Committee(s): Streets & Walkways Sub-Committee – For Information Project & Procurement Sub Committee – For Decision Finance Committee – For Decision Court of Common Council – For Decision	**Dated:** 13 May 2026 19 May 2026 2 June 2026 25 June 2026
Subject: **Highway Construction & Maintenance Term Contract – Proposed Contract Extension**	**Public report:** For Decision
This proposal: • **delivers Corporate Plan 2024-29 outcomes** • **provides statutory duties** • **provides business enabling functions**	Flourishing public spaces Leading sustainable environment
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: **Executive Director of Environment**	Katie Stewart
Report author: **Assistant Director (Highways), City Operations**	John Grimes

Summary

The City's highway term maintenance contractor, FM Conway, delivers highway maintenance, carriageway resurfacing, road marking, drainage, street lighting, public realm enhancements and highway changes for the Environment Department, as well as similar services for other departments, under an initial five-year contract awarded in June 2022.

FM Conway will enter year five of the contract in June 2026, with an option to extend by a further five-year period (to June 2032). Throughout the contract period to date, FM Conway has consistently achieved very high performance in delivering those highway-related works across all contractual Key Performance Indicators (KPI's), including timely delivery of works, adherence to specifications, and responsiveness to operational requirements. The workmanship has remained exemplary, with full compliance with safety and environmental standards. FM Conway has demonstrated effective cost management, with benchmarking indicating that their rates remain below typical industry standards.

FM Conway has fully adopted the collaborative ethos of the contract, frequently adjusting programmes, designs and resources to meet the City's evolving needs without submitting any formal compensation claims, demonstrating their flexibility and commitment.

The wider highway construction industry continues to experience volatility and cost pressures, including rising material prices, labour shortages, fuel costs and global geopolitical uncertainties. The contract's annual rate adjustment mechanism, linked to Retail Price Index, help ensure pricing remains competitive and aligned with market conditions.

Considering FM Conway's sustained high performance, strong partnership working and favourable benchmarking outcomes, this report recommends activating the five-year extension to the Highway Construction & Maintenance Term Contract to mitigate the cost increases likely to arise from a full retender.

Recommendation

Members are recommended to agree the extension of the Highway Maintenance term contract with FM Conway for a further five years from June 2027, ensuring continuity of service delivery, sustained performance, and effective forward planning for major programmes. The proposed extension is in accordance with the original procurement provisions and represents a continuation of an existing compliant contractual arrangement.

That the Comptroller and City Solicitor is instructed to prepare, and arrange for due execution of, a Deed of Variation recording the extension and other agreed changes to the contract in accordance with its terms.

Main Report

Background

1. The City Corporation is the Highway Authority for all the public highway and City walkway areas in the Square Mile, except for those streets that fall within the Transport for London Road Network (or 'Red Routes').

2. Accordingly, the City of London's Environment Department (ENV) holds a statutory duty for maintaining these streets, footways and walkways. This includes inspecting them for defects, repairs management, road resurfacing, maintenance of signs, road markings, bollards, street nameplates and drainage, as well as the upkeep of all illuminated and powered street furniture. The Department is also responsible for the highway construction works associated with road safety improvements, transport interventions, public realm enhancements and reparation or alteration works linked to new building developments.

3. The Highway Construction & Maintenance Term Contract was procured through a compliant EU procurement process in 2021, which included a clearly defined option

to extend the contract for a further five-year period. The total potential contract duration and value, including the extension period, were disclosed within the original contract notice and procurement documentation. The proposed extension is being exercised in accordance with these provisions and does not constitute a material modification to the contract.

4. The contract is currently held by FM Conway,Over the three years since award, FM Conway has delivered an average annual workload of approximately £13.5 million. This figure reflects the scale of both internally and externally funded programmes commissioned through the City Operations Group in ENV, in addition to smaller volumes of similar work delivered on behalf of Natural Environment and the District Surveyors.

Current Position

FM Conway's Performance

5. FM Conway is currently in year four of a five-year contract that includes an option to extend for a further five years. To date, FM Conway has consistently demonstrated high levels of performance in highway construction and maintenance across both delivery and quality metrics, as shown through contract Key Performance Indicators. Projects have been delivered to a high standard, within agreed timescales and budgets and with minimal disruption to the public.

6. In addition, FM Conway have fully adopted the partnership approach envisaged by the contract, continually adjusting programmes, designs and resources to meet the City's needs. Examples include Phase 1 of King Willaim Street Pedestrian Permeability Scheme, St Andrew Undershaft Church, 1 Leadenhall and 1-2 Broadgate where the management of pedestrian and vehicular traffic during the delivery stages were challenging. However, the improvements made are leading to an increase in pedestrian / wheeling and cycle activity.

7. FM Conway's excellent performance can be seen in a number of ways, including:

    a. They are relied upon to underpin the delivery of numerous major projects, such as the alterations at St Pauls Gyratory, Trinity Lane public realm improvements where a raingarden was introduced alongside wider re-landscaping, and enhancements at London Wall / Moorgate oval where green space and seating has been increased. Their consistent delivery record provides the City with confidence to require major developers to use the term contract for associated public realm works;
    b. The City also benefits from a very low number of accident claims, supported by FM Conway's robust inspection processes and record keeping.
    c. FM Conway performance against contractual Key Performance Indicators has been exceptional;
    d. FM Conway have not made a formal claim in their four years under contract;

e. In 2024/25 FM Conway successfully delivered 28 schemes under the City's Pedestrian Priority, Cool Streets and Greening and Healthier Streets programmes, alongside 19 planned carriageway resurfacing schemes.
f. Conway actively manages its supply chain to maintain high standards of quality in delivery and products, while keeping costs under control. By working closely with approved suppliers and retaining responsibility for materials through delivery, Conway reduces variability in quality and ensures consistency across projects. This approach also allows the company to absorb and manage the risk of damage during transit, rather than passing it on to clients or subcontractors, supporting more reliable delivery, fewer delays, and improved overall value for money.
g. FM Conway have an extremely low accident rate with their workforce and the public, despite the inherent difficulties of working with so many utilities just below the surface of the City's streets. In 2024/5 year, there were zero injuries or lost days.
h. In terms of consents to dig up the public highway in their last contract year, only 0.1% of FM Conway's permit applications were rejected (compared to 21.9% combined across the utility sector), with over 9,000 permit applications being made in the same period.
i. The City Procurement team have acknowledged that FM Conway's delivery under the term contract should be seen as the benchmark for City Corporation contractors in terms of sustainability and responsible sourcing of materials;
j. FM Conway have undertaken an analysis of their vehicle emission performance to understand their air quality impact and through a switch to bio fuels and electric plant over 60,000 kgCO_2e has been saved.
k. Carbon savings of over 41,000 kgCO_2e have been achieved through the incorporation of CEM- II as an alternative cement in ready mix concrete.

8. FM Conway's gangs are a key part of this successful delivery process. Many have worked in the City for over 20 years and have TUPE'd across between past term contractors. Their extensive experience is vital in managing the City's uniquely challenging working environment, and in ensuring that City life continues around them with minimal disruption.

9. This effective continuity is enabled by the structure of the term contract, which combines highway maintenance responsibilities with the delivery of major schemes under a single contractual arrangement. This allows FM Conway and the City to keep the most skilled gangs fully employed, switching them between maintenance and project work as required, without losing them to other contracts

10. The Highway Construction & Maintenance Term Contract is a corporate contract and is available for use by sections and departments beyond City Operations in the Environment Directorate. The relatively limited number of projects delivered through this route has produced mixed outcomes, reflecting the fact that such works have often fallen outside the contractor's core highway construction and maintenance activities. This has been the case in some of their work on highway structures, but there have also been notable examples of good performance

including the successful delivery of the Parliament Hill running track project and the assumption of the role of Principal Contractor for the quarterly maintenance works at Tower Bridge.

11. It should be noted that the contract is non-exclusive and separate procurement routes remain appropriate and permissible where the use of the term contract is assessed as offering limited additional value.

Commitment & Partnership

12. From the start of the contract, FM Conway have delivered their contractual requirements with a significant level of commitment to meeting the City's exacting standards and partnership approach. That commitment has come from the Chief Executive Officer of FM Conway through to the Contract Director, Contract Manager, and Works Supervisors, down to the gangs themselves.
13. The direction and culture of the contract delivery have been aligned to meet the City's requirements, they have delivered on their contractual commitment to maintain an embedded resource dedicated to working with the City to improve and maintain communications with those affected by works, and their early contractual involvement on schemes has had numerous design, safety and cost benefits.
14. FM Conway's approach has been one of flexibility without sacrificing quality, as illustrated by the following items that have been implemented in partnership with FM Conway at no additional cost to the City:
    a. The use of mobile tablets to capture highway defects and facilitate an improved works ordering process;
    b. The development of a new approach to asset management, including the valuation of identified highway defects and the tracking of repairs;
    c. Long term forward profiling of contract spend and gang deployment;
    d. Value engineering on proposed schemes through early contractor involvement;
    e. The development & use of electric plant to reduce road carbon emissions without reducing workforce outputs, currently being utilised at the St Pauls Gyratory project;
    f. The use of electric small tools to reduce carbon and noise emissions.
    g. The introduction of an e-cargo XL bike to deliver tools and equipment replacing a small van on the City's network.

15. FM Conway have also delivered over £390,000 in social value for the City of London over the first three years of the contract, focusing on employment, training, community support, and strengthening local supply chains. The company employs over 30 local residents, has delivered 793 hours of workforce training, and engages actively with young people through events such as the Livery Schools Link Showcase.
16. FM Conway has spent over £5m with local SMEs, co-hosted sustainability events, sponsored the LUCI Cities & Lighting Summit held at Guildhall and organised technical visits for City stakeholders. They have also supported the Lord Mayors Show both financially and operationally to ensure it's a successful event.

17. In January 2025, FM Conway was acquired by Vinci Construction (part of the Vinci Group), however they continue to operate as a standalone business, managing contracts and client relationships in the same manner but with Vinci as their parent company. The acquisition has had no adverse impact on contract delivery, and no pressure has been applied to vary the commercial terms of the City's contract.

Financial comparison

18. FM Conway's contract rates were assessed as part of the 2021 tender process and were judged to be highly competitive at that time. Recent benchmarking has indicated that the contract remains competitive when compared with equivalent contracts (detailed in non-public Appendix 3 due to its commercial confidentiality).

19. A retendering exercise at this stage is unlikely to deliver improved value for money when considering current market conditions, mobilisation costs, and the potential loss of embedded knowledge and resource continuity. Any increase in scheduled rates from a retendering exercise would likely increase the overall cost of delivering highway works across the City, requiring additional funding from CIL, the On-Street Parking Reserve or from developers under s278 agreements. It would also simultaneously reduce the effective amount of funding available for highway maintenance work that could be delivered within the existing City Fund budget.

20. Otherwise, in delivering numerous highway schemes over the past four years, supported by early contractor involvement, careful planning, accurate estimation and effective budget management, FM Conway has consistently delivered its elements of these projects within the budgets allocated for each scheme.

Contract Enhancements

21. In terms of further enhancements to the service that would be taken forward should the contract be extended, the following elements have been highlighted:

    a. The contract's Key Performance Indicators will be revised and refreshed, including new ones introduced to cover the monthly provision of carbon savings related scheme delivery.
    b. The sustainability requirements of the contract will be further enhanced to meet more stringent City standards.
    c. We will consider how the City's Climate Action agenda can be delivered successfully, even within a sector traditionally associated with high carbon emissions.
    d. To seek further improvements in service delivery beyond the core highway construction and maintenance activities, enabling other departments to benefit from a high quality alternative delivery option that offers greater flexibility, integration, and value.

Procurement Options

22. There would appear to be three options at this point.

Option 1: Approve the full five-year contract extension contained within the contract

23. This option would maintain the strong and well established partnership with FM Conway in delivering:

a. high quality works in a flexible and safe manner;
b. effective early contractor involvement and a commitment to meet the City's exacting standards;
c. minimal disruption to City stakeholders;
d. at competitive pricing with few (if any) claims;
e. where necessary, negotiated amendments to the existing service standards with the incumbent contractor under the current term contract would be preferable in the prevailing economic climate as retendering at this time could result in increased costs to the City, as prospective contractors are likely to price in additional commercial and market risk.
f. whilst seeking more ways to innovate, including better use of data on inspection defects & trends;
g. over the long term, certainty for the delivery of numerous projects including the urban realm changes at St Pauls Gyratory and Fleet Street.
h. longer term investment in plant, vehicles and electrification innovation would be supported over a 5 year period.

This option represents the continuation of a compliant contractual arrangement, with the extension mechanism forming part of the original procurement and evaluated at the point of contract award.

Option 2: Approve the contract extension for a shorter period than five years

24. This option would deliver many of the above outcomes, but it would introduce constraints around programme certainty, long term planning and contractor investment in innovation. Investment in contractor's plant and fleet could become constrained and would not be amortised due to the shorter contract period.

25. In this context, it is worth noting that although the term contract is intended to provide a corporate contract to join up the delivery of all such work, it is not explicitly exclusive, which means that the City has some flexibility to move work to other contractors, such as London's Highways Maintenance and Project Framework (HMF) should we wish to do so. That means a shorter extension offers limited strategic advantage.

Option 3: Allow the contract to expire and undertake a full retender

26. A full retender is unlikely to deliver additional value proportionate to the cost, time and delivery risk associated with undertaking a new procurement at this stage.

a. FM Conway's current contract rates remain competitive compared with other London authorities with similar networks, and a new tender would likely result in higher costs;
b. there would be no guarantee that any improvement in rates or the quality of contract delivery could be found via tendering (in fact rates are more likely to increase);
c. a full Find a Tender Service (FTS) procurement exercise would require the immediate diversion of considerable staff resources;
d. it would create significant uncertainty for longer term project planning beyond the end of the contract, particularly given the current state of global financial volatility

27. As a result, a full retender is unlikely to realise significant improvements in value for money, for the opportunity cost of procurement and the potential loss of reputation by failing to exercise an option to extend a very successful supplier relationship.

Proposals

28. From these options, Option 1 is recommended as FM Conway remain competitive and favourable to the City in a number of respects, namely:

    a. continuing the provision of these services in partnership with a high performing contractor who continues to demonstrate their commitment to working with the City to deliver high quality work;
    b. at a cost that has been benchmarked to deliver value for money;
    c. and at the same time providing continuity of project management, early contractor involvement and dedicated experienced resource in planning ahead for the next five years' worth of major projects on the Highway.

29. It should be noted that the original FTS notice in 2021 indicated an estimated contract value of £50 million over the initial five-year contract period, with a similar estimated value implied for the proposed extension, acknowledging that FTS contract value estimates typically allow a degree of flexibility.

Corporate & Strategic Implications

<u>The Principle of a Term Contract</u>

30. In this context, it is worth noting why a term contract is preferred in the first place. In terms of the delivery of these services through FM Conway, the justification for using a term contract includes:

    a. It allows the provision of flexible, joined-up services, having one contractor to build, inspect and maintain all aspects of the highway;
    b. It allows resources to be swapped seamlessly between highway maintenance and major schemes, minimising the risk of claims for downtime whilst ensuring maximum flexibility of resource
    c. It delivers economies of scale in terms of management resource, material procurement and manpower;
    d. It facilitates a corporate resource available to other departments to deliver work of a similar nature;
    e. It removes the delay and cost to individual projects of tendering these services each and every time, creating a 'fast track' to facilitate early contractor involvement, both in terms of time and expertise;
    f. It minimises the impact of these works on the public by ensuring that gangs, supervisors and managers all understand the requirements necessary to work in the Square Mile.

Implications

31. If Option 1 (a full five year extension) is agreed, then there will be continuity of contract delivery, securing the further contract enhancements in addition to the existing high quality service. However, the ability to benchmark with HMF will still

be available throughout the remaining life of the contract, and there is a mechanism to allow works to be delivered under the HMF umbrella should the City wish to do so.

Conclusion

32. It is recommended that:

a. the term contract with FM Conway be extended for a further five years to ensure continued delivery of high-quality highway maintenance services, major project support and associated works for other departments. Extending the contract will maintain service continuity, retain experienced resources, and preserve the strong performance and collaborative working practices that have been demonstrated throughout the current contract period. The proposed extension is considered to represent a compliant and proportionate approach, maintaining value for money while ensuring continuity of service delivery within the scope of the original procurement and

b. the Comptroller and City Solicitor is instructed to prepare, and arrange for due execution of, a Deed of Variation recording the extension and other agreed changes to the contract in accordance with its terms.

Appendices

- Appendix 1 - FM Conway Key Performance Indicator Summary (Contract Year 3)
- Appendix 2 – The Role of the Procurement Category Boards
- Appendix 3 – FM Conway Rates Benchmarking (Non-public)

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Appendix 1 - FM Conway Key Performance Indicator Summary (Contract Year 3)

KPI	Goal	Description	Target (July 2024)	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Year Average
A	Ensure all sites suitable and sufficient in relation to Health & Safety.	Health and safety within the Construction industry is very important and must be treated as a priority on all sites. A minimum of 3 sites will be chosen at random during the month stated.	80%	80.1 %	80.3 %	80.0 %	80.3 %	80.3 %	80.3 %	80.3 %	80.3 %	80.1 %	80.3 %	80.5 %	80.5 %	80.3%
B	The provision of key Contractual Data for monthly review meeting.	Critical data for the management of the contract will be collated and provided to the Highways monthly contract meeting and other meetings for use and analysis in managing the contract.	100%	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
C	To ensure compliance with TMA and to comply with CCSS best practice	All works should be to the standards set by the TMA (and in line with our CCSS) therefore the Contractor should not incur FPN and promote best practice.	97%	96%	98%	98%	98%	98%	100 %	98%	99%	99%	99%	98%	98%	98.2%
D	To ensure all preconstruction information and process is provided and adhered to in line with CDM 2015.	To ensure all ECI meetings and design meetings have taken place, ensure PCI has been provided and accepted, whilst ensuring that a CPP and RAMS have been submitted and approved by CoI, before works take place.	100%	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100.0%
E	Ensure that works are completed with agreed programme milestones	Works that are completed within the agreed programme and timetable for each area of applicable work.	100%	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100.0%
F	The provision of accurate 'As-builts and H&S files' in a timely manner.	'As-builts' and H&S file for projects must be completed within four months of the project completion.	100%	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100.0%
G	Ensure all Water Fountains, Irrigation systems and water refill points are maintained to a safe and suitable standard.	Cyclical maintenance for M&E works (Fountains, irrigation, water refill points) within agreed programme and timetables. This includes Legionella testing. The importance of this process is paramount for the life of greenery and the safety of the water used within the fountains and the water refill points.	100%	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
H	Effectively managing fault reporting for lighting within the Square Mile.	As and when the CMS notifies the M&E team of a fault and/or damaged illuminated street furniture, the defect should be visited in line with contract specification on receipt of instruction from electrical team.	97%	100 %	100 %	100 %	100 %	100 %	100 %	100 %	98%	Pass	Pass	100 %	100 %	99.8%
I	Ensure that works are accurately measured	Percentage of checked measurements that come within the measurement criteria	94%	96%	96%	97%	98%	98%	98%	98%	97%	98%	Pass	100 %	99%	97.7%
J	Ensure that invoices are accurately presented	Percentage of jobs whose invoices are free from mathematical error.	97%	97%	97%	98%	99%	98%	97%	100 %	100 %	99%	Pass	100 %	100 %	98.6%
K	'First time' repair ethos	All first-time repairs upon the footway are visited within the timeframes set in the contract and existing materials/street furniture are reused (no tarmac), where possible. Any variance to footway repairs must be brought to the attention of the maintenance team, and the reason for not making safe first time and/or use of tarmac.	97%	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100.0%
L	Effective Management of the Report It process.	The Report It provides digital tool that captures defects provided by the call centre, the public and some internal officers from other departments. It is paramount these defects are picked up and repaired in line with our contract specification, whilst also ensuring the progress of the repair is clearly shown on the web portal (linked to the system)	97%	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass

Appendix 2 – The Role of the Procurement Category Board

Procurement Category Boards have been established as part of the new City Procurement Governance structure. The Boards are chaired by a Chief Officer or Director and facilitated by a Category Manager from City Procurement and has representation from Comptrollers to ensure legal compliance in all board decisions. Each Board has relevant membership from across the City's departments for areas of spend that could benefit from strategic decision making, due to synergies of spend, a large number of current suppliers or potential for increased efficiency in the supply or management of goods, works or services.

The Construction & Property Services Category Board is chaired by the City Surveyor's Investment Property Director and has permanent members from the departments of City Surveyors, The Barbican, Built Environment, Chamberlain's, Comptrollers, City of London Police and Barbican Estates. Other departments are represented by working groups focused on specific goods, works or services that report to the Category Board.