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Suh, Ellie; Holmes, Lisa

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# A critical review of cost-effectiveness research in children's social care: What have we learnt so far?

Ellie Suh<sup>1</sup>  | Lisa Holmes<sup>2</sup> 

<sup>1</sup>Rees Centre, Department of Education,  
University of Oxford, Oxford, UK

<sup>2</sup>School of Education and Social Work,  
University of Sussex, Brighton, UK

## Correspondence

Ellie Suh, Rees Centre, Department of  
Education, University of Oxford, Oxford, UK  
Email: [ellie.suh@education.ox.ac.uk](mailto:ellie.suh@education.ox.ac.uk)

## Abstract

This article presents the findings from a critical review of cost-effectiveness research in children's social care. With a focus on the past 20 years (since 2000), the review aims to assess the use and consistency of definitions relevant to evaluating cost-effectiveness such as financial input (costs) and outcomes, and to review and summarise learnings from cost-effectiveness studies in the English children's social care system. We included both academic and grey literature and identified 61 relevant publications for inclusion. The results are organised according to three themes: costs, outcomes and cost-effectiveness. We identified that a large proportion of studies contained a discussion on cost, spend or unit cost, and an equal proportion of articles concerned outcomes of service, benefit to children or quality of service provided. The number of studies discussing cost-effectiveness, cost-benefit or economic evaluation was considerably smaller. The findings highlight substantial gaps in the literature, with a disproportionate focus on stating the problem in terms of cost pressures, and very little robust evidence about cost-effectiveness. Furthermore, the article sets out methodological limitations and indicates a lack of transparency in many of the report studies. We conclude that as a result of the gaps and limitations it is difficult for policymakers and other stakeholders in children's services to make evidence-informed decisions about the best use of their limited resources.

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## KEYWORDS

children's social care, cost-effectiveness, costs, outcomes, value-for-money

## 1 | INTRODUCTION

In England, local authorities have a statutory duty to provide services to all children identified as being in need, as defined in the Children Act 1989. Some children in need will receive support from children's social care services while remaining at home with their families. Others will be placed in care, with foster or kinship carers or in the residential provision, or will be adopted. The latest published national figures indicate that there were approximately 389,260 children in need in England in 2019–2020 (Department for Education [DfE], 2020a), 80,080 of whom were placed in care (DfE, 2020b). The total national expenditure on children and young people's services for the financial year (2019–2020) was reported to be £9.9 billion, with around half of the expenditure (£5.0 billion) attributable to providing placements to children in care (Ministry of Housing Communities and Local Government [MHCLG], 2020).

Local authority children's services departments operate and provide services with limited resources. The need for effective and efficient use of limited resources for children's social care has become increasingly pronounced in recent years, following an extended period of austerity, and subsequent budget cuts. Pressures on budgets were highlighted in a recent report by the National Audit Office (2019), which emphasised that 91% of local authorities had overspent on their children's services budget in 2017–2018. In recent years, a range of reviews and sector-led studies have highlighted concerns about the increased demand for children's social care services (Holmes, 2021; Local Government Association (LGA), 2017; The Association of Directors of Children's Services (ADCS), 2018; Thomas, 2018).

Concerns have also been raised about the growth of the private sector, in particular, regarding large financial profits made by a small number of larger placement providers (Children's Commissioner's Office [CCO], 2020; Newgate Research, 2021; Rome, 2020). The growth of privatisation and outsourcing of child welfare placements within the English context is not a new issue, as highlighted by Sellick (2011) 10 years ago. However, the reliance on the private sector has grown to meet sufficiency duty, local authorities are increasingly concerned with high cost-base placements. Broader issues related to the marketization and privatisation of children's social care have been discussed by previous studies. Beresford (2005) argues that a major feature of public and social policy has been the shift from state to market and points out the lack of evidence that supports the shift. Jones (2015) also highlights the growth of the private sector and the associated potential (negative) implications of the expansion of the role of profit-motivated providers. These issues in relation to children's social care have resonance for wider social policy.

Furthermore, several studies have highlighted an increase in the number of child protection plans amidst reductions in universal, early intervention services (Children's Commissioner's Office [CCO], 2019; Crenna-Jennings, 2018; McCartan et al., 2018; Webb & Bywaters, 2018). Many of these reductions in universal services and associated societal difficulties have since been exacerbated by the global pandemic, which is like to further increase demand for children's services.

The ability to demonstrate cost-effectiveness in service design and delivery and incorporate it in the strategic planning of service delivery has become important for children's services (Molloy et al., 2017). As far back as the late 1990s, concerns were raised at the local and national level about the delivery of effective children's social care and an appropriate cost (Knapp & Lowin, 1998). These concerns, along with unexplained variations in the costs of services, led the English government (Department of Health) to commission a national research initiative, which commenced in 2000 (Beecham & Sinclair, 2007). Alongside this initiative, and a 'how to' guide was published: Unit Costs not exactly child's play with the specific aim to improve the methodological approach to costing in children's social care (Beecham, 2000).

In recent years, phrases such as 'cost-effectiveness' and 'value-for-money' have appeared in discussions about service procurement and delivery of children's social care as funding pressures have increased. The HM Treasury Magenta book (2020) refers to 'value for money' and highlights the 'importance of maximising the value delivered

from public spending and improving outcomes for citizens.' (p. 3). There have been numerous review and policy reports that include narratives about how better cost-effectiveness or value-for-money can be achieved.

It appears that, however, the use of these terms varies substantially in the academic literature, as well as in policy and practice publications. Although the problems have been stated frequently, there is limited evidence about what constitute 'cost-effectiveness' in children's social care, making it difficult for policymakers and other stakeholders to make evidence-informed decisions. It is these inconsistencies in the use of terms that provide the motivation for this study: to critically review the nature of these inconsistencies in the literature and what their implications may be in the decision-making in practice.

## 1.1 | Aims of the review

This paper provides a critical review of academic and grey literature concerning costs, outcomes and cost-effectiveness in children's social care in England during the two decades between 2000 and 2020, using Beecham's (2000) publication as our reference point. The aims of this review are:

- To assess the use and consistency of definitions relevant to evaluating cost-effectiveness, such as financial input (costs) and outcomes.
- To review and summarise learning from cost-effectiveness studies in the English children's social care system in the past two decades.

We first provide the definitions offered by Beecham (2000) below. We take a systematic approach to identify the relevant body of literature. The paper analyses the diverse ways in which studies defined and measured financial input (cost, spending and unit cost) and outcomes (benefit, quality and effectiveness). It then synthesises how these studies reached the conclusion on cost-effectiveness, cost-benefit or value-for-money, and provides recommendations for future studies.

### Definitions of key terms (Beecham, 2000)

- **(Direct) Cost:** Expenditure on resources (directly) associated with service delivery.
- **Unit cost:** The value of resources (input) used to produce a service, divided by the level of activity (output) it generates.
- **Outcomes:** Changes in health, development and welfare that occur as a result of, or in the absence of services.
- **Cost-effectiveness:** Outcomes are measured in natural units. One outcome is considered dominant (e.g., placement stability), and cost ratios, or a cost per outcome, can be estimated.
- **Cost benefit:** Both costs and benefits (outcomes) are valued in the same unit so they can be compared. Commonly, a monetary unit is chosen.
- **Best value:** Refers to the duty placed on local authorities as the principal means of improving services and increasing the efficiency and economy with which they are delivered.

## 2 | METHODOLOGY

### 2.1 | Critical review

We have taken a critical approach to reviewing the literature, which is useful when including various literature, such as academic, policy and review documents (Grant & Booth, 2009). Furthermore, critical reviews focus on critiquing the concepts rather than making quality judgements about the evidence presented.

## 2.2 | Data

A systematic approach was used to identify publications on costs, outcomes and cost-effectiveness in children's social care. Only those studies published after 2000 were included, as the definitions offered by Beecham (2000) were used to analyse the data. We included both academic and grey literature as there are numerous studies, because excluding these studies would have resulted in an incomplete review of the field.

The literature search was conducted in two stages; first, the academic publications were searched using databases (such as Scopus) with a set of keywords, explained in the following section. Second, for grey literature, we conducted a separate search for all government and independent research organisations (including organisations that are no longer in operation but carried out relevant work during the period searched) in England that published their studies on their websites. A simpler but similar set of search terms was used and was crosschecked with the results generated by a generic search engine. The details about the databases and the list of government and research organisations included in the grey literature search are provided in Table A1 in Data S1. The lists of academic and grey literature publications are presented in Table A2 and Table A3, respectively in Data S1.

The set of keywords was developed to capture evidence across the three themes of financial input (cost, spending, unit cost) and service outcomes (quality, value and effectiveness), as well as cost-effectiveness, value-for-money, and related economic evaluations such as cost-benefit analysis (shown in Table 1). Given the central focus of the review on cost-effectiveness, we excluded literature that focused purely on outcomes. Making a judgement about cost-effectiveness requires the notion of an 'outcome' or 'benefit' to children and families to be established (HM Treasury, 2020). For this reason, words deriving from these terms, such as 'utility' in economic studies, were included as keywords.

We include literature that directly referred to statutory children's social care but exclude studies that focus on cost-effectiveness of managing medical conditions of children, such as autism. During our search period, a six-year evaluation and research initiative took place: the Children's Social Care Innovation Programme. This programme was composed of 107 projects over two rounds. Emphasis was placed on the inclusion of cost-effectiveness analysis across the evaluations (Fitzsimons et al., 2020; Sebba et al., 2017). Instead of assessing and critiquing each study, we utilise the two thematic overviews that draw on learnings across all the studies conducted in the programme (Fitzsimons et al., 2020; Sebba et al., 2017).

The review was restricted to the English context. The rationale for this was to focus on evaluating cost-effectiveness in the past two decades in a similar policy context, without having to disentangle the effects owing to the structural differences in children's social care across multiple countries.

The search results were reviewed according to the four stages of information flow in systematic reviews proposed by Moher et al. (2009): identification, screening, eligibility review and inclusion. As Figure 1 shows, 379 academic articles and 81 grey literature entries were identified initially, with an additional four academic articles flagged during further screening. The total number of publications for full-text screen was 464. Among these, 403 publications were excluded due to study context being other than England (191 publications), not applicable to children's social care (131 publications), not relevant to costs, outcomes or cost-effectiveness (72 publications) or other reasons (9 publications). The remaining 61 items were included in the review.

**TABLE 1** Keywords used in databases

Scopus keyword example—create a list instead

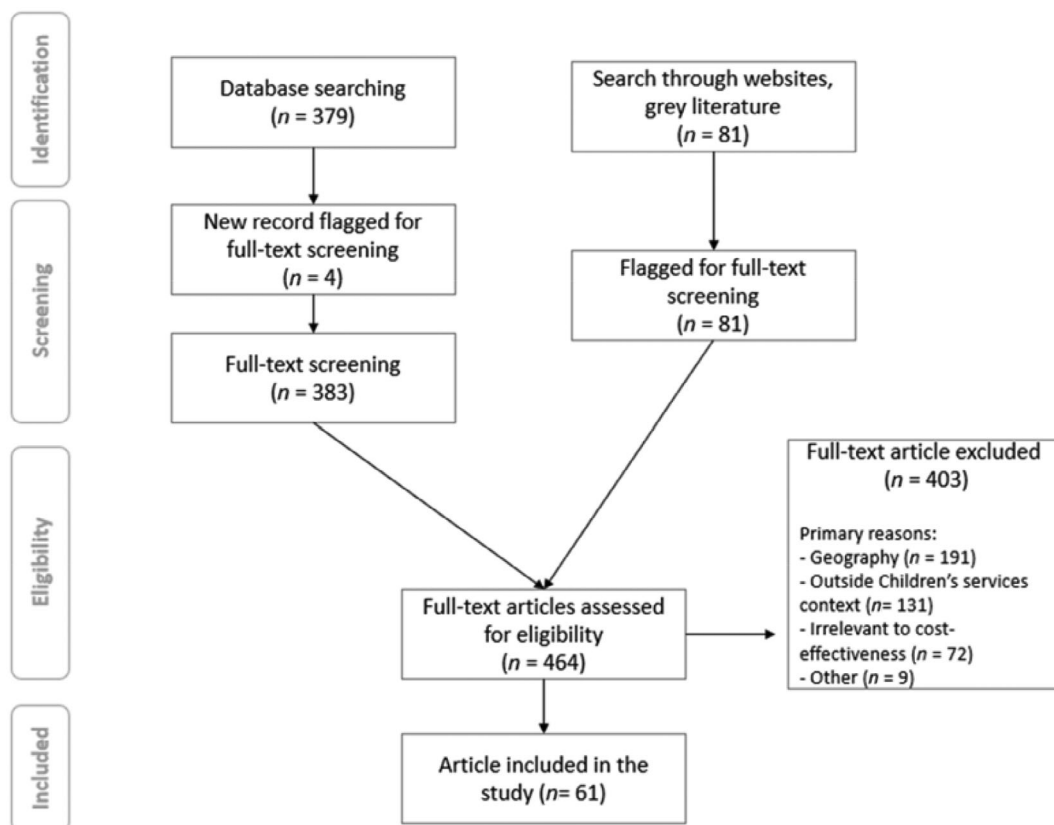
```
TITLE-ABS-KEY (((“care home*” AND child*) OR (“children's social care” OR “children's services” OR “children's care services”)) OR (child* AND care AND (foster* OR residential* OR out-of-home OR “looked after”)) AND ((cost* OR spend* OR economic*) AND (unit* OR *effective* OR value* OR quality* OR *benefit* OR *evaluation OR *utility OR *consequence)) AND NOT autism AND (brit* OR engl*)) AND PUBYEAR >2000 AND (LIMIT-TO [SUBJAREA, “SOC”]) AND (LIMIT-TO (DOCTYPE, “ar”)) OR LIMIT-TO (DOCTYPE, “re”) OR LIMIT-TO (DOCTYPE, “ch”) OR LIMIT-TO (DOCTYPE, “bk”))
```

## 2.3 | Analytical strategy

The analysis was conducted across three themes: (a) costs, spending and unit costs, (b) outcomes, benefit, quality, and effectiveness, and (c) cost-effectiveness, cost-benefit and economic evaluation (Table 2). We assessed (dis)similarities in the conceptualisation or definitions of the terms used, calculation (or estimation) methodology where applicable, and most importantly, the way in which these estimates supported the study conclusion. In doing so, we identified the assumptions (explicit or implicit) and evaluated how reasonable the assumptions were. Validation exercises and sensitivity analysis (if applicable) were also reviewed. Further, we analysed the policy context in which the conclusion was made and offer a critique.

## 3 | RESULTS

Results are organised according to the three themes of costs, outcomes and cost-effectiveness. A large proportion of studies included here contained a discussion on cost, spend or unit cost, and an equal proportion of articles concerned outcomes of service, benefit to children or quality of service provided. However, there is a considerably smaller number of studies discussing cost-effectiveness, cost-benefit or economic (Table 2). The next section provides results by the themes of costs, outcomes and cost-effectiveness.



**FIGURE 1** Number of studies in the systematic review process proposed by Moher et al. (2009)

**TABLE 2** Coverage of discussions by costs, outcomes and cost-effectiveness

Themes	Elements	Academic papers results (n = 40)	Grey literature (n = 21)
Costs, spending and unit cost	(Who spends what) Time, financial and social	Cost(s): 35 Spend(ing): 11 Unit cost(s): 13	Cost(s): 21 Spend(ing): 13 Unit cost(s): 16
Outcomes, benefits, quality (of provisions) and effectiveness (of care service)	(For whom) Children and families in contact Local authorities and Society (To whom) Children who receive the support service, or to local authorities	Outcomes(s): 34 Benefit(s): 23 Quality(s): 29 Effective(ness): 30	Outcomes(s): 20 Benefit(s): 15 Quality(s): 10 Effective(ness): 12
Cost-effectiveness, cost-benefit and economic evaluation	Qualitative and quantitative judgement	Cost-effectiveness: 16 Cost-benefit: 6	Cost-effectiveness: 13 Cost-benefit: 5

### 3.1 | Costs, spending and unit costs

The majority of the studies that discussed costs or spending referred to the financial resources required to provide services (Hicks et al., 2009; Holmes et al., 2012; Rees, 2010; Renshaw, 2007; Sellick & Connolly, 2002; Shalev-Greene & Pakes, 2014; Ward & Holmes, 2008).

Spending was almost exclusively used in the context of government spending, whether it referred to a general notion of welfare spending of central government or the specific amounts spent by local authorities to provide services. In the studies in which an implicit distinction between costs and spending was made, spending was used to highlight the action of utilising financial resources, often at an aggregate level, while costs were referred to as the levels of spending often at a lower service unit level. The distinction, however, was not always clear as these terms were used interchangeably (e.g., Chowdry & Oppenheim, 2014).

For children in care, cost was also used to refer to 'an average price' for a foster care or residential care for a child. Hicks et al. (2009), for instance, use spending on residential placements per week by a residential home to examine the relationship between the cost of placements and quality of service provided for 45 children's homes across English local authorities. The notion of 'cost' here is closer to 'price' in commercial markets, because other costs such as the cost of case management by the social workers and their management were not accounted for.

Unit cost was used to refer to costs incurred to produce one unit, where the unit was referred to as a service, such as child welfare case work (Holmes et al., 2014), an adoption process and a post-adoption process (Selwyn, Sturgess, et al., 2006), services for looked-after children whose adoption was delayed (Selwyn, Frazer, & Quinton, 2006), a police response to locate a missing person (Shalev-Greene & Pakes, 2014) or a repeat missing episode (Hayden & Shalev-Greene, 2018). Unit cost was also used in relation to an examination of a package of support from children's social care, such as the care and support provided by a local authority to an Unaccompanied Asylum-Seeking Children (UASCs) (East Midlands Strategic Migration Partnership, 2017).

The term unit cost was also used to assess cost-effectiveness or to conduct a cost-benefit analysis. Renshaw (2007) demonstrated the unit cost calculation for the services provided to young offenders before and after the introduction of a resettlement programme called RESET, and utilisation of those unit costs in evaluating cost-effectiveness of the programme. Selwyn and Sempik (2011) report a methodological issue in cost comparison by employing a unit cost methodology to calculate the cost of adoption services provided by voluntary adoption agencies (VAAs) and by local authorities when recruiting adoptive families. The study found that when LAs were

comparing costs they did not include their overhead costs whereas the voluntary sector did, which resulted in a costing exercise that was not a good reflection of true costs.

We also identified that the term unit cost was utilised as a measure of cost pressure or cost efficiency. East Midlands Strategic Migration Partnership (2017) showed that the average cost of providing care and support per one UASC in 2016 was estimated to be £55,194, substantially higher than the Home Office's reimbursement rate of £30,231. This difference in the unit costs was used to explain the budget shortfall of £7.5 million (East Midlands Strategic Migration Partnership, 2017).

Atkins et al. (2019) argued that cost-efficiency in external provision (children's homes and foster placements) improved between 2011/2012 and 2017/2018, using the trend in the unit costs of residential care published by Personal Social Service Research Unit (PSSRU). The figures published by PSSRU are widely considered to be accurate; however, some may raise a question whether using a unit cost at the national level, which is intended as a summary figure (e.g., Beecham & Sinclair, 2007), is appropriate to draw any conclusion without accounting for sector-specific and local characteristics. Furthermore, the analysis by Atkins and colleagues utilises section 251 expenditure data, which have been criticised for its inability to provide accurate unit costs (Freeman & Gill, 2014; Holmes, 2021; Rome, 2017).

The findings set out above highlight several issues regarding how costs are defined, measured and discussed in children's social care. First, no clear distinction is made between cost and spend, or between cost and price, which may lead to inconsistent quantification and producing mixed messages in studying cost-effectiveness or value-for-money. For example, 'costs' refers to the resource used to produce or deliver a service, estimated at a service or individual level, but not always through a robust costing exercise. Second, there is a general lack of consistency and methodological rigour in cost estimation, which leads to making comparisons which cannot be compared. Two sets of costs estimated using different assumptions, for instance about overhead calculation, and therefore, are not directly comparable. Third, previous cost information, especially unit costs, were used without making an explicit assessment about applicability to a new context. In some cases, previous unit costs were used after an inflation adjustment. The function of unit costs here is then indicative rather than evaluative, and therefore should be interpreted with caution.

### 3.2 | Outcomes, benefits, quality and effectiveness

As set out earlier in this paper, our review focused on literature that referred to outcomes within the context of cost-effectiveness studies in children's social care. A large number of studies (54) provided discussions concerning children's outcomes whether directly or indirectly, while smaller numbers of papers discussed 'benefit(s)' (37 articles), 'quality(ies)' (39 studies) or 'effective(ness)' (42 studies) and quality of services provided to children.

The term 'outcomes' was often used to denote a specific measure of intended results, such as 'an improvement in educational outcomes'. The term benefit(s) was used in a more general sense, such as 'benefits to children' (e.g., Chowdry & Oppenheim, 2014), to indicate achieving desirable outcomes rather than in relation to specific measures in the way in which outcomes were discussed. The word 'quality' was often used to describe good or poor standards concerning placements, staff, services provided by external parties, or data that enabled decision-making (CCO, 2019; Department for Education, 2015; Dixon & Weatherly, 2006; Fitzsimons et al., 2020; Freeman & Gill, 2014; Holmes, 2014; Holmes et al., 2010; Molloy et al., 2017; Selwyn, Sturgess, et al., 2006; Tapsfield & Collier, 2005). Similarly, the term 'effectiveness' was often used to signify achieving the intended outcome at a conceptual level, such as 'effectiveness of children's services' (e.g., Broadhurst & Pendleton, 2007; Hicks, 2008; Madigan et al., 2017; Ridley et al., 2016; Sellick, 2014). The terms 'benefit(s)', 'quality(ies)' and 'effective(ness)' were also used less extensively throughout each study when describing the results of the services, compared to 'outcome(s)'.

The discussions on outcomes broadly encompass three themes of environmental, relational and educational/developmental outcomes for children in care. A majority of the environmental measures concern the stability of



placement, as it is widely recognised that stability is key for children to develop attachment in their new environment. Stability was discussed either directly, using indicators such as placement duration with a longer period indicating a greater placement stability (Sellick & Connolly, 2002; Ward & Holmes, 2008) or indirectly by observing the frequency of missing episodes where a higher level indicates more interruption and therefore less stable placement (Hayden & Shalev-Greene, 2018; Shalev-Greene & Pakes, 2014).

Relational measures focused on the quality of the relationship between social workers and children. The level of rapport the social worker built with the children is identified as a crucial aspect indicating high quality support (Leeson, 2010; Sellick & Connolly, 2002). Having one social worker continuously and social workers being available for children (Ridley et al., 2016) are also considered important for building relationship, which can be challenging for many authorities with a high staff turnover.

Educational and developmental outcomes discussed included access to education (Ward & Holmes, 2008), school attendance, and engagement in learning and literacy skills (Rees, 2010). Wellbeing measures included behavioural, socialisation and emotional literacy measures (Rees, 2010). Many of emotional and behavioural measures used the Strengths and Difficulties Questionnaire (Goodman, 1997).

On the contrary, outcomes as a measure of whether children's needs are met were less prevalent despite the importance of identifying the needs in assessing adequacy of level and timing of support provided to children (Holmes et al., 2012). A study by Children's Commissioners Office (2019) echoed the challenges in gathering data on children's needs in its attempt to map spending to children's needs. Studies that assess the access, availability or quality of additional support, such as health and mental health, provided were scarce possibly due to a limited capacity of or inconsistent record-keeping (Holmes & McDermid, 2012).

There were a few studies that offered insight into the nature of outcomes and its implications. Hudson (2005) argued that the aims of 'Every Child Matters' include wellbeing outcomes of children but observes local authorities were not fully supported to drive the change as central government took the 'rational, top-down approach' (p. 526). Similarly, La Valle et al. (2019) highlighted that many outcome indicators routinely used in children's services are outputs, for example, rates of re-referrals rather than outcomes that were easy for the providers (local authorities) to measure and often lacked experiential data about the views and experiences of service users (children and families).

A study by the Early Intervention Foundation (EIF, 2014) showed an alternative approach to defining and measuring outcomes in the longer-term horizon. For instance, for service providers, it included 'reductions in demand for service provision of a more acute and reactive nature, such as care placements, alternative schooling, health service admissions, or prison and probation' (p. 1). These proposed outcomes moved beyond the narrowly defined narrative on financial costs of providing service and moved to being more closely aligned with positive outcomes for service users, as well as for the wider society.

### 3.3 | Cost-effectiveness and cost-benefit analysis

Just over half the studies provided discussions on cost-effectiveness (27 studies) and cost-benefit analysis (11 studies), although only a few studies included the definition in the study (Renshaw, 2007; Stevens et al., 2010).

There are largely three ways in which cost-effectiveness was discussed. The first interpretation was akin to the notion of relative value-for-money. When a service with a higher cost failed to outperform that of a lower one, it was deemed not to be cost-effective. For example, Hicks et al. (2009) examined whether residential placements with higher weekly costs produced better behavioural and wellbeing outcomes. The study reported no statistically significant association between the costs and children's outcomes, therefore implying that high cost placements were not cost-effective (Hicks et al., 2009).

Another example of cost-effectiveness as relative value-for-money was found in the ongoing debate on the weekly placement costs for in-house (local authority-managed) and external (purchased) provisions. In-house provisions are widely perceived to be less costly, or better 'value-for-money' (DfE, 2016), than external placements

provided by the private or voluntary sectors. Based on the data of 509 children with over 50 independent foster care agencies (IFAs), Sellick and Connolly (2002) reported that there was no cost differential when these two types of provisions were compared on a like-for-like basis, although it is important to note that the study was conducted two decades ago when the dynamics in the mixed economy were different from today. A recent review of foster care (Narey & Owers, 2018) considered a similar issue and reported on the differences in the cost included in the comparison between foster care provided by independent agencies, and local authorities; however, it did not offer further evidence that enabled an assessment of cost-effectiveness.

Selwyn and Sempik (2011) provided a nuanced picture of how the scope of outcomes defined in the cost assessment exercise may lead to different results. The authors compared the unit cost of inter-agency adoptions and associated services (£37,200 in 2011), and that of local authorities' in-house services that were considered equivalent to the external services (£35,008 in 2011). The study highlighted that, at first glance, the cost of local authority services appeared to be marginally lower. If this information was taken at face value, external services would no longer be utilised, as delivering equivalent services in-house achieved better cost-effectiveness. However, the agencies placed more older, ethnic minority or sibling groups for adoption who tend to be considered difficult-to-place children, and the cost of placements for these groups of children was substantially higher. This study clearly demonstrates that the cost comparison without giving an adequate consideration of children's needs and circumstances, as well as outcomes, can be misleading.

The second interpretation centres around cost reduction achieved, as a result of an introduction of a new programme or method. Renshaw (2007), for instance, provided a well-defined scope of programme from which a clear set of outcomes is defined before utilising unit cost methodology to assess cost-effectiveness of the RESET programme. As it was found to reduce the frequency and seriousness of crimes committed by young offenders while reducing associated financial cost, the study concludes that the programme was cost-effective.

The third strand of discussion on cost-effectiveness was similar to the second, but it involved less clearly defined outcomes over a longer time horizon. Many studies in this category used the economic reasoning of 'return on investment', driven by the 'invest to save' strategy using cost-benefit analysis. For example, Axford et al. (2008) considered potential cost savings as return on investment on preventative or socially rehabilitative social services. They argued that cost savings that derived from preventing further exacerbation of disadvantages for children, which could become more costly in the future in the absence of adequate and timely support. Similarly, DfE (2016) discussed cost-effectiveness when evaluating two models in delivering services in participating local authorities children's services in England: one with a greater focus on early help programmes and another on managing current social care cases. It reported that those local authorities with well-established early-help programmes considered investment in those programmes cost-effective as they helped prevent children from coming into care. Publications by early intervention foundation (EIF, Chowdry & Fitzsimons, 2016; Chowdry & Oppenheim, 2014) provided further support for investment in early help programmes, as they deemed it delivered better 'social benefit-cost ratio (SBCR)', arguing that late intervention was likely to be more costly.

Challenges associated with the conceptual and methodological approach often taken in cost benefit analysis were found in the studies by Stalford (2019) and Feinstein et al. (2017). Stalford (2019) observes that the reasoning behind cost-benefit analysis often rests on the premise that perpetuation of disadvantages is high-risk and becomes socially costly. Stalford also argues that the quantification of benefit is of a speculative nature, as its conceptualisation and measurement is established in comparison to an untested and ambiguous counterfactual scenario of not having the intervention. Feinstein et al. (2017), on the other hand, argue that the science behind early intervention is strong but that the complexity and uncertainty 'falsely undermines confidence in the well-established science of early intervention and of evaluation' (p. R25).

There appears to be a consensus for evaluations to reflect a longer time horizon. What Stalford considers as a speculative approach is often discussed to be limitations of evaluation studies, together with a reliance on hypothetical projected potential cost savings associated with new interventions, due to a short time frame of evaluations (Fitzsimons et al., 2020; Sebba et al., 2017).

## 4 | DISCUSSION

There was an abundance of review and policy articles setting out the problem and highlighting the financial pressures that children's social care face. Studies that provided evidence of potential solutions to the financial pressures, or examples of cost-effective services were lacking. In the following section, we focus on methodological weaknesses and gaps in the literature before setting out recommendations for a path forward for cost-effectiveness studies in children's social care.

### 4.1 | Learning from the last two decades: Costs and outcomes

An inconsistent use of definitions, less-than-robust quantification strategies and varied interpretation of costs are highly problematic, as they could exacerbate an overemphasis on 'cost' and 'cost saving' based on misinterpretation during any period of high-cost pressure experienced by the sector. This cost-focused viewpoint may increase states' reluctance to provide care (Rees, 2010) and shift the focus to cost-saving (Molloy et al., 2017). This focus on cost-saving is likely to affect its working relationship with the independent sector in the mixed economy in service delivery (Sellick, 2014) and undermine local governments' ability to respond to the need for children's services in a strategic manner.

A fundamental challenge in children's social care is that it is difficult to define all intended outcomes in such a manner that facilitates attribution of a specific service, or type of support to outcomes. The findings of this study show that studies that defined a clear set of outcomes or outcomes evaluated in conjunction with needs were largely limited. As often, the evaluation studies focused on outcomes emphasised by political agenda (Hudson, 2005) or provider-focused easy-to-measure outcomes rather than incorporating the voice of children and families (La Valle et al., 2019).

The complexities associated with the attribution of outcomes to the provision of children's social care services was highlighted in Parr and Churchill (2020). They argued that the needs, services and outcomes of families need to be viewed holistically, and that there is a myriad of socio-economic factors that are outside of the control of local authority children's services departments. The implication of these complexities was also cited in both of the thematic summary reports from the DfE Innovation Programme (Fitzsimons et al., 2020; Sebba et al., 2017): the limitations of evaluations included that many evaluation studies had difficulties attributing outcomes to the specific intervention. Ultimately, if outcomes are not attributable, then any resultant cost-effectiveness analysis is speculative and of limited value, as also seen in the study on the Troubled Families Programme (Parr & Churchill, 2020).

As detailed above, attribution of outcomes to children's social care is complex, and several studies have argued for taking a comprehensive approach to understanding costs and outcomes. Most costs studies included in this study refer to costs to the government, without giving much consideration to social or economic costs related to wellbeing of children and families as Feinstein et al. (2017) pointed out earlier. One implication of this approach is that children's services are viewed as an expense to the government rather than an investment for children's wellbeing.

### 4.2 | Challenges to understanding cost-effectiveness

Several studies have highlighted the conceptual and methodological challenges related to evaluating cost-effectiveness. The issues associated with costs and outcomes, the inconsistencies in quantification and difficulties in defining and attributing outcomes, imply that a cost-effectiveness evaluation could produce a false conclusion, as shown in the study by Selwyn and Sempik (2011). Stalford (2019) questions the methodological rigour in studies that claim to have conducted cost-benefit analysis. Feinstein et al. (2017) caution against treating the cost of late intervention as cost-saving for early intervention. The reports from DfE Children's Social Care Innovation Programme (Fitzsimons et al., 2020; Sebba et al., 2017) discussed the limitations associated with the absence of comparison groups or, where comparison groups were included, small samples sizes. The reports also highlighted the use of speculative, hypothetical future savings rather than directly attributable, substantial cost-savings.

The view that spending in children's services is an expense may be the basis of the overriding premise that preventing the entry to care is a positive and cost-effective solution to the needs of children and family. This perspective also aligns with much of the research focused on early intervention (Stalford, 2019) and considers coming into care analogous to late intervention and therefore costly. However, the premise does not reflect the purpose of the care system: a study showed that children with the most complex needs who were placed in care later in their adolescence had worse outcomes in their lives and more costly care pathways compared to those who came into care earlier in their lives (Ward et al., 2008).

The appropriateness of cost-effectiveness analysis for a complex and nuanced service area, such as children's social care also requires exploration. Selameab and Yeh (2008) question the use of cost-benefit and cost-effectiveness analyses for the evaluation of programmes with intangible outcomes—a key feature of children's social care. They offer a detailed comparison of Multiattribute Utility Analysis (MAUT) with cost-benefit analysis and suggest MAUT as a useful additional tool for assessing the value of services and programmes where there is an abundance of hard-to-value outcomes (*ibid*).

### 4.3 | Evidence literacy, quality of data and transparency

Molly and colleagues (2017) view that integrating cost-benefit analysis in the service planning is beneficial, but the current level of capability for 'evidence literacy'—using data to demonstrate cost-effectiveness—is limited due to practical barriers such as local authorities' complex information system and continuing funding pressure. The authors also argue that the lack of evidence misdirects the focus to cost-saving away from building capacity for evidence literacy (Molloy et al., 2017).

The type and source of data used for some of the cost studies reviewed here are concerning. Of the evidence, we reviewed only a small proportion of the studies included the calculation of new costs of services and support, which were then used in cost-effectiveness analyses. Most of the primary data collection was carried out as part of the studies that formed the Department of Health Research initiative (Beecham & Sinclair, 2007), and these unit costs have been used in subsequent studies, often with older costs being inflated to current prices.

Furthermore, many of the included studies utilise the Section 251 expenditure data, citing a lack of empirical unit costs as the rationale for use. The use of the Section 251 expenditure data is particularly prevalent in the evaluations of programmes as part of the DfE Children's Social Care Innovation Programme (Fitzsimons et al., 2020; Sebba et al., 2017). Despite widespread usage, numerous reports have highlighted the limitations of Section 251 and inconsistencies in the completion of the data (Freeman & Gill, 2014; Holmes, 2021; Rome, 2017). The study by Freeman and Gill (2014), for instance, investigated the differences in the spending across local authorities (Section 251 data) and conclude that the differences we observe in spending were mainly due to 'noise'—a simple difference in how the form is filled by each local authority which does not refer to true variance in costs.

Transparency in how the cost data are analysed is also problematic. Although some papers and articles set out the methodological approach to unit costing (e.g., Renshaw, 2007; Selwyn, Sturgess, et al., 2006; Shalev-Greene & Pakes, 2014; Ward & Holmes, 2008), the use of unit costs with an evaluation of assumptions and a subsequent modification (e.g., Selwyn & Sempik, 2011), and explanations of the rationale for their use (e.g., Chowdry & Oppenheim, 2014; Holmes & McDermid, 2012), many others lacked the transparency necessary for replication.

## 5 | CONCLUSION

It is evident from the findings of this critical review that after 20 years since initial efforts to improve the evidence there are substantial gaps in the knowledge base about what constitutes cost-effective services for children and families supported by children's social care. The methodological limitations have been set out alongside a lack of

transparency and an over-reliance on administrative expenditure data to inform cost calculations. There has also been very little focus on the longer-term impact and outcomes attributable to intervention. As we set out in our introduction, although the problems have been stated frequently, there is limited evidence about what constitutes cost-effectiveness or how best to provide 'value for money' in children's social care. Consequently, it is difficult for policymakers and other stakeholders in children's services to make evidence informed decisions about the best use of their limited resources.

There are two areas in which future research could make a substantial contribution to understanding cost-effectiveness in children's services in a meaningful way. A fundamental policy impetus was the concern about unexplained variation in unit costs between local authority areas, as mentioned in previous studies including Beecham (2000). As the Department for Education guideline publication for Section 251 return (2019) indicates, one of the main objectives of the return is to be able to evaluate the variability across local authority spending. We expect that employing a robust costing methodology would enable a deeper learning of the underlying causes of variations in costs in children's services, but we found that these were in the minority (Beecham, 2006; Holmes & McDermid, 2012; LGA, 2018).

There has also been a growing recognition that costs should be studied from a holistic multi-agency viewpoint instead of looking at children's services in isolation (Hannon et al., 2010; Holmes, 2021; La Valle et al., 2019). Hannon et al. (2010), for instance, suggest that the potential future savings associated with a stable care pathway would be harnessed by agencies other than children's social care. They include the costs associated with unemployment and benefits up to the age of 30. Incorporating the long-term perspective in evaluations is an intrinsic difficulty for children's social care, whereby often benefits, financial or social, are not realised for some time (Bowyer et al., 2018; Chowdry & Fitzsimons, 2016; Crenna-Jennings, 2018; Feinstein et al., 2017; Ward et al., 2008).

## DATA AVAILABILITY STATEMENT

Data sharing not applicable - no new data generated

## ORCID

Ellie Suh  <https://orcid.org/0000-0001-5677-9648>

Lisa Holmes  <https://orcid.org/0000-0002-6386-854X>

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## SUPPORTING INFORMATION

Additional supporting information may be found in the online version of the article at the publisher's website.

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