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## 6 Cost-Effectiveness

The Communities for Children Cost-effectiveness Analysis will use the quantitative data from the outcomes evaluation and programme financial management to provide information about the value added by the initiative.

The principle of cost-effectiveness is that, for the given budget, FaCS wishes to maximize the total aggregate benefits conferred. Cost-effectiveness analysis assesses how effectively resources have been used, thereby helping to assess how the SFCS achieved its objectives. The information will help fulfil DoFA requirements in relation to a lapsing programme.

The aim of the cost effectiveness study is to compare the goals of the initiative with its outcomes and costs, thereby deciding whether the initiative is cost-effective and whether the money spent produced tangible benefits.

We will predict economic returns on measured indicators with which the policy activities are correlated in the following way:

- Calculate the per annum cost of the initiative;
- Estimate and measure outcome indicators correlated with the initiative activities; and
- Model economic returns in terms of saved services and other economic benefits to society in relation to the particular indicators and the combined effects of the indicators (based on relevant literature). The model will predict different returns in the short, medium and long-term, so future costs and benefits will be discounted at the appropriate discount rate<sup>7</sup>.

### 6.1 Costs

For the purposes of the Cost-effectiveness Analysis, costs will include only the financial costs of managing SFCS, the costs of planning and arranging services and the costs of the services themselves. It will exclude the following costs:

- One-off costs of evaluation, because these are not comparable to the operational systems in other human service systems;
- Costs incurred by other agencies, such as state agency costs not allocated to the SFCS budget; and NGO costs not reimbursed by the contract;
- Costs to clients or other stakeholders; and
- Non-financial costs, such as time and impact on other services.

The source of the cost data will be the FaCS financial management records, presumably budget, contract and reporting records.

Analysis of the costs will take account of the process evaluation data on baseline services in the location.

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<sup>7</sup> The economic modelling will be carried out by the Consortium's economic evaluation investigators and consultants – Bruce Bradbury, Peter Saunders and Pamela Meadows.

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## **6.2 Outcomes**

Outcomes will be measured in terms of changes over time in the CfC locations compared to similar areas without the initiative. Effectiveness will be in terms of the relative size of the change in outcomes compared to locations without CfC. The source of the outcome data for the cost-effectiveness analysis will be the Outcomes Indicator Framework and the Comprehensive Community Profiles, which will assist in determining changes in outcome in the context of specific communities.

## **6.3 Cost-effectiveness analysis**

The Cost-effectiveness analysis will be presented in two ways: first, an analysis of cost per outcome; and second, in terms of a comparison of the cost and imputed economic return from the outcome from the research literature. So, for example, if the percentage of mothers breastfeeding increases by 1 per cent more than the comparison area, we will impute an economic value for a mother breastfeeding and multiply by the increase in the number of mothers who breastfeed.

## **6.4 Other Parts of the Strategy**

Cost data for other parts of the Strategy will be analysed by providing descriptive financial cost data for each initiative and the Strategy in the cross-Strategy evaluation. Depending on the quality and reliability of the data, this could be analysed and presented in relation to a number of variables (e.g. initiative, service-type and community-type).