

# Part 5: Key Performance Indicators

## Pricing adjustment factors

### Size of contract

The following table shows the general relationship between price levels, as measured by the Tender Price Index, and contract size. The factors can be used to adjust price levels on schemes of different size to a common base or to adjust prices taken from historic schemes for use in estimating for a new project of a different size.

Base: mean contract sum = 1.00

Contract sum [1st Quarter 2018 prices: TPI of 316]	Factor
£89,400	1.12
£114,000	1.11
£146,000	1.10
£187,000	1.09
£240,000	1.08
£309,000	1.07
£398,000	1.06
£515,000	1.05
£667,000	1.04
£867,000	1.03
£1,130,000	1.02
£1,480,000	1.01
£1,930,000	1.00
£2,540,000	0.99
£3,350,000	0.98
£4,420,000	0.97
£5,850,000	0.96
£7,780,000	0.95
£10,400,000	0.94
£13,800,000	0.93
£18,600,000	0.92
£25,000,000	0.91
£33,700,000	0.90
£45,600,000	0.89
£62,000,000	0.88

In order to study the influence of contract sum on tender prices the contract sum for individual projects was adjusted to a common base date. A least squares linear regression was carried out to calculate a formula relating the logarithm of the job factor to the logarithm of the contract sum. The formula derived is as follows:

$$f = 1.63426 C^{-0.03686}$$

where: f = factor  
C = Contract sum at 1985 prices

For example, to produce a factor for a particular contract sum carry out the following steps:

- Calculate Contract sum at 1985 prices
- Raise this figure to the power -0.03686
- Multiply by 1.63426