>			
Resident workers in the lowest 3 SOC occupations	% of all workers	latest year	Annual Population Survey NOMIS
Proportion of working-age population qualified to level 2 or higher	% of all aged 19-retirement age	latest year	Annual Population Survey and Department for Innovation, Universities and Skills <a href="http://www.fti.communities.gov.uk/fti/DataDownload.aspx">www.fti.communities.gov.uk/fti/DataDownload.aspx</a>
Proportion of working-age population with no qualifications	% of working-age population	latest year	Annual Population Survey
Average earnings of residents	£ per week	latest year	Annual Survey of Hours and Earnings (resident analysis), NOMIS
<i>Entrepreneurial activity</i>			
VAT registrations	per 10,000 adults	latest year	Department for Business, Enterprise and Regulatory Reform <a href="http://www.fti.communities.gov.uk/fti/DataDownload.aspx">www.fti.communities.gov.uk/fti/DataDownload.aspx</a>
	% pa	change over past year	
	% pa	change over past 10 years	
Three-year survival rate of VAT registered firms	% of firms registered in initial year	latest year	Department for Business, Enterprise and Regulatory Reform <a href="http://stats.berr.gov.uk/ed/survival/">http://stats.berr.gov.uk/ed/survival/</a>
Self-employment	% of working-age population	latest year	Annual Population Survey, NOMIS
<i>Demographic, social and economic context</i>			
Population	'000	latest year	Office for National Statistics Mid-Year Population Estimates via NOMIS and Office for National Statistics experimental Post-Censal small area population estimates
	% pa	change over past year	
	% pa	change over past 10 years	

<b>Figure 4.1: Proposed indicators for the Working Neighbourhoods Fund evaluation</b>			
<b>Indicator</b>	<b>Units</b>	<b>Time period</b>	<b>Data source</b>
Population by ethnic group	% of population	latest year	Office for National Statistics Population estimates by ethnic group <a href="http://www.statistics.gov.uk/downloads/theme_population/Tables_EE1-EE6_(2006).xls">www.statistics.gov.uk/downloads/theme_population/Tables_EE1-EE6_(2006).xls</a>
Working-age people with access to employment via public transport (living within reach (via public transport) of a location with more than 500 jobs.	% of working-age population	latest year	Department for Transport <a href="http://www.fti.communities.gov.uk/fti/DataDownload.aspx">www.fti.communities.gov.uk/fti/DataDownload.aspx</a>
The directly age and sex standardised mortality rate per 100,000 population, from all causes at all ages	rate per 100,000 population	latest year	Office for National Statistics (from Department of Health) <a href="http://www.fti.communities.gov.uk/fti/DataDownload.aspx">www.fti.communities.gov.uk/fti/DataDownload.aspx</a>
Proportion of the dwelling stock that is unfit	% of dwelling stock	latest year	<a href="http://www.neighbourhood.statistics.gov.uk">www.neighbourhood.statistics.gov.uk</a> via <a href="http://www.data4nr.net">www.data4nr.net</a> Dwelling stock by condition and tenure
Violence against the person, notifiable offences recorded by the police, as % of population	% of population	latest year	<a href="http://www.neighbourhood.statistics.gov.uk">www.neighbourhood.statistics.gov.uk</a> via <a href="http://www.data4nr.net">www.data4nr.net</a> Notifiable Offences Recorded by the Police
Burglary in a dwelling, notifiable offences recorded by the police, as % of population	% of population	latest year	<a href="http://www.neighbourhood.statistics.gov.uk">www.neighbourhood.statistics.gov.uk</a> via <a href="http://www.data4nr.net">www.data4nr.net</a> Notifiable Offences Recorded by the Police
Percentage of Lower Super Output Areas in the most deprived national decile on the Index of Multiple Deprivation 2007	% of all Lower Super Output Areas in the local authority	2007	Index of Multiple Deprivation <a href="http://www.communities.gov.uk/communities/neighbourhoodrenewal/deprivation/deprivation07/">www.communities.gov.uk/communities/neighbourhoodrenewal/deprivation/deprivation07/</a>
Jobs in declining industries	% of jobs in the 10 2-digit SIC industries that have suffered the largest percentage job losses nationally in the past 10 years	latest year	Processed ABI jobs data
Jobs in growing industries	% of jobs in the 10 2-digit SIC industries that have seen the largest percentage job increases nationally in the past 10 years	latest year	Processed ABI jobs data

- 4.9 During the Scoping Study an exercise was undertaken to assess the most suitable way of establishing a typology of areas that could enable the economic and institutional diversity of the areas receiving the Working Neighbourhoods Fund to be reflected in a benchmarking exercise, so as to establish groups of areas that share similar characteristics. This diversity, as well as the intensity of policy support, was captured by gathering data on settlement type, relative accessibility, demographics, the level of the Working Neighbourhoods Fund allocation, labour market characteristics, the array of policies in place, and information on partnership and local government performance. Cluster analysis was used to identify groups of Working Neighbourhoods Fund areas with common economic features. The Office for National Statistics Area Classification is an alternative ‘off the shelf’ typology that could be used, both for local authorities and for wards.

## Assessing the impact of the Working Neighbourhoods Fund on key outcome indicators in Working Neighbourhoods Fund areas

### Issues and approach

- 4.10 Overall the Working Neighbourhoods Fund funding is substantial and there are large allocations for some authorities. However, given the scale of the Working Neighbourhoods Fund funding relative to other sources of funding for tackling worklessness it would not be plausible to expect sizeable, Working Neighbourhoods Fund-induced movements in key outcome indicators at the local authority district level. However, the main objective of the Working Neighbourhoods Fund is to address worklessness in the **most deprived** areas in the Working Neighbourhoods Fund areas. The Scoping Study found that the Working Neighbourhoods Fund is adding value to the overall development and direction of worklessness strategy within local authority districts. Feedback from local authorities suggests there is significant targeting on deprived neighbourhoods, with, in some cases, quite tightly focused activity on a small number of individuals or groups. An important dimension of the evaluation of the Working Neighbourhoods Fund will be an assessment of its impact on the most deprived neighbourhoods within Working Neighbourhoods Fund authorities.
- 4.11 Impact assessment aims to identify the worklessness outcomes that it is hoped have been altered as a result of the Working Neighbourhoods Fund funding and evaluate whether this change can be attributed to the implementation of the Working Neighbourhoods Fund. Any impact assessment poses a number of challenges. The basic challenge is the usual evaluation problem: we do not observe what would have happened in the absence of the programmes that were implemented, and so we need to apply methods to provide an estimate of this ‘counterfactual’. Evaluation also needs to recognise that, in a world of uncertainty, the observed outturn could have been different even under the same policy setting, and to make an allowance for this uncertainty.<sup>18</sup>

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<sup>18</sup> Formally, this means that we do not merely compare the observed outcome with the estimated counterfactual, but that we compare an estimate of the expected value of the outcome under the policy

- 4.12 The second challenge, which makes it more difficult to tackle the basic challenge, is that all local authorities in England who satisfied the qualifying criteria participated in the scheme. Consequently, when we seek to identify comparator areas that did not participate in the scheme, whose experience could be compared with that of the Working Neighbourhoods Fund areas, we find that there are no areas in England that experienced the same intensity of worklessness problems as Working Neighbourhoods Fund areas.
- 4.13 The third challenge, which also makes it more difficult to tackle the basic challenge, arises from the design of the Working Neighbourhoods Fund as a funding stream which local authorities can apply in whatever way they see fit, as opposed to a narrowly-defined programme with specific inputs targeted at particular individuals and outputs that can be observed for those individuals. The process of tracking expenditure and activity is inevitably more difficult as a result.
- 4.14 The fourth challenge relates to the scale of the programme, the resulting scale of impact on worklessness that it might be reasonable (on the basis of past evidence) to expect, and hence the extent to which we can expect to be able to distinguish this impact from all the other factors influencing worklessness.

## **Methods**

- 4.15 A number of different approaches to impact assessment can be adopted. Some will consider change in relevant statistical indicators over time using a variety of methods, including benchmarking and the use of control groups. Others will involve interviews of stakeholders at the local level to tease out key evaluation parameters using survey-based techniques that have been developed extensively in recent years for this purpose.
- 4.16 In a perfect evaluation world it would be possible to produce a model of the system being studied and the impact of the Working Neighbourhoods Fund initiative could be identified as an exception to the normal course of events predicted by the model for those areas or individuals that have been subject to the initiative. In any study, this sort of approach is subject to various difficulties, not least the extent to which the model is capable of explaining most of the variation in the data on which it is estimated: the more that is left unexplained, the larger the estimate of the scale of chance variation that any impact would have to exceed before a significant result could be reported.
- 4.17 In the case of the Working Neighbourhoods Fund, this kind of modelling approach faces additional difficulties. Because the Working Neighbourhoods Fund is not the only source of funds for policies that can reduce worklessness, it was argued above that an approach which uses the local authority district as the spatial unit of analysis and which represents exposure to policy by eligibility for Working Neighbourhoods Fund funding, or the scale of Working Neighbourhoods Fund funding in each area, is likely to misrepresent the scale of relevant policies. At best, this introduces considerable noise into the process.

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with an estimate of the expected value of the counterfactual and test whether the difference is greater than could have occurred due to chance variation.

- 4.18 Because the Working Neighbourhoods Fund is not a programme targeted exclusively at one group of individuals, an approach which uses individuals as the unit of analysis cannot readily identify 'policy-on' and 'policy-off' cases either. If we fall back on using the address of the individuals to identify whether they live in a Working Neighbourhoods Fund local authority as an indication of 'policy-on', we shall suffer the same problem noted above for categorising local authorities as 'policy-on' or 'policy-off'.
- 4.19 A less formal approach seeks to establish the counterfactual case by identifying comparator 'policy-off' cases and assumes that the outcome for the 'policy-on' cases would have been the same as the comparator case if the policy had not been in force. Under this (strong) assumption, the impact of policy can be measured as the difference in outcome for the 'policy-on' case and its comparator. As we have noted, there are no exact comparators for Working Neighbourhoods Fund areas because, in general if an authority's worklessness problem had been as bad as a Working Neighbourhoods Fund area it would have qualified for the programme.
- 4.20 In order to decide the most appropriate research methodology with which to disentangle the impact of the Working Neighbourhoods Fund we adopted the approach summarised in Figure 4.2. The logic chain begins by stating the key policy question we wish to address (column 1). This is then broken down into a set of empirical statements that need to be tested (column 2). The set contains statements of increasing interest for the evaluation, but also pose greater difficulty for testing. For example, the simplest statistic to calculate is the change in a given measure of worklessness since the introduction of the funding; but this statistic will not tell us the impact of the Working Neighbourhoods Fund because of the influence of other factors apart from this policy (notably the recession). The subsequent statements suggest ways in which a counterfactual could be constructed to control for such other factors.
- 4.21 Associated with each statement is an empirical method that can be applied to gather evidence to test the statement (column 3). By following this approach, the extent to which the empirical evidence gives an answer to the policy question is made clear. For completeness, we include econometric modelling methods to illustrate how, in principle, they would add to what conclusions can be drawn from non-modelling methods, but we have also noted the likelihood that they would not yield statistically significant results for the reasons set out above. Column 4 identifies the key sources of data that would be used (further detail on which was provided in Figure 4.1). Column 5 discusses the difficulties that arise and column 6 summarises our judgement as to the feasibility of the approach suggested.

<b>Figure 4.2: Approach to Gathering Empirical Evidence for the Evaluation</b>					
<b>Policy evaluation question</b>	<b>Empirical statement(s) to be tested</b>	<b>Empirical method(s) to implement the test</b>	<b>Data</b>	<b>Difficulties</b>	<b>Feasibility</b>
The WNF has led to a reduction in worklessness	Worklessness in WNF areas has fallen since the programme was introduced	Report the change, since the programme was introduced, in selected measures of worklessness for WNF areas, and for the worst-performing LSOAs in WNF areas (say, those that are in the worst national decile on the IMD Employment Domain). In the context of the present recession, this will show an increase, rather than a fall in worklessness.	One or more of the worklessness indicators identified in Figure 4.1, for the WNF areas and LSOAs.	For LSOAs, only the benefits indicators are available.	High
	The change in worklessness in WNF areas since the programme was introduced is better than in non-WNF areas	Compare the change in selected measures of worklessness for WNF areas with the England average for non-WNF areas. Report the same comparison for the worst-performing LSOAs in WNF areas.	One or more of the worklessness indicators identified in Figure 4.1, for the WNF areas, LSOAs and England average.	For LSOAs, only the benefits indicators are available.	High
	The change in worklessness in WNF areas since the programme was introduced is better than in those non-WNF areas that are similar to WNF areas	Compare the change in selected measures of worklessness for WNF areas with the average for the non-WNF areas in the same ONS 2001 Area Classification for local authorities. Report the same comparison for the worst-performing LSOAs in WNF areas and the LSOAs in non-WNF areas that belong to the same ONS 2001 Area Classification for wards.	One or more of the worklessness indicators identified in Figure 4.1, for the WNF areas, LSOAs and average for relevant ONS Area Classification.	For LSOAs, only the benefits indicators are available.  Requires calculation of averages for ONS Area Classification areas  Some complexity in identifying match of ONS Area Classification wards to LSOAs	High for local authorities Medium for LSOAs
	Worklessness in WNF areas is lower than it would have been in the absence of the programme	Construct a model of one or more selected worklessness indicators using local authority areas as the unit of analysis. The WNF policy contribution would be formally modelled.	Worklessness indicator plus 'drivers' indicators from Figure 4.1.	Unlikely to yield significant results - see text for details.	Low
	The likelihood of being out of work for individuals in WNF areas is lower than it would have been in the absence of the programme	Construct a model of the relevant worklessness indicator using individuals as the unit of analysis. The WNF policy effect would be formally modelled.	WPLS benefits indicators, plus WPLS data on characteristics of individuals.	Unlikely to yield significant results - see text for details.	Low



<b>Figure 4.2: Approach to Gathering Empirical Evidence for the Evaluation</b>					
<b>Policy evaluation question</b>	<b>Empirical statement(s) to be tested</b>	<b>Empirical method(s) to implement the test</b>	<b>Data</b>	<b>Difficulties</b>	<b>Feasibility</b>
The characteristics of individuals for whom the Working Neighbourhoods Fund has been more effective are ...	The change in the rate of worklessness for selected groups (age, gender, ethnicity, type of benefit) has been greater/less than average.	Report the change, since the programme was introduced, in selected measures of worklessness for Working Neighbourhoods Fund areas, and for the worst-performing Lower Super Output Areas in Working Neighbourhoods Fund areas.	Benefits indicators ('selected groups' only available for benefits).	Ethnicity only available for Jobseeker's Allowance.	High
	The likelihood of being out of work for individuals in Working Neighbourhoods Fund areas with particular characteristics (age, gender, ethnicity, type of benefit) is lower than it would have been in the absence of the programme.	Construct a model of the relevant worklessness indicator using individuals as the unit of analysis, and model the effect of policy associated with certain characteristics of the individual.	Work and Pensions Longitudinal Study benefits indicators, plus Work and Pensions Longitudinal Study data on characteristics of individuals.	Unlikely to yield significant results - see text for details.	Low
The characteristics of local authority areas in which the Working Neighbourhoods Fund has been more effective are ....	The change in worklessness in Working Neighbourhoods Fund areas since the programme was introduced is better than in those non-Working Neighbourhoods Fund areas that are similar to Working Neighbourhoods Fund areas, noting differences among different classifications of Working Neighbourhoods Fund areas.	Compare the change in selected measures of worklessness for Working Neighbourhoods Fund areas with the average for the non-Working Neighbourhoods Fund areas in the same Office for National Statistics 2001 Area Classification for local authorities. Report the same comparison for the worst-performing Lower Super Output Areas in Working Neighbourhoods Fund areas and the Lower Super Output Areas in non-Working Neighbourhoods Fund areas that belong to the same Office for National Statistics 2001 Area Classification for wards. Note differences for different classification types.	One or more of the worklessness indicators identified in Figure 4.1, for the Working Neighbourhoods Fund areas, Lower Super Output Areas and average for relevant Office for National Statistics Area Classification.	For Lower Super Output Areas, only the benefits indicators are available. Some complexity in identifying match of Office for National Statistics Area Classification wards to Lower Super Output Areas.	High for local authorities Medium for Lower Super Output Areas
	Worklessness in Working Neighbourhoods Fund areas of certain types is lower than it would have been in the absence of the programme.	Construct a model of the relevant worklessness indicator using local authority areas as the unit of analysis, and model the effect of policy associated with certain characteristics of the area.	Work and Pensions Longitudinal Study benefits indicators, plus contextual data from Figure 4.1 for characteristics of area.	Unlikely to yield significant results - see text for details.	Low
The characteristics of	The change in worklessness in Working	Compare the change in selected measures of worklessness for Working Neighbourhoods	One or more of the worklessness	For Lower Super Output Areas, only	High for local

<b>Figure 4.2: Approach to Gathering Empirical Evidence for the Evaluation</b>					
<b>Policy evaluation question</b>	<b>Empirical statement(s) to be tested</b>	<b>Empirical method(s) to implement the test</b>	<b>Data</b>	<b>Difficulties</b>	<b>Feasibility</b>
the policy approach in local authority areas in which the Working Neighbourhoods Fund has been more effective are...	Neighbourhoods Fund areas since the programme was introduced is better than in those non-Working Neighbourhoods Fund areas that are similar to Working Neighbourhoods Fund areas, noting whether this difference is larger for Working Neighbourhoods Fund areas that gave more emphasis to particular approaches.	Fund areas with the average for the non-Working Neighbourhoods Fund areas in the same Office for National Statistics 2001 Area Classification for local authorities. Report the same comparison for the worst-performing Lower Super Output Areas in Working Neighbourhoods Fund areas and the Lower Super Output Areas in non-Working Neighbourhoods Fund areas that belong to the same Office for National Statistics 2001 Area Classification for wards. Note differences for Working Neighbourhoods Fund areas that gave more emphasis to particular approaches.	indicators identified in Figure 4.1, for the Working Neighbourhoods Fund areas, Lower Super Output Areas and average for relevant Office for National Statistics Area Classification.	the benefits indicators are available. Some complexity in identifying match of Office for National Statistics Area Classification wards to Lower Super Output Areas.	authorities Medium for Lower Super Output Areas
	In those Working Neighbourhoods Fund local authorities that have adopted a policy of targeting deprived neighbourhoods, the change in worklessness in deprived neighbourhoods since the programme was introduced is better than in similar non-Working Neighbourhoods Fund neighbourhoods.	Compare the change in benefit measures of worklessness for the worst-performing Lower Super Output Areas in those Working Neighbourhoods Fund areas that have targeted deprived neighbourhoods with the average for the non-Working Neighbourhoods Fund worst-performing Lower Super Output Areas that belong to the same Office for National Statistics 2001 Area Classification for wards.	Benefits worklessness indicators for deprived Lower Super Output Areas in selected Working Neighbourhoods Fund areas and average for neighbourhoods in relevant Office for National Statistics Area Classification.	Need first to identify Working Neighbourhoods Fund areas that have targeted deprived neighbourhoods.  Some complexity in identifying match of Office for National Statistics Area Classification wards to Lower Super Output Areas.	Medium
	In those Working Neighbourhoods Fund local authorities that have adopted a policy of targeting deprived neighbourhoods, the proportion leaving benefit to take a job after any given number of months	For each type of benefit, establish a group of individuals residing in selected deprived neighbourhoods in Working Neighbourhoods Fund areas that have adopted the targeting approach and receiving benefit prior to the introduction of Working Neighbourhoods Fund . Calculate the proportion that have left benefit to take a job after (say) 1, 3, 6 and 12 months. Compare this with the same calculation for	Cohorts selected from Work and Pensions Longitudinal Study.	Need first to identify Working Neighbourhoods Fund areas that have targeted deprived neighbourhoods.	Medium, if Work and Pensions Longitudinal Study data can be accessed for this purpose.

<b>Figure 4.2: Approach to Gathering Empirical Evidence for the Evaluation</b>					
<b>Policy evaluation question</b>	<b>Empirical statement(s) to be tested</b>	<b>Empirical method(s) to implement the test</b>	<b>Data</b>	<b>Difficulties</b>	<b>Feasibility</b>
	is higher than in similar non-Working Neighbourhoods Fund neighbourhoods.	non-Working Neighbourhoods Fund worst-performing Lower Super Output Areas that belong to the same Office for National Statistics 2001 Area Classification for wards.			
	Worklessness in Working Neighbourhoods Fund areas where certain approaches were tried is lower than it would have been in the absence of the programme	Construct a model of the relevant worklessness indicator using local authority areas as the unit of analysis, and use formally model the effect of certain kinds of policy approach.	Worklessness indicator plus 'drivers' indicators from Figure 4.1, plus data gathered on the nature of policies tried in different Working Neighbourhoods Fund areas.	Unlikely to yield significant results - see text for details.	Low

- 4.22 Having assessed the feasibility of the various options we have rejected those with low feasibility and would propose that the assessment of the impact of the Working Neighbourhoods Fund on key worklessness outcome indicators should comprise the following building blocks:
- Two principal spatial units of analysis: (a) the local authority district level and, (b) within the local authority district level, the 10 per cent most deprived Lower Super Output Areas on the employment domain of the Index of Multiple Deprivation (representing the deprived neighbourhoods).
  - The classification of all local authorities in England, using the Office of National Statistics Area Classification for local authorities and the identification of those, in each Office of National Statistics Area type, which are Working Neighbourhoods Fund and those which are non-Working Neighbourhoods Fund.
  - The classification of all wards in England, using the Office of National Statistics Area Classification for wards and the identification of those, in each Office of National Statistics type, which lie within Working Neighbourhoods Fund local authorities<sup>19</sup> and those which do not. The 10 per cent most deprived Lower Super Output Areas in Working Neighbourhoods Fund local authority districts and in non-Working Neighbourhoods Fund local authority districts would then be given the same classification as the ward in which they are located.
- 4.23 It will also be important for the evaluation to undertake a consistent and rigorous activity-based analysis of expenditure on tackling worklessness at the local level, within which the Working Neighbourhoods Fund is one component. In simple terms this means understanding how much money has been spent on which different types of worklessness intervention, with what spatial or beneficiary focus, and what financial contribution has been made through the Working Neighbourhoods Fund.
- 4.24 We have also given some consideration to undertaking some general modelling work, particularly according to claimant group. This could take a number of forms but three prominent options suggest themselves, namely:
- Having identified spatial areas targeted with the Working Neighbourhoods Fund, it would be possible to define these in terms of post-codes and then harness data from the Work and Pensions Longitudinal Study to track the progression over time of workless individuals claiming different benefits in those areas. A similar analysis could be performed in deprived neighbourhoods in non-Working Neighbourhoods Fund areas. We recommend undertaking this work if Work and Pensions Longitudinal Study data can be accessed.

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<sup>19</sup> Or, for analysis that focuses on deprived neighbourhoods, those wards which correspond to the most deprived Lower Super Output Areas in Working Neighbourhoods Fund local authorities.

- Undertake bespoke primary surveys of known beneficiaries of Working Neighbourhoods Fund-influenced projects in Working Neighbourhoods Fund areas and survey a matched comparison group of claimants in non-Working Neighbourhoods Fund areas. There are three key benefits from this approach. First, it enables known beneficiaries to be identified and researched. Second, it can provide evidence on the movement of individuals and how this relates to their employment status. Third, it allows them to be tracked over longer periods of time and the durability of impact assessed. Notwithstanding the benefits of primary surveys, this option would pose a number of difficulties, including: (a) beneficiary identification; (b) gaining the necessary consents from individual beneficiaries to participate; (c) controlling for influence of a number of factors; and (d) the very high cost. We do not recommend this approach.
- Concentrate on the impact of Working Neighbourhoods Fund-influenced activity on particular groups and individuals in a small group of Working Neighbourhoods Fund deprived areas. This work would investigate the impact on known beneficiaries of the Working Neighbourhoods Fund-influenced interventions to track their progression along the ‘customer journey’ identified in the Scoping Study. This would also provide useful evidence on persistence and movement. Data for this would be obtained from Working Neighbourhoods Fund project files building on the local survey work of project based interventions that some Working Neighbourhoods Fund areas intend to commission as part of their monitoring and evaluation work.

## Conclusion

- 4.25 A range of key *outcome* indicators should be used to *baseline and then track* worklessness as part of the evaluation. It will be important to do this for *Working Neighbourhoods Fund areas and non-Working Neighbourhoods Fund areas at the local authority district spatial level where areas are grouped according to the suggested spatial typology*. Indicators have also been identified to measure factors likely to be important *determinants* of outcome change, as well as those that measure the broader *context* within which the Working Neighbourhoods Fund is operating and again tracking of change at the local authority district level is required.
- 4.26 As the Working Neighbourhoods Fund aims to tackle worklessness for people and places in the most deprived neighbourhoods, there are strong arguments for *assessing impact* at the *most deprived neighbourhood level*, rather than at the local authority district level where impacts will be much harder to discern because of the problems of disentangling a unique Working Neighbourhoods Fund contribution and the associated elevated levels of noise. We therefore recommend that the evaluation would assess the possible impact of the Working Neighbourhoods Fund on *deprived neighbourhoods* in the Working Neighbourhoods Fund areas by tracking the worklessness indicators identified earlier in this section *in the 10 per cent most deprived Lower Super Output*

*Areas in Working Neighbourhoods Fund local authority districts and compare them with the 10 per cent most deprived Lower Super Output Areas in non-Working Neighbourhoods Fund local authority districts in England. The non-Working Neighbourhoods Fund areas would thus form relevant control areas.*

- 4.27 It is also recommended that the same indicators of worklessness be identified for Lower Super Output Areas that have been the focus of particular attention in a *derived sub-set of Working Neighbourhoods Fund areas* and these be tracked against similar indicators for their relevant local authority district *net of the small areas concerned*. These areas would thus form relevant control groups. The key issue here thus becomes one of deciding the number of Working Neighbourhoods Fund areas that receive this in-depth treatment. As noted above, it is necessary to get a clear understanding of spatial targeting in Working Neighbourhoods Fund areas so that a number of these can be selected for more in-depth analysis. There are strong arguments for undertaking this work in the same areas sampled for fieldwork on Working Neighbourhoods Fund delivery arrangements.
- 4.28 It would be useful to track the performance of individuals experiencing worklessness over time, *using post-code defined deprived neighbourhoods and Work and Pensions Longitudinal Study data subject to this being available* but we also believe that it will be possible to undertake some work that would investigate impact on *known beneficiaries of the Working Neighbourhoods Fund interventions and track their progression along the 'customer journey' using data obtained from local project based survey work* that some Working Neighbourhoods Fund areas intend to commission as part of their monitoring and evaluation work.
- 4.29 The next section takes these issues a step further by considering the main evaluation workstreams required to undertake the evaluation.

# 5. Evaluation workstreams

## Introduction

- 5.1 This section begins by summarising the key workstreams required for an evaluation of the Working Neighbourhoods Fund, building on the discussion in Sections 2-4. It then examines the different ways in which each workstream could be delivered.

## Key workstreams for an interim evaluation of the Working Neighbourhoods Fund

- 5.2 In the light of the issues raised in Sections 2-4 we believe that an interim evaluation of the Working Neighbourhoods Fund should contain the following workstreams:
- **Workstream 1: Establishing the baseline position of worklessness and its drivers** in Working Neighbourhoods Fund areas and tracking change over time, making comparison with non-Working Neighbourhoods Fund areas.
  - **Workstream 2: Inputs and activities** – analysis of all expenditure and activity directed at tackling worklessness at the local level, including the specific utilisation of the Working Neighbourhoods Fund.
  - **Workstream 3: Delivery arrangements for tackling worklessness** in Working Neighbourhoods Fund areas (and, potentially, non-Working Neighbourhoods Fund areas), including nature of partnership working, prioritisation, commissioning etc.
  - **Workstream 4: Assessing impacts for places and for individuals:**
    - Assessing the impact of the Working Neighbourhoods Fund on deprived neighbourhoods, by comparing worklessness in deprived Working Neighbourhoods Fund neighbourhoods with similarly deprived neighbourhoods in non-Working Neighbourhoods Fund areas. Also, by comparing worklessness in priority neighbourhoods in Working Neighbourhoods Fund areas identified as a priority with the rest of the relevant local authority district of which they are apart.
    - Assessing the impact of the Working Neighbourhoods Fund on individuals in specific neighbourhoods to assess their progression and movement (subject to Work and Pensions Longitudinal Study availability).
    - Assessing the impact of Working Neighbourhoods Fund-influenced interventions on known beneficiaries in specific neighbourhoods to assess their progression and movement

(subject to availability from Working Neighbourhoods Fund partners).

- **Workstream 5: Value for money** – providing a platform for a subsequent final evaluation that would assess the economy, effectiveness and cost-effectiveness of the Working Neighbourhoods Fund.
- **Workstream 6: Dissemination and learning** – drawing out the important findings and conclusions of the evaluation to encourage the promotion of best practice and new ways of working.

5.3 The rest of this section takes each of these workstreams in turn and considers options (as appropriate) for undertaking the required research. Section 6 focuses specifically on the dissemination and learning component.

## Workstreams and options

### **Workstream 1: The baseline position and drivers of worklessness**

5.4 This first part of the evaluation will involve establishing a baseline position that enables the relevant outcome indicators to be tracked and compared against appropriate benchmarks over time. The outcome indicators presented in Section 4 are available in a spreadsheet that enables the All England position for each indicator to be compared with the all Working Neighbourhoods Fund indicator and that of any individual Working Neighbourhoods Fund area. This information is for local authority areas. Changes in the all-Working Neighbourhoods Fund areas position, and that of any individual Working Neighbourhoods Fund area, can thus be tracked from the baseline position and compared with the All England average for that indicator. The ability to be able to compare and track the Working Neighbourhoods Fund areas from their baseline position relative to non-Working Neighbourhoods Fund areas and the England average is a fundamental requirement of an Interim Evaluation of the Working Neighbourhoods Fund.

5.5 During the Scoping Study an exercise was undertaken to assess the most suitable way of grouping areas so that the underlying economic and institutional diversity of the areas receiving the Working Neighbourhoods Fund could be captured in a benchmarking exercise that would allow them to be compared with non-Working Neighbourhoods Fund areas that were similar in terms of these broad characteristics. Cluster analysis was used to provide a useful typology with which to benchmark the performance of an individual Working Neighbourhoods Fund area. Since the underlying objectives of the Working Neighbourhoods Fund relate to reducing worklessness, deprivation and enhancing enterprise these are the main variables on which data are required. As noted in Section 4, an alternative to bespoke cluster analysis using indicators directly relevant to worklessness is to categorise areas according to the Office for National Statistics Area Classification for local authorities (which was developed from a broader cluster analysis) since it was shown in the Scoping Study that this was a useful approximation. An Office for National Statistics Area Classification is also available for wards, which is helpful in developing a typology of neighbourhoods (see below).



- 5.6 The Scoping Study presented the Working Neighbourhoods Fund averages by cluster type. In the evaluation of the Working Neighbourhoods Fund it would be desirable to produce averages for each indicator based on the All England result for clusters or some alternative agreed typology (such as the Office for National Statistics Area Classification). The Working Neighbourhoods Fund average for each cluster could then be compared against the England average for that cluster type. This would enable progress in any individual Working Neighbourhoods Fund area to be compared with similar Working Neighbourhoods Fund areas in the same cluster. Also, the performance of each Working Neighbourhoods Fund cluster as a whole could be compared with the equivalent England cluster average. *However, the England cluster type averages will have to be generated as part of a future Interim Evaluation of the Working Neighbourhoods Fund.* Clearly, the use of cluster analysis is only one of a number of options that are available to produce non-Working Neighbourhoods Fund benchmark aggregates and the use of alternative approaches should be considered.

### **Workstream 2: Inputs and activities**

- 5.7 Obtaining basic expenditure and activity information is an essential part of the evaluation and this data should cover the full array of worklessness funding streams and activities in the Working Neighbourhoods Fund areas. By the time the evaluation is commissioned, it is likely that most if not all Working Neighbourhoods Fund areas will have prepared Work and Skills Plans and these are expected to provide key data. It is encouraging that the Scoping Study found that about three-quarters of Working Neighbourhoods Fund areas were undertaking regular monitoring of how Working Neighbourhoods Fund expenditure was being used. Some 83 per cent were monitoring what outputs the Working Neighbourhoods Fund supported interventions were generating (e.g. to meet contractual targets/obligations) and a similar proportion were seeking to monitor outcomes linked to worklessness baseline criteria. About half were planning local evaluations of Working Neighbourhoods Fund supported projects and about a third were planning local evaluations of their worklessness strategy.
- 5.8 Certain elements should ideally be undertaken for all Working Neighbourhoods Fund areas (activity-based analysis of Working Neighbourhoods Fund expenditure), while for other data a sampling approach would be acceptable (e.g. outputs). A desk based analysis of delivery plans is one approach which could be taken, but it may also be necessary to undertake some fieldwork across all 65 Working Neighbourhoods Fund areas to collect and/or validate the quality of some of the data available. This work would need to be undertaken periodically throughout the lifetime of the evaluation and begin as early as possible. An activity classification will need to be developed, and this could take as a starting point the activity coding developed as part of the national evaluation of New Deal for Communities.
- 5.9 It is also important to identify how Working Neighbourhoods Fund areas have prioritised their expenditure by area and type of beneficiary. The Working Neighbourhoods Fund areas should be ranked to reflect the extent to which they are concentrating endeavour on their *most deprived areas and key groups within them*. This is an important element of the evaluation because those Working Neighbourhoods Fund areas that are engaged in extensive

spatial targeting will be analysed in significant depth.

### **Workstream 3: Delivery arrangements for tackling worklessness**

- 5.10 In order to understand the different approaches that are being adopted to tackle worklessness and the added value the Working Neighbourhoods Fund brings it is necessary to gain information from a very large number of stakeholders in Working Neighbourhoods Fund areas. There are obviously a number of options as to how many Working Neighbourhoods Fund areas might be selected for this purpose and clear trade-offs in terms of the breadth and depth of coverage and the amount of resources required. Overlain on this are the different fieldwork methods that could be used, each of which has its own pros and cons in terms of the level of intrusion and the depth of investigation possible. The Working Neighbourhoods Fund Scoping Study used a variety of approaches including an online, self-completion survey of all 65 areas (which achieved an overall response rate of 80%). However, the level of detail that could be probed using this method was relatively limited and the preferred approach to gain evidence for some of the more challenging quantitative and qualitative questions was via face-to-face and telephone interviews.
- 5.11 During the course of this element of the work it will be necessary to undertake interviews with a variety of organisations in the voluntary and community sectors, with government and business. The appropriate contacts will be identified in consultation with the Working Neighbourhoods Fund partnership teams.
- 5.12 As discussed in Section 3, in order to establish the strategic added value of the Working Neighbourhoods Fund, we need to know what would otherwise have happened. There are two main options here. The first is to compare and contrast experience in the Working Neighbourhoods Fund areas with similar non-Working Neighbourhoods Fund areas. The second is to identify what the key stakeholders in Working Neighbourhoods Fund areas believe would have happened in the absence of the Working Neighbourhoods Fund on the basis of their experience. Our preference is for the latter, because it is difficult to identify non-Working Neighbourhoods Fund areas with similar institutional arrangements at the outset and it is also much more resource intensive given the nature of the extra fieldwork required. Nevertheless, the use of other non-Working Neighbourhoods Fund comparison areas is obviously an option for the interim evaluation.
- 5.13 Within the Working Neighbourhoods Fund areas themselves, there are also options around the number of areas that should be surveyed and again there are several trade-offs. To survey all Working Neighbourhoods Fund areas through face-to-face enquiry would be unduly expensive and intrusive. A sampling approach is required. During the Scoping Study a sample of 20 Working Neighbourhoods Fund areas was selected and this appeared to work well. There are a number of ways in which a sample of areas can be selected to ensure representation. In the Scoping Study the preferred approach was to use cluster analysis (see above) to ensure representation across a broad typology of areas, informed by feedback from the Government Offices.

#### Workstream 4: Assessing impacts for places and for individuals

- 5.14 A key part of the Interim Evaluation will be to assess what the impact is of the Working Neighbourhoods Fund on the deprived neighbourhoods and the people who are being assisted. It is important to track and assess performance of Working Neighbourhoods Fund areas in reducing worklessness and compare this with other non-Working Neighbourhoods Fund areas, as discussed in Workstream 1. However, a central objective of the Working Neighbourhoods Fund is to focus on those neighbourhoods with high levels of worklessness and other aspects of deprivation particularly amongst the most needy groups. To identify these Working Neighbourhoods Fund impacts requires methodologies that are more suited to the analysis of small areas and the individuals within them. Section 4 discussed the main indicators for which evidence is required, a range of empirical methodologies and their feasibility. Based on that assessment we propose four research tasks be undertaken.
- 5.15 The first involves assessing impact at most deprived neighbourhood level, rather than at the local authority district level. We recommend that the evaluation assess the possible impact of the Working Neighbourhoods Fund on the deprived neighbourhoods in the Working Neighbourhoods Fund areas by tracking the worklessness indicators identified in section 4 in the 10 per cent most deprived Lower Super Output Areas in Working Neighbourhoods Fund local authority districts and compare them with the 10 per cent most deprived Lower Super Output Areas in non-Working Neighbourhoods Fund local authority districts in England. The non-Working Neighbourhoods Fund areas would thus form relevant control areas.
- 5.16 The second task would take the same indicators of worklessness be identified for Lower Super Output Areas for a derived sub-set of Working Neighbourhoods Fund areas and track these against similar indicators for their relevant local authority district *net of the small areas concerned*. These areas would thus form relevant control groups. The key issue here thus becomes one of deciding the number of Working Neighbourhoods Fund areas that receive this in-depth treatment. As noted above, it is necessary to get a clear understanding of spatial targeting in Working Neighbourhoods Fund areas so that a number of these can be selected for more in-depth analysis. There are strong arguments for undertaking this work in the same areas sampled for fieldwork on Working Neighbourhoods Fund delivery arrangements.
- 5.17 A third task would seek to make use of the Work and Pensions Longitudinal Study dataset,<sup>20</sup> **subject to its availability**. This combines information from benefits data and HM Revenue and Customs tax data and it is thus possible to know when a person leaves benefit and into work or just disappears from an area (e.g. by moving home). The data is post-coded and so enables an assessment of where people live and how they might move during a particular study period. Age and gender are also defined. The approach here would be to aggregate individual claimant records at post-code level (to proxy the 10% most deprived Lower Super Output Areas in Working Neighbourhoods Fund

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<sup>20</sup> Although the DWP Work and Pensions Longitudinal Study database is capable of generating the analysis above, at the present time there are considerable uncertainties around gaining access to it and these will need to be resolved before it can be used for an evaluation of WNF.

and non-Working Neighbourhoods Fund areas) and track these individuals through time. The use of the Work and Pensions Longitudinal Study allows for some analysis of progression by ethnicity, age and gender (although in relation to ethnicity this is limited to Jobseeker's Allowance claimants only). Ideally, one would like to be able to track known beneficiaries exposed to a Working Neighbourhoods Fund-influenced project. However, it is our understanding that it is not possible to combine the Work and Pensions Longitudinal Study data with data from other sources because this would violate the confidentiality requirements associated with the Work and Pensions Longitudinal Study.

- 5.18 A fourth task would choose a small number of Working Neighbourhoods Fund areas for more in-depth research that would concentrate on the impact of Working Neighbourhoods Fund-influenced activity on particular groups and individuals in deprived neighbourhoods and investigate the impact of particular types of intervention. During the Scoping Study it was found that some Working Neighbourhoods Fund areas intend to commission local survey work focused on project based interventions where the Working Neighbourhoods Fund had featured prominently. This task would use and build upon the results of this survey work where it proved possible.

#### **Workstream 5: Value for money**

- 5.19 At an appropriate point in the evaluation cycle, attention should be given to addressing Value For Money considerations (albeit this may not be a particularly important dimension for the interim evaluation). The impact of the Working Neighbourhoods Fund on the key outcomes discussed should be assessed in the light of the expenditure associated with the Working Neighbourhoods Fund programme. An important element in this work will be to gauge the success of the Working Neighbourhoods Fund in leveraging other funds and this should be compared with the experience of other initiatives, most notably those that have been area based and which have had a strong economic worklessness element.

### **Timing and phasing issues**

- 5.20 The first year of the Working Neighbourhoods Fund was 2008-09, but many areas treated this as a 'year 0' as they transitioned out of the Neighbourhood Renewal Fund and put in place new arrangements for Working Neighbourhoods Fund from 2009-10 onwards. On the assumption that the Working Neighbourhoods Fund is at least a three year funding stream, there is merit in undertaking evaluation activity over at least a two year period. We see two principal options here. The first would be to commission an interim evaluation during 2009-10 and a final evaluation in 2010-11. Alternatively, a single evaluation contract could be let in 2009-10 with two phases – an initial phase which constructed the baseline and finalised the specification of all of the quantitative work, while making substantial headway with the assessment of strategic added value of the Working Neighbourhoods Fund; and a second phase which undertook follow-up on progression in delivery and with a clear focus on impact assessment and value for money.

## 6. Dissemination and learning

### Introduction

- 6.1 The Scoping Study found wide-ranging support amongst national, regional and local stakeholders for an evaluation of the Working Neighbourhoods Fund and it will be important to maximise its value across a range of audiences. This section sets out the role that the evaluation – in whatever form – would be expected to play in supporting the learning and improvement agenda for worklessness. It begins with a brief summary of the learning and improvement needs that emerged from the Working Neighbourhoods Fund Scoping Study. Consideration is then given to how the evaluation of the Working Neighbourhoods Fund can be positioned in relation to wider support mechanisms for partners throughout the delivery chain.

### Learning and improvement needs – evidence from the Scoping Study

- 6.2 Several learning and improvement needs were highlighted as part of the Scoping Study. There were clear messages about the need for: early and strong partnership working; more evidence on what works through different commissioning models; flexibility in the face of changing circumstances; and improved co-ordination (between different arms of central government and between national policy and local delivery), particularly in relation to the design and delivery of new funding streams and on data sharing.

### Evaluation and the support package for Local Strategic Partnerships

- 6.3 It is important to position the Working Neighbourhoods Fund evaluation in the context of the National Worklessness Forum and the support package for partnerships being introduced by the Department for Communities and Local Government and the Department for Work and Pensions. This initiative is intended to:
- facilitate regular dialogue amongst national, regional, sub-regional and local partners to identify and promote innovation and good practice
  - strengthen regional, sub-regional and local leadership on the employment agenda, including the development of skills in analysis, planning, commissioning, and evaluation strategies
  - challenge partnerships to develop capability and improve delivery, with direct support provided through the IDeA and the Regional Improvement and Efficiency Partnerships
  - establish a framework for dialogue on the Department for Work and Pensions localisation policy and implementation.

- 6.4 The evaluation should consider how best to plan dissemination/knowledge transfer in conjunction/liaison with IDeA and the Regional Improvement and Efficiency Partnerships (who are currently developing Regional Worklessness Networks). The Department for Communities and Local Government, the Department for Work and Pensions and IDeA are committed to developing more effective ways of communicating, including through use of websites, e-briefing and online communities.
- 6.5 The Working Neighbourhoods Fund evaluation should support innovation in this area, seeking to make maximum use of different methods to engage with relevant audiences in effective, compelling ways. The Scoping Study found a variety of preferences in terms of dissemination methods, including short summary documents as well as more interactive events. No one approach is likely to be sufficient in its own right, given variations in learning styles amongst practitioners and policy makers. Co-ordination with IDeA and Regional Improvement and Efficiency Partnerships should avoid overlap and ensure that practitioners and decision-makers are not bombarded with a confusing array of events and publications.

## Importance of learning from the evaluation

- 6.6 It will be important to draw from the evaluation aspects of good practice, in relation to:
- projects and services which are demonstrating impact and value for money
  - strategic added value provided by the Working Neighbourhoods Fund, e.g. in influencing partner service delivery and/ or resource allocation, linked provision of wrap-around services.
- 6.7 It will be especially helpful to identify 'what works' that can be scaled up/replicated more widely – acknowledging the key to successful transfer is held by localities in adapting ideas and approaches to their own circumstances. In line with the need for co-ordination, one option could involve the production of case studies for publication on the IDeA Partnerships and Places Library. Equally, it is the task of the evaluation to highlight what isn't working, and to ascertain the reasons why. This strand of work on good practice should encourage:
- better informed decision making
  - faster spread of good ideas and ways of addressing common challenges
  - increased awareness of opportunities and methods for developing services
  - less time and effort wasted in researching/developing/improving services
  - reduced risks and uncertainties
  - stimulus to further innovation and adaptation
  - greater accord in defining what constitutes best practice.

## Evaluation audiences

- 6.8 As part of a dissemination plan, it will be essential to consider audiences for the evaluation activities/outputs and tailor these accordingly. Relevant audiences include policy makers within central government (relevant departments and agencies), Government Offices, senior decision-makers within Local Strategic Partnerships, commissioners at local and sub-regional levels, practitioners (primarily employment, but also in related fields such as housing and public health), researchers/analysts.
- 6.9 The evaluation should also seek to take advantage of opportunities presented by national and regional events, such as the Welfare to Work annual conference (the key annual gathering of practitioners and policy makers) to help to maximise the reach of the findings.