1. COE Fee Adjustment Factor Methodology

Note: This document should be read with reference to the relevant Standard Conditions of Engagement Agreement and Form of Tender and Schedule (COE1 and FTS9/COE2 and FTS10). COE1 and COE2 are available at this link and FTS9 and FTS10 are available at this link.

1.1 Introduction

1.1.1 Policy Background

A key objective of the reform of the Capital Works Management Framework (CWMF) currently underway is to rebalance the risk that is transferred to service providers and contractors engaged in the delivery of public works projects.

In recent years, the OGP has undertaken a review of the mechanisms contained in the Capital Works Management Framework (CWMF) Contracts with respect to the risk of inflation. This review has already informed changes to the public works contracts used to engage contractors.

Construction Technical Professionals (CTPs) are an integral part of a project's delivery team. On large or complex projects, they may be engaged for more than 10 years. Where unforeseen inflation arises it can impact on the quality of the service received which, in most cases, is critical to a successful project outcome.

This mechanism aims to support service delivery against inflation risk and improve successful project delivery.

This explanatory note provides information on the fee adjustment mechanism that has been introduced in services contracts used to engage construction technical professional (CTPs) to address inflation risk. This affects the two forms of services contracts published under the CWMF namely; the Standard Conditions of Engagement for Consultancy Services (Technical) – COE1 and Standard Conditions of Engagement for Archaeological Services – COE2. A new provision has been included in the Payments Clause (COE1 – Clause 9; COE2 – Clause 11) which sets out how payments may be adjusted for inflation.

1.1.2 Risk Share

The inflation adjustment mechanism sees the Contracting Authority retain the greatest share of the inflation risk whilst requiring the Consultant to retain the minor proportion above a defined threshold.

There are inflation forecasts available from the Central Statistics Office, the Department of Finance and the Central Bank which cover numerous sectors, generally over a 2-year horizon. Therefore, it is considered appropriate for the Consultant to retain the risk of inflation for any portion of the Fee that is Lump Sum or Tendered Time Charges for an initial period of 2 years.

The fixed period of 2 years is measured from the date that is 10 days before the Client received the Consultant's tender for the Services until the date that is first day of the 25th month falling after that date (Base Date). The Base Date is the First Adjustment Date for Lump Sum/Tendered Time Charges and will always fall on the 1st of a Month.

In contracts where any portion of the Fee is a percentage fee, the First Adjustment date is the later of the Base Date (as described above) and the Percentage Fee Application Date or Percentage Fee Conversion Date. Thus, the fixed period may, in these cases, extend beyond the Base Date (~2year fixed period). It is considered that the percentage fee is already taking account of inflation up to that point, thus the fee is only subject to adjustment for inflation from the point that the percentage fee is converted or applied.

After the fixed period, the Contracting Authority retains the risk of inflation up to 2% which reflects the European Central Bank's (ECB) target for inflation as measured by Harmonised Indices of Consumer Prices (HICP). Should inflation (as defined by the relevant statistics/indices) exceed 2% the Contracting Authority and Consultant will share the risk with the Contracting Authority bearing 70% and the Consultant 30% of the percentage in excess of 2% ('the excess proportion').

1.1.3 Conditions of Engagement Fee Adjustment Factor (COE-FAF)

The COE Fee Adjustment Factor (COE-FAF) formula considers the annual percentage change in two statistical releases published by the CSO and described in detail in Section 1.3 using the following weightings:

- Salaries – 70% of Fee/Tendered Rate – Apportioned to movement of chosen earning statistic (subject to risk share outlined below).
- Overheads – 20% of Fee/Tendered Rate – Apportioned to movement of Consumer Price Index (subject to risk share outlined below)
- 10% of the fee is fixed as this covers profit which is not adjustable and input costs that may not be subject to inflation.

The majority weighting in the formula is allocated to an earnings statistic reflecting salaries as one of the largest input costs borne by CTPs.

This is summarised in the Table below. Section 1.5 outlines in detail the methodology the OGP will use to arrive at COE-FAF values.

Limits on Annual Average Percentage Change EHQ03	**Limits on Annual Average Percentage Change CPI**
• Earnings deflation (i.e. Economy wide earnings decline) – will not be applied, the Contracting Authority bears this risk. • Earnings growth up to 2%: the Contracting Authority bears the risk. • Earnings growth greater than 2%: Risk Sharing approach applies – the Contracting Authority bears 70%, CTP bears 30% of growth in excess of 2%. • Application – Applied to 70% of tendered fee/rate.	• Price deflation (i.e. Economy wide decline in prices) – will be included – Consultant Risk • Price inflation up to 2%: the Contracting Authority bears the risk. • Price inflation greater than 2%: Risk Sharing approach applies – the Contracting Authority bears 70%, CTP bears 30% of inflation in excess of 2%. • Application – Applied to 20% of tendered fee/rate.

1.1.4 Application of the Conditions of Engagement – Fee Adjustment Factor

The COE-FAF will be calculated and published by the OGP.

The methodology is being provided for transparency. Please note that elements of the fee are not subject to adjustment for inflation and these are set out in the Payments Clause. The inflation adjusted element of the Fee can be arrived at by multiplying the Lump Sum by the COE-FAF.

For Example:
Subject to contract conditions, if the COE-FAF for the first adjustment year on a contract was 1.03 then the element of the Fee [with any necessary apportionments] performed during that indexation year would be entitled to an inflation adjustment of 3% e.g. €10,000 x 1.03 = €10,300.

Inflation adjustment is referenced to the period when the service was performed regardless of when it is invoiced.

Appendix 1 provides an example of how the COE-FAF will be calculated.

1.2 Review of Fee Adjustment Factor Methodology

The Office of Government Procurement reserves the right to review this COE-FAF Methodology from time to time.

1.3 Central Statistics Office – Input Data

Statistical releases published by the Central Statistics Office (CSO) are required to undertake the COE-FAF Methodology. The CSO website is the source of the chosen input data. The input data is:

Salary

Earnings and Labour Cost Quarterly Release – EHQ03 – Average Earnings, Hours Worked, Employment and Labour Costs – Average Hourly Earnings (Euro) – All NACE Economic Sectors, All Employees. The releases and PXSTAT tables can be accessed currently from link below. The releases provide extensive information relating to the particular statistic chosen. The PXSTAT tables will be used to access the data required as input information to the factor.

This is a blended statistic which has been published quarterly by the CSO since 2008 and tracks the rate of change in salaries earned. There are sub-indices covering the various sectors of the economy. CTPs are covered by the Professional and Technical sub-index but since this includes professionals working in finance, legal, scientific and others it was not considered sufficiently reflective of CTP salaries and so was not used. The construction sub-index includes tradespeople and those engaged on site and, whilst it may echo the salary pressures prevalent in the construction sector, it was considered too volatile to deliver fee stability in the longer term.

https://www.cso.ie/en/statistics/earnings/earningsandlabourcosts/

General Cost of Living

Consumer Price Index (CPI) – CPM01 – Base Date: Dec 2023. The release and PXSTAT tables can be accessed currently from link below. The releases provide extensive information relating to the Consumer Price Index. The PXSTAT tables will be used to access the data required as input information to the factor.

The index that best reflects the general cost of living is the consumer price index. It follows the overall change in the prices of a basket of goods and services that people typically buy over time.

https://www.cso.ie/en/statistics/prices/consumerpriceindex/

1.4 Calculation and Publication of COE-FAF

The OGP will undertake the COE-FAF calculation using historic CSO data available on the 1st day of each quarter. The OGP will publish the updated COE-FAF for contracts becoming eligible for inflation adjustment for the first time and those in subsequent Indexation Years on or before the last working day of January, April, July and October.

The OGP will begin to publish the COE-FAF with reference to the earliest quarter contracts could become eligible for inflation. Based on publication of the revised contract on 30 September 2024 the first time contracts will be eligible for adjustment will be Quarter 4 in 2026.

An example of calculation of the COE-FAF is given in Appendix 1 for information purposes only. Clients or Consultants will not be required to undertake these calculations but the methodology and worked examples are published to provide an understanding of the calculation of the COE-FAF.

The COE-FAF applies only to forms with a revision date on or after the 30 September 2024. For forms of contract with an earlier revision date the existing provisions with respect to inflation continue to apply.

1.5 Non-Publication of COE-FAF

In the unlikely event the OGP is unable to publish the COE-FAF, a protocol has been provided in **Appendix 2** to outline the course of action to be taken.

It is not the case that these circumstances are expected to arise but rather to advise public bodies of what steps will be taken in the unlikely event that the COE-FAF is not published in a timely fashion by the OGP.

1.6 COE-FAF Methodology

The methodology for calculating the COE-FAF is outlined in tabular form below. As indicated at the beginning of this document, the methodology should be read in conjunction with the relevant Contract and Form of Tender and Schedule where contractual terms are defined i.e. COE1 and FTS9 for Consultancy Services (Technical) and COE2 and FTS10 for Archaeological Services.

As already stated the OGP will be undertaking these calculations. They are shown here for transparency.

Term	Meaning
COE Fee Adjustment Factor – Input Information	
CSO – Earning Statistic	This refers to the Earnings and Labour Cost Quarterly Release – EHQ03 – Average Earnings, Hours Worked, Employment and Labour Costs – **Average Hourly Earnings (Euro)** – All NACE Economic Sectors, All Employees produced by the Central Statistics Office. https://data.cso.ie/table/EHQ03
Consumer Price Index (CPI)	This refers to the Consumer Price Index – CPM01 (Base Dec 2023=100) – All Items produced by the Central Statistics Office. https://data.cso.ie/table/CPM01
First Quarter/Q1	3 months ending on 31 March
Second Quarter/Q2	3 months ending on 30 June
Third Quarter/Q3	3 months ending on 30 September
Fourth Quarter/Q4	3 months ending on 31 December
COE Fee Adjustment Factor calculation reference dates	• COE-FAF for Q1 Contracts is calculated with reference to CSO information available at Midday on 1st January of Indexation Year or subsequent indexation years. • COE-FAF for Q2 Contracts is calculated with reference to CSO information available at Midday on 1st April of Indexation Year or subsequent indexation years. • COE-FAF for Q3 Contracts is calculated with reference to CSO information available at Midday on 1st July of Indexation Year or subsequent indexation years. • COE-FAF for Q4 Contracts is calculated with reference to CSO information available at Midday on 1st October of Indexation Year or subsequent indexation years.
Relevant CSO Datasets	The relevant Earnings Statistic is published quarterly. The last published value is always preliminary. Only final values will be used in calculations. The CPI is published monthly. • 8 Data points from the earning statistic are required with status final. The eight chosen are those eight published by midday on the first day of each quarter. • 24 Data points from the CPI is required. The twenty-four chosen are those 24 published by midday on the first day of each quarter Based on current CSO Publication Timelines last data points of datasets **Last Data Point for First Quarter** CPI – November (previous year) Earning - Q2 Average Hourly Earnings (previous year) **Last Data Point for Second Quarter** CPI- February (same year)

Term	Meaning
	Earning – Q3 Average Hourly Earnings (previous year) **Last Data Point for Third Quarter** CPI – May (same year) Earning – Q4 Average Hourly Earnings (previous year) **Last Data Point for Fourth Quarter** CPI – August (same year) Earning – Q1 (same year)
Average Annual Percentage Change (CPI) (AAPC-CPI)	$Average\ Annual\ Percentage\ Change(CPI) = \left(\frac{Average2_{(CPI)} - Average1_{(CPI)}}{Average1_{(CPI)}}) \times 100\right)$
Average 1(CPI)	Average of the first 12 CPI Values (by date)
Average 2(CPI)	Average of the second 12 CPI Values (by date)
Average Annual Percentage Change (AAPC-AHR)	$Average\ Annual\ Percentage\ Change(AHR) = \left(\frac{Average2_{(AHR)} - Average1_{(AHR)}}{Average1_{(AHR)}}) \times 100\right)$
Average 1-(AHR) AHR = Average Hourly Rate €	Average of the first 4 Average Hourly Rates (by date)
Average 2-(AHR)	Average of the second 4 Average Hourly Rates Values (by date)
Excess Proportion (EP)	Excess Proportion is the proportion of Annual Indexation Percentage in excess of 2% that the Employer will cover on AHR and CPI. EP is currently fixed at 0.7 for both.
Earnings Statistic - AHR Annual Indexation Percentage (AIP) AIP is the proportion of the Average Annual Percentage Change eligible for indexation. **(As decline movements are zeroed, recovery movements following decline are set to 0, positive movement rules apply only to growth)**	If Average Annual Percentage Change $_{(AHR)}$ is ≤ 0, then AIP$_{(AHR)}$ = 0 If Average Annual Percentage Change $_{(AHR)}$ ≤ 2, then AAPC$_{(AHR)}$ = AIP If Annual Percentage Change $_{(AHR)}$ ≥ 2, then $Annual\ Indexation\ Percentage\ Change_{AHR} = 2 + (AAPC_{AHR} - 2) \times EP$
CPI Annual Indexation Percentage (AIP) AIP is the proportion of the Average Annual Percentage Change eligible for indexation. **(As decline movements are not zeroed, positive movement rules apply to both growth and recovery after decline.**	If Average Annual Percentage Change (CPI) ≤ 0, then AAPC$_{(CPI)}$ = AIP$_{(CPI)}$ If Average Annual Percentage Change ≤ 2, then AAPC $_{(CPI)}$ = AIP$_{(CPI)}$ If Annual Percentage Change ≥ 2, then $Annual\ Indexation\ Percentage\ Change_{CPI} = 2 + (AAPC_{CPI} - 2) \times EP$

COE Fee Adjustment Factor Methodology

Term	Meaning
Weightings	In the COE Fee Adjustment Factor Calculations the following weightings apply: • **W_{AHR}** 70% or 0.7 of the Fee or Tendered Time Charges are apportioned to the Earning Statistic – Average Hourly Rate - Annual Indexation Percentage or Sum of the Annual Indexation Percentage (in subsequent years) • **W_{CPI}** 20% or 0.2 of the Fee or Tendered Time Charges are apportioned to the CPI – Annual or Sum of the Annual Indexation Percentage (in subsequent years) • **Fixed Percentage -** 10% of the Fee or Tendered Time Charges are fixed and will not be indexed.
COE Fee Adjustment Factor **COE FAF**	$COE\ FAF = 1 + (W_{AHR} \times (\sum AIP_{AHR})) + (W_{CPI} \times (\sum AIP_{CPI}))$ Where $\sum AIP_{AHR} = Is\ the\ sum\ of\ AIP\ \ from\ first\ year\ eligible\ to\ the\ current\ year$ $\sum AIP_{CPI} = Is\ the\ sum\ of\ AIP\ from\ first\ year\ eligible\ to\ current\ year$ AIP is expressed as a decimal.

Appendix 1 HYPOTHETICAL EXAMPLE – USING REAL DATA

The COE-FAF will not be applied to consultancy or archaeological services contracts until Q4 of 2026 at the earliest. However, for the purposes of providing a worked example of how the COE-FAF is calculated we are using the available data from the specified statistical releases published by the Central Statistics Office.

To do this we have prepared a hypothetical example which assumes that this new inflation mechanism was introduced into contracts in January 2021.

In that context we are considering the application of the COE-FAF over two consecutive years of the service delivery, on the First Adjustment Date and the second adjustment date. In the example that follows we consider a works-related service contract whose tender for a Lump Sum COE1 contract was submitted on the 31st January 2021. For Lump Sum contracts the First Adjustment Date is the Base Date as outlined below:

Tender Submission Date	31st January 2021
Date 10 Days before Tender submitted	21st January 2021
Date of the 1st of the 25th Month after (21/01/21)	1st February 2023

We know that the contract falls into Quarter 1 and so therefore the Quarter 1 COE-FAFs are relevant.

We will first consider the calculation of the COE-FAF in a worked example. Please note that the OGP will undertake these calculations – the example here is simply to illustrate how the COE-FAF is calculated.

Let us first consider the First Adjustment Date and the calculation of the COE-FAF that is to be applied to fees that are earned on services delivered between 1st February 2023 and 31st January 2024 – the first Indexation Year.

We start with the data that is necessary to undertake the calculation – first up is the data related to earnings:

https://data.cso.ie/table/EHQ03 (Last 8 data points with status final available at midday on 1st January 2023)

	Statistic Label	Quarter	Economic Sector NACE Rev 2	Type of Employee	Unit	Value
1	Average Hourly Earnings	2020 Q3	All NACE economic sectors	All employees	Euro	24.38
2	Average Hourly Earnings	2020 Q4	All NACE economic sectors	All employees	Euro	25.57
3	Average Hourly Earnings	2021 Q1	All NACE economic sectors	All employees	Euro	26.84
4	Average Hourly Earnings	2021 Q2	All NACE economic sectors	All employees	Euro	26.08
5	Average Hourly Earnings	2021 Q3	All NACE economic sectors	All employees	Euro	25.31
6	Average Hourly Earnings	2021 Q4	All NACE economic sectors	All employees	Euro	26.29
7	Average Hourly Earnings	2022 Q1	All NACE economic sectors	All employees	Euro	27.46

8	Average Hourly Earnings	2022 Q2	All NACE economic sectors	All employees	Euro	26.76

We take the values from rows 1 – 4 to calculate Average 1 $_{AHR}$

Average 1 $_{AHR}$ = (24.38 + 25.57 + 26.84 + 26.08)/4 = 25.71

We take the values from rows 5 – 8 to calculate Average 2 $_{AHR}$

Average 2 $_{AHR}$ = (25.31 + 26.29 + 27.46 + 26.76)/4 = 26.45

Calculate the Average Annual Percentage Change$_{AHR}$ = [(26.45 – 25.71)/25.71] x 100 = 2.87%

2.87% being greater than 2% then:

Annual Indexation Percentage$_{AHR}$ = 2 + (2.87 – 2) x 0.7 = 2.61% or 0.0261 as a decimal.

The next step is the data related to the cost of living:

https://data.cso.ie/table/CPM01 (Last 24 data points available with reference to Midday 1st January 2023)

Statistic Label	Month	Commodity Group	UNIT	VALUE
Consumer Price Index (Base Dec 2023=100)	2020 December	All items	Base Dec 2023=100	83.7
Consumer Price Index (Base Dec 2023=100)	2021 January	All items	Base Dec 2023=100	83.8
Consumer Price Index (Base Dec 2023=100)	2021 February	All items	Base Dec 2023=100	84.1
Consumer Price Index (Base Dec 2023=100)	2021 March	All items	Base Dec 2023=100	84.8
Consumer Price Index (Base Dec 2023=100)	2021 April	All items	Base Dec 2023=100	85.3
Consumer Price Index (Base Dec 2023=100)	2021 May	All items	Base Dec 2023=100	85.5
Consumer Price Index (Base Dec 2023=100)	2021 June	All items	Base Dec 2023=100	85.6
Consumer Price Index (Base Dec 2023=100)	2021 July	All items	Base Dec 2023=100	85.9
Consumer Price Index (Base Dec 2023=100)	2021 August	All items	Base Dec 2023=100	86.5
Consumer Price Index (Base Dec 2023=100)	2021 September	All items	Base Dec 2023=100	86.8
Consumer Price Index (Base Dec 2023=100)	2021 October	All items	Base Dec 2023=100	87.4
Consumer Price Index (Base Dec 2023=100)	2021 November	All items	Base Dec 2023=100	87.9
Consumer Price Index (Base Dec 2023=100)	2021 December	All items	Base Dec 2023=100	88.4
Consumer Price Index (Base Dec 2023=100)	2022 January	All items	Base Dec 2023=100	88
Consumer Price Index (Base Dec 2023=100)	2022 February	All items	Base Dec 2023=100	88.8
Consumer Price Index (Base Dec 2023=100)	2022 March	All items	Base Dec 2023=100	90.5
Consumer Price Index (Base Dec 2023=100)	2022 April	All items	Base Dec 2023=100	91.3
Consumer Price Index (Base Dec 2023=100)	2022 May	All items	Base Dec 2023=100	92.2
Consumer Price Index (Base Dec 2023=100)	2022 June	All items	Base Dec 2023=100	93.4
Consumer Price Index (Base Dec 2023=100)	2022 July	All items	Base Dec 2023=100	93.8
Consumer Price Index (Base Dec 2023=100)	2022 August	All items	Base Dec 2023=100	93.9
Consumer Price Index (Base Dec 2023=100)	2022 September	All items	Base Dec 2023=100	94
Consumer Price Index (Base Dec 2023=100)	2022 October	All items	Base Dec 2023=100	95.5
Consumer Price Index (Base Dec 2023=100)	2022 November	All items	Base Dec 2023=100	95.8

We take the values from the first 12 rows to calculate Average 1 $_{CPI}$

Average 1$_{CPI}$ = (83.7+83.8+84.1+84.8+85.3+85.5+85.6+85.9+86.5+86.8+87.4+87.9)/12 = 85.60

We take the values from the second 12 rows to calculate Average 2 $_{CPI}$

Average 2$_{CPI}$ = (88.4+88+88.8+90.5+91.3+92.2+93.4+93.8+93.9+94+95.5+95.8)/12 = 92.13

Average Annual Percentage Change$_{CPI}$ = [(92.13 – 85.6)/85.6] x 100 = 7.62%

7.62% being greater than 2% then:

Annual Indexation Percentage$_{CPI}$ = 2 + (7.62 – 2) x 0.7 = 5.93 % or 0.059 as a decimal

COE-FAF Indexation Year 1 = 1 + ((0.0261) x 0.7) + ((0.059) x 0.2) = 1.03

1.03 is applied to the fees earned for services delivered between 1st February 2023 and 31st January 2024

Now we will calculate the COE Factor the second year eligible for indexation commencing on the 1st February 2024.

Once again we start with the data that is necessary to undertake the calculation – first up is the data related to earnings:

https://data.cso.ie/table/EHQ03 (Last 8 data points with status final available at midday on 1st January 2024)

	Statistic Label	Quarter	Economic Sector NACE Rev 2	Type of Employee	UNIT	VALUE
1	Average Hourly Earnings	2021Q3	All NACE economic sectors	All employees	Euro	25.31
2	Average Hourly Earnings	2021Q4	All NACE economic sectors	All employees	Euro	26.29
3	Average Hourly Earnings	2022Q1	All NACE economic sectors	All employees	Euro	27.46
4	Average Hourly Earnings	2022Q2	All NACE economic sectors	All employees	Euro	26.76
5	Average Hourly Earnings	2022Q3	All NACE economic sectors	All employees	Euro	26.22
6	Average Hourly Earnings	2022Q4	All NACE economic sectors	All employees	Euro	27.89
7	Average Hourly Earnings	2023Q1	All NACE economic sectors	All employees	Euro	28.54
8	Average Hourly Earnings	2023Q2	All NACE economic sectors	All employees	Euro	28.19

We take the values from rows 1 – 4 to calculate Average 1 $_{AHR}$

Average 1 $_{AHR}$ = (25.31 + 26.29 + 27.46 + 26.76)/4 = 26.45

We take the values from rows 5 – 8 to calculate Average 2 $_{AHR}$

Average 2 $_{AHR}$ = (26.22 + 27.89 + 28.54 + 28.19)/4 = 27.71

Average Annual Percentage Change$_{AHR}$ = [(27.71 – 26.45)/26.45] x 100 = 4.76%

4.76% being greater than 2% then:

Annual Indexation Percentage$_{AHR}$ = 2 + (4.76 – 2) x 0.7 = 3.93% or 0.0393 as a decimal.

The next step is the data related to the cost of living:

https://data.cso.ie/table/CPM01 (Last 24 data points available with reference to Midday 1st January 2023)

Statistic Label	Month	Commodity Group	UNIT	VALUE
Consumer Price Index (Base Dec 2023=100)	2021 December	All items	Base Dec 2023=100	88.4
Consumer Price Index (Base Dec 2023=100)	2022 January	All items	Base Dec 2023=100	88
Consumer Price Index (Base Dec 2023=100)	2022 February	All items	Base Dec 2023=100	88.8
Consumer Price Index (Base Dec 2023=100)	2022 March	All items	Base Dec 2023=100	90.5
Consumer Price Index (Base Dec 2023=100)	2022 April	All items	Base Dec 2023=100	91.3
Consumer Price Index (Base Dec 2023=100)	2022 May	All items	Base Dec 2023=100	92.2
Consumer Price Index (Base Dec 2023=100)	2022 June	All items	Base Dec 2023=100	93.4
Consumer Price Index (Base Dec 2023=100)	2022 July	All items	Base Dec 2023=100	93.8
Consumer Price Index (Base Dec 2023=100)	2022 August	All items	Base Dec 2023=100	93.9
Consumer Price Index (Base Dec 2023=100)	2022 September	All items	Base Dec 2023=100	94
Consumer Price Index (Base Dec 2023=100)	2022 October	All items	Base Dec 2023=100	95.5
Consumer Price Index (Base Dec 2023=100)	2022 November	All items	Base Dec 2023=100	95.8
Consumer Price Index (Base Dec 2023=100)	2022 December	All items	Base Dec 2023=100	95.6
Consumer Price Index (Base Dec 2023=100)	2023 January	All items	Base Dec 2023=100	94.8
Consumer Price Index (Base Dec 2023=100)	2023 February	All items	Base Dec 2023=100	96.4
Consumer Price Index (Base Dec 2023=100)	2023 March	All items	Base Dec 2023=100	97.4
Consumer Price Index (Base Dec 2023=100)	2023 April	All items	Base Dec 2023=100	97.9
Consumer Price Index (Base Dec 2023=100)	2023 May	All items	Base Dec 2023=100	98.3
Consumer Price Index (Base Dec 2023=100)	2023 June	All items	Base Dec 2023=100	99.1
Consumer Price Index (Base Dec 2023=100)	2023 July	All items	Base Dec 2023=100	99.3
Consumer Price Index (Base Dec 2023=100)	2023 August	All items	Base Dec 2023=100	99.9
Consumer Price Index (Base Dec 2023=100)	2023 September	All items	Base Dec 2023=100	100
Consumer Price Index (Base Dec 2023=100)	2023 October	All items	Base Dec 2023=100	100.3
Consumer Price Index (Base Dec 2023=100)	2023 November	All items	Base Dec 2023=100	99.5

We take the values from the first 12 rows to calculate Average 1_{CPI}

Average 1_{CPI} = (88.4+88+88.8+90.5+91.3+92.2+93.4+93.8+93.9+94+95.5+95.8)/12 = 92.13

We take the values from the second 12 rows to calculate Average 2_{CPI}

Average 2_{CPI} = (95.6+94.8+96.4+97.4+97.9+98.3+99.1+99.3+99.9+100+100.3+99.5)/12 = 98.20

Average Annual Percentage Change_{CPI} = [(98.20 - 92.13)/92.13] = 6.58%

6.58% being greater than 2% then:

Annual Indexation Percentage_{CPI} = 2 + (6.58 - 2) x 0.7 = 5.20 % or 0.052 as a decimal

COE-FAF for Indexation Year 2 = 1 + ((0.0261 + 0.0391) x 0.7) + ((0.059 + 0.052) x 0.2) =

1 + 0.046 + 0.022 = 1.068

COE Fee Adjustment Factor Methodology

The OGP will calculate and publish the COE-FAF every quarter. The Relevant Quarter is dictated by the date the First Adjustment Date Falls. The example here is for a Lump Sum contract. First Adjustment Dates for percentage fee contracts may occur later (see FTS9).

So in the example given, the Government Client would simply be choosing from the table published on the CWMF website row Q1 2023 and would know that the:

- COE Fee Adjustment Factor between 1st February 2023 and 31st January 2024 was 1.030
- COE Fee Adjustment Factor between 1st February 2024 and 31st January 2025 was 1.068 where the 0.067 is made up of the sum of the permitted movement in the first index year of 0.03 and the permitted movement in the second year 0.038.

Quarter 1 COE Fee Adjustment Factor Table

First Adjustment Date	Q1 2023	Q1 2024	Q1 2025	Q1 2026	Etc.		
Q1 2023	1.030	1.068	Value	Value			
Q1 2024		1.038	Value	Value			
Q1 2025			Value	Value			
Q1 2026				Value			
Q1 2027							
Q1 2028							
Etc.							

In this hypothetical example, fees approved for payment with respect to services undertaken (regardless of when invoice is submitted) between 1st February 2023 and 31st of January 2024 would be eligible for an uplift of 3%. Fees approved with respect to services undertaken between 1st February 2024 and 31st January 2025 would be eligible for an uplift of 6.8%.

Aside - If we were considering the COE-FAF for a Lump Sum contract commencing in Q1 2022 the factor would be 1.038 i.e. 1 + (0.039) x 0.7 + (0.052) x 0.2 = 1.0377 rounded to 1.038 on the first adjustment date in Q1 2024.

Appendix 2 – Protocol in unlikely event the COE Fee Adjustment Factor is not published by OGP

It is not the case that these circumstances are expected to arise but rather to advise public bodies of what steps will be taken in the unlikely event that the COE-FAF is not published in a timely fashion by the OGP.

Scenario 1 – Where the COE-FAF is not published by [*1st working day of February Q1, May Q2, August Q3, November Q4*] and there has been no communication on the constructionprocurement.gov.ie website or any replacement website.

Action: Government Clients should contact construction@per.gov.ie to alert OGP staff.

Scenario 2 – Where the COE-FAF Factor is not published by [*1st working day of February Q1, May Q2, August Q3, November Q4*] and a notice has been published on the constructionprocurement.gov.ie website or any replacement website stating the publication of the Factor will be delayed.

Action: The OGP will advise of the anticipated publication date for the COE-FAF within the relevant quarter.

Scenario 3 – Where the COE-FAF is not published by [*1st working day of February Q1, May Q2, August Q3, November Q4*] and a notice has been published on the constructionprocurement.gov.ie website or any replacement website stating that one or more of the data points used to determine the Factor are unavailable within the quarter.

Action: If the expected new EHQ03 data or CPI are unavailable and CSO advise they will not be available within the quarter, the OGP will in the case of the Earning Statistic input replace with the CPI i.e. 90 percent of fee/rate apportioned to CPI. In the event the CPI only is unavailable the HCPI will be used in its place for use in calculating the next COE Fee Adjustment Factor. In the event both are unavailable the HCPI will be used using CPI risk share. It would not be anticipated that this approach would be taken for more than one annual calculation associated with a single situation.

Scenario 4 – Where the COE-FAF is not published by [*1st working day of February Q1, May Q2, August Q3, November Q4*] and a notice has been published on the constructionprocurement.gov.ie website or any replacement website stating that one or both of the statistical releases used to prepare the Factor are unavailable for a prolonged period or have been replaced.

Action: The OGP will select another suitable statistical release published by the CSO or if CSO commence publication of a replacement statistical release use the replacement statistical release in future COE-FAF calculations.

Scenario 5 – If the CSO release includes a technical note supplementary to the usual release report that gives cause for concern in relation to input data to the index/statistic that causes the OGP to make the decision that data point is not appropriate for use.

Action: The OGP will apply the actions to Scenarios 3 or 4 above to allow publication of a COE Fee Adjustment Factor.

[END].