

Classification: Open	Decision Type: Key
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Report to:	Cabinet	Date: 25 September 2024
Subject:	Project Skyline (GM Children’s homes)	
Report of	Deputy Leader and Cabinet Member for Children and Young People	

Summary

1. Project Skyline is a GM wide proposal to create supply of children’s homes to increase availability of looked after child (LAC) placements in the GM region for some of our most vulnerable young people. This will see ten new homes that can accommodate 24 children with complex mental health issues or Emotional Behavioural Difficulties. GMCA is leading the procurement on behalf of the ten GM local authorities.

Recommendation(s)

- 2.1 Approve in principle to enter into a Partnership Agreement for Project Skyline as referred to in this report.
- 2.2 Note a further report will return to Cabinet ...

Reasons for the recommendation(s)

Formally entering the partnership with all 10 GM authorities will enable Bury to participate in progressing plans to invest in new regional provision that will be protected for GM children and seek to develop a portfolio of new publicly owned residential provision to support children in care to GM authorities in need of residential provision.

At its core, creating dedicated GMCA provision will mitigate the exposure to market forces. particularly the escalating cost of provision and sometimes sub-optimal outcomes for children. The partnership agreement is to establish 10 homes for 24 children and young people. Whilst this is a small number relative to the number of children in care to GM authorities in private sector children’s homes (slightly less than 600 currently), it represents an important shift and return to the children’s homes market for GM local authorities.

Bury is the only Local Authority in Greater Manchester that does not have internal residential homes, so we are the most challenged of all GM authorities in terms of sufficiency of specialist homes and our subsequent exposure to market forces, we have seen a marked increase in the number of residential placements currently at 46 having seen an increase in volume of 21% over the past 12 months ,with an weekly average cost of £5,834 per child at the end of Q1 2024/25 and with a total cost of £8.7m at 2023/24 outturn.

Risks arising from the partnership agreement are detailed in section 7.2 to 7.5 and predominantly focus on the liability of individual local authorities for losses and the length of the agreement. It is important that these risks are understood, however they need to be viewed in the context of spiralling costs to councils from increasing use of private sector Children's Homes. Viewed in this context the risks from participation in the partnership are outweighed by the need to change how this market is currently operating.

The agreement is for an initial 7-year period, with the option for 3 further years. Engagement in Project Skyline would be a complementary facet of Bury's sufficiency strategy whilst we also develop plans for our own residential provision and build the number of fostering households and the range of needs that foster homes are able to meet.

Alternative options considered and rejected

The two main alternatives to the proposal are to either do nothing and continue to solely purchase from the private sector market or to solely develop our own provision. As outlined above, the council is looking at both the Project Skyline and developing our own residential provision to reduce dependence on the private sector market for children's homes, as it is increasingly costly and poses a threat to long-term council financial viability.

The council has already approved the development of its own residential provision in November 2024 and Project Skyline should be seen as complementary to the council's own proposal, rather than either being an alternative to the other. Project Skyline provides 24 homes for children across GM and the council's proposal provides for the development of 6 homes for children. These figures should be seen in the context of close to 600 children in private sector residential homes across GM and 46 children currently in the care of Bury. One can see that this is the beginning of a broader rebalancing of provision between public and private sector.

Furthermore, as part of the plans across GM, Project Skyline envisages developing specialist children's homes for children vulnerable to extra-familial safeguarding risks and with acute mental health/behavioural concerns. This provision would differ from the type of homes that Bury itself would be seeking to establish.

Report Author and Contact Details:

Name: Jeanette Richards

Position: Executive Director of Children & Young People

Department: Children & Young People

E-mail: J.Richards@bury.gov.uk

5. Background

- 5.1 In late 2022 a piece of analysis undertaken by the GMCA Research team working alongside locality finance leads found GM's local authorities were spending more than £480m on children's social care budgets. The report identified that 50% of the £481m total expenditure across 2021/22 related specifically to ~6,000 children looked after with around £100m on external residential placements.
- 5.2 A combination of market composition/pressures, increased case complexity and excessive profit levels from some Independent Providers is leading to unprecedented financial pressures relating to placements for Looked After Children facing Children's Services Departments across GM and nationally.
- 5.3 This financial analysis sits alongside evidence of an increased proportion of children being placed outside of their home Local Authority/ the Greater Manchester area, making it harder than ever for children in care to experience the stable conditions needed to achieve positive outcomes.
- 5.4 In 2019, 2,415 children in care lived outside of their home local area in GM. By April 2024, the number had risen to 2,717 – a rise of 12% across a 5-year period. This move in placements reflected increasing difficulties in recruiting new fostering households, reducing fostering capacity, especially after the COVID lockdown, and continued growth in the number of children in public care (rising by 411 in GM over the same 5-year period to 6,232 as at April 2024. All these factors are also driving greater dependence on residential care homes sourced from the private sector for children in public care, with the number of children in GM in such homes rising from 363 at the end of March 2019 to 578 as at the end of June 2024, a 60% increase.
- 5.5 Whilst many of these issues were recognised within the Independent Review of Children's Social Care commissioned by central government (Appendix A) there emerged a powerful sense that GM as a region needs to take more direct action to respond to these challenges. Within this context the idea for 'Project Skyline' was born – a proposal to create supply of children's homes to increase availability of residential placements for children in public care in the GM region for some of most vulnerable young people, whilst tackling the significant costs associated with these types of placements.

6. Project Skyline

- 6.1 Building on one of the central aims of the GM LAC Sufficiency Strategy 'Project Skyline' has developed significantly over the last 12-18 months. Extensive modelling based on need has led to a proposal for ten new homes that can accommodate 24 children with complex mental health issues or Emotional Behavioural Difficulties. This modelling has been refined over time through discussions with Local Authorities and market engagement with providers to get to a position where there is a clear specification that has been

launched as part of a tendering exercise which will run until the end of September 2024. GMCA is leading the procurement on behalf of the ten GM local authorities. The breakdown of the proposed Skyline Homes is detailed below:

Cohort	Description	Home Number and Size
1	Complex Care Mental Health Support Homes	4 x 2 Bed Homes
2	Residential Homes supporting younger children with a view to transitioning them back to foster care	2 x 3 Bed Homes
	Residential Homes supporting older teenagers	2 x 3 Bed Homes
3	Residential Homes supporting children / young people at risk of sexual exploitation (CSE)	1 x 2 Bed Home
	Residential Homes supporting children / young people at risk of criminal exploitation (CCE)	1 x 2 Bed Home
Total		10 Homes & 24 Beds

- 6.2 The services will be divided into three lots (as above), one for each of the cohorts of children and young people to be supported by the project. Bidders can tender for one, two or all three lots.
- 6.3 The procurement exercise will follow the competitive dialogue procedure prescribed in the Public Contracts Regulations 2015. Local Authority, GMCA and Health stakeholders are to be involved in the tender evaluations, with the awarded contracts due to commence in November 2024.

- 6.4 Local Authorities, the GMCA and NHS GM signed a Memorandum of Understanding (MoU) for Project Skyline in January 2024. The MoU recognises the commitment of the ten local authorities, GMCA and GM NHS to the ambitions of the project including the investment case, which would see the homes acquired and owned by GMCA then leased to a third party who will deliver the provision on behalf of the 10 Local authorities, as more particularly set out in the Partnership Agreement.
- 6.5 At GMCA meeting in March it was formally agreed that GMCA would allocate funding of up to £5m to acquire properties to be used for Project Skyline with the selection of properties determined by the Skyline Strategy Group which is a cross organisational internal governance board and recommended to the GMCA for acquisition. Through engagement with local authority commissioners the localities that were deemed to be most suitable for the first tranche of Skyline homes (up to 5) were Bolton, Bury, Wigan, Salford and Trafford. The criteria for the homes included finding 3 to 6-bed detached properties in specified postcode areas under £700,000. In addition, the criteria for the homes includes:
- 1) Sufficient distance from other residential properties
 - 2) Distance from other registered children's homes
 - 3) Have space configuration suitable to provide break away spaces.
 - 4) Office and sleeping space for staff.
 - 5) Consideration of refurbishment works required.
- 6.6 It was agreed that GMCA would take the lead role in procuring the contract on behalf of the ten districts with a recommendation that one of the ten Local Authorities will be allocated with resources to be the contracting authority and manage the contract on an ongoing basis on behalf of the other Local Authorities and partners. Discussions are underway with a GM LA around the requirements for this.
- 6.7 Recognising the importance of having a clear health offer within the children's homes discussions have been taking place with NHS GM colleagues to ensure that the health offer within Skyline is aligned to the strategic objectives of the project. NHS GM will be a signatory to the Skyline Partnership Agreement alongside the local authorities and a nominated clinical lead has been working with the Skyline project team to design the preferred health offer for the homes. This will include further engagement with the preferred providers and will inform a final business case to be presented to GM ICB alongside a request to sign off the commitment of resources before the homes open.
- 6.8 Since GMCA formally agreed to allocate funding to Project Skyline it has been announced that Greater Manchester will be one of two national pathfinder sites for the Regional Care Cooperative reforms which will see areas test

different elements of how the children's home market and placements could be managed on a regional basis. As one of the pathfinder sites GM are expected to receive an allocation of £5m capital funding that will need to be committed within 2024/25. Whilst some details are still to be worked through with DfE over forthcoming months this should mean that GM can use this funding as a contribution to Skyline homes as long as GM commits to investing in additional Skyline homes on top of the original specification of ten homes over the next few years (responding to DfE requirement of additionality from the capital allocation). This could enable GM to be more ambitious in the specification of homes purchased for Project Skyline which is extremely positive for the project, however DfE has confirmed that this funding cannot be used for operational/set up costs.

7. Skyline 'Partnership Agreement'

7.1 The Partnership Agreement builds on the Memorandum of Understanding. It will be entered into between the ten local authorities, GMCA and NHS GM, and will govern the relationship of the parties, roles and responsibilities, and the sharing of liabilities. The Agreement:

- includes the collaboration principles the parties are committed to (taken from the MoU that has already been signed);
- sets out governance arrangements for the project, including terms of reference for the Skyline Programme Board;
- details arrangements regarding the Skyline Homes, such as GMCA's commitment to acquire the homes and lease them to the Care Providers, and GMCA's right to charge rent and the principles on which rent will be calculated (i.e. to enable GMCA to recover its investment over an agreed period);
- states GMCA's commitment to pay Mobilisation Costs to the Care Provider as required;
- sets out the role of GMCA and other parties in managing the procurement process for Care Providers;
- establishes principles regarding management of the Care Provider Agreements, including key decisions (e.g. termination) that the contracting party will need to bring to the partner authorities for approval;
- establishes the level of contribution that each local authority needs to make to any occupancy guarantee payment that becomes due to a Care Provider (as per the agreement in the MoU) noting that this will be regularly reviewed;
- reflects the principle that the local authorities will share costs and underwrite any losses incurred by GMCA because of its investment in the Skyline homes.

The partnership arrangement presents clear opportunities for the councils concerned, but there are also risks. The key risk relates to how losses and liabilities will be handled. The agreement provides for all losses and liabilities

to be apportioned to individual Local Authorities based on a percentage formula that reflects local authority numbers of children in care and numbers of children in residential homes. In essence, this means that Bury would be responsible for meeting the cost of 6.7% of any loss or liability, so for a loss of £100,000, Bury would need to provide £6,700. Losses or liabilities can arise from two principal sources: sale of properties for a sum lower than the original purchase and renovation cost; and lower than contracted levels of occupancy of the homes.

The duration of the partnership agreement runs alongside the contracts with care providers running the homes, so 7 years with provision for a 3-year extension. There is no provision within the agreement to end involvement sooner than 7 years and the 3-year extension would be decided through a majority vote of the parties to the partnership.

There are no guarantees within the partnership agreement of a certain number of beds per participating local authority, and use of the beds within the homes has no bearing on a local authority's proportionate liability for costs.

In the event of the partnership making a surplus, the first £250,000 will form a contingency fund. Use of any funds amassed over and above that figure would be subject to discussion and agreement at Skyline Programme Board.

8. Project Skyline Indicative Timeline

- 8.1 The table below sets out the indicative timeline for phase 1 of Project Skyline. It will be monitored through the Skyline Programme Board with any changes reported to GM Directors of Children's Services and LA Skyline Champions.

Phase 1 (Ambition for initial 5 Homes)	Milestone	Due date
	Procurement - Launch	Start of May 24
	Governance – Programme Board established	End of June 24
	Governance - LA Cabinet approvals	End of July 24
	Procurement - contract awards	End of Nov 24
	Health – Integration designed and resourced	End of Feb 25
	Property –properties identified, acquired and refurbished (first batch, max 5)	End of Nov 24
	Property – Providers recruit and obtain OFSTED registration	End of Feb 25
	First CYP placements	End of March 25
	Health Integration – in place	End of March 25

9. Links with the Corporate Priorities:

The proposal will support the following key ambitions of the Let's Do It strategy:

A better future for the children of the Borough through providing a wider range of residential placements within the Greater Manchester area, enabling children to remain closer to their home area, enabling links to be maintained and supporting a better quality of life for the children concerned and supporting an acutely vulnerable group of children and young people in Bury.

The clear intention of the partnership agreement is for local authorities to work together to enhance the range of residential homes available within Greater Manchester and develop provision that is at a fairer cost to the public purse.

10. Equality Impact and Considerations:

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11. Environmental Impact and Considerations:

Depending on Bury's use of the homes there should be a carbon reduction from more residential placements being available within the Greater Manchester area, rather than further afield, due to social workers and other professionals visiting the homes travelling less in their journey's to and from.

Should any of the planned homes be in Bury, similar provisions will exist as for any children's homes operated by Bury council:

- An EPC certificate will be sought from the vendor of the property.
- Any modifications to properties will comply with Nationally Described Space Standards (NDSS) and Building Regulations M4(2)
- Carbon Management Plan will be put in place for each of the properties to focus on energy efficiency of the buildings and ongoing operational carbon.

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
Bury does not use any of the available spaces in the residential homes	Close involvement with the project and the Programme Board. The use and type of placements will be reviewed as part of contract monitoring. A Skyline Operational Group will be established with representatives from all ten LAs and GM NHS to allow for escalation of

	concerns re. placement availability /quality.
Failure to appoint suitable provider for Skyline Homes	Extensive market engagement undertaken already. Reissue tender if unable to award contract through first procurement round.
Failure to purchase and refurbish suitable properties for Skyline Homes resulting in delays to 'go live' date.	Property Strategy group established and in process of identifying suitable properties for offers
Under-occupancy of Skyline Homes.	Project Skyline has been modelled on placement need across GM. Ensuring the occupancy guarantee is set at an achievable level will help to mitigate this, along with scrutiny over referrals, offers and admissions that will occur between Providers and the Skyline Operational Leads Group.
Disagreement over suitability of placements between Local Authorities and providers once Skyline Homes 'go live'	The use and type of placements will be reviewed as part of contract monitoring. A Skyline Operational Group will be established with representatives from all ten LAs and GM NHS to allow for escalation of concerns re. placement availability /quality
Failure to ensure there is a high quality health offer within Skyline homes that meets the health needs of the cohort of children & young people.	Clinical leads nominated by HNS GM have been working alongside the Skyline Project team and Local Authority commissioners. NHS GM commitment to provide commission appropriate services within Skyline homes set out in partnership agreement. as considered necessary.

Further legal risk analysis is set out in the Weightmans analysis attached to Part B of this report.

12. Legal Implications:

12.1 A signed Memorandum of Understanding (MoU) is in place which sets out the principles of the intended legal relationships between the various parties including a commitment from the districts to consider use of the Skyline placements as a first option when fulfilling their statutory duties regarding the placement of children. the MoU is not legally binding.

12.2 The parties are currently negotiating a draft Partnership Agreement. The Partnership Agreement currently includes a cost share recovery mechanism in the MOU in the event of the placements not being filled (although it is noted that there is no guarantee that the Council will have any placements at a given time or at all) and an indemnity in favour of the GMCA in respect of its investment in the properties required to deliver the placements (noting that there is a very wide purchasing discretion afforded to the GMCA). [The risks to the Council are more particularly set out in the Weightmans analysis attached to Part B of this report, but negotiations are continuing to mitigate the risks to the Council]

12.3 The care providers are being procured to a framework agreement by GMCA via a competitive dialogue process. A lead authority will contract manage this framework on behalf of the other Greater Manchester Local Authorities. It is intended that each Local Authority will be able to draw down from the framework, entering into an individual placement agreement directly with a provider to provide care services.

13. Financial Implications:

Work is currently being undertaken with the other GM councils to identify the financial implications of the proposal, and will be included in the further report to Cabinet regarding the signing of the agreement.

Appendices:

Appendix A – Independent Review of Children’s Social Care, Chaired by Josh McAlister [Independent review of children's social care - final report](#)

Background papers:

CYP Programme Update to March GMCA Meeting - [GMCA Part A Report Template \(greatermanchester-ca.gov.uk\)](#)

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning
DfE	Department for Education
GM	Greater Manchester
GMCA	Greater Manchester Combined Authority
ICB	Integrated Care Board
LAC	Looked After Children
MoU	Memorandum of Understanding