

**AGENDA ITEM**

**REPORT TO CABINET**

**DATE: 16 OCTOBER 2025**

**REPORT OF THE SENIOR  
MANAGEMENT TEAM**

**CABINET DECISION**

**Children and Young People - Lead Cabinet Member – Councillor Clare Besford**

**Powering our Future – Transformation Review: Children in our Care – Therapeutic Residential Care for Children Experiencing Mental Health Challenges and Behavioural Distress**

**Summary**

The purpose of this report is to appraise Cabinet of the successful submission of a bid to the Department of Education's Children's Home Capital Programme 2025 to 2029. The bid will provide 50% capital funding to purchase two properties with a total of 3 places, for children experiencing mental health challenges and behavioural distress. The report outlines the proposal for the provision of two homes in Stockton-on-Tees following a comprehensive review, options appraisal and development of a business case. The objective is to address the need for specialist placements within Stockton-on-Tees for our most vulnerable children.

The proposal aims to build sufficiency within the mainstream residential estate to avoid having to place children in external private provider care, which is often unregulated and costly, providing limited value for money. Providing residential care locally will support better outcomes for children in our care and help give them a better start in life.

This report is an important part of our approach to reducing inequality by prioritising support to enable more children to live within safe and inclusive communities.

**Reasons for Recommendations(s)/Decision(s)**

Cabinet is asked to note the findings and agree the recommendations to ensure that the Council continues to deliver its commitment to the Powering Our Future Missions; to address the financial challenges we face whilst also improving outcomes for children, young people and their families. These include:

- **Empowering communities** - increasing individual, family and community level activities.
- **Improving Outcomes:** Keeping children within the local area supports their identity, community ties and educational stability. Increasing placement stability through the provision of high-quality services will provide safety and stability to support the transition to adulthood.
- **Cost Efficiency:** Investing in the provision and availability of mainstream residential placements will reduce reliance on high cost unregistered external providers that, in the main, provide limited improvement in outcomes and can result in numerous moves increasing instability.
- **Enhanced Support:** Enhancing care planning and reducing the impact of trauma by embedding the use of Dyadic Development Psychotherapy (DDP) training and improving access to a multidisciplinary team approach with enhanced support to manage responses to individual needs.

## Recommendations

That Cabinet:

1. approves inclusion in the Capital Programme of a scheme to deliver two Council-run children's homes (one solo and one dual) providing three places in total, based on current estimated total capital costs of £1.467 million;
2. agrees that the Council's match-funding requirement of £733,500 be met from the existing Council Wide Investment Fund approved by Council in February 2025, utilising prudential borrowing already authorised within that approval, with associated borrowing costs to be met from within Children's Services budgets through reduced reliance on external placements; and
3. authorises the Director of Children's Services, in consultation with the Cabinet Member for Children and Young People, the Director of Regeneration and Inclusive Growth, the Chief Financial Officer, and the Director of Corporate Services, to:
  - a. identify and acquire two suitable properties within the approved budget envelope;
  - b. procure and let contracts for design, refurbishment, fit-out and equipment; and
  - c. take all necessary steps to register and operationalise the homes in line with the grant conditions and regulatory requirements.

## Detail

1. The Council's Mission Statement and wider Powering Our Future Programme, prioritises supporting more children to live in safe and inclusive communities that provide them with opportunities to thrive. This means working differently with communities, to harness the strengths that exist to build resilience and independence.
2. In April 2024, Cabinet agreed to a review of Children in our Care as part of phase 1 of the Transformation Programme. This provided clarity on the scope and objectives for the review, in alignment with the Council's Mission Statement.
3. The review led to a comprehensive understanding of challenges making use of research, data and intelligence. Findings and drivers for change along with options and proposals which are summarised below.
4. Stockton-on-Tees Borough Council faces challenges with a high number of children in care (591 as at 24/09/25) of which there are 71 (as at 24/09/25) in external residential care. Of those children in external residential care, 16 are placed in high-cost placements (over £8,000 per week). The current average cost is £11,300, with the highest being £16,000 per week. Most of these placements are unregulated. These are the most costly services and are often out of area.
5. Recent national, regional and local research undertaken by Newton Europe on behalf of the Association of Directors of Children's Services (ADCS) validates the need for additional residential placements for children with complex needs. The average weekly cost for residential care has increased significantly between 2020 and 2024 from £4,000 per week to £6,000 per week. However, the cost of placements can increase significantly for those in unregulated provision to over a minimum of £9,000 with no ceiling price for children and young people with extremely high complex needs. The proportion of children in residential care has risen, and there is a notable increase in children entering care aged 10 years and older.
6. The costs associated with using external providers are extremely high, this is a national issue and not just an issue for Stockton-on-Tees Borough Council. Additionally, the lack of local placements means social workers must travel long distances to visit children, increasing workloads and reducing the frequency of contact. External providers often serve short notice on placements, causing instability and escalating children's needs, which leads to a cycle of increasingly complex needs and higher costs.

7. Unregulated residential provision is unlawful and requires additional risk management if a child is placed in this type of care. This practice has brought scrutiny from Ofsted, the Department for Education and the Children's Commissioner, highlighting the urgent need for more regulated residential options for children with complex needs. The acknowledgement that changes were required resulted in the Department for Education offering Local Authorities the opportunity to bid for funding from the Children's Home Capital Programme 2025 to 2029.
8. Whilst the recently approved Fostering Cabinet paper will support the recruitment of individuals who can develop the requisite skills to care for children with complex needs. There is an acknowledgement that not all children will be suitable for a foster placement, particularly those with significant mental health needs, trauma and challenging behaviours that require a higher staff base such as one to one, or two to one.
9. The criteria for the capital programme were very specific and restricted and can only be used to provide a service to respond to the needs of children at risk of having their Deprivation of Liberty (DOLs) compromised or at the edge of being admitted to secure mental health units.
10. Several options were appraised based on the grant conditions criteria as detailed below:

Options	Summary
1. Do Nothing	No investment - Stockton-on-Tees Borough Council will continue to rely on unregistered and unstable residential provision, that does not provide a child with complex needs the opportunity to maintain their local networks, access mental health support or have a multi-disciplinary therapeutic response to dealing with trauma all of which leads to poorer outcomes for children.
2. Provide One Solo Home and One Dual Home (preferred option)	<p>This option is recommended due to its balanced approach to investment, support, and whilst the project is expected to be cost neutral rather than making savings, the impact for our most vulnerable children and their families will be more impactful, particularly in relation to caring for the children within their own communities, close to their support networks and with a comprehensive package of support and the right level of access to a multi-disciplinary team to deal with their ongoing traumas.</p> <p>Providing children with residential services managed and controlled by the Council will offer stability of placement leading to less breakdowns of care. Give those children access to services that they are unable to access when placed outside of the borough, for example health services support, CAMHS and Educational support to improve outcomes.</p>
3. Provide Two Solo Homes	Develop 2 solo homes for 2 children – this option would provide 2 placements for children in our care and would be managed via a cluster arrangement.

11. The preferred option following evaluation of each and their potential to address the key issues, financial implications, and overall impact on achieving better outcomes for children is option 2: provide one solo and one dual home.

## Community Impact and Equality and Poverty Impact Assessment

### 12. The Equality and Poverty Impact Assessment

The EPIA identified the recommended option will have a positive impact on Children with Complex Mental Health Needs and Challenging Behaviours particularly for children currently placed in external residential care as they will remain within the borough of Stockton-on-Tees,

can maintain their family, social and educational networks and have access to the right level of care and support from health services and voluntary and community groups.

13. Key Impacts include:

- **Improved Placement Matching:** Children whose permanence plans indicate a need for residential care will benefit from being matched with appropriate in-house residential care. This ensures their needs are met in a stable residential environment.
- **Local Placements:** By increasing local residential capacity, more children can remain within Stockton-on-Tees, maintaining access to their family, education, and social networks, factors that are crucial for emotional well-being and social inclusion.
- **Enhanced Support to Prevent Placement Breakdown:** The proposal includes better training for residential care staff to maximise the management of complex needs more effectively. This supports placement stability and reduces the risk of breakdowns, which disproportionately affect vulnerable children.
- **Addressing Inequality:** The initiative aligns with the Council's design principles to reduce inequality, prioritise prevention, and protect residents from the impacts of inequality. It aims to ensure that all children, regardless of background or complexity of need, have access to high-quality, stable care.

### Corporate Parenting Implications

14. As Corporate Parents the Council has high aspirations for children and young people in the borough. The ambition for children in our care is the same as the ambition for all children and young people, that they live in safe, secure, and loving environments and are happy and healthy. Being a good corporate parent means we:

- Accept responsibility for children in the council's care and care leavers,
- Make their needs a priority, and
- Seek for them the same outcomes any good parent would want for their own children.

### Financial Implications

15. Capital costs submitted as part of the DfE bid were based on the acquisition cost and refurbishment cost of the recent Therapeutic home. These have then been adjusted to reflect inflationary pressures and consideration of specific interventions that are referenced in the grant conditions.

- (a) The estimated capital cost for 2 homes is £1,467,000. Whilst there is a contingency for risk built into these numbers it should be noted that cost certainty will only be obtained once specific properties are acquired and relevant surveys and investigation works carried out. The DfE grant will fund 50% of the total cost up to a maximum of £733,500. Match funding from the Council of £733,500 will be funded by prudential borrowing from the £20m Council Wide Investment Fund approved by Council as part of the Medium-Term Financial Plan Update and Strategy Report in February 2025, with allocations from that fund delegated to Cabinet. In line with the approval of the £20million, the borrowing costs are anticipated to be funded from the savings delivered by the intervention.

16. The estimated running costs of the two new children's homes, under a cluster model are anticipated to be £1,525,000 per annum. The borrowing will be taken out over 35 years with repayments of £51,000 per annum. These costs are anticipated to be met from the savings generated due to using internal placements rather than high-cost external placements. These figures have been updated following the final options appraisal to reflect the annual pay-award costs and most recent borrowing rates.

17. Unregulated placement costs are extremely volatile and have reached over £18,000 per week in previous years. The 10 most expensive placements in March 2024 averaged £9,800 per

week. In June 2025, 10 placements were over £10,000 per week and now average £12,500 per week.

18. While the homes are not expected to generate significant financial savings, the proposal will provide some certainty on cost for these placements provided by the Council. As well as providing additional capacity for the most complex children in our care, the investment is justified by the anticipated improvement in outcomes for children. Local placements reduce disruption for children and support long-term stability.
19. The Council will retain ownership of the buildings and need to them operate as fully compliant, Ofsted-registered home for five years.

### Timescales

20. There is an expectation from the Department of Education that the homes will be opened and operational prior to the Capital Programme end date of 31 March 2029.
21. The proposed timeline for the purchase and conversion of the two homes has been estimated on previous experience; however the milestones are open to change due to the identification of suitable properties, which are dependent on availability within the housing market.

### Legal Implications

22. The Local Authority has a statutory duty to deliver safeguarding arrangements for children in their area including the requirements for the provision of care for children unable to live in the family home. Legislation that covers these provisions are:
  - The Children Act 1989
  - The Children's Homes (England) Regulations 2015
  - The Care Standards Act 2000
  - The Children Act 2004
  - The Children and Social Work Act 2017
  - Working Together to Safeguard Children 2023

### Risk Assessment

#### Financial Risks

- **Capital Costs and timelines over-run** - There is a risk that the costs of purchasing and converting properties becomes prohibitive and leads to an overspend. Mitigation: A working group was established during the development of other homes, with a comprehensive RAIDL (Risks, Actions, Issues, Decisions, and Lessons Learned) log maintained and reviewed regularly. Lessons learned have informed this funding application, including the establishment of a realistic capital budget and a robust contingency fund. The homes will be retained by the Council and added to the Asset Register, ensuring long-term value.
- **Revenue costs** – There is a risk that the costs of running the homes may not generate savings or this model could potentially be more expensive than current arrangements. Mitigation: While the homes may not generate direct savings, they are expected to deliver better outcomes for children by enabling placements within Stockton-on-Tees. This supports continuity in family, social, and educational networks, leading to improved life chances and reduced reliance on public services over time, potentially avoiding future costs. The operating costs and staffing model will be reviewed regularly and all endeavours taken to ensure the homes are operated as efficiently as possible.

#### Organisational Risks

- **Change management** – a delay in opening the new homes which will result in having staff in place but no children in the homes. Mitigation: The project delivery plan will be closely

monitored by the project manager and steering group to ensure critical timelines are met. Any emerging issues will be addressed promptly to avoid delays.

- **Operational management** – Delays in recruiting to posts to operate the homes will have an impact on the Councils ability to either reunify a child to Stockton on Tees or place a child who is matched for a residential placement. Mitigation: Recruitment will begin early, informed by previous project timelines, to ensure adequate staffing by the home's opening. This includes scheduling specialist training for residential staff to ensure readiness and high-quality care provision.
- **Contractual changes** – the negotiations with the CAMHS service to provide therapeutic support may become protracted. Mitigation: Early engagement with CAMHS and clear timelines for negotiation will be built into the project plan. Escalation routes will be established to resolve delays and ensure therapeutic support is in place before the homes open.

### Service User Risks

- **Meeting a Child's Needs:** There is a delay in recruiting residential care workers leading to a greater time children are placed in unsuitable, unregistered or distant residential placements, which can impact their outcomes. Mitigation: The proposal increases local placement availability and improves matching through enhanced assessment and planning processes. Residential care workers will receive targeted training to support children through transitions, fostering stable and nurturing environments that meet assessed needs.

### Political Risks

- **Policy Alignment:** The changes must align with national and local policies. Mitigation: Plans will be regularly reviewed to ensure alignment with national and local policy directives. Transparent engagement with elected members, especially in wards where properties are identified, will be maintained through consultation and regular reporting to the portfolio holder.
- **Community** – as with all aspects of service development and delivery there can be significant challenge from the public in relation to the provision of some services within their communities particularly if they deem them to be detrimental to their residential environment. Mitigation: The communications team will support early and ongoing engagement with the community, ensuring transparency and timely updates. Community consultation will be integral, with feedback informing the development process to address concerns proactively.
- **Media** – linked back to the above point the media can often be a protagonist in relation to Council developments. Mitigation: The communications team will manage media engagement from the outset, ensuring accurate and timely information is shared.

### Environmental Risks

- **Impact of Car Use** – the impact of the number of contractors/staff cars (during refurbishment and once opened). Mitigation: Property selection will consider off-street parking capacity to minimise community impact. Where appropriate, travel plans and environmental assessments will be undertaken to support sustainable operations.

### Wards Affected and Consultation with Ward/Councillors

23. Following approval by Cabinet work will commence to search for appropriate properties for refurbishment and conversion into the two homes. Once properties have been identified Councillors within the relevant wards will be informed.

24. Public consultation will take place once the purchase of the properties is completed.

### Background Papers

- PID - Children in Our Care - updated 22.02.24 – (Appendix 1)
- Business Case/Options Appraisal Paper – (Appendix 2)

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