

Report to:	Cabinet	Date: 07 February 2025
Subject:	Extension of Substance Misuse Service Contract	
Report of	Cabinet Member for Health and Wellbeing	

Summary

1. The Council currently commissions Greater Manchester Mental Health (GMMH), an NHS provider, to deliver its substance misuse treatment service. GMMH lead a partnership model; the adult service is provided through GMMH or 'Achieve Bury' as it is branded locally. GMMH subcontract Early Break, to provide the children's and young people substance misuse service, as well as Big Life, to provide the assertive outreach and criminal justice work. The Council is also fortunate to have Intuitive Thinking Skills, who deliver recovery focused programmes and Great Places, who provide housing support, as part of the partnership.
2. The substance misuse contract originally cost £1,308,000 per annum. The contract began in September 2019 and was a three-year contract with two optional plus one years (3 +1 +1). The first three years of the contract ended on 31st August 2022, followed by the approval of two optional 12-month extensions ending on 31st August 2024.
3. In anticipation of the end of the contract, on 7th November 2023 Cabinet approved "a direct award to the current provider, GMMH, for a period of 3 years (with the right to extend at the Council's discretion for two further years) at a total estimated cost of £4,284,000 for the initial 3 years, and £1,428,000 per annum thereafter (subject to inflation and Agenda for Change pay increases)". It had been assumed that this new contract was intended to commence on 1 September 2024.
4. Following an agreed cabinet paper taken on 7th November 2023, further discussions took place during 2024 with GMMH for the overall contract value for Bury's substance misuse services at £1,428,000 per annum. Prior to a contract formally being signed GMMH informed us of a shortfall in costs and revised annual costings for the new core contract, which were costed at approximately £190,000 per annum. The increase was attributed to several factors, including the rising costs of overheads, Agenda for Change (AfC) uplift and increase in workforce and management on costs.

5. While the original contract was in its final 12-month extension year to 31 August 2024, and following agreement, the original contract was extended for an additional six-month period (1st September 2024 – 31st March 2025) to align to the end of the 24/25 financial year with a one off £70,000 payment to uplift the value per annum to meet workforce and management on costs, agenda for change uplifts and rising overheads, this was funded through the Supplementary Substance Misuse Treatment Grant (SSMTRG) underspend (at no extra cost to the council). The six month extension was also intended to allow us to align the contract to financial years, national grant funding schemes, and to a partnership model with GM neighbouring authorities (Bolton, Salford and Trafford) that also have GMMH as their substance misuse provider. This allows for economies of scale of work, shared posts and back-office functions when entering into a revised contract from 1 April 2025.
6. Following further negotiations, Public Health reduced the proposed contract costs and provisionally agreed a new annual costing for the substance misuse service contract of £1,560,000 per annum for the financial year 2025/26. This equated to a total that is £132,000 per annum above the originally agreed contract fee. This was approved by Cabinet members in November 2024.
7. Shortly after approval at Cabinet in November 2024, GMMH advised Bury Council that they needed to review the new annual cost £1,560,000 and outline the level of provision and the model they can offer within this revised budget. GMMH also proposed an increase in the management rate from 8% to 14% which we deemed unreasonable. Despite various discussions, GMMH has been unable to commit to operate within the available financial envelope while maintaining the expected staffing model and level of provision within this set budget.
8. In addition, during this period, our partner LA's, Bolton, Salford and Trafford Councils have received the same response from GMMH. Given the significant increase in management costs, our partnering LA's, Bolton, Salford and Trafford Council have also found this unfeasible. As a result, all three areas have been unable to agree on a direct award contract and are instead extending their original contracts for a final 12 months before ending their own arrangement with GMMH. Bolton, Salford and Trafford will now be retendering their substance misuse services for April 2026 onwards.
9. GMMH may not be the provider for Bolton, Salford and Trafford after April 2026, therefore if Bury were to continue with a direct award with GMMH we would be at significant risk of a depleted service. This is because we have a number of joint posts across the 4 areas and we also benefit from shared back-office functions and economies of scale, all of which would be lost if GMMH was not the provider in the neighbouring areas.

10. In February 2025, Bury Council wrote to GMMH chief executives to formally request a reduced management fee rate for the 12-month extension (April 2025-March 2026). The outcome of this letter is still pending, and Public Health are awaiting a formal response to determine whether the reduction can be applied for a final 12-month period. This would ensure Bury aligns with the management rates agreed upon by Bolton, Salford and Trafford with GMMH for the same period. Bury Council is disappointed to have only provisionally secured a 12-month extension despite working towards a direct award for a 3+1+1 contract since November 2023.
11. Once the final 12-month contract extension is secured, the lead commissioner will explore options with partner Local Authorities to identify the most cost-effective solution to reprocurring four substance misuse services across Greater Manchester. Options to be considered include a joint cluster LA contract for five years, allowing for shared resources and reduce overhead costs with a future provider.

Recommendations

Cabinet is recommended to:

- Extend Bury Council's current substance misuse contract with GMMH for a final twelve months, from 1st April 2025 – 31st March 2026 and not proceed with a direct award to the current provider for a longer term.
- Agree for Public Health colleagues to explore competitive retender opportunities from 1 April 2026, including partnering with other Local Authorities whose substance misuse contracts with GMMH also expire on 31st March 2026.

Alternative options considered:

Tender for new provider(s)

1. Pros:
 - Allows direct comparison to other providers.
 - Reduced management fee rates to enabling more investment in workforce and staffing
 - Ensures the Council is achieving best value for money and maintains service quality for our residents.
 - Supports cluster commissioning with other GM Local Authorities, ensuring a consistent service offer, whilst reducing commissioning, legal and procurement capacity demands across all four LA's.
 - Enables better value for the same cost, whether through price reductions, improved service quality or added value over a long term contract.
 - Would align with current / planned projects and external funding streams, such as OHID grants.
 - Maintains the partnership between partnership authorities (Bolton, Salford and Trafford) who will also be ending their contract with GMMH. This currently

allows for economies of scale of work, shared back-office functions and a peer support approach across all organisations involved.

- Cluster commissioning model is successfully used for Bury's Sexual Health contract, where Bury, Oldham and Rochdale Councils collaborate.
- The retender process will consider the various elements of the substance misuse service which includes adults, young people, and assertive outreach. This may mean we consider tendering for more than one provider to cover all service needs effectively.

2. Cons:

- Disruption to current service users and staff. Anecdotal reports from the last tender in 2018 demonstrated that implementation of a new provider can cause disruption to service users and lead to low staff morale.
- Potential disruption to performance.
- Loss of Addictions services at GMMH, with all four LA areas ending their contract with the trust as of 31/3/26.
- The council will need to procure services under the new procurement Act (2023) under the Provider Selection Regime (PSR) which will change process to procure health services and adhere to new processes and legislation.

Reasons for recommendation

1. Extending the current contract for a further 12 months will ensure continuity for ongoing projects and funding streams while future options are considered.
2. Public Health acknowledges that a 12-month extension will provide an opportunity to explore all options for future service provision, including potential procurement alongside other GM LA's. While the service configuration and provider may change, this review will ensure that future provision delivers the highest quality and best value for money for residents.
3. Public Health is committed to working closely with GMMH during the 12-month extension period on develop a sustainable service that meets the needs of Bury residents and retains the local bury workforce within a future long term contract with the successful provider(s).

Proposed Procurement Route

4. It is proposed that the Council continues with its current contract provider GMMH for a further 12 months until 31/3/2026. Legal Services have advised that it is in order to make a direct award to GMMH in reliance on the *Hamburg* case exception, now codified as Regulation 12(7) of the Public Contracts Regulations 2015. That Regulation permits a direct contract to be awarded between the Council and an NHS or other public sector body, without competition. It is subject to ensuring the contract is in the public interest and that the public services they each have to perform are provided to achieve common objectives.
5. The 12 month extension will allow consideration of procurement options and implementation of a procurement process to appoint a new provider from 1 April

2026, and approval will be sought from Cabinet in due course in order to proceed with the chosen procurement option.

Budget Provision

6. Annual budget provision is available from Public Health funding (£1,367,360), with £192,640 of funding available from Children's which contributes to the Children's & Young People's substance use element of the contract via Early Break.

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Links with the Corporate Priorities:

Achieve are very client and community focused, which aligns well with our Let's do it strategy and neighbourhood approach.

The proposal of extending the contract for 12 months will support key ambitions of the Let's do it strategy:

- A better future for the children of the borough
 - A better quality of life
 - A chance to feel more part of the borough
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Equality Impact and Considerations:

The local data around inequalities relating to substance misuse have been analysed, as well as discussions had with relevant partners to gauge the local situation. This has been taken into account when looking at where the inequalities lie and where there are gaps within the current system / pathways to try and reduce these inequalities. This will involve continuing current workstreams and projects that are ongoing with Achieve, as well as utilising external, additional funding. We are confident that GMMH and partners take into account equality and protected characteristics in their day to day work and governance. The completed Equality Impact Assessment based on the current contract / provider can be found in the background papers section.

Please see the below links to the GMMH Advancing Equity and Inclusion Strategy and the GMMH Patient Carer Race Equality Framework.

[Advancing Equity and Inclusion Strategy | Greater Manchester Mental Health NHS FT \(gmmh.nhs.uk\)](#)

Environmental Impact and Considerations:

GMMH have an established Green Plan running from 2022 to 2025 which has been developed through comprehensive consultation with various members of staff and external partners. The Green Plan has 114 specific targets which covers 9 keys areas of focus for the trust:

- Workforce and System Leadership
- Sustainable Models of care
- Digital Transformation
- Travel and Transport
- Estates and Facilities
- Medicines
- Supply Chain and Procurement
- Food and Nutrition
- Adaptation
- Have they made a commitment to carbon neutrality of zero carbon?

In line with the targets outlined by the NHS in the Delivering a Net Zero National Health Service Report GMMH is fully committed to reducing its greenhouse gas emissions to Net zero through two clear targets from the report which will be delivered the Trust Green Plan:

- Net zero by 2040 for the emissions we control directly.
- Net zero by 2045 for the emissions we can influence.

Where applicable, and within the remit of the contract, GMMH will carry out the necessary upgrades around the targets set out with in the Trust Green Plan.

GMMH is currently not a carbon literate organisation, the Energy & Sustainability Manager (recently new in post) has been looking at the options available to GMMH to either deliver a Carbon Literate accredited course or options to deliver an in-house workshop that is more specific to the NHS targets, GMMH Green Plan and dynamic workforce. GMMH are a local supplier and therefore will travel less, approximately 5 miles (depending on exact location). Where possible equipment will be reused if a new contract is agreed. If equipment is needed, careful consideration will be given to procurement routes.

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
Provider not performing to expectations or service specification.	Quarterly contract monitoring meetings with the provider, as well as regular

	meetings to discuss various other projects and/or relevant matters.
The contract will be subject to future inflation costs and NHS Agenda for Change costings if it is continued and therefore, the price of the contract may increase if extended.	The contract will be subject to future inflation costs and NHS Agenda for Change costings if it is continued and therefore, the price of the contract may increase if extended.
High level of workforce vacancies and/or staff sickness over 12 month extension period due to uncertainty surrounding retender process and outcome of the future successful provider(s).	Early staff engagement and communication to keep informed of potential changes. Provide reassurance of TUPE. Work with provider to address staff concerns and reduce uncertainty. New contract procured will be for a minimum of five years increasing to seven years. Build a robust transition plan into the procurement process.
Provides an opportunity to explore all options for future service provision, including potential procurement alongside other GM LA's.	While the service configuration and provider may change next year, this review will ensure that future provision delivers the highest quality and best value for money for residents.

Legal Implications:

The proposed direct award for one year to GMMH is compliant with the Public Contracts Regulations 2015 and Regulation 12(7) in particular which permits such contracts to be entered into between two public sector authorities in the public interest where certain conditions are fulfilled.

Financial Implications:

The increased cost of this contract has been taken into account as part of the budget setting process for 2024/25, and 2025/26 as negotiations were ongoing at this time and provision is available within the public health budgets.

However, following approval at Cabinet in November 2024, GMMH advised Bury Council that they needed to review the new annual cost £1,560,000 and outline the level of provision and the model they can offer within this revised budget. Additionally, GMMH proposed an increase in the management rate from 8% to 14% which we have found unreasonable.

Despite various discussions, GMMH has been unable to commit to operate within the available financial envelope while maintaining the expected staffing model and level of provision within this set budget. This follows a 6% increase in management fees applied to the direct award cost breakdown compared to the original contract with Bury Council in 2019.

In February 2025, Bury Council wrote to GMMH chief executives to formally request a reduced management fee rate. The outcome of this letter is still pending, and Public Health are awaiting a formal response to determine whether the reduction can be applied for a final 12 month period. This would ensure Bury will also aligns with the management rates agreed upon by Bolton, Salford and Trafford with GMMH. Bury Council is disappointed to have only secured a 12 month extension despite working towards a direct award for a 3+1+1 contract from November 2023.

Background papers:

Please list any background documents to this report and include a hyperlink where possible.

1. Evaluation of Achieve and partnership model 2022 – final report with executive summary
2. Community Care, Radcliffe – feedback
3. Equality Impact Assessment – substance misuse service
4. GM market research document – available on request.
5. Quarterly substance misuse service performance reports can be provided on request.

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

Term	Meaning
GMMH	Greater Manchester Mental Health
SSMTRG	Supplemental Substance Misuse Treatment and Recovery Grant
HMT	HM Treasury
OHID	Office for Health Improvement and Disparities
GM	Greater Manchester
PSR	Provider Selection Regime