

# New Melton Hospital

## Project Summary

### February 2025



# Introduction

On 29 October 2024, the State government of Victoria entered into a public private partnership (PPP) contract with Exemplar Health (Project Co) to deliver the New Melton Hospital Project (the Project).

The Project has been procured, and will be delivered, as a Community Partnership under the *Partnerships Victoria* framework (for PPPs). Under this model, Project Co is responsible for the design, construction, financing and provision of facilities management services. Project Co will also be responsible for the delivery of commercial developments complementary to the hospital functions. The State, via Western Health, will operate and deliver clinical services to the 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
- the tender process
- the public interest considerations for the Project, and
- the 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 key project issues.

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*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/partnerships-victoria>>

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* <[www.tenders.vic.gov.au](http://www.tenders.vic.gov.au)>.

This document may be updated from time to time. Please check the *Partnerships Victoria PPP Projects website* <<https://www.dtf.vic.gov.au/partnerships-victoria/partnerships-victoria-projects>> for the current edition.

# Part One

## Project overview



# 1. The Project

The new Melton Hospital (NMH) will be an enduring tertiary hospital that will enable delivery of world-class healthcare to the growing and diverse communities of Caroline Springs, Rockbank, Melton, Bacchus Marsh and Gisborne.

The Victorian Government has made a major capital investment to deliver a critical uplift in the capacity of public health services in Melton and surrounding communities, where demand for services is expected to more than double over the next 20 years.

The new Melton Hospital will ensure that the people of Melbourne's west have greater access to quality care that is closer to family, friends and support networks. The Project will also ease demand pressures on other western and inner-Melbourne hospitals, where many patients currently seek treatment.

While a hospital first and foremost, this greenfield initiative presents an unprecedented opportunity to deliver a vibrant community asset that will also be a catalyst for precinct development and surrounding public and private sector investment within the new Cobblebank Metropolitan Activity Centre (MAC).



## 1.1 Project background and context

Strong and continued growth in demand for acute health services from the Melton catchment is expected to see demand for hospital services in Melbourne's west more than double over the next 20 years, faster than any other area in the state.

A lack of acute health services in the Melton catchment area means residents are forced to travel up to an hour to reach appropriate acute hospital services. Without this key investment in developing the local public health care services the pressure on the acute hospital system in Melbourne's west and inner-city hospitals would continue to grow. Currently, the only local acute health service is the small, 60-bed Bacchus Marsh Hospital.

The Project will help close the gap in access to acute health services for the people of Melton and the broader region by delivering a new 24-hour acute public hospital with a service profile that reflects the population growth, clinical demands and significant health needs of the local community.

## 1.2 The new Melton Hospital

The primary role of the NMH is to serve the growing local community's need for acute and mental health care. It will provide access to a range of medical, surgical, emergency, mental health services and ambulatory care for patients of all ages.

Clinical services will provide moderate complexity inpatient and ambulatory care. Although capability will vary across services and specialties, the NMH will provide definitive care for most adult medical and surgical patients.

The NMH will be linked with services of differing capability levels across Western Health to facilitate transfer and management of patients that is appropriate to their care needs. This service profile will reduce travel time for patients and relieve pressure on the Sunshine and Footscray Hospitals, as well as other Melbourne hospitals.

The NMH will also have a key role as a flagship for new care and workforce models, with opportunities for advanced technology, remote care and new ways of working.

The NMH will have a central role in the outer western part of the Western Health catchment, liaising with both rural and metropolitan health services as well as local private providers, research and education institutes, community and primary services, and Aboriginal health organisations. As a hospital with strong connections to the community, the NMH will also have a key role as a major local employer in Cobblebank and the wider Melton catchment.

While the NMH will initially provide capacity to meet projected demand by 2029, the Project provides additional shell space and a flexible masterplan which enables the capacity for efficient incremental expansion to meet future demand.

## 1.3 Project vision and objectives

### Project vision

*The new Melton Hospital will provide the foundation for a healthy and prosperous Melton, enabling the provision of high-quality acute healthcare close to home. The new hospital will activate the broader precinct while also inspiring civic pride in the community – reflecting the local people and landscape in its design.*

### Project objectives

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

Figure 1: Project objectives



Provide access to **high-quality acute care** close to home for the people of Melton.



Attract and retain a **high-quality workforce** and help promote the new Melton Hospital as a workplace of choice.



Facilitate and respond to **future growth** in service demand while also reflecting the **local people and landscape** in its design.



Promote **operational efficiency**, as well as the **physical and mental wellbeing** of its diverse users, including patients, families, staff and the broader community.



Create an **environmentally sustainable** asset that supports the Victorian Government climate policy.



Be a catalyst for unlocking **surrounding investments** that will facilitate a vibrant, integrated and inclusive precinct for the community.



## 1.4 Project site and planning

The NMH is to be developed on the 6.8 hectare site located at 245A Ferris Road, Cobblebank (Project site), within the regionally significant Cobblebank MAC.

Approximately 33 kilometres west of Melbourne's CBD, the Project site presents an unprecedented opportunity to deliver a vibrant community asset that is a catalyst for precinct development, as well as public and private sector investment in the new Cobblebank MAC, involving key local stakeholders including the Melton City Council. A primary objective in delivering the Project is to catalyse the development of this activity centre.

The Project site has the following key attributes:

- close proximity to Cobblebank Railway Station and the Western Freeway
- ease of access to retail, sports and school zones
- opportunity to respond to increasing demand through future expansion and development of the new Melton Hospital, and
- provides local access to services for the residents of Melton and surrounds.

The Project is being facilitated by a Planning Scheme Amendment by way of an Incorporated Document in the Melton Planning Scheme pursuant to section 6(2)(j) of the *Planning and Environment Act 1987*, authorising the use and development of the land for the new Melton Hospital.

Figure 2: Project area – precinct and local context





## 1.5 A Partnerships Victoria Community Partnership

The Project is being delivered as a Community Partnership under the *Partnerships Victoria* framework (for PPPs). This 'availability' PPP 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 *Partnerships Victoria* community partnership is 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, and
- incentivising delivery of the Project on time and within budget, noting that 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 Community Partnership model to deliver the Project and achieve the State's objectives.

## 1.6 Procuring agency and governance structure

The Minister for Health Infrastructure is the lead Minister for the Project.

Primary accountability for ensuring the State's infrastructure related project objectives are met rests with the Victorian Infrastructure Development Authority (VIDA). The Department of Health is responsible for the overall planning for hospital services in Victoria and maintains a close client relationship with the Victorian Health Building Authority (VHBA).

The VHBA, as part of VIDA, is the body responsible for delivering the Project on behalf of the Department of Health. The 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.

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

A steering committee comprising representatives from VHBA, Department of Health, Department of Treasury and Finance, Department of Premier and Cabinet and Western Health has been established to oversee the Project and make recommendations to the Director-General and the Minister for Health Infrastructure.

A project planning team has also been established and reports directly to the steering committee via the new Melton Hospital Project Director. The project planning team comprises representatives from VHBA, Western Health and the Department of Treasury and Finance.

## 1.7 Stakeholder engagement

VHBA has conducted extensive stakeholder and community engagement activities during the Project's development, as outlined in the table below.

**Table 1: Stakeholder consultation**

Project stakeholders	Description
<b>Western Health</b>	The VHBA has collaborated with Western Health since the commencement of the planning phase and throughout the procurement phase. As operator of the hospital, Western Health has been, and will continue to be, a key stakeholder in the Project's governance structure for the term of the Project.
<b>Melton City Council (Council)</b>	As a key stakeholder, Council is represented on the project's community consultative committee (CCC) and has been engaged from the commencement of the planning phase including in relation to the site selection, development of the Project's Value Creation and Capture Plan, community engagement and other relevant local issues such as carparking and impacts on local roads.
<b>Department of Health</b>	The VHBA has engaged with the Department of Health throughout the planning and procurement phase of the Project, including areas such as hospital services and clinical planning.
<b>Other government departments (including the Department of Treasury and Finance, Department of Transport and Planning, Department of Jobs, Skills, Industry and Regions and Department of Education and Training)</b>	<p>The 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 Project's Value Creation and Capture Plan and local content and social procurement requirements.</p> <p>The Office of the Victorian Government Architect, Treasury Corporation of Victoria and the Victorian Managed Insurance Agency (VMIA) have provided advisory support during the tender process.</p>
<b>Community of Melbourne's outer west</b>	<p>A CCC has been established for the Project. Chaired by Steve McGhie MP, Member for Melton, the CCC provides a forum for members of the local community to participate in the Project's development through open dialogue and consultation.</p> <p>The VHBA and Western Health have conducted extensive stakeholder and community engagement activity during the Project's development, including with local residents and businesses, the local community and Western Health staff and volunteers.</p> <p>There is strong support for the Project in the community.</p>









## 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. An evaluation panel was supported by specialist Sub-Panels and 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, commercial and value creation opportunities, and insurance aspects of the Proposals
- a Design and Technical Sub-Panel that evaluated the master plan, design, architectural, engineering, Environmentally Sustainable Design (ESD), project management, equipment and related aspects of the Proposals (including the design aspects of the commercial and value creation opportunities)
- a Services Sub-Panel that evaluated the facilities management related aspects of the Proposals, and
- a Government Policy Requirements Sub-Panel that evaluated the government policy, industry development and jobs outcomes aspects of the Proposals.

Specialist working and user groups, project advisors 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 evaluations 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 or immaterial probity risks that had not been appropriately managed in accordance with applicable requirements.

### 2.3 Evaluation process

Refer to Appendix B for the RFP 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 milestones are outlined in Table 2.

**Table 2. Tender process – key dates**

Milestone	Date
<b>EOI Phase</b>	
Release of Invitation for EOI	30 January 2023
EOIs submitted	2 March 2023
Shortlisted Respondents announced	28 June 2023
<b>RFP Phase</b>	
Release of RFP	28 June 2023
Proposals submitted	7 December 2023
<b>Negotiation and Completion Phase</b>	
Preferred Respondent announced	17 July 2024
Contract Close	29 October 2024
Financial Close	31 October 2024

## 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	Scyne Advisory
Legal Advisor	MinterEllison
Probity Advisor	RSM Australia
Insurance Advisor	VMIA
Architectural and Health Planning Advisor	Destravis Group and John Wardle Architects
Engineering Advisor	AECOM
Cost and Program Advisor (Procurement Phase only)	Donald Cant Watts Corke
Facilities Management Advisor	RixStewart
Technology Advisor	UT Consulting
FF&E Advisor	Hospitech
Town Planning Advisor	Spiire
Specialist / Financial Markets Advisor	Treasury Corporation of Victoria



### 3. Tender process outcomes

#### 3.1 Shortlisted respondents

Three conforming EOIs were received, and two shortlisted respondents were selected to proceed to the RFP Phase:

- **Exemplar Health**, comprising Capella Capital, Lendlease, Invesis, Honeywell and Compass.
- **Wilam Marrga**, comprising Tetris Capital, John Holland, Amber Infrastructure, Cushman & Wakefield and ISS Health Services.

#### 3.2 Successful respondent

On 17 July 2024, 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 proposal.

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 29 October 2024.



*Artist impression*



## 3.3 Key components of the Project

The Project comprises the design and construction of the new hospital, together with car parks, grounds, gardens and associated site and external infrastructure (utilities and roadworks infrastructure).

The Project also includes:

- the provision of facilities management services for the 25 year operational phase, and
- the provision of commercial and other value creation opportunities which are complementary to the hospital and support the State's Value Creation and Capture Framework.

The Project will also deliver an all-electric hospital, targeting a 5-star Greenstar rating.

### 3.3.1 Points of Care

The new Melton Hospital will comprise:

- 395 Points of Care (PoC) (up to 274 beds) fitted-out on commencement of operations in accordance with the State's minimum briefed requirements
- 55 Points of Care in shell space for future expansion.

**Table 4: New Melton Hospital Project Points of Care**

Department	PoC fitted out on commencement	Shell PoC
Emergency Department – (including mental health and AOD zone)	40	-
Emergency Department – Short Stay Unit	12	-
Emergency Department – Paediatric and Adolescent Short Stay Unit	8	-
Intensive Care Unit	10	-
IPU – Generic Acute	128	32
Birthing and Maternity Assessment Centre (MAC)	41 <sup>1</sup>	6
IPU – Special Care Nursery	12	4
IPU – Mental Health	25	-
Same-day Medical	32	-
Perioperative Services – Operating Rooms	8	-
Perioperative Services – Recovery	35	-
Medical Imaging / Nuclear Medicine	16	-
Ambulatory Care	28	13
<b>TOTAL</b>	<b>395</b>	<b>55</b>

The new Melton Hospital has been designed with a future-focused masterplan which enables capacity for efficient incremental expansion for up to an additional 367 Points of Care, for a future capacity of up to 762 Points of Care.

### 3.3.2 Services design

The Project meets pandemic requirements in response to COVID-19 lessons learned, including alternative entries for screening of patients and visitors, and departments capable of managing infectious patients in the event of a pandemic or infectious outbreak.

<sup>1</sup> The Birthing and Maternity Assessment Centre also includes the Maternity IPU.



### 3.3.3 Facilities management 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 new hospital as set out in further detail in Section 11.3.2.

## 3.4 Value Capture and Creation 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.

The application of this framework supports the achievement of 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.

### 3.4.1 Commercial opportunities

The Project includes commercial opportunities which deliver value and provide services for the benefit of Western Health staff, patients, visitors, and the community. These opportunities are located within the main hospital building, including several food and beverage outlets interfacing with Coach Street. The commercial opportunities are planned to enhance the experience of visitors and staff utilising the hospital.

#### 3.4.2 Other value creation and capture benefits

The Project will also provide:

- an onsite childcare centre
- new roads on the east and west of the Project site (Muyan Road (formerly East Road) and Coach Street respectively).



### 3.4.3 Achievement of value creation objectives

The Project realises the following value creation and capture benefits as a result of the application of the Value Creation and Capture Framework.

**Table 5: Achievement of value creation objectives**

Value creation objective	Description of value creation initiatives in the proposal
<b>Expand the breadth and volume of services to enhance health outcomes</b>	<p>The new Melton Hospital, once complete, will have the capacity to treat 130,000 patients each year and see almost 60,000 patients in the emergency department.</p> <p>The additional shell space and flexible masterplan which enables capacity for efficient, incremental future expansion provides a hospital that can respond to future demand and improve health outcomes for the local community.</p>
<b>Support attraction and retention of workforce</b>	<p>The site masterplan has been premised on the concept of the living campus, with significant landscaping which flows into the building through the living commons, connecting interior spaces with elements of light, landscape and views across Country to create an environment that harnesses the benefits of nature-inspired design with benefits to health and wellbeing for patients, visitors and staff alike.</p> <p>Staff amenities offer a broad range of settings and experiences to enable staff to unwind privately, aid connection and support peer relationships to develop more authentically.</p> <p>The design includes strong consideration of occupational safety of staff, with key staff arrivals separated from the main public flow with the multi-deck staff carpark connecting directly into the facility for ease and the added layer of security. Passive surveillance is incorporated throughout the design, ensuring oversight from staff into public areas. High risk spaces are activated through public functions as a deterrent to anti-social behaviour.</p> <p>Various other amenities aimed at attracting staff will be delivered on site including the childcare centre and several food and beverage offerings.</p>
<b>Foster research, education, training opportunities and collaboration</b>	<p>The new Melton Hospital has been designed to maximise opportunities for research, education, training by including dedicated research, training and collaboration spaces.</p>
<b>Improve the economic growth of Melton and surrounding area including through increased productivity and employment</b>	<p>The Project is expected to create more than 700 direct jobs and 1,700 indirect jobs in construction. The hospital is expected to generate 3,975 direct jobs on-site in its first full year of operations, including medical and nursing staff, allied health professionals, technicians and administrative and facilities management staff. The hospital will also generate 2,485 indirect jobs in surrounding health-related services and other businesses.</p> <p>As noted in Section 3.5, Exemplar Health's proposal meets, and in most cases exceeds, the State's minimum Local Jobs First Policy and social procurement requirements. Exemplar Health's social procurement and workforce development model, called 'The Exchange', will connect local people, industries and businesses and help residents find work. The Exchange will provide local residents and employers with free recruitment services and open access to employment and training opportunities.</p>
<b>Activate the surrounding precinct</b>	<p>The new Melton Hospital will be a vibrant community asset that is not only a catalyst for the Cobblebank precinct but which will help improve social and civic amenity.</p> <p>The hospital has been master planned to connect into the Cobblebank precinct with high-quality pedestrian links into and around the Project site, as well as to provide good access to public transport.</p>

Value creation objective	Description of value creation initiatives in the proposal
<b>Improve environmental outcomes</b>	<p>The Project provides an environmentally responsive and holistic design that will deliver excellent energy, water and cost savings to the State. Key environmental outcomes include an all-electric energy solution for the new Melton Hospital.</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>
<b>Improve the social capital of the community</b>	<p>The Project includes the provision of retail offerings by local businesses to ensure the food and beverage options are reflective of the community within Melbourne's west.</p> <p>The inclusion of a childcare centre is another aspect of delivering a world-class healthcare facility which is part of a broader health, education and community precinct and will provide amenity to staff and the wider community.</p> <p>In addition, in accordance with government's Social Procurement Framework, the new Melton Hospital will deliver additional social value above and beyond the value of the Project as detailed in Section 3.5.</p>

### 3.5 Other government policy outcomes

Exemplar Health has committed to the following jobs and social procurement targets as summarised in Table 6.

**Table 6: Government policy outcomes**

Government policy outcome	Minimum requirement briefed in the RFP	Contracted outcome
Development Activities	91%	91.56%
Steel <sup>2</sup>	95%	98.52%
Furniture, Fittings & Equipment	76%	76.05%
Consulting Services	97%	100.00%
Operational Phase		
Services	80%	90.69%
<b>Job outcomes</b>		
Major Project Skills Guarantee (MPSG) – Development Activities	10%	12.10%
MPSG – Operational Phase	10%	10.00%
<b>Social Procurement</b>		
Social Procurement Expenditure (Development Phase)	2% of D&C Price	2.1% of D&C Price
Purchasing from Victorian Aboriginal businesses	N/A	1.72%
Purchasing from Victorian social enterprises	N/A	0.29%
Purchasing from Australian Disability Enterprises	N/A	0.09%
Social Procurement Expenditure (Operational Phase)	\$4m p/a	\$3.5m p/a
Social Procurement Participation (Development / Operational Phase)	5% / 5%	6.5% / 7.5%

<sup>2</sup> locally milled and fabricated

Government policy outcome	Minimum requirement briefed in the RFP	Contracted outcome
Employment of Victorian Aboriginal People (Development / Operational Phase)	N/A	2% of Project Co development phase workforce / 2% of Project Co operational phase workforce
Employment of Priority Jobseekers	N/A	3.8% of Project Co development phase workforce / 7 roles
Employment of Victorians with a Disability	N/A	0.7% of Project Co development phase workforce / 2 roles

### 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 the *Partnerships Victoria* guidance on how to evaluate whether a project meets the public interest. The assessment was made against criteria such as public access, security and consumer rights, and concluded that, on balance, the project was found to be in the public interest. Appendix C contains the public interest test.

### 3.7 Contract milestones

Key contract milestones are set out below.

**Table 7: Key milestones**

Milestone	Target Date
Contract Close	29 October 2024
Financial Close	31 October 2024
Technical Acceptance	11 April 2029
Commercial Acceptance	11 July 2029
Service Delivery / Operational Commencement	12 July 2029
Contract Expiry Date	11 July 2054





# Part Two

## Financial outcomes

## 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.

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	795
Raw lifecycle and operating costs (net of commercial revenues)	906
<b>Raw PSC</b>	<b>1,701</b>
Transferred risks	147
<b>Proposal-comparable PSC (excluding state-retained risk) at RFP release</b>	<b>1,848</b>
Adjustment for material financial market movements	(218)
<b>Proposal-comparable Restated PSC (excluding state-retained risk)</b>	<b>1,630</b>

1. All numbers are expressed in net present values as at 31 May 2024.
2. 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.
3. While, where necessary, the PSC may include an adjustment for 'competitive neutrality' 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.
4. 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.
5. In accordance with the *Partnerships Victoria* framework, the PSC was restated with an adjusted discount rate to reflect material financial market movements impacting the risk free rate since RFP release.
6. In accordance with the National PPP Policy and Guidelines, a risk free rate of 5.26 per cent was used in calculating the net present value of the Restated PSC and its components.



Artist impression

### 4.3 Net present cost of Exemplar Health’s proposal

The quantitative value for money assessment for provision of the hospital, together with Exemplar Health’s value creation opportunities offer, is demonstrated by the estimated savings between the PSC and the private sector contract cost. As shown below, a saving of \$37 million in NPC terms has been achieved as a result of private sector delivery.

**Table 9: Value for money comparison – PSC versus private sector delivery**

Restated PSC (NPC, \$m)	Private sector contract cost (NPC, \$m)	Estimated savings (NPC, \$m)	Estimated savings (%)
1,630	1,594 <sup>3</sup>	37	2%

1. All non-percentile numbers are expressed in net present values as at 31 May 2024.
2. In accordance with the National PPP Policy and Guidelines, a proposal evaluation discount rate of:
  - 7.47% was used in calculating the net present cost of the monthly service payments, and
  - 7.38% was used in calculating the net present cost of the state contribution 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, Exemplar Health’s proposal includes a number of additional benefits for the State, hospital users and the broader community.

These include:

- **Capacity beyond RFP minimum scope requirements:** Exemplar Health’s proposal provides additional capacity for future expansion beyond the minimum scope requirements specified in the RFP, comprising shell space for future capacity of 55 PoC (being 38 additional PoC compared to the briefed RFP requirements for shell space) as well as site master planning to allow for further expansion to meet the nominated future requirements.
- **Responding to Royal Commission into Victoria’s Mental Health system:** the Project also responds to the recommendations of the Royal Commission into Victoria’s Mental Health System by providing a twenty-five bed mental health ward which includes a five bed high dependency unit, and delivery of four mental health beds as part of a dedicated mental health and AOD zone in the emergency department. Mental health consumer representatives with lived experience will be actively involved in the co-design process for the mental health facilities.

3 PSC equalised offer price estimate includes evaluation adjustments, including a discount rate adjustment, to enable like-for-like comparison to the Restated PSC in accordance with the *Partnerships Victoria* framework.

- **Responding to lessons learnt from the COVID-19 pandemic:** the hospital design incorporates a range of measures including:
  - enhanced mechanical systems, including capability of nominated pandemic areas to operate with 100 per cent fresh air ventilation and
  - a flexible design with the capability to segregate some patient areas and entries in pandemic mode.
- **Environmentally sustainable design:** the hospital incorporates the following measures to achieve long term sustainability and improved patient outcomes:
  - designed as a fully electric hospital to support Victoria's transition to a carbon neutral economy
  - compliance with 5-star Greenstar
  - 100,000L of rainwater collection for toilet staff flushing, to be backed up by an Authority non-potable water supply
  - a quality indoor environment with a high proportion of spaces with excellent daylight factor
  - provision of a high proportion of inpatient areas with views of the exterior and landscaped environments, and
  - independent carbon neutral construction certification through Climate Active.
- **Value creation and capture:** the new Melton Hospital will be a state-of-the-art healthcare precinct delivering a highly integrated and valuable community asset acting as a gateway to Melton and the wider western region. A range of commercial and other initiatives will activate the site and provide amenity for hospital users and the broader community, as set out in Section 3.4 Value Creation and Capture Framework.
- **Employment and economic growth:** the Project is expected to create more than 700 direct jobs and 1,700 indirect jobs during construction, including a range of apprentices, trainees and cadets. The hospital is expected to generate 3,975 direct jobs on-site in its first full year of operations, including medical and nursing staff, allied health professionals, technicians and administrative and facilities management staff.
- The hospital will also generate 2,485 indirect jobs in surrounding health-related services and other businesses. 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:** a range of further social and economic benefits expected to be generated by the Project are set out in Section 3.5 Other government policy outcomes.

## 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

The State will derive the following revenues:

- carparking revenue from the hospital carparks<sup>4</sup>
- childcare centre
- 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.

### 4.5.2 Additional costs

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

- cost of land acquisition of the Project site
- 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.

4 Carparking revenues from the new carparks do not form part of the PPP project scope and are retained by the State.



## 5. Monthly service payments and revenues

The payment mechanism for the Project is generally consistent with the mechanisms developed in precedent Community Partnership 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 payments

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.

The key components of the MSP are outlined below.

**Table 10: Components of the MSP**

MSP component	Description
<b>Non-reviewable services (unindexed)</b>	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).  The value of this payment does not escalate over the operational phase.
<b>Lifecycle (indexed)</b>	Reflects costs associated with Project Co's asset refurbishment and replacement across the asset lifecycle.  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.
<b>Reviewable services (indexed)</b>	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 and pest control (reviewable services). This component is periodically adjusted every five years during the operational phase as a result of benchmarking the reviewable services costs.  The real value of this component indexes at a combination of CPI and WPI over the operational phase.
<b>Non-reviewable services (indexed)</b>	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.  The real value of this component indexes at a combination of CPI and WPI over the operational phase.
<b>Insurance</b>	In respect of Project Co's forecast Industrial Special Risks Insurance and Public and Products Liability Insurance costs (periodically adjusted as a result of benchmarking the costs of these insurances during the operational phase).
<b>Minor works</b>	In respect of minor works during the operational phase, to cover the cost of routine works to the assets that fall under a specified monetary threshold.
<b>Floating rate component</b>	As calculated in accordance with Schedule 3 (Payment), following the date of the first refinancing (as applicable).

## 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* 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**

MSP component	Description
<b>Performance abatements</b>	Reduction to the MSP for the following failures: <ul style="list-style-type: none"> <li>• <b>Availability failures</b> – where functional areas are not available for use and unavailability is not rectified within the required periods.</li> <li>• <b>Incident failures</b> – where functional areas do not meet specified requirements (not resulting in unavailability) and this is not rectified within the required periods.</li> <li>• <b>Quality failures</b> – where minimum service requirements are not achieved, resulting in a quality failure.</li> <li>• <b>System failures</b> – where an event materially impacts on the operation of any of the defined systems in the facility.</li> </ul>
<b>Mobilisation abatement</b>	Reduction to the MSP where services mobilisation activities are not delivered in compliance with the operational readiness and ramp up plan.
<b>Local content requirements adjustment</b>	One-off adjustment where the contractually agreed targets for local content requirements for development activities is not achieved.
<b>Major projects skills guarantee (MPSG) adjustment</b>	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 value of state payments.

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

Cost of contracted proposal as at 31 May 2024 (NPC \$m)	Discount rates used to arrive at NPC <sup>5</sup>	Total cost of contracted proposal (nominal \$m) <sup>6</sup>	Payment over first Operational Phase financial year (nominal \$m) <sup>7</sup>
	MSP – 7.47%		
1,594 <sup>8</sup>	State contribution – 7.38%	5,144	163

5 In accordance with the *Partnerships Victoria* framework, the discount rate was adjusted to reflect material financial market movements impacting the risk free rate since RFP release.

6 Represents the sum of Monthly Service Payments and other direct payments over the life of the contract.

7 This figure reflects payments from 11 July 2029 (expected date of Commercial Acceptance) to 30 June 2030.

8 PSC equalised offer price estimate includes evaluation adjustments, including a discount rate adjustment, to enable like-for-like comparison to the Restated PSC in accordance with the *Partnerships Victoria* framework.

## 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 assets.

The financial liability for the Project is outlined below. The reported figure represents the peak financial liability the State will incur during the development phase based on the Financial Close Financial Model.

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 (\$m)	Expected year of peak financial liability	Implied interest rate in financial liability (annual)
1,191	FY 2029/30	6.86% p.a.

## 7. State contribution

In order to optimise private finance, reduce the total cost of the PPP and enhance value for money, the State will make progressive capital contributions of up to a total of \$315 million (nominal) to Project Co during the development phase. Once the requisite amount of private finance has been contributed, the State will make the monthly payments to Project Co at the same time as (and proportionate to) advances by Project Co's financiers.

The quantum of private finance was determined by ensuring:

- it represented best value for money to the State by optimising the level of private finance and the discipline it drives, such as financier due diligence and oversight over the contract term, and
- it was sizeable enough to be attractive to the private finance market and achievable under financial market conditions prevailing in 2024.

## 8. Partial bid cost reimbursement

The State will make a contribution to the unsuccessful respondent for the verifiable and reasonable external costs incurred in preparing its Proposal (capped to a maximum payment of \$8 million).

Payment of the contribution to proposal costs is subject to the unsuccessful respondent satisfying certain terms and conditions.

Reimbursement of a proportion of the unsuccessful respondent's 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 the unsuccessful respondent's proposal.

## Part Three

Key commercial features



## 9. Parties to the contract

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**

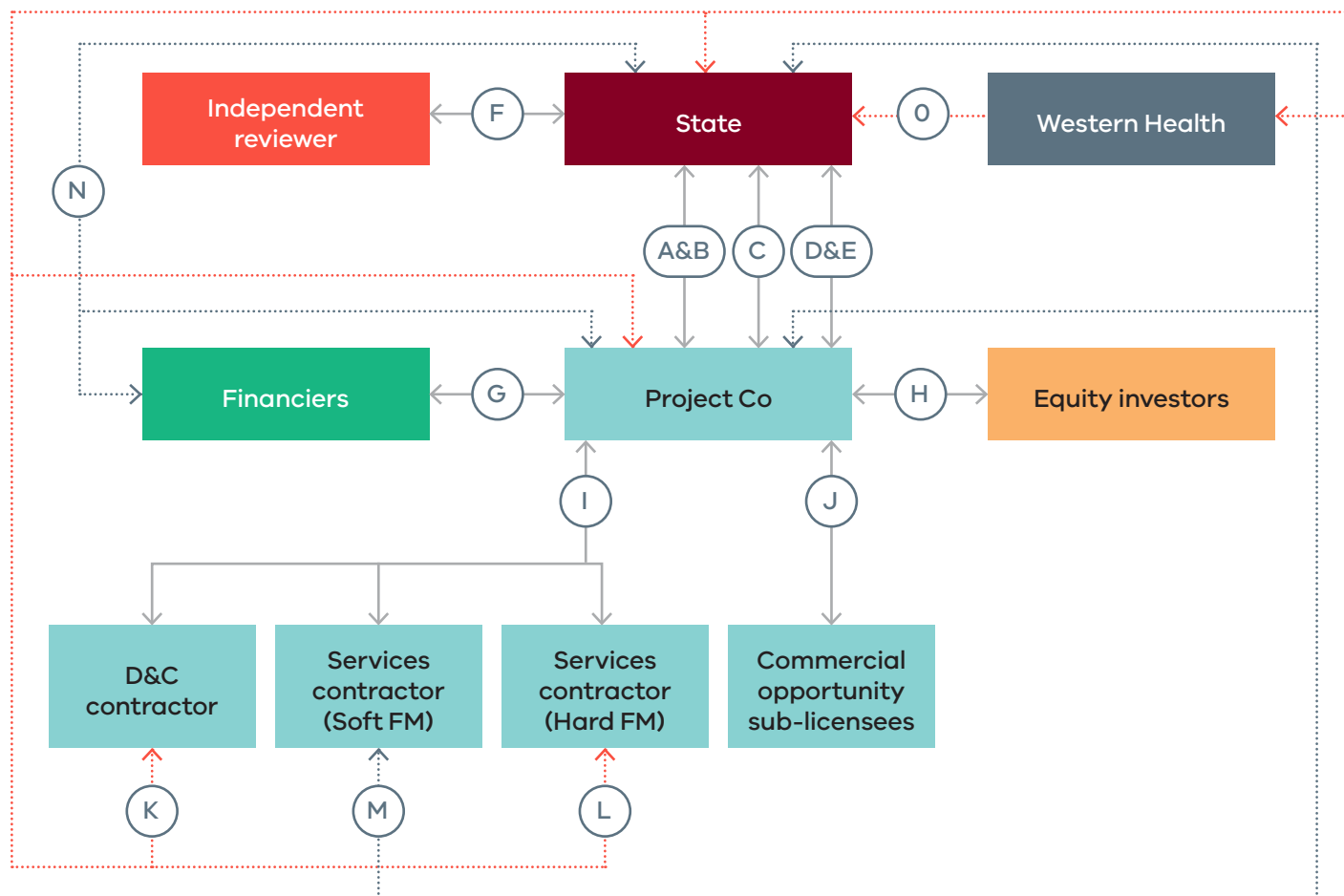
Entity	
<b>State parties</b>	
The State	The State is a signatory to the project deed and ancillary Project documents. The Minister for Health Infrastructure is the person empowered to execute these contracts on behalf of the State.
Western Health	Western Health is the clinical services operator of the new Melton Hospital and is party to the Head Licence, as owner of the Site, allowing the State use of the Licence Area for the purposes of the Project.
<b>Key private sector parties</b>	
Project Co	Project Co is Exemplar Health (Melton) Pty Limited in its capacity as trustee for the Exemplar Health (Melton) Trust. Project Co is the counterparty to the Project Deed and is the primary contracting entity with the State.
Finance Co	Finance Co is Stella NMH Finance Pty Limited. Finance Co will onloan funds borrowed from the Financiers to Project Co.
D&C Contractor	The D&C Contractor is Lendlease Construction (Southern) Pty Ltd. Project Co has appointed the D&C Contractor to undertake the development activities.
Services Contractors	The Services Contractors are Honeywell Ltd 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 Ltd and Invesis Cooperatie U.A. have provided or committed to provide the required equity for the Project.
Financiers	The entities that have committed to provide the debt required for the PPP include: <ul style="list-style-type: none"> <li>• Australia and New Zealand Banking Group Limited</li> <li>• Credit Agricole Corporate and Investment Bank</li> <li>• Crédit Industriel et Commercial</li> <li>• Norinchukin Australia Pty Limited</li> <li>• Oversea-Chinese Banking Corporation Limited</li> </ul>
<b>Other parties</b>	
Commercial Licensees	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.
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.

## 10. Contractual relationships

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

Figure 3 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 3: Contractual structure**



Reference	Project document
A	Project Deed
B	State Security
C	Value Creation Licence*
D	Development Phase Licence
E	Operational Phase Licence*
F	IR Deed of Appointment
G	Finance Documents
H	Equity Documents
I	Subcontracts

Reference	Project document
J	Value Creation Sub-Licences*
K	D&C Contractor Direct Deed
L	Services Contractor Direct Deed (Hard FM)
M	Services Contractor Direct Deed (Soft FM)
N	Finance Direct Deed
O	Head Licence

\*Not entered into at contract close

# 11. Contractual terms

## 11.1 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.

The following table 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
Land acquisition and planning risk					
1	Land acquisition	Risk associated with acquiring land identified by the State as available 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.			✓
		Delay in approval by Minister for Planning of specified development plans or such approval is subject to unforeseeable conditions.	✓		
4	Compliance with planning approvals	Obligation to comply with relevant planning approval conditions.			✓
Site risks					
5	Contamination Project Co causes or contributes to: <ul style="list-style-type: none"><li>on the Project Area to the extent remediation is required, or</li><li>which has migrated from the Project Area and is the subject of a contamination notice</li></ul>	Cost relating to the management and removal of such contamination on the Project Site.			✓



No.	Type of risk	Description	Allocation		
			State	Shared	Project Co
6	Contamination which: <ul style="list-style-type: none"> <li>the State directs Project Co to remediate or</li> <li>which is the subject of a contamination notice or</li> <li>Project Co disturbs or interferes with on the Project Area to the extent remediation is required or</li> <li>is required to be remediated as a consequence of any approval</li> <li>Project Co is required to remediate to comply with s. 39(1) of the <i>Environment Protection Act 2017</i> (Vic)</li> </ul>	Cost relating to the management and removal of such contamination on the Project Site.	✓ (only in respect of specific circumstances)		✓
7	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.			✓
8	Aboriginal heritage and artefacts	Risk of cost and delay resulting from discovery of items and Aboriginal heritage and artefacts at the Project Area.	✓		
9	Environmental risk	Risk of general site and environmental conditions (excluding those specifically identified).			✓
<b>Design, construction and commissioning risks</b>					
10	Force majeure	Risk of delay caused by force majeure events, which prevent construction milestones being met.		✓	
11	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.			✓

No.	Type of risk	Description	Allocation		
			State	Shared	Project Co
12	Construction risk	Risk that construction cannot be completed on time or to budget.	✓  (only where caused by the State breach and specified relief events)		✓
13	Equipment	Responsibility for the selection, procurement and maintenance of Group 1 equipment.			✓
		Responsibility for the selection, procurement and maintenance of Group 2 equipment.		✓  (shared responsibility for selection with Project Co)	✓
		Responsibility for the selection, procurement and maintenance of Group 3 equipment.	✓  (responsible for selection and maintenance)		✓  (responsible for procurement in consultation with the State)
14	Defects risk	Risk that defects are identified following completion of construction.			✓
15	Fitness for purpose	Risk that the project assets are not fit for purpose or do not comply with contractual obligations.			✓
16	Commissioning	Risk that the project assets cannot be commissioned in accordance with the agreed commissioning criteria.			✓
17	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.	✓		

No.	Type of risk	Description	Allocation		
			State	Shared	Project Co
Operating risks					
18	Force majeure	Risk that force majeure events affect the operation or availability of the project assets.		✓	
19	Asset management KPIs	Meeting required standards with respect to asset management Key Performance Indicators.			✓
20	Asset availability and maintenance	Making the project asset available in accordance with availability requirements and levels.			✓
21	Meeting performance requirements	The performance of the project assets does not meet the performance requirements.			✓
22	Maintenance costs	Risk that maintenance costs exceed budgeted costs over the operational phase.			✓
23	Operations costs (non-reviewable services)	Risk that operations costs exceed budgeted costs over the operational phase.			✓
24	Operations costs (reviewable services)	Risk that operations costs exceed budgeted cost over the operational phase.	✓ (at each reviewable services term)		✓ (during each reviewable services term)
25	Lifecycle costs	Risks associated with the replacement and refurbishment of the project assets (including plant and finishes) over the operational phase.			✓
26	Changes in service levels	Changes in service levels impacting the provision of the services: <ul style="list-style-type: none"><li>• within the parameters specified in the project deed</li><li>• modifications to service levels and service plan outside the agreed parameters.</li></ul>	✓		✓
27	Utility price risk	Risk of change in the price of the utility inputs required by the project assets, other than in respect of value creation opportunities.	✓		
28	Utility volume risk	Risk of change in the cost of utilities required by the project assets as a result of energy demand, other than in respect of value creation opportunities.	✓		
29	Residual life and end of term handover	Satisfying the residual design life requirements for the project assets at the end of the operational phase.			✓



No.	Type of risk	Description	Allocation		
			State	Shared	Project Co
30	Carparking revenue	Risk that revenue from carparking differs from forecast revenue	✓		
31	Value creation opportunities net revenue	Risk that capital and operating costs of value creation opportunities, and revenue generated by value creation opportunities. Differs from that 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>9</sup>		✓
<b>Industrial relations</b>					
32	Industrial relations risk	Risks of industrial action in respect of the Project (excluding those actions which directly affect Project Co and which directly results from an act or omission of the State).			✓
<b>Change in law or policy risks</b>					
33	General change in law	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.	✓ (for changes that impact works or services, only to the extent that monetary and time thresholds are exceeded per event)		✓
		Risk of additional cost or delay resulting from a general change in law during the development phase.	✓		
34	Project specific change in law	Risk of additional cost or delay resulting from a general change in law during the operational phase.	✓		
35	Change in policy	Risk of additional cost or delay resulting from a change in policy that is not a change in EPA standard where Project Co is legally obliged to comply or the State directs Project Co to comply.	✓		

<sup>9</sup> Examples include a state breach or fraudulent conduct or state initiated modification which results in omission of the relevant tenancy.

No.	Type of risk	Description	Allocation		
			State	Shared	Project Co
		Risk of additional cost or delay resulting from a change in EPA standard where Project Co is legally obliged to comply or the State directs Project Co to comply, and the change has a material adverse effect on the manner in which Project Co undertakes the project activities.	✓		
<b>Financing</b>					
36	Financing	Obtaining and maintaining private sector financing for the project.			✓
37	Base interest rate risk	Base interest rate risk prior to Financial Close.	✓		
		Base interest rate risk from Financial Close to first re-finance date.			✓
		Base interest rate risk from the first re-finance date.	✓		
38	Refinancing	Risk of refinancing losses.			✓
		Risk of refinancing gains.		✓	
39	Tax	Actual tax payable by Project Co differs from the base case financial model.			✓
40	Forex risk	Risk of forex movements (excluding agreed overseas sourced spare parts).			✓
<b>Pandemic</b>					
41	Pandemic change in law	Risk that construction cannot be completed on time, or that services cannot be performed because of a pandemic change in law.	✓		
42	Other pandemic impacts	Risk that construction cannot be completed on time, or that services cannot be performed because of closure of a subcontractor's plant or factory.	✓		
		Risk that construction cannot be completed on time because of a delay in the supply of key plant and equipment or closure of the Project Area as a result of a pandemic.	✓		

## 11.2 Departures from the standard project deed

The project deed is based on the standard project deed, which was updated during the RFP period and published in September 2023. 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>	
Ministerial approval of specified development plans	Incorporates a project-specific compensable extension event in certain circumstances if the Minister for Planning does not approve or reject a specified development plan by a specified date, and a deemed modification if the Minister for Planning approves such plans subject to unforeseeable conditions.
Coach St and Muyan Rd (formerly East Rd) subdivision	Incorporates a process in respect of the subdivision of Coach Street and Muyan Road when those returned works for construction of Coach Street and Muyan Road are completed.
Childcare centre	Incorporates amendments to address childcare centre returned works, including a major default if completion of the childcare works is delayed.
ICT	Incorporates a project-specific regime for the selection, procurement and installation of ICT equipment, including a requirement for Project Co to complete specified ICT works by a specified date.
Group 3A equipment	Incorporates provisions to specify the State's responsibilities with respect to Group 3A equipment including a deemed modification if the State makes certain changes in respect of such equipment and this results in a change to the works which Project Co is required to perform.
Pre-agreed modifications	Incorporates project-specific pre-agreed modifications.
Value creation opportunities	Incorporates a project-specific regime for value creation opportunities, including those identified at contract close and those which may be approved during the term. The regime includes an entitlement for Project Co to be compensated for lost revenue from the approved value creation opportunities as a result of certain state initiated modifications and certain acts of the State or a state associate.
Carparking operations	Incorporates project-specific provisions to address carparking operations.
<b>Other Departures</b>	
Proposal issues	Incorporates provisions which require Project Co to resolve identified issues during the design development process.





## 11.3 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.

### 11.3.1 Development phase

Project Co is responsible for the design and construction of the facility and financing of the development activities, including:

- conduct of the design development process with the State and Western Health user groups
- construction and commissioning of the hospital by the date for commercial acceptance
- selection, procurement, installation and commissioning of equipment, including ICT equipment
- construction of the childcare centre
- landscaping and grounds works
- construction of Coach Street and Muyan Road (formerly East Road) and return of such works to the relevant authorities
- obtaining and maintaining certain insurances
- drawdown of debt and equity finance in accordance with the financing documents.

### 11.3.2 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
- facilities management help desk services
- building management services (asset maintenance and lifecycle replacement, including for specified equipment) for the maintained assets
- waste management services
- pest control services
- grounds and gardens maintenance services
- utilities management services
- carpark and traffic management services
- portering services
- materials distribution services
- public service agreement and dedicated attendant services
- cleaning services (excluding certain cleaning services which the State retains responsibility for).

Project Co is also responsible for the following during the operational phase:

- undertaking minor works within budgeted allowances at the State's direction
- 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.

## 11.4 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 state contribution
- payment to Project Co of the monthly service payment during the operational phase, subject to any abatement that may apply if services are not delivered to the required performance standard.

## 11.5 Changes in cost to the State

### 11.5.1 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.

### 11.5.2 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 following events:

**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 direction, order or requirement of the law in connection with a heritage claim or native title claim in the project area</li><li>• Industrial action which occurs in the direct vicinity of the project area 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 of step-in</li><li>• Any of the following in relation to COVID-19 or other declared pandemic, in certain circumstances:<ul style="list-style-type: none"><li>– full day delay in the supply of key plant and equipment from a specified country due to Australian quarantine or international border closures, caused by COVID-19 or other declared pandemic, which has a material impact on the project activities</li><li>– full day closure of the project area required by law or a pandemic direction, which has a material impact on the project activities</li><li>– full day closure of a subcontractor's plant or factory required by law or a pandemic direction, which has a material impact on the project activities</li></ul></li><li>• Change in law in response to COVID-19 or other declared pandemic</li><li>• The Minister for Planning does not approve or reject a specified development plan by a specified date, in certain circumstances</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>• 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>• A fraudulent, reckless, unlawful or malicious act or omission of the State or any state associate when acting in connection with the Project</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 in the project area</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 area 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>• Change in law in response to COVID-19 or other declared pandemic</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>• A negligent act or omission of the State or any state associate when acting in connection with the Project</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>

### 11.5.3 Modifications and augmentations

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

#### 11.5.3.1 Modifications (including pre-agreed 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.

The project deed includes pre-agreed modifications where the scope, modification election date and methodology for determination of the modification cost or saving in relation to the services is 'pre-agreed'.

This regime captures substantial changes to the Project requirements and activities which the State determines should be delivered pursuant to the augmentation process. This process entails up front agreement of the process for the tendering and implementation of the augmentation, including fees and margins payable and equity returns subject to an agreed cap.

## 11.6 Default and termination regime

### 11.6.1 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, subject to financier cure rights (for example the insolvency of Project Co or continued poor performance during the operational phase).

### 11.6.2 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 rights 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
- an emergency occurs, 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 monthly service payment will be abated to the extent that the services are not being provided.



### 11.6.3 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 the following:

- the occurrence of a default termination event
- a force majeure termination event, and
- 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 the table below.

**Table 18: Termination scenarios**

Event	Trigger	Termination payments
<b>Default termination event</b>	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).
<b>Voluntary termination</b>	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>• capped amount of break costs to key subcontractors</li><li>• a return to equity.</li></ul>
<b>Termination for force majeure</b>	The occurrence of a force majeure termination event.	The outstanding debt as at the termination date plus other costs, including a capped amount of break costs to key subcontractors.

## 11.7 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 monthly service payments are equal to or less than 120% 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 monthly service payments into an escrow account.

## 11.8 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, and
- 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.

# Appendix A

## Glossary

Defined Term/Acronym	Meaning
<b>Building Equality Policy</b>	<a href="https://www.vic.gov.au/building-equality-policy">Means Victoria's Building Equality Policy</a> available at < <a href="https://www.vic.gov.au/building-equality-policy">https://www.vic.gov.au/building-equality-policy</a> >.
<b>CCC</b>	Means the Project's community consultative committee.
<b>Commercial acceptance</b>	Means the stage when Project Co has achieved the State's design, construction and commissioning requirements in accordance with the project deed.
<b>Consumer Price Index or CPI</b>	Means the ABS Cat No. 6401.0 Series ID A2325846C published quarterly by the Australian Bureau of Statistics.
<b>Contract close</b>	Means the date of execution of the project deed and associated documents by the State and Project Co being 29 October 2024.
<b>D&amp;C Contractor</b>	Means Lendlease Construction (Southern) Pty Ltd.
<b>Development activities</b>	Means the activities which Project Co is required to perform in the development phase.
<b>Development phase</b>	Means the period beginning on financial close and ending upon achievement of commercial acceptance.
<b>Equipment</b>	Means the furniture, fixtures and equipment required for the hospital as specified in the Project Scope and Delivery Requirements.
<b>ESD</b>	Environmentally sustainable design.
<b>Evaluation criteria</b>	Means the criteria for evaluating proposals, as set out in Appendix B.
<b>Exemplar Health or Project Co</b>	Means Exemplar Health (Melton) Pty Limited as trustee for the Exemplar Health (Melton) Trust.
<b>Expiry date</b>	Means the earlier of the date which is 25 years from commercial acceptance or the date of early termination of the project deed.
<b>Expression of Interest or EOI</b>	Means expression(s) of interest prepared in respect of the Invitation for EOI.
<b>FF&amp;E</b>	Means furniture, fittings and equipment.
<b>Financial close</b>	Means the date upon which all conditions precedents under the project deed were satisfied or waived, being 31 October 2024.
<b>Financial model</b>	Means the financial model submitted by Project Co as updated at financial close.
<b>ICT</b>	Means information and communications technology.
<b>ICU</b>	Means intensive care unit.
<b>Invitation for EOI</b>	The New Melton Hospital Invitation for EOI issued on 30 January 2023.
<b>Local content</b>	Has the meaning given in Section 3(1) of the <i>Local Jobs First Act 2003</i> (Vic).
<b>Local Jobs First Policy</b>	Has the meaning given in s. 4 of the <i>Local Jobs First Act 2003</i> (Vic).
<b>Maintained assets</b>	Means the assets on the project site for which Project Co is required to provide services during the operational phase.
<b>Major Projects Skills Guarantee or MPSG</b>	Has the meaning given in s. 4.6 of the <i>Local Jobs First Act 2003</i> (Vic).
<b>Minister for Health Infrastructure</b>	Means the Victorian Minister for Health Infrastructure.
<b>Monthly Service Payment or MSP</b>	Means the payments made to Project Co as described in Section 5.
<b>National PPP Policy and Guidelines</b>	Means the suite of guidance material available at the <a href="#">Department of Infrastructure, Transport, Regional Development, Communications and the Arts website</a> .
<b>NPC</b>	Means net present cost.

Defined Term/Acronym	Meaning
<b>Operational phase</b>	Means the period beginning the day after commercial acceptance and ending upon the expiry date.
<b>Partnerships Victoria framework</b>	Means the Victorian Government framework that requires compliance with both: <ul style="list-style-type: none"> <li>the National PPP Policy and Guidelines</li> <li>the <i>Partnerships Victoria</i> requirements.</li> </ul>
<b>Partnerships Victoria requirements</b>	Means the State's Partnership Victoria policy. Further information can be obtained at <a href="https://www.dtf.vic.gov.au/public-private-partnerships/policy-guidelines-andtemplates">https://www.dtf.vic.gov.au/public-private-partnerships/policy-guidelines-andtemplates</a> .
<b>Points of Care or POC</b>	A measure of hospital capacity comprising inpatient beds and acute facilities.
<b>PPP</b>	Public private partnership.
<b>Preferred respondent</b>	Means the respondent invited to proceed to the negotiation and completion phase.
<b>Project assets</b>	Means, during the development phase, the works undertaken by Project Co, and during the operational phase, the maintained assets.
<b>Project (or new Melton Hospital)</b>	Means the new facilities as generally described in Section 3.3 of this RFP to be delivered by Project Co.
<b>Project deed</b>	Means the principal contract between the State and Project Co that establishes the rights and obligations of the parties in respect of the Project.
<b>Project objectives</b>	Means the State's objectives for the Project, as outlined in Section 1.3.
<b>Project scope and delivery requirements or PSDR</b>	Means the technical specifications for the Project which are annexed to and form part of the project deed.
<b>Project site</b>	Means the site on which the new Melton Hospital is to be located, as described in Section 1.4.
<b>Proposal</b>	Means a proposal submitted by the respondent(s) in response to the RFP.
<b>Public Sector Comparator or PSC</b>	Means the Public Sector Comparator defined in <i>Partnerships Victoria</i> policy as the "estimated hypothetical risk-adjusted cost if a project were to be financed and implemented by the government".
<b>Request for Proposal or RFP</b>	Means the documents entitled 'Request for Proposal' issued by the State to the respondents in June 2023.
<b>Respondent</b>	Means the parties which submitted a proposal in response to the RFP as set out in Section 3.1.
<b>Reviewable services</b>	Means the services for which a periodic pricing review may be undertaken in accordance with the project deed.
<b>RFP phase</b>	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, and</li> <li>ended on the selection of the preferred respondent.</li> </ul>
<b>Services</b>	Means the facilities management services which Project Co is to provide during the operational phase as described in Section 11.3.2.
<b>Services contractor(s)</b>	Means Honeywell Ltd and Compass Group Healthcare Hospitality Services Pty Ltd.
<b>Services specification</b>	Means the 'services specification' included in the PSDR which sets out the requirements for the services, KPIs and performance penalties.
<b>Social Procurement Framework</b>	Means Victoria's Social Procurement Framework published 26 April 2018 by the Victorian Government, available at <a href="http://buyingfor.vic.gov.au/social-procurement-framework">http://buyingfor.vic.gov.au/social-procurement-framework</a> .
<b>Standard project deed</b>	Means the Partnerships Victoria standard form project deed for social infrastructure projects dated September 2023.



Defined Term/Acronym	Meaning
<b>State</b>	Means the Crown in right of the State of Victoria and its entities.
<b>State contribution</b>	Means the capital contribution to be made by the State described in Section 7.
<b>Tender process</b>	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>
<b>Value creation objectives</b>	Means the Project's value creation objectives set out in Section 3.4.
<b>Value creation and capture framework</b>	Means the Value Creation and Capture Framework as referred to on <a href="https://www.vic.gov.au/value-creation-and-capture-framework">https://www.vic.gov.au/value-creation-and-capture-framework</a> .
<b>VIDA</b>	Means the Victorian Infrastructure Delivery Authority.
<b>VHBA</b>	Means the Victorian Health Building Authority.
<b>Victorian Industry Participation Policy or VIPP</b>	Means the Local Jobs First – Victorian Industry Participation Policy made pursuant to s. 4 of the <i>Victorian Industry Participation Policy Act 2003</i> (Vic).
<b>Western Health</b>	Means Western Health (ABN 61 1667 35672), a body corporate established under the <i>Health Services Act 1988</i> (Vic).
<b>Wage Price Index or WPI</b>	Means ABS Cat No. 6345.0 Series ID A2603609J published quarterly by the Australian Bureau of Statistics.

## **Appendix B**

### RFP evaluation criteria

The State evaluated each proposal against detailed evaluation criteria.

Qualitative evaluation criteria / sub-criteria	
Evaluation Criterion A: Master Plan and Architectural Form	
A1	Master Plan and Flexibility
A2	Architectural Form
A3	Interior Design
A4	Landscape
Evaluation Criterion B: Functional and Operational Design	
Evaluation Criterion C: Engineering Design and Environmentally Sustainable Design	
C1	Engineering and Technical Solution
C2	Environmentally sustainable design
Evaluation Criterion D: Equipment	
Evaluation Criterion E: Project Management	
E1	Project Co Management
E2	Development Phase Program
E3	Design Development Process
E4	Construction Methodology
E5	Acceptance Requirements
E6	Communications and Community Relations Plan
E7	Workforce Management
Evaluation Criterion F: Services Solution	
F1	Operational Readiness Plan
F2	Management of Services Delivery
F3	Service Specific Solutions
Evaluation Criterion G: Commercial and Financial Solution	
G1	Equity Management
G2	Commercial Solution
G3	Acceptance of Risk Profile
G4	Financial Capacity
G5	Financing Structure
G6	Certainty and Robustness of Financing Proposal
Evaluation Criterion H: Commercial and Value Creation Opportunities	
H1	Design and Functionality
H2	Achievement of Value Creation Objectives
H3	Legal and Commercial
Evaluation Criterion I: Local Jobs First - Industry Development	
Evaluation Criterion J: Local Jobs First - Job Outcomes	
J1	Major Projects Skills Guarantee
J2	Job Outcomes

## Qualitative Evaluation Criteria / Sub-Criteria

### Evaluation Criterion K: Social Procurement Framework

K1 Social Procurement

K2 Building Equality Policy

## Quantitative Evaluation Criteria: Risk Adjusted Cost

### **Risk Adjusted Cost of Proposal including:**

- Scope Ladder
- Commercial Opportunities
- Other Value Creation Opportunities

### **Financial Assumptions**

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

### **Assessment against Evaluated Financial Liability Cap**



# Appendix C

## Public interest test

Protecting the public interest		
Public interest element	Standard	Assessment
<b>Effectiveness</b>  Is the project effective in meeting government objectives?	The new Melton Hospital (NMH) aligns with all relevant government policies and, in particular, the following key policies:  <b>Department of Health (DH) Operational Plan 2022-2023</b> <ul style="list-style-type: none"> <li>Sets out the DH's vision for Victorians to be the healthiest people in the world</li> </ul>	The New Melton Hospital 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.  In this context, the New Melton Hospital Project will deliver an output/service delivery solution which is consistent with government policy as outlined below.
	<b>Plan Melbourne (2017) and Implementation Plan (2019)</b> <ul style="list-style-type: none"> <li>Forecasts that the Melton LGA will double in population from 156,710 (in 2017) to 332,050 by 2036 based on data from Victoria in Future 2019 (4.2 per cent growth per year compared to Victorian average of 1.6 per cent), noting the NMH catchment is broader than the Melton LGA.</li> <li>Designates Toolern as a future Metropolitan Activity Centre.</li> </ul>	The new Melton Hospital sits alongside other hospital projects in western Melbourne such as the new Footscray Hospital, Sunshine Hospital and the Werribee Mercy Hospital as well as a range of other initiatives seeking to meet the needs of a growing, ageing and diverse population.  The new Melton Hospital masterplan has been designed to allow for future expansion to address forecasted increased demand and growing population in Melbourne's outer west.
	<b>Western Health Strategy Plan (2021-2023)</b> <ul style="list-style-type: none"> <li>Sets out the strategy for, among other things, expanding its services, locations and technology options, to meet the needs of the rapidly growing and multicultural, socioeconomically diverse community of the west of Melbourne.</li> </ul>	Evidence demonstrates that Melton residents experience relatively poor physical and mental health, which increases demand for health services. This high demand is driven by a high level of socio-economic disadvantage, a high proportion of young families, an ageing population, and large numbers of humanitarian arrivals and Indigenous Australians in the local catchment. Overall, the health and wellbeing rating of the City of Melton (74.2 out of 100) is lower than that of the Victorian average (77.3 out of 100). <sup>10</sup> Life expectancy for both males and females in Melton LGA is one of the lowest in Victoria. <sup>11</sup> Melton also has a high prevalence of poor health outcomes, typical for outer metropolitan growth areas, which drives demand for hospital use.
	<b>Value Creation and Capture Framework</b> <ul style="list-style-type: none"> <li>This policy seeks to maximise the social, economic and environmental outcomes delivered from government investment.</li> </ul>	The new Melton Hospital enables residents to access health services within their region rather than having to travel further to facilities in metropolitan areas (approximately 30 to 60 minutes away), which are increasingly at capacity.
	<b>Building Equality Policy</b> <ul style="list-style-type: none"> <li>This policy aims to create training and employment opportunities for women through government procurement on building, infrastructure, civil engineering and any other capital works projects.</li> </ul>	
	<b>Local Jobs First Policy</b> <ul style="list-style-type: none"> <li>The policy seeks to drive local industry development by specifying local content requirements.</li> </ul>	

10 VicHealth Indicators Survey 2015 Results: Melton LGA Profile. [https://www.vichealth.vic.gov.au/-/media/VHIndicators/Interface/Vic161\\_Melton\\_indicator\\_v6.pdf?la=en&hash=65BCC263913EECE2897AD8B1436A6471F3CEE939](https://www.vichealth.vic.gov.au/-/media/VHIndicators/Interface/Vic161_Melton_indicator_v6.pdf?la=en&hash=65BCC263913EECE2897AD8B1436A6471F3CEE939)

11 Infrastructure Victoria (2019). Economic, Social & Environmental Profile: Inter-regional report. <https://www.infrastructurevictoria.com.au/wp-content/uploads/2019/04/SGS-Economic-social-and-environmental-profile-Metropolitan-Inter-Regional-Report-April-2019.pdf>

## Protecting the public interest

Public interest element	Standard	Assessment
	<b>Social Procurement Framework</b> <ul style="list-style-type: none"> <li>Victoria's Social Procurement Framework aims to increase the value of procured goods, services and construction by delivering social and sustainable outcomes that benefit all Victorians.</li> </ul>	<p>The new Melton Hospital will deliver a range of value creation opportunities in line with the Value Creation and Capture Framework such as more extensive food, beverage and retail options that supports the Project and the value creation objectives. The new Melton Hospital will deliver a childcare centre on-site, driving increased attraction and retention of a high-quality workforce.</p> <p>The New Melton Hospital Project has met all government policy commitments satisfying the minimum requirements of the Local Jobs First Policy and the Social Procurement Framework (including Building Equality Policy). The new Melton Hospital has confirmed acceptance to comply with the Supplier Code of Conduct and Fair Jobs Code.</p>
	<b>Fair Jobs Code</b> <ul style="list-style-type: none"> <li>The FJC aims to improve employment outcomes for persons employed by suppliers and service providers to the Victorian Government.</li> </ul>	
	<b>Supplier Code of Conduct</b> <ul style="list-style-type: none"> <li>The Supplier Code of Conduct sets out the standards suppliers must aspire to meet when doing business with the Victorian Government.</li> </ul>	

## 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; and</li> <li>they can be overseen by the Auditor General?</li> </ul>	<p>The new Melton Hospital complies with all Victorian Government accountability and transparency policies and obligations including under the:</p> <ul style="list-style-type: none"> <li><i>Freedom of Information Act 1982</i> (Vic)</li> <li>Victorian Government Purchasing Board policies</li> <li>Victorian Government Purchasing Board, Probity in procurement – goods and services procurement guide</li> <li><i>Audit Act 1994</i> (Vic) and</li> <li>monitoring role of the Health Complaints Commissioner in relation to DH and Project Co's obligations and performance standards.</li> </ul>	<p>The community continues to be well informed about the obligations of both the government and private sector partners through several mechanisms, including:</p> <ul style="list-style-type: none"> <li>details of the relevant contracts, subject to commercial-in-confidence considerations, are published in accordance with Victorian Government policy</li> <li>following contract close, the project summary will be published on the Department of Treasury and Finance website</li> <li>information on new Melton Hospital's performance being available in the department's annual report</li> <li>the <i>Freedom of Information Act</i> applying to the Project</li> <li>the Auditor-General having access to Project information in accordance with the <i>Audit Act</i></li> <li>Victorian Government Purchasing Board policies applied to the tender process</li> <li>an independent probity advisor has overseen the procurement process to ensure the process is fair and transparent and conducted in accordance with the Project's Probity Plan</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 new Melton Hospital must conduct and/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 new Melton Hospital</li> <li>• the Local Jobs First (<i>including the Victorian Industry Participation Policy (VIPPP) and Major Projects Skills Guarantee (MPSG)</i>) and the Social Procurement Framework</li> <li>• environmental, OH&amp;S and other assessments of the project area</li> <li>• <i>Charter of Human Rights and Responsibilities Act 2006</i> (Vic)</li> <li>• a cultural heritage management plan and</li> <li>• local government planning requirements.</li> </ul>	<p>Key government stakeholders have been consulted with during the procurement and negotiation and completion phases for the new Melton Hospital. The following individuals/groups were identified as being affected by the Project:</p> <ul style="list-style-type: none"> <li>• Government stakeholders including Western Health, Department of Premier and Cabinet, Department of Treasury and Finance, Department of Transport and Planning, Department of Jobs, Skills, Industry and Regions, Department of Education and Training, Department of Health, Treasury Corporation Victoria,</li> <li>• Melton City Council, and</li> <li>• non-government organisations and clinical and health advocacy stakeholders including local residents, and businesses.</li> </ul> <p>A community consultative committee has been established for the new Melton Hospital, providing a forum for members of the local community to participate in the Project's planning and development through open dialogue and consultation.</p> <p>The consultative committee is chaired by Member for Melton, Steve McGhie MP, and includes:</p> <ul style="list-style-type: none"> <li>• foundation members from key organisations such as Melton City Council and health service providers (including Western Health), and</li> <li>• community members selected through an independent expression of interest process.</li> </ul> <p>During the development phase of the New Melton Hospital Project, user group meetings attended by staff and consumers of Western Health will be held to allow consultation throughout design, ensuring all aspects of the hospital are fit for purpose and functionally appropriate for staff and users of the hospital.</p>

Protecting the public interest		
Public interest element	Standard	Assessment
		<p>The new Melton Hospital will create thousands of jobs and facilitate the transformation of Melton into a tertiary level health education precinct, driven by The Social Procurement Framework, VIPP and the MPSG applying to the New Melton Hospital Project. A set of social procurement outcomes have been developed in relation to the new Melton Hospital, prioritising opportunities for disadvantaged Victorians, opportunities for Victorian Aboriginal people and women's equality and safety. These outcomes have been achieved by Exemplar Health and confirmed in consultation with relevant government stakeholders during procurement.</p> <p>The Industry Capability Network (ICN) has been consulted as part of project development and actively participates by facilitating the registration of interested parties. ICN has informed the local content and MPSG requirements to apply to the Project.</p> <p>A Cultural Heritage Management Plan (CHMP) has been prepared in accordance with the Aboriginal Heritage Act 2006 and has been approved by the Wurundjeri Woi Wurrung Cultural Heritage Aboriginal Corporation. All activities performed during the delivery of the New Melton Hospital Project will be in compliance with the CHMP.</p>

Protecting the public interest		
Public interest element	Standard	Assessment
<b>Equity</b> Are there adequate arrangements to ensure that disadvantaged groups can effectively use the infrastructure or access the related service?	<p>The new Melton Hospital must comply with all relevant government laws and policies including:</p> <ul style="list-style-type: none"> <li>• <i>Disability Act 2006</i> (Vic) and the <i>Disability Discrimination Act 1992</i> (Cth) (DDA)</li> <li>• <i>Racial Discrimination Act 1975</i> (Cth)</li> <li>• <i>Sex Discrimination Act 1974</i> (Cth)</li> <li>• <i>Equal Opportunities Act 1995</i> (Cth) and <i>Equal Opportunity Act 2010</i> (Vic) and</li> <li>• <i>Charter of Human Rights and Responsibilities 2006</i> (Vic)</li> <li>• <i>Gender Equality Act 2020</i> (Vic)</li> <li>• Western Health's standards and guidelines, including Western Health's Gender Equality Action Plan, Diversity and Inclusion Framework and Inclusion Plan</li> <li>• VHBA's Universal Design Policy.</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 <i>Charter of Human Rights and Responsibilities</i> enables patients to protect their rights to privacy, cultural practices, life and protection from inhumane treatment.</p> <p>The hospital facilities are DDA compliant and also cater for the diverse community that use the hospital.</p> <p>Contractual provisions require Project Co to, in performing its activities, comply with, inter alia, the Gender Equality Act 2020 and relevant Western Health standards and guidelines, including Western Health's Gender Equality Action Plan, Diversity and Inclusion Framework and Inclusion Plan.</p> <p>In addition, contractual provisions require that the hospital facilities have been designed in accordance with, inter alia, VHBA's Universal Design Policy which recognises that human ability is enabled, supported and encouraged by universally designed environments that provide everyone with the opportunity to participate unassisted or with minimal support.</p>
<b>Public access</b> Are there safeguards that ensure ongoing public access to essential infrastructure?	<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>The new Melton Hospital will service Victorian patients and families (particularly those from the western region) and will also provide services to interstate and international patients as required.</p> <p>The Project will help close the gap in access to acute health services for the people of Melton and the broader region by delivering a new 24-hour acute public hospital with a service profile that reflects the population growth, clinical demands and significant health needs of the local community.</p> <p>Project Co will be the provider of facilities management services. Contractual provisions include adequate safeguards to ensure the continued supply of services to the public. The contract includes step-in rights to give the State certain rights to take over the provision of services by Project Co.</p>

## Protecting the public interest

Public interest element	Standard	Assessment
<b>Consumer rights</b> 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>Government's non-delegable duties in relation to health services provision to all members of the community.</p> <ul style="list-style-type: none"> <li>• Australian Charter of Healthcare Rights</li> <li>• <i>Charter of Human Rights and Responsibilities 2006</i> (Vic).</li> </ul> <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 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 new Melton Hospital will provide sufficient safeguards for service recipients by:</p> <ul style="list-style-type: none"> <li>• providing clinical services directly by the public sector</li> <li>• appointment of competent service provider, Exemplar Health (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 rights and</li> <li>• requiring in the PPP contract that Project Co comply with all laws including any relevant health legislation.</li> </ul> <p>Public information on hospitals is published on DH's website. This information covers performance of the public hospital system including individual hospital performance in areas such as elective surgery access and emergency department performance.</p>



## Protecting the public interest

Public interest element	Standard	Assessment
<b>Security</b> Does the project provide assurance that community health and safety will be secured?	State's duty of care to the public. Relevant laws and regulations covering OH&S requirements for Western Health's personnel.	The PPP contract requires compliance with health and safety legislation. Western Health will provide security services consistent with existing Western Health obligations and contracts.
<b>Privacy</b> Does the project provide adequate protection of users' rights to privacy?	Applicable privacy standards with which the new Melton Hospital is required to comply are set out in: <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>Information Privacy Act 2000</i> (Vic)</li> <li>• <i>Privacy and Data Protection Act 2014</i> (Vic)</li> <li>• <i>Surveillance Devices Act 1999</i> (Vic) and</li> <li>• <i>Charter of Human Rights and Responsibilities Act 2006</i> (Vic).</li> </ul>	The New Melton Hospital Project will ensure the protection of rights to privacy through adherence to a set of 'Privacy Principles' which includes the 'Health Privacy Principles' as contained in the Health Records Act and the 'Information Privacy Principles' as contained in the <i>Information Privacy Act</i> . <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 exist.</li> </ul> Broader compliance with the <i>Freedom of Information Act</i> , <i>Surveillance Devices Act</i> and <i>Charter of Human Rights and Responsibilities Act</i> provides an additional layer of privacy protection.



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