

# Frankston Hospital Redevelopment Project Project Summary June 2022



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Authorised and published by the Victorian Government, 1 Treasury Place, Melbourne.

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Printed by Hornet Press, Knoxfield.

# Introduction

On 13 April 2022, the State Government of Victoria entered into a public private partnership (PPP) contract with Exemplar Health (Project Co) to deliver the Frankston Hospital Redevelopment Project (the Project).

The Project is being procured and will be delivered as a PPP under the Partnerships Victoria framework. Under this model, Project Co is responsible for the design, construction and financing of the Project, and the delivery of commercial development complementary to the hospital functions. Project Co will also provide facilities management services. The State, via Peninsula Health, will continue to operate and deliver clinical services to the redeveloped Frankston Hospital.

This Project Summary provides information about the contractual and commercial aspects of the Project and is divided into **three** parts.

**Part One** is an overview of the Project, including the rationale for PPP delivery, and summarises the:

- Project Objectives and scope
- Tender Process
- public interest considerations for the Project
- Project milestones.

**Part Two** details the financial outcomes of the Project, including the value-for-money assessment.

**Part Three** sets out 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 forms part of the Victorian Government's strategy for providing better services to all Victorians by expanding and improving Victoria's public infrastructure and service delivery. The Partnerships Victoria framework uses private sector expertise to design, finance, build, operate and maintain infrastructure projects. The framework consists of the National PPP Policy and Guidelines and supplementary Partnerships Victoria Requirements. Further information on the Partnerships Victoria framework is available at the [Partnerships Victoria website](https://www.dtf.vic.gov.au/infrastructure-investment/public-private-partnerships) <<https://www.dtf.vic.gov.au/infrastructure-investment/public-private-partnerships>>.

This summary should not be relied upon to completely describe the rights and obligations of the parties in respect of the Project, which are governed by the Project Deed and associated documents. The Project Deed and associated documents are available online at the [Buying for Victoria website](http://www.tenders.vic.gov.au) <[www.tenders.vic.gov.au](http://www.tenders.vic.gov.au)>.

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# Part One

## Project overview





Artist impression

# 1. Frankston Hospital Redevelopment Project

A world-class Frankston Hospital is instrumental to a thriving, liveable and prosperous Greater Frankston region, including the Mornington Peninsula.

The expanded and redeveloped Frankston Hospital will be an outstanding tertiary hospital that enables the delivery of exceptional healthcare to the communities of Frankston and the Mornington Peninsula.

As the largest hospital development ever in Melbourne's south-east, the redeveloped hospital will deliver a critical uplift in the long-term capacity of public health services in Melbourne's southern corridor, where demand for services continues to grow.

While the Project is a redevelopment of Frankston Hospital first and foremost, it provides an opportunity for Peninsula Health, as the major public healthcare provider for Frankston and the Mornington Peninsula, to enhance service delivery. The Project also seeks to establish a precinct that promotes engagement and connectivity and empowers the local community.

The Project will transform services and be a catalyst for change; supporting and driving health, learning and economic opportunities within Frankston and the surrounding areas and ensuring local communities have greater access to quality care closer to home.



*Artist impression*



## 1.1 Project background and context

Frankston Hospital operates as Peninsula Health's major public tertiary hospital, providing local communities with access to emergency and critical care services, complex and acute medical and surgical services, women's and paediatric services, acute mental health services and specialist consulting and community health services. In addition, the Frankston Hospital Campus (FH Campus) also currently houses the Frankston-based community health and dental service, as well as pathology, medical imaging services and pharmacy, and most of Peninsula Health's operational and executive team.

Built as a community hospital in 1941, Frankston Hospital has undergone periodic development over time. This has led to its current composition of multiple buildings of varying age and condition dispersed over large distances across the campus.

Frankston Hospital's ability to meet current and future demand for health services in the Frankston and Mornington Peninsula community has been challenged and now requires further infrastructure investment, given the:

- poor configuration of the existing facilities and severe dislocation in the arrangement of hospital services
- condition of ageing and outdated facilities that no longer meet contemporary expectations and standards
- inadequate capacity and efficiency of the hospital, which forces some patients to seek care a long way from their home and support networks.

The Project will therefore expand the existing Frankston Hospital and modernise and replan the FH Campus so that it not only continues to provide exceptional healthcare and meet growing demand, but also establishes a path for sustainable, long-term development into the future.

## 1.2 The Project

The works to take place at Frankston Hospital are the fourth stage of a progressive development of the FH Campus. The Project will contribute to addressing shortfalls in capacity, improve the hospital's ability to meet contemporary standards for optimal care and increase amenity on site.

A unique feature of the Project is the brownfield nature of the site and the need to seamlessly and effectively integrate the newly constructed facility with the existing campus.

The Project will transform services by adding capacity and delivering new acute facilities including, but not limited to:

- expanded women's and children's health services
- improved oncology facilities
- enhanced mental health services
- additional operating theatres
- an expanded emergency department, including provision of two state-wide initiatives (a Mental Health / Alcohol and Other Drugs (AOD) Hub and a Paediatric Zone).

The redeveloped Frankston Hospital will provide a full range of medical and surgical specialties for adult patients and children, with a focus on new models of care for treating patients as close to home as possible. The Project will deliver an enhanced functional and operational solution to address demand now and plan for the future.

The Project will replace outmoded inpatient units and provide a new and expanded medical imaging department.

The Project will not only provide more jobs and more clinical capacity, it will also support Peninsula Health in attracting new clinicians and staff to work at the hospital, serve as a key community resource and enhance connections across the precinct.

## 1.3 Project Vision and Objectives

### Project Vision



*Building on strong foundations, the redeveloped Frankston Hospital will be an agile, sustainable and connected world-class healthcare facility for the people of Frankston and the Mornington Peninsula.*

### Project Objectives

The State's objectives in delivering the Project are outlined below.



**Access to quality care:** improve access to safe, personal, effective and connected care, with an integrated approach to service delivery and a strong focus on the patient, families, staff and community experience across Peninsula Health.



**Wellness and health outcomes:** use evidence-based design to optimise and promote the physical and mental wellbeing of our patients, families, staff and community.



**Operational efficiency and flexibility:** support operational efficiency across the health service and provide for growth, innovation and adaptability in order to effectively respond to changing clinical practice, technology and service demand.



**Value for money and sustainability:** support development of a sustainable health service that optimises value for money and considers whole-of-life and a 'One Peninsula Health' approach to health service decision making.



**Community:** deliver a vibrant, accessible community asset that facilitates teamwork, learning and collaboration and world-class care, resulting in a healthy, supported community.

**Figure 1: Project area – precinct and local context**



## 1.4 Project Site and planning

Frankston Hospital is located at 2 Hastings Road, Frankston, approximately 50 kilometres south-east of Melbourne’s central business district and within the City of Frankston local government area. The FH Campus is triangular in shape and bounded by Hastings Road to the north and east, Yuille Street to the west and the George Pentland Botanic Gardens to the south.

The hospital is located in a health and education precinct and is adjacent to several parkland areas; Figure 1 shows the precinct and local context. Less than 1.2 kilometres from the heart of Frankston, the FH Campus is ideally located to connect with the Frankston CBD and other local health and education providers, while caring for patients in a setting within a local green wedge, with opportunities to connect with nature.

The hospital’s current main entrance in the east of the campus is accessed from Hastings Road. The redevelopment will transform the hospital, with a new clinical services tower and main entrance located in the western area of the campus accessible from Hastings Road and Yuille Street.

The FH Campus is accessible from transport infrastructure, having the following attributes:

- good road access and prominent street frontages on both Hastings Road and Yuille Street
- situated approximately one kilometre from Frankston Railway Station
- serviced by bus routes, including along Hastings Road and Yuille Street
- nearby off-road bicycle routes including Park Street and Frankston–Baxter Trail routes.

## 1.5 A public private partnership

The Project is an 'availability' PPP being procured under the Partnerships Victoria framework. This is a long-term service contract between the public and private sectors where, once the design, construction and commissioning of the facility have been completed, the State pays the private sector a service fee to maintain the infrastructure and perform the related facilities management services over the 25-year term. 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.

The decision to procure the Project as a PPP focused on achieving value-for-money outcomes by:

- allocating risks to the party, or parties, best placed to manage them, with the majority of design, construction, maintenance and facilities management services risks being transferred to the private sector, thereby incentivising innovative and efficient whole-of-life solutions
- increasing opportunity for the State to harness private sector innovation in complementary site activation to enhance the experience for hospital users and the broader community
- incentivising delivery of the Project on time and within budget. Timely delivery and budget certainty were important factors given the complexity of the works and the value of the Project.

Prior to the release of the Invitation for Expressions of Interest (EOI), a market sounding was undertaken with relevant industry participants, including sponsors and third-party equity investors, design and construction contractors and facilities management contractors. The feedback from this process supported the State's selection of a PPP model to deliver the Project and achieve the State's objectives.

## 1.6 Procuring agency and governance structure

The Minister for Health is the lead Minister for the Project. As such, primary accountability for ensuring the State's Project Objectives are met rests with the Department of Health (the department).

The Victorian Health Building Authority (VHBA), on behalf of the department, is the body responsible for delivering the Project. VHBA is responsible for overseeing all aspects of the Project, including stakeholder engagement, the conduct of the Tender Process, securing relevant planning approvals, oversight of construction delivery and ongoing contract management during the Operational Phase.

Peninsula Health will operate and provide all clinical services at the hospital.

A Steering Committee comprising representatives from the department, Department of Treasury and Finance, Department of Premier and Cabinet, and Peninsula Health has been established to oversee the Project and make recommendations to the Secretary and the Minister for Health.

A Project Planning Team has also been established and reports directly to the Steering Committee via the Frankston Hospital Redevelopment Project Director. The Project Planning Team comprises representatives from VHBA, Peninsula Health and the Department of Treasury and Finance.

## 1.7 Stakeholder engagement

VHBA has conducted extensive stakeholder and community engagement activity during the Project's development, as outlined in Table 1.

**Table 1: Stakeholder consultation**

| Project Stakeholders   | Description   |
|--|---|
| Peninsula Health   | VHBA has collaborated with Peninsula Health since the commencement of the planning phase and throughout the Tender Process. As operator of the hospital, Peninsula Health has been and will continue to be a key stakeholder in the Project's governance structure for the term of the Project.   |
| Frankston City Council (Council)   | As a key stakeholder, Council has been engaged from the commencement of the planning phase, including in relation to the development of the Project's Value Creation and Capture Plan, community engagement and other relevant local issues such as planning, carparking and impacts on local roads.  |
| Chisholm Institute and Monash University   | As key precinct stakeholders, Chisholm Institute and Monash University have been engaged from the commencement of the planning phase, including in relation to the development of the Project's Value Creation and Capture Plan and community engagement.   |
| Other government departments (including Department of Jobs, Precincts and Regions, Department of Environment, Land, Water and Planning, and Department of Transport) | VHBA has engaged with government departments throughout the planning and procurement phases of the Project, as relevant, including in relation to matters such as land title and planning, the Frankston Health and Education Precinct, the Project's Value Creation and Capture Plan, Local Content requirements, and planning.<br><br>The Office of the Victorian Government Architect, Treasury Corporation of Victoria and the Victorian Managed Insurance Agency have provided advisory support during the Tender Process. |
| Community of Frankston and the Mornington Peninsula  | VHBA and Peninsula Health have also undertaken community engagement in relation to the Project. Due to the pandemic, this has been primarily through letterbox drops, community surveys and consumer representation in the development of the Project.<br><br>There is strong support for the Project in the community.   |



IMAGING  
← PHARMACY  
TOILETS





Artist impression

## 2. Tender Process

The State conducted a competitive Tender Process to select a private sector party to deliver the Project. The Tender Process was implemented in accordance with the Partnerships Victoria framework to ensure the State received the best value-for-money outcome. The Tender Process involved three phases:

- **Expression of Interest (EOI) Phase** – releasing the Invitation for EOI and then selecting shortlisted Respondents.
- **Request for Proposal (RFP) Phase** – issuing an RFP to shortlisted Respondents, an intensive interactive tender process, shortlisted Respondents submitting Proposals, and clarifying and evaluating the Proposals.
- **Negotiation and Completion Phase** – the appointment of a Preferred Respondent and the conduct of an exclusive negotiation phase to resolve all issues to the satisfaction of the State, leading to execution of the Project Deed and associated documents and the achievement of Contract Close and Financial Close.

### 2.1 Tender Process governance

The State established a formal evaluation and governance structure to oversee the EOI and RFP evaluation processes. Separate evaluation panels supported by specialist evaluation sub-panels and/or advisory groups, whose members were specifically selected for their skills in a particular area, conducted the EOI and RFP evaluations.

The specialist evaluation sub-panels that undertook the RFP evaluation comprised:

- a Commercial and Legal Sub-Panel that evaluated the commercial, financial, contractual, value creation opportunities and insurance aspects of the Proposals
- a Design and Technical Sub-Panel that evaluated the master plan, design, architectural, engineering, Ecologically Sustainable Development (ESD), project management, equipment and related aspects of the Proposals





- a Services Sub-Panel that evaluated the facilities management aspects of the Proposals
- a Government Policy Requirements Sub-Panel that evaluated the government policy, communications, industry development and jobs outcomes aspects of the Proposals.

Specialist working and user groups, Project advisers and other government agencies supported the evaluation panel and sub-panels as relevant during the RFP evaluation phase.

The respective evaluation panels were responsible for making recommendations concerning the EOI and RFP evaluation to the Project Steering Committee.

## 2.2 Probity

The Tender Process was undertaken within a robust probity framework, endorsed by the Project's probity advisor, which focused on:

- accountability of the participants and transparency of the process
- fairness and impartiality in carrying out the process
- identification and management of actual, potential and perceived conflicts of interest
- maintenance of confidentiality and security of documentation and information.

In addition, the Project had regard to and abided by the *Public Administration Act 2004* (Vic) and all other relevant government tendering policies, with public officials required to comply with the *Code of Conduct for Victorian Public Sector Employees*.

At the completion of the Tender Process, the probity advisor confirmed it was not aware of any material probity risks that had not been appropriately managed in accordance with applicable requirements.

## 2.3 Evaluation process

Refer to Appendix B for the Evaluation Criteria and Sub-Criteria applied in assessing Proposals. To assist Respondents in preparing their Proposals, the State provided the relative weightings of each Evaluation Criterion and Sub-Criterion in the RFP.

## 2.4 Tender Process milestones

The Tender Process milestone dates are outlined in Table 2.

**Table 2: Tender Process – key dates**

| Milestone                               | Date              |
|---|-------------------|
| <b>EOI Phase</b>                        |                   |
| Invitation for EOI issued               | 22 September 2020 |
| EOIs submitted                          | 22 October 2020   |
| Shortlist of Respondents announced      | 21 January 2021   |
| <b>RFP Phase</b>                        |                   |
| RFP issued                              | 8 April 2021      |
| Proposals submitted                     | 7 September 2021  |
| <b>Negotiation and Completion Phase</b> |                   |
| Preferred Respondent announced          | 1 February 2022   |
| Contract Close                          | 13 April 2022     |
| Financial Close                         | 14 April 2022     |

## 2.5 Project advisors

The State appointed the following advisors to assist in delivering the Project.

**Table 3: Project advisors**

| Role                                 | Advisor                                   |
|--------------------------------------|---|
| Commercial and Financial Advisor     | KPMG                                      |
| Legal Advisor                        | MinterEllison                             |
| Probity Advisor                      | RSM Australia                             |
| Architect and Health Planner Advisor | Jacobs Group                              |
| Engineering Advisor                  | Integral Group                            |
| Cost Consultant                      | MBM                                       |
| Facilities Management Advisor        | RixStewart                                |
| Technology Advisor                   | UT Consulting                             |
| FF&E Advisor                         | Hospitech Facilities and Asset Management |

## 3. Tender Process outcomes

### 3.1 Shortlisted Respondents

Four conforming EOIs were received, and three Respondents were selected to proceed to the RFP Phase:

- Exemplar Health, comprising Capella Capital, Lendlease, Honeywell and Compass
- Plenary Health, comprising Plenary Group, Multiplex and Spotless
- Pulse Health Partnership, comprising John Laing, BESIX Watpac and Serco.

### 3.2 Successful Respondent

On 1 February 2022, following an extensive evaluation process, Exemplar Health was announced as the Preferred Respondent to enter into exclusive negotiations with the State to deliver the Project. Exemplar Health's offer was assessed as providing value and being affordable relative to the Public Sector Comparator, and delivering the best overall value for money relative to the other two Respondents' Proposals.

The State subsequently negotiated with Exemplar Health to resolve all identified issues to the satisfaction of the State, and the Project Deed and associated documents were executed on 13 April 2022.

### 3.3 Key components of the Project

The Project comprises the design and construction of a new acute health services tower, refurbishment of some existing buildings, a new carpark including multideck carparking, improvements to grounds and gardens, and associated site and external infrastructure (utilities and roadworks infrastructure external to the Project Site).

The Project also includes the provision of:

- facilities management services for the 25-year Operational Phase to each of the Maintained Assets
- cleaning, gardening and other services to the FH Campus
- facilities management help desk, security services and access control services to the FH Campus and other Peninsula Health sites
- commercial and other value creation opportunities which are complementary to the hospital and support the State's Value Creation and Capture Framework.

#### 3.3.1 Scope

The Project includes capacity for 580 Points of Care<sup>1</sup> comprising:

- 502 Points of Care (443 beds) fitted-out on commencement of operations
- 78 Points of Care in shell space for future expansion.

This is capacity for an additional 102 Points of Care compared with the State's minimum briefed requirements of 478 Points of Care.

<sup>1</sup> A measure of hospital capacity comprising inpatient beds and acute facilities.

**Table 4: Frankston Hospital Redevelopment Project Points of Care**

| Points of Care to be delivered         | Total at opening | Shell     | Total capacity |
|--|------------------|-----------|----------------|
| <b>Inpatient Unit Beds</b>             |                  |           |                |
| Medical/Surgical/Oncology – Fitted Out | 288              | 32        | 320            |
| <b>Emergency Department</b>            |                  |           |                |
| ED Short Stay Unit                     | 15               | 0         | 15             |
| ED Paediatric Zone                     | 12               | 0         | 12             |
| ED Mental Health / AOD Hub             | 5                | 0         | 5              |
| ED Replaced Acute Bays                 | 9                | 0         | 9              |
| <b>Maternity and Paediatrics</b>       |                  |           |                |
| Inpatient Unit Beds – Maternity        | 32               | 0         | 32             |
| Birthing Rooms                         | 9                | 2         | 11             |
| Fetal Death in Utero                   | 1                | 0         | 1              |
| Pregnancy Assessment Rooms             | 6                | 0         | 6              |
| Induction Rooms                        | 3                | 2         | 5              |
| Special Care Nursery                   | 18               | 6         | 24             |
| Inpatient Unit Beds – Paediatric       | 20               | 4         | 24             |
| <b>Cancer Services</b>                 |                  |           |                |
| Day Chemotherapy Chairs                | 20               | 4         | 24             |
| <b>Mental Health Services</b>          |                  |           |                |
| Mental Health Inpatient Unit Beds      | 48               | 0         | 48             |
| ECT Suite – Procedure Room             | 1                | 0         | 1              |
| <b>Other Areas</b>                     |                  |           |                |
| Operating Theatres                     | 15               | 2         | 17             |
| Intensive Care Unit                    | 0                | 26        | 26             |
| <b>Total Points of Care</b>            | <b>502</b>       | <b>78</b> | <b>580</b>     |

At its core, the redevelopment delivers a new acute services tower with 12 clinical floors and six-storey podium that seamlessly connects to the existing hospital buildings.

The Project will replace outmoded inpatient units, replace and enhance women’s and children’s services (including a new maternity ward, obstetrics ward, women’s clinic, paediatric ward and special care nursery) and provide new spaces for mental health and oncology services.

A cornerstone of the Project is an all-new suite of 15 fully fitted-out operating theatres and support spaces on a single floor, ensuring effective integration of the old and new areas of the hospital. The Project will replace dated, poorly located and inefficient operating theatres.

The emergency department will be expanded and redeveloped, including the delivery of two statewide initiatives – a Mental Health / AOD Hub and a paediatric zone.<sup>2</sup>

Commensurate with increases in inpatient capacity, there will be growth in the clinical support services of medical imaging and pharmacy, a new hospital kitchen, new mortuary, expanded loading docks, a new rooftop helipad and a multideck carpark.

The Project responds to COVID-19 lessons learned, including inpatient units that can operate in pandemic mode, the incorporation of 100 per cent single pass fresh air, and additional negative pressure isolation rooms for safer patient care in a pandemic.

<sup>2</sup> The Commonwealth Government has contributed \$10 million for the development of the new paediatric zone.

The Project also responds to the recommendations of the Royal Commission into Victoria's Mental Health System by providing four additional mental health beds, effective separation of gender and other vulnerable cohorts, a higher ratio of high-dependency beds to standard beds than currently exists, and delivery of the Mental Health / AOD Hub. Mental health consumer representatives with lived experience will be actively involved in the co-design process for the mental health facilities.

Additional community benefits include a childcare centre, community centre and better transport links.

The additional value being delivered above the State's minimum briefed requirements is further detailed in Sections 3.4 and 4.4.

### 3.3.2 Services

In accordance with the PPP contracting model, Project Co will be responsible for delivery of facilities management services (including asset lifecycle replacement) to the Project as set out in further detail in Section 10.3.

Frankston Hospital forms part of an integrated network of hospitals operated by Peninsula Health and clinical staff regularly move between hospital sites. The management of security and access control systems across the entire Peninsula Health network is also included within the PPP scope.

At all times, the redeveloped Frankston Hospital will continue to be a public hospital, with all clinical health services operated and provided by Peninsula Health.

## 3.4 Value Creation and Capture Framework

The State is committed to the Value Creation and Capture Framework to maximise the value created from its investment in the Project. This policy provides a framework to identify economic, social and environmental benefits above and beyond what would otherwise be achieved as a direct consequence of the Project.

As a result of the application of this framework to create the Value Creation Objectives (refer Table 5), an extensive range of value creation and capture initiatives will be delivered, including commercial opportunities and other benefits. A number of these are noted in Section 3.3.1 and discussed here.

### 3.4.1 Commercial opportunities

A range of value creation opportunities will be provided, including commercial opportunities which deliver more amenity for staff, patients and visitors and provide services for the benefit of the community. These opportunities are located within the new tower, in existing hospital buildings, and in new buildings across the FH Campus.

The commercial opportunities include:

- a new childcare centre
- a retail pharmacy
- expanded food and beverage outlets
- convenience retail.

### 3.4.2 Other value creation and capture benefits

The Project will also provide:

- a new community centre
- a cultural welcome area<sup>3</sup>
- expanded landscaping
- relocated bus stops to improve public access to the hospital
- a new pedestrian crossing at Yuille Street
- traffic lights at the major Hastings Road intersection.

Table 5 outlines the value creation and capture initiatives included in the Project in response to the Value Creation Objectives.

<sup>3</sup> A cultural welcome room close to the new main entrance will be a space for ceremonies, community education and quiet reflection.

**Table 5: Achievement of value creation**

| Value Creation Objective  | Description of value creation initiatives in the Proposal   |
|---|---|
| <p>Improve population health outcomes for the local community</p>                       | <p>The Project provides additional scope that facilitates improved health outcomes through greater ability to respond to service demand.</p> <p>A consolidated theatre complex, additional inpatient units and a new, connected Intensive Care Unit, together with space for expansion, are fundamental to providing a facility that can respond to future demand and improve health outcomes for the local community.</p> <p>A new kitchen to service increased bed capacity and expanded and enhanced logistics and waste management facilities also provide for the longer term.</p> <p>The new community centre will be an inviting place for the community, with a focus on assisting those who struggle with mental health issues. Social activities and programs will contribute to community development and enhanced wellness outcomes.</p>  |
| <p>Improve economic growth through increased productivity and employment</p>            | <p>The Project is expected to create up to 1,700 jobs in construction and in new employment opportunities within the healthcare sector, through:</p> <ul style="list-style-type: none"> <li>• the significant expansion of clinical services at the new hospital</li> <li>• investment by ancillary and specialist health services relocating to the area.</li> </ul> <p>The quality of the facility will improve retention of existing staff and attract new staff. As noted in Section 3.5, Exemplar Health’s Proposal exceeds the State’s minimum Local Jobs First Policy and Social Procurement requirements.</p> <p>Exemplar Health’s social procurement and workforce development model, called ‘The Exchange’,<sup>4</sup> will offer job-seeking services, programs and targeted support for priority groups. Partner organisations will provide information, advice and guidance to certified First Nations organisations, social enterprises and local small and medium enterprises seeking to tender for work packages on the Project. A coordinated approach will focus on long-term capacity building, providing lasting benefits for individuals and the economy.</p> |
| <p>Improve local development and implementation of research, education and training</p> | <p>The Project will provide the community with the opportunity to engage with and benefit from the redevelopment of the hospital, maximising opportunities for local industry development and participation, and training and employment of local people.</p> <p>It will foster collaboration with local stakeholders to build regional capability and improve economic participation, competitiveness and productivity.</p> <p>Additional collaboration space within the existing hospital will increase its capacity for research, education and training.</p> <p>The new community centre will be an outstanding venue for people to access resources which will support improved education and employment outcomes, including through a range of partnerships with local community providers.</p>   |

<sup>4</sup> The Exchange will be led by the D&C Contractor (Lendlease).

| Value Creation Objective   | Description of value creation initiatives in the Proposal  |
|--|--|
| <p>Increase social capital through improving connectivity, regional morale and the reputation of Frankston</p> | <p>The Project will strengthen the reputation of Frankston Hospital and the City of Frankston through additional scope and modern design, further positioning Frankston Hospital as a major healthcare campus capable of responding to the community it serves.</p> <p>The redeveloped hospital has been master planned to connect the east and west ends of the campus with safe and landscaped pathways, improving wayfinding and engaging community members through connections to adjacent and nearby community assets.</p> <p>A focus on local operators providing healthy food and beverage offerings and increased staff and visitor amenity will promote a higher quality working environment and improved social capital.</p>   |
| <p>Enhance public amenity for the Frankston Hospital Campus and linkages to the surrounding area</p>           | <p>The Project will deliver a vibrant community asset that will improve social and civic amenity.</p> <p>Public-facing retail tenancies on Yuille Street will create a local 'street' that encourages users to continue their journey to the Botanic Gardens or north to Frankston CBD. They will also provide a level of natural surveillance and support crime prevention through environmental design.</p> <p>A high-quality childcare centre located close to staff parking and playgrounds will improve amenity for parents working at the hospital and contribute to a sense of pride in the FH Campus.</p>  |
| <p>Increase environmental capital through more efficient use of natural resources</p>                          | <p>The Project provides an environmentally responsive and holistic design that will deliver outstanding energy, water and cost savings to the State. Key environmental outcomes include an all-electric energy solution for the new tower (see also Section 4.4).</p> <p>The Project will deliver a sustainable and resilient hospital, improving staff and patient experiences, reducing environmental impacts in line with State government policy, and lowering operating costs.</p>  |
| <p>Improve design quality in the built environment</p>   | <p>The Project design will deliver a facility that encourages and supports community members to engage with and participate in their care regime. The design embraces and builds on the hospital's unique location and surrounding natural beauty to provide a healing environment that supports and welcomes patients, visitors and staff.</p> <p>The master plan allows for optimised functional relationships, simplifying patient journeys and improving the safety and efficiency of patient care. It integrates the new tower with the existing hospital, considers the best long-term use of, in some cases, aged assets, and enables future expansion.</p> <p>The Project will deliver an improved working environment for staff through additional breakout spaces, access to external areas and daylight.</p> <p>Peninsula Health staff and consumer representatives will be key participants in the design process.</p> |

### 3.5 Other government policy outcomes

Exemplar Health has committed to exceed all of the jobs and social procurement targets in the State's minimum briefed requirements, as summarised below.

**Table 6: Government policy outcomes**

| Government policy outcome                                | Minimum requirement briefed in the RFP | Contracted outcome  | Exceeded requirement  |
|--|--|---|---|
| Local Content – Development Activities                   | 91%                                    | 91.6%   | 0.6%  |
| Local Content – Services                                 | 80%                                    | 89.08%  | 9.08%   |
| Local Content – Furniture, fittings and equipment        | 40%                                    | 40.62%  | 0.62%   |
| Major Projects Skills Guarantee – Development Activities | 10%                                    | 11.1%   | 1.1%  |
| Social Procurement Target                                | 1.5% of D&C price                      | 2.14% of D&C price in Development Phase   | 0.64%   |
| Sub-targets:   |  | Expenditure of \$500,000 per annum on Social Procurement in Operational Phase   | Expenditure of \$500,000 per annum on Social Procurement in Operational Phase   |
| • Aboriginal business procurement                        | 1% of D&C price                        | 1.6% of D&C price   | 0.6% of D&C price   |
| • Disability procurement                                 | Incl below                             | 0.18% of D&C price  | 0.18% of D&C price  |
| • Social enterprise procurement                          | 0.3% (incl disability)                 | 0.36% of D&C price  | 0.06% of D&C price  |
| Victorian Aboriginal Participation                       | 2.0% of hours                          | 2.2% of hours in Development Phase<br>2.0% of hours in Operational Phase  | 0.2% of hours in Development Phase<br>2.0% of hours in Operational Phase  |
| Victorian disability employment                          |  | Indirect participation in Development Phase through social enterprises<br>Operational Phase included below                        | Indirect participation in Development Phase through social enterprises<br>Operational Phase included below                        |
| Employment and Training of Disadvantaged Victorians      |  | Indirect participation in Development Phase through social enterprises<br>5% of hours in Operational Phase (including disability) | Indirect participation in Development Phase through social enterprises<br>5% of hours in Operational Phase (including disability) |
| Public Housing Tenant Employment Program                 | Minimum 6 public housing tenants       | 6 public housing tenants in Development Phase<br>4 in Operational Phase   | 4 public housing tenants in Operational Phase   |

### 3.6 Public Interest Test

The State assessed the extent to which the Project was in the public interest prior to entering into the Project Deed. The analysis was undertaken in accordance with Partnerships Victoria guidance on evaluating whether a project meets the public interest. The assessment was made against criteria such as public access and security and consumer rights, and concluded that, on balance, the Project was in the public interest. Refer to Appendix C for the Public Interest Test.

### 3.7 Contract milestones

The key contract milestones for the Project are set out below.

**Table 7: Key milestones**

| Milestone                                     | Target date                    |
|---|--------------------------------|
| Contract Close                                | 13 April 2022                  |
| Financial Close                               | 14 April 2022                  |
| Technical Acceptance                          | 21 October 2025 <sup>5,6</sup> |
| Commercial Acceptance                         | 16 January 2026                |
| Service delivery/<br>Operational commencement | 17 January 2026                |
| Final Acceptance                              | 22 December 2026               |
| Community centre completion                   | 3 December 2027                |
| Childcare centre completion                   | 11 February 2028               |
| Contract Expiry Date                          | 16 January 2051                |

<sup>5</sup> Following the opening of the tower, several areas within the existing hospital will be refurbished throughout 2026. The new community centre will open in late 2027 and the new childcare centre shortly after.  
<sup>6</sup> The expansion and upgrades of the emergency department and early access to the multideck carpark will be provided as those areas become available, in advance of Technical Acceptance.





**Part Two**  
Financial outcomes





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## 4. Value for money

### 4.1 Overview

The Partnerships Victoria framework seeks to identify and implement the most efficient form of infrastructure and service delivery. The concept of value for money goes beyond selecting the cheapest solution, focusing on the value of each aspect of a Proposal received from the private sector. This involves an in-depth analysis of each Proposal and comparison against a State-managed delivery option. The evaluation considered quantifiable elements (items that can be quantified in monetary terms) as well as qualitative considerations.

### 4.2 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 output specification and risk allocation proposed for the public private partnership and is based on the most likely and efficient form of conventional (that is, non-PPP) delivery by the State.

The PSC is expressed in terms of the Net Present Cost (NPC) to the State, calculated using a discounted cash flow method taking full account of the costs and risks that would arise through State delivery.<sup>7</sup> The PSC includes amounts for the design, construction and provision of the Services to the hospital, as set out below.

**Table 8: Components of the PSC**

| Components of the PSC  | NPC (\$ million) |
|--|------------------|
| Raw capital cost   | 468.8            |
| Raw lifecycle and operating costs                              | 1,375.1          |
| <b>Raw PSC</b>   | <b>1,843.9</b>   |
| Transferred risks  | 254.5            |
| <b>Proposal-comparable PSC (excluding State-retained risk)</b> | <b>2,098.4</b>   |

1. All numbers are expressed in NPC values as at 31 March 2022.
2. In accordance with the National PPP Policy and Guidelines, a risk-free rate of 3.16 per cent was used in calculating the net present value of the PSC and its components. This risk-free rate reflects the one-month daily average of the 10-year Treasury Corporation of Victoria bond interest rate at 14 April 2022.

<sup>7</sup> The PSC is expressed in NPC terms, includes facilities management and whole-of-life costs, and relates only to the Project scope as described in the RFP if delivered by the State.

3. The raw PSC represents the base raw costs to the State to deliver the Project. The term 'raw' refers to the estimate of costs to the State of delivering the Project before taking into account adjustments for competitive neutrality (where applicable) and risk.
4. While the PSC typically includes an adjustment for 'competitive neutrality', where necessary, to remove the net competitive advantages or disadvantages that accrue to government by virtue of its public ownership, a competitive neutrality adjustment is not applicable to this Project.
5. The Proposal-comparable PSC includes transferred risk estimates but excludes State-retained risk estimates to facilitate a like-for-like comparison with the Exemplar Health Proposal.

### 4.3 Net Present Cost of Exemplar Health Proposal

The quantitative value-for-money assessment for provision of the hospital, together with Exemplar Health's commercial opportunities offer, is demonstrated by the estimated savings between the PSC and the private sector contract cost. As shown below, the Exemplar Health Proposal demonstrates estimated savings of \$10.5 million in NPC terms against the Proposal-comparable PSC.

**Table 9: Value-for-money comparison – Proposal-comparable PSC versus final Exemplar Health Proposal**

| PSC (NPC, \$m) | Private sector contract (NPC, \$m) | Estimated savings (NPC, \$m) | Estimated savings (%) |
|----------------|------------------------------------|------------------------------|-----------------------|
| 2,098.4        | 2,087.9                            | 10.5                         | ~0.5%                 |

1. All non-percentile numbers are expressed in NPC values as at 31 March 2022.
2. In accordance with the National PPP Policy and Guidelines, a Proposal evaluation discount rate of 5.26 per cent was used in calculating the NPC of the Monthly Service Payments under the private sector contract.

## 4.4 Additional value-for-money benefits

In addition to meeting all of the State's requirements for the Project at a price that is \$10.5 million (NPC) less than the State's PSC, Exemplar Health's Proposal also includes a significant number of additional benefits for the State, hospital users and the broader community, setting new standards for patient-centred care for the communities of Frankston and the Mornington Peninsula. The additional benefits are:

- **Capacity beyond RFP minimum scope requirements:**

- Exemplar Health's Proposal provides additional capacity beyond the minimum scope requirements specified in the RFP to future-proof and improve hospital operations, enabling the hospital to seamlessly expand and adapt over time with minimal impact on hospital operations. The additional capacity comprises:
  - **Additional day 1 capacity: 502 Points of Care** on operational commencement, being 24 more than the State's minimum briefed requirements for day 1, enhancing operational efficiency and accommodating future demand, including:
    - > more birthing rooms and inpatient paediatric beds
    - > 64 fitted out additional inpatient beds that had been allocated as shell space
    - > delivering an all-new suite of 15 fully fitted-out operating theatres and support spaces (far exceeding the State's briefed requirement of three new theatres<sup>8</sup>) on a single floor, helping achieve the effective integration of the old and new areas of the hospital
    - > the fitout of clinical staff areas (originally briefed as shell space) and an additional multipurpose room on each inpatient floor
    - > a new hospital kitchen, new mortuary, expanded loading docks and a new rooftop helipad
    - > a variety of retail and food outlets for visitors and staff.
  - **Capacity for future expansion:** shell space for future expansion of 78 Points of Care for:

- > an additional 32-bed inpatient unit and 26-bed Intensive Care Unit
- > additional birthing rooms, induction rooms and special care nursery cots
- > more day-chemotherapy chairs and inpatient paediatric beds
- > two further operating theatres.

- **Responds to lessons learned from the COVID-19 pandemic:** the hospital design incorporates a range of measures including:

- enhanced mechanical systems, including 100 per cent fresh air ventilation
- additional isolation rooms
- a flexible design with the capability to segregate some patient areas in pandemic mode.

- **ESD:** The new hospital will be a model of environmental sustainability, delivering the following additional measures to support long-term sustainability and improved patient outcomes:

- an all-electric energy solution for the new facility that supports the State's Net Zero by 2050 target (a first for a major Victorian hospital project)
- carbon-neutral certified construction
- innovative water and energy-saving technologies (including more than 800 kVA solar panel capacity).

- **Value creation and capture:** The Project will create a state-of-the-art healthcare precinct delivering a highly integrated and valuable community asset. A range of commercial and other initiatives will activate the site and provide amenity for hospital staff, users and the broader community; these are set out in Section 3.4. They include a new community centre, a new childcare centre, an expanded range of food and beverage outlets, and new bus stops to improve public access. Traffic safety measures include a new pedestrian crossing on Yuille Street and traffic lights at the main Hastings Road intersection.

- **Employment and economic growth:** The Project will support up to 1,700 jobs in construction and new job opportunities for healthcare workers and attract new investment through ancillary and specialist health services relocating to the area.

<sup>8</sup> In addition to the briefed requirement, there are an additional four new theatres, the replacement of eight existing theatres and shell space for a further two theatres.

During delivery, Exemplar Health will establish 'The Exchange' to drive social and economic value by bringing together contractors, their supply chains and local industry to collaborate with education and training providers, government agencies, clients, job candidates and local community organisations to leverage opportunities presented by the Project to deliver significant, sustainable benefits at a community and individual level.

**Other government policy outcomes:** The Project will be a catalyst for local jobs, business and social benefit opportunities focused across Frankston and the Mornington Peninsula. Exemplar Health's Proposal exceeds each of the targets set by the State – refer to Section 3.5 for an outline of the range of further social and economic benefits expected to be generated by the Project.

## 4.5 Other revenues and costs

The Project involves revenues and costs not included in the NPC of Exemplar Health's Proposal, as outlined below.

### 4.5.1 Additional revenues

Peninsula Health will derive the following revenues from the Project:

- carparking revenue from the new multideck carpark<sup>9</sup>
- a portion of revenue realised from the commercial opportunities (including food and beverage outlets and retail) within the hospital, where actual revenue in any year exceeds a set threshold
- an annual contribution by Exemplar Health toward the operation of the community centre.

<sup>9</sup> Carparking revenues from the new multideck carpark do not form part of the PPP project scope and are retained by Peninsula Health.



#### 4.5.2 Additional costs

The State has or will meet a range of costs including:

- Tender Process transaction costs including the Project team and Project advisors
- contract management costs of administering the Project Deed and associated documents
- costs pertaining to State-retained risks.



## 5. Monthly Service Payments and revenues

The payment mechanism for the Project is generally consistent with the mechanisms developed in precedent 'availability' PPP hospital projects and is structured to deliver performance, innovation and value for money. The cash flows between the State and Project Co are made during the Operational Phase and comprise payments by the State to Project Co (the Monthly Service Payment or MSP).

### 5.1 Monthly Service Payment

The MSP is determined in accordance with a defined formula that reflects a traditional PPP payment mechanism, alongside a performance regime calibrated for project-specific costs and activities. The MSP encompasses both the capital and operating elements of the Project and is net of the underwritten revenues attributable to the commercial opportunities.



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The key components of the MSP are outlined below.

**Table 10: Components of the MSP**

| Monthly Service Payment component   | Description  |
|-------------------------------------|--|
| Non-reviewable Services (unindexed) | <p>Represents the capital component of the MSP and reflects payment associated with the repayment of finance costs (debt and equity) used to fund Project Co's cost of developing the hospital (predominantly the cost of construction).</p> <p>The value of this payment does not escalate over the Operational Phase.</p>  |
| Lifecycle (indexed)                 | <p>Reflects costs associated with Project Co's asset refurbishment and replacement across the asset lifecycle.</p> <p>The real value of this component indexes at a combination of CPI and WPI over the Operational Phase, with a payment profile reflecting the anticipated asset lifecycle replacement schedule.</p>   |
| Reviewable Services (indexed)       | <p>Represents payment for Project Co's costs for the delivery of what is typically referred to as soft facilities management services. For the Project, it includes waste management, cleaning, security, pest control and grounds and gardens maintenance (Reviewable Services). This component is periodically adjusted every five years during the Operational Phase as a result of benchmarking the Reviewable Services costs.</p> <p>The real value of this component indexes at a combination of CPI and WPI over the Operational Phase.</p> |
| Non-reviewable Services (indexed)   | <p>Reflects Project Co's other Operational Phase costs, including building management services that are not subject to periodic pricing adjustments and are instead fixed for the contractual term.</p> <p>The real value of this component indexes at a combination of CPI and WPI over the Operational Phase.</p>  |
| CSA (indexed)                       | <p>In respect of Project Co's planned works to the Contiguous System Assets,<sup>10</sup> performed in accordance with the approved CSA Annual Maintenance Plan.</p> <p>The real value of this component indexes at CPI over the Operational Phase.</p>  |
| Insurance                           | <p>In respect of Project Co's forecast industrial special risks and public liability insurance costs. This component is periodically adjusted as a result of benchmarking the costs of these insurances during the Operational Phase in accordance with the Project Deed.</p>  |
| Minor Works (indexed)               | <p>In respect of Project Co's minor works costs during the Operational Phase, to cover the cost of routine works to the assets that fall under a specified monetary threshold.</p> <p>The real value of this component indexes at CPI over the Operational Phase.</p>  |
| Closed Area Rebate                  | <p>The provision of the Services has been priced assuming full utilisation of the facility. Should there be a reduction in the utilisation of the facility due to areas being designated by the State as 'closed' under the Project Deed, the MSP will be reduced accordingly.</p>   |

<sup>10</sup> Contiguous Systems Assets are certain engineering systems that interface between the old and new buildings. Project Co must develop and implement an annual plan for maintenance of these assets.

## 5.2 Performance regime

The performance regime is structured to incentivise Project Co to design, construct and maintain assets that comply with the State's requirements, stated in terms of quality, availability and functionality. The regime has been broadly structured in line with the performance regimes adopted for previous Partnerships Victoria availability social infrastructure projects.

Abatements, or reductions, to the MSP may be made each month during the Operational Phase based on Project Co's performance. In addition, various one-off abatements may be levied upon commencement of operations where certain Development Phase requirements have not been met.

The components of the Project's performance regime are summarised below.

**Table 11: Components of the performance regime**

| Monthly Service Payment component                 | Description   |
|---|---|
| Performance Abatements                            | Reduction to the MSP for the following failures: <ul style="list-style-type: none"> <li>• Availability failures – where functional areas are deemed not available for use and unavailability is not rectified within the required periods.</li> <li>• Incident failures – where functional areas do not meet specified requirements (not resulting in deemed unavailability) and this is not rectified within the required periods.</li> <li>• Quality failures – where minimum service requirements are not achieved, resulting in a quality failure.</li> </ul> |
| Mobilisation Abatement                            | Reduction to the MSP where Services mobilisation activities are not delivered in compliance with the Services Mobilisation Plan.  |
| Refurbishment Works Maintenance Activities        | One-off adjustment where maintenance to refurbished works in two existing buildings is not performed to specified requirements prior to Commercial Acceptance.  |
| Local Content Requirements Adjustment             | One-off adjustment where the contractually agreed targets for Local Content Requirements for Development Activities are not achieved.   |
| Major Projects Skills Guarantee (MPSG) Adjustment | One-off adjustment where the contractually agreed target for the MPSG Requirement (Development Activities) is not achieved.   |

## 5.3 Quantum of net payments

The following table provides further details on the quantum of the MSPs (net of revenues).

**Table 12: Disclosure of nominal cash flows**

| Cost of contracted proposal as at 14 April 2022 (NPC, \$ million) | Discount rates used to arrive at NPC | Total cost of contracted proposal (nominal, \$ million) <sup>1</sup> | Payment over first financial year (nominal \$ million) <sup>2</sup> |
|---|--------------------------------------|--|---|
| 2,087.9   | 5.26%                                | 4,758.8  | 44.3  |

1. Represents the sum of MSPs over the life of the contract.

2. Reflects payments from 16 January 2026 (expected Date of Commercial Acceptance) to 30 June 2026.

## 6. Financial liability treatment

The State will accrue a financial liability in its balance sheet in relation to the Project. The financial liability arises due to the costs incurred by Project Co during construction, resulting in a progressive build-up of an asset recognised in the State's balance sheet as work in progress. A financial liability will be progressively recognised in line with these costs, representing the State's obligation to make future payments to Project Co for the financing, design and construction of the Project.

Table 13 outlines the financial liability for the Project. The reported figure represents the peak financial liability the State will incur based on the Financial Close Financial Model.

This peak occurs in the financial year following Commercial Acceptance when Final Acceptance<sup>11</sup> has been reached.

The financial liability has been calculated under current accounting practice in accordance with AASB 9 Financial Instruments.

**Table 13: Disclosure of financial liability**

| Peak financial liability (nominal, \$ million) | Expected year of peak financial liability | Implied interest rate in financial liability (annual) |
|--|---|---|
| 1,132.9  | 2026-27                                   | 6.04%   |

<sup>11</sup> Following Commercial Acceptance, Project Co will undertake a range of refurbishment works in and around the existing hospital, which will be handed back to Peninsula Health upon completion at Final Acceptance. After this, the community centre and childcare centre will be built.



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## 7. Partial bid cost reimbursement

The State will make a contribution to the unsuccessful shortlisted Respondents for the verifiable and reasonable external costs incurred in preparing their Proposals (capped to a maximum payment to each unsuccessful Respondent of \$5 million).

Payment of the contribution to Proposal costs is subject to the unsuccessful Respondents satisfying certain terms and conditions.

Reimbursement of a proportion of the unsuccessful Respondents' bid costs is consistent with the Partnerships Victoria Requirements where it will maximise competition by incentivising stronger market responses and attracting better quality Proposals. The State retains the intellectual property contained in each unsuccessful Respondent's Proposal.



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## **Part Three**

Key commercial features



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FRANKSTON HOSPITAL  
Main Entrance →  
Parking →



# FRANKSTON HOSPITAL

MAIN ENTRANCE

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EMERGENCY  
Main Entrance  
Parking

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## 8. Parties to the contracts

The State has contracted with Project Co to deliver the Project. The relevant parties under the contractual arrangements are set out below.

**Table 14: Relevant parties**

| Entity  |  |
|---|--|
| <b>State parties</b>                                    |  |
| The State   | The State is a signatory to the Project Deed and ancillary Project documents. The Minister for Health is the person empowered to execute these contracts on behalf of the State.   |
| Peninsula Health  | Peninsula Health is a signatory to certain ancillary Project documents and will be a signatory to the Operational Phase Licence, when it is entered into, in its capacity as Committee of Management and owner of different parcels of land comprising the Project Site. It will also deliver the clinical services at the Frankston Hospital.                               |
| The Minister for Energy, Environment and Climate Change | The Minister for Energy, Environment and Climate Change is a signatory to an interim Development Phase Licence in their capacity as the entity responsible for administering certain parcels of land comprising the Project Site on behalf of the State.   |
| <b>Key private sector parties</b>                       |  |
| Project Co  | Project Co is Exemplar Health (Frankston) Pty Limited in its capacity as trustee for the Exemplar Health (Frankston) Trust.<br>Project Co is the counterparty to the Project Deed and is the primary contracting entity with the State.<br>Project Co, in turn, has entered into a range of contracts with its consortium members to facilitate the delivery of the Project. |
| Finance Co  | Finance Co is Stella FHR Finance Pty Limited. Finance Co will on-loan funds borrowed from the Financiers to Project Co.  |
| D&C Contractor  | The D&C Contractor is Lendlease Building Contractors Pty Ltd. Project Co has appointed the D&C Contractor to undertake the Development Activities and elements of the VC Facility Works.   |
| Services Contractors                                    | The Services Contractors are Honeywell Limited and Compass Group Healthcare Hospitality Services Pty Ltd. Project Co has appointed these entities to provide a range of facilities management services.  |
| Equity Investors  | Lendlease Infrastructure Investments Pty Limited and Aware Super Pty Limited have provided or committed to provide the required equity for the Project.  |



| Entity   |  |
|--|--|
| Financiers                                       | <p>The redevelopment will be financed by an innovative multi-tranche debt package which will be issued as a sustainability loan, demonstrating the Exemplar Health consortium’s commitment to ongoing sustainability outcomes. The following entities have committed to provide the debt required for the Project:</p> <ul style="list-style-type: none"> <li>• Canadian Imperial Bank of Commerce</li> <li>• Credit Agricole Corporate and Investment Bank</li> <li>• Crédit Industriel et Commercial</li> <li>• DZ BANK AG Deutsche Zentral-Genossenschaftsbank</li> <li>• Standard Chartered Bank</li> <li>• Sumitomo Mitsui Trust Bank.</li> </ul> |
| Other parties                                    |  |
| Commercial licensees – In-Hospital Opportunities | Project Co will enter into licences for the commercial opportunity areas within the hospital with future tenants for the conduct of the approved commercial purposes and the childcare centre.   |
| Independent Reviewer                             | Donald Cant Watts Corke has been jointly appointed by the State and Project Co to oversee the design and construction of the Project in accordance with the Independent Reviewer Deed of Appointment.  |



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FRANKSTON HOSPITAL

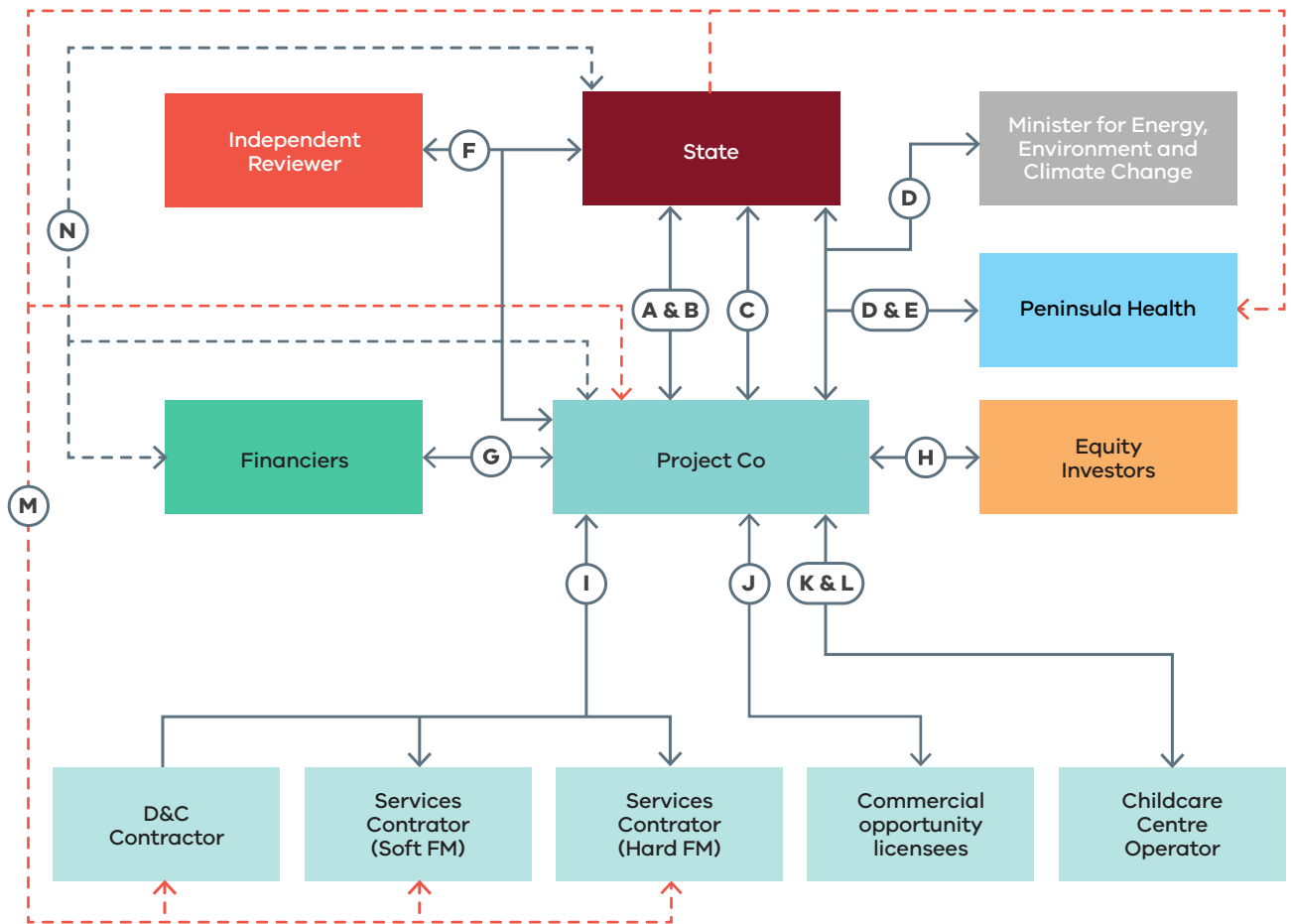
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# 9. Contractual relationships

The contractual framework for the Project adopts a typical document structure used for 'availability' PPPs under the Partnerships Victoria framework.

Figure 2 sets out a high-level overview of the contractual framework between the State and the private sector. It does not include all ancillary agreements.

**Figure 2: Contractual structure**



| Ref | Project Document            |
|-----|-----------------------------|
| A   | Project Deed                |
| B   | State Security              |
| C   | VC Licence                  |
| D   | Development Phase Licence*  |
| E   | Operational Phase Licence** |
| F   | IR Deed of Appointment      |
| G   | Finance Documents           |
| H   | Equity Documents            |
| I   | Subcontracts                |

| Ref | Project Document   |
|-----|--|
| J   | Sub-Licences   |
| K   | Sub-Licence (Childcare)  |
| L   | Agreement to Sub-Licence   |
| M   | Direct deeds (Peninsula Health is a party to the D&C Contractor Direct Deed) |
| N   | Finance Direct Deed  |

\* The Minister for Energy, Environment and Climate Change is a party to an interim Development Phase Licence  
 \*\* Not entered into at Contract Close

# 10. Contractual terms

## 10.1 Risk allocation

The risk allocation in the Project Deed allocates risks to the party best able to manage them in order to achieve best value for money for the State. This results in various risks being:

- retained by the State
- transferred to Project Co
- shared between the parties.

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

Table 15 provides a high-level outline of the risk allocation for the Project. Where a risk is allocated to more than one party, those parties may not share that allocation equally. All risks are dealt with in detail in the Project Deed and associated documents.

**Table 15: Risk allocation**

| No.                                       | Type of Risk                       | Description  | Allocation |        |            |
|---|------------------------------------|--|------------|--------|------------|
|   |                                    |  | State      | Shared | Project Co |
| <b>Land acquisition and planning risk</b> |                                    |  |            |        |            |
| 1   | Land availability                  | Risk associated with acquiring land identified by the State as required for the Project and its use and development as a hospital. | ✓          |        |            |
| 2   | Additional land                    | Any additional land required by Project Co above the land made available by the State.   |            |        | ✓          |
| 3   | Planning approvals                 | Obtaining planning approvals for the Project in relation to land made available by the State.                                      | ✓          |        |            |
|   |                                    | Obtaining planning approvals for the Project in relation to any additional land required by Project Co.                            |            |        | ✓          |
|   |                                    | Changes to planning approvals proposed by Project Co after Contract Close.   |            |        | ✓          |
| 4   | Compliance with planning approvals | Obligation to comply with relevant planning approval conditions.   |            |        | ✓          |

| No.               | Type of Risk  | Description  | Allocation   |        |  |
|-------------------|---|--|--|--------|--|
|                   |   |  | State  | Shared | Project Co   |
| <b>Site risks</b> |   |  |  |        |  |
| 5                 | Contamination: <ul style="list-style-type: none"> <li>on the Project Site or its direct vicinity which is caused or contributed to by Project Co or which Project Co encounters, disturbs or interferes with</li> <li>required to be remediated as a consequence of any approval</li> </ul> | Cost relating to the management and removal of such contamination on the Project Site.                           | ✓<br><br>(only where caused by the State or known pre-existing contamination outside the Project Site)             |        | ✓<br><br>(other than where caused by the State)  |
| 6                 | Contamination required to be remediated as a consequence of any approval  | Cost relating to the management and removal of such contamination on the Project Site.                           |  |        | ✓  |
| 7                 | Contamination which: <ul style="list-style-type: none"> <li>the State directs Project Co to remediate</li> <li>is the subject of a contamination notice</li> </ul>  | Cost relating to the management and removal of such contamination on the Project Site.                           | ✓<br><br>(other than where Project Co is required to remediate that contamination as set out in item 5 or 6 above) |        | ✓<br><br>(only where Project Co is required to remediate that contamination as set out in item 5 or 6 above) |
| 8                 | Native title claims   | Risk of cost and delay if native title claims are made in respect of the land made available by the State.       | ✓  |        |  |
|                   |   | Risk of cost and delay if native title claims are made in respect of any additional land required by Project Co. |  |        | ✓  |
| 9                 | Aboriginal heritage and artefacts   | Risk of cost and delay resulting from discovery of Aboriginal heritage and artefacts at the Project Site.        | ✓  |        |  |
| 10                | Environmental risk  | Risk of general site and environmental conditions (excluding those specifically identified).                     |  |        | ✓  |

| No.   | Type of Risk              | Description   | Allocation   |  |   |
|---|---------------------------|---|--|--|---|
|   |                           |   | State  | Shared   | Project Co  |
| <b>Design, construction and commissioning risks</b> |                           |   |  |  |   |
| 11  | Force majeure             | Risk of delay caused by force majeure events which prevent construction milestones being met.   |  | ✓  |   |
| 12  | Design risk               | Risk that the design development process cannot be completed on time or to budget or that the design does not meet the Project Scope and Delivery Requirements. |  |  | ✓   |
| 13  | Construction risk         | Risk that construction cannot be completed on time or to budget.  | ✓<br>(only where caused by a State breach and specified relief events) |  | ✓   |
| 14  | Equipment                 | Responsibility for the selection, procurement and maintenance of Group 1 Equipment.   |  |  | ✓   |
|   |                           | Responsibility for the selection, procurement and maintenance of Group 2 Equipment.   |  | ✓<br>(shared responsibility for selection with Project Co) | ✓   |
|   |                           | Responsibility for the selection, procurement and maintenance of Group 3 Equipment.   | ✓<br>(shared responsibility for selection with Project Co)             |  | ✓<br>(shared responsibility for selection with the State) |
| 15  | Defects risk              | Risk that defects in the Works are identified following completion of construction.   |  |  | ✓   |
| 16  | Fitness for purpose (FFP) | Risk that the Project Assets (other than the Transferred Assets) are not fit for purpose or do not comply with contractual obligations.                         |  |  | ✓   |

| No. | Type of Risk                  | Description   | Allocation   |        |   |
|-----|-------------------------------|---|--|--------|---|
|     |                               |   | State  | Shared | Project Co  |
|     |                               | Risk that the Transferred Assets are not fit for purpose <sup>12</sup> or do not comply with contractual obligations.                   | ✓<br>(only Stage 3 Building in period prior to 2nd anniversary of Commercial Acceptance, Transferred Assets Structural Defects and to the extent not properly maintained in period to Commercial Acceptance) <sup>13</sup> |        | ✓<br>(FFP availability and maintenance risk, with risk associated with Stage 3 Building commencing on 2nd anniversary of Commercial Acceptance) |
|     |                               | Risk that Stage 3 Building Existing Assets and Contiguous System Assets are not fit for purpose for performance of Refurbishment Works. | ✓<br>(only Existing Asset Structural Defects or to the extent certain Relevant Components are not maintained to the Relevant Component Standard in the period prior to Refurbishment Works Acceptance)                     |        | ✓<br>(FFP availability and maintenance risk)  |
| 17  | Commissioning                 | Risk that the Project Assets cannot be commissioned in accordance with the agreed commissioning criteria.                               |  |        | ✓   |
| 18  | State-initiated modifications | If the State elects to make a significant variation to the Project Assets or the Services to be provided by Project Co.                 | ✓  |        |   |

<sup>12</sup> Fitness for purpose for Transferred Assets to be measured against original design intent.

<sup>13</sup> Extent of maintenance required is documented in Interim Maintenance Plans for each Transferred Asset.



| No.                    | Type of Risk                               | Description  | Allocation                              |        |   |
|------------------------|--|--|---|--------|---|
|                        |  |  | State                                   | Shared | Project Co                                  |
| <b>Operating Risks</b> |  |  |   |        |   |
| 19                     | Force majeure                              | Risk that force majeure events affect the operation or availability of the Project Assets.   |   | ✓      |   |
| 20                     | Asset management performance indicators    | Meeting required standards with respect to asset management key performance indicators.  |   |        | ✓   |
| 21                     | Asset availability and maintenance         | Making the Project Asset available in accordance with availability requirements and levels.  |   |        | <sup>14</sup><br>✓                          |
| 22                     | Meeting performance requirements           | The performance of the Project Assets does not meet the performance requirements.  |   |        | <sup>15</sup><br>✓                          |
| 23                     | Maintenance costs                          | Risk that maintenance costs exceed budgeted costs over the Operational Phase.  | ✓<br>(Contiguous System Assets only)    |        | ✓<br>(other than Contiguous System Assets)  |
| 24                     | Operations costs (Non-Reviewable Services) | Risk that operations costs exceed budgeted costs over the Operational Phase.   |   |        | ✓   |
| 25                     | Operations costs (Reviewable Services)     | Risk that operations costs exceed budgeted cost over the Operational Phase.  | ✓<br>(at each reviewable services date) |        | ✓<br>(during each reviewable services term) |
| 26                     | Lifecycle costs                            | Risks associated with the replacement and refurbishment of the Project Assets (other than Contiguous System Assets) (including plant and finishes) over the Operational Phase. |   |        | ✓   |
|                        |  | Risks associated with the replacement and refurbishment of the Contiguous System Assets (including plant and finishes) over the Operational Phase.                             | ✓                                       |        |   |

<sup>14</sup> Some relief will be provided in year 1 for specific assets within the Transferred Assets until nominated lifecycle works are completed.

<sup>15</sup> The warranty for the Transferred Assets being fit for purpose commences on the 2nd anniversary of Commercial Acceptance.

| No. | Type of Risk                             | Description   | Allocation |  |            |
|-----|--|---|------------|--|------------|
|     |  |   | State      | Shared   | Project Co |
|     |  | Risks associated with the replacement and refurbishment of the Existing Assets not otherwise part of the Transferred Assets or Contiguous System Assets (including plant and finishes) over the Operational Phase.  | ✓          |  |            |
| 27  | Changes in service levels (closed areas) | Changes in service levels impacting the provision of: <ul style="list-style-type: none"> <li>the Services within the parameters specified in the Project Deed</li> <li>modifications to service levels and service plan outside the agreed parameters.</li> </ul> |            |  | ✓          |
| 28  | Utility price risk                       | Risk of change in the price of the utility inputs required by the Project Assets.   | ✓          |  |            |
| 29  | Utility volume risk                      | Risk of change in the cost of utilities as a result of energy demand.   | ✓          |  |            |
| 30  | Residual life and end of term handover   | Satisfying the residual design life requirements for the Project Assets at the end of the Operational Phase. <sup>16</sup>  |            |  | ✓          |
| 31  | Commercial opportunities net revenues    | Risk that capital and operating costs of commercial opportunities, and revenue generated by commercial opportunities, differ from those projected in the Financial Close Financial Model.   | ✓          | (only for any share of excess revenue or any lost revenue caused by limited set of State acts) <sup>17</sup> | ✓          |

<sup>16</sup>. Residual design life for Transferred Assets will be calibrated to reflect the nature and condition of the assets.

<sup>17</sup>. Examples include mandating an alternative tenant at a lower rental, a State breach, or fraudulent conduct.

| No.  | Type of Risk  | Description  | Allocation   |        |  |
|--|---|--|--|--------|--|
|  |   |  | State  | Shared | Project Co   |
| <b>Approvals</b>                                     |   |  |  |        |  |
| 32   | Obtaining, maintaining and complying with approvals | Obtaining, maintaining and complying with approvals for construction of the Works and maintenance of the Maintained Assets.  |  |        | ✓  |
|  |   | Obtaining, maintaining and complying with the approvals required for the value creation opportunities.   |  |        | ✓  |
| <b>Industrial relations</b>                          |   |  |  |        |  |
| 33   | Industrial relations risk                           | Risks of industrial action in respect of the Project Activities (excluding those actions which directly affect Project Co and which directly result from an act or omission of the State). |  |        | ✓  |
| <b>Change in Law or Policy risks; pandemic risks</b> |   |  |  |        |  |
| 34   | General change in law                               | Risk of additional cost or delay resulting from a general change in law during the Development Phase. <sup>18</sup>  |  | ✓      |  |
|  |   | Risk of additional cost or delay resulting from a general change in law during the Operational Phase.  | ✓  |        |  |
| 35   | Project-specific change in law                      | Risk of additional cost or delay resulting from changes in law which directly affect the Project Assets.   | ✓  |        | ✓  |
|  |   |  | (for changes that impact Works or Services, only to the extent that monetary thresholds are exceeded per event and they arise 6 months after the date of the Deed) |        | (for changes that impact Works or Services, only to the extent that monetary thresholds are not exceeded per event or they arise within 6 months after the date of the Deed) |

<sup>18</sup> See also item 35 regarding project-specific change in law.

| No.              | Type of Risk            | Description   | Allocation |        |            |
|------------------|-------------------------|---|------------|--------|------------|
|                  |                         |   | State      | Shared | Project Co |
| 36               | Change in policy        | Risk of additional cost or delay resulting from a change in policy where Project Co is legally obliged to comply or the State directs Project Co to comply. | ✓          |        |            |
| 37               | Occurrence of pandemic  | Risk of additional cost or delay resulting from a new pandemic direction after Contract Close during the Development Phase.                                 | ✓          |        |            |
|                  |                         | Risk of additional cost or delay resulting from a pandemic direction during the Operational Phase.  | ✓          |        |            |
| <b>Financing</b> |                         |   |            |        |            |
| 38               | Financing               | Obtaining and maintaining private sector financing for the Project.   |            |        | ✓          |
| 39               | Base interest rate risk | Base interest rate risk prior to Financial Close.   | ✓          |        |            |
|                  |                         | Base interest rate risk from Financial Close to first refinance date.   |            |        | ✓          |
|                  |                         | Base interest rate risk from the first refinance date.  | ✓          |        |            |
| 40               | Refinancing             | Risk of refinancing losses.   |            |        | ✓          |
|                  |                         | Risk of refinancing gains.  |            | ✓      |            |
| 41               | Tax                     | Actual tax payable by Project Co differs from the base case financial model.  |            |        | ✓          |
| 42               | Forex risk              | Risk of forex movements.  |            |        | ✓          |

## 10.2 Departures from the Standard Project Deed

The Project Deed is based on the Partnerships Victoria Standard Project Deed. Key agreed departures are summarised in the following table, including project-specific regimes and negotiated outcomes.

**Table 16: Summary of departures from the Standard Project Deed**

| Topic   | Summary   |
|---|---|
| <b>Project-specific regimes</b>                       |   |
| Artwork   | Incorporates project-specific provisions in relation to Project Co's purchase and installation of temporary and permanent artwork for the Project.  |
| Commercial Opportunities                              | Incorporates a project-specific regime to provide for the In-Hospital Opportunities, FH Campus Opportunities and the Standalone Opportunities (childcare centre and community centre).  |
| Contamination   | Incorporates project-specific provisions which reflect the brownfield nature of the site.   |
| Contiguous Systems Assets                             | Incorporates project-specific provisions in relation to Contiguous Systems Assets, being certain engineering systems that interface between the old and new buildings.  |
| COVID-19 and pandemic risk                            | Incorporates a relief regime in respect of Pandemic Directions during the term in relation to COVID-19 and future pandemics, including an additional Compensable Extension Event and an additional Compensable Intervening Event.   |
| Employee Transfer                                     | Incorporates a project-specific regime for the transition of nominated Peninsula Health employees to the relevant Services Subcontractor.   |
| ICT   | Incorporates a project-specific regime for the selection, procurement and installation of ICT equipment, including a regime to address the risk of changes to Project Co's ICT Network Requirements following completion of the Design Development Process and a requirement for Project Co to complete specified ICT works by a specific date. |
| Multideck Carpark                                     | Incorporates a project-specific regime for Project Co to undertake the design, construction, completion and handover of a multideck carpark and to provide services in relation to that carpark.  |
| PV Array  | Incorporates a project-specific regime for Project Co to undertake works to install a solar photovoltaic energy generation facility and provide services in relation to that facility.  |
| Refurbishment Works                                   | Incorporates a project-specific regime for Project Co to undertake the staged delivery of discrete packages of refurbishment works in the existing hospital between Commercial Acceptance and Final Acceptance.   |
| Services Mobilisation                                 | Incorporates a Services Mobilisation Period (in addition to the commissioning period) during which Project Co must comply with the Services Mobilisation Plan. Project Co's compliance with the Services Mobilisation Plan is subject to the Independent Reviewer's review of progress.   |
| Temporary Carpark                                     | Incorporates a project-specific regime for Project Co to deliver a Temporary Carpark and to provide services in relation to that carpark.   |
| Transferred Assets and interface with Existing Assets | Incorporates project-specific provisions which reflect the brownfield nature of the site and the allocation of risk regarding the condition of and ongoing maintenance of the existing Academic Building and Stage 3 Building, and other existing assets including the Relevant Components and the Retained Pipework.                           |

| Topic  | Summary   |
|--|---|
| United Energy Permanent Power Works                                    | Incorporates a project-specific regime in respect of utility works required to be undertaken by United Energy.  |
| <b>Other departures</b>  |   |
| Changes in law since the Standard Project Deed was published           | The Standard Project Deed predated the Local Jobs First Policy and ipso facto insolvency law reforms, as well as the Building Equality Policy, and has been updated to address these.   |
| Development Phase Finance Amounts and Final Acceptance Finance Amounts | Incorporates provisions which entitle Project Co, in the case of a Change Compensation Event, to claim the incremental financing costs paid or which will be payable by Project Co (including principal and interest expense) to fund delay in achieving Commercial Acceptance or Final Acceptance by the Original Date for Commercial Acceptance or Original Date for Final Acceptance (respectively). |
| Escrow Material  | Incorporates provisions to provide the parties with flexibility to agree whether any relevant intellectual property be treated as escrow material.  |
| Proposal Issues  | Incorporates provisions which require Project Co to resolve an agreed set of issues during the Design Development Process.  |



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## 10.3 General obligations of Project Co

Project Co's obligations are set out in detail in the Project Deed and associated documents. Project Co's key obligations are summarised below.

### 10.3.1 Development Phase

During the Development Phase, Project Co is responsible for the design and construction of the new hospital and financing of the Development Activities and VC Facility Works. The Development Activities include:

- conduct of the design development process with the State and Peninsula Health
- construction and commissioning of the new sections of the hospital by the Date for Commercial Acceptance
- design, construction, completion and demolition of a temporary carpark
- selection, procurement, installation and commissioning of Equipment, including ICT equipment, and transfer of specified equipment from the existing hospital
- landscaping and grounds works
- completion of utilities and road infrastructure works external to the FH Campus which will be returned to the relevant authorities, including relocated bus stops to improve public access to the hospital, a new pedestrian crossing at Yuille Street and traffic lights at the major Hastings Road intersection
- obtaining and maintaining certain insurances
- Services mobilisation, including the transfer of relevant employees from Peninsula Health to the Services Contractors
- drawdown of debt and equity finance in accordance with the financing documents.

In the 12 months following the Date of Commercial Acceptance, Project Co will:

- undertake a range of refurbishment works in and around the existing hospital, which will be handed back to Peninsula Health upon completion.

The VC Facility Works include:

- construction of the commercial opportunities located within the new tower and fitout of specified areas by the Date for Commercial Acceptance
- construction of a childcare centre and a community centre by their respective Date for Completion.

### 10.3.2 Operational Phase

Project Co is responsible for the provision of the following Services throughout the Operational Phase to designated areas, in accordance with the performance standards specified in the Project Deed:

- general services
- FM help desk services
- building management services (asset maintenance and lifecycle replacement, including for specified Equipment) for the Maintained Assets
- Existing Asset and Contiguous System Asset Management Services<sup>19</sup>
- waste services
- pest control services
- grounds and gardens maintenance services
- utilities management services
- cleaning services
- security services.

Project Co is also responsible for the following during the Operational Phase:

- undertaking minor works within budgeted allowances
- obtaining and maintaining certain insurances
- undertaking all necessary tasks to ensure that the Project Assets are handed back to the State on expiry of the Operational Phase in the required condition and in accordance with the end of term requirements set out in the Project Deed
- repayment of debt and distributions to equity in accordance with the provisions of the financing documents.

<sup>19</sup> Existing Asset and Contiguous System Asset Management Services comprise two elements:  
**Contiguous System Assets** – Project Co must develop and implement an annual plan for maintenance of the Contiguous System Assets.  
**Existing Assets Management Plan** – While Peninsula Health will largely retain responsibility for managing the Existing Assets, Project Co must develop an Existing Assets Management Plan in collaboration with Peninsula Health.

## 10.4 General obligations of the State

The State's obligations under the Project Deed include the following:

- granting or procuring the grant of the Development Phase and Operational Phase licences to Project Co to enable Project Co to access the Project area (as necessary)
- reviewing and commenting on design documentation and other material that will be submitted by Project Co in accordance with the Project Deed
- making a determination on the achievement of Commercial Acceptance
- payment to Project Co of the MSP during the Operational Phase, subject to any abatement that may apply if Services are not delivered to the required performance standard.

## 10.5 Changes in cost to the State

### 10.5.1 Change in law and policy

The State bears the risk of cost increases or savings arising from certain changes in law and changes in policy that occur after Contract Close.

### 10.5.2 Relief events

Subject to certain conditions, Project Co may be entitled to performance relief under the Project Deed and to payment by the State of certain additional costs and expenses incurred by it as a result of the events shown in Table 17.

**Table 17: Relief events**

| Relief event  | Details of relief event  |
|---|--|
| The State will provide Project Co with an extension of time and costs during the Development Phase for:       | <ul style="list-style-type: none"> <li>• A breach by the State of a Project Document</li> <li>• Certain acts or omissions of the State or any State Associate when acting in connection with the Project</li> <li>• Certain proximate interface works and site interface works</li> <li>• Cessation or suspension of the construction activities or a material change to the way they are carried out because of a pandemic direction in certain circumstances</li> <li>• Cessation or suspension of the construction activities or a material change to the way they are carried out because of a direction, order or requirement of the law in connection with a heritage claim or native title claim</li> <li>• Industrial action which occurs in the direct vicinity of the Project Site and is caused by the State when acting in connection with the Project or a State Associate (subject to certain exclusions)</li> <li>• If the State directs the suspension of the construction activities (subject to certain exclusions)</li> <li>• In certain circumstances, the exercise of the State's right to step-in</li> <li>• Any other event expressly stated to be a compensable extension event</li> </ul> |
| The State will provide Project Co with an extension of time (but not costs) during the Development Phase for: | <ul style="list-style-type: none"> <li>• Any breach of a direct interface deed by a direct interface party</li> <li>• Earthquake, nature disaster, bushfire, landslide, seismic activity, tsunami or mudslide, and fire, explosion or flood caused by those events</li> <li>• Severe winds</li> <li>• A 100-year flood event</li> <li>• Certain risks that are uninsurable at Contract Close</li> <li>• In certain circumstances, a utility interruption</li> <li>• Suspension of activities due to the occurrence of a force majeure event</li> <li>• The exercise of the State's right to step-in due to the occurrence of a force majeure event</li> <li>• Any other event expressly stated to be an extension event</li> </ul>   |



| Relief event   | Details of relief event  |
|--|--|
| The State will provide Project Co with relief from performance and costs during the Operational Phase for:       | <ul style="list-style-type: none"> <li>• A breach by the State of a Project document</li> <li>• Certain acts or omissions of the State when acting in connection with the Project or any State Associate</li> <li>• A failure by the Operator to comply with the Academic Building Interim Maintenance Plan or the Stage 3 Building Interim Maintenance Plan, provided certain conditions are met</li> <li>• Cessation or suspension of the services or a material change to the way they are carried out because of a direction, order or requirement of the law in connection with a heritage claim or native title claim</li> <li>• Cessation or suspension of the Services or a material change to the way they are carried out because of a pandemic direction</li> <li>• Industrial action which occurs in the direct vicinity of the Project Site and is caused by the State when acting in connection with the Project or a State associate (subject to certain exclusions)</li> <li>• Certain proximate interface works and site interface works</li> <li>• Any other event expressly stated to be a compensable intervening event</li> </ul> |
| The State will provide Project Co with relief from performance (but not costs) during the Operational Phase for: | <ul style="list-style-type: none"> <li>• If the State directs the suspension of the Services (subject to certain exclusions)</li> <li>• In certain circumstances, the exercise of the State’s right to step-in</li> <li>• Any breach of a direct interface deed by a direct interface party</li> <li>• Certain failures to supply chilled water, natural gas, domestic water, fire water, electricity and emergency power at a connection point within the Academic Building</li> <li>• The existence or rectification of certain structural defects and pipework failures within the Academic Building and Stage 3 Building which prevent the performance of services on the solar photovoltaic energy generation facility</li> <li>• Certain maintenance incidents or requests for repair in relation to existing fire protection services, nurse call systems, fixed and mobile duress systems, pneumatic tube systems and electronic security systems</li> <li>• Any other event expressly stated to be an intervening event</li> </ul>  |
| The State will provide Project Co with relief from performance, an extension of time and certain costs for:      | <ul style="list-style-type: none"> <li>• Earthquake, natural disaster, bushfire, landslide, seismic activity, tsunami or mudslide, and fire, explosion or flood caused by those events</li> <li>• Severe winds</li> <li>• A 100-year flood event</li> <li>• Certain risks that are uninsurable at Contract Close</li> <li>• In certain circumstances, utility interruptions</li> <li>• Suspension of activities due to the occurrence of a force majeure event</li> <li>• The exercise of the State’s right to step-in due to the occurrence of a force majeure event</li> </ul>   |

### 10.5.3 Modifications and augmentations

The Project Deed contains the following mechanisms for effecting changes to the scope of the Project.

#### 10.5.3.1 Modifications

The State may, at its sole discretion, request Project Co to implement changes to the Project Assets and services, provided that Project Co provides a value-for-money offer to implement the change and the State adequately compensates Project Co in accordance with the Project Deed. This regime captures minor modifications and other changes to the Project scope but excludes augmentations and minor works.

#### 10.5.3.2 Augmentations

This regime captures substantial changes to the Project requirements and activities which the State considers are likely to cost in excess of \$100 million and which the State determines should be delivered pursuant to the augmentation process. This process entails up-front agreement about the process for the tendering and implementation of the augmentation, including fees and margins payable and equity returns subject to an agreed cap.

### 10.5.4 Default and termination regime

#### 10.5.4.1 Default

A default by Project Co 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 Project Co an opportunity to cure the default. If the default is not cured by Project Co within the required cure period, it will escalate to a major default.

The Project Deed also elevates a number of events to immediately be classified within the major default category (for example, a failure to achieve Commercial Acceptance by the required date or a failure to maintain the required insurances).

In respect of major defaults, Project Co is required to provide a cure program to be reviewed and agreed by the State.

Where Project Co fails to cure the major default in accordance with the agreed cure program (if the major default is capable of cure) or to comply with the reasonable requirements of the State (if the major default is not capable of cure), this will generally, subject to financier cure rights, give rise to the State's right to terminate the Project Deed.

Certain events of default are so severe that they are not subject to a cure regime. These events give rise to a State termination right immediately upon their occurrence (for example, the insolvency of Project Co or continued poor performance during the Operational Phase).

#### 10.5.4.2 Step-in

In addition to triggering termination rights (or potential termination rights), major default events and default termination events may trigger additional State rights and remedies, including the right to step-in to remedy the situation (that is, the right to assume control and management of the Project).

The circumstances where the step-in right for the State, as specified in the Project Deed, can be triggered include when:

- a major default has occurred, and Project Co is not complying with its obligations with respect to the major default
- a default termination event has occurred
- a cure notice has been issued by a key subcontractor, or
- a law entitles the State to a statutory right of step-in.

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 or which is otherwise caused by Project Co, the MSP will be abated to the extent that the Services are not being provided.

#### 10.5.4.3 Termination

Where the Project Deed is terminated before the natural expiry of the intended 25-year Operational Phase, Project Co may be entitled to a termination payment. The Project Deed may be terminated as a result of any of the following:

- the occurrence of a default termination event
- a force majeure termination event
- voluntary termination 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 18.

**Table 18: Termination scenarios**

| Event                         | Trigger   | Termination payment  |
|-------------------------------|---|--|
| Default termination event     | The State may terminate the Project Deed if a default termination event occurs (including where a major default has not been remedied in accordance with the Project Deed). | The Project's fair market value determined by retendering or an independent valuer (where there is no liquid market, or the State elects not to conduct a retender).   |
| Voluntary termination         | The State may at any time, for reasons of its own choosing, unilaterally elect to terminate the Project Deed for convenience.   | The outstanding debt as at the termination date and other reasonable costs, including: <ul style="list-style-type: none"> <li>• a capped amount of break costs to key subcontractors</li> <li>• a return to equity.</li> </ul> |
| Termination for force majeure | The occurrence of a force majeure termination event.  | The outstanding debt as at the termination date plus other costs.  |

**10.5.5 State rights at expiry of contract**

The Project Deed requires Project Co to hand back the Project Assets at the expiry of the Operational Phase (or on earlier termination) for nil consideration in a pre-defined state known as the handover condition. The State will then resume control of those assets.

To ensure that the assets are able to meet the handover condition at the end of the Project, in the two years prior to expiry of the Operational Phase, an independent expert will be appointed to undertake reviews to ensure that lifecycle and maintenance works are completed so that the assets will meet the relevant handover condition.

If the remaining MSPs are equal to or less than 120 per cent of the estimated cost of delivering the works to meet the handover condition, Project Co must elect to provide additional bonding or allow the State to deposit a portion of the remaining MSPs into an escrow account.

**10.5.6 Audit and inspection rights of the State**

The Project Deed includes contractual rights for the State to be given access to information and data, including to:

- inspect, observe or test any part of the works, infrastructure or Project Activities
- examine and make copies of the accounts and other records, reports and all documents reasonably requested of Project Co or any of its key subcontractors in connection with the Project
- disclose information in connection with the Project to satisfy the disclosure requirements of the Victorian Auditor-General or to satisfy the requirements of parliamentary accountability.





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# Appendix A

## Glossary

| Defined term/acronym                    | Meaning  |
|---|--|
| Commercial Acceptance                   | Means the stage when Project Co has achieved the State's design, construction and commissioning requirements as specified in and in accordance with the Project Deed.  |
| Contiguous System Assets                | Contiguous Systems Assets are certain engineering systems that interface between the old and new buildings. Project Co must develop and implement an annual plan for maintenance of these assets.            |
| Contract Close                          | Means the date of execution of the Project Deed and associated documents by the State and Project Co, being 13 April 2022.   |
| Consumer Price Index or CPI             | Means the ABS Cat No. 6401.0 Series ID A2325846C published quarterly by the Australian Bureau of Statistics.   |
| D&C Contractor                          | Means Lendlease Building Contractors Pty Ltd.  |
| Development Activities                  | Means the activities which Project Co is required to perform in the Development Phase.   |
| Development Phase                       | Means the period beginning on Financial Close and ending upon achievement of Commercial Acceptance.  |
| Equipment                               | Means the furniture, fittings and equipment required for the hospital redevelopment as specified in the Project Scope and Delivery Requirements.   |
| ESD                                     | Means ecologically sustainable development.  |
| Evaluation Criteria                     | Means the criteria for evaluating Proposals, as set out in Appendix B.   |
| Exemplar Health or Project Co           | Means Exemplar Health (Frankston) Pty Limited as trustee for the Exemplar Health (Frankston) Trust.  |
| Existing Assets                         | Means the buildings, structures and other assets located on the FH Campus at commencement of the Project, excluding the Transferred Assets and the Contiguous System Assets.                                 |
| Expiry Date                             | Means the earlier of the date which is 25 years from Commercial Acceptance or the date of early termination of the Project Deed.   |
| Expression of Interest or EOI           | Means expression(s) of interest prepared in respect of the Invitation for EOI.   |
| FF&E                                    | Means furniture, fittings and equipment.   |
| Financial Close                         | Means the date upon which all conditions precedent under the Project Deed were satisfied or waived, being 14 April 2022.   |
| Financial Close Financial Model         | Means the financial model submitted by Project Co as updated at Financial Close.   |
| ICT                                     | Means information and communications technology.   |
| ICU                                     | Means Intensive Care Unit.   |
| In-Hospital Opportunities               | Means the Project Co commercial opportunities.   |
| Invitation for EOI                      | Means the new Frankston Hospital Redevelopment Project Invitation for EOI issued on 22 September 2020.   |
| Local Content                           | Has the meaning given in Section 3(1) of the <i>Local Jobs First Act 2003 (Vic)</i> .  |
| Local Jobs First Policy                 | Has the meaning given in s. 4 of the <i>Local Jobs First Act</i> .   |
| Maintained Assets                       | Means the assets on the FH Campus for which Project Co is required to provide Services during the Operational Phase, including the new tower, the Transferred Assets, the PV Array and the community centre. |
| Major Projects Skills Guarantee or MSPG | Has the meaning given in s. 4.6 of the <i>Local Jobs First Act</i> .   |
| Minister for Health                     | Means the Victorian Minister for Health.   |
| Monthly Service Payment or MSP          | Means the payments made to Project Co as described in Section 5.   |

| Defined term/acronym                            | Meaning  |
|---|--|
| NABERS  | Means the National Australian Built Environment Rating System.   |
| National PPP Policy and Guidelines              | Means the suite of guidance material available at the <a href="https://www.infrastructure.gov.au/infrastructure-transport-vehicles/infrastructure-investment-project-delivery/national-guidelines-infrastructure-project-delivery">Department of Infrastructure, Transport, Regional Development and Communications website</a> < <a href="https://www.infrastructure.gov.au/infrastructure-transport-vehicles/infrastructure-investment-project-delivery/national-guidelines-infrastructure-project-delivery">https://www.infrastructure.gov.au/infrastructure-transport-vehicles/infrastructure-investment-project-delivery/national-guidelines-infrastructure-project-delivery</a> >. |
| NPC   | Means Net Present Cost.  |
| Operational Phase                               | Means the period beginning the day after Commercial Acceptance and ending upon the Expiry Date.  |
| Partnerships Victoria Requirements              | Means the State's Partnerships Victoria policy. Further information can be obtained at the <a href="https://www.dtf.vic.gov.au/public-private-partnerships/policy-guidelines-and-templates">Department of Finance and Treasury website</a> < <a href="https://www.dtf.vic.gov.au/public-private-partnerships/policy-guidelines-and-templates">https://www.dtf.vic.gov.au/public-private-partnerships/policy-guidelines-and-templates</a> >.  |
| Peninsula Health                                | Means Peninsula Health (ABN 52 892 860 159).   |
| Points of Care or POC                           | Means a measure of hospital capacity comprising inpatient beds and acute facilities.   |
| PPP   | Means public private partnership.  |
| Preferred Respondent                            | Means the Respondent invited to proceed to the negotiation and completion phase.   |
| Project   | Means the delivery, servicing and financing of the facilities as generally described in Section 3 to be delivered by Project Co..  |
| Project Assets                                  | Means, during the Development Phase, the works undertaken by Project Co, and during the Operational Phase, the Maintained Assets.  |
| Project Deed                                    | Means the principal contract between the State and Project Co that establishes the rights and obligations of the parties in respect of the Project.  |
| Project Objectives                              | Means the State's objectives for the Project, as outlined in Section 1.3.  |
| Project Scope and Delivery Requirements or PSDR | Means the technical specifications for the Project which are annexed to and form part of the Project Deed.   |
| Project Site                                    | Means the site as described in Section 1.4.  |
| Proposal  | Means a proposal submitted by the Respondent(s) in response to the RFP.  |
| Public Sector Comparator or PSC                 | Means the Public Sector Comparator defined in Partnerships Victoria policy as the 'estimated hypothetical risk-adjusted cost if a project were to be financed and implemented by the government'.  |
| Request for Proposal or RFP                     | Means the documents entitled 'Request for Proposal' issued by the State to the Respondents on 8 April 2021.  |
| Respondent                                      | Means the parties who submitted a Proposal in response to the RFP as set out in Section 3.1.   |
| Reviewable Services                             | Means the services for which a periodic pricing review may be undertaken in accordance with the Project Deed.  |
| RFP Phase                                       | Means the phase of the Tender Process which: <ul style="list-style-type: none"> <li>• commenced on the release of the RFP to Respondents for submission of detailed, fully costed and binding Proposals</li> <li>• ended on the selection of the Preferred Respondent.</li> </ul>  |
| Secretary                                       | Means the Secretary to the Department of Health, a body corporate established under the <i>Public Health and Wellbeing Act 2008</i> .  |
| Services  | Means the facilities management services which Project Co is to provide during the Operational Phase as described in Section 10.3.2.   |



| Defined term/acronym                            | Meaning  |
|---|--|
| Services Contractor(s)                          | Means Honeywell Limited and Compass Group Healthcare Hospitality Services Pty Ltd.   |
| Services Specification                          | Means the 'Services Specification' included in the PSDR which sets out the requirements for the Services, KPIs and performance penalties.  |
| Social Procurement Framework                    | Means Victoria's Social Procurement Framework published 26 April 2018 by the Victorian Government and available on the <a href="http://buyingfor.vic.gov.au/social-procurement-framework">Buying for Victoria website</a> < <a href="http://buyingfor.vic.gov.au/social-procurement-framework">http://buyingfor.vic.gov.au/social-procurement-framework</a> >. |
| Standard Project Deed                           | Means the Partnerships Victoria standard form Project Deed for social infrastructure projects dated March 2018.  |
| State   | Means the Crown in right of the State of Victoria and its entities.  |
| Tender Process                                  | Means the procurement process for the delivery of the Project, including each of the following phases: <ul style="list-style-type: none"> <li>• EOI Phase</li> <li>• RFP Phase</li> <li>• Negotiation and Completion Phase.</li> </ul>   |
| Transferred Assets                              | Means two buildings existing on the FH Campus at commencement of the Project: the Academic Building (completed in 2021) and the Stage 3 Building (operational in 2015), including Refurbishment Works carried out on those buildings during the Project.   |
| Value Creation and Capture Framework            | Means the Value Creation and Capture Framework described on the <a href="https://www.vic.gov.au/value-creation-and-capture-framework">Victorian Government website</a> < <a href="https://www.vic.gov.au/value-creation-and-capture-framework">https://www.vic.gov.au/value-creation-and-capture-framework</a> >.  |
| Value Creation Objectives                       | Means the Project's value creation objectives set out in Section 3.4.  |
| VC Facility Works                               | Means works including construction of the commercial opportunities located within the new tower and fitout of specified areas; and construction of a childcare centre and a community centre.  |
| VHBA  | Means the Victorian Health Building Authority.   |
| Victorian Industry Participation Policy or VIPP | Means the Local Jobs First – Victorian Industry Participation Policy Participation Policy made pursuant to s. 4 of the <i>Victorian Industry Participation Policy Act 2003</i> (Vic).  |
| Wage Price Index or WPI                         | Means ABS Cat No. 6345.0 Series ID A2603609J published quarterly by the Australian Bureau of Statistics.   |





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**Appendix B**  
RFP Evaluation Criteria

The State evaluated each Proposal against the following detailed Evaluation Criteria and Sub-Criteria.

| <b>Weighted Evaluation Criteria / Sub-Criteria</b>                         |  |
|--|--|
| <b>Evaluation Criterion A: Master Plan and Architectural Form</b>          |  |
| A1   | Master Plan  |
| A2   | Architectural Form   |
| A3   | Landscape  |
| <b>Evaluation Criterion B: Functional and Operational Design</b>           |  |
| B1   | Functional and Operational Efficiency                              |
| B2   | Interior Design  |
| B3   | Flexibility and Expansion Capability                               |
| B4   | Engineering and Technical Solution                                 |
| B5   | Ecologically Sustainable Development                               |
| B6   | PSDR Engineering and Technical Solution Departures                 |
| <b>Evaluation Criterion C: Equipment</b>                                   |  |
| C1   | Equipment  |
| <b>Evaluation Criterion D: Project Management</b>                          |  |
| D1   | Project Co Management  |
| D2   | Development Phase Program  |
| D3   | Design Development Process   |
| D4   | Construction Methodology   |
| D5   | Acceptance Requirements  |
| D6   | Hospital Operational Continuity                                    |
| <b>Evaluation Criterion E: Services Solution</b>                           |  |
| E1   | Services Mobilisation Plan (including approach to staff transfers) |
| E2   | Management of Services Delivery                                    |
| E3   | Service Specific Solutions   |
| E4   | PSDR Services Departures   |
| <b>Evaluation Criterion F: Commercial and Financial Solution</b>           |  |
| F1   | Equity Management and Commercial Solution                          |
| F2   | Acceptance of Risk Profile   |
| F3   | Financial Capacity and Stability                                   |
| F4   | Financing Structure  |
| F5   | Certainty and Robustness of Financing Proposal                     |
| <b>Evaluation Criterion G: Commercial and Value Creation Opportunities</b> |  |
| G1   | Design and Functionality   |
| G2   | Achievement of Value Creation Objectives                           |
| G3   | Legal and Commercial   |
| <b>Evaluation Criterion H: Government Policy</b>                           |  |
| H1   | Social Procurement   |
| H2   | Communications and Community Relations Plan                        |

Weighted Evaluation Criteria / Sub-Criteria

Evaluation Criterion I: Industry Development

Evaluation Criterion J: Jobs Outcomes

**Risk Adjusted Cost of Proposal including:**

1. Scope Ladder
2. Commercial Opportunities
3. Value Creation Opportunities

**Financial Assumptions**

**Value for Money Enhancements and other cost impacts**

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# Appendix C

## Public Interest Test



EMERGENCY

FRANKSTON HOSPITAL

← EMERGENCY

Main Entrance →  
● Parking





MAIN ENTRANCE

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## Protecting the public interest

| Public interest element   | Standard   | Assessment   |
|---|--|--|
| <p><b>Effectiveness</b></p> <p>Is the project effective in meeting government objectives?</p> | <p>The Frankston Hospital Redevelopment Project aligns with all relevant government policies and, in particular, the following key policies:</p> <p><b>Department of Health and Human Services (DHHS) Health 2040 (2016)</b></p> <ul style="list-style-type: none"> <li>• Sets out the government’s vision for better health, access and care in Victoria’s health system.</li> </ul> <p><b>Statewide Design, Service and Infrastructure Plan 2017 to 2037</b></p> <ul style="list-style-type: none"> <li>• Building a proactive system that promotes health and anticipates demand is a key priority of the plan, including in including mental health and supporting socioeconomically disadvantaged areas. Need to ensure existing assets are properly maintained and developed, including expansion required to meet population growth in areas of Melbourne outside the growth areas.</li> </ul> <p><b>Peninsula Health Service Plan (2016)</b></p> <ul style="list-style-type: none"> <li>• The Peninsula Health Frankston Hospital Service Plan forecasts considerable growth over the next 10 years. Identifying that an additional 151 Points of Care will be required to accommodate demand by 2026.</li> </ul> <p><b>DHHS Strategic Plan 2019-20</b></p> <ul style="list-style-type: none"> <li>• Victoria’s population continues to grow, resulting in increased demand for the services we fund and provide. Moreover, there are significant changes in where people are living, and the population’s demographics are also changing.</li> </ul> <p><b>Department of Health Operational Plan 2021-22</b></p> <ul style="list-style-type: none"> <li>• Sets out the top priorities and strategic drivers for the department to deliver in 2021-22</li> </ul> | <p>The Project is closely aligned with a number of State policy objectives; in particular, those which relate to improving healthcare in Victoria’s growth areas, along with access to jobs and services.</p> <p>In this context, the Business Case (2018) and Request for Proposal (2021) for the Frankston Hospital Redevelopment Project specified an output/service delivery solution which is consistent with government policy as outlined below.</p> <p>The Project sits alongside other hospital projects in the south-east metropolitan region of Melbourne such as the Monash Health Emergency Department Redevelopment and Casey Hospital Expansion as well as a range of other initiatives seeking to meet the needs of a growing and ageing population and improve the amenity of the region’s hospital facilities.</p> <p>More than half of the population of Frankston and the Mornington Peninsula lies within the lower income brackets (below \$48,000 per annum), and median household income well below the state average. This is exacerbated by a higher rate of unemployment within the catchment: 6.1% in Frankston compared with the state average of 5.2% (March 2020 quarter).</p> <p>The Project enables residents to access health services within their region rather than having to travel further to facilities in metropolitan areas, such as Monash Health campuses, which are increasingly at capacity.</p> <p>The increased capacity and future-proofing being delivered by the Project supports Peninsula Health’s forecast activity under the Peninsula Health Strategic Plan by providing capacity to assist in meeting demand into the future.</p> |

| Protecting the public interest  |   |   |
|---|---|---|
| Public interest element   | Standard  | Assessment  |
| <p><b>Effectiveness</b></p> <p>Is the project effective in meeting government objectives?</p> | <p><b>Climate Change Act 2017</b></p> <ul style="list-style-type: none"> <li>The Act sets out a clear policy framework and a pathway to 2050 that is consistent with the Paris Agreement to keep global temperature rise below 2 degrees Celsius above pre-industrial levels</li> </ul> <p><b>Local Jobs First Policy</b></p> <ul style="list-style-type: none"> <li>The policy seeks to drive local industry development by specifying local content requirements.</li> </ul> <p><b>Value Creation and Capture (VCC) Framework and Social Procurement Framework</b></p> <ul style="list-style-type: none"> <li>These policies seek to maximise the social, economic and environmental outcomes delivered from government investment</li> </ul> | <p>The Project will be greener and more environmentally responsive, delivering a new facility with an all-electric energy solution enabling completely carbon neutral power use from day 1 in support of the State's Net Zero by 2050 target. In addition, the Project includes on-site solar and rainwater storage.</p> <p>Construction of the Project will also be Climate Active-certified carbon neutral to support Climate Change Act goals.</p> <p>The Local Jobs First and Social Procurement commitments made by the private sector exceed the minimum requirements and form part of the PPP contract. The Industry Capability Network (ICN) was consulted as part of project development and has actively participated by facilitating the registration of interested parties. The Project is expected to create up to 1,700 jobs in construction and in new opportunities for healthcare workers. Over 11% of labour hours will be undertaken by apprentices, trainees and cadets.</p> <p>The Project also provides services (beyond the core hospital) that are for the benefit of the community consistent with the VCC Framework, such as a childcare centre and a community centre, expanded landscaping and enhancement of the adjacent Beauty Park.</p> |

## Protecting the public interest

| Public interest element   | Standard   | Assessment   |
|---|--|--|
| <p><b>Accountability and transparency</b></p> <p>Do the partnership arrangements ensure that:</p> <ul style="list-style-type: none"> <li>the community can be well-informed about the obligations of government and the private sector partner</li> <li>they can be overseen by the Auditor-General?</li> </ul> | <p>The Frankston Hospital Redevelopment Project complies with all Victorian Government accountability and transparency policies and obligations including the:</p> <ul style="list-style-type: none"> <li><i>Freedom of Information Act 1982 (Vic)</i></li> <li><i>Victorian Government Purchasing Board Probity Policies</i></li> <li><i>Best Practice Probity Advice Guidelines</i></li> <li><i>Audit Act 1994 (Vic)</i></li> <li>the monitoring role of the Health Complaints Commissioner in relation to the Department of Health and Project Co's obligations and performance standards.</li> </ul> | <p>The community will be well informed about the obligations of both the government and private sector partners through mechanisms including:</p> <ul style="list-style-type: none"> <li>details of the relevant contracts, subject to commercial-in-confidence considerations, published in accordance with Victorian Government policy</li> <li>the project summary published on the Department of Treasury and Finance website</li> <li>information on Frankston Hospital's performance being available in the department's annual report</li> <li>the Freedom of Information Act applying to the Project</li> <li>the Auditor-General having access to Project information in accordance with the Audit Act</li> <li>Victorian Government Purchasing Board policies applied to the Tender Process</li> <li>an independent probity advisor oversaw the procurement process to ensure the process was fair and transparent and conducted in accordance with the Project's Probity Plan. The probity advisor provided sign-off to government following the conclusion of the negotiation process with Exemplar Health</li> <li>the Health Complaints Commissioner resolves complaints about healthcare and the handling of health information in Victoria. The Commissioner can also investigate matters and review complaints to help health service providers improve the quality of their service. The Commissioner acts independently and impartially.</li> </ul> |

## Protecting the public interest

| Public interest element   | Standard  | Assessment  |
|---|---|---|
| <p><b>Affected individuals and communities</b></p> <p>Have those affected been able to contribute effectively at the planning stages, and are their rights protected through fair appeals processes and other conflict resolution mechanisms?</p> | <p>The Frankston Hospital Redevelopment Project must conduct, or be compliant with:</p> <ul style="list-style-type: none"> <li>• an appropriate public consultation process with those individuals/ groups identified as being affected by the Frankston Hospital Redevelopment Project</li> <li>• the Local Jobs First (LJF) (including the Major Projects Skills Guarantee (MPSG)) and Social Procurement Policy</li> <li>• environmental, OH&amp;S and other assessments of the Project area</li> <li>• <i>Charter of Human Rights and Responsibilities Act 2006 (Vic)</i></li> <li>• local government planning requirements</li> <li>• recommendations of the Royal Commission into Victoria’s Mental Health System.</li> </ul> | <p>Key government stakeholders will be consulted during the procurement, negotiation and completion phases for the Project. The following individuals/ groups were identified as being affected by the Project:</p> <ul style="list-style-type: none"> <li>• government stakeholders including Peninsula Health, Department of Treasury and Finance, Department of Premier and Cabinet, Department of Transport, Department of Education and Training, Department of Jobs, Precincts and Regions, Department of Environment, Land, Water and Planning, Office of the Victorian Government Architect and Treasury Corporation Victoria</li> <li>• Frankston City Council and Peninsula Shire Council</li> <li>• non-government organisations and clinical and health advocacy stakeholders including local residents, businesses, education institutions and the Committee for Greater Frankston.</li> </ul> <p>The Project is engaging with Peninsula Health’s Community Advisory Committee network as a forum for members of the local community to participate in the Project’s planning and development through open dialogue and consultation. Community members are embedded within planning user groups in order to ensure the local community input is heard throughout the planning and development of the Project.</p> <p>The Social Procurement Framework, LJF and MPSG commitments are incorporated into the PPP contract. Project Co’s Social Procurement Compliance Plan outlines its approach to positive social outcomes and values consistent with the government’s social procurement objectives, such as opportunities for Victorian Aboriginal people, Victorians with a disability, women’s equality and safety. The social procurement target aims to prioritise those in need, providing opportunities for people who are too often excluded, starting with those who live in the local area.</p> |

Protecting the public interest

| Public interest element | Standard | Assessment |
|-------------------------|----------|------------|
|-------------------------|----------|------------|

|   |  |   |
|---|--|---|
| <p><b>Affected individuals and communities</b></p> <p>Have those affected been able to contribute effectively at the planning stages, and are their rights protected through fair appeals processes and other conflict resolution mechanisms?</p> |  | <p>The relevant recommendations from the Royal Commission into Victoria’s Mental Health System were embedded into the Project brief. Facility co-design will involve people with lived experience of mental illness. The Project design will respond to the recommendations, such as being able to appropriately separate genders and vulnerable cohorts, to ensure safe and equitable amenity.</p> |
|---|--|---|

|   |   |   |
|---|---|---|
| <p><b>Equity</b></p> <p>Are there adequate arrangements to ensure that disadvantaged groups can effectively use the infrastructure or access the related service?</p> | <p>The Frankston Hospital Redevelopment Project must comply with all relevant government laws and policies including:</p> <ul style="list-style-type: none"> <li>• <i>Disability Act 2006 (Vic)</i> and the <i>Disability Discrimination Act 1992 (DDA)(Cth)</i></li> <li>• <i>Racial Discrimination Act 1975 (Cth)</i></li> <li>• <i>Sex Discrimination Act 1974 (Cth)</i></li> <li>• <i>Equal Opportunities Act 1995 (Cth)</i></li> <li>• Charter of Human Rights and Responsibilities.</li> </ul> <p>The key disadvantaged groups expected to use the hospital and access the services are those with physical impairment, chronic disease and the aged.</p> | <p>Contractual provisions include the required safeguards to ensure that Project Co complies with all applicable laws, which include common law and the principles of equity.</p> <p>The Charter of Human Rights and Responsibilities protects patients’ rights to privacy, cultural practices, life and protection from inhumane treatment.</p> <p>The hospital facilities will be DDA compliant and also cater for the culturally diverse community. Patients, staff and volunteers will enjoy an improved access route into and around the campus, with an enhanced connection between the existing hospital and new facility creating a seamless experience for visitors and staff. The Project also includes relocated bus stops to better support the hospital and visitors and a new pedestrian crossing for safer access.</p> |
|---|---|---|

## Protecting the public interest

| Public interest element  | Standard  | Assessment  |
|--|---|---|
| <p><b>Public access</b></p> <p>Are there safeguards that ensure ongoing public access to essential infrastructure?</p> | <p>The existing services at the Frankston Hospital will be open for ongoing public access throughout the development of the Project.</p> <p>All required and statutory public access will be provided, where it is safe to do so.</p> <p>Appropriate contractual arrangements will be in place.</p> | <p>Peninsula Health will provide clinical staff at Frankston Hospital, which will remain a public hospital.</p> <p>Project Co will be the provider of a range of facilities management services. Contractual provisions include adequate safeguards to ensure the continued supply of services to the public. The contract will include a step-in right to give the State the right to take over the provision of services by Project Co in certain circumstances.</p> <p>Frankston Hospital will continue to service Victorian patients and families (particularly those from the Frankston and Mornington Peninsula region) throughout the construction phase of the Project. The construction methodology minimises impact on the existing hospital through a self-supporting new facility and a staged approach to refurbishment of existing facilities.</p> <p>Alternative carparking arrangements have been put in place for some visitor carparking currently adjacent to the emergency department, however public access to the emergency department will be maintained at all times.</p> |

| Protecting the public interest   |   |  |
|--|---|--|
| Public interest element  | Standard  | Assessment   |
| <p><b>Consumer rights</b></p> <p>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?</p> | <p>Government's non-delegable duties in relation to health services provision to all members of the community.</p> <p>Australian Charter of Healthcare Rights.</p> <p>Charter of Human Rights and Responsibilities.</p> <p>Service recipients to whom government owes a high level of duty of care such as seniors, low-income earners, physically/mentally disabled and people from a non-English speaking background.</p> | <p>The Australian Charter of Healthcare Rights (Healthcare 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 healthcare providers by providing a clear statement of expectations that is understood by both patients and providers. The role of the Healthcare Charter may be summarised as follows:</p> <ul style="list-style-type: none"> <li>• Everyone has the right to access healthcare.</li> <li>• Everyone has the right to the highest possible standard of physical and mental healthcare.</li> <li>• The Healthcare Charter recognises and respects the diversity of Victoria's population.</li> <li>• Patients and health service consumers who have concerns or need support within large public hospitals can access patient representatives.</li> </ul> <p>Role of the Health Complaints Commissioner (as summarised previously).</p> <p>The Project and Frankston Hospital will provide sufficient safeguards for service recipients by:</p> <ul style="list-style-type: none"> <li>• clinical services continuing to be provided directly by the public sector</li> <li>• appointment of competent service provider(s) (Project Co) for the facilities management services</li> <li>• inclusion of performance standards required of the service provider (Project Co)</li> <li>• State step-in right</li> <li>• requiring in the PPP contract that Project Co complies with all laws including any relevant health legislation.</li> </ul> <p>Public information on hospitals is published on the Department of Health 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.</p> |



| Protecting the public interest   |  |  |
|--|--|--|
| Public interest element  | Standard   | Assessment   |
| <p><b>Security</b></p> <p>Does the project provide assurance that community health and safety will be secured?</p> | <p>State's duty of care to the public.</p> <p>Relevant laws and regulations covering OH&amp;S requirements for Peninsula Health's personnel.</p> <p>Minimum performance requirements consistent with existing Peninsula Health obligations and contracts will be required.</p>   | <p>The PPP contract will require compliance with health and safety legislation.</p> <p>The PPP contract will include performance standards required of Project Co such as security response requirements.</p>  |
| <p><b>Privacy</b></p> <p>Does the project provide adequate protection of users' rights to privacy?</p>             | <p>Applicable privacy standards with which the Frankston Hospital Redevelopment Project is required to comply are set out in:</p> <ul style="list-style-type: none"> <li>• <i>Freedom of Information Act 1982</i> (Vic)</li> <li>• <i>Health Records Act 2001</i> (Vic)</li> <li>• <i>Privacy and Data Protection Act 2014</i> (Vic)</li> <li>• <i>Surveillance Devices Act 1999</i> (Vic)</li> <li>• Charter of Human Rights and Responsibilities.</li> </ul> | <p>The Project will ensure the protection of rights to privacy through adherence to a set of 'Privacy Principles' which includes the 'Health Privacy Principles' contained in the Health Records Act and the 'Information Privacy Principles' contained in the Privacy and Data Protection Act:</p> <ul style="list-style-type: none"> <li>• the Project provides protection of users' rights to privacy including through appointment of an independent probity advisor who oversaw the procurement and evaluation process</li> <li>• contractual obligations on all parties responsible for the delivery of the Project to comply with relevant privacy laws and requirements</li> <li>• government agencies involved with the Project similarly observing privacy laws and requirements, including through the implementation of existing privacy policies.</li> </ul> <p>Broader compliance with the Freedom of Information Act, Surveillance Devices Act and Charter of Human Rights and Responsibilities provides an additional layer of privacy protection.</p> |



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