

'How to' guide: Evaluating responses to local economic shocks

1. Introduction

Substantial disruptions to local economic activities cause local economic shocks. The most common type of shock is the closure (planned or unplanned) of a major local employer, such as Honda's manufacturing plant in Swindon in 2021 and the SSI steelworks in Tees Valley in 2015.

Most areas experience major shocks infrequently and public sector responses often need to be developed quickly. These constraints can make formulating an effective response difficult. Having a pool of evidence on 'what works' can help national and local policymakers design their response. Building this evidence base requires impact evaluation on past responses to be undertaken and shared.

This briefing sets out guidance for local and national policymakers on evaluating their responses to local economic shocks.

Whilst the briefing has been written for major shocks (such as the complete closure of a significant local employer that will have impacts on employees, suppliers and land use), many of the approaches could also be used for other shocks (such as a large reduction in headcount within a local employer). These relatively smaller shocks will generally have narrower impacts (for example, on employment but not land use, or on workers but not supply chain businesses). Evaluations of policy responses to shocks at different scales all add to the evidence base.

This briefing has been developed in collaboration with Andy Pike, Henry Daysh Professor of Regional Development Studies, Centre for Urban and Regional Development Studies (CURDS), Newcastle University, UK, and is based on national and local roundtables with relevant policymakers and researchers. Andy authored the What Works Centre for Local Economic Growth evidence briefing on [local responses to economic shocks](#).

Key messages

Impact evaluation of responses to local economic shocks

- Impact evaluation establishes whether an intervention leads to changes in outcomes.
- Few impact evaluations of public sector responses to local economic shocks have been undertaken. One reason for this is that responses to shocks often need to be developed quickly, which limits options. Evaluations are also often dependent on the co-operation of the business directly or indirectly affected by the shock.
- Establish if impact evaluation is what is needed – other options such as monitoring or process evaluation may be more appropriate.

Engaging partners

- Consider who will need to be involved. Responses to local economic shocks are likely to include a range of partners and evaluation will need to reflect this.
- Partners should be involved at an early stage to help ensure their buy-in to the evaluation and, where relevant, to act on its findings.

Establishing what to evaluate

- Decide which elements of the response are most important to evaluate, including whether the objective is to understand whether the intervention delivered the intended outcomes ('what works') or which interventions or design features are most effective in achieving the outcomes ('what works better').
- Use a logic model to understand what the intervention is seeking to achieve and how it will achieve this.
- Consider developing logic models for both the response as a whole and for each intervention.
- Identify a small number of specific outcomes to be evaluated.

Assessing the feasibility of impact evaluation

- Impact evaluations establish causality by using comparison.
- The lack of an available comparator – another area that is going through a similar shock but that did not receive support – makes it highly unlikely that most policy responses to local economic shocks can be evaluated.
- Evaluation of individual elements of a response, for example, training to help redeploy redundant workers, or marketing of the site to attract new tenants, may be possible if a comparison group can be established.

Identifying a comparison group for specific interventions

- Identify a comparison group that is similar to the treatment group.
- Key considerations include the factors that are likely to affect the outcome of interest and how beneficiaries will be selected into treatment.

Establishing data requirements and processes

- Establish what data is needed and put in place processes for its collection and analysis.
- Data sharing will be needed in most cases. Having a pre-emptive data sharing agreement in place amongst partners that would be enacted in the event of a shock would be extremely useful.

Other considerations

- Consider when to evaluate, recognising that the need for insights to inform policymaking often comes before outcomes have been realised.
- Previous evaluations can be used as inspiration for evaluation design.

Value for money evaluation

- Value for money evaluation should focus on individual elements of response, drawing on data collected through monitoring and impact evaluation.

2. Impact evaluation of responses to local economic shocks

Impact evaluation establishes whether an intervention leads to changes in outcomes – for example, did providing training help redundant workers secure new jobs? Whilst monitoring can identify whether a redundant worker secured a new job, impact evaluation is needed to establish that this was due to the intervention.

Alternatively, an impact evaluation can establish whether different interventions or design features are more effective in achieving an outcome – for example, whether offering training or careers coaching is more effective in supporting redundant workers into new employment.

Previous [research](#) by What Works Growth found few impact evaluations of responses to local economic shocks. Those evaluations that do exist were generally not developed during the programme design phase.

There are likely to be many reasons for this but the **need for responses to shocks to be developed quickly** is a major factor. This can lead to evaluation not being considered during the programme design stage. Considering impact evaluation at an early stage maximises options for evaluation and helps ensure data needed for the evaluation is captured, and at lower cost. Considering impact evaluation at an early stage also makes it easier for 'what works better' questions to be evaluated. As well as helping maximise opportunities for evaluation, considering impact evaluation at an early stage can also help with programme design. For example, thinking about the data needed to demonstrate impact will help clarify what outcomes are most important. This insight can help ensure interventions focus on key outcomes rather than multiple objectives. Evaluation may still be possible if not built in from the beginning but options may be more limited. Reflecting this challenge, this briefing has been drafted to be used in either scenario.

Another challenge can be the key **role played by the business** directly or indirectly affected by the shock. They determine what happens (for example, future use for sites they own), and public sector partners will often be reliant on their co-operation and participation to access workers or supply chain businesses. The effectiveness of public sector responses is likely to be sensitive to the approach taken by the business to the shock. For example, a positive impact in a situation where the business has worked collaboratively with public sector partners to minimise impact of a shock may not arise in

scenarios where the business does not engage. This can limit the transferability of findings.

Other issues are that major shocks can **affect other areas** (for example, through labour markets and supply chains) and can be **high profile** and **political**. In some cases, this results in there being a national policy response, increasing the complexity of the response and number of partners involved as well as the potential for competing priorities.

Given these challenges, it is important to clarify if impact evaluation is what is needed. Other approaches – such as monitoring, process evaluation, or a research project – may be more appropriate. For example, in many situations, policymakers will want to understand the overall impact that the shock has had on the local economy. While impact evaluations can tell us about the effectiveness of different policy interventions, they cannot answer questions about the overall impact of the shock.

Figure 1: Establishing requirements

Information required	Examples	Answered through
What happened / What is happening in the intervention	How much money was spent?	Monitoring
	How many workers received a careers advice session?	
	How many redundant workers moved into work within six months?	
Whether an intervention led to changes in outcomes	Did providing training lead to redundant workers securing new jobs?	Impact evaluation
Was intervention A or intervention B more effective in achieving an outcome – where A and B are either different interventions or different design features	Was training or careers coaching more effective in helping redundant workers secure new jobs?	Impact evaluation
	Was four-week training or 12-week training more effective in helping redundant workers secure new jobs?	
Cost effectiveness of interventions	How cost effective was the training provided?	Value for money evaluation – drawing on impact evaluation (outcomes) and monitoring data (costs)
Why policies were effective or views of stakeholders	What role did existing local partnership structures play in responding quickly?	Process evaluation
Other questions	What potential uses are there for the site?	Research project

Key messages

Impact evaluation establishes whether an intervention leads to changes in outcomes.

Few impact evaluations of public sector responses to local economic shocks have been undertaken. One reason for this is that responses to shocks often need to be developed quickly, which limits options. Evaluations are also often dependent on the co-operation of the business directly or indirectly affected.

Establish if impact evaluation is what is needed – other options such as monitoring or process evaluation may be more appropriate.

3. Engaging partners

Consider who will need to be involved in the impact evaluation. Responses to local economic shocks are likely to include a range of partners and evaluation will need to reflect this. At a minimum, groups that need to be involved include:

- **The funding organisation.** Funders are a key audience for evaluation findings – they will want to know what impact their funding has had and will often be deciding whether to fund similar activities in the future. They are also often the funders of evaluation activities.
- **Other decision-makers.** Other groups may also make decisions in light of the evaluation. For example, an intervention may initially be funded by a government department, but local partners (local authorities, combined authorities or others) may fund a follow-on programme.
- **The business.** As outlined in Section 2, the business directly or indirectly affected by the shock plays a key role and public sector partners will often be reliant on their engagement and participation to access workers or supply chain businesses.
- **The delivery organisation.** Evaluation requires good quality data. In most cases, the delivery organisation will play a key role in collecting much of this data. Delivery organisations will also play a key role in ensuring impact evaluation protocols are implemented effectively. For example, if randomisation is used to create a control group for the evaluation, the delivery organisation will usually be responsible for implementing this so it is important they understand how to do it and why it is vital it is applied consistently and rigorously.

Other organisations may be important providers of data. These could include:

- Government departments and agencies, including Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC)
- Office for National Statistics (ONS), including ONS Local
- Local education, training and careers service providers, including universities, colleges, and other local training providers
- Local business support, economic development and enterprise agencies, including growth hubs and chambers of commerce
- Other local providers, such as Citizens Advice Bureau and community organisations
- Trades unions.

Partners should be involved at an early stage, ideally before the evaluation plan has been finalised. This helps ensure buy-in, make it more likely that the evaluation meets their needs, and that they will

be willing to support the evaluation and, where relevant, act on findings. Ideally, local areas should have an agreed playbook for the roles and responsibilities of local policymakers in responding to local economic shocks that can be referred to in such situations and adapted to specific cases (see Annex 1). Where a playbook exists, there would be significant value in having it set out the roles of partners in monitoring and evaluation. As outlined later, as data sharing agreements can be time-consuming and complex to set up, having these in place prior to a local economic shock occurring helps ensure the availability of data to support the implementation of monitoring and evaluation in a timely manner.

Given that local economic shocks will generally involve multiple partners, it will be important to agree which partners will lead evaluation activities, and to ensure capacity and resources are in place to enable this critical role to be undertaken effectively. The appropriate organisation will vary across shocks and possibly interventions.

Consider how findings will be communicated. Different partners may have different views, so it is important to resolve them at early stage, especially where there are perceived reputational risks (either for a business directly or indirectly affected by the shock or the funders of the response).

Key messages

Consider who will need to be involved. Responses to local economic shocks are likely to include a range of partners and evaluation will need to reflect this.

Partners should be involved at an early stage to help ensure their buy-in to the evaluation and, where relevant, to act on its findings.

4. Establishing what to evaluate

A critical first decision is what to evaluate. As responses to local economic shocks often involve many interventions, it is unlikely that there will be resources to evaluate them all. Decisions about what to evaluate depend on the specific scenario, and the issues considered of greatest importance to those involved in the response.

For each intervention within the response, there are two broad questions that an evaluation might seek to answer – ‘what works’ or ‘what works better’. **‘What works’ questions** seek to establish if an intervention led to the intended outcomes. For example, did training help redundant workers secure new employment, or did tax incentives help attract new businesses to the site. What works questions are often phrased in the format: Did intervention A lead to outcome X?

‘What works better’ questions look at which interventions or design features are most effective for achieving a specific outcome. For example, is training or careers counselling more effective at helping redundant workers secure new employment (different interventions), or what level of tax incentives is most effective in attracting new businesses to the site (design features)? What works better questions are often phrased in the format: Was intervention A or intervention B more effective in delivering outcome X (and similarly for design features)?

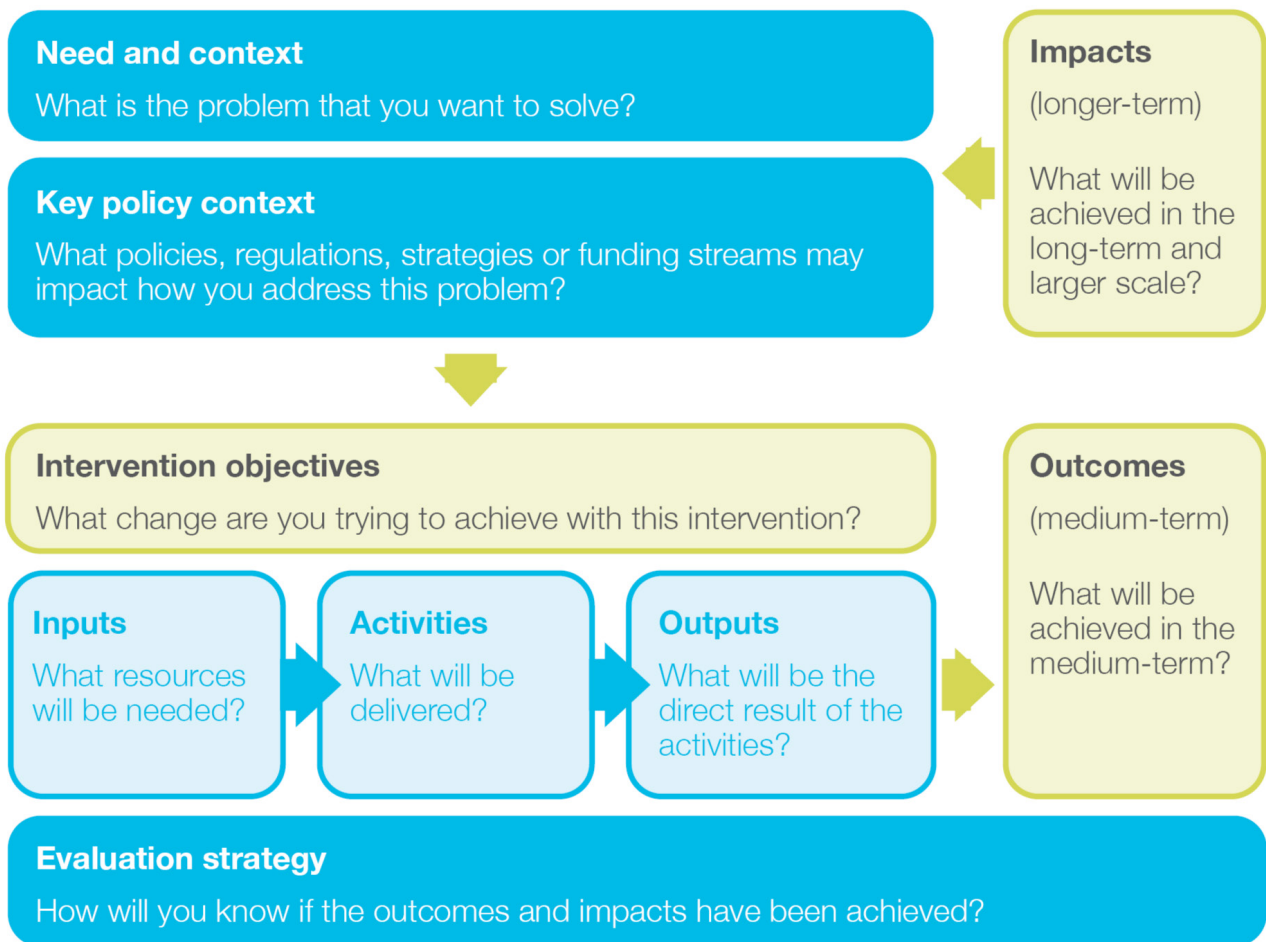
Policymakers will always be under pressure to respond to local economic shocks, even if evaluations of previous responses demonstrate they had no or limited effects. Given this imperative to act, ‘what works better’ questions are particularly important as they will help ensure that the response spends money as effectively as possible.

One final option is that evaluations could be used to improve delivery of the intervention. In this case,

the focus is not on the outcome of the programme (for example, whether training helps redundant workers secure new employment) but on an operational outcome such as recruitment, retention, or completion. Running small scale trials can help provide quick feedback to improve delivery. Operational questions are normally formulated as 'what works better' questions (for example, are text messages or telephone calls more effective at encouraging redundant workers to complete a training programme?).

Consider what **outcomes** are of most interest for the impact evaluation. A logic model can help identify the outcomes that the intervention aims to achieve. Ideally, logic models should be developed during the programme design process – but can also be developed during the evaluation design. As responses to local economic shocks are often developed quickly and with less formal development processes, evaluators will often need to develop logic models. Logic models can be developed for both the response as a whole and for each intervention (for example, training, supply chain development, and site redevelopment or marketing). What Works Growth has published a guide to [using logic models](#).

Figure 2: Template logic model



The logic model may identify that there are multiple outcomes. It is best to focus impact evaluations on a small number of key outcomes, as this helps make the evaluation more manageable (in terms of data collection and analysis) and avoids perceptions that the evaluation is 'fishing' to find any outcome that is positive. The process of agreeing a logic model can be helpful for partners to understand each other's objectives and reach agreement on the outcomes they are seeking to achieve and evaluate.

Ensure outcomes are specific. For example, many responses to local economic shocks will focus on employment – but this could be ensuring redundant workers secure alternative employment, maintaining the local employment rate, or encouraging new employers to locate jobs into the area. Even within these categories, different outcomes could be used – for example, do redundant workers secure alternative employment immediately after completion of the programme, over the short-to-medium term (for example, 6 months after completion) or the long-term (for example, did it affect their likelihood of being in work after 5 years). Clarifying the outcome will help inform evaluation design and decisions around data collection and timing. Different types of interventions will be needed for each of these outcomes – so clarifying the outcomes can also help shape the intervention if done early enough.

Key messages

Decide which elements of the response are most important to evaluate, including whether the objective is to understand whether the intervention delivered the intended outcomes ('what works') or which interventions or design features are most effective in achieving the outcomes ('what works better').

Use a logic model to understand what the intervention is seeking to achieve and how it will achieve this.

Consider developing logic models for both the response as a whole and for each intervention.

Identify a small number of specific outcomes to be evaluated.

5. Assessing the feasibility of impact evaluation

Impact evaluation helps us understand whether the outcomes observed (for example, whether a redundant worker secures new employment) can be attributed to the intervention (for example, a training course, careers counselling or help with job search). This is known as 'causal impact' or '**causality**' – because it establishes that the intervention caused the outcome.

Impact evaluations establish causality by using **comparison**. The ideal scenario would be to compare the same individual, business or place under two different scenarios – one where they receive support (known as 'treatment') and one where they do not. As establishing this counterfactual is not possible, an alternative comparison is needed. This is done by establishing a control group or comparison group.¹ The standard approach is to create a group of individuals, businesses or places that are **similar** to those being treated, but that did not receive treatment. Changes in outcomes can then be compared between the treatment group and the comparison group. In the case of 'what works better' questions, the same principle applies, with the groups receiving the different treatments (for example, training or careers counselling) being similar, and the outcomes compared between groups.

Comparing groups that are similar helps address the possibility that factors other than the interventions might be causing changes. For example, when considering the impact of a training course, one concern may be that the redundant workers that take up training are more motivated than those that do not and that this (rather than the training) may be responsible for more individuals in this group moving into work.

The main challenge is how to ensure the comparison group is similar to the treatment group. Evaluating the overall response to a local economic shock is particularly challenging because there

¹ Throughout this guide, we have used the term comparison group.

is rarely an available comparator – i.e. another location that is going through a similar shock but that did not receive support. Even if multiple locations are facing local economic shocks, impact evaluation of the overall response would only be possible if both the places and shocks were similar and policymakers decided to provide support to some areas facing a shock but not others. As this is highly unlikely, the overall response to local economic shocks will be difficult to evaluate.

Whilst it is difficult to evaluate the overall response, it may be possible to evaluate individual elements of a response, for example, training to help redeploy redundant workers, support for supply chain businesses to develop new markets, or marketing of sites. This is because there are more opportunities to establish a counterfactual when looking at individual interventions. For example, workers could be randomly allocated vouchers towards training costs, allowing the effect of training vouchers to be established (or the value of vouchers could be randomised).²

In cases where a suitable comparison group cannot be identified counterfactual impact evaluation will not be feasible. In these cases, it may be possible to undertake a theory-based impact evaluation, described in more detail in the [Magenta Book](#). Other options include focusing on monitoring and process evaluation. Annex 2 provides guidance on monitoring.

Key messages

Impact evaluations establish causality by using comparison.

The lack of an available comparator – another area that is going through a similar shock but that did not receive support – makes it highly unlikely that most policy responses to local economic shocks can be evaluated.

Evaluation of individual elements of a response, for example, training to help redeploy redundant workers, or marketing of the site to attract new tenants, may be possible if a comparison group can be established.

6. Identifying a comparison group for specific interventions

In this, and the later sections, we assume the focus is on an intervention that supports individuals or businesses, rather than areas (although most of the issues are generalisable).

Consider the intervention and what factors are likely to affect the outcome of interest. For example, for a training course, the outcome of 'gaining employment' could be affected by individual characteristics and situations (such as age, gender, health, caring responsibilities, qualifications, work experience, and motivation) as well as the wider context including state of the labour market. These are factors on which the treatment and comparison groups should be similar.

Next, consider how beneficiaries will be selected into treatment as this will help identify how the comparison group could be constructed to ensure the groups are similar. Options include:

- Could who or where receives treatment be randomised? Randomisation means you select – at random – which individuals or businesses from the potential pool of participants are treated. Alternatively, for what works better questions, individuals or businesses could be randomly allocated to different interventions (for examples, to training or careers counselling) or different design features (for example, different tax incentive levels). If randomisation is possible, you may be able to undertake a **randomised control trial**.

² Randomisation is discussed in more detail in the next section.

- Could a cut-off be used to select individuals or businesses for treatment (i.e. only businesses with less than £10 million turnover are eligible for support to help them develop new markets, or only redundant workers aged 30 or over are eligible for careers counselling)? If yes, it might be possible to compare those individuals or businesses on either side of the cut-off (as they are likely to be similar to each other). This is known as a **regression discontinuity design**.
- Will all individuals or businesses be treated at the same time? If not, it might be possible to compare those treated early (for example, in Cohort 1) with those treated later (for example, in Cohort 2) using a **difference-in-differences** approach.

Other options might be possible for specific types of intervention. What Works Growth's [guide to scoring](#) provides more detail on how different evaluation methods help ensure treatment and comparison groups are similar. We have also published a range of evaluation case studies, with each case study including details on how the comparison group was selected.³

The methods set out above are important as they help ensure the treatment and comparison groups are similar. For example, if support was offered to all supply chain businesses but only more motivated businesses choose to participate, we may wrongly attribute better outcomes to the support, when they may be due to the higher motivation of participating businesses.

Given that many shocks are politically sensitive, there may be concerns about randomising support, having cut-offs for eligibility, waitlisting, or other methods, especially for elements targeted at redundant workers.⁴ In these cases, they could still be used to compare elements of programme design (for example, providing support to all affected individuals but randomising the value of the training vouchers offered).

Key messages

Identify a comparison group that is similar to the treatment group.

Key considerations include the factors that are likely to affect the outcome of interest and how beneficiaries will be selected into treatment.

7. Establishing data requirements and processes

Establish what data is needed and put in place processes for its collection and analysis or where data already exists, for accessing it. Impact evaluations require two types of data:

- **Data on programme participants.** Knowing who has participated allows the treatment group to be established, whilst data on their characteristics is essential to establish a comparison group that is similar to the treatment group.
- **Data on outcomes.** Data on outcomes is needed before and after treatment for both the treatment group and the comparison group. For example, in an evaluation of careers counselling for redundant workers, data would be needed on employment status of individuals in both the treatment and comparison groups before the counselling started and at some point after completion (for example, four or 13 weeks post-completion).

³ Links to case studies are available on home page for each What Works Growth [evidence topic](#).

⁴ These are often expressed as equity and fairness concerns about denying support to individuals, but it is equally ethically dubious to provide publicly funded support without evidence that it is effective and is not counter-productive.

It is important that data on programme participants is collected and stored systematically and is compliant with the General Data Protection Regulation (GDPR). This will require consent from participants. Again, the need for rapid responses can create a challenge if this results in processes for capturing data not being built in from the start. Collecting data as part of another process (for example, capturing data on characteristics as part of the recruitment and selection process or through ongoing monitoring) can help ensure a systematic approach is taken and help manage costs.

Wherever possible, capture information that will allow participants to be matched to other data sources. Examples for business would include company registration or VAT registration numbers, for individuals, national insurance numbers, and dates of birth. Where support varies across participants (for example, some receive more intensive support or multiple types of support), this data is also important to capture (again, ideally through monitoring). This data will be essential for value-for-money calculations.

Data on outcomes may be available from existing datasets. For example, data on business turnover and employment is collected through several administrative systems such as VAT and PAYE and consolidated into the Inter-Departmental Business Register and Business Structure Database. Where outcomes data is not available, it will be necessary to engage in primary data collection (for example, by commissioning a survey). It is also possible to combine these approaches – for example, using surveys to supplement data from administrative datasets.

Accessing existing datasets is usually less costly and faster than commissioning primary data collection. It also is nearly always available for treatment and comparison groups and helps minimise the collection burden placed on both groups. Bespoke data collection is reliant on treatment and comparison groups participating in data collection, and comparison groups may have little incentive to do so as they have not received support.

Data will usually need to be shared across organisations, meaning data sharing processes will be essential. The [Information Commissioner's Office](#) provides a code of practice, guidance and resources. Given that local economic shocks require decisions to be made quickly, having a pre-emptive data sharing agreement in place between key public and third sector partners (including local and combined authorities, DWP, local colleges and others) can be extremely useful. Getting the employer to participate in data sharing can be a particular challenge and strong pre-existing relationships can be helpful.

For programmes supporting redundant workers, DWP and HMRC collect administrative data that could theoretically be used to track individuals (for example, by adding a flag to all those employed by an affected employer on announcement of closure). This would also allow their employment (including self-employment) status and income to be assessed at points in the future. This approach is taken in other countries including Sweden but has not been adopted in the UK.⁵ More generally, linked datasets are likely to be useful source, with [Administrative Data Research UK](#) working to expand the range of linked datasets available.

Key messages

Establish what data is needed and put in place processes for its collection and analysis.

Data sharing will be needed in most cases. Having a pre-emptive data sharing agreement in place amongst partners that would be enacted in the event of a shock would be extremely useful.

5 For example, see work of [Emelie Hane-Weijman](#), Umeå University, Sweden.

8. Other considerations

Evaluation timing

Consider when to evaluate. Evaluation should ideally be undertaken when the intended outcomes should have been realised. The appropriate timescale will vary depending on the policy and outcomes of interest. For example, interventions to attract new businesses to a site may have a long timescale (especially if remedial or construction works are needed), whilst employment outcomes from a training course may be quicker. Returning to the training example, the timescales for evaluation would vary if interest is in the transition to work in the immediate post-redundancy period or the likelihood of being in employment over the longer term (for example, 5 years after the shock). In many cases, there could be value in evaluating short-, medium-, and long-term impacts.

There are often pressures to provide early evidence on impact to inform policy decisions (for example, whether to continue funding the intervention) or for accountability purposes. As the outcomes of interest may not yet have been realised, it will be necessary to identify what intermediate outcomes could have changed within the time period for the evaluation. For example, a programme to support redundant workers to start their own businesses may aim to create new employment opportunities. This will require the businesses to reach a level of sustainable turnover that can support the founder and any workers they recruit which may take several years. Any evaluation that occurs earlier than this should focus on intermediate outcomes that indicate whether these outcomes are likely to be realised. These could include whether participants have started a business, developed business plans or have turnover in their first year of operation. If there is no change on any of these outcomes, it is unlikely that the longer-term outcomes will come through.

The logic model can help identify intermediate outcomes. As intermediate outcomes are generally less likely to be captured in existing datasets, bespoke data collection may be needed. As well as giving early insights into effectiveness, early evaluation can also help in making decisions about future evaluation activities. If there is no or limited evidence that the intermediate outcomes have come through, it may not be a good use of resources to undertake the longer-term evaluation.

One final consideration about when to evaluate is data availability. There is often a time lag between outcomes coming through and them being captured in data (for example, if data is captured in an annual survey), and a further time lag between data being captured and it becoming available to researchers. This will vary depending on the outcome and data source.

Build on previous approaches

What Works Growth publishes [evidence reviews](#) summarising the evaluation evidence on a range of policies areas and case studies on evaluation design. These can be used as a starting point for evaluation design – providing insights into evaluation approaches, comparison groups and data sources.

Key messages

Consider when to evaluate, recognising that the need for insights to inform policymaking often comes before outcomes have been realised.

Previous evaluations can be used as inspiration for evaluation design.

9. Value for money evaluation

Value for money evaluation compares the benefits and costs of an intervention to assess whether it represented a good use of resources. This assessment can use a range of different approaches including cost-benefit analysis or cost-effectiveness analysis. Value for money evaluations draw on data from impact evaluation (on benefits) and monitoring (on costs).

As with impact evaluation, there is likely to be demand for value for money evaluation of the response to the local economic shock as a whole but the lack of impact evaluation at this level makes this difficult to calculate. Again, focusing on individual elements of the response is likely to be more feasible, and will provide useful insights about how best to spend available resources to respond to future local economic shocks. As discussed earlier, the timelines for outcomes will vary. Value for money evaluation should reflect this and be undertaken once medium- to long-term effects have been established.

Detailed guidance on valuing costs and benefits is given in HM Treasury's [Green Book](#).

Key messages

Value for money evaluation should focus on individual elements of response, drawing on data collected through monitoring and impact evaluation.

Annex 1: Identifying and responding to potential local economic shocks

This briefing sets out guidance for local and national policymakers on evaluating public sector responses to local economic shocks. As highlighted in the briefing, one of the challenges can be the need to respond quickly. This annex sets out some measures that could help policymakers identify and respond to shocks quickly. It builds on interviews and workshops with national and local policymakers and researchers undertaken as part of the development process for this briefing, and our evidence briefing on [responding to local economic shocks](#).

Consider whether adopting any of the following would be beneficial.

Identifying potential local economic shocks

- Establish a permanent network to share intelligence on the local economy and identify potential redundancy scenarios. An example is Partnership Action for Continuing Employment ([PACE](#)) in Scotland.
- Monitor statutory advance notifications of redundancy (HR1s) by local employers.
- Produce a regular local employer intelligence report using available public and private business data (for example, from Dun & Bradstreet, Experian, Red Flag Alert, and The Growth Company).
- Create and maintain relationships with key local employers to enable monitoring of weak signals (small snippets of information that can provide insights into future issues) before they manifest as shocks. Having close relationships with major local employers (and, where relevant, their supply chains) should also enable early engagement and increase the likelihood of their participation and co-operation in the event of a shock, including on data sharing.

Developing the policy response

- Assess the potential impacts of the shock on the local economy and other areas. Impacts may be felt across a range of different dimensions – employees and other workers, supply chain and other businesses, land use, within the local economy and other areas.
- Engage with the business directly or indirectly affected by the shock and, where relevant, any service providers contracted by them to understand what public sector support might be necessary.
- Explore adapting existing policies – as this may be faster than establishing new interventions.
- Ensure interventions reflect the local context and circumstances.
- Develop logic models for any proposed interventions.
- Develop business cases for funding approval, although the need for a rapid response may mean these are not fully Green Book compliant.

Managing the policy response

- Consider whether or not a response group – typically constituted as a ‘task force’ – is needed. Factors to consider include the scale, geography, and timing of the shock, the value added of the response group (for example, beyond any action already being taken by the business directly or indirectly affected by the shock or that public sector organisations

can achieve on individual basis), and how the response group fits into other local economic structures.

- Establish response group aims and objectives, terms of reference, accountability structures, work streams, organisation (e.g. 'task and finish' or working groups for specific work streams), timelines, and processes.
- Identify an appropriate chair to lead the response group. This should be someone with an ability to bring partners together, with this often being a government minister for nationally significant shocks or a senior local politician (such as a member of parliament, mayor, or council leader) or official (such as local authority chief executive).
- Identify relevant response group members and agree their contributions and responsibilities.
- Agree who will provide secretariat support for the response group.
- Where appropriate, consider external support to advise and assist the response group.

Annex 2: Monitoring responses to local economic shocks

This briefing sets out guidance for local and national policymakers on evaluating public sector responses to local economic shocks. Monitoring can also play an important role – especially when evaluation is not possible. This annex provides a short introduction to monitoring responses to local economic shocks.

Monitoring is the ongoing measurement of key indicators throughout the delivery of the intervention. The purposes of monitoring are:

- To assess progress against planned delivery. Where progress is below expectation, this can help to identify areas where change is needed (for example, resources need to be reallocated).
- To promote more effective programme management. Where programme managers know their programmes are being closely monitored, they are more likely to ensure the project is being delivered to plan.
- To provide accountability – providing reassurance to funders that monies are being spent appropriately.

Monitoring should reflect the logic model, with indicators collected on inputs, activities, outputs, and outcomes (where possible). The number of indicators and balance of indicators across different categories will reflect the design of the programme and the need of funders. For example, more detailed monitoring of inputs is often required for large-scale capital projects than smaller-scale revenue projects. For each indicator, agree:

- The definition of the indicator. This should be as specific as possible. Where necessary, guidance on how to calculate the measure should also be provided.
- The source of the data, including any details on how it should be collected.
- Who is responsible for collecting and analysing the data.
- The timescales for data collection and analysis.

A process is also required to bring together the different strands of data to identify the overall performance and utilise this analysis to improve performance.

A key challenge for monitoring is the complexity of responses to local economic shocks – often with multiple programmes of work and large numbers of partners involved in a short timescale with pressure for results. For this reason, it is essential that there is clarity about the roles and responsibilities of each partner in relation to monitoring and that this activity is appropriately resourced. As discussed in Section 7, data sharing processes will also be needed and having this in place prior to the shock occurring can be useful given the need to respond quickly.

Programme and case management software is likely to be needed to track beneficiaries, including support received and outcomes. Where personal data is collected, it is important that this is GDPR compliant.

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