

COMMUNITY WEALTH FUND THINK PIECE

A note for Local Trust

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Summary

The Community Wealth Fund (CWF) aims to support community-led long term development of social infrastructure in up to 500 left behind neighbourhoods across the UK. The CWF proposes that, with appropriate support and a relatively small annual spend, residents in areas suffering deprivation can build capacity to develop and deliver activities, services and facilities which meet their needs and which bring the community together to build social capital.

As part of the development of the CWF proposal, and typical of all such proposals for government funding, Local Trust need to develop a plan for evaluating the CWF. They are being challenged by government to design an ambitious and robust impact evaluation¹ that, amongst other things, captures the contribution of the CWF to economic growth. As the CWF is still in its design phase, there is an opportunity to flex its design to enable appropriate impact evaluation. However, some fundamental constraints, common to evaluating area based initiatives (such as limitations in available data, likely variation in the use of funding across areas and consequent difficulties in identifying a robust counterfactual) are likely to remain. This note is designed to set out what might be possible from an impact evaluation of the CWF following the guidance set out in the Magenta Book² and the Green Book³. It draws on interviews and insights and reflects feedback received from a range of respected experts in this field. Local Trust are committed to building on this thinking as the design of the fund develops.

Designing an ambitious and robust impact evaluation of the CWF raises two central questions. Firstly, what measures should the evaluation capture (and what data exists with which to undertake measurement); and secondly, what evaluation methods can realistically be employed.

What should be measured?

The first step in every evaluation should be to develop a detailed theory of change setting out how the intervention is expected to lead to a series of outputs, outcomes and impacts and the timeframe over which each are expected to be achieved. The outline theory of change⁴ for the CWF describes how, by bringing together communities to build capacity and capability to develop and deliver activities, services and facilities, the CWF is intended to lead to the enhancement of social capital in left behind neighbourhoods. As well as being associated with better wellbeing for local residents, enhancements in social capital, particularly bridging capital (a subset of social capital), have been shown to be associated with increased economic growth in an area.⁵

¹ This note focuses on impact evaluation but recognises the very important role that process evaluation will also play in any future evaluation of the CWF.

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/879438/HMT_Magenta_Book.pdf

³ <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020>

⁴ <https://localtrust.org.uk/wp-content/uploads/2020/12/Final-CWFA-CSR-submission.pdf>

⁵ See for instance: Muringani, Fitjar and Rodriguez-Pose (2021), 'Social capital and economic growth in the regions of Europe'; Power to Change (2017), 'Neighbourhood economic models'; and Chetty, R., Jackson, M.O., Kuchler, T. et al. Social capital I: measurement and associations with economic mobility. *Nature* 608, 108–121 (2022).

As demonstrated in previous work by Frontier Economics⁶, the CWF is also expected to lead to the creation of human and physical capital in areas: for example, by providing support for the local inactive population to transition back to the labour market. This can also be clearly linked to economic growth. As set out in the Levelling Up White Paper⁷, increases in each of the six capitals (human, physical, social, financial, institutional and intangible), particularly where they act in combination, can lead to economic growth as well as improvements in the quality of life and sense of community in an area.

While there are clear links between the CWF and the economic growth of an area, it does not follow that an evaluation of the CWF should focus on directly measuring its impact on economic growth. Assessing the CWF's impact on economic growth, as measured by GVA for example, would be extremely challenging. Firstly, data on such measures is not typically available at the neighbourhood level at which the funding will be provided, so imperfect proxies would need to be used. Secondly, but critically, the emerging theory of change suggests that significant time lags between when an area receives CWF support and when an impact on GVA is realised would be expected. Many left behind neighbourhoods, who face long-standing and multidimensional deprivation, must first build their capacity and capability to develop and deliver relevant activities that will support economic growth. This takes time, sometimes many years, and means that focussing on measuring the impact of the CWF on GVA (or an equivalent measure) would be misplaced. It would risk the false conclusion that the CWF had not contributed to economic growth because it was looking in the wrong place: missing the valuable groundwork that had been undertaken to build community capacity in the early years of funding. By the time the CWF had led to meaningful and sustainable changes in economic growth, disentangling its effect on growth (in evaluation terms) from other factors would have become very challenging.

We therefore suggest that a robust evaluation of the CWF should focus on measuring the impact of the CWF on suitable outputs and intermediate outcomes. Ideally, this would include those that are leading indicators when it comes to growth rather than a direct measure of economic growth itself.⁸ Potential examples of measures that might be reasonable to capture in the impact evaluation could include: changes in community capacity in an area (e.g. self-reported measures of civic and community participation); changes in social capital in an area (e.g. captured by the connectedness measure within the OCSI index⁹); changes to the skills of individuals in the local area; and/or changes in the density of community assets in an area. Whether considered a separate impact in its own right or as part of a set of measures feeding into economic growth, any assessment of the CWF should also seek to include subjective measures of wellbeing and quality of life in line with the Green Book supplementary guidance^{10, 11}.

⁶ Frontier Economics (2021), The impacts of social infrastructure investment

⁷ <https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>

⁸ A full scoping of outcome measures is beyond the scope of this paper, as it would involve a detailed mapping of the data sources currently or expected to be available at neighbourhood level as well as consideration of potential primary data collection via surveys

⁹ [Research, data & analysis for public and community organisations - OCSI](#)

¹⁰ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1005388/Wellbeing_guidance_for_appraisal_-_supplementary_Green_Book_guidance.pdf

¹¹ Ideally this would draw on the 4 ONS wellbeing questions, but these are available at the local authority level rather than the neighbourhood level. Exploratory work would be needed to ascertain whether using individual level data would provide sufficient sample sizes for analysis of this kind.

We would propose drawing an explicit distinction between those outcomes that are possible to reasonably and robustly measure within the timescale of an evaluation, and those where it would be necessary to draw on available secondary evidence to make the link to economic growth. To provide an example of how this approach has worked in other areas of policy, consider the substantial investment in early years education that has taken place since 2001.¹² Evaluations of early years initiatives¹³ have focused on measuring their impact on a set of objective scores that have been shown to be linked to attainment at various key stages throughout a child's life. These changes in key stage scores can in turn be linked to measures of labour productivity through the literature on wage returns. Thus this approach to evaluation focuses on measuring the impact of early years education on known outcomes that can be linked to economic growth, rather than attempting to measure the effect of the initiative on growth directly, which would effectively involve waiting for children to grow up.

A final consideration for this approach relates to the community-led nature of the CWF. This means that different areas are likely to target different outcomes, and even within the same outcome measure, target this in ways which vary over time. As such, we suggest that an additional variable be required for evaluation purposes. This variable would measure the 'intensity' of CWF funding in 'treated' areas¹⁴, focused on different outcomes over time. We envisage that intensity would be determined with reference to the theory of change and proportion of funding. The proportion of CWF funding that is associated with activities or outputs that can be meaningfully linked through the theory of change to an outcome would be considered 'CWF funding towards outcome X'.

How should it be measured?

We propose that an impact evaluation approach that combines theory-based evaluation at an area or project level¹⁵ with experimental methods at the programme and project level would strike the right balance between feasibility, proportionality and ensuring a robust evaluation. Our work to date suggests that further feasibility work on either a Regression Discontinuity Design (RDD) or other forms of panel data regression to inform the programme level evaluation could be promising. We recognise though that this brings challenges and additional work is needed to explore this further. Such an approach would only ever be able to provide a high-level view as to whether or not certain outcomes have been achieved in areas receiving funding and the likely size of that impact. As the only approach to evaluation, it would inherently carry risks. One key risk relates to the unknown quantum of funding and the resulting expected magnitude of likely effect of the CWF in any given area, which is an important determinant of whether or not it would be possible to robustly identify an effect using these approaches. This means that combining it with a high quality theory-based evaluation at the project level would be prudent. In the following, we discuss the different levels of evaluation in more detail.

¹² <https://ifs.org.uk/education-spending/early-years>

¹³ See for example, Paull, G., Wilson, C., Melhuish, E. and Gardiner, J., (2020), Study of Early Education and Development (SEED): Financial returns to early education spending, Department for Education Research Report DFE-RR954, February
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/867133/SEED_VfM_Report.pdf

¹⁴ This paper uses statistical language about 'treated' and 'untreated' areas. Treated means receiving CWF funding and untreated means not receiving CWF funding.

¹⁵ An example of a project in this context would be the funding given to Area A (Southwark) to do activity B (Youth Club), with an evaluation looking at the specific things they (Youth Club) do in that area and their impacts (e.g. reduced crime). Area level evaluations would consider a range of projects within a given location. In contrast, a programme level evaluation would consider the impact of the CWF overall across all 200+ areas, and would be evaluated at a much lower level of granularity as a result.

Project/area level evaluation

Theory-based methods are well suited for a project/area level evaluation of a complex intervention such as the CWF. A high quality theory-based approach would draw on a detailed theory of change for the CWF and would involve process tracing, which identifies what data and outcomes you would need to see to demonstrate that the chain of causality set out in the theory of change holds. The theory of change for a given area would include a detailed understanding of the context of that area. This includes how well the local area is connected to other places (including areas of economic activity), as well as other initiatives in the local area that may complement or place limits on the work of the CWF. Data is collected to test whether what occurs in a local area supports the causality chain. Contribution analysis then allows an exploration of the extent to which any observed changes in outcomes are attributable to the CWF. To ensure rigour, the approach involves collecting a range of evidence specific enough to test the theories, triangulate across multiple sources, and rule out alternative causes for impact. We would propose that theory-based approaches are conducted across a subset of all areas receiving CWF funding (to cover all areas would likely be disproportionately costly) and that areas involved in the evaluation receive additional funding to support high quality evaluation work. If the number of areas involved was sufficiently large, it might be possible to make theory-based inferences about effects at the programme level.

Programme level evaluation

Many of what are traditionally considered robust evaluation methods (those that are high on the Maryland Scale of Scientific Methods¹⁶), are not well suited to evaluating the CWF at the programme level. This is particularly because of the difficulties of defining an appropriate counterfactual and accessing relevant data. A RDD approach at the programme level (using the eligibility threshold for CWF funding to generate a counterfactual) could provide a means of evaluating the overall impact of CWF funding for a set of key outcomes measures. This would act as a complement to the project/area theory-based approach. Other panel data regression approaches could also be explored further. Both methods would need to give due consideration to leakage/spill over effects whereby the benefits of the CWF spill out to other areas. Options could include excluding areas that border those that receive funding from the control group in the evaluation.

Conclusion

The consensus amongst the experts we consulted as part of this work is that it is possible to develop a robust evaluation for the CWF that demonstrates its impact on a series of outcome measures that are clearly *linked* to economic growth (rather than economic growth itself). A theory-based approach to impact evaluation at a project/area level (across a subset of projects/areas) is well suited to this task and will allow an understanding of what has been achieved in areas as well as how. A RDD or other panel data method shows potential for a programme level evaluation provided it is focused on outcomes that are clearly linked to economic growth via a theory of change and can be realistically measured in a reasonable timeframe. The key next steps for Local Trust are to develop a detailed theory of change for the CWF, undertake a detailed data mapping to ascertain what data could be used for evaluation purposes, and work up a detailed evaluation framework (which would include additional scoping on the feasibility of using RDD or other panel data methods).

¹⁶ <https://whatworksgrowth.org/resources/the-scientific-maryland-scale/>

1 INTRODUCTION

Local Trust have developed a proposal for a Community Wealth Fund (CWF), an endowment of between £300m to £2bn, to support the long term development of social infrastructure to foster social capital in between 250 and 500 “left behind communities”¹⁷ across the UK. The proposal anticipates funding over a 10 to 15 year period, beginning in 2024. The proposal has support from nearly 600 organisations, cross-party support and was explicitly referenced within the recent Levelling Up White Paper¹⁸.

Community-led regeneration cannot be achieved with a stop-start funding stream that first builds hope, then destroys it, leaving people less optimistic and trusting, and feeling more disempowered than ever. We will consider a Community Wealth Fund, financial inclusion and other social investment as part of our consultation on £880m in Dormant Assets funding, and focus lottery cash to reach into the most deprived small areas of the country. Levelling Up The United Kingdom (Department for Levelling Up, Housing and Communities, 2022)

Local Trust have adopted an evidence-based approach to developing the proposal for the CWF and demonstrating the potentially significant economic and social returns that could be associated with social infrastructure development in left behind areas.¹⁹ The evidence base underpinning the proposal suggests that the fund should be targeted at hyper-local areas with between 10,000 and 15,000 people and be based on 5 core principles²⁰:

- 1 **Community-led:** funding decisions should be made by communities in ‘left behind’ neighbourhoods with appropriate capacity building support.
- 2 **Long term:** investment should be patient, delivered over ten to fifteen years, ensuring that change is embedded and sustainable, and enabling community-led change in places with low starting points.
- 3 **Partnership focused:** communities should be incentivised to co-produce services and facilities with the local public sector and to develop strong relationships with the private sector;²¹
- 4 **Linking to economic opportunity:** attention should be paid to linking communities with economic opportunities in the wider geographical area; and

¹⁷ “Left behind communities” are defined in the work by Local Trust and OCSI as the 10% of areas which have the greatest level of community need and highest levels of deprivation. Level of community needs is set through a community-needs index developed by the OCSI which considers civic assets, connectedness and community engagement. Deprivation refers to the Indices of Multiple Deprivation. More information from Local Trust and OCSI is available [here](#).

¹⁸ <https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>

¹⁹ Frontier Economics (2021), The impacts of social infrastructure investment: a report for Local Trust. Available [here](#)

²⁰ An in-depth analysis of all major local area initiatives from the last 40 years pinpointed that programmes more likely to deliver benefits for communities: took a holistic approach; focused investment on a small geographical area of between 3,000-10,000 residents; built partnerships between the community and the wider economy; and guaranteed long-term funding of over 7 years (CCHPR, 2019: 22). The community ‘has to feel they have real influence and real power, otherwise they won’t engage’ (CCHPR, 2019: 7-8).

²¹ Frontier Economics (2022), Rapid evidence review of community initiatives, Report for DCMS and DLUHC. Available [here](#). Section 4.4.7

5 **Focused on sustainability:** attention should be paid to how projects will have a legacy in communities when their programme funding is exhausted.²²

As part of the development of the CWF proposal, and typical of all such proposals for government funding, Local Trust need to develop a plan for evaluating the CWF. They are being challenged by government to design an ambitious and robust impact evaluation²³ that, amongst other things, captures the contribution of the CWF to the economic growth of an area. As the CWF is still in its design phase, there is an opportunity to flex its design to enable appropriate impact evaluation.

The Magenta Book²⁴ and the Green Book²⁵ have long guided government evaluation, the systematic assessment of the design, implementation and outcomes of an intervention. Evaluations serve two main purposes – learning and accountability. Evaluations should support a culture of continuous learning and improvement to enhance understanding of what works, how it works and when and where it works with a view to improving delivery and ultimately increasing the chances that the objectives of government policy are achieved. Evaluations are also intended to demonstrate how taxpayers money has been used; to show what an intervention has delivered in terms of outcomes and impacts and ultimately to facilitate the assessment by Government of whether or not that constitutes good value for money for taxpayers when compared against alternative uses for the funding.

Local Trust are committed to an evaluation approach that enables accountability, continuous learning and improvement of the CWF as it develops, while acknowledging that conventional evaluation approaches may not work as well in this space and innovative thinking is needed. However, evaluating an initiative like the CWF, which aims to provide funding at neighbourhood level and seeks to enable local prioritisation and accountability over spend²⁶, poses specific challenges for evaluation (e.g. the range of different approaches and objectives across areas, the fact that local spend may often be grouped with other sources of funding etc). It is critical that these challenges are appropriately reflected in the evaluation design so that, in line with government principles, the evaluation proves useful, credible, robust and proportionate.

This note is designed to set out what might be possible from an impact evaluation of the CWF following the guidance set out in the Magenta Book²⁷ and the Green Book²⁸. It draws on interviews and insights, and reflects feedback received from a range of respected experts in this field. Local Trust are committed to building on this thinking as the design of the fund develops.

A good evaluation will be one that is fit-for-purpose: it is proportionate in scale and reflects the needs of decision-makers and those scrutinising the policy from the outside. (Magenta Book, 2020)

²² Frontier Economics (2022), Rapid evidence review of community initiatives, Report for DCMS and DLUHC. Available [here](#). Section 4.4.5 and 4.4.6

²³ This note focuses on impact evaluation but recognises the very important role that process evaluation will also play in any future evaluation of the CWF.

²⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/879438/HMT_Magenta_Book.pdf

²⁵ <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020>

²⁶ <https://communitywealthfund.org.uk/>

²⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/879438/HMT_Magenta_Book.pdf

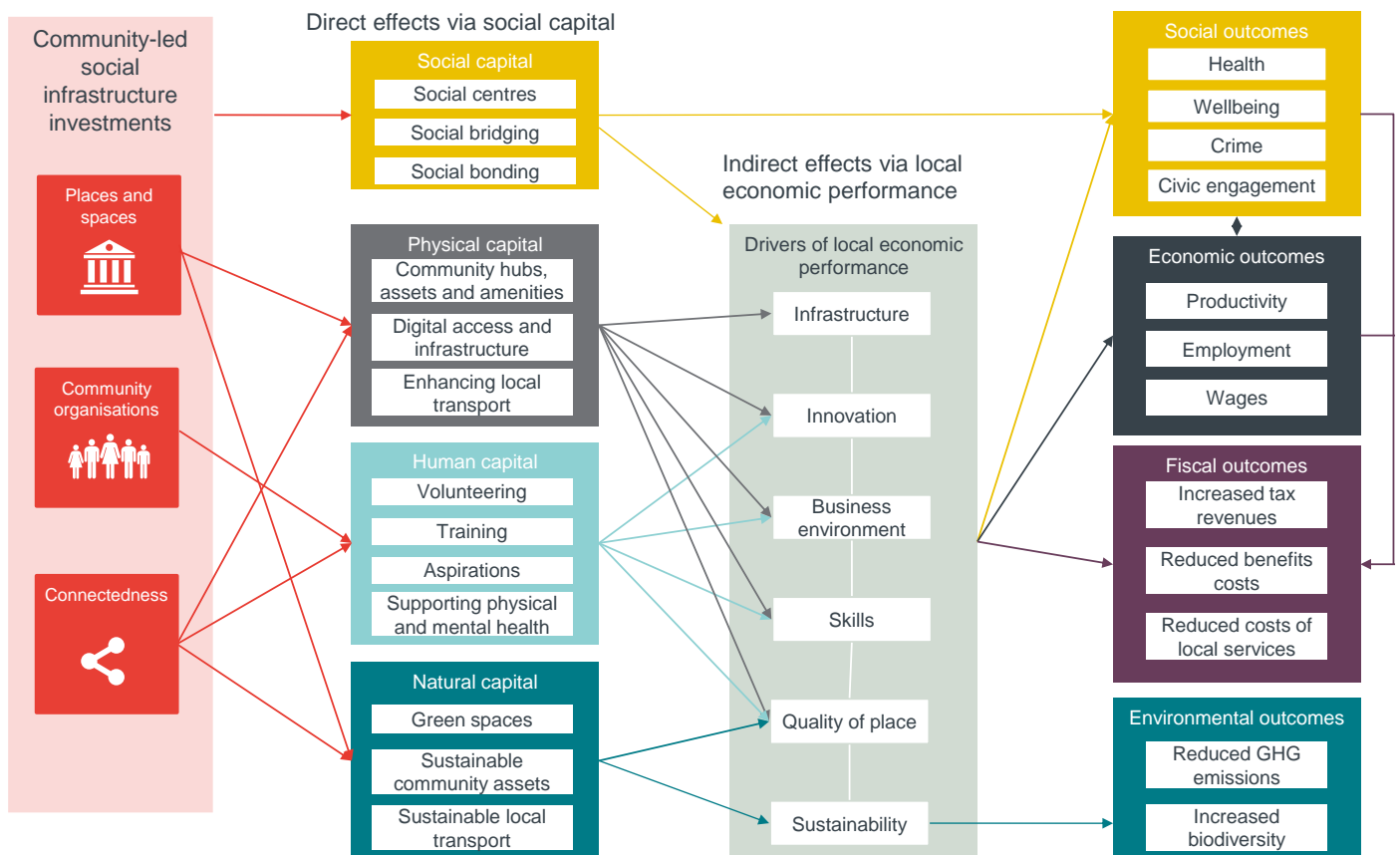
²⁸ <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020>

The starting point for any evaluation is a clearly articulated theory of change and logic model, which describe how the intervention is expected to work and what outcomes are expected. Local Trust have developed an outline theory of change and a preliminary logic model for the CWF, both well supported by available evidence. It is understood that the theory of change will need to be further developed so that it provides a more detailed description of how and why change is expected, the timescales for expected change and possible confounding issues or supporting factors; a process that will involve collaboration with communities and evaluation partners. But, the preliminary theory of change and logic model provide a helpful starting point for considering what evaluation is possible.

Theory of change: *With appropriate support, residents in areas suffering deprivation can develop and deliver activities which bring the community together and services and facilities which meet their needs. And, with a relatively small annual spend they can, over time, develop capacity to partner with organisations from the public and private sectors to raise more significant additional investment to improve their areas. This can include large scale investment to improve economic prospects through, for example, community owned affordable housing or renewable energy schemes and initiatives to support local enterprise and business development.*

An example logic model for this is set out in the following figure, and more details on the CWF theory of change are in Annex A.

Figure 1 Logic model for community-led social infrastructure investments



Source: Frontier Economics (2021), *The impacts of social infrastructure investment: a report for Local Trust*. Available [here](#)

The rest of this note sets out what the objectives and principles of the proposed design of the CWF mean for the design of an evaluation that follows Government principles. This is considered both from the perspective of what outcomes could be measured and how measurement could best be achieved.

2 WHAT OUTCOMES AND IMPACTS SHOULD BE MEASURED IN AN EVALUATION?

The outline theory of change²⁹ for the CWF describes how, by bringing together communities to build capacity and capability to develop and deliver activities, services and facilities, the CWF is intended to lead to the enhancement of social capital in left behind neighbourhoods. As well as being associated with better wellbeing for local residents, enhancements in social capital—particularly bridging capital (a subset of social capital)—have been shown to be associated with increased economic growth in an area.³⁰

As demonstrated in previous work by Frontier Economics³¹, the CWF would also be expected to lead to the creation of human and physical capital in areas: for example, by providing support for the local inactive population to transition back to the labour market. The creation or enhancement of human and physical capital in left behind neighbourhoods can be clearly linked to economic growth. As set out in the Levelling Up White Paper³², increases in each of the six capitals (human, physical, social, financial, institutional and intangible), particularly where they act in combination, can lead to economic growth as well as improvements in the quality of life and sense of community in areas.

2.1 ECONOMIC GROWTH

Particular weight is placed by government on measuring the contribution of interventions to economic growth: defined as the increase in the total value of goods and services created in a specific period of time by the economy. Productivity growth³³ is a key driver of economic growth, but it is not the only driver. Economic growth can also be driven by (e.g.) changes in the labour force, by increasing the number of workers employed in the economy through moving people from inactivity or unemployment into work. Productivity growth is largely seen as the key long term driver of economic growth because there are natural limits to the size of the labour force. This is particularly true in economies with close to full employment.

Productivity growth occurs when the economy is able to change the way in which labour and capital are translated into goods and services such that more is produced with the same inputs. An obvious example of productivity growth occurs when there are improvements in technology that mean that more output can be produced from a given number of employees. There are, of course, multiple drivers of productivity growth including changes across each of the six capitals (human, physical, social, financial, institutional and

²⁹ <https://localtrust.org.uk/wp-content/uploads/2020/12/Final-CWFA-CSR-submission.pdf>

³⁰ See for instance: Muringani, Fitjar and Rodriguez-Pose (2021), 'Social capital and economic growth in the regions of Europe'; Power to Change (2017), 'Neighbourhood economic models'; and Chetty, R., Jackson, M.O., Kuchler, T. et al. Social capital I: measurement and associations with economic mobility. *Nature* 608, 108–121 (2022).

³¹ Frontier Economics (2021), The impacts of social infrastructure investment

³² <https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>

³³ Productivity is about how much output can be created with a given set of inputs. An increase in productivity occurs when either the same output is created with fewer inputs, or the same inputs lead to an increase in output. An increase in labour productivity, for example, occurs when the same outputs are delivered with fewer workers (or hours worked) or there is an increase in output from the same number of workers (or hours worked). Labour productivity improvements, for example, if workers become more skilled and are able to produce output more efficiently than before or if they move to more productive jobs in the economy.

intangible), as set out in the White Paper. Initiatives focused on social infrastructure like the CWF can drive economic growth via these different capital stocks in some of the following ways (not intended to be an exhaustive list): ^{34, 35}

The link between the CWF and drivers of economic growth

Social capital

Increased social capital in an area, particularly bridging capital, can drive economic growth through:

- enabling better matching of individuals to high productivity jobs brought about by increased social connections meaning individuals are exposed to a wider range of job opportunities;
- enhancing health and wellbeing meaning that employees take less time off work for sickness and are therefore more productive; this can occur, for example through reduced loneliness or isolation of individuals that results from better community support organisations or improved local connections; and
- building better connections between disparate groups that provide opportunities for innovative ideas to be developed, potentially leading to increased productivity.³⁶

Human capital

- increasing employability of local individuals, enabling them to move into employment where they would otherwise have been unemployed or inactive (increasing the supply of labour) as a result of training and upskilling opportunities within community settings;
- increasing employability of local individuals (increasing the supply of labour) as a result of volunteering opportunities that build work-relevant confidence and skills; and
- building better connections between disparate groups that expose young people to alternative careers that help to raise their aspirations, prompting them into different training and ultimately higher productivity career options.

Physical capital

- providing local transport links (e.g. bus routes) that connect individuals in an area to employment opportunities thus enabling them to either enter the labour market or move to more productive jobs;
- community hubs and parks that provide the setting for social interactions or training to take place that otherwise wouldn't, facilitating improvements in social and human capital that in turn lead to growth;
- community centres or hubs that provide physical space for other activities e.g. childcare that enable improved education outcomes for children and may facilitate return or increased role in the labour market for parents; and
- digital access and infrastructure, facilitating social interactions to take place that otherwise wouldn't.

³⁴ Centre for Progressive Policy (2020), Productivity knocks: levelling up with social infrastructure investment. Available [here](#)

³⁵ Frontier Economics (2021), The impacts of social infrastructure investment: a report for Local Trust. Available [here](#)

³⁶ See, for example, <https://ourworldindata.org/social-networks-innovation-and-productivity>

While there are clear links between the CWF and the economic growth of an area, it does not follow that an evaluation of CWF should focus on measuring its direct impact on economic growth. Assessing the CWF's impact on economic growth, as measured by GVA for example, would be extremely challenging.

Firstly, data on such measures is not typically available at the neighbourhood level at which the funding will be provided, so imperfect proxies would need to be used. Secondly, but critically, the emerging theory of change suggests that significant time lags between when an area receives CWF support and when an impact on GVA is realised would be expected. Many left behind neighbourhoods, who face long-standing and multidimensional deprivation, must first build their capacity and capability to develop and deliver relevant activities that support economic growth. This takes time, sometimes many years, and means that focussing on measuring the impact of the CWF on GVA (or an equivalent measure) until the later stages of the CWF would be misplaced. It would risk the false conclusion that the CWF had not contributed to economic growth because it was looking in the wrong place: missing the valuable groundwork that had been undertaken to build community capacity in the early years of funding. By the time the CWF had led to meaningful and sustainable changes in economic growth, disentangling its effect on growth (in evaluation terms) from other factors would have become very challenging. A further exploration of issues around timing, complexity and general measurement of economic growth are covered in Annex B.

We therefore suggest that a robust evaluation of the CWF should focus on measuring the impact of the CWF on suitable outputs and intermediate outcomes. Ideally, this would include those that are leading indicators when it comes to growth rather than a direct measure of economic growth itself.³⁷ Potential examples of measures that might be reasonable to capture in the impact evaluation could include: changes in community capacity in an area (e.g. self-reported measures of civic and community participation); changes in social capital in an area (e.g. captured by the connectedness measure within the OCSI index³⁸); changes to the skills of individuals in the local area; and/or changes in the density of community assets in an area. Whether considered a separate impact in its own right or as part of a set of measures feeding into economic growth, any assessment of the CWF should also seek to include subjective measures of wellbeing and quality of life in line with the Green Book supplementary guidance^{39 40}.

We would propose drawing an explicit distinction between those outcomes that are possible to reasonably and robustly measure within the timescale of an evaluation, and those where it would be necessary to draw on available secondary evidence to make the link to economic growth.

³⁷ A full scoping of outcome measures is beyond the scope of this paper, as it would involve a detailed mapping of the data sources currently or expected to be available at neighbourhood level as well as consideration of potential primary data collection via surveys

³⁸ [Research, data & analysis for public and community organisations - OCSI](#)

³⁹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1005388/Wellbeing_guidance_for_appraisal_-_supplementary_Green_Book_guidance.pdf

⁴⁰ Ideally this would draw on the 4 ONS wellbeing questions, but these are available at the local authority level rather than the neighbourhood level. Exploratory work would be needed to ascertain whether using individual level data would provide sufficient sample sizes for analysis of this kind.

To provide an example of how this approach has worked in other areas of policy, consider the substantial investment in early years education that has taken place since 2001.⁴¹ Evaluations of early years initiatives⁴² have focused on measuring their impact on a set of objective scores that have been shown to be linked to attainment at various key stages throughout a child's life. These changes in key stage scores can in turn be linked to measures of labour productivity through the literature on wage returns. Thus this approach to evaluation focuses on measuring the impact of early years education on known outcomes that can be linked to economic growth, rather than attempting to measure the effect of the initiative on growth directly, which would effectively involve waiting for children to grow up.

A further consideration for this approach relates to the community-led nature of the CWF. This means that different areas are likely to target different outcome measures, and even within the same outcome measure, target this in ways which vary over time. As such, we would suggest that a further variable be created and incorporated into the analysis. This variable would measure the 'intensity' of CWF funding in 'treated' areas⁴³, focused on different outcomes over time. We envisage that intensity would be determined with reference to the theory of change and proportion of funding. The proportion of CWF funding that is associated with activities or outputs that can be meaningfully linked through the theory of change to an outcome would be considered 'CWF funding towards outcome X'.

3 HOW SHOULD OUTCOMES AND IMPACTS BE EVALUATED?

As noted earlier, the fact that the CWF is still at the proposal stage means there is still the opportunity to ensure that the design of the proposal is consistent with evaluation best practice. The evaluation of the CWF will not be the first attempt at a thorough evaluation of community initiatives. There have been place-based initiatives aimed at regenerating left behind areas since the 1960s, and, to some extent, attempts to evaluate these. These are outlined in the box below.

⁴¹ <https://ifs.org.uk/education-spending/early-years>

⁴² See for example, Paull, G., Wilson, C., Melhuish, E. and Gardiner, J., (2020), Study of Early Education and Development (SEED): Financial returns to early education spending, Department for Education Research Report DFE-RR954, February https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/867133/SEED_VfM_Report.pdf

⁴³ This paper uses statistical language about 'treated' and 'untreated' areas. Treated means receiving CWF funding and untreated means not receiving CWF funding.

Previous community initiative evaluations

There have been a variety of meta-analyses of evidence on community initiatives and evaluations of specific inventions. A consistent issue is the difficulty in robustly evaluating community initiatives, but overall the current evidence base shows that community initiatives can lead to positive outcomes.⁴⁴

For instance, a review of evaluations to find out what works for local economic change for Local Trust in 2019⁴⁵ that covered the past 40 years, found that barriers to successful interventions were poorly designed engagement with residents, insufficient timescales and resources, and disconnections between local activity and national policy. The study identified that interventions worked best where there was the most local engagement, catchment areas were around 10,000 people, there was existing community infrastructure and connections with economic opportunities beyond the immediate neighbourhood.

Despite the difficulties, there have been some successful attempts at robust evaluation. For instance, the New Deal for Communities evaluation has been identified as taking a more robust approach.⁴⁶ This evaluation constructed a counterfactual by making assessments relative to national benchmarking, with some confounding factors accounted for. The outcomes measured were 36 core indicators for areas such as education, crime and health. The evaluation by Batty et al. found improvements in 32 of these.⁴⁷ Our thinking takes into account this scheme level evaluation using a range of outcome indicators and due consideration of the counterfactual.

A scoping phase of an evaluation sets out to determine what evaluation approaches are required and what questions can be answered. This section explores the relevant questions but isn't intended to be a complete scoping of an evaluation approach for the CWF. This will be completed in due course.

It is clear from the interest to date in the CWF proposal that there will be multiple stakeholders interested in its evaluation. This includes for example central government departments (e.g. HM Treasury, DLUHC and DCMS), local stakeholders (e.g. neighbourhood recipients of funding, local government, other neighbourhoods) and academics and researchers. Evaluation questions will need to span all three types of typical evaluation:

- **Process evaluation:** what can be learned from how the intervention was delivered?
- **Impact evaluation:** What difference did the policy make?
- **Value for money evaluation:** is the intervention the best use of resources?

Notwithstanding the importance and challenges associated with process evaluation, the key challenges for this evaluation are likely to relate to assessing its impact and value for money. Determining a suitable approach to impact evaluation requires considering the nature of the intervention, its expected impact, data availability, and potential comparison groups. Ideally, all else equal, evaluations will seek to achieve the most

⁴⁴ See for instance Frontier Economics (2022), Rapid evidence review of community initiatives, Report for DCMS and DLUHC. Available [here](#)

⁴⁵ University of Cambridge (2019), Achieving local economic change: what works?, Report for Local Trust. Available [here](#)

⁴⁶ Batty, E., Beatty, C., Foden, M., Paul, L., Sarah, P. and Wilson, I., 2010. The New Deal for Communities Experience: A Final Assessment. Department for Communities and Local Government.

⁴⁷ Ibid.

robust method possible from the Maryland Scientific Methods Scale (SMS)⁴⁸. More detail is set out in Annex C.

3.1 ASSESSING WHETHER EXPERIMENTAL OR QUASI-EXPERIMENTAL APPROACHES ARE FEASIBLE

The Magenta book sets out a framework for determining whether it is feasible to evaluate a policy initiative at level 4 or 5 on the Maryland SMS.⁴⁹ Feasibility in this context considers both whether or not an evaluation is possible in practical terms but also whether it is likely to be able to identify an effect (should one exist) using the method considered. The framework includes a set of conditions under four headings, which we outline and describe in more detail below.

- nature of the intervention;
- nature of the expected impact;
- data availability; and
- potential comparison groups.

It should be noted that, in what follows, we largely focus on what might be possible for a programme level evaluation of the CWF but with key insights about what might be possible at the area or project level highlighted. Whilst there are not insubstantial challenges related to the nature of the intervention and its expected impact, the key challenges relate to determining an appropriate comparison group and data availability.

3.1.1 NATURE OF THE INTERVENTION

The feasibility of achieving the most robust forms of evaluation is increased if the nature of the intervention is:

- discrete from other interventions;
- stable and doesn't change over time; and
- the system the intervention is applied to is stable and unchanging.

In the case of the CWF, a key principle of the funding is that it will be community led. This means that individual areas will have control over what they spend their money on and when, thus meaning the specific projects taken forward in different areas will be different. On the face of it, this could make it challenging to define the programme as a stable intervention as projects funded by the CWF will vary across areas and also likely over time. However, we believe that it is possible to define a stable intervention that can be evaluated by regarding the intervention as “the allocation of funding to communities with a remit to use it as they see fit to achieve the CWF aims”.

There are certainly challenges related to whether or not the intervention is truly distinct from other interventions, particularly given that there may be different types of interventions (and combinations of interventions) that interact with the CWF occurring in treated areas in any one time.

⁴⁸ The Maryland SMS is a 5 point scale for rating the quality of quantitative evidence. More information is available [here](#).

⁴⁹ This framework is set out in Annex B.

At the local area level, it may be possible to devise specific projects that are considered discrete and stable and where the system also could be considered relatively stable, particularly if the interventions are time limited in some way. However, these findings would be specific to the local area, and unlikely to be generalisable to the rest of the CWF.

3.1.2 NATURE OF THE EXPECTED IMPACT

Achieving the most robust types of evaluation are more feasible if:

- there is a clear relationship between the expected outcome and the intervention, with few confounding factors;
- the intervention is expected to have a large effect relative to other changes; and
- the effect is likely to be realised within a short time period.

Whether or not it is possible at the programme level to set out a clear relationship between the CWF and an expected outcome with few compounding factors is heavily dependent on what outcomes measures are considered within the evaluation context. We have already described in this note why productivity would not be a suitable outcome measure for this evaluation. But other outcome measures where there are clear links with the CWF within a reasonable timeframe as outlined by the theory of change, could lend themselves to this type of evaluation. In selecting outcome measures, it would be important for the evaluation to consider the strength of the link with the theory of change, the timeframe for the outcome to be realised, and the role that compounding factors could play. We believe that it is possible to identify a subset of outcomes that could fit this category at programme level, but further scoping work would be required. It would also be critical to set out how the influence of confounding factors would be managed within the evaluation e.g. through the use of other control variables.

A further consideration for the programme level evaluation relates to the anticipated size of the effect that the CWF could be expected to bring about. With the magnitude of funding for CWF yet to be determined, it is unclear what size of effect could be expected for different outcomes and whether or not it would be possible for an evaluation to pick those effects up. This would need to be considered further in scoping any quantitative approach to evaluation as the details of the CWF are firmed up.

At the project or area level, it may be possible to devise interventions that more readily meet these criteria although such findings would be specific to the project or local area, and unlikely to be readily generalisable to the rest of the CWF.

3.1.3 DATA AVAILABILITY

Robust evaluation is considered increasingly feasible if:

- the intervention involves a distinct change in practice with respect to identifiable people and/or places;
- data is available on beneficiaries of the intervention;
- data is available on precise time periods;
- data to support evaluation is collected before and during the intervention; and

- data can be collected from samples of sufficient size.

Data is a challenge for the programme level evaluation of the CWF given the very local nature of the intervention and the limited availability of neighbourhood level data on outcomes. A full data scoping exercise is beyond the scope of this note, but initial work and conversations suggest that there are a range of existing sources that could also be employed for this analysis including the OCSI data⁵⁰. As the evaluation is being considered prior to the design of the intervention being finalised, it also offers some opportunity to design or develop data collection methods that would support evaluation. For example, it could be possible to roll out a repeated neighbourhood level survey focused on key outcome measures. Alternatively it might be possible for existing national surveys to be boosted in key areas to provide sufficient sample size for the required analysis. For programme level evaluation, data would need to be available or would need to be collected in both treated and untreated areas to allow for comparisons. This means if primary data collection is required, funding would have to be spent on collecting data in areas that do not receive CWF funding as well as those that do.

There is perhaps more scope for proportionate primary data collection for project or area level analysis. For example, it may be possible for specific interventions within some areas to be analysed with bespoke data on key outcomes collected both at baseline (pre-treatment) and afterwards (post-treatment).

3.2 POTENTIAL COMPARISON GROUPS

Achieving the most robust types of evaluation on the Maryland SMS are increasingly feasible if one or more of the following is true:

- evaluation is built into the intervention design so comparison groups are allocated and data collected from the start;
- there is a phased start;
- random allocation is possible;
- other objective allocation is possible; or
- natural comparison groups are available.

Identifying an appropriate counterfactual is the key challenge of a robust programme level evaluation of the CWF. Given timing, evaluation needs could, in principle, be built into the design of CWF. But this raises the question as to what design is feasible. For an overarching programme evaluation, we immediately rule out natural comparison groups and random allocation of funding. Random allocation of funding would require not prioritising the most left behind areas as early recipients of the funding. Even if this was considered ethically acceptable it is likely to be challenging to maintain a pure control group (those not receiving funding) over time, as schemes outside the CWF may subsequently target funding to those areas.⁵¹ Targeted and short term project or area level evaluations of specific interventions may be more amenable to random or phased allocation than what would be possible across all areas.

⁵⁰ OCSI Left Behind Areas and the Community Needs Index. Available [here](#)

⁵¹ See Annex A of the Magenta Book. Available [here](#)

Two alternative approaches for programme level evaluation could be to either phase the allocation of funding to left behind areas or define an objective cut-off point for those receiving CWF funding. We consider each of these in turn.

The first approach involves using the allocation of CWF funding to enable areas that receive funding later to act as comparators for those that receive funding first. From an evaluation perspective, the most effective approach would be to randomly allocate areas to one of several waves of funding. Say, for example, there were 3 waves of areas with wave 1 receiving funding in year 1 to year 15, wave 2 receiving funding in year 3 to year 18 and wave 3 receiving funding in year 6 to year 22. Areas in waves 2 and 3 would therefore act as counterfactuals for areas in wave 1 for the first three years the CWF is in operation. Wave 3 would continue to act as a counterfactual for wave 1 and wave 2 areas for a further 3 years. Beyond year 6, the counterfactual becomes challenging as it is also subject to the CWF treatment which means it cannot be a counterfactual for waves 1 and 2, and it does not have a clear counterfactual for itself. This aside, there are several additional reasons why this approach is potentially challenging:

- **Ethical reasons:** denying funding to some of the most left behind areas for 6 plus years is likely to be challenging. If, in contrast to the approach described above, the worst performing areas were prioritised for funding in wave 1 for ethical reasons, this limits the effectiveness of the wave 2 and 3 areas to act as comparators.
- **Contamination of the control group:** there may be learning across different areas that contaminates the control group, making it unsuitable. For example, the areas in later waves may gain from knowledge and experience of areas in earlier waves meaning they're more effective than they would have been, which would then reduce the measured effect of the CWF.
- **Time to outcomes:** one of the founding principles of the CWF is the need to provide long term, sustainable and patient funding to left behind areas. The evidence suggests that this is a requirement for making real change in these areas, but also means that substantive outcomes (sufficient to be picked up by an evaluation) may not be realised for some years. This could limit the potential usefulness of the later waves as counterfactuals given the range of other factors that could influence outcomes in an area.

An alternative approach would be to use regression discontinuity design (RDD), using an objective cut-off point for those receiving CWF funding. In the CWF, the OCSI index⁵² has been used to determine which areas receive CWF funding and which do not. This approach will create a set of areas just above the cut-off and a set of areas just below the cut-off. The set of areas just below the eligibility cut-off could act as a control group to the eligible areas just above the cut-off. There are however a number of challenges with this approach.

- **Small number of areas used to assess impact:** this approach would result in a fairly small sample of areas that could be used for the evaluation of impact.

⁵² This combines the Community Needs Index and the Indices of Multiple deprivation to identify the areas that are in the top 10% of each index.

- **Only treatment around the cut-off is captured:** this sort of RDD approach captures the ‘treatment effect’ around the cut-off. What this means is that you might not learn much about the impact of CWF in the most deprived areas.
- **Only works if the eligibility criteria demonstrate a smooth distribution:** To be a meaningful counterfactual, it would also need to be the case that there are no big jumps in the distribution (according to the OCSI index) of areas, particularly around the cut-off point. For example, if the OCSI index does not show a large difference in deprivation between say the area that is just above the cut-off and those which are below, then this method is likely to be more successful (as the areas are similar, and therefore likely to constitute a closer counterfactual).
- **Control areas would need to not benefit from treatment:** It would also be necessary for these counterfactual areas to not gain from the treatment in the selected areas (perhaps if they are proximate to treated areas). Any non-random allocation of other funding also targeted across areas with similar objectives to the CWF would also cause challenges that would need to be considered. If that funding was concentrated in control areas for example, this could limit the appropriateness of the control group. If funding from other sources was also targeted in the same areas as the CWF, then this might overstate the impact of the CWF.

While there are challenges with both the phasing and RDD approaches, we consider the RDD approach to be most consistent with the design of the CWF and worthy of further consideration to see whether design issues could be overcome.

4 A PROPOSAL FOR EVALUATING THE COMMUNITY WEALTH FUND

We propose that an impact evaluation approach that combines a high quality theory-based evaluation at the area or project level⁵³ with experimental methods at the programme and project level would strike the right balance between feasibility, proportionality and ensuring a robust evaluation. Our work to date suggests that further feasibility work on either a Regression Discontinuity Design (RDD) or other forms of panel data regression to inform programme level evaluation could be promising. We recognise though that this brings challenges and that additional work is needed to explore this further. Such an approach would only ever be able to provide a high-level view as to whether or not certain outcomes have been achieved in areas receiving funding and the likely size of that impact. It would inherently carry risks that mean combining it with a high quality theory-based evaluation at the project level would be prudent. One key risk relates to the unknown quantum of funding and the resulting magnitude of likely effect of the CWF in any given area which is an important determinant of whether or not it would be possible to robustly identify an effect using these approaches. In the following, we discuss the different levels of evaluation in more detail.

A thorough scoping exercise was beyond the scope of this work and would be required if such an approach were to be adopted.

⁵³ An example of a project in this context would be the funding given to Area A (Southwark) to do activity B (Youth Club), with an evaluation looking at the specific things they (Youth Club) do in that area and their impacts (e.g. reduced crime). Area level evaluations would consider a range of projects within a given location. In contrast, a programme level evaluation would consider the impact of the CWF overall across all 200+ areas, and would be evaluated at a much lower level of granularity as a result.

4.1 QUANTITATIVE PROGRAMME LEVEL EVALUATION

The most plausible approach at the programme level appears to be to use a RDD or an alternative panel based regression method. This would involve dividing neighbourhoods across the country into treated and untreated areas. To maximise the potential combinations that could be considered by a panel based approach we would suggest the following:

- Two categories of *treated* areas:
 - i) all eligible areas selected to receive CWF funding; and
 - ii) the “threshold treated” - the 50-100 areas that receive funding but are the closest to the eligibility cut-off for CWF funding.
- Two categories of *untreated* areas:
 - iii) the “threshold untreated” - the 50-100 areas that are just below the eligibility cut-off and so do not receive CWF funding;
 - iv) all untreated areas (or a subset) i.e. those that do not receive CWF funding.

Ideally, the approach would involve comparing a subset of carefully selected key outcomes⁵⁴ achieved by the “threshold treated” and “threshold untreated” areas. The effect of treatment would be measured as the difference between the mean outcomes of the “treated” and “untreated” areas. This would mean that the measured effect of CWF funding captured by the evaluation would not necessarily be representative of the effect of CWF funding on the most left behind areas; something that would need to be acknowledged as a limitation by the evaluators.

Creating the additional categories of treated and untreated areas affords greater flexibility in the evaluation by enabling the outcomes across all areas to be followed over time. This would also allow the effect on all treated areas to be compared to “threshold untreated” areas and the effect of all treated areas to be compared to all untreated areas. This approach would also involve careful scoping of variables that might need to be included as controls, but the basic premise would be the use of area fixed effects, meaning that most factors influencing areas, other than CWF funding, would be considered fixed over time. One key set of control variables which would need to be considered in this framework would be those that relate to how much other funding outside of the CWF is available in the area over time that would also likely affect the desired outcomes associated with CWF funding. For example, it could be the case that areas that don't receive CWF funding get funding from elsewhere.

Scoping of this approach would also need to consider the following to determine feasibility:

- The availability of relevant outcome data across treated and untreated areas;
- How many treated and untreated areas are required for each outcome measure (assuming most areas spend some money on most outcomes), given the likely size of effect that might be reasonably expected for results to be significant; and

⁵⁴ Paying careful attention to their links with the CWF, the timescale for impact and the plausible effect size.

- How different are the treated and untreated areas, including those around the threshold for treatment?

4.2 PROJECT/AREA LEVEL EVALUATION

Regardless of its feasibility, the approach described above is likely to yield only limited insights about what mechanism has worked to deliver the observed outcomes in treated areas. It would therefore be advisable to combine the programme level evaluation with detailed project/area level evaluations to ensure that both accountability and learning evaluation goals are achieved. We propose a combination of project/area theory-based evaluation and experimental or quasi-experimental evaluation of specific projects within areas.

4.2.1 THEORY-BASED PROJECT/AREA LEVEL EVALUATION

Theory-based methods tend to be particularly suited for the evaluation of complex interventions or simple interventions in complex environments. In these situations, where determining the effect size can often be difficult, theory-based methods can confirm whether an intervention had an effect in the desired direction. For many of these methods, the aim is not to provide definitive evidence that the entirety of any measured change can be attributed to the intervention. Rather, they aim to explore whether the intervention contributed to the measured change. They can also explain why an intervention worked, or not, and inform translation to other populations, places or time periods. In fact, the Magenta Book⁵⁵ sets out that theory-based impact evaluation methods are particularly suited where one or more of the characteristics below are true. And all of which appear to be the case in the context of CWF:

- there is a complicated policy landscape with a combination of interventions;
- the intervention is designed to make a change in a complex system or where there is adaptive management/changing of an intervention;
- outcomes are emergent and cannot be predicted at the outset;
- there is no ability to develop a suitable counterfactual; and
- there is a requirement to understand if the same results would be achieved in a different place or context.

Theory-based evaluation draws on a detailed theory of change and works with areas (likely a subset of all treated areas, for proportionality reasons)⁵⁶ to monitor the activities they undertake, the outputs they achieve, and ideally the outcomes that are realised. Theory-based evaluation at an area or project level would involve process tracing, which looks at the theory of change and then identifies what data and outcomes you would need to see to demonstrate that the chain of causality holds. Data is collected to test whether it supports the causality chain. Contribution analysis then allows an exploration of whether the observed outcomes are attributable to the intervention. To ensure rigour, the approach would collect a range of evidence, specific enough to test the theories, triangulate across multiple sources, and rule out alternative causes for impact. This would then be combined with case studies and scenarios that ask “given the level of financial investment

⁵⁵ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/879438/HMT_Magenta_Book.pdf

⁵⁶ If resources allow, such an approach could be extended to sufficient numbers of areas to enable a programme level interpolation of results.

and the monetisable benefits we observe, what would we need to believe about the scale of non-monetisable benefits for this intervention to be worthwhile?”.

It would be essential to work closely with selected local areas to co-produce and co-interpret findings. It might be advisable to include an evaluation coordinator to bring together findings and learnings across areas, identify commonalities, and ensure knowledge sharing. Opening this process up to peer review and external scrutiny would also be critical. The areas selected for evaluation might need to receive additional funding to facilitate the additional requirements for evaluation as well as the collection of relevant data, including through surveys and interviews. This would likely be a very costly approach, so it would not be possible to implement in all areas. A random selection process could be used to identify a subset of areas.

4.2.2 EXPERIMENTAL OR QUASI-EXPERIMENTAL EVALUATION OF PROJECTS

The theory-based evaluation at the area or project level could be coupled with some project level experimentation across areas. For example, it might be possible to trial alternative approaches to raising aspirations of young people with eligible young people divided into a number of different approaches and a control group.⁵⁷ Those individuals would need data collected on relevant outcomes at baseline (prior to the intervention) as well as at some period after the intervention. These interventions could be time limited to ensure their acceptability on ethical grounds, with specific data collected and then results shared across areas to ensure any lessons are learned about what works. In this approach, it would be important to draw on prior evidence and to understand particular interventions in a wider context of what 'has worked' in the past.

5 CONCLUSION

It is clear from the outline theory of change and existing evidence base that investment in social infrastructure can lead to economic growth in left behind neighbourhoods.

Whilst there are well recognised challenges to evaluating area-based initiatives such as the CWF, the consensus amongst the experts we consulted as part of this work is that it is possible to develop a robust evaluation for the CWF that demonstrates its impact on a series of outcome measures that are clearly *linked* to economic growth (rather than economic growth itself).

A RDD or other panel data method shows potential for a programme level evaluation, provided it is focused on outcomes that can be realistically measured in a reasonable timeframe. These outcomes should have clear links via the theory of change to economic growth but the evaluation should not attempt to measure the impact of the CWF on economic growth directly. There are risks associated with this approach that would need to be further explored in scoping work as the design of the CWF is further developed.

Even if RDD or another panel method is possible, we suggest it is combined with a theory-based approach at the area and/or project level. For many of these methods, the aim is not to provide definitive evidence that

⁵⁷ This may require some central oversight and coordination for this to be done correctly. However, any such approach would have to be cognisant of restricting the ability of local areas to choose how the funding is spent (given autonomy over where funds are spent is a key feature of the CWF).

a measured change can be attributed to the intervention. Theory-based methods tend to be particularly suited for the evaluation of complex interventions such as the CWF because:

- Theory-based methods explore whether the intervention contributed to the measured change and what a plausible contribution might be; and
- They can also explain why an intervention worked or not, and inform translation to other populations, places or time periods.

It is unlikely to be proportionate to conduct a theory-based evaluation in every place or for every project, so a subset of areas would need to be selected. Depending on the extent of areas selected it may be possible to draw programme level inferences from this approach that would complement the quantitative programme level evaluation. Areas selected for evaluation are likely to require additional funding and support to enable evaluation to take place without detracting from what the CWF is able to achieve in that area.

The key next steps for Local Trust are to develop a detailed theory of change for the CWF, undertake a detailed data mapping to ascertain what data could be used for evaluation purposes, and work up a detailed evaluation framework (which would include additional scoping on the feasibility of using RDD or other panel data methods).

Annex A - Community Wealth Fund theory of change

The CWF looks to provide funding for left behind neighbourhoods to invest in social infrastructure spanning places and spaces, community organisations and connectedness. This is well supported by available evidence, which shows that investment of this kind can lead to the creation of social capital as well as physical, human, and natural capital.⁵⁸ Social capital, the features of social organisation that facilitate coordination and cooperation for mutual benefit⁵⁹, has been shown to be linked with improved health and wellbeing, lower crime, and improved civic engagement in areas. Social capital is also found, through links with other drivers of economic growth, to be associated with improved economic growth. Bridging capital, which spans different groups in society is found to be particularly important for these economic effects to materialise.

Social infrastructure also involves investment in physical capital in the form of community assets, digital infrastructure and local transport, human capital in the form of volunteering, training and aspiration raising, and natural capital, which are also shown to be linked with economic growth. The recent Rapid Evidence Review of Community Initiatives commissioned by DCMS and DLUHC found evidence⁶⁰ that initiatives that develop effective community infrastructure and enhance social capital can lead to positive economic, health, social and civic outcomes.

It is important to note that the links between these different types of capital and drivers of local economic performance and the interactions between the drivers themselves are very important. The evidence suggests that a number of factors may need to come together in an area to deliver improved outcomes. If there is a significant absence of the relevant capital and drivers in an area, the ability of that area to realise its full potential is likely to be constrained.

⁵⁸ See for instance: Frontier Economics (2022), Rapid evidence review of community initiatives, Report for DCMS and DLUHC. Available [here](#); Frontier Economics (2021), The impacts of social infrastructure investment: a report for Local Trust. Available [here](#)

⁵⁹ Putnam, R. (1995). Bowling Alone: America's Declining Social Capital. *Journal of Democracy*, 6(1), pp.65-78.

⁶⁰ Moderate quality studies, medium-size evidence body, moderate level of consistency. Studies may or may not be contextually relevant. Frontier Economics (2022), Rapid evidence review of community initiatives, Report for DCMS and DLUHC. Available [here](#).

Annex B - Economic Growth/Productivity measurement

This annex outlines the main issues with focusing on measuring the impact of the CWF on productivity directly, as opposed to other outcome measures that can be linked with economic growth.

B.1 Timing

Left behind neighbourhoods have complex long term challenges and there is unlikely to be a short term fix. As indicated by both the theory of change and the logic model for the CWF, the timeframe for realising productivity growth impacts is likely to be extensive. The work undertaken by Local Trust to inform the development of the CWF suggests that bringing about meaningful change in left behind neighbourhoods, which ultimately results in economic growth, could take between 10 and 15 years.⁶¹ With the entrenched deprivation in selected areas, relatively small amounts of money invested well may be able to move the dial on some important outcomes. The impact on complex issues such as productivity are however likely to take time and effects may be hard to disentangle from other factors at work in the local area. Given the likely timeline for realising productivity impacts, tracing them back to the CWF and not to the range of initiatives and events at both the local and national level is likely to be extremely challenging. For example, it will be challenging over this timeframe to ensure that counterfactual areas don't receive equivalent funding from other sources or that, where they do, that is captured. Instead, the focus of any evaluation should be on measuring a wide range of outcome measures across the short, medium and longer term, rather than a narrow focus on a single metric such as productivity. These outcomes should include measures with a clear link to economic growth as demonstrated by the theory of change, but where impacts are expected to be realised in a reasonable timeframe.

B.2 Issues with measuring productivity in general

On measurement, there is a broad choice between measuring productivity at the area, project or the individual level (with the individual level referring to those individual people that interact with the activities or outputs of the funding in some way). This choice also interacts with whether or not evaluation and measurement are focused on the CWF as a whole or on local area level impacts.

An area based approach to measuring productivity is most consistent with a programme level evaluation of the CWF and would involve looking at how the productivity of left behind neighbourhoods changes as a result of CWF funding and how this, in turn, compares to a comparator group. The comparators are matched at the local area level, but the analysis is at the programme level, as each local area and its comparator(s) forms an individual data point that is aggregated up to the programme level evaluation.

At the neighbourhood area level, whilst there are measures of local productivity (such as the estimates produced by the Centre for Cities), these are not suitable for assessing whether an intervention at

⁶¹ Local Trust (2019), The halfway point: Reflections on Big Local. Available [here](#)

local level is successful in making firms or workers more productive⁶². The most suitable existing measure of productivity at the local level is likely to be a measure of average turnover per employee in the area, derived from the Business Structure Database. There are however a number of challenges with using this data in the context of CWF that limit its usefulness:

- **It is a workplace based measure:** this means that it will only captures productivity benefits from the CWF that occur as a result of individuals who have “interacted” with CWF funded social infrastructure in some way by taking up employment in (or experience productivity uplifts in) firms within the neighbourhood where funding is allocated. This means that any productivity impacts experienced by firms in other areas as a result of “treated” individuals obtaining employment would be missed.
- **It would implicitly assume all firms in an area have experienced treatment:** It would not be possible to match “treated” individuals with firms in an area so all firms in the area would be assumed to be treated. If the treatment is, in reality, highly skewed towards a subset of firms, such effects are unlikely to be observed in the average metrics.

In principle, it would also be possible to use productivity measurement at the individual level to evaluate programme, area or project level effects of the CWF on productivity. For example, the Work and Pensions Longitudinal Study (WPLS)⁶³ provides earnings of individuals by tax year. In theory, if it were possible to identify a set of “treated” individuals i.e. those individuals who have interacted with the CWF initiatives, it might be possible to match the data of those individuals to the WPLS data. This would allow their pay to be followed over time and any wage uplifts (as a productivity proxy) to be observed. The challenges to using this approach in the CWF context are numerous and include:

- **Difficulties in measuring “treatment”:** for this approach to work, all areas would need to collect sufficient data on individuals that have interacted with CWF initiatives in some way. It isn’t necessarily clear at this stage what “interacting with the CWF” means in practice. For some types of initiatives an interaction could be attending a skills training session, which would be relatively straightforward to keep track of, but for other initiatives such as an enhanced physical space, there would be questions about what counts as interaction and how it would be measured. Coupled with this is the challenge that not all interactions can be considered equivalent, so a framework for assessing the relative intensity of treatment would need to be developed and applied. Unless the definition of “interaction” is very broad, such an approach will likely miss the wider area effects of the CWF that occur for individuals and employers not directly interacting with CWF. Capturing information on the interaction with the CWF across all areas of the country is likely to impose a significant administrative burden, which may be disproportionate. However,

⁶² Producing estimates of local level productivity is fairly straightforward. Centre For Cities produces local productivity measures by using regional productivity measures and apportioning out to local areas on basis of business mix (derived from the Business Structure Database). So, for example, if you’ve got lots of high tech firms in an area, you can be reasonably confident the area is productive. If the mix of firms in an area tilts so that there are more high tech firms present, you would interpret that as implying that the area has become more productive. Similar approaches can be taken for labour productivity. However, this doesn’t provide information on whether firms or workers are becoming more productive as would be required for evaluating the CWF.

⁶³ https://www.nomisweb.co.uk/sources/dwp_wpls

this type of approach could work for a subset of areas or for evaluating specific targeted interventions within areas.

- **Difficulties in matching data:** for this approach to work, the WPLS data would need to be matched with data on treatment collected by areas. This poses challenges in two areas. The first relates to having the processes in place to collect, store and process the relevant personal data in a GDPR consistent manner. The second relates to the challenges in matching this data to the WPLS, which will inevitably mean that only a subset of records will be able to form part of the evaluation. This challenge exists for programme, project and area level approaches.
- **Difficulties in assigning an uplift to the CWF:** it would not be appropriate to describe the totality of any wage uplift experienced by individuals who have “interacted” with the CWF as a CWF productivity impact. It is also necessary to take account of the myriad of other factors that could influence that outcome. We discuss what appropriate control groups may look like in the main body of the report, but at a programme level, one relevant control group would be those individuals across the country who are located in “treated” areas but haven’t interacted with the CWF. Clearly in this case, there could be a significant selection bias which could mean that the effect of the scheme on productivity would be overstated. An alternative programme level control group would be individuals in untreated areas but with similar characteristics to those in treated areas who have interacted with the scheme. There may be less selection bias associated with this approach, but the challenge would be to account for the other factors that could have affected each individual. Overall, this approach may be better suited to a local level assessment of impacts whereby an area could focus in on specific types of interventions and collect data on “treated” and “untreated” individuals, perhaps even introducing some level of local randomisation to facilitate evaluation. Consideration would need to be given to any ethical concerns, noting that these are likely to be short lived interventions.

Finally, even if measurement was possible and impacts could be realised over a reasonable time scale, to have a sufficiently “powered” analysis would likely need a large sample size to be robust at the 5% significance level.

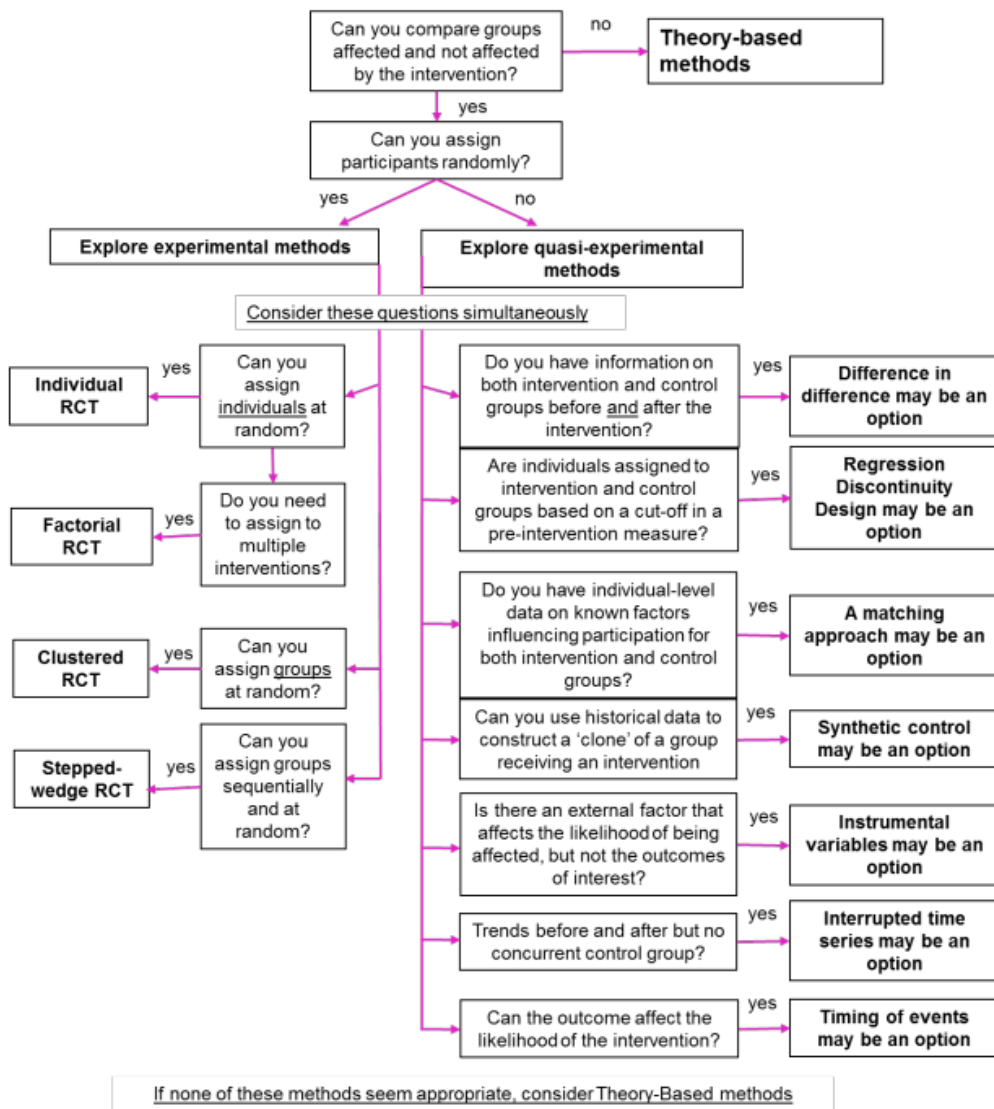
Annex C - Designing evaluations for community initiatives

C.1 Magenta Book guidance

The Magenta Book sets out a framework for determining whether or not a policy initiative is well suited to achieving an evaluation at level 4 or 5 on the Maryland SMS.

Using the guide within the Magenta book, for this think piece we considered the feasibility of achieving level 4 (quasi-experimental methods) or level 5 (experimental methods/RCT) on the Maryland SMS in the context of the CWF. The guide from the Magenta Book is shown in the following figure.

Figure 2 Guide to selecting quantitative methods



Source: Magenta Book: Central Government guidance on evaluation. Available [here](#)

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