

## **Cabinet**

**30 June 2026**

### **Gateway 1 Report: Highways Infrastructure Contract**

Portfolio Holder: Councillor Alex Paterson, Portfolio Holder Community Safety, Highways and Enforcement

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**Procurement Overview:**

Total Contract Value (estimated): £90-110m (Increased to £130-170m to include scope for Local Government Reorganisation)

Regulated Procurement: No

Proposed Contract Term: Lot 1 - 7 years Initial Term with 1 single extension option for a further 3 years.

Lot 2 and 3 – Both frameworks shall operate for a minimum of 8 years, reopening the frameworks at years 3 and 6 to allow new suppliers to join.

### **Summary**

This report seeks permission to commence the procurement of the Highways Infrastructure Contracts.

#### **1. Recommendation**

- 1.1 The Cabinet is recommended to agree to commence the procurement of a new Highways Infrastructure Contract (HIC) that will ensure the continued delivery of essential services required to maintain Medway's highway network and critical infrastructure assets, including the Medway Tunnel, in accordance with the Highways Act 1980.

## 2. Suggested reasons for decision

- 2.1 The proposed contract model and recommendations have been developed following a comprehensive options appraisal carried out in spring 2026. This process drew on input from Medway officers, a review of the current service, market engagement (including a supplier webinar and questionnaire), and specialist technical and procurement advice from Founds Group.
- 2.2 The recommended approach is supported by the Options Appraisal Report and its supporting documents. These include the Contract and Procurement Strategy, Market Engagement Summary Report, Medway Key Findings Report, and Tunnel Strategy. Together, these provide the evidence and rationale for the proposed approach and are available for review.
- 2.3 The options appraisal followed a two-stage process:
- 2.3.1 A qualitative assessment of each contract model against Medway's agreed suitability drivers.
  - 2.3.2 A quantitative assessment of each option against corporate and strategic objectives, service priorities, and operational requirements, using an agreed scoring methodology.
- 2.4 The suitability drivers were informed by the Medway Key Findings Report and reflect the key outcomes required from the future contract, based on current service experience and identified areas for improvement.

<b>Service quality, Integrity and control</b>	assurance, evidence-based delivery, active performance management
<b>Value for money and transparency</b>	pricing clarity, spend visibility, fair/evidenced payment
<b>Efficiency and simplification</b>	reduced duplication/friction, streamlined processes/specification
<b>People, capability and resourcing</b>	resilience, succession, workforce development
<b>Governance, assurance and contract discipline</b>	decision-making clarity, appropriate incentives/penalties, consistent administration
<b>Collaboration and stakeholder confidence</b>	partnership working, public/political confidence, visible outcomes

- 2.5 The appraisal shows that a Single Supplier Term Maintenance Contract is the most suitable and highest-scoring option for delivering the core services in Lot 1. It also confirms that a framework approach is more

appropriate for specialist and capital works, where the Council needs access to a wider and more flexible supply chain.

Contract model	Qualitative score	Quantitative score	Overall position	Appraisal outcome
Single Supplier TMC	25/30	12.50	1st	Preferred core model
Framework Delivery Model	20/30	11.80	2nd	Retained for specialist and capital frameworks
Teckal	19/30	11.49	3rd	Not preferred
JV / Alliance	18/30	-	Not progressed	Not preferred
Council-controlled / in-house delivery	14/30	-	Not progressed	Not preferred

2.6 The recommended approach is therefore a combined model comprising:

2.6.1 Lot 1 – Highways Term Maintenance Contract

A single contractor will deliver day-to-day highway maintenance, including routine, reactive and smaller planned works. This provides clear responsibility, continuity of service, and a well-established way of managing core highway operations.

2.6.2 Lot 2 – Tunnels Specialist Single Supplier or Framework

A specialist contractor, or group of contractors, will manage the Medway Tunnel and its systems. This includes electrical and mechanical equipment, drainage, safety systems and technical support. This ensures the Council has access to the specialist skills needed to manage this complex and critical asset.

2.6.3 Lot 3 – Capital Works Framework

A number of contractors will be appointed to deliver larger planned projects and improvement works. This allows the Council to create competition, access specialist expertise, and select the most suitable contractor for each scheme to achieve value for money.

2.7 This approach has been tested against current industry practice and similar frameworks. It shows that using specialist contractors for larger works can be more efficient than delivering everything through a single provider. This is because it allows access to the right skills, improves

competition, and separates larger projects from day-to-day maintenance.

- 2.8 For the tunnel, the need for a specialist approach is driven by its complexity and importance to the network. The Medway Tunnel is a critical asset, and any failure or closure can have significant impacts. It requires dedicated expertise and careful management to ensure key systems are safe, reliable and well maintained.
- 2.9 Overall, this structure provides a balanced approach. It keeps a single contractor responsible for core highway services, while allowing flexibility to use specialist providers for tunnels and larger works. This will improve resilience, ensure access to the right skills, and support better value for money over the long term.
- 2.10 For these reasons, approval is sought to proceed with procurement of the Highways Infrastructure Contract, comprising:
- Lot 1: Highways Term Maintenance Contract
  - Lot 2: Tunnels Specialist
  - Lot 3: Capital Works Framework

### 3. Budget & Policy Framework

- 3.1 The procurement of the Highways Infrastructure Contract is required due to the expiry of the current contract and the Council's statutory duties as Highway Authority. The proposed contract is in line with the Council's budget and policy framework.
- 3.2 Timely procurement is critical to the success of the project. The tender must be published in early July 2026 to maintain the programme. This will allow sufficient time for both the tender process and contractor mobilisation before the new contract starts.
- 3.3 Any delay in publishing the tender would reduce mobilisation time, which could impact the smooth continuation of services from day one. This may also increase costs and reduce market interest.

### 4. Background Information and Procurement Deliverables

#### 4.1 Background Information

- 4.1.1 The Council's current highways maintenance contract is approaching expiry, and as Highway Authority it must ensure continued delivery of services to meet its statutory duties under the Highways Act 1980.
- 4.1.2 While the existing arrangement has supported service delivery, review and service insight have identified the need for improvements in governance, asset management, commercial control and flexibility. In addition, the increasing complexity of the

network and the importance of key assets, such as the Medway Tunnel, require a more robust and future-ready approach.

4.1.3 A re-procurement is therefore required to secure a contract that ensures service continuity, delivers improved outcomes, and better aligns with the Council's operational and strategic priorities.

4.1.4 The Highways Infrastructure Contract is separated into 3 individual lots, the following information outlines the services and works related to each lot:

4.1.4.1 Lot 1 - Highways Term Maintenance Contract (core) - Single-Supplier

- Core Services including:
- Reactive and Emergency Response
- Winter Service
- Drainage Maintenance
- Streetlighting Maintenance
- Cycleways, Bridleways and Public Rights of Way
- Temporary Traffic Management
- Traffic Signs and Carriageway Markings
- Safety Fencing and Pedestrian Guardrails
- Structures Maintenance (not including Tunnel)
- Specialist services (eg. M&E, technology, Other)
- Asset Management Support

Planned Works Including:

- Minor Planned Works and Capital Programme including Carriageway and Footway Resurfacing and Patching.
- Reconstruction, Patching, In-situ recycling, micro-surfacing

4.1.4.2 Lot 2 - Tunnels Specialist Single Supplier or Framework (multi-Lots) – Multi/Single-Supplier

The Tunnel Framework will include multiple framework sub-lots where multiple specialist suppliers will be included. The Sub-lots will include the following:

- M&E
- Technology
- Drainage Sumps and Pumps
- Civils and Structures
- Technical and Advisory Services
- Asset Management support and lifecycle planning

#### 4.1.4.3 Lot 3 - Major Works Framework (multi-Lots) - Multi-Supplier

This lot will include 3 sub-lots including:

- Lot 3a – Major Resurfacing and Reconstruction
- Lot 3b – Surface Dressing and Specialist Surface Treatments
- Lot 3c – Infrastructure Improvements Planned Works

Each lot will include a maximum of 4 suppliers whereby each scope and works value will be above £50,000 up to £5m.

This approach has been designed to ensure the Council has access to a broad range of specialist contractors with the capacity and expertise to deliver larger and more complex schemes. Appointing multiple suppliers will promote competition, improve resilience, and reduce reliance on a single provider.

The framework will allow the Council to either directly award work or run mini-competitions between appointed suppliers. This provides flexibility to select the most suitable contractor for each scheme, helping to drive value for money while maintaining delivery efficiency.

The use of separate sub-lots reflects the differing skills and equipment required for each type of work, ensuring that contractors are appropriately matched to the schemes being delivered.

This arrangement does not prevent works from being delivered through Lot 1 where appropriate, providing additional flexibility and ensuring the most efficient delivery route can be used for each scheme.

## 4.2 Procurement Deliverables

4.2.1 As part of the successful delivery of this procurement requirement, the following procurement project outputs / outcomes within the table below have been identified as key and will be monitored as part of the procurement project delivery process.

Outputs / Outcomes	How will success be measured?	Who will measure success of outputs / outcomes	When will success be measured?
Procurement commenced in accordance with approved Gateway 1 decision	Approval received to commence procurement and procurement route confirmed for each Lot	Procurement Board / Category Management / Client Lead	At Gateway 1 approval
Tender documents completed and issued in line with the approved procurement timetable	Tender documents, specifications, pricing schedules, evaluation criteria and contract terms issued by the agreed publication date	Category Management and Client Lead	Prior to tender publication
Procurement programme delivered within agreed timescales	Key milestones achieved, including tender publication, clarification periods, evaluation, moderation, award approval and mobilisation start	Category Management / Project Team / Procurement Board as required	Monthly during procurement and at key gateway points
Sufficient market interest secured for each Lot	Number and quality of supplier responses received for Lot 1, Lot 2 and Lot 3, including evidence of specialist tunnel and capital works interest	Category Management and Client Lead	At SQ / tender return stage
Evaluation completed in a transparent, consistent and auditable manner in accordance with the Regulations	Evaluation records, moderation notes, conflict of interest declarations and award recommendations completed and retained	Category Management / Evaluation Panel / Moderation Chair	During evaluation and prior to award recommendation
Value for money tested through competition and commercial evaluation	Tendered prices assessed against available budgets, benchmark information, affordability assumptions and quality/social value outcomes	Client Lead / Finance / Category Management	During final tender evaluation and award recommendation
Efficiency and innovation captured through the procurement process	Bidders provide credible efficiency, innovation and service improvement proposals that can be evaluated and, where appropriate, incorporated into final submissions and contract commitments	Evaluation Panel / Client Lead / Category Management	Initial tender, clarification/negotiation stage and final tender evaluation

Outputs / Outcomes	How will success be measured?	Who will measure success of outputs / outcomes	When will success be measured?
Future service model developed to address known service improvement priorities	Tender submissions demonstrate improved governance, clearer contract management, better programming, stronger asset management support and improved delivery controls	Evaluation Panel and Client Lead	During quality evaluation and moderation
Mobilisation successfully completed before contract commencement	Mobilisation plan agreed and implemented, including governance arrangements, systems access, TUPE requirements, communications, depot/resource arrangements and service continuity planning	Client Lead / Contract Manager / Successful Supplier / Category Management	From award to contract commencement
Contract award completed compliantly and without avoidable delay	Award report completed, governance approvals secured, standstill period completed, contract executed and mobilisation commenced	Category Management / Legal / Client Lead	At award and contract signature

## 5. Parent Company Guarantee/Performance Bond Required

- 5.1 A Performance Bond or PCG is requested to be waived. The Lot 1 contract contains multiple performance clauses such as a KPI framework, step-in rights, low performance damages and financial retention. A PB is not required for Lots 2 and 3. The cost of a performance bond may be prohibitive for some suppliers and add unnecessary additional costs across other priced components.

## 6. Procurement Dependencies and Obligations

### 6.1 Project Dependency

6.1.1 This procurement project is standalone with no linkage to any other procurement.

6.1.2 The procurement is considered a catalyst for wider service re-design and efficiencies being realised in capital programming and service operations.

### 6.2 Statutory/Legal Obligations

6.2.1 This contract is required to allow Medway Council to continue to fulfil statutory obligations and discharge legal duty under the Highways Act 1980 including requirements to maintain a safe highway.

### 6.3 Procurement Project Management

6.3.1 The management of this procurement process will be the responsibility of the Category Management team.

### 6.4 Post Procurement Contract Management

6.4.1 The management of any subsequent contract will be the responsibility of the Karen Tamsett, Head of Service, Highways.

6.4.2 To ensure the needs of the requirement are met and continuously fulfilled post award, the following KPIs that support the delivery of the project outcomes as outlined in 4.2.1 will be included in the tender and will form part of any subsequent contract.

Ref	Area	Outcomes	No of KPI's Measured
SPI 1	Operational Effectiveness	Delivery focused, Predictability, Process, Reduced Risk, Culture and Relationship	10
SPI 2	Asset Management	Reliability, Accuracy, Responsiveness, Efficiency, Timeliness and Forward planning	3
SPI 3	Customers	Engagement, Local Stakeholders, Reduced complaints, Increased compliments	3
SPI 4	Governance & Financial Management	Transparent Cost Management, Efficiency Savings, Cost Predictability, timeliness	4
SPI 5	Sustainability and Wellbeing	Local employment, staff skills and training delivered, environmental improvements	13

6.4.3 The KPI framework under development for the Highways Contract will include a tiered performance framework co-developed with the service leads and SMT during the development of the contract specification and tender documentation post this gateway report approval.

6.4.4 The principle of the framework is a tiered approach that will enable the overall performance against the specification and service requirements to be assessed using the Strategic Performance Indicators (SPIs), with Key Performance Indicators (KPIs) used to measure the effectiveness of day-to-day operational delivery.

- 6.4.5 The Strategic Performance Indicators (SPIs) will also be used to measure the overall wellbeing of the Contract, Innovation and Efficiencies, and any extension period available.
- 6.4.6 The KPIs as denoted within paragraph 6.4.2 will be monitored on a Monthly, Quarterly and Annual basis depending on the KPI requirements, inline with the KPI framework and governance process.
- 6.4.7 Those not performing will be reported to the next available DMT meeting for discussion and agreed remedial action.

## 7 Market Conditions and Procurement Approach

### 7.1 Market Conditions

- 7.1.1 The market for highways maintenance, tunnel specialist services and capital works is well established and competitive. It includes a mix of national contractors, regional providers, specialist suppliers, technical consultants and local supply chain partners.
- 7.1.2 Initial market engagement has been carried out to test the proposed contract strategy, including the three-lot approach. This involved a supplier webinar and questionnaire, with feedback captured in a Market Engagement Summary Report, which is available for review.
- 7.1.3 This engagement confirmed a good level of market interest and provided valuable feedback to help refine the procurement strategy, lot structure and tender requirements.
- 7.1.4 Market conditions vary across the three lots:

<b>Lot</b>	<b>Market condition</b>	<b>Summary</b>
<b>Lot 1 – Highways Term Maintenance Contract</b>	Established and competitive, but with a smaller pool of suitable principal contractors	<p>The core highways term maintenance market is mature, with a number of experienced national and regional providers capable of delivering reactive, routine, cyclic, winter, street lighting, drainage and minor planned works. However, due to the scale, risk profile and operational requirements of a full term maintenance contract, the number of suppliers with the required capability, systems, resources and mobilisation capacity is generally limited to tier 1 and well established suppliers providing sufficient resource capability and experience delivering term maintenance contracts.</p> <p>A very strong market response showcasing unreserved interest and intent for this market opportunity.</p>
<b>Lot 2 – Tunnels Specialist Framework</b>	Specialist and bespoke	The tunnel market is more specialist due to the technical nature of the Medway Tunnel and its associated systems, including mechanical and electrical assets, SCADA, ventilation, drainage, pumping systems and technical lifecycle planning. Supplier capability is

		<p>expected to be more limited and may require a combination of specialist contractors, consultants and technical subcontractors.</p> <p>A strong response from the market showcasing a clear support for this framework opportunity.</p>
<b>Lot 3 – Capital Works Framework</b>	x	<p>The capital works market is expected to be highly competitive. There are a number of national, regional and specialist suppliers capable of delivering resurfacing, reconstruction, surface dressing, specialist surface treatments and infrastructure improvement schemes. A framework model is expected to support competition, specialist input and improved value for money through direct award and mini competition mechanisms.</p> <p>A strong response for this framework with substantial market expertise and experience to enable a competitive and effective framework of this nature.</p>

7.1.5 The market engagement response indicates that the proposed separation of core maintenance, tunnel specialist services and capital works is attractive to the market. This approach avoids placing all requirements under a single supplier model and allows different types of suppliers to bid for the areas most aligned to their capability further increasing opportunity for SME and local trade.

7.1.6 The proposed model is therefore considered appropriate to current market conditions. It provides:

- a clear route to market for principal highways contractors through Lot 1;
- access to specialist tunnel expertise through Lot 2;
- wider competition for planned and capital works through Lot 3;
- opportunities for regional and specialist suppliers to participate;
- improved flexibility for Medway Council to secure value for money across different categories of work;
- a stronger basis for capturing efficiency, innovation and service improvement through the procurement process.

7.1.7 Overall, the market is considered sufficiently mature and responsive to support the recommended procurement approach. The proposed lotting structure is expected to improve market access, encourage competition, support specialist delivery and provide Medway Council with a more flexible and resilient contract model for the next service period.

## 7.2 Procurement Options

7.2.1 The following options have been considered and analysed as part of this report. The options include both procurement route options and wider contract delivery model options considered through the Options Appraisal.

### 7.2.2 Option 1 – Do nothing

7.2.2.1 This option is not recommended.

7.2.2.2 The existing Highways Infrastructure Contract is approaching its natural end and cannot provide the required long-term contractual basis for the next service period. Taking no action would result in the Council having no suitable contractual arrangement in place for the delivery of essential highway maintenance, tunnel, drainage, street lighting, winter service, reactive maintenance and capital works activity.

7.2.2.3 This would create significant service continuity, statutory, operational, financial and reputational risks.

### 7.2.3 Option 2 – Extend the current contract

7.2.3.1 This option is not recommended.

7.2.3.2 The current contract cannot be extended further in a way that would provide a compliant and sustainable long-term solution. The existing contract model also does not fully reflect the Council's future service requirements, including the need for improved governance, clearer contract discipline, stronger asset management, specialist tunnel support, better value for money and greater flexibility for planned capital works.

7.2.3.3 A new procurement is therefore required.

### 7.2.4 Option 3 – Utilise an existing framework or external contract

7.2.4.1 This option has been considered but is not recommended as the primary route for the full Highways Infrastructure Contract.

7.2.4.2 A number of national and regional frameworks are available for highways maintenance, civil engineering, professional services and capital works. Examples include national procurement frameworks and public-sector civil engineering frameworks that have been used by other local authorities for highways and infrastructure-related services.

7.2.4.3 The advantages of using an existing framework can include:

- pre-qualified suppliers;
- established terms and conditions;

- reduced time to market;
- access to national or regional contractor capacity;
- a potentially simplified procurement process.

7.2.4.4 However, this option is not considered suitable for the full service requirement because:

- the scope may be too generic for Medway's specific highways, tunnel and asset management requirements;
- secondary competitions may still be required;
- the Council may have less flexibility to shape contract terms, performance requirements and governance arrangements;
- social value and local economic outcomes can be harder to align to Medway's specific priorities;
- the framework may not provide the right balance between core maintenance, specialist tunnel activity and capital works;
- it may not provide the same level of long-term contractual control as a bespoke Medway procurement.

7.2.4.5 Existing frameworks may still be relevant for specific support requirements or discrete specialist commissions, but they are not considered the preferred route for procuring the full Highways Infrastructure Contract.

## 7.2.5 Option 4 – Teckal / vertical arrangement

7.2.5.1 This option has been considered but is not recommended.

7.2.5.2 The Council currently has a Teckal arrangement in place for environmental services through Medway Norse. However, the existing arrangement is not considered suitable for the delivery of the full highways infrastructure requirement.

7.2.5.3 Highways maintenance is materially different in scope, technical complexity, operational risk and statutory exposure. The future contract requires capability across reactive maintenance, planned maintenance, inspections, winter service, drainage, street lighting, structures, tunnel maintenance, pumping stations, capital works, professional services, asset management and NEC contract management.

7.2.5.4 Integrating highways into the existing Teckal arrangement would likely require significant legal, commercial, financial and operational review. It will likely also require contract variation, restructuring or the creation of a new delivery vehicle. Establishing a new Teckal arrangement would not remove the need for robust legal and procurement assessment and may still require a procurement process depending on structure, scope and market involvement.

7.7.5.5 This option is not considered deliverable within the required procurement and mobilisation timescales and does not provide

the strongest route to market for the Council's future highways requirements.

#### 7.2.6 Option 5 – Joint venture / alliance model

7.2.6.1 This option has been considered but is not recommended.

7.2.6.2 A joint venture or alliance model could potentially support greater collaboration, shared objectives and integrated decision-making. However, this type of model would require significant time to design, establish and govern effectively.

7.2.6.3 The disadvantages include:

- increased legal and commercial complexity;
- longer procurement and mobilisation timescales;
- more complex governance and decision-making arrangements;
- a need for greater client-side maturity and resource;
- potential uncertainty around risk allocation, cost control and accountability;
- limited suitability for the immediate requirement to procure and mobilise a replacement highways contract.

7.2.6.4 While collaborative behaviours should be embedded into the future contract, a formal joint venture or alliance model is not considered proportionate or deliverable for this procurement.

#### 7.2.7 Option 6 – Council-controlled / in-house delivery

7.2.7.1 This option has been considered but is not recommended.

7.2.7.2 Bringing the service fully in-house would require the Council to develop or acquire significant operational capability, including workforce, supervisors, plant, fleet, depot facilities, specialist systems, emergency response arrangements, winter service capability, commercial management, technical expertise and supply chain arrangements.

7.2.7.3 This would create significant financial, operational and mobilisation risk. It would also require a longer transition period than is available before the current contract expires.

7.2.7.4 This option is therefore not considered deliverable or proportionate for the next service period.

#### 7.2.8 Option 7 – Competitive procurement

7.2.8.1 This is the recommended option.

7.2.8.2 A competitive procurement provides the most appropriate and compliant route to secure a long-term Highways Infrastructure

Contract that reflects Medway's specific service requirements, market feedback and future delivery priorities.

7.2.8.3 The recommended approach is to procure the requirement through three Lots:

- Lot 1 – Highways Term Maintenance Contract: single-supplier core contract;
- Lot 2 – Tunnels Specialist Framework: specialist framework;
- Lot 3 – Capital Works Framework: multi-supplier framework

7.2.8.4 This approach allows the Council to retain clear accountability for core highway maintenance while creating separate routes to specialist suppliers for tunnel and capital works activity.

## 7.2.9 Open Procedure

7.2.9.1 The Open Procedure is considered suitable for Lots 2 and 3.

7.2.9.2 Lots 2 and 3 are framework-based requirements where the Council can define the scope, technical requirements, evaluation criteria and call-off mechanisms sufficiently at tender stage. The Open Procedure provides a proportionate route for these Lots because it allows all interested suppliers to submit a tender and enables the Council to evaluate submissions against published criteria.

7.2.9.3 This route is considered appropriate where:

- the requirement can be clearly specified;
- the Council does not require a multi-stage negotiation process;
- the market includes specialist providers who may only be interested in specific Lots or sub-Lots;
- the Council wishes to encourage broad market participation;

7.2.9.4 Framework suppliers can be appointed through a clear and transparent evaluation process.

7.2.9.5 The Open Procedure is therefore considered appropriate for the Tunnels Specialist Framework and Capital Works Framework.

## 7.2.10 Competitive Flexible Procedure

7.2.10.1 The Competitive Flexible Procedure is considered most suitable for Lot 1 – Highways Term Maintenance Contract.

7.2.10.2 The Competitive Flexible Procedure allows the Council to design a proportionate multi-stage procurement process. This is expected to include an initial supplier selection stage, followed by submission of initial tenders, review of Efficiency

and Innovation proposals, clarification and negotiation with bidders, and final tender submission.

7.2.10.3 This route is considered appropriate because it allows the Council to:

- shortlist suitably capable bidders;
- test technical, operational, commercial and mobilisation proposals in detail;
- assess how bidders will deliver service improvement, governance and contract discipline;
- capture efficiency and innovation proposals through the procurement process;
- test the deliverability, evidence base and value for money impact of bidder proposals before final tender;
- refine final submissions before award;
- secure a stronger and more deliverable final contract offer.

7.2.11 As part of the Lot 1 process, bidders will be invited to submit Efficiency and Innovation Cards with their initial tender. These will be used to identify proposed initiatives that could improve service delivery, reduce cost, increase productivity, improve asset outcomes, support carbon reduction, improve customer experience or deliver wider operational benefits.

7.2.12 The EIC process will allow bidders to present specific proposals in a structured format, including:

- the proposed efficiency or innovation initiative;
- the delivery methodology and evidence base;
- the estimated cost, saving or performance benefit;
- risks, assumptions and dependencies;
- measurable outputs and outcomes;
- any impact on pricing, service delivery or contract management;
- implementation requirements and timescales.

7.2.13 The Competitive Flexible Procedure is therefore recommended for Lot 1 because it provides the level of control, assurance and flexibility required for a high-value, complex and operationally critical highways term maintenance contract, while also enabling the Council to capture credible efficiency and innovation proposals before final tender.

7.2.14 Preferred option

The preferred option is to undertake a competitive procurement using:

- Competitive Flexible Procedure for Lot 1 – Highways Term Maintenance Contract;
- Open Procedure for Lot 2 – Tunnels Specialist Framework;
- Open Procedure for Lot 3 – Capital Works Framework.

Subject to approval, it is proposed the Competitive Flexible procedure is designed as follows:

<b>Procurement stage</b>	<b>Purpose/detail</b>	<b>Deadline</b>
Issue tender documents and start of the PSQ stage 1	Suppliers will submit responses to the PSQ stage 1. This stage will be a maximum of 8 weeks including a clarification period.	20 <sup>th</sup> July 2026
Stage 1 tender submission deadline	Submission Deadline	Friday 11 <sup>th</sup> September 2026 at 5pm.
Evaluation of Stage 1 submissions	Evaluation and Moderation for Stage 1	Friday 2 <sup>nd</sup> October 2026
Issue Invitation to submit Initial Tender documents to the 3-5 shortlisted suppliers	Engage with the 3-5 shortlisted suppliers to start work on their technical submission and pricing, including a clarification period.	5 <sup>th</sup> October 2026
Submission of Initial Tender documents including Efficiency and Innovation Cards	Initial tender submission by bidders.	Friday 27 <sup>th</sup> November 2026
Review of tender responses	To review supplier tender responses prior to any negotiation or clarification sessions	Friday 18 <sup>th</sup> December 2026
Efficiency and Innovation Proposal Clarification Sessions	Face to face meetings with each supplier to provide clarification relating to initial tender proposals linked and to review the efficiency and innovation proposals submitted by the supplier.  Dialogue will not be undertaken for this contract procurement.	Friday 22 <sup>nd</sup> January 2027
Issue request for final tenders	Allow the suppliers to finalise their proposal based on Efficiency and Innovation Clarification discussions and to submit their final pricing and quality proposals.	Friday 19 <sup>th</sup> February 2027
Evaluation of final bids	To identify a winning bidder prior to seeking approval to award.	Friday 26 <sup>th</sup> March 2027

Procurement stage	Purpose/detail	Deadline
Minimum 3 Month Mobilisation of contract prior to contract commencement	Supplier mobilisation and de-mobilisation	Latest Start Date:  10 <sup>th</sup> May 2027
Contract Commencement	Contract Start Date	1 <sup>st</sup> August 2027

### 7.3 Contractual synergies

7.3.1 Not applicable.

### 7.4 Advice and analysis

7.4.1 Refer to section 7.2.8.

7.4.2 It is recommended that the contract length be a 7-year term with the option to extend for 3 years by mutual agreement.

#### 7.4.3 **Lot 1 – Highways Term Maintenance Contract**

7.4.3.1 It is recommended that Lot 1 – Highways Term Maintenance Contract be procured for an initial 7-year term, with the option to extend for a further 3 years, subject to satisfactory performance, affordability, service need and mutual agreement.

7.4.3.2 A longer initial term reflects market expectations for highways term maintenance contracts of this scale. It gives bidders sufficient scope and certainty to invest in people, systems, plant, fleet, local supply chain arrangements, innovation and service improvement. A shorter contract term would likely reduce market interest, increase pricing risk and limit the ability to secure long-term efficiencies. This is also supported by the recommendations and feedback received from the market suppliers during the engagement as captured in the Market Engagement Summary Report. The extension option provides the Council with flexibility and to retain a successful supplier where performance is strong, while maintaining the ability not to extend if service, performance, affordability or strategic requirements are not being met.

#### 7.4.4 **Lot 2 – Tunnels Specialist Framework and Lot 3 – Capital Works Framework**

7.4.4.1 It is proposed that the frameworks operate for a period of 8 years, with reopening points at years 3 and 6 to allow new suppliers to join, subject to final legal and procurement confirmation.

7.4.4.2 The proposed term is considered appropriate due to the scale, complexity and strategic importance of the Highways Infrastructure Contract.

7.4.4.3 For Lots 2 and 3, a longer framework term is considered appropriate due to the specialist nature of the services and the need to create a stable supply chain for tunnel, capital works and infrastructure improvement activity. Reopening the frameworks at years 3 and 6 will help maintain competition, allow new suppliers to enter the framework, and reduce the risk of the framework becoming closed or outdated over time.

7.4.4.4 The proposed contract and framework durations therefore support:

- service continuity and safe mobilisation;
- market interest and competitive pricing;
- supplier investment in local delivery capability;
- delivery of efficiency and innovation proposals;
- long-term asset management planning;
- resilience for critical highway and tunnel assets;
- flexibility to respond to future funding, growth, devolution or Local Government Reorganisation requirements;
- continued competition through framework reopening points.

## 7.5 Evaluation Criteria

7.5.1 ***(Whilst not finalised at this stage)*** Officers propose to evaluate bidders against the following quality criteria within the tender.

7.5.2 Proposed award criteria split

The proposed award criteria will be finalised as part of the tender documentation. However, at this stage, officers propose that the evaluation should balance quality, price and social value in a way that reflects the complexity, criticality and long-term nature of the requirement.

7.5.2.1 For Lot 1 – Highways Term Maintenance Contract, the proposed split is:

Criteria	Proposed weighting
Quality	60%
Price	30%
Social Value	10%

This reflects the operational importance of Lot 1 and the need to test bidders' capability to deliver a safe, resilient, responsive and well-managed highways maintenance service. A higher quality weighting is considered appropriate because the contract includes emergency response, winter service, street lighting, drainage, reactive maintenance, asset

management support, mobilisation, customer interface and long-term service improvement.

The EIC propose also ensures bidder proposals around efficiency and innovation is captured within the final tender and included with the price submission increasing the efficiency benefits gained during the proposes.

7.5.2.2 For Lots 2 and 3, the proposed split is:

Criteria	Proposed weighting
Quality	50%
Price	40%
Social Value	10%

This reflects the more defined nature of framework requirements while still ensuring sufficient focus on technical competence, specialist capability, delivery methodology, safety, quality assurance and contract management.

7.5.3 The proposed approach supports value for money by ensuring that the Council does not select suppliers on price alone, but evaluates the overall quality, resilience, deliverability and social value of each submission.

## 8. Risk Management

8.1 Risk management is an integral part of the procurement programme governance requirements. A full procurement risk register has been developed and will be maintained throughout the procurement programme. The risk register will be reviewed regularly through the project governance arrangements and updated as risks change, mitigations are completed, or new risks are identified

8.2 The table below provides a summary of the current top risks associated with the procurement of the Highways Infrastructure Contract. These risks relate to the successful delivery of the procurement programme, affordability, market response, mobilisation and service continuity.

Top Risks					
Ref	Risk Name	Description	Risk Category	Pre	Post
P-06	Medway Asset Data	Insufficient Asset Data available to compliment Specification leads to risk loaded pricing and ambiguities by Bidders	Performance	20	15
P-02	Procurement Programme	Programme timescales are challenging and delays will reduce contingency availability.	Performance	20	12
P-01	Resource availability	Medway resources are focused on BAU and other Priority Projects and delivery activities and not able to provide sufficient time as expected	Service Delivery	16	12
P-05	Capital Programme undefined	Capital programme definition is unclear and undefined leading to confusion around scope / value and Bidder pricing strategy	Service Delivery	16	12
P-09	Member agreement to Contract Award	The tender process may not be fully visible to Members and Cabinet.	Service Delivery	15	12

## 9. Consultation

- 9.1 Consultation and engagement have been undertaken to support the development of the procurement strategy, options appraisal and recommended contract model.
- 9.2 Internal consultation has included engagement with Medway Council officers across highways, procurement, finance and relevant service areas. This has included review of the existing contract arrangements, identification of current service challenges, consideration of future operational requirements and development of the Key Findings Report and Options Appraisal.
- 9.3 Team insight sessions and workshops were undertaken to capture operational experience from those involved in the current service. These sessions identified key themes including governance, contract discipline, service quality, evidence-based delivery, systems and reporting, commercial control, asset management, programming, customer response and the need for clearer roles and responsibilities in the future contract.
- 9.4 External market engagement has also been undertaken with the supplier market. This included a market engagement webinar and supplier questionnaire. The purpose of the engagement was to test market appetite, gather feedback on the proposed Lot structure, understand supplier views on deliverability, and identify opportunities for efficiency, innovation, specialist input and improved value for money.

- 9.5 The feedback received through market engagement has informed the recommended procurement approach. It has supported the proposed separation of the requirement into:

Lot 1 – Highways Term Maintenance Contract;  
Lot 2 – Tunnels Specialist Framework;  
Lot 3 – Capital Works Framework.

- 9.6 The proposed approach has also been informed by the Options Appraisal Report, Market Engagement Summary Report, Medway Key Findings Report, Contract and Procurement Strategy Guide and Tunnel Strategy. These documents provide the supporting evidence base for the recommendations contained in this Gateway 1 report.

- 9.7 Further consultation will continue during the procurement process through formal clarification routes, internal project governance, evaluation moderation, Procurement Board reporting and subsequent award approvals.

## 10. Financial Implications

- 10.1 The proposed Highway Infrastructure Contract represents a long term commitment to maintain and improve the Council's highway assets.

- 10.2 The total contract value stated within this report represents an upper ceiling over the full contract term to provide sufficient flexibility to accommodate future funding allocations, including Department for Transport (DfT) grant funding, additional capital approvals, revenue-funded works, and any external funding secured. The estimate relating to Local Government Reorganisation (LGR) was provided by the consultants supporting the development of our new highways contract, and was based on their experience of the current contractual landscape and their work with other authorities that are either undergoing or have already completed LGR.

- 10.3 It is important to note that this value does not represent committed or approved spend. Actual expenditure will be limited to funding that is formally approved and available to the Council at the time.

- 10.4 All expenditure under the contract will be subject to the Council's normal capital and revenue approval processes, including the addition of confirmed funding allocations (such as DfT grants) into the capital programme prior to spend being committed.

- 10.5 This approach ensures that the contract provides operational flexibility over the 10-year term while maintaining full financial governance and control.

## 11. Legal Implications

- 11.1 This procurement activity will be above works threshold and therefore a Find a Tender Service (FTS) tender notice will be required.

- 11.2 The procedure gives a high degree of confidence that the Council's primary objectives for procurement are met, as required by Rule 2.2 of the Council's Contract Procedure Rules ("the CPRs").
- 11.3 Under the Council's Contract Procedure Rules, the procurement is a Process 3 procurement (Rule 18), and the process set out in this report meets the requirements for such procurements. The procurement was advertised on the Kent Business Portal, in compliance with rule 18.4 of the CPRs.
- 11.4 Medway Council has the power under the Local Government (Contracts) Act 1997 and the Localism Act 2011 to enter into contracts in connection with the performance of its functions. The process described in this report complies with the Procurement Act 2023 and Medway Council's Contract Procedure Rules.
- 11.5 This report has been presented as a medium risk / key decision procurement, and therefore the Monitoring Officer, in consultation with the Procurement Board will therefore set the risk and reporting stages for the remainder of the procurement process.

## 12. TUPE Implications

- 12.1 TUPE applies however this will be determined by the incumbent supplier during the development of the Final Tender Documentation.

## 13. Procurement Implications

- 13.1 As per the Contract Procedure Rules: All requirements above £25,000.00 must be advertised on the Kent Business Portal and over £25,000.00 on governments Contracts Finder.
- 13.2 The FTS threshold value for works (£5.19M inclusive of VAT), which this project is clearly going to be above. Therefore, Category Management have agreed with the service area in light of the market conditions, that a Competitive Flexible Procedure would be the best option for lot 1 with an Open Process being the best option for Lots 2 and 3.

## 14. ICT Implications

- 14.1 None Applicable.

## 15. Climate Change implications

- 15.1 The Highways Infrastructure Contract will have both positive and negative climate change implications. Highways maintenance and capital works activities will generate carbon emissions through the use of materials, plant, and construction processes. However, the proposed procurement approach includes measures to mitigate these impacts. This includes the incorporation of social value requirements relating to CO<sub>2</sub> reduction, the requirement for bidders to identify

carbon-saving efficiencies and innovations, and the inclusion of sustainability-focused performance measures within the contract.

- 15.2 Through these mechanisms, the Council will promote more sustainable delivery practices, including the use of lower-carbon materials, improved asset lifecycle management, and more efficient operations.
- 15.3 Overall, the contract provides an opportunity to actively reduce carbon emissions and support the Council's wider climate change objectives.

## 16. Social, Economic & Environmental Considerations

- 16.1 In line with Medway Council's Social Value Policy, officers will include the following standard outcomes and measures (the units have also been included for illustrative purposes) within the tender. Whilst there will be no commitment for bidders to deliver against every line, the accumulative value provided by each bidder will be scored and form part of the price evaluation score.
- 16.2 The Social Value commitment from the winning bidder will be transposed into contractual KPIs.

<b>Outcomes</b>	<b>Measures</b>	<b>Standard Units</b>
More local people in employment	No. of local direct employees (FTE) hired or retained (for re-tendered contracts) on contract for one year or the whole duration of the contract, whichever is shorter	No. people FTE
More local people in employment	Percentage of local employees (FTE) on contract	%
Improved skills	No. of staff hours spent on local school and college visits e.g. delivering careers talks, curriculum support, literacy support, safety talks (including preparation time)	No. staff hours
Improved skills	No. of weeks of apprenticeships on the contract that have either been completed during the year, or that will be supported by the organisation until completion in the following years - Level 2,3, or 4+	No. weeks
More opportunities for local MSMEs and VCSEs	Total amount (£) spent in LOCAL supply chain through the contract	£

Outcomes	Measures	Standard Units
More opportunities for local MSMEs and VCSEs	Meet the buyer' events held to highlight local supply chain opportunities	£ invested including staff time
Social Value embedded in the supply chain	Percentage of contracts with the supply chain on which Social Value commitments, measurement and monitoring are required	%
Creating a healthier community	Initiatives taken or supported to engage people in health interventions (e.g. stop smoking, obesity, alcoholism, drugs, etc.) or wellbeing initiatives in the community, including physical activities for adults and children	£ invested including staff time
Carbon emissions are reduced	Savings in CO2 emissions on contract achieved through de-carbonisation (specify how these are to be achieved)	Tonnes CO2e
Sustainable Procurement is promoted	Percentage of procurement contracts that includes sustainable procurement commitments or other relevant requirements and certifications (e.g. to use local produce, reduce food waste, and keep resources in circulation longer.)	% of contracts
Social innovation to create local skills and employment	Innovative measures to promote local skills and employment to be delivered on the contract - these could be e.g. co-designed with stakeholders or communities, or aiming at delivering benefits while minimising carbon footprint from initiatives, etc.	£ invested - including staff time and materials, equipment or other resources

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## Appendices

Exempt Appendix 1 – Financial Analysis

## Background Papers

[Highway Asset Management Strategy](#)  
[Climate Change Action Plan](#)