**ITEM 8**

# Report – Finance Committee

# Highway Construction & Maintenance Term Contract – Proposed Contract Extension

*To be presented on Thursday, 25th June 2026*

*To the Right Honourable The Lady Mayor, Aldermen and Commons of the City of London in Common Council assembled.*


## 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 (June 2027 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 the 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, your Finance Committee and Project and Procurement Sub-Committee recommend 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

That the Court of Common Council:-

1) Agrees 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; and

2) Instructs the Comptroller and City Solicitor 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 the 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 the City of London's Environment Department (ENV), in addition to smaller volumes of similar work delivered on behalf of Natural Environment and the District Surveyors.

### Current Position

<u>FM Conway's Performance</u>

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 has 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. FM 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, FM 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 biofuels and electric plant over 60,000 kg$CO_2$e has been saved.
    k. Carbon savings of over 41,000 kg$CO_2$e 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.

<u>Commitment & Partnership</u>

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 spending 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 Paul's 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 has 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 Mayor's Show both financially and operationally to ensure it is 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. This detail is commercially sensitive and can be made available to Members upon request to the Town Clerk's Department.

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 the Community Infrastructure Levy Fund (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 Considered**

22. In reaching its recommendation, your Committee considered several options available. These being:
    i) Approve the full five-year contract extension contained within the contract
    ii) Approve the contract extension for a shorter period than five years
    iii) Allow the contract to expire and undertake a full retender
23. From these options, Option i) 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.

24. 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.
25. Full detail of the options considered by your Committee, can be found in the associated Finance Committee report from 2 June 2026.

**Corporate & Strategic Implications**

The Principle of a Term Contract

26. 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**

27. 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**

28. Considering FM Conway's sustained high performance, strong partnership working, and favourable benchmarking outcomes, your Finance Committee and Project and Procurement Sub-Committee recommend activating the five-year extension to the Highway Construction & Maintenance Term Contract to mitigate the cost increases likely to arise from a full retender.

29. Further information relating to the FM Conway Key Performance Indicators and the role of the Procurement Category Boards, can also be found within the Finance Committee Report of 2 June 2026.

All of which we submit to the judgement of this Honourable Court.

DATED this 2nd day of June 2026.

SIGNED on behalf of the Finance Committee.

**Deputy Henry Nicholas Almroth Colthurst**
Chairman, Finance Committee