



Transformation
MT 13 - Children in Our Care
GATEWAY 3: DESIGN
Business Case/Options Appraisal
Therapeutic Residential Care for Children Experiencing Mental Health Challenges and Behavioural Distress
VERSION 3

PROJECT GOVERNANCE

Project Leadership

Role	Name
Cabinet Member (Portfolio Holder)	Clare Besford
Mission Sponsor	Mike Greene
Mission Lead	Marc Stephenson
Director Lead	Majella McCarthy
Project Sponsor	Louise Hollick
Project Delivery Manager	Francesca Magog

Revision History

Version	Author	Reviewer	Details of Change	Date
3	Francesca Magog	PDM	Amendments	15.08.25
		Project Leadership Feedback	Amendments	15.08.25
		Project Team Feedback	Amendments	15.08.25
		Members Engagement		
		PMO QA	Amendments	15.08.25
		Mission Board Feedback	Amendments	07.08.25
		PoF CMT Feedback	Amendments	19.08.25
		Final Approved		19.08.25
		Other.....		

Distribution, Engagement and Approvals

Role	Name	Job Role	Date
Cabinet Member (Portfolio Holder)	Clare Besford	Portfolio Holder for Children's Services	
Director Lead	Majella McCarthy	Director of Children's Services	
Project Sponsor	Louise Hollick	Assistant Director Early Help, Safeguarding & CIOC	05.08.25
Project Delivery Manager	Francesca Magog	Project Manager	05.08.25
Subject Matter Expert (Service Lead)	Jane Smith	Head of Service Children's Strategy and Commissioning	05.08.25
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Data Lead	Paul Wilson	Senior Business Partner - Strategic	08.08.25
HR Lead	Helen Johnston	OD Partner	08.08.25
IT/Digital Lead	Helen Ruddick	Manager – Children's Systems	08.08.25
Communications Lead	Emma Chudley	Senior Comms Officer (Adults & Children)	08.08.25
Legal Lead	Julie Butcher	Head of Legal Services	08.08.25
Procurement Lead	Martin Skipsey	Assistant Director Procurement and Governance	08.08.25
PMO Lead	Joanne Wilkinson	Transformation & Change Programme Manager	05.08.25
Mission Board (Transformation, Colleagues, Communities, Partnerships, Regeneration)		Transformation Board	07.08.25
CMT PoF Board		CMT	19.08.25
Cabinet		Cabinet	16.10.25
Full Council			
Other (Please add)			

Gateway 3 – Discovery: PMO/Board - Quality Assurance and Approval Checklist

Item	Evidenced	Approved?
Engaged with key stakeholders and have buy-in and approval	Yes	
Have Members been Engaged in line with the agreed approach		
Describes the challenge we are trying to address/question we are trying to answer	Yes	
Clear identification of financial implications including exiting budget, current cost to deliver, pressures, savings, cost avoidance and predicated budget (Revenue and capital)	Yes	
Are the proposed recommendations subject to employee consultation and has this been built into the plans	No	
Identification of resources/skills to deliver proposed recommendations	Yes	

Data and Intelligence is present and used to develop options and inform recommendations	Yes	
Constraints are clearly identified and considered in options and recommendations	Yes	
Interdependencies with other projects including capital and digital have been mapped and have a clear plan to manage	Yes	
Have the recommendations/proposals been aligned to the following: <ul style="list-style-type: none"> • Council Plan • Mission Success Criteria • Design Principles 	Yes	
Describes what success will look like and identifies benefits.	Yes	
High level implications and risks have been identified and considered in options and recommendations	Yes	
Is Legal advice required and has this been fulfilled	Yes	
Completed an Equality and Poverty Impact Assessment (EPIA) that has been considered as part of the proposals and has been signed off by the relevant Director	Yes	
Is the proposal subject to engagement or consultation with service users and has this been built into the approach appropriately	Yes	
Is there a clear plan for stakeholder engagement including Members	Yes	
High Level Project Delivery plan covering Key Milestones has been developed for the recommended option	Yes	

Gateway 3 – Design: Board Decision and Feedback

Question	Decision
Approval of the Design and Acceptance to progress to the Delivery Phase?	The Board asked for the paper to be submitted to PoF/CMT and Cabinet, prior to progressing to the delivery stage.
Which option did the Board Approve?	Option 2
Was this the recommended option and rationale for changing if not?	Yes – the recommended option links back to the DfE grant conditions.
Is there any other feedback for the Project Sponsor and Project Delivery Manager?	The Board asked for the lessons learned from previous projects to be included and some slight amendments to link back to the DfE grant conditions.
Does the proposal need Cabinet and or Full Council Approval?	Yes, the proposal will need to go to Cabinet as it is requesting capital funding to match that awarded by the DfE.

BUSINESS CASE/OPTIONS APPRAISAL

Purpose

1. The purpose of this report is to inform the Transformation and PoF Boards of the successful outcome of the Council's bid to the Department for Education (DfE) for capital grant funding¹. This funding was sought through a competitive round aimed at supporting the development of residential care homes for children with complex mental health needs and challenging behaviours. The capital investment awarded requires the Council to contribute 50% of the total capital costs.

Executive Summary

2. Stockton-on-Tees Borough Council has successfully secured capital grant funding from the Department for Education (DfE) to develop residential care homes for children with complex mental health needs and challenging behaviours. This funding opportunity aligns with the Council's strategic objectives to improve placement sufficiency, reduce reliance on costly external providers, and enhance outcomes for children in care. However, the conditions attached to the grant restrict how the funding can be used, which has consequently limited the range of potential development options available under this capital investment fund.

To ensure that the system is able to provide a safe home for these vulnerable children, the Government has committed to make further match funding available to LAs through this programme to create additional OCH (Open Children's Homes) placements for children with multiple, complex needs, recognised to be a response to complex and ongoing trauma, who have been, or are at risk of being, deprived of their liberty.

3. The proposal recommends Option 2: The development of one dual home (for two children) and one solo home (for one child). This model offers flexibility, cost-effectiveness, and the ability to meet diverse and complex needs within the borough. The total capital investment required is £1.467 million, with 50% funded by the DfE and 50% through prudential borrowing (subject to Cabinet approval). Annual revenue costs are projected between £1.531 million and £1.542 million, including borrowing repayments.
4. The key drivers for change include:
 - A sharp rise in residential care costs nationally and locally.
 - A high proportion of children entering care aged 10+ in Stockton-on-Tees.
 - An increasing use of unregulated placements due to insufficient local provision.

¹ [1 - Guidance document - Capital investment to develop provision for children with complex mental health needs and challenging behaviour.docx](#)

- Evidence from Newton Europe and internal data highlighting financial and care pressures.
5. The proposal seeks to enhance the sufficiency of the Council's children's residential estate by providing an in-house solution for children with complex needs who require residential care.

Key Objectives:

- Reduce reliance on high-cost external residential care providers.
 - Minimise the use of unregulated residential care arrangements.
 - Better meet the increasingly diverse needs of children in our care.
 - Use space flexibly — for example, the dual home may operate as a solo provision when a child's needs prevent them from being placed with others, and the designated solo home is already in use.
 - Provide stability for children, enabling purposeful work that supports a step-down into other placements, such as in-house residential care.
 - Enable children to remain within Stockton-on-Tees, maintaining local connections and continuity.
6. The recommended option is aligned with existing transformation projects, including the fostering service modernisation and the children's residential estate review. It also addresses critical constraints such as property acquisition challenges, staffing, and regulatory compliance.
7. The project is expected to deliver significant cost avoidance, improved care planning, and better access to local services. A high-level delivery plan outlines milestones leading to the homes opening in September 2028.

Recommendations

8. It is recommended that the POF Board agree Option 2, to develop 1 dual home for 2 children and 1 solo home for 1 child, to take forward for Cabinet approval.
9. Agree the investment required for implementation is £1,467,000 capital expenditure, to purchase and renovate the two properties. (Funded 50% DfE Grant and 50% Prudential Borrowing). Revenue funding for the running cost of the homes of between £1,531,000 and £1,542,000 will be required annually. This includes a provision of £45,000 per annum to meet the borrowing costs.

Project Discovery Summary and Decision

10. In February 2025, a discovery report was presented to the Transformation Board outlining an opportunity for Stockton-on-Tees Borough Council to bid for capital grant funding from the Department for Education (DfE). This funding is intended to support the development of residential care homes for children and young people with complex mental health needs and/or challenging behaviours. The initiative forms part of a wider capital programme designed to help local authorities expand, refurbish, or construct new children's home provision.

11. Due to the tight deadline of 28 February 2025, it was agreed that Children's Services would proceed with the bid submission, based on Option 2/3. The project team was tasked with conducting further analysis and appraising options at the design stage to support robust decision-making, should the bid be successful and progress to Cabinet. The Transformation Board approved the submission on the condition that, if successful, investment and borrowing requirements would be referred to Cabinet. Additionally, the Business Case and Cabinet report would be reviewed by both the Transformation and PoF Boards.

The Case for Change

12. Recent research and analysis by Newton Europe highlighted several key trends:

- Between 2020 and 2024, the average weekly cost of residential care doubled nationally, and the proportion of children placed in residential care increased by 30%. This position is echoed in Stockton, where residential care costs doubled from £3,000 to £6,500/week, and external residential costs increased by 30% since 2020.
- In 2024, Stockton-on-Tees had the highest proportion of children entering care aged 10 and above within the Tees Valley. A high proportion of these children have complex needs, and it is estimated that there is a regional cost of £100-£130m annually to support children with complex needs. Whilst trauma and mental health are primary cost drivers, significant expenditure growth in recent years is due to rising unit costs (86%)
- This contributes significantly to a £4.7m Children's Service overspend in 2024.25 (Newton Europe).

13. As corporate parents, the Council has a statutory duty to ensure the well-being, education, and preparation for independence of children in its care. The Children's Placement and Sufficiency Strategy identified a need to increase the number of smaller or solo homes, expand internal provision to reduce placement breakdowns, and work collaboratively with partners to support teenagers with complex needs.

14. Since April 2022, the Council has had to arrange 11 bespoke care packages costing over £15,000 per week due to a lack of suitable placements, resulting in unlawful unregistered care arrangements. Additionally, eight further episodes of care were identified for children who could have been supported in dual homes. Expanding in-house provision offers an opportunity to increase placement stability, keep children closer to home, reduce demand on services, and manage costs more effectively. There is also potential for cost avoidance through reduced staff travel, improved care planning, and decreased reliance on external providers. However, financial viability must be carefully balanced against the challenges of delivering capital programmes and recruiting qualified staff across health, education, and social care, and reducing the number of children placed in unregistered care settings.

Placement sufficiency – wider approach

15. Proposals in this paper are part of a wider approach to improve placement sufficiency, including improvements to our Fostering offer agreed by Cabinet in July 2025.
16. This recognises findings from Newton Europe, that 20% of regional complex care entries could have been avoided with better foster care options.
17. In addition, the Council has previously been successful in securing DfE capital funding. During the 2022/23 round, two bids were approved to develop a Therapeutic Home and an Edge of Care provision, resulting in an expansion of the residential estate by six beds. Mulberry Grange, one of the new homes, is now open and provides three beds for children requiring therapeutic interventions, although it is still awaiting Ofsted registration. A property has been identified for the Edge of Care home, and the Council is currently progressing with its purchase.

Key Outcomes to Be Achieved

18. Within the Project Initiation Document (PID) the outcomes identified were:
 - Reduction in the number of children in care: More children will remain in their family homes.
 - Cost-effective placements: Ensuring placements meet standards and child-specific needs.
 - Financial sustainability: Reduction in overall costs.

Strategic Context

19. The Stockton on Tees Plan has five priorities which outline the right for all Stockton on Tees Borough Council residents to have:
 - The best start in life to achieve big ambitions.
 - Healthy and resilient communities.
 - A great place to live and work.
 - An inclusive economy.
 - A sustainable council.
20. The Children's Services Placement and Sufficiency Strategy highlighted the following sufficiency priorities in relation to residential accommodation:
 - Challenges within the market in terms of quality, cost, and sufficiency.
 - Develop our internal residential estate to retain skills and build capacity to deliver services in a volatile market. Increasing the number of smaller or solo children's homes to be able to match and place children whose needs cannot be met in shared residential settings.
 - More sufficiency in the regulated market that can support teenagers with complex trauma, emotional and mental health needs.

21. To achieve these outcomes, the Council will:
- Build capacity within the children's residential estate for children with complex needs.
 - Reduce reliance on unregulated private residential care.
 - Collaborate with health partners to ensure access to appropriate care.
 - Staff and manage two new residential homes.
22. While the Council's overarching aim is to keep children with their families, when it is safe to do so, there remains a clear need to provide a range of care arrangements for those who cannot live at home. This capital bid seeks to address both the rising costs associated with placements for vulnerable children and the limited availability of suitable, high-quality residential options.
23. Investing in local provision will help keep children close to their families, communities, and the services that support them. It also has the potential to reduce future demand on adult services, including social care, housing, substance misuse treatment, domestic abuse support, and mental health services, which links back to the ongoing work within the Early Intervention and Prevention Transformation workstream on complex lives.
24. The proposed project aligns with the DfE's objectives by ensuring sufficient provision in appropriate locations for children with complex needs, promoting multi-agency collaboration across health, education, and social care, and reducing the number of children placed in unregistered care settings.

Constraints

25. The options associated with this bid are limited to the Department for Education (DfE) capital funding criteria and must be used solely for the project it is awarded to, and the grant will be issued with specific conditions, including:
- That funding will be provided in arrears, based on the progress of the project, and the work must be completed by 31 March 2029.
 - Any changes to the scope of the project must be agreed in advance with the DfE.
 - If changes are made without approval, the grant may be cancelled or subject to clawback.
26. In addition, as part of the funding conditions:
- The Council must retain ownership of the building and will be responsible for its ongoing repairs and maintenance.
 - The property must operate as a fully compliant, Ofsted-registered children's home for a minimum of five years.
27. Whilst these requirements are consistent with the Council's intentions, they do present a financial risk if, for any reason, the conditions cannot be met.

28. It is important to note that the DfE will not provide revenue funding for the day-to-day operation of the children's home. Therefore, this report outlines the investment required to cover both the capital and ongoing revenue costs associated with each proposed delivery model.
29. There are also challenges associated with acquiring suitable properties for conversion into children's homes. Previous projects, such as the Therapeutic and Edge of Care homes, have encountered issues due to restrictive covenants on properties. These legal restrictions have limited the number of viable options available for purchase and conversion.

Incorporating Lessons Learned from Previous Capital Projects

30. In developing the options for this bid, lessons learned from previous children's home developments have been carefully considered to mitigate known challenges:
- **Realistic capital funding submissions:** This DfE bid reflects a more accurate understanding of the true costs associated with purchasing and refurbishing properties to meet the needs of the intended cohort. It also includes an inflationary allowance to account for potential cost increases between bid submission and project completion.
 - **Property suitability and location:** Greater emphasis has been placed on identifying properties that meet key criteria such as sufficient parking, detached houses with no immediate neighbours and privacy from the road.
 - **Approach to covenants:** Children's Services, with approval from CMT, will now consider properties with covenants where appropriate and provided the property meets other essential requirements.
 - **Cross-departmental Involvement:** Early engagement with colleagues who bring relevant expertise across all stages, from property search and legal review to design, communications, health and safety, HR, and financial planning (both capital and revenue).
 - **Staff Training Costs:** Revenue budgets now incorporate provisions for staff training to ensure readiness and capability upon opening.
 - **Safeguarding for Complex Needs:** The bid accounts for additional safeguarding measures required for children with complex needs, including anti-ligature blinds, doors without closers, and adequate space to safely manage incidents involving restraint.

Interdependencies

31. The proposed project is closely linked to several Children in our Care and wider transformation initiatives, particularly the ongoing review of the Council's Children's Residential Estate. Phase 1 of this review has been completed, and a discovery paper was submitted to the Transformation Board in February 2025. The preferred option includes repurposing *Our Place* for short break care, re-providing its five residential beds through two new three-bed homes, and closing *Hartburn Lodge* to release capital receipts that would help offset associated costs. This project was put on hold until the outcomes of the Newton Europe report were published to ensure that there was some level of validation in relation to the proposals for phase 2.
32. In parallel, the Council is progressing with the modernisation of its mainstream fostering services following approval of the business case, by Cabinet, in July 2025. This includes implementing a new fee structure from 1 September 2025, increasing capacity within the fostering team, and providing enhanced therapeutic support and training for carers who will care for children with complex needs.
33. There are also interdependencies with capital developments funded through previous DfE grants. Mulberry Grange can accommodate up to three children, with phased admissions beginning in February 2025. Despite initial challenges, the development is projected to save approximately £959,000 annually once at full capacity, demonstrating the financial and care benefits of expanding in-house residential provision. Meanwhile, the Council is working to purchase a property for an Edge of Care home, which will also accommodate three children. Due to acquisition challenges, DfE has granted an extension until 31 March 2026 to complete the purchase.
34. Children's Services Sufficiency and Commissioning Strategy sets out priorities for improving placement sufficiency over the next two years. A delivery plan is in place, with governance provided through the Transformation Board.
35. The Council is working jointly with the North East and North Cumbria Integrated Care Board (ICB) and the five Tees Valley local authorities to develop a multi-disciplinary therapeutic team. This team will support children and families on the edge of care, those in placements at risk of breakdown, and children whose school placements may be at risk. However, the team will not work with children experiencing acute mental health crises or extremely high-risk situations.

Baseline/Current State Position

Legislation, policy and service standards/agreements

36. The Children Act (1989)² sets out the statutory sufficiency duty for local authorities to take steps that secure, so far as reasonably practicable, sufficient

² <https://www.legislation.gov.uk/ukpga/1989/41>

accommodation within their area which meets the needs of children that are in the care of the local authority, and when it is consistent with their welfare, to be provided in the local authority area.

37. The Children's Homes (England) Regulations 2015³ sets out the standards and requirements for children's homes to create a safe, nurturing and supportive environment for children living in residential care. Nine quality standards set out in the regulations collectively ensure that the building and location of the home, alongside the care provided, must contribute positively to children's overall experience and development.
38. Ofsted requires the registration of children's homes to ensure that they meet standards of care and safety for children. This registration ensures that children's homes comply with relevant legislation including the Care Standards Act 2000 and the Children's Homes (England) Regulations 2015.
39. The current Ofsted judgements on our existing Residential Children's Homes and Care Settings is as follows:

Provision	Ofsted judgement
Tilery	Good
Oak House	Good
Rose House	Good
Piper House	Good
Hartburn Lodge	Good
Ayton Place	Requires Improvement
Our Place	Requires Improvement
Mulberry Grange	Awaiting registration

40. Stockton-on-Tees Borough Council is committed to providing high quality care within its residential services and has invested in the leadership and management infrastructure to provide continuous quality assurance, alongside support and training for staff.
41. The 2022 Competition and Markets Authority report on the children's social care market stated the following:
 - A lack of placements of the right kind in the right places means that children are not consistently getting access to care and accommodation that meets their needs.
 - The largest private providers of placements are making materially higher profits and charging materially higher prices than would be expected if this market was functioning effectively
 - Some of the largest private providers are carrying very high levels of debt, creating a risk that disorderly failure of highly leverage firms could disrupt the placements of children in care

³ <https://www.gov.uk/government/publications/childrens-homes-regulations-including-quality-standards-guide>

42. Backstop legislation is being drafted that will limit the profit that providers can make on children's residential care and fostering arrangements and will be enacted if providers do not voluntarily put an end to profiteering.

Benchmarking Information

Newton Europe Research – Key insights at a regional level⁴

43. In 2024, Durham County Council engaged Newton Europe to conduct a diagnostic into the strengths, challenges and opportunities faced by the County in Children's Social Care. This exercise was extended across the Region to create further insight to share with other authorities. Whilst the Newton Europe research hasn't highlighted anything we were not already aware of it offers the external validation required to support the recommendations within this report.

44. Whilst the following information focusses on the regional picture, it is also relevant to Stockton-on-Tees.

- 30% of placement budgets spent on 5% of children.
- 50% of children in homes costing between £6K – £9K were felt not to have complex care needs.
- Opportunities identified to prevent 20% of children from coming into complex care, through the prevention of placement breakdowns or the finding of alternative foster placements.
- 33% of children with complex needs are in placements that do not support their needs. It was identified that there needs to be more specialist fostering placements available to support this cohort of children in care.

Newton Europe Research – Stockton Insights⁵

45. From an analysis of the data/intelligence provided by the Council, Newton Europe identified the following as being the key issues:

- Between 2020 and 2024, the average weekly costs for residential care doubled.
- Within the same period the average weekly costs for fostering increased by 20% (IFA payments) but remained lower than for Tees Valley neighbours.
- The proportion of children supported in residential care was 30% higher in 2024 compared to 2020.
- Since 2020 there has been an increase in the number of children entering care aged 10+ and in 2024 Stockton-on-Tees had the largest proportion of children entering care aged 10+ within the Tees Valley.

46. Based on this evidence the key challenges contributing to the financial pressures for Stockton-on-Tees Borough Council:

⁴ Newton Europe Research 2025

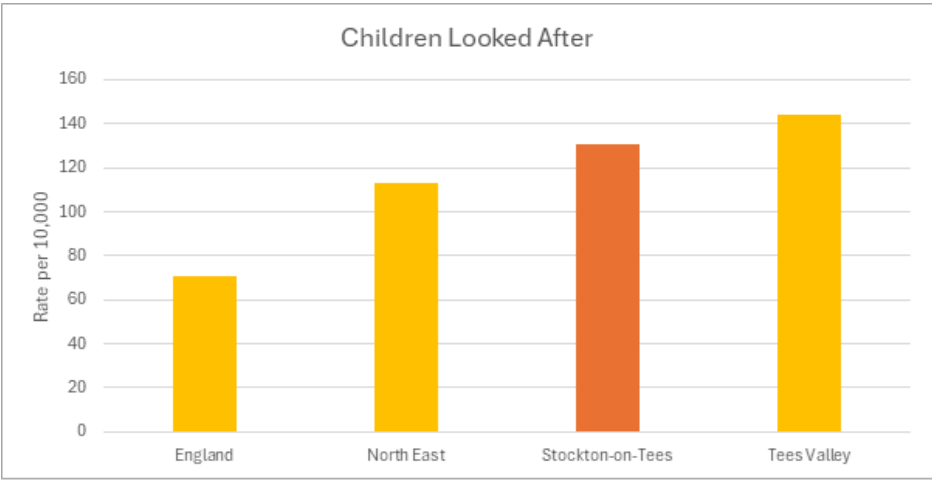
⁵ [Stockton Discussion 1504.pdf](#)

- A greater number of children in residential care, with a high proportion previously being in supported in foster care.
- Rising costs of residential placements.

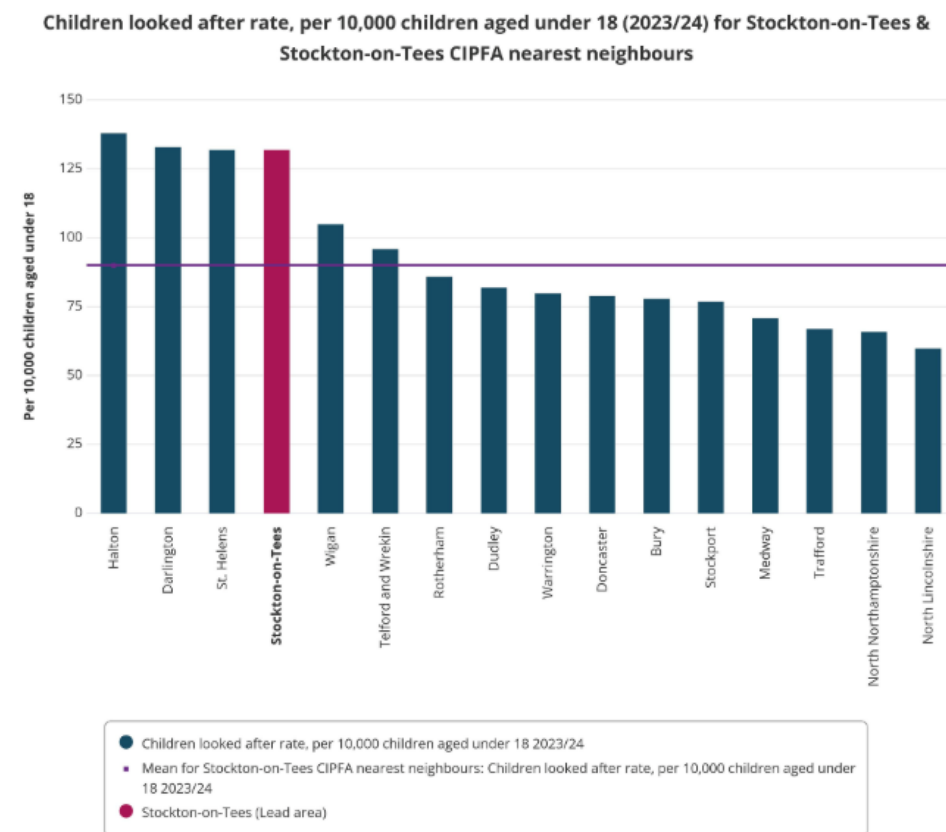
Demand Analysis

The Case for Change

47. In 2023/24 the rate of children looked after was 131 per 10,000, which is high when compared to the National and North East average (see table below). As of August 2025, the number of Children in our Care was 569 and of those 11 were deemed to have complex mental health and challenging behaviours that would meet the criteria set out in the DfE guidance. As a result, there is a significant pressure on the Council’s budget for placements for Children’s Services, the budget for 2025/26 for this is £41m (including in house residential provision). The current budget for children in external residential placements is £17.9m. As of 2023/24 SBC had the third highest overspend within the North East in terms of children in care.



48. The table below demonstrates where Stockton is placed in relation to the number of children in our care compared to our CIPFA nearest neighbours per 10,000 children under the age of 18. As illustrated, Stockton on Tees Borough Council is at the higher end of the scale in terms of the number of Children in Care with only Halton and Darlington Borough Council’s slightly ahead in terms of figures.



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Source:
Department for Education

49. The Sufficiency and Commissioning Strategy 2024 – 2026⁶ provides an analysis of placement sufficiency trends and predicts future demands.
50. Using the Data and Insight modelling, a web-based tool funded through DLUHC, the strategy identified that, if other variables (including work taking place to both reunify families and to prevent children coming into care alongside improvements in quality of social work practice) do not change, by 2030 the number of children requiring residential placements would rise to 108.
51. As of April 2024, there were approximately 190 young people in the care of the local authority aged 14-16 years. A high-level review of the needs of the young people carried out by Children's Services accommodation team and strategy and commissioning team estimated that, if those young people were to remain in the care of the local authority when they reached 16 years, approximately 5 children would benefit from a solo placement with high levels of staffing.
52. In response to this, within its priorities the Strategy identifies the need to:
- Increase the sufficiency of smaller or solo children's homes to be able to match and place our children who are experiencing significant complexities. From estimates undertaken in April 2024, approximately 5 children aged 16 years and

⁶ [Stockton-on-Tees Children's Services Sufficiency and Commissioning Strategy 2024-26.pdf](#)

over would benefit from a solo placement with high levels of staffing over the next 5 years.

- Expand Stockton-on-Tees Borough Council internal provision to positively impact placement breakdowns experienced with providers and the substantial associated costs - both financial and social/emotional for our children.
- Work with the provider market to increase the sufficiency and quality of provision that can support teenagers with complex trauma, emotional and mental health needs, recognising that even with an expansion in Stockton-on-Tees Borough Council internal homes, a need to commission specialist placements within the external residential sector will remain.

53. To assess feasibility to bid for the DfE complex needs capital programme, a review was undertaken, based on data available in November 2024, to identify the children who meet the defined bid criteria. This identified that since April 2022, 16 bespoke care arrangements have been in place that cost over £12k per week (highest cost £26k) with total costs for these episodes of care costing £5.85m. When a placement is over £15k, the average for these is £19k per week.

54. The review identified a further 12 episodes of care for children who meet the criteria of the bid and have been in external residential care arrangements, indicating that with careful matching and at the right time in terms of their assessed needs, a small number of this vulnerable cohort would be able to be supported in a dual home.

55. Across all the above provisions, there were 255 weeks of provision against these placements, demonstrating enough activity for 3 placements.

Additional benefits to be achieved in term of cost avoidance:

56. One of the key areas of anticipated cost avoidance relates to reducing the number of children placed at a distance from Stockton-on-Tees. Out-of-area placements, particularly unregulated ones, often result in significant travel costs for social workers, independent reviewing officers, and other staff involved in quality monitoring and care planning. These placements also incur travel expenses for parents and carers who need to maintain family contact. Some children are currently placed as far away as Liverpool, which requires extensive travel and time commitments from staff.

57. Unregulated placements require weekly visits from social workers, which can amount to a full day out of the office, especially when travel is involved. In contrast, regulated placements require visits every six weeks following the first CIOC review. For a single child, this difference could save approximately 27.6 hours of staff time per month, based on a standard working day of 7.4 hours. When placements are located over 100 miles away, travel often necessitates the use of hire cars or public transport, further increasing costs. Additionally, some bespoke unregulated placements set up by the Council require supplementary funding of between £100 and £225 per week to cover additional needs such as activities, clothing, and food.

58. Further savings can be achieved through reduced monitoring and quality assurance efforts, which are currently undertaken by the Commissioning and Strategy Team. Bringing more placements in-house would streamline these processes and reduce the associated resource demands.
59. Improved control over care planning is another benefit, enabling more effective step-down transitions to fostering or reunification with family where appropriate. This enhances outcomes for children while also contributing to cost efficiency.
60. Expanding in-house provision helps mitigate exposure to rising costs in the external market. Local authorities remain vulnerable to inflationary pressures and, in some cases, alleged profiteering by private providers, particularly given the ongoing national shortage of regulated care arrangements for children with complex needs. By investing in internal capacity, the Council can better manage financial risks and ensure more sustainable care solutions.
61. Two case studies have been provided to illustrate a child's journey through the care system and the costs associated with each young person's care to illustrate the savings that could be realised.

[Case Study - Complex MH and CB Child A.docx](#)

[Case Study - Complex MH and CB Child B.docx](#)

Options Appraisal

62. Consideration has been given to options available to us to deliver the improvement/change opportunities agreed by the Board at Gateway 2: Discovery Phase.
63. The options appraised considered organisation strategic alignment, associated risk, benefit, implications and costs and are detailed in the table below. The 3 options are:
- Option 1:** Do nothing
- Option 2:** To provide 1 dual home and 1 solo home to accommodate a maximum of 3 children with complex mental health needs and challenging behaviours.
- Option 3:** To provide 2 solo homes to accommodate 2 children with complex mental health needs and challenging behaviours.
64. Please note: There were restrictions in terms of the Council's ability to respond appropriately to the funding opportunity which, in turn, restricted options for development. Specifically, that successful Councils would need to provide the matched capital funding⁷ for the development and that the capital assets

⁷ [1 - Guidance document - Capital investment to develop provision for children with complex mental health needs and challenging behaviour.docx](#)

remained within the ownership of the council. In addition, the timescales for responding to the opportunity to bid for the funding was also restrictive.

Options Appraisal			
Business Case Criteria	Option 1: Do nothing	Option 2: 1 Dual Home and 1 Solo Home	Option 3: 2 Solo Homes
Description of Option	Continue as is, providing no investment in the development of residential care for children with complex mental health needs and challenging behaviours. We will continue to rely on external residential care provision for some of our most vulnerable children who cannot be accommodated within the Council's Children's residential provision.	Develop 1 dual home for 2 children and 1 solo home – this option would provide 3 placements for children in our care and would also allow for the dual home to be used as a solo home if there were two children with very complex mental health needs and challenging behaviours. This option would be managed through a cluster arrangement.	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.
Stockton Plan <ul style="list-style-type: none"> Outline how the option links to the Plan vision, priorities and key moves to deliver 	Removing children from their families can be a very traumatic process, often this can be exacerbated further by being placed away from their family homes, school/college and social networks and unable to access services to meet their needs such as CAMHS.	Removing children from their families can be a very traumatic process. Providing children with a home through in-house provision within the borough will support them to, where safe and appropriate, maintain links with their extended family, remain at school/college, maintain their social network and access local services including their GP, CAMHS etc.,	Removing children from their families can be a very traumatic process. Providing children with a home through in-house provision within the borough will support them to, where safe and appropriate, maintain links with their extended family, remain at school/college, maintain their social network and access local services including their GP, CAMHS etc.
Mission Success Criteria <ul style="list-style-type: none"> Outline how the option supports delivery of the success criteria and identify any interdependencies across the programme outlining where these might enable or restrict the project 	Doing nothing would not support the provision of different care arrangements within Stockton on Tees, thus limiting the options for children to remain within the borough should other care arrangements breakdown or are not appropriate to meet the needs of the child.	Interdependencies have been identified with other transformation projects for example Early Intervention and Prevention and Transitions. Aims to reduce placement breakdown because the Council is responsible for maintaining the child's placement. Supports children's health and well-being leading to improved outcomes.	Interdependencies have been identified with other transformation projects for example Early Intervention and Prevention and Transitions. Aims to reduce placement breakdown because the Council are responsible for maintaining the child's placement Supports children's health and well-being leading to improved outcomes.

Design Principles

<p>1. Reduce inequality & prioritise prevention</p> <ul style="list-style-type: none"> • Protect residents from impacts of inequality • Address root causes of inequality • Prioritise resources to prevention and early intervention • Helping resident help themselves 	<p>Doing nothing does not protect children and young people from impacts of inequality and may contribute to existing inequalities persist or worsen due to lack of targeted support and root causes remain unchallenged.</p> <p>Doing nothing does not lead to a shift in resource allocation and is more likely to lead to resources being directed towards crisis or later intervention. Opportunities to intervene early and reduce future demand are missed.</p>	<p>Moving service delivery close to a child's home reduces inequality by helping them to maintain relationships with their families, providing stability in their education and a positive impact on their mental health by maintaining their friendships/social networks.</p>	<p>Moving service delivery close to a child's home reduces inequality by helping them to maintain relationships with their families, providing stability in their education and a positive impact on their mental health by maintaining their friendships/social networks.</p>
<p>2. Customer-centric</p> <ul style="list-style-type: none"> • Design services, and use of resources, around the customer, their needs and circumstances (their 'whole problem'). • Deliver the best possible outcome for communities, acting in their best interests. 	<p>By doing nothing, existing services may be poorly aligned with the lived experiences of a child. Without redesign, services risk failing to address the complexity of individuals' needs, leading to inefficient use of resources and poorer outcomes.</p>	<p>This option responds to the needs of the individual to achieve the best outcomes for them and their families.</p>	<p>This option responds to the needs of the individual to achieve the best outcomes for them and their families.</p>
<p>3. Community resilience</p> <ul style="list-style-type: none"> • Promote and foster support networks within communities, taking a 'strengths based' approach. • Work with partners and help others to provide support where we aren't best placed to do this 	<p>Doing nothing may lead to children and young people continuing to be accommodated out of the local area and less able to maintain their support networks and relationships.</p>	<p>The longer-term objective of this option is to step children down from residential care, which may be back with their families or into foster care. To do this it is likely that they will require ongoing support which could be provided via access to community services or through partnership arrangements with other organisations.</p>	<p>The longer-term objective of this option is to step children down from residential care, which may be back with their families or into foster care. To do this it is likely that they will require ongoing support which could be provided via access to community services or through partnership arrangements with other organisations.</p>
<p>4. Place-based approach</p> <ul style="list-style-type: none"> • Coordinate services that make our places better to live and work in, and visit 	<p>Pursuing this option would mean that we were not providing a placed based response to meeting the requirements of children with complex needs or having access to local services and</p>	<p>The design of this options means that the dual home can be used flexibly, if the needs are such that they require a solo provision when the other solo home is occupied.</p>	<p>The homes will be provided for children in residential communities, enabling them to access local amenities/facilities and activities/events which support</p>

	opportunities to remain living within the borough as adults.	<p>The homes will be provided for children in residential communities, enabling them to access local amenities/facilities and activities/events which support inclusion and promote positive mental health and well-being.</p> <p>children who will benefit from the provision of the homes will be part of their community.</p>	<p>inclusion and promote positive mental health and well-being.</p> <p>children who will benefit from the provision of the homes will be part of their community.</p>
5. Efficient process & digital by design <ul style="list-style-type: none"> Standardise and consolidate similar processes Stop processes and remove steps that don't add value Apply digital wherever possible to make it our preferred way of doing things 	Controcc will interface with the LCS system and will provide a more robust mechanism for tracking an individual's placements and identify the children who are in residential placements that would be appropriate for the homes, and which will also track financial benefits.	Controcc will interface with the LCS system and will provide a more robust mechanism for tracking an individual's placements and identify the children who are in residential placements that would be appropriate for the homes, and which will also track financial benefits.	Controcc will interface with the LCS system and will provide a more robust mechanism for tracking an individual's placements and identify the children who are in residential placements that would be appropriate for the homes, and which will also track financial benefits.
6. Informed by insight <ul style="list-style-type: none"> We use data and intelligence to inform our planning, decisions and design of our services. 	The Newton Europe research recommend several areas the council needs to address to reduce financial pressures and highlighted that doing nothing was not a feasible option to improve children and young people's outcomes or secure an improved financial position for the Council.	<p>intelligence monitoring and analysis are being made within Children's Services with a named person from the Strategic Planning Team and regular performance clinics with Children's Services Leadership Team.</p> <p>The Children's Strategic Commissioning and Sufficiency Strategy, agreed following a comprehensive review of the data available to Children's services, identified the services needing commissioning between 2024 to 2026. The document was informed by the data and intelligence available to support its development. The document clearly outlined the need to increase the availability of solo placements for children with complex needs.</p>	<p>intelligence monitoring and analysis are being made within Children's Services with a named person from the Strategic Planning Team and regular performance clinics with Children's Services Leadership Team.</p> <p>The Children's Strategic Commissioning and Sufficiency Strategy, agreed following a comprehensive review of the data available to Children's services, identified the services needing commissioning between 2024 to 2026. The document was informed by the data and intelligence available to support its development. The document clearly outlined the need to increase the availability of solo placements for children with complex needs.</p>

		The outcome of the Newton Europe research provided validation of the information we have available to us as a council and a baseline for future data capture.	The outcome of the Newton Europe research provided validation of the information we have available to us as a council and a baseline for future data capture.
Financial Implications <ul style="list-style-type: none"> Summary of impact to budget (revenue and capital), identified savings / cost avoidance. May include funding opportunities and investments 	<p>By doing nothing we will continue to be reliant on external residential accommodation, some of which is unregulated.</p> <p>The average cost of an external residential placement per child in 2024/25 was £310,000.</p>	<p>Running costs of these 2 homes would be £1.5mill per annum. These costs would be met from the reduction in external placements. These homes are expensive to operate and there are not expected to be significant financial savings due to operating these as in-house provisions.</p>	<p>Financial implications not reassessed as this model was not taken forward and is not part of the grant offer.</p>
Benefits <ul style="list-style-type: none"> Lists the main benefits likely to be achieved. A benefit is the measurable improvement resulting from an outcome that is perceived as an advantage by one or more stakeholders. These should be linked back to the agreed outcomes in the PID. 	<p>The council would not be required to provide funding to facilitate this development, by incurring borrowing costs.</p>	<p>children will be:</p> <ul style="list-style-type: none"> looked after in their own communities, able to maintain their family, education and social networks, better outcomes from the stability of placement. Access to local services to support wider needs, e.g. CAMHS. <p>It will:</p> <ul style="list-style-type: none"> reduce placement breakdown, reduce the use of high cost and unregulated placements, provide longer term savings from the reduced use of OOB high-cost placements. 	<p>children will be:</p> <ul style="list-style-type: none"> looked after in their own communities, able to maintain their family, education and social networks, better outcomes from the stability of placement. Access to local services to support wider needs, e.g. CAMHS. <p>It will:</p> <ul style="list-style-type: none"> reduce placement breakdown, reduce the use of high cost and unregulated placements, provide longer term savings from the reduced use of OOB high-cost placements.

Risks

- The main strategic, operational and financial factors /barriers that are associated with the option and may potentially impact the successful delivery of the project

Financial risks:

- CIOC with complex mental health needs and challenging behaviours will continue to be placed in external high cost or unregulated placements because there is no local provision to meet their needs, which will continue to exacerbate the council's financial overspend position.
- Sometimes it can be difficult to find appropriate placements for our most vulnerable children and young people and can often lead to placement breakdown, which can occur with little or no notice. Vulnerability to fee uplifts are driven by market pressures.

Financial risks:

- the council being required to find the 50% capital contribution to meet the costs associated with this development, should the bid be successful,
- the council being required to find 100% capital contribution to meet the costs associated with this development, should the bid be unsuccessful,
- the revenue figures don't stack up.
- expected longer term savings do not materialise.

Consultation with residents provides significant challenge.

Construction delays:

- finding appropriate properties,
- seeking planning permission for change to use of building,
- contractors being on site, availability of materials, etc.

Recruitment

- A long lead in time being required to recruit to staff posts,
- Unsuccessful recruitment drives delaying the opening of children's homes.

Moving children into homes:

- Inappropriate planning leads to a delay in moving children into homes.

Delay in Ofsted registration.

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- A long lead in time being required to recruit to staff posts,
- Unsuccessful recruitment drives delaying the opening of children's homes.

Moving children into homes:

- Inappropriate planning leads to a delay in moving children into homes.

Delay in Ofsted registration.

Benchmarking / Best Practice

- Detail areas of best practice models and information of any other organisations who are leading in this area and are performing well/providing value for money and where appropriate provide comparisons.

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Options appraisal outcome

65. The project team carefully considered the options outlined above and reviewed them against the criteria provided in the DfE guidance prior to submitting the discovery document to the Transformation Board in February 2025. The ask was for the project team to consider both options

Equality and Poverty Implications

66. The EPIA is currently awaiting quality assurance, however the impact on Children with Complex Mental Health Needs and Challenging Behaviours is expected to be positive as they remain within the borough of Stockton-on-Tees and 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.

Financial Implications

Capital Costs

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

Estimated Capital Costs of Complex Needs homes	Costs
Purchase of 2 properties	£777,000
Tender information including construction costs, professional costs, planning, etc.	£552,763
Contingency	£137,377
Total Costs	£1,467,140

68. The estimated capital costs for 2 homes is £1.467m. The DfE grant will fund 50% of the total cost. SBC will match this with a contribution which would require prudential borrowing at a cost of £45k per annum.

Revenue Costs

69. The table below outlines the estimated running costs of each home (including the on-going borrowing cost), under a cluster / non cluster model. There is minimal difference in the cost of either model.

Cluster		Weekly Cost	No cluster		Weekly Cost
Dual Home			Dual Home		
Staffing costs	£751,999		Staffing costs	£767,014	
Other revenue exp	£120,000		Other revenue exp	£120,000	
Total	£871,999	£8,385	Total	£887,014	£8,529
Solo Home			Solo Home		
Total Staffing	£564,899		Total Staffing	£560,419	
Other revenue exp	£94,000		Other revenue exp	£94,000	
Total	£658,899	£12,671	Total	£654,419	£12,585
Grand Total		£9,813	Grand Total		£9,881

Legal implications and consultation requirements

Legal Implications and Consultation Requirements		
Requirement	Approach	Timeframe
Cabinet recommendations for approval (including prudential borrowing)		October 2025
Advice and conveyancing re property purchase		October 2025 to June 2026
Consultation with neighbours		June 2026

High Level Delivery Plan

70. The table below outlines the key milestones for this project. A high-level project plan will be developed subject to approval of recommendations from the POF Board for the Project to move through the gateway and onto the Design Stage.

71. The table below outlines the key milestones for this project. The outline project plan provided to the DfE is attached as a link.

Project Delivery Plan: Key Milestones		
Activity	Start Date	End date
Identification and purchase of building available in current market.	October 2025	June 2026
Approval and sign off for RIBA stages 2, 3 & 4		
Submission to Stockton-on-Tees Borough Council planning committee - planning application and building regulation submission approval.	October 2026	January 2027
Tender, awarding of contract, start of site works and construction completion.	February 2027	August 2027
Recruitment and training of staff	May 2027	June 2028
Ofsted application for registration	March 2028	June 2028

children identified, placement planning and move into home	July 2028	August 2028
Homes open	September 2028	

Resources

72. The table below outlines the employee resource required for the Delivery Phase of the Project.

Project Delivery Resources				
Resource Type	Officer	What are they Required	Quantify the Requirement (FTE)	Timeframe
Subject Matter Expert	Jane Smith – Head of service Children’s Strategy and Communication	Liaison with the DfE and provide guidance in relation to the purchase of the properties		
	Debbie Farrow – Head of Service CIOC & Care Leavers	Operational advice and support.		
Communications	Emma Chudley	Support in terms of the communication around the consultation with neighbours.		
Finance	Lisa Tague (Revenue) Caroline Walton (Capital)	Continued monitoring of the spend against		
Data	James O'Donnell/Paul Wilson	To provide data and intelligence.		
HR/OD	Fiona Attewill/Helen Johnston	Recruitment of staff		
IT/Digital	Helen Ruddick			
Audit				
Legal	Julie Butcher	Member of the team or external support to undertake conveyancing around the purchase of properties.		
Procurement	Martin Skipsey			
Other (Please add)	Kieran Meighan/Jacob Moat	Support to identify suitable properties		

	Jane Matthews Gary Laybourne Hattie Dell'Aquila	To form part of the project group re the refurbishment of the properties.		
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Background papers

- Gateway 1: Foundation: [PID - ChTran3 - Children in Our Care - updated 22.02.24.pdf](#)
- Gateway 2: Discovery: [Project Discovery - Complex MH and CB Version 2.docx](#)

Other useful documents

- Final Submission Documents: [PDF Versions - Final Submission](#)