PROJECT SUMMARY

Partnerships Victoria
Bendigo Hospital Project

October 2013
Contents

1  Part One: Project Overview  
   1.1  Bendigo Hospital Project  
      1.1.1  Staging of the works  
      1.1.2  The new hospital  
      1.1.3  The Project site  
      1.1.4  Project Vision  
      1.1.5  Project objectives  
      1.1.6  Project principles  
   1.2  A Partnerships Victoria public-private partnership  
   1.3  Tender Process  
   1.4  Value for Money  
   1.5  Public Interest Test  
   1.6  Project Milestones  

2  Part Two: Key Commercial Features  
   2.1  Project Documents  
   2.2  Parties to the Project Agreement and Documents  
   2.3  Risk Transfer  
   2.4  General Obligations of Exemplar Health  
   2.5  General Obligations of the State  
   2.6  Payment Mechanism and Abatement Regime  
   2.7  Default, Termination and Step-In Regimes  
   2.8  Finance  
   2.9  Fitness for Purpose  
   2.10  State Rights at Expiry of Contract  
   2.11  Additional contract provisions  
   2.12  Current Version  

Glossary  

Appendix 1 Useful references  
Appendix 2 Key contact details  
Appendix 3 RFP Evaluation Criteria  
Appendix 4 Public Interest Issues
Foreword

This Project Summary provides information about the contractual nature of the Bendigo Hospital Project (Project) and is divided into two parts. The first part provides a broad overview of the Project, including the rationale for undertaking it under the Partnerships Victoria framework, a summary of the tender process, the value-for-money calculation, the public interest considerations for the Project and the Project timetable. The second part focuses in more detail on the key commercial features of the Project, including the main parties and their general obligations, the broad allocation of risk between the public and private sectors and the treatment of various key Project issues.

Partnerships Victoria is part of the Victorian Government’s strategy for providing better services to all Victorians by expanding and improving Victoria’s public infrastructure. The Partnerships Victoria framework is designed to utilise private sector expertise in designing, financing, building and maintaining infrastructure projects. The Partnerships Victoria framework consists of the National PPP Policy and Guidelines and supplementary Partnerships Victoria Requirements. Further information on the Partnerships Victoria framework is available at www.partnerships.vic.gov.au

This summary should not be relied on as a complete description of the rights and obligations of the parties in respect of the Project which are governed by the Bendigo Hospital Project Agreement and associated Project documentation. The Project Agreement is available online at www.contracts.vic.gov.au
1 Part One: Project Overview

1.1 Bendigo Hospital Project

The State of Victoria has entered into a Project Agreement with Exemplar Health (NBH) Partnership for the:

- design, construction and finance of a new hospital in Bendigo on the Barnard Street Site
- provision of a range of facilities management services for the hospital campus over a 25-year period
- design, construction, finance and operation of various commercial development opportunities.

The Project is a $630 million (capital expenditure) investment in a world-class regional hospital from which Bendigo Health and its associates will provide health services to the Loddon Mallee region.

The Project is the largest infrastructure project to be undertaken in Bendigo and will facilitate the delivery of enhanced health services to the Loddon-Mallee Region for many years to come. It will provide a new hospital with expanded capacity including an integrated regional cancer centre and new psychiatric inpatient unit. The Project will enable Bendigo Health to provide for the future health needs and increasing demands of a growing population in Bendigo and in the Loddon-Mallee Region. It will assist Bendigo Health in attracting and retaining a skilled workforce for the future provision of high quality patient care. The Project will also contribute to the development of a leading teaching and research hub specialising in rural health care in cooperation with the universities located in the Academic Precinct.

The Exemplar Health consortium includes Capella Capital as project advisor, Lend Lease Project Management & Construction (Australia) as builder, Spotless Facility Services Pty Ltd as facility management provider with equity provided by Lend Lease Infrastructure Investments Pty Ltd and Siemens Project Ventures GmbH.
1.1.1 Staging of the works

To facilitate the delivery of the Project within an operational environment, the works have been divided into two stages: the stage 1 works and the stage 2 works. In general terms, the stage 1 works comprise the delivery of the new hospital and the stage 2 works comprise the delivery of the car park, bridge link and landscaping works. The completion of the stage 1 works will trigger the commencement of the operating term during which Exemplar Health will provide the facility management services.

1.1.2 The new hospital

The new hospital comprises the purpose built facility on the Barnard Street site, with a basement car park and a bridge link across Arnold Street to a new multi-deck car park on the Lucan Street site. Specifically, the new hospital includes:

- 372 inpatient beds
- an 80 bed psychiatric inpatient unit including a 5 bed mother and baby unit
- 72 same day beds
- an integrated cancer centre
- ten operating theatres
- four radiation therapy bunkers, with the capacity for a further two bunkers in the future.

The new hospital will be operated by Bendigo Health as the public provider. Exemplar Health will deliver a range of facility management services including cleaning, building maintenance, help desk, security, patient food provision, car parking, portering, materials distribution, waste management and grounds maintenance.

1.1.3 The Project site

The Project is to be delivered across the following two sites:

(a) Barnard Street site

The Barnard Street site is bounded by Drought Street, Hope Street, Arnold Street and Barnard Street. The new hospital will be constructed on the cleared land towards the north of this site.

(b) Lucan Street site

The Lucan Street site is bounded by Arnold Street, Stewart Street, Bayne Street and Lucan Street. The works to be undertaken on this site include the delivery of:

- a new multi-deck car park with a helipad on the roof (Stage 2)
- 128 room hotel (Stage 1)
- 15 bed low cost family accommodation (Stage 2)
- 100 place child care centre (Stage 1)
- 180 seat conference centre (Stage 2)
- a supermarket (Stage 2).
There will be a bridge link (Stage 2) across Arnold Street to connect the Barnard Street site with the Lucan Street site.

1.1.4 Project Vision

The Project vision is as follows:

- when the new hospital is completed in 2016, Bendigo Health will be a world-class regional health service in an integrated campus
- it will be in the top quartile of comparable health services across Australia in terms of key performance indicators including access, quality and efficiency
- the community in Bendigo and beyond will have pride in their local regional health service and confidence in the ability of Bendigo Health to meet their needs
- the new hospital will provide a tranquil and caring environment
- staff will be attracted to work in the hospital by the commitment to ongoing learning, research and innovation in a twenty-first century environment
- the new hospital will welcome visitors with convenient parking and comfortable facilities
- the new hospital will be sustainable, energy-efficient and future-ready
- Bendigo Health will partner effectively with other health services in the region and beyond to ensure continuity of care and local delivery of treatment where possible
- information on Bendigo Health services will be readily available to patients and their families
- modern technologies will support treatment and recuperation in hospital and at home where possible.
1.1.5 Project objectives

The objectives of the Project are to:

- expand Bendigo Health’s role in providing health care services consistent with the Victorian Government’s emphasis on treating patients as close to home as possible
- maintain and expand Bendigo Health’s teaching role for the Loddon-Mallee Region
- ensure sustainability of service provision locally and contribute to ensuring sustainability of service provision across the Loddon-Mallee Region
- improve operational efficiency.

1.1.6 Project principles

The State and Bendigo Health have developed a number of key principles which will apply to the Project in order to achieve an enhanced level of health service delivery as set out below:

Patients as active partners

- Patient empowerment is a high priority. By increasing the role of patients, families and carers, Bendigo Health will be more responsive to patients’ needs and preferences, delivering better quality care. Patients, families, carers and the community will have the opportunity to contribute in developing the new hospital, through avenues such as community consultation and the community reference group.

- The ability for a co-ordinated and integrated patient journey to start and end at home. This means patient information management systems need to be accessible across the care continuum.

- Patients, families and carers will be given the tools to co-ordinate and manage their own care, with access to timely assistance and support from Bendigo Health as needed.

- Communication with patients, families and carers is always two-way.

- All aspects of the Project will treat staff, patients, families, carers and the community with dignity and respect. Systems and processes will be developed on a wellness and holistic model where practical.

Continuity of care

- Patient journeys will be well connected and integrated across different streams of care and service locations in line with Bendigo Health’s philosophy of ‘working as one’.

- Interdisciplinary care will be supported and encouraged in all aspects of service development and design. Staff from a variety of disciplines will work together with the patient, family and/or carer in a combined, co-ordinated approach.

- Patient movement will be minimised consistent with achieving timely, safe and effective interventions and clinical management. Where practical, treatment and assessment will go to the patient.

- Bendigo Health’s roles as a regional and as a local hospital will be clearly defined in health care and in clinical education. Where it is safe, effective and within Bendigo Health scope of practice, people will be treated as close to home as possible.

Functional flexibility

- As service models will change over time, there must be the ability to adapt the use of spaces easily and cost effectively. ‘Future proofing’ will be incorporated to support future service expansion and the need for changes in service delivery.

- Expansion capacity will be scalable to allow for the staged commissioning of increased capacity as required.
Tranquility
- The environment and service systems will be designed to create a tranquil hospital for patients, families and carers.
- All patient beds will have natural light and access to views into outdoor green areas.
- Patients will control their environment as much as is practical.

Safe for patients and staff
- Privacy and confidentiality will be respected for all patients, families, carers and visitors within the boundaries of patient safety and effective clinical management.
- Patients will feel connected to staff at all times. Nursing staff can see and hear patients at all times.
- The new hospital will promote the connection between staff, patients and co-workers in ways that support timely high quality care e.g. generic layout including standardised room design and inpatient unit layout to support this concept.

Enabling Bendigo Health staff
- The new hospital will support staff recruitment and retention by providing an attractive and comfortable place to work and by supporting an organisational culture that enables and supports innovation and high care standards.
- Staff facilities will be comfortable and enable informal staff gatherings and celebrations.
- Learning and education will be integrated into clinical settings.
- Tertiary training will be supported 'on the job' as well as in formal educational settings.
- Staff will have access to learning and innovation tools such as online learning simulation.
- Clinical research (approved trials) will be supported in all clinical settings.
- Leadership in regional health education will be supported through avenues such as the co-location of Latrobe and Monash universities within the precinct.
- Technology and management systems will support active learning at work through online learning and teaching at the bedside.
- The Project will contribute to learning and research (knowledge development, discovery, dissemination and transfer) by taking what we have learned throughout the Project and sharing with others.
- The new hospital will be connected with, and will be, an integral part of the surrounding university campus, offering a co-ordinated approach to education and training through joint appointments. Education and training will be offered across the organisation that complements university partners.

Sustainability and efficiency
- The Project will be as environmentally sustainable as possible in both design and implementation.
- Business sustainability will be supported to improve operating efficiency.
- The Project will support the workforce mix, recruitment and retention needed to deliver Project outcomes by providing a mix of skills and number of people to match those skills.
- Sustainability will be supported by the use of standardisation where possible in all aspects of the Project, e.g. generic inpatient units.
- Systems and practices will support the concept of 'do it once', minimising unnecessary repetition.
Information and communication technology enabled

- The new hospital will be ICT enabled to facilitate effective care delivery and efficient work practices.
- The ICT component of the Project will contribute to delivering the Project outcomes (new advancements will help deliver what we want to achieve) and will be consistent with state and national ICT strategic directions.
- Priorities for investment are:
  - clinical informatics capability
  - well defined, robust infrastructure
  - electronic medical record
  - unified communications systems
  - real time location systems.
- Fully integrated 'information management' – including data management, data security and integrity, and resource management systems.
- The Project will provide the foundations required to support further development.

Connecting with Bendigo and the wider Loddon Mallee region

- Bendigo Health is part of a health service system in and beyond Bendigo and is the regional hospital for the Loddon Mallee region. Working in partnership with other providers is, and will increasingly be, a vital aspect of effective care delivery.
- The new hospital will be welcoming for the community; it will not be a 'fortress'.
- The new hospital will welcome and celebrate the diverse cultures that are part of Bendigo and surrounding communities. An important community to be recognised is the local Aboriginal community and their connection to the land on which the new hospital will be built.
1.2 A *Partnerships Victoria* public-private partnership

The Project is being delivered as a PPP in accordance with the Victorian Government’s *Partnerships Victoria* framework. The *Partnerships Victoria* model seeks to achieve better value for money by capturing the expertise and efficiencies of the private sector in designing, financing, building and maintaining infrastructure projects and providing services on a whole-of-life basis where appropriate.

The *Partnerships Victoria* framework requires compliance with the:

- National PPP Policy and Guidelines (National PPP Guidance) that apply across all State, Territory and Commonwealth arrangements
- requirements specific to Victoria as detailed in the *Partnerships Victoria* Requirements.


**Procurement Assessment**

In 2010 and early 2011, during the business case development phase, the State considered a range of procurement models and identified several delivery methods for detailed assessment, such as:

- unbundled construction based models that separate the procurement of the design and construction of the new hospital from its ongoing maintenance and other ancillary services
- construction based models that include an element of facility maintenance typically of hard facilities management but with no soft facilities management
- PPP procurement model that includes hard facilities management and soft facilities management, but excludes core clinical services.

A range of key procurement drivers were considered in evaluating each of the above-mentioned models that included ensuring the achievement of:

- timely delivery of the Project
- optimal whole-of-life costs and value for money
- optimal risk allocation
- an efficient and appropriate facility design (including safe and secure)
- certainty of costs over the life of the asset
- service and maintenance standards over the life of the asset
- flexibility in operations over the life of the asset
- innovation in asset and service delivery
- a competitive outcome.

After a detailed assessment of the various delivery models, the *Partnerships Victoria* procurement model was identified as the preferred option. This was assessed as the preferred procurement model primarily on the basis that:

- PPP delivery is the only delivery method that transfers maintenance and facilities management risk, site risk, asset capability risk and interface risk to the private sector in an integrated contract
- PPP delivery provides optimal whole-of-life costs as the private sector is responsible for long-term maintenance and facilities management in addition to design and construction, which should drive an optimal whole-of-life outcome
- there was evidence of sufficient market depth to allow the State to achieve a competitive outcome through this model.

The procurement assessment was supported by the business case undertaken for the Project.
1.3 Tender Process

The State conducted a competitive tender process to identify the private sector party to deliver the Project. The tender process was implemented in accordance with the *Partnerships Victoria* framework to ensure that the State received the best value-for-money outcome. The tender process involved a call for registrations of capability from the market (through the issue of the Expressions of Interest (EOI) document), receipt of EOI registrations, issue of a Request for Proposal (RFP) to short-listed respondents, submission of proposals, an evaluation and clarification phase, a Best and Final Offer (BAFO) phase, followed by the appointment of a Preferred Respondent and finalisation of contractual documentation for execution.

*Table 1: Key procurement milestones*

<table>
<thead>
<tr>
<th>Date</th>
<th>Tender Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 September 2011</td>
<td>Invitation for EOI issued</td>
</tr>
<tr>
<td>29 September 2011</td>
<td>EOI proposals submitted</td>
</tr>
<tr>
<td>14 February 2012</td>
<td>Short-list of respondents to proceed announced</td>
</tr>
<tr>
<td>24 May 2012</td>
<td>RFP issued</td>
</tr>
<tr>
<td>1 November 2012</td>
<td>RFP proposals received</td>
</tr>
<tr>
<td>21 January 2013</td>
<td>BAFO brief issued</td>
</tr>
<tr>
<td>28 February 2013</td>
<td>BAFO proposals received</td>
</tr>
<tr>
<td>5 April 2013</td>
<td>Preferred Respondent announced</td>
</tr>
<tr>
<td>28 May 2013</td>
<td>Contractual close</td>
</tr>
<tr>
<td>29 May 2013</td>
<td>Financial Close</td>
</tr>
</tbody>
</table>

A formal project governance structure was put in place to oversee the tender process including the evaluation of the detailed RFP and BAFO proposals. The governance structure is represented diagrammatically in Figure 1 on the next page.

The RFP and BAFO evaluations were conducted by an Evaluation Panel which was supported by three discipline-based evaluation sub-panels: Commercial and Legal, Design and Technical and Facility Management Services. Evaluation Panel and sub-panel membership was selected based on stakeholder representation (including the Department of Treasury and Finance) and requirements for appropriate and relevant skills and experience. The sub-panels were supported by DH and Bendigo Health staff, specialist advisers and other government agencies as required, such as the Office of the Victorian Government Architect. The key selection criteria used in the assessment of proposals are presented in Appendix 3.
EOIs were received from four interested consortia and two were selected to proceed to the RFP stage. RFPs were received from the two shortlisted tenderers on 1 November 2012.

Following an extensive RFP evaluation process a BAFO process was undertaken with both tenderers. At the completion of the BAFO phase, Exemplar Health’s solution was considered to represent best value-for-money.

Accordingly, the State appointed Exemplar Health as Preferred Respondent and proceeded to negotiate the final form Project documents and executing the Project Agreement and ancillary contracts that govern the Project.
The major strengths of the Exemplar Health proposal are:

- an outstanding functional and architectural design solution including an atrium space that adds amenity to the patient, visitor and staff experience
- a highly competitive, risk-adjusted whole-of-life cost
- a strong funding and commercial solution
- an effective service delivery strategy and model that efficiently met the State’s operational requirements as well as demonstrated clear understanding of the Bendigo Health operating environment
- significant additional amenity for visitors to the precinct through the provision of a multi-deck car park, helipad, serviced apartments, low cost family accommodation, child care centre, conference centre, supermarket and a bridge connection across Arnold Street
- an appropriate allocation of project risk between parties.

The tender process was undertaken within a robust probity framework, endorsed by the Project’s probity adviser, based on the following probity objectives:

- fairness and impartiality
- use of a competitive process
- consistency and transparency
- security and confidentiality
- identification and resolution of conflicts of interest
- compliance with Government policies as they apply to tendering.

1.4 Value for Money

The Partnerships Victoria framework seeks to identify and implement the most efficient form of infrastructure delivery. The concept of value for money goes beyond the selection of the cheapest solution, focusing on the true value of each delivery option. This involves a careful analysis of State-managed delivery options and each proposal received from the private sector. The analysis considered quantifiable elements (i.e. items that can be quantified in monetary terms) as well as qualitative considerations.

$630 million (nominal) was allocated as the capital cost of the Project in the Victorian budget. The allocation covered the risk adjusted capital cost in the PSC, the extensive enabling works carried out by Bendigo Health to prepare the site for new construction, and project management costs.

Public Sector Comparator

The Public Sector Comparator (PSC) is an estimate of the hypothetical, risk-adjusted, whole-of-life cost of the Project if delivered by the State. The PSC is developed in accordance with the proposed output specification and risk allocation included in the RFP and is based on the most likely and efficient form of conventional (i.e. non-PPP) delivery by the State.

The PSC is expressed in terms of the net present cost to the State, calculated using a discounted cash flow analysis and takes full account of the costs and assumed risks that would otherwise be encountered using the alternative style of procurement. The PSC includes amounts to cover both the design and construction costs and the maintenance and facilities management costs during the 25-year operating phase of the Project.
The PSC is made up of a number of elements as indicated in Table 2.

*Table 2: Public Sector Comparator*

<table>
<thead>
<tr>
<th>Components of the PSC</th>
<th>Net Present Cost $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital costs</td>
<td>422.1</td>
</tr>
<tr>
<td>Lifecycle and asset service costs</td>
<td>248.7</td>
</tr>
<tr>
<td>Facility management costs</td>
<td>501.6</td>
</tr>
<tr>
<td>Raw PSC</td>
<td>1,172.4</td>
</tr>
<tr>
<td>Transferred risks</td>
<td>141.9</td>
</tr>
<tr>
<td>Competitive neutrality</td>
<td>-</td>
</tr>
<tr>
<td>PSC (excluding retained risk)</td>
<td>1,314.3</td>
</tr>
</tbody>
</table>

Note: The assumptions used to formulate the PSC include:

1. All values are expressed in net present values as at 31 March 2013 and discounted at a nominal discount rate of 4.98% per annum in accordance with the National PPP Guidance applying under the *Partnerships Victoria* framework.
2. The transferred risk totalling $141.9 million refers only to those capital, lifecycle and facility management risks transferred to the private sector under the *Partnerships Victoria* arrangements (i.e. those risks that the State would otherwise assume) and excludes the State’s estimates of its retained risks.
3. The competitive neutrality adjustment removes any net competitive advantages that accrue to a government business by virtue of its public ownership. No allowance was made in the PSC for competitive neutrality.

The net present cost of the total payments including service payments to be paid to Exemplar Health is compared with the PSC. If it is lower than the PSC, it is an indication that at face value, the proposal represents quantitative value for money.

*Table 3: Quantitative value-for-money comparison between public sector delivery and private sector delivery*

<table>
<thead>
<tr>
<th></th>
<th>Net Present Cost of Public Sector Delivery ($m)</th>
<th>Net Present Cost of Exemplar Health’s winning proposal ($m)</th>
<th>Value-for-Money ($m)</th>
<th>Value-for-Money (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Close</td>
<td>1,314.3</td>
<td>1,110.5</td>
<td>203.9</td>
<td>15.5%</td>
</tr>
</tbody>
</table>

The Exemplar Health proposal was discounted at a rate of 7.13% for the State contribution (refer to Section 2.5) and 7.18% for all other aspects of the proposal. All NPC figures reflect a base date of 31 March 2013 (consistent with the PSC).
The $1,110.5 million net present cost of Exemplar Health’s proposal includes the design and construction costs, lifecycle asset replacement costs, maintenance and facilities management costs over 25 years. Moreover, the outcomes delivered within the $1,110.5 million contract price incorporate qualitative value for money benefits such as additional gross floor area and other design enhancements that go beyond the scope of the State’s reference project used to determine the PSC.

Additional value-for-money benefits of Exemplar Health’s proposal

The Exemplar Health proposal delivers value-for-money from a cost perspective. This quantitative measure does not recognise a range of other significant value-for-money benefits provided by the Exemplar Health proposal that were not included in the PSC.

These benefits include:

a) innovation and optimised asset utilisation through greatly enhanced user amenities:
   - multi-deck car park with bridge connection to the new hospital
   - enhanced landscaping
   - 128 room hotel
   - refurbishment of the existing Alexander Bayne building to provide a 15 bed low cost family accommodation
   - refurbishment of the Old Division of GPs heritage building for use as a Wellness Centre
   - 100 place child care centre
   - 180 seat conference centre
   - supermarket
   - greater choice of retail outlets
   - use of technology to facilitate efficient work practices and improved patient amenity

b) appropriate risk transfer and whole of life costing of the Project:
   - ability for the State to better transfer the complex risk profile of the Project to Exemplar Health (detailed in Section 2.3)
   - Exemplar Health is fully responsible for the up-front design and construction costs, ongoing service delivery, refurbishment and maintenance costs (detailed in Section 2.4)

c) operational efficiencies through effective health planning and design.

1.5 Public Interest Test

At various stages throughout the development of the Project, an assessment was made of the extent to which the Project was in the public interest. The analysis was undertaken in accordance with the Partnerships Victoria guidance on how to evaluate whether a project meets the public interest.

At all stages it was considered that, on balance, the public interest was being protected. Appendix 4 contains a summary of the final Public Interest Test.
### 1.6 Project Milestones

The new hospital will be complete by the end of 2016.

*Table 4: Project milestones*

<table>
<thead>
<tr>
<th>Project milestone</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractual Close</td>
<td>28 May 2013</td>
</tr>
<tr>
<td>Financial Close</td>
<td>29 May 2013</td>
</tr>
<tr>
<td>Commencement of construction of the new hospital</td>
<td>30 May 2013</td>
</tr>
<tr>
<td>Completion of the new hospital</td>
<td>December 2016</td>
</tr>
<tr>
<td>Commencement of stage 2 works (multi-deck car park, helipad, conference centre and supermarket)</td>
<td>January 2017</td>
</tr>
<tr>
<td>Completion of stage 2 works</td>
<td>June 2018</td>
</tr>
<tr>
<td>End of Project term</td>
<td>January 2042</td>
</tr>
</tbody>
</table>
2 Part Two: Key Commercial Features

Part Two of this document outlines the contractual relationships between the parties involved in the Project, including the allocation of risk and the obligations of both Exemplar Health and the State. A brief description of the Exemplar Health arrangements is also provided. Capitalised terms used in this Part Two are defined in the Project Agreement unless otherwise noted.

2.1 Project Documents

On 28 May 2013 the Minister for Health, on behalf of the State, executed the Project Agreement and other associated Project documentation with Exemplar Health and other related parties to design, construct and finance the Project and provide ongoing maintenance and soft facilities management services over a 25-year term.

In accordance with Government policy, the executed Project Agreement and associated documents are publicly disclosed and available via http://www.contracts.vic.gov.au/major/contracts.htm

2.2 Parties to the Project Agreement and Documents

The relevant parties under the contractual arrangements are:

- **The State**: The State is a signatory to the Project Agreement and other ancillary Project documents. The Minister for Health is the person empowered to execute these contracts on behalf of the State.

- **Exemplar Health**: Exemplar Health (NBH) 1 Pty Ltd in its personal capacity and as trustee for Exemplar Health (NBH) 1 and on behalf of Exemplar Health (NBH) Partnership and Exemplar Health (NBH) 2 Pty Ltd in its personal capacity and as trustee for Exemplar Health (NBH) 2 and on behalf of Exemplar Health (NBH) Partnership are the organisations that have been contracted to deliver the Project. Exemplar Health is the counterparty to the Project Agreement, and is the main contracting entity with the State. Exemplar Health, in turn, has entered into a range of contractual relationships with its consortium partners to deliver elements of the Project. Notwithstanding this, Exemplar Health will be the organisation ultimately responsible for the delivery of the Project and will, among other things, provide strong, hands-on management over the duration of the Project.

- **Equity Provider**: Lend Lease Infrastructure Investments Pty Ltd and Siemens Project Ventures GmbH have jointly committed to provide the total equity required by Exemplar Health.

- **Financiers**: Australia and New Zealand Banking Group Limited, BOS International (Australia) Limited, Canadian Imperial Bank of Commerce, DBS Bank Ltd, Mizuho Corporate Bank, Ltd, National Australia Bank Limited, Siemens Financial Services Inc. and the Bank of Nova Scotia Asia Limited are the senior lenders providing the total debt required by Exemplar Health. The senior debt is drawn progressively from Financial Close.

- **Builder**: Exemplar Health has engaged Lend Lease Project Management & Construction (Australia) Pty Limited (Lend Lease) to undertake the design and construction of the New Facility.

- **Facilities Management Subcontractor**: Exemplar Health has engaged Spotless Facility Services Pty Ltd (Spotless) to deliver hard and soft facilities management services.

Project contractual relationships

The relationship between the State, Exemplar Health and other related parties is detailed in the Project Agreement and associated contracts. The structure and principal agreements required for the delivery of the Project are outlined in the figure below.
2.3 Risk Transfer

The risk allocation in the Project Agreement is consistent with the Partnerships Victoria framework. In Partnerships Victoria projects, the State seeks to achieve best value for money by allocating risks to the party best able to manage them. This process results in various risks being:

- retained by the State
- transferred to the private sector, and/or
- shared between the parties.

The Project Agreement and associated documents establish the obligations of each party in managing these risks.

Table 5 provides a high-level outline of the risk allocation for the Project. Where a risk is allocated to both parties, the parties may not share that allocation equally. All risks are dealt with in detail in the Project Agreement and associated Project documents.
### Table 5: Risk allocation positions for Project

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Description</th>
<th>State</th>
<th>Exemplar Health</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planning Risk</strong></td>
<td></td>
<td>------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Obtaining appropriate planning approvals</td>
<td>The State is responsible for the Precinct being appropriately zoned for general hospital use. Risk that planning permits for the use of the Site are required.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>Site Risks</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contamination</td>
<td>Cost relating to the management and removal of existing contamination in the Site</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Contamination for which State responsible</td>
<td>Cost relating to management and removal of contamination caused by the State, that migrates onto Site post contract, or that State requires remediated to higher standard than legally required</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contamination for which Project Co responsible</td>
<td>Cost relating to management and removal of contamination caused by the Project Co</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Artefacts, heritage claim</td>
<td>Risk that the Site has archaeological and cultural heritage value (above or below ground)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Native Title</td>
<td>Risk that the Site is the subject of a Native Title claim</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>Design, Construction and Commissioning Risks</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Design risk</td>
<td>The risk that the design development activities cannot be completed on time and/or to budget and the design does not allow the delivery of the Services to the Services Specification</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Construction risk</td>
<td>The risk that construction activities cannot be completed on time and/or to budget</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Defects risk</td>
<td>The risk that defects are identified following completion of construction</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Equipment</td>
<td>Responsibility for the selection, procurement and maintenance of equipment</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Fit for purpose (commissioning)</td>
<td>Risk that the New Facility is not constructed so as to be fit for purpose or does not comply with contractual obligations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Modification</td>
<td>If the State elects to make a significant variation to the New Facility or the Services to be provided by Exemplar Health</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Commissioning and Completion</td>
<td>Risk that the New Facility cannot be commissioned in accordance with the agreed commissioning criteria</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Risk Category</td>
<td>Description</td>
<td>State</td>
<td></td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>-------</td>
<td></td>
</tr>
<tr>
<td><strong>Operational Risks</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fit for purpose (operating)</td>
<td>Risk that the New Facility is not able to deliver the Services and/or is not fit for purpose at the required levels</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Operatioal costs (non-reviewable services and facilities management)</td>
<td>Risk that operational costs exceed Exemplar Health's budgeted cost over the operating phase of the Project</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Operational costs (reviewable services)</td>
<td>Risk that operational costs exceed budgeted cost over the operating phase of the Project</td>
<td>✓ ✓</td>
<td></td>
</tr>
<tr>
<td>Lifecycle costs</td>
<td>Risks associated with the replacement and refurbishment of the New Facility over the operating phase of the Project</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Utility price and volume risk</td>
<td>Risk of change in the price of the utility inputs required by the facilities and energy demand risk</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>Change in Law or Policy Risks</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in Law and Policy (General)</td>
<td>Risk that a change in legislation / regulations, State policy or quality standard, which applies generally, will impact on the design or construction of the New Facility or provision of the Services</td>
<td>✓ ✓</td>
<td></td>
</tr>
<tr>
<td>Changes in Law and Policy (Project Specific)</td>
<td>Risk that a change in legislation / regulations, State policy or quality standard, which expressly and exclusively applies to the Project, will impact on the design or construction of the New Facility or provision of the Services</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Tax risk</td>
<td>Risk of changes in income tax, GST or the introduction of a tax affecting companies generally</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>Force Majeure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Force Majeure</td>
<td>Risk that specified unforeseen events will impact on the design or construction of the New Facility or on the provision of the Services</td>
<td>✓ ✓</td>
<td></td>
</tr>
<tr>
<td><strong>Finance Risk</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funding risk</td>
<td>Risk of providing funds to meet design and construction costs</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Base interest rate risk after Financial Close to the first scheduled refinancing</td>
<td>Risk of movements in base interest rates after Financial Close to the first scheduled refinancing</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Base interest rate risk from the first scheduled refinancing</td>
<td>Risk of movements in base interest rates from the first scheduled refinancing</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Risk Category</td>
<td>Description</td>
<td>State</td>
<td>Exemplar Health</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Operating insurance</td>
<td>Risk of inability to obtain insurance or material increases in insurance premiums (e.g. industrial special risks / consequential loss, public and products liability and workers compensation insurance)</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>premium risk</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residual condition</td>
<td>Risk that on expiry of the contract term the condition of the New Facility is less than that required by the Project Agreement</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

### 2.4 General Obligations of Exemplar Health

Exemplar Health has contracted with the State to finance, design and construct the New Facility and provide related facilities management services in the Precinct (including the New Facility) and Academic Precinct (excluding Academic Precinct buildings) over a 25-year term. The Project Agreement details the State’s minimum design requirements (**Output Specification**) which Exemplar Health must meet in delivering the New Facility and the minimum service performance requirements (**Services Specification**) Exemplar Health must achieve throughout the 25-year Operating Term. The full array of Exemplar Health’s obligations is contained in the Project Agreement and ancillary contracts.

Table 6 further summarises the obligations of Exemplar Health over the course of the Project.

**Table 6: Summary of key Exemplar Health obligations**

<table>
<thead>
<tr>
<th>Project Element</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design, construction</td>
<td>Exemplar Health is responsible for the design, construction and commissioning of the New Facility to ensure that it is fit for its intended use as a regional hospital. Exemplar Health must also comply with Victorian Industry Participation Policy and requirements.</td>
</tr>
<tr>
<td>and commissioning</td>
<td></td>
</tr>
<tr>
<td>Furniture, Fittings and</td>
<td>Procurement, installation, commissioning and maintenance of all FF&amp;E (other than those items to be procured and maintained by the State). There is a detailed indicative list of required FF&amp;E appended to the Project Agreement. Exemplar Health takes the risk that the FF&amp;E provided is adequate and otherwise fit for its intended purpose. The State has some flexibility to comment on the final type and quantity of all FF&amp;E.</td>
</tr>
<tr>
<td>Equipment (FF&amp;E)</td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>Exemplar Health is responsible for the delivery of a range of facility management services (<strong>Services</strong>) in the New Facility and across the Precinct (including the Retained Buildings) and the Academic Precinct (excluding the Academic Precinct buildings) in accordance with the Services Specification for a period of 25 years from Commercial Acceptance. These services include:</td>
</tr>
<tr>
<td></td>
<td>• building management (reactive/planned as well as lifecycle replacement) (New Facility only)</td>
</tr>
<tr>
<td></td>
<td>• help desk</td>
</tr>
<tr>
<td></td>
<td>• utilities management</td>
</tr>
<tr>
<td></td>
<td>• cleaning</td>
</tr>
<tr>
<td></td>
<td>• security</td>
</tr>
<tr>
<td></td>
<td>• materials distribution</td>
</tr>
<tr>
<td>Project Element</td>
<td>Description</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------------</td>
</tr>
</tbody>
</table>
|                  | • food provision  
|                  | • portering  
|                  | • waste management and disposal  
|                  | • car park management  
|                  | • grounds maintenance  
|                  | • pest control  
|                  | • minor works  
|                  | Exemplar Health is responsible for whole-of-life risk associated with the New Facility as well as all scheduled and unscheduled maintenance. Exemplar Health is also responsible for providing certain limited services in relation to the External Sites (eg food to nursing homes). |
| Insurances      | Exemplar Health is required to take out a range of insurances in relation to the New Facility during both the design and construction and operating phases of the Project. |
| Transition       | Management, coordination and execution of activities (excluding core clinical functions and transfer of existing equipment) to relocate operations from existing sites to the New Facility and to train employees (including those employees who have transferred from Bendigo Health to Spotless) in relation to the operation of the New Facility. |
| Finance         | Procurement of debt and equity to fund the delivery of the Project. |
| Handback        | Undertake all necessary tasks to ensure that the New Facility and Site are returned to the State in accordance with the end of term requirements set out in the Project Agreement. |
| Commercial Development | Exemplar Health is required to design, construct, finance and operate a range of commercial developments. These include the serviced apartments, child care centre, conference centre and retail outlets for which Exemplar Health take all risk. |
2.5 General Obligations of the State

Delivery of clinical, research and education functions

The ongoing delivery of all clinical, research and education functions will be undertaken by the State through Bendigo Health.

Other Project Agreement obligations

Under the Project Agreement, the State's obligations include the following:

- the State must (subject always to the State's access requirements for delivery of its core clinical, research, education and associated functions) provide Exemplar Health with the necessary access to allow it to perform its obligations
- to pay the QSP to Exemplar Health during the Operating Term subject to the abatement regime that may apply if Services are not delivered to the required standard (see Section 2.6 (Payment Mechanism and Abatement Regime) for more detail)
- the State may review and comment on design documentation and other material that will be submitted by Exemplar Health in accordance with the Project Agreement
- Bendigo Health must pay for any utilities usage costs
- Bendigo Health must undertake certain works in the Precinct to facilitate the delivery of the Project by Exemplar Health.

State Contribution

In addition to paying the QSP to Exemplar Health during the Operating Term, upon Commercial Acceptance of the Stage 1 Works (ie when the new hospital is complete) the State must make a lump sum payment to Exemplar Health equal to 75 per cent of the debt which was forecast (as at Financial Close) by Exemplar Health to be outstanding at that date (State Contribution). The State Contribution is payable within 22 Business Days of Commercial Acceptance.

The State Contribution was introduced in the context of prevailing market conditions, where the State is looking to pursue an optimal level of private finance in the operations phase and drive a value for money outcome for project delivery.

While a significant amount of the debt funding for the Project will be re-paid by the State upon payment to Exemplar Health of the State Contribution, the payment of the State Contribution has no material impact on the risk allocation for the PPP as Exemplar Health may still incur significant abatement (see Section 2.6), if the Services are not delivered to the required standard.
2.6 Payment Mechanism and Abatement Regime

Exemplar Health is required to provide the Services as specified in the Services Specification from Commercial Acceptance (ie when the New Facility is complete and commissioned). Failure to do so exposes Exemplar Health to abatement in accordance with the abatement regime set out in the Project Agreement.

Payment for delivery of the Services is made by the State over the 25-year Operating Term in the form of the QSP, which is paid quarterly in arrears. The formula for calculating the QSP is detailed in the Project Agreement. The QSP comprises payments made to Exemplar Health by the State for the capital cost of delivering the New Facility including up-front financing costs (which have not been paid as part of the State Contribution), the cost of delivering the Services, interest rate service payments, and an equity return.

Abatement regime

Any failure by Exemplar Health to provide the Services or to have areas of the New Facility available in accordance with the Services Specification may constitute a ‘Service Failure’ and potentially result in a reduction of the QSP (in accordance with a pre-determined formula specified in the Project Agreement).

The Project Agreement categorises each service failure as either a:

- **Failure Event** – a service failure that affects one or more specific areas of the Precinct (including the New Facility and the Retained Buildings) or the Academic Precinct (excluding the Academic Precinct Buildings). Where certain defined events render the relevant area unavailable for use for its intended function it is deemed to be an ‘Availability Failure’; otherwise it is considered to be a 'Incident Failure; or

- **Quality Failure** – certain other service failures defined in the Service Specifications, most of which are generally not referrable to a specific area in the New Facility or Precinct.

A Failure Event is categorised depending on the severity of its potential consequences, taking into account the significance of the area affected and how important it is that the area be made available, for example, non-availability of an operating theatre attracts a larger reduction than a consulting room. This in turn will determine the response and rectification time that will apply. The abatement regime also recognises smaller failures that do not render a space unusable, but nevertheless impact on the ability to provide the required services.

Each Quality Failure event is categorised based on the nature, severity and level of priority. Each category specifies an appropriate response time and rectification time which Exemplar Health must adhere to (outlined in the Services Specification). Failure by Exemplar Health to respond and rectify any Quality Failure may result in abatement.

Changes in costs incurred by Exemplar Health (including Modifications and Changes in Law)

The State has flexibility to make changes to the New Facility over the Term of the Project Agreement. The State may, at its sole discretion, request Exemplar Health to implement modifications (to the Works/New Facility, Services or FF&E it is required to procure) provided the State adequately compensates Exemplar Health. This includes an ability to remove Works or Services from the Project scope. Under the modifications regime, Exemplar Health must provide an estimate of the cost impact of any modification proposed by the State in a manner which complies with the requirements of the Project Agreement. All costs must be provided on an open book basis.

The State may pay for the modification either by way of a lump sum, milestone payments, or an adjustment to the QSP (where the modification is financed by Exemplar Health). To provide greater transparency and certainty around modification costs, the Project Agreement specifies a range of pre-agreed margins and other on-costs Exemplar Health can claim in such circumstances.
A regime has also been established that will enable the State to request Exemplar Health to perform additional minor works without the need to invoke the modifications regime.

In addition to State-initiated modifications, the State must pay for cost increases arising from certain changes in law and policy above certain dollar thresholds outlined in the Project Agreement.

Subject to certain conditions, Exemplar Health may be entitled to performance relief under the Project Agreement and to payment by the State of certain additional costs and expenses incurred by it as a result of the following events:

- breach by the State of any Project Documents
- during the Design and Construction Phase, any act or omission of the State or relevant State-related parties (in their contracting capacities) other than any act or omission which is authorised or permitted under the Project Agreement
- during the Design and Construction Phase, remediation of contamination for which the State is responsible under the Project Agreement
- during the Design and Construction Phase, any failure by the State or Bendigo Health to undertake certain construction works in the Precinct and ICT works by specified dates
- during the Design and Construction Phase, any legal proceedings challenging the validity of any State authorisations or any change to an authorisation relating to the construction works being undertaken by Bendigo Health
- during the Operating Term, a malicious, unlawful or reckless act or omission by the State or relevant State-related parties in respect of the Project
- industrial action which directly affects the Project and which Exemplar Health can demonstrate is a direct result of an act or omission of the State or a State-related party at the Site other than any act or omission which is authorised or permitted under any Project Document
- suspension of any works or the delivery of the Services required by law or the State because of a native title claim or the discovery of artefacts that is not caused by an act or omission of Exemplar Health
- payment of the State Contribution following Commercial Acceptance of Stage 1.
2.7 Default, Termination and Step-In Regimes

Default

A default by Exemplar Health under the contractual arrangements will entitle the State to various remedies. Where a default has occurred, the State will in most circumstances be required to give Exemplar Health an opportunity to cure the default. If the default is not cured by Exemplar Health within the required cure period, it will escalate to a Major Default.

The Project Agreement also elevates a number of events to immediately be classified within the Major Default category (such as when there are persistent breaches or repeated Service Failures).

In respect of Major Defaults, Exemplar Health will be given the opportunity to agree a cure plan (if the default is capable of cure) or agree a prevention plan to prevent the default from recurring (in circumstances where the default is not capable of cure). Where Exemplar Health fails to cure the Major Default within the required cure period or to comply with an agreed cure or prevention plan (as applicable), this will generally, subject to Financier step-in rights, give rise to the State’s right to terminate the Project Agreement.

Certain events of default are so severe that they are not subject to a cure regime. They give rise to a State termination right immediately upon their occurrence (e.g. insolvency of Exemplar Health or failure to complete the Project by the specified Sunset Date). These events are called Default Termination Events.

Step-In

In addition to triggering termination rights (or potential termination rights), events of Major Default and Default Termination Events may trigger additional State rights and remedies including:

- the right to step-in to remedy the situation (i.e. the right to assume control and management of the Project, the Works or the Services)
- the right to require Exemplar Health to replace a subcontractor that caused the Major Default or Default Termination Event at an agreed point within the applicable cure period.

Step-in rights for the State, as specified in the Project Agreement, can be triggered when:

- a Major Default or a Default Termination Event has occurred and has not been cured
- there is an Emergency.

The default related step-in right is subject to any step-in rights the financiers may have. During any step-in associated with a default, the QSP will be abated to the extent that the Services are not being provided.

Termination

Where the Project Agreement is terminated before the natural expiry of the intended 25-year Operating Term, Exemplar Health may be entitled to a termination payment. The Project Agreement can be terminated as a result of the following:

- certain events of default
- a Force Majeure Termination Event (including an uninsurable event)
- voluntarily by the State.

The basis for the calculation of the termination payment will be determined by the reason for the termination as summarised in Table 7.
Table 7: Termination Options

<table>
<thead>
<tr>
<th>Event</th>
<th>Trigger</th>
<th>Termination Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Default Termination Event</td>
<td>The State may terminate the Project Agreement if certain events of default have occurred and not been remediated in accordance with the Project Agreement</td>
<td>The Project’s fair market value determined by tendering or an independent valuer. An independent valuer must be used in certain circumstances including where there is no liquid market.</td>
</tr>
<tr>
<td>Voluntary Termination</td>
<td>The State may at any time, for reasons of its own choosing, unilaterally elect to terminate the Project Agreement for convenience</td>
<td>The outstanding debt as at termination date plus the fair market value of the equity as assessed by the independent expert together with other reasonable costs.</td>
</tr>
<tr>
<td>Termination for Force Majeure</td>
<td>The occurrence of a Force Majeure Termination Event (including an uninsurable event for which the State does not act as the insurer of last resort)</td>
<td>The outstanding debt as at the termination date plus other agreed costs.</td>
</tr>
</tbody>
</table>

2.8 Finance

Exemplar Health is responsible for the provision of debt and equity finance for the Project. Its funding structure comprises senior debt drawn progressively from Financial Close and equity committed at Financial Close by way of an equity letter of credit, with the equity funding drawn down as a lump sum during construction.

As stated in Section 2.5, 75% of the forecast debt amount at Commercial Acceptance will be repaid by the State Contribution. The remaining debt is for an initial period of six years from Financial Close. It is assumed that debt will then be refinanced at regular intervals over the remainder of the Project term. The State will not share in any refinancing losses but will be entitled to 50 per cent of the benefit of any refinancing gain, after allowing Exemplar Health to recoup any prior refinancing losses.

Exemplar Health has retained the risk in relation to any market disruption events under the Project’s financing with its debt providers.

2.9 Fitness for Purpose

The Project Agreement contains a fitness for purpose test for the New Facility.
2.10 State Rights at Expiry of Contract

The Project Agreement requires Exemplar Health to hand back the New Facility and commercial developments to the State at the expiry of the Operating Term for nil consideration and in a condition that meets the requirements of the Project Agreement. The State will then resume full control of the New Facility and commercial developments.

To ensure that the assets are in sound working order, the New Facility will be independently inspected on an annual basis in the years leading to the expiry of the Operating Term to ensure that all lifecycle and maintenance works have been completed and that the New Facility will meet the relevant handback condition. The handback condition is described in the Project Agreement.

If Exemplar Health fails to maintain the New Facility to the standard required to satisfy the handback requirements, the State will be entitled to withhold a portion of the QSP to cover the expense of any shortfall.

2.11 Additional contract provisions

Changes have been incorporated in the various contractual documents to address lessons learned from the Ararat Prison Project during 2012. These initiatives strengthen the State’s position particularly in builder default scenarios. Key changes include:

- parent guarantees are provided by the ultimate Australian parent of the builder and facilities management subcontractor
- the parent company is a party to the Builder Direct Deed and FM Subcontractor Direct Deed
- performance bonds cannot be varied or assigned without the State’s consent
- government may raise any performance concerns directly with the project financiers
- subcontractors with valid claims are protected to receive priority payment ahead of financiers in certain circumstances
- a new provision to prevent a minority bank impeding decision making by limiting the circumstances is which unanimous bank group decisions are required in a builder default scenario.

2.12 Current Version

This document may be updated from time to time. Please check the Partnerships Victoria website at www.partnerships.vic.gov.au for the current edition.
Glossary

Terms used in this Project Summary have the meaning given to them in the Project Agreement unless otherwise defined in this Glossary or elsewhere in this document.

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bendigo Health</td>
<td>Bendigo Health Care Group</td>
</tr>
<tr>
<td>DH</td>
<td>Department of Health</td>
</tr>
<tr>
<td>Exemplar Health</td>
<td>The parties who executed the Project Agreement with the State being Exemplar Health (NBH) 1 as trustee for Exemplar Health (NBH) Trust 1 and Exemplar Health (NBH) 2 as trustee for Exemplar Health (NBH) Trust 2 and both on behalf of the Exemplar Health (NBH) Partnership</td>
</tr>
<tr>
<td>FF&amp;E</td>
<td>Furniture, fittings and equipment</td>
</tr>
<tr>
<td>NPC</td>
<td>Net Present Cost</td>
</tr>
<tr>
<td>Preferred Respondent</td>
<td>The successful tenderer for the Project</td>
</tr>
<tr>
<td>PPP</td>
<td>Public–Private Partnership</td>
</tr>
<tr>
<td>Project</td>
<td>Bendigo Hospital Project</td>
</tr>
<tr>
<td>Project Agreement</td>
<td>The <em>Partnerships Victoria</em> Bendigo Hospital Project Agreement entered into between Exemplar Health and the State dated 28 May 2013.</td>
</tr>
<tr>
<td>PSC</td>
<td>The Public Sector Comparator for the Project, being the risk-adjusted cost of the most likely efficient form of public sector service delivery that could be employed to satisfy all elements of the output specification.</td>
</tr>
<tr>
<td>QSP</td>
<td>Means the Quarterly Services Payment</td>
</tr>
</tbody>
</table>
Appendix 1 Useful references

Project documentation, including the Project Agreement, is available at: www.contracts.vic.gov.au

Partnerships Victoria policy guidance and Project information at: www.partnerships.vic.gov.au

The Department of Health website at: www.health.vic.gov.au

The Project website at: www.newbendigohospital.org.au
Appendix 2 Key contact details

Department of Health
Website: www.health.vic.gov.au
50 Lonsdale Street
Melbourne Vic 3000
Phone: (03) 9096 2786

Partnerships Victoria
Website: www.partnerships.vic.gov.au
Department of Treasury and Finance
1 Treasury Place
East Melbourne Vic 3002
Phone: (03) 9651 5111
Appendix 3 RFP Evaluation Criteria

The State evaluated each Proposal against the following Evaluation Criteria.

**Criterion A - Commercial**
The State evaluated the following criteria:

- **Commercial Solution** - the commercial solution including the intra-consortium commercial relationships and the level and appropriateness of any financial support
- **Commercial Departures** - the nature and extent of the proposed departures from the draft Contractual Documents.

**Criterion B - Financial**
The State evaluated the following criteria:

- **Funding Structure** - the appropriateness, competitiveness and flexibility of the funding structure
- **Certainty of Funding** - the certainty and robustness of funding
- **Financial Assumptions** - the robustness of the financial assumptions.

**Criterion C – Commercial Opportunities**
The State evaluated the appropriateness and value-for-money of the proposed Commercial Opportunities.

**Criterion D - Risk Adjusted Cost**
The State evaluated the whole-of-life, risk-adjusted cost of the Proposals by taking into account the financial and risk consequences of the each proposal.

**Criterion E – Master Plan and Architectural Design**
The State evaluated the following criteria:

- **Master Plan** - the appropriateness of the master plan for the Precinct
- **Architectural Form** – the external architectural form of the proposed design of the New Facility
- **Landscape** – the appropriateness of the quality and layout of the landscaping solution

**Criterion F – Functional and Operational Design**
The State evaluated the following criteria:

- **Functionality and Operational Efficiency** – the functionality and operational efficiency of the proposed design
- **Interior Design** – the appropriateness and quality of the proposed interior design
- **Engineering services** – the appropriateness and quality of the engineering and building infrastructure services
- **Flexibility and expansion capability** – the flexibility and expansion capability of the proposed design
- **Ecologically Sustainable Development** – how and the extent to which the Respondent has met the ESD requirements
- **Commercial Opportunities** – the design aspects proposed for any Commercial Opportunities
- **Departures** – the extent to which the Proposals depart from the requirements of the Output Specification.
Criterion G - Equipment
The State evaluated the process for Equipment selection and the appropriateness and quality of the selected furniture, fixtures, fittings and other Equipment.

Criterion H - Project Management
The State evaluated the following criteria:

- **Project Co management** – the resourcing, staffing structure, experience and approach of Project Co
- **Design Development Process** – the Respondent’s approach to the Design Development Process, including the coordination and management of user groups and the design team
- **Master Works Program** – the Respondent’s proposed timelines and program
- **Impact on Business Continuity** – the proposed methodologies and approaches to complying with the business interruption requirements and minimising any impact on the ongoing operation of the Existing Bendigo Hospital and other surrounding businesses within the Precinct.
- **Completion** - the appropriateness of the Respondent’s proposed Completion methodology.

Criterion I - Services
The State evaluated the following criteria:

- **Mobilisation** - the robustness of the Respondent’s proposed mobilisation plan for the implementation for the Services
- **General Services** - the Respondent’s understanding of the State’s requirements for specific sections of the General Services Specification and the appropriateness of the Respondent’s proposed systems, process and resources to comply with the General Service Requirements.
- **Management** – the proposed performance monitoring program, reporting and management structure proposed to manage the deliver of the required Services.
- **Service-specific solutions** - the service-specific solutions including proposed system, processes, flexibility and certainty of quality of Services delivery

Criterion J – Commitment to Victorian Industry Participation Policy (VIPP)
The State evaluated the Respondent’s VIPP commitments as detailed in the submitted LIDP.
Appendix 4 Public Interest Issues

The *Partnerships Victoria* Guidelines require that the public interest be considered from the early stages of the options appraisal and reviewed at key stages of the procurement stage through to the approval to enter into the Project Agreement.

As part of the finalisation of the tendering process the public interest test has been reviewed to ensure that the Project continues to comply. This review of the Project against the following eight elements of public interest:

- effectiveness
- accountability and transparency
- affected individual and communities
- equity
- consumer rights
- public access
- security
- privacy

**Bendigo Hospital Project - Public Interest Test – Contractual Close 28 May 2013**

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<tr>
<td><strong>Effectiveness</strong></td>
<td>The Coalition Government pre-election commitment (September 2010) to an expanded Bendigo Hospital Project as funded in 2011-12 Budget.</td>
<td>The Project is consistent with a number of State Government objectives and polices, including those specifically related to the provision of health services. The extent to which the Project meets or otherwise supports the achievement of relevant government objectives and policies is outlined below.</td>
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|         | Victorian Health Priorities Framework 2012 – 2022: Rural and Regional Health Plan. | A key relevant State Government policy is *Victorian Health Priorities Framework 2012 - 2022*. The Rural and Regional Health Plan sets the direction for the health system in rural Victoria, and for the Department of Health. The Project supports this policy to contribute to the achievements of government health priorities, improve Victoria’s health status and health experience and expanding services, workforce and system capacity by:  
  - develop new world class regional facilities to support ongoing quality care in the region rather than having to travel to Melbourne  
  - introduction of an integrated model of care  
  - providing improved access to services: cancer and mental health facilities are integrated with the new hospital, 24-hour emergency department and full scale intensive care unit  
  - introduction of an electronic medical record system  
  - enhanced working environment to attract doctors, nurses and other health practitioners to work at Bendigo Health |
| Working as One (Bendigo Health Service). | The Project will deliver on the objectives of the Working as One policy by:  
  - enhancing the health service delivery to be offered by Bendigo Health from a fully integrated new hospital  
  - implementing the new integrated model of care which will foster a positive culture that is team based and sustained by a staff development program  
  - improved support services will all non-core task undertaken by Project Co so that staff can focus on core health service delivery  
  - enhancement of teaching and training opportunities. |
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<td><strong>Accountability and transparency</strong></td>
<td>Do the partnership arrangements ensure that:</td>
<td>The Project’s Probity Advisor has monitored the tender process for adherence to probity principles and reported to Government at key project milestones. In addition the private sector proponents may contact the Project Probity Practitioner to raise any issues they may have. No issues were raised. The Auditor-General retains the right to view all material. Private sector proponents will have an opportunity to identify any elements of their bid that they deem to incorporate intellectual property or other trade secret information. The only notable limitation is where the State assesses the public interest in maintaining confidentiality against the public interest in disclosure. This is not a Project-specific limitation. The Health Services Commissioner:</td>
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<td>• the community can be well-informed about the obligations of government and the private sector partner</td>
<td>• helps people make their concerns known to health services providers</td>
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<td>• these can be overseen by the Auditor-General?</td>
<td>• protects people’s right of access to their health information</td>
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<td>• Service Agreements continue to be the principal mechanism used by the Department of Health to document and monitor the use of public funds.</td>
<td>• conciliates formally or informally, between consumers and providers of services.</td>
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<td></td>
<td>• Freedom of Information Act 1982.</td>
<td>• assists in the resolution of complaints.</td>
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<td>• Victorian Government Purchasing Board Probity Policy.</td>
<td>• uses information obtained and lessons learned to recommend improvements to services.</td>
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<td>• Best Practice Probity Advice Guidelines.</td>
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<td>• Victorian Auditor-General.</td>
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<td>• The monitoring role of the Health Services Commissioner in relation to the Department of Health and Project Co’s obligations and performance standards.</td>
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The final contract is tabled in Parliament and published on-line. The Project summary includes an explanation of the PPP contract. The Bendigo Health Annual Report is available on the website www.bendigohealth.org.au.
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| **Affected individuals and communities** | The Coalition Government is committed to open and effective community engagement  
Standards may include:  
• An appropriate public consultation process in relation to the Project and the preferred option;  
• Local government planning requirements; and  
• The Regional Development Victoria (RDV) framework (including the Victorian Industry Participation Policy). | A Community Engagement Framework is in place, and includes a Project website.  
Regular open community forums are held in Bendigo.  
Local government planning and heritage requirements have been considered.  
RDV has been consulted as part of Project development and facilitates the Industry Capability Network registrations for interested parties.  
Project Co is contractually obliged to comply with the approved Local Industry Development Plan. |
| **Equity**                          | The Project will be governed by the:  
• Equal Opportunities Act 1995;  
• Racial Discrimination Act 1975; and  
• Sex Discrimination Act 1974. | Physical constraints of the infrastructure design – by its very nature the design of the new hospital will accommodate people with special needs in terms of physical access and also special facilities for the culturally diverse community that use the hospital.  
The new hospital provides new/additional services and facilities and therefore improves upon the existing level of equity of access for the community of Bendigo and the Loddon-Mallee Region as measured relative to community access across Victoria as a whole.  
Contractual provisions include adequate safeguards to ensure that Project Co complies with all laws which include the common law and the principles of equity. |
## Bendigo Hospital Project - Public Interest Test – Contractual Close 28 May 2013

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<td><strong>Public Access</strong></td>
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<td>Bendigo Health will be the public operator of the new hospital and provider of clinical services therefore there will be no detrimental change to current levels of public access. The new hospital will service Victorian patients and families (particularly those from Bendigo and the Loddon Mallee Region) and will also provide services to interstate and international patients as required. Special-needs groups will continue to access services at the new hospital, consistent with State requirements. Contractual provisions include adequate safeguards to ensure the continued supply of services to the public.</td>
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<td>Are there safeguards that ensure ongoing public access to essential infrastructure?</td>
<td>Appropriate contractual arrangements in place The operator of the hospital will ensure there are adequate safeguards in place to ensure ongoing public access to the new hospital.</td>
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| **Consumer rights**          |                                                                          | The Public Hospital Patient Charter outlines the rights and responsibilities of patients while attending a public hospital in Victoria. It aims to support a partnership between patients and their health care providers by providing a clear statement of expectations that is understood by both patients and providers. Role of the Health Services Commissioner (as listed above). The Project will provide sufficient safeguards for service recipients through:  
  •  core services continuing to be provided directly by the public sector;  
  •  appointment of a competent service provider for the non-core services;  
  •  inclusion of performance standards required of the service provider (Project Co);  
  •  State step-in rights; and  
  •  requiring in the Project Agreement that Project Co comply with any relevant health legislation. Public information on hospitals is published on the Department of Health’s website. This information covers performance of the public hospital system including individual hospital performance in areas such as elective surgery access and emergency department performance. |
| Does the project provide sufficient safeguards for service recipients, particularly those for whom government has a high level of duty of care, and/or the most vulnerable? | Government’s non-delegable duties in relation to health services provision to all members of the community. Public Hospital Patient Charter. |                                                                                                                                                                                                                                                                                                                                           |
### Bendigo Hospital Project - Public Interest Test – Contractual Close 28 May 2013

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| Does the project provide assurance that community health and safety will be secured? | • State’s duty of care to the public.  
• Relevant laws and regulations covering OH&S requirements for Bendigo Health personnel.  
• Minimum performance requirements consistent with existing Bendigo Health obligations and contracts will be required. | • No change from current procedures.  
• The Project Agreement requires compliance with health and safety legislation.  
• The Project Agreement includes performance standards such as security response requirements required of Project Co. |
| **Privacy** |  |  |
| Does the project provide adequate protection of users’ rights to privacy? | • Freedom of information Act 1982.  
• Information Privacy Act 2000.  
• Health Records Act 2002.  
• Federal Privacy Act 1982. | The Project can provide adequate protection of users’ rights to privacy through:  
• Contractual obligations imposed on Project Co in relation to disclosure and use of confidential information;  
• Requiring relevant individuals to have passed police checks and working with children checks; and  
• Core services being provided directly by the public sector, limiting the amount of sensitive information disclosed to contractors or sub-contractors. |