



Volume 1 - Contract Agreement and Data

**DMCH 012 - Highways and Environment Term Service
Contract**

ZM21: Price adjustment for inflation

Defined terms

ZM21.1

- (a) The Base Date Index (IB) is the latest available Work Category Index before the Base Date.
- (b) The Latest Work Category Index (IA) is the latest available Work Category Index before the date of assessment of an amount due.
- (c) The Price Adjustment Factor is the factor calculated, for each Work Category, using the Option selected in the Contract Data.
- (d) The Price Adjustment Amount is calculated, for the relevant rates and prices in the Price List, using the relevant Work Category Index according to which Option is selected in the Contract Data.
- (e) The Base Date is the return date of the *Contractor's* tender.
- (f) The Work Categories are the work categories listed in the table at Schedule 2 Annex 1.
- (g) Work Category Index is the index applicable to each Work Category as determined in accordance with clause ZM21.2.
- (h) The Resource Cost Indices are the resource cost indices published by the Building Cost Information Service (BCIS) (as part of the Highways Term Maintenance Price Adjustment Formulae Indices 2015 Series 4).

Work Category Indices

ZM21.2 The indices used to calculate the Price Adjustment Factor for each Work Category are either

- Option 1 – the appropriate Work Category Indices published by the Building Cost Information Service (BCIS) (as part of the Highways Term Maintenance Price Adjustment Formulae Indices 2015 Series 4) or
- Option 2 – bespoke Work Category Indices, compiled from the 21 Resource Cost Indices in the proportions set out in the table attached at Schedule 2 Annex 2.

Price Adjustment Factor

- ZM21.3 (a) The Service Manager will identify the Work Category that applies to each Task Order. The Service Manager will consult the Contractor about the most appropriate Work Category before he issues the Task Order. The Price Adjustment Factor and the Price Adjustment Amount will be calculated in accordance with ZM21.4 where IA = the Latest Work Category Index (for the identified Work Category) at the time that the Task Order is issued and VB = the total of the Prices for the Task.

The Price List will not indicate which Work Category applies to each item in the Price list.

- (b) The Price Adjustment Factor for each Work Category and the Price Adjustment Amount for the relevant rates and prices in the Price List are calculated at the intervals stated in the Contract Data.
- (c) The rates, prices and amounts in the Price List remain the same for the term of this contract unless changed pursuant to any provision of this contract.
- (d) The *Service Manager* and *Contractor* may agree to add new items with *base date* prices to the Price List. In such an event, the *Service Manager* and *Contractor* also agree which Work Category Index will be applicable to the new item.

Calculation of Price Adjustment Factor and Price Adjustment Amount

ZM21.4 The formula for calculating the Price Adjustment Factor (**PAF**) for each Work Category is: $PAF = (IA - IB) / IB$

Option 1 where:

IA = the Latest Work Category Index (for the relevant Work Category)

IB = the Base Date Index (for the relevant Work Category)

The formula for calculating the Price Adjustment Amount is: **(VB x PAF)**

where:

VB = the value of the work carried out at the *base date* rates and prices

PAF = the Price Adjustment Factor calculated as set out above.

Price adjustment to amount due

- ZM21.5 Each amount due includes an amount for price adjustment which is the sum of the Price Adjustment Amounts for each of the relevant priced items in the Price List.

ZM22: Efficiency Savings

- ZM22.1 At each anniversary of the Contract Date, the Prices, for the part(s) of the *service* stated in the *efficiency saving table*, are reduced by the relevant percentage stated in the *efficiency saving table*.

SCHEDULE 2 – ANNEX 1

PRICE ADJUSTMENT FOR INFLATION

| Work Category |
|---|
| Routine, Cyclic and Time Charge Works (this will included winter service, grounds/street scene and preliminaries) |
| Renewals and Construction Works |
| Machine Surfacing |
| Hand Surfacing / Patching |
| Surface Dressing |
| Road Markings |
| Street Lighting |
| Vehicle Maintenance |

SCHEDULE 2 – ANNEX 2

SCHEDULE 2, ANNEX 2 - PRICE ADJUSTMENT FOR INFLATION

NOT USED