Market Conditions
The market conditions in construction have changed significantly since October 2011. During the recession tender prices were supressed due to lack of activity in the construction sector. Prices of raw materials continued to increase, though only marginally; the key difference during the recession has been the suppression of labour costs and the reduction in overheads and profit by all organisations in an attempt to win work in a highly competitive environment. In addition, due to the longevity of the recession we have seen companies reduce their work force with every employee fulfilling a key income generating role. As we start to emerge from a recession, this has many effects:

- The ability of contractors, and sub-contractors, to increase their capacity is limited due to a reduction in staff and skills during the recession.
- An increase in labour costs and material costs as optimism returns and demand increases
- Reduced competition due to contractors allocating their resources to projects in which they are most interested
- Increased Overheads and Profit due to more work and reduced competition
- More careful evaluation of project risk by contractors when selecting which opportunities to follow

Evidence of recent tender returns (2Q and 3Q 2014) has seen an increase in overheads and profit of 2% - 3%; whilst this does not affect the ProCure21 Overhead and Profit (OH&P) percentage of 7.5% agreed under the framework, it does have an impact on the tendered packages.

Additionally, tender prices are increasing due to lack of competition; this is much harder to quantify but does have an impact on the supply chain tender returns.

Price Inflation
Since the submission of the OBC in October 2011, inflation indices reflect a substantial increase in prices. The Public Sector price indices (PUBSEC) indices have increased from 177 to the current PUBSEC index of 202; this represents an increase of 14.1%. The base date for the FB Forms remains at PUBSEC 173 so there is a need to include the inflation differential from PUBSEC 173 to current indices within the inflation calculations on line 13 of the FB forms. Additionally, there has been a significant change in the forecast inflationary impact for future years so we would expect contractors, and sub-contractors, to include an element for price risk within their tenders for in a rising market. There is also a need to make allowances for future inflation beyond the fixed price tender period.

Location Factor
In addition to the overarching market conditions and inflationary pressures, the location factors have also changed since the submission of the OBC in 2011. Location factors change regularly and reflect the nuances of the local markets, which is determined by many factors including, level of activity, mobility of the construction industry, political environment and volume of local construction and trade providers. The location factor applied in the OBC was 6%, in accordance with the Quarterly Briefing in 2011. Since the submission of the OBC the Quarterly Briefing is no longer published; as such the location factor used is BCIS, which is the recognised industry standard. The BCIS location factor for Brighton is 16%; this is a significant change of 10%. This is partly due to the Quarterly Briefing providing a location factor for a broader area rather than just Brighton, although in tandem with this, there has been increased activity in Brighton.