ABERDEEN GLOBAL INFRASTRUCTURE GP LTD

PROJECT MOORE - VENDOR DUE DILIGENCE

Royal Adelaide Hospital - Technical Adviser's Report

FINAL
OCTOBER 2020

CONFIDENTIAL

ABERDEEN GLOBAL INFRASTRUCTURE GP LTD

PROJECT MOORE - VENDOR DUE DILIGENCE

Royal Adelaide Hospital - Technical Adviser's Report

TYPE OF DOCUMENT (VERSION) CONFIDENTIAL

PROJECT NO. 70077136

OUR REF. NO. FINAL

DATE: OCTOBER 2020

WSP

WSP House
70 Chancery Lane
London
WC2A 1AF

Phone: +44 20 7314 5000

Fax: +44 20 7314 5111

WSP.com

QUALITY CONTROL

Issue/revision	First issue	Revision 1	Revision 2	Revision 3
Remarks	Final			
Date	21 October 2020			
Prepared by	Various			
Signature				
Checked by	Stuart Farquharson			
Signature	S. Farquharson			
Authorised by	Jamie Main			
Signature				
Project number	70077136			
Report number	01			

CONTENTS

TABLES

FIGURES

EXECUTIVE SUMMARY

WSP has been appointed by Aberdeen Global Infrastructure GP Ltd to undertake Vendor technical due diligence on Project Moore. Our technical due diligence has concentrated on the technical principles and risk transfer of the portfolio of assets, identifying the fundamental commercial, construction and operational issues that exist from a technical perspective.

Our report utilises a RAG risk reporting system. The Red, Amber and Green Flag definitions are as follows:

Table 1 - RAG Definitions

Definition	Risk Category
Red Flag: Material technical issue identified at the time of review, the Client should consider the implication of this risk in their price and its potential impact on equity. Strong asset management required to ensure the risk is managed and mitigated. This would be considered as a material risk until such time as it is mitigated or there is a robust management plan in place to mitigate it.	
Amber Flag: A technical issue has materialised at the time of the review, which has the potential to impact on project performance and equity if not managed appropriately. Will require the project parties to work together and implement a rectification plan, or a rectification plan is required to be produced. Potential for deterioration of key project relationships if not managed appropriately, however typical security provisions e.g. defects liability, PCG's are in place.	
Green Flag: No known material technical issues identified at the time of the review that could have a detrimental impact on project performance. Issues identified at the time of the review are considered to be manageable to an experienced investor. Typical security provisions e.g. defects liability, PCG's are in place.	

	Description / Key Points	Red / Amber / Green
Construction Matters	The asset build phase was formally certified as complete on 13 June 2017 and as such the majority of construction related risks have passed. Responsibility for any defects in the works rests with the Building Contractor under typical defects liability protection and with appropriate recourse available to the SPV. There is a time limit of 10 years (Statutory Liability Period) on the commencement of court proceedings from the Commercial Acceptance Date for damages for economic loss or	

	rectification costs resulting from defective building work. The Statutory Liability Period expires on 13 June 2027.	
Service Matters	The PA requires the delivery of Hard and Soft FM Services to the hospital, including ICT Services. The Service Requirements are considered to be aligned to the typical requirements of a PPP Hospital. The project is subject to a performance and availability-based abetment regime. The payment mechanism and performance measurement system poses no undue risk beyond standard market principles and operational delivery risk has been passed down to the Service Provider and ICT Services Provider, subject to liability caps that are considered to provide suitable protection to the SPV in the event that there is a need to replace a Service Provider. The operational service delivery is reported as good throughout 2020, deductions are minimal with the asset comfortably operating within the contractual trigger levels that may give rise to termination of the Contract. It is noted that the healthcare sector has been affected by the COVID-19 pandemic and it is reported that the Service Provider, SPV and State have worked together during this period, with a number of additional measured having been brought in. The current annual FM service fee is \$64,214,029 (June 2020 indexation). Based on a GIFA of 173,228m² this equates to \$371 m² / PA. WSP's benchmark range equates to \$310m² to £417m², therefore the project sits towards the upper end of our range which we would expect for the services and facilities in question.	
Market Testing	Soft FM Services are reviewed every 5 years. Initially a proposal is to be submitted to the State on the pricing for the coming period. If this is not accepted then the Services are required to be competitively tendered. The first review is due on 13 June 2022.	
Third Party Revenue	SPV must ensure that the carrying out of the Permitted Commercial Opportunities does not in any way hinder or obstruct the undertaking of the Facility Functions or the undertaking of any Then Current Facility Functions. The SPV also takes full risk in respect of any additional infrastructure required, supply and payment of utilities, and is not entitled to make any claim against the State in respect of or relating to the DCA. Various outlets operate within the hospital, providing a source of income to the SPV.	
Damage	The Service Provider will take damage remediation up to an annual cap of \$250,000 (indexed linked). For damage above this cap, the SPV will take out an Industrial Special Risk / Consequential Loss policy, which will respond to pay for these, albeit the SPV will need to pay the insurance deductible.	
Utilities	The PA, passed down into the FMS, requires that the Service Provider procures the utilities on behalf of the state, which is reimbursed on a pass through cost basis on the presentation of invoices on a Quarterly Basis. Whilst the State retain the tariff risk, the demand risk is split between the State and the Service Provider based on defined tolerances. The difference in the baseline and the actual over the tolerance level taking	

	is multiplied by set price per unit values for electricity and gas, which are indexed annually. These are to be audited every 5 years. There is an additional adjustment to take into account the Demand Rate and Additional Demand Rate. The concept of a pain / gain share is typical in the PPP sector.	
Service Provider Replacement	In the event that the Service Provider has to be replaced we consider that the Termination Cap, represents a manageable position to allow for their replacement. This is based on current market conditions.	
Lifecycle Matters	The SPV has passed the performance related risk plus the risk in relation to the overall financial adequacy of the Lifecycle fund to the Service Provider. The Lifecycle Fund of $493,824,729 (FM element only) equates to 27% of the value of the Capex, which benchmarks above the average value of 24% when compared with our database of global Healthcare projects. With inclusion of the ICT element, this equates to 33% of the overall capex which is right at the top of our benchmark range. A review of the relevant contractual provisions does not highlight any material concerns, with the risk of overspend on the fund at any point being passed down to the Service Provider. The Handback requirements are considered to be onerous in that some lengthy residual life spans are specified, however the fund appears to be profiled to account for this increased expenditure at the back end of the concession. Furthermore, the procedures in relation to Handback will allow for any outstanding works to be identified and planned in a timely manner.	
Commercial Matters	The PA (flowed down to the subcontracts) sets out the process for Modifications (variations). This follows a typical structure and is a suitable mechanism. The project has seen a number of disputes and issues between the parties, from the construction phase and into the operational phase of the hospital. Following the 2015 settlement, a large number of additional issues occurred. The parties had been in discussion about these issues for some time without any conclusion, therefore in a bid to resolve all outstanding disputes a global commercial settlement was proposed which would wipe the slate clean and allow a fresh start through agreeing various settlement payments, releasing each other from existing claims and formal disputes, and amending the project documents. This process has been concluded, albeit there are a small number of actions from the Global Settlement Agreement which have yet to be fully closed out. The September 2020 Board Report notes that relationships on the ground have improved and that some of the bureaucratic and contract administration issues have been removed, following the Global Settlement Agreement. The amended abatements regime was also reported to be working well. WSP notes that the Global Settlement Agreement did not include the Builder's claim against the SPV, the State and the Independent Certifier in relation to poor behaviour, misrepresentation, physical loss and extensions of time during the construction phase. An arbitration process is currently ongoing in respect of this claim, through which the Builder is seeking circa $800m and a further $180m due to extensions of time	 

	The August 2020 Board Report notes that the Builder's Claim may be dealt with by entering into a Mediation Agreement and engaging in mediation with the State and the Builder. WSP understands that mediation is to take place in October 2020, with all parties expressing a willingness to expedite the Builder Arbitrations, with a collective aim to resolve the claims by the end of Q4 2020. The SPV has passed through the vast majority of claims to the State and IC. and have allowed $16.8m to cover costs associated with defending/passing on the Builders Claim. No allowance has been made for the SPV contributing to settling the Builders Claim.	

Contact name Jamie Main

Contact details +44 (0) 141 429 3555 | jamie.main@wsp.com

1 PROJECT DASHBOARD

KEY PARTIES	
Generic Term	**Company**
The State	The Minister For Health on behalf of the State of South Australia
SPV	Celsus Pty Ltd
Holding Company (HoldCo)	Celsus Holding Pty Ltd
Shareholders	AGIP (17.26%), Pacific Partnerships (9.95%), InfraRed (30.58%), John Laing (17.26%), HLR Morrison (10%), and Infrastructure Fund (Hastings) (15%).
Lenders	(consists of a club of 28 Lenders)
Building Contractor	HYLC JV (Leighton Contractors Pty Ltd and Hansen Yuncken Pty Ltd)
Service Provider	Spotless
ICT Provider	Ent. Services Australia PFT Ltd – a subsidiary of Hewlett-Packard Pty Ltd
Independent Certifier (IC)	Donald Cant Watts Corke
Lender's Technical Adviser (LTA)	Altus Page Kirkland

KEY DATA / RISK ALLOCATION	Value	Cost Risk Responsibility
Construction Value	$1,849,834,546	Building Contractor
Operational Service Costs	$64,214,029 (2020)	Service Provider
Asset Replacement / Lifecycle Costs	$718,739,294 (2020)	Service Provider

PROJECT DATA	
Contract Type	DBFM
Financial Close	6 June 2011
Concession Period	35 years
Construction Completion	13 June 2017
Commencement of Full Operations	14 June 2017
End of Operations	6 June 2046
Repricing of Reviewable Services	13 June 2022
GIFA	173,228 m2

2 INTRODUCTION

2.1.1. In September 2020, WSP was commissioned by Aberdeen Global Infrastructure GP Ltd to undertake Vendor technical due diligence on Project Moore, which consists of four projects (one healthcare project, one water treatment plant project, one rolling stock project and one light rail project). This report is in relation to the new Royal Adelaide Hospital.

2.1.2. Our technical due diligence has concentrated on the technical principles and risk transfer of the project, identifying the fundamental commercial and operational issues that exist from a technical perspective.

2.1.3. WSP does not make representation or warranty as to the factual accuracy of the information provided to us via the data room or by the Vendor on which this report is based.

2.2 DISCLAIMER

2.2.1. WSP has provided this report solely for the use of the recipient and accepts no liability to any third parties or any other party using or reviewing the report or any part thereof. WSP makes no warranties or guarantees, actual or implied, in relation to this report, or the ultimate commercial, technical, economic, or financial effect on the project to which it relates, and bears no responsibility or liability related to its use other than as set out within the scope of the contract under which it was supplied.

2.3 PROJECT OVERVIEW

2.3.1. The new Royal Adelaide Hospital (new RAH) is the largest social infrastructure project ever undertaken by the State. Under a Public Private Partnership (PPP) arrangement, SA Health Partnership PTY Ltd (the SPV, now known as Celsus) planned, designed, constructed and financed the facility to completion, with the exception of State funded works. The South Australia Government was responsible for State funded works, which included core clinical equipment and certain precinct and utilities infrastructure works. The total value at contractual close in June 2011 provided for a capital cost for design and construction by the SPV of c$1.85 billion.

2.3.2. The concession period is over 35 years ending in June 2046 and covers the design and construction and operating term phases. Delays in the design and construction phase have shortened the operating term by one year to 29 years. On the 13 June 2017 the new RAH achieved Commercial Acceptance and the operating phase commenced on the 14 June 2017.

2.3.3. Green initiatives include rooftop rainwater and storm water recycling, solar boosted hot water, high efficiency water fittings throughout, water sensitive landscaping, natural light, a tri-generation system (with absorption chillers) to utilise waste heat from energy generators to provide heating and cooling to the building and the use of environmentally-friendly materials.

2.3.4. The features of the new RAH include:

- 700 overnight beds (including 40 mental health beds);
- 100 same-day beds;
- 10 bariatric beds;
- 40 technical suites (operating, interventional and procedural rooms);
- Standardised single inpatient rooms with individual ensuites;
- The use of leading technology to ensure that supplies are easily and efficiently transported throughout the hospital using automated guided vehicles;
- Biomedical equipment and other clinical equipment, which are electronically tagged;
- An underground car park with approximately 2,300 bays;
- 300 bicycle parks;
- 150 motorcycle parks;
- 50 disability parks;

- 2 helipad parking capacity;
- Gardens and open green spaces throughout the site providing spaces for relaxation and healing; and
- A commercial precinct, including a creche, mini-mart, restaurant, cafes and gymnasium.

2.4 LOCATION

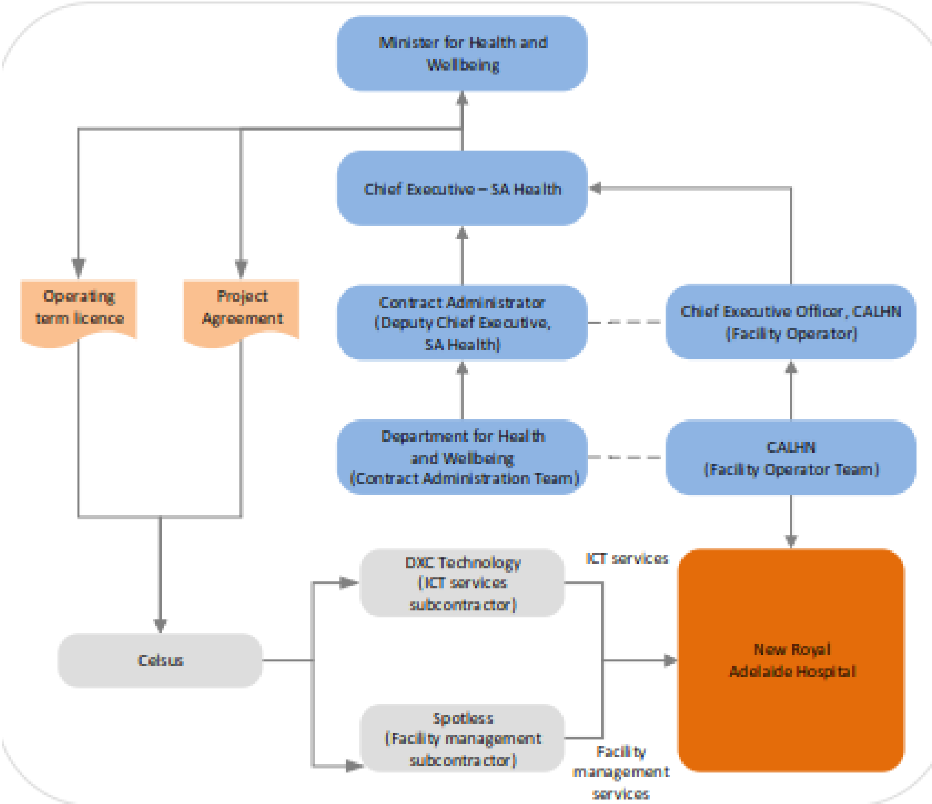
2.4.1. The location of the site is noted in Figure 2.1 below:

Figure 2-1 - Site Location

Figure 2-2 - Pictures of Site


Royal
Adelaide
Hospital

Figure 2-3 - Project Structure Chart



3 RISK ALLOCATION

3.1.1. A summary of the risk allocation between the contracted parties is outlined in Table 3.1 below:

Table 3-1 – Risk Allocation Table

Risk	Liability	Commentary	Cross-ref
Construction Completion / Longstop Date	Building Contractor	As the works have been completed, achieving the Longstop Date is not a risk.	4.1.5
Replacement of Building Contractor during the completion of construction works	SPV	As the construction works are complete, the risk to replace the Building Contractor has passed.	4.1.5
Latent Defects	Building Contractor	The Building Contractor is responsible for defects in the original build during the Statutory Liability Period as per the Development Act in South Australia, which is 10 years from the date of Commercial Acceptance.	4.2
Replacement of Service Provider	SPV	From our review the Service Provider support package provided, should it be required, replacement Service Providers could be suitably procured within the replacement coverage provided, therefore we consider the replacement of the Service Provider to be a manageable risk should the event arise.	5.16
Performance	Service Provider / ICT Service Provider	Overall the Abatement regime is considered to be aligned to the market and abatements are fully passed down to the Service Provider / ICT Service Provider as relevant. Current deductions are at a low level.	5.4 / 5.6
Payment Mechanism Default Triggers	Service Provider / SPV	The headroom provided between the PA and Subcontracts is considered to be typical in the market and currently the default triggers are not being approached.	5.5
Market Testing	State	The typical Soft FM Services are reviewed every 5 years. Initially a proposal is to be submitted to the State on the pricing for the coming period. If this is not accepted then the Services are required to be competitively tendered. The first review is due on 13 June 2022.	5.9

Risk	Liability	Commentary	Cross-ref
Third Party Revenue / Vending	SPV	SPV must ensure that the carrying out of the Permitted Commercial Opportunities does not in any way hinder or obstruct the undertaking of the Facility Functions or the undertaking of any Then Current Facility Functions. The SPV also takes full risk in respect of any additional infrastructure required, supply and payment of utilities, and is not entitled to make any claim against the State in respect of or relating to the DCA.	5.10
Vandalism / Damage	SPV/Service Provider	The Service Provider will take damage remediation up to an annual cap of $250,000 (indexed linked). For damage above this cap, the SPV will take out an Industrial Special Risk / Consequential Loss policy, which will respond to pay for these, albeit the SPV will need to pay the insurance deductible.	5.11
Utilities Consumption / Price Risk	Tarrif – State Consumption – Service Provider	Tarrif risk is retained by the State. There is a tolerance level of between 90-110% of the target levels where any pain/ gain is shared with the State. Over this level the risk is passed down to the Service Provider	5.12
Lifecycle Sufficiency of Fund	Service Provider	From our benchmarking exercise, the Lifecycle Fund would appear to be sufficient for delivering the project Lifecycle obligations, providing always that a proactive management approach is adopted by the SPV and Service Provider.	6.3
Handback Position	Service Provider	The Handback requirements, whilst considered to be onerous, appear to have been considered in the Lifecycle profile, with a substantial allowance included in the years directly prior to Handback. Furthermore, the process for Handback is considered to be positive and will enable the timely identification and planning of any outstanding works.	6.4
Change in Mandatory Requirements	State	Where a Change in Mandatory Requirement occurs, the SPV is entitled to compensation of the amount of the net Cost to The SPV and is also required to pay the State any net Savings accrued by the SPV due to the implementation of the Change in Mandatory Requirement.	7.1.10

4 RESIDUAL CONSTRUCTION MATTERS

4.1 INTRODUCTION

4.1.1. A Construction Contract, dated 20 May 2011, was entered into between the SPV and the Building Contractor for the construction works relating to the new Royal Adelaide Hospital Project, with a capital value of $1,849,834,546.

4.1.2. The Building Contractor is an unincorporated joint venture with joint and several obligations between Hansen Yuncken and Leighton Contractors (HYLC). Hansen Yuncken is a leading hospital builder in South Australia as well as other states and Leighton Contractors is one of Australia's largest Building Contractors of major infrastructure projects. The joint venture arrangement between Hansen Yuncken is split 50% for each party for all responsibilities and liabilities.

4.1.3. Donald Cant Watts Corke were appointed as the Independent Certifier (IC) and were the party responsible for certifying that the Works have been completed in accordance with the contractual requirements.

4.1.4. Under the PA the original date for Technical Completion was 18 January 2016 and the date for Commercial Acceptance was 18 April 2016. In response to delays and difficulties with the project during the design and construction phase the SPV and the State entered into:

- Settlement Deed – September 2015; and
- Completion Deed and Cure Plan – March 2017.

4.1.5. These deeds settled a number of outstanding issues, particularly for contamination remediation and revised the Technical Completion and Commercial Acceptance dates under the PA by c14 months, which were achieved and certified by the IC as complete on:

- Technical Completion – 15 March 2017; and
- Commercial Acceptance – 13 June 2017.

4.2 DEFECTS LIABILITY

4.2.1. Through the Construction Contract, the Building Contractor is liable for all defects that are identified during the 12 months Defects Liability Period, which is from Commercial Acceptance, with an additional 12 month period for any defect rectified within the initial Defects Liability Period, which costs over $1,000,000 to rectify (other than a defect in the ICT Network). The Building Contractor also provides a structural warranty for a period of 10 years from Commercial Acceptance.

4.2.2. The defect liability regime in the Construction Contract in respect of defects in the ICT Network is limited to 12 months as this is consistent with the Project Agreement, with responsibility for the ICT Network transferring to that State at Commercial Acceptance.

4.2.3. The Construction Contract was signed as a deed but with a limitation clause whereby any claim must be made within 10 years of the date of Commercial Acceptance. This period is consistent with the Statutory Liability Period in the Development Act 1993 in South Australia, whereby there is a strict time limit of 10 years on the commencement of court proceedings from the completion of building work for damages for economic loss or rectification costs resulting from defective building work. The date of expiry of the Statutory Liability Period is:

- 13 June 2027.

4.2.4. WSP would recommend that the SPV undertakes a defect survey between 12-24 months prior to the expiry of the Statutory Liability Period to ensure any remaining defects are captured and passed back to the Building Contractor to rectify and so that any impact on maintenance and Lifecycle costs are appropriately mitigated.

4.2.5. Through the Facility Management Subcontract the Service Provider bears the risk and Liability (including Abatement and Default) in relation to Defects that have arisen out or in connection with a failure of the Service

Provider or a Service Provider Associate to comply with the Facility Management Subcontract. The SPV bears the risk and Liability (including Abatement and Default) in relation to the following Defects:

- Defects arising from SPV default or negligence;
- Defects that become apparent during the Defects Liability Period;
- Structural Defects;
- From the expiry of the Defects Liability Period to the expiry of Statutory Liability Period to the extent that the liability incurred by the Service Provider exceeds the Defects and Design Defects Cap; and
- From the expiry of the Statutory Liability Period to the extent that the Liability exceeds the Defects and Design Defects Cap in the relevant Contract Year.

4.2.6. The Defects and Design Defects Cap is $200,000 per annum (indexed) and includes all Liabilities suffered or incurred by the Service Provider in respect of the relevant Defect, including Abatement, cost of Temporary Fixes or rectification loss incurred.

4.2.7. In respect of claims under clause 40.5 of the Facility Management Subcontract, there is a cost sharing mechanism, whereby the SPV and the Service Provider share the cost of claims over $50,000 (indexed).

4.2.8. Under the ICT Service Subcontract, the ICT Service Provider accepts the risk of defects in the HP ICT, unless the defect is due to default or negligence of the SPV.

4.3 SECURITY PACKAGE

4.3.1. The Building Contactor's liability to the SPV (as defined in clause 65.10 of the Construction Contract is limited to 50% of the Contract Price, which is inclusive of a sub-cap on liquidated damages of 10% of the Initial Contract Price. This Building Contactor's liability cap is exclusive of any liability arising from wilful default, fraud or gross negligence, any amount the Building Contractor receives from insurance proceeds and any breach in relation to intellectual property rights or moral rights.

4.3.2. The Building Contractor is required to have in place a Parent Company Performance Guarantee (PCG) for the Works. The PCG provided by Leighton Holdings Limited to the SPV, irrevocably and unconditionally guarantees to the SPV, as guarantor, the due and punctual performance by the Building Contractor. The Guarantor will pay to the SPV any claims and costs suffered by the SPV arising from failure by any of the obligations of the Building Contractor. The Guarantor's liability under this Guarantee shall not exceed that of the Building Contractor or that for which the Building Contractor would have been liable under the Building Contract. The PCG is to remain in place for ten years following the date of Commercial Acceptance.

4.3.3. The Building Contractor is also required to provide a Performance Bond for an amount equal to 8.5% of the Initial Contract Price in security in the form of bank guarantees until Commercial Acceptance. This security steps down to 3.75% in the form of bank guarantees for a 12 month period post Commercial Acceptance. WSP notes that the Builder Performance Bonds in relation to outstanding defects have materially reduced and currently sit at $90,000 with a maturity date of 30 September 2020.

4.3.4. Where at the end of the Defects Liability Period there are outstanding defects, the SPV will be entitled to retain an amount of the security equal to 120% of the cost of rectifying the outstanding defects until these are rectified.

4.3.5. The Building Contractor, its principle Sub-Contractors and professional team are required to maintain Professional Indemnity Insurance (PII) from Financial Close and for a period of 10 years from Practical Completion. WSP also notes that the purchaser will also benefit from recourse to the key-subcontractors appointed under the Construction Contract.

4.3.6. WSP consider that the security package provided by the Building Contractor afford the SPV adequate protection in line with market expectations for similar schemes in the event of any significant latent defects or claims arising in respect of residual construction issues at this stage of the project.

4.4 RESIDUAL CONSTRUCTION ISSUES

4.4.1. The original Defects Liability Period (DLP) expired on 13 June 2018. There were in excess of 100 defect notices issued, all of which were passed to the Building Contractor.

4.4.2. From our review of the August 2020 SPV Board Report we note the following open defects, which are summarised in table 4.1 below:

Table 4-1 - Defects

Defect	Status
Shade sails in Mental Health Unit courtyards	State advise the defect remains open, however, discussed at a Facility Management Committee and a further update is expected from the State.
Mass decontamination area at Emergency Department entrance	Noted as closed, final confirmation from State awaited.
Epoxy coating at car park entrance	Being managed by the Building Contractor under warranty.
Water tank rusting	Building Contractor managing the defect.
Garden bed epoxy issues	Work ongoing to resolve the issue.
Level 9 recirculation issues with cooling towers and Level 1 over temperature conditions in the chiller plant room	Facility Management Subcontractor engaging with the Building Contractor through the Coordination Agreement.

4.4.3. WSP is of the opinion that the defects are considered to be a manageable risk to the project especially as the project is still within the Statutory Liability Period, the Building Contractor is still solvent and the Building Contractor is actively working with the project parties to resolve these issues.

4.5 COORDINATION AGREEMENT

4.5.1. There is a Coordination Agreement in place between the SPV, the Service Provider and the Building Contractor. The Coordination Agreement sets out the rights and obligations of the parties in relation to the coordination of and interface between the construction and FM obligations.

4.5.2. Each of the Sub-Contractor's will undertake their respective roles and obligations so as not to cause any of the Sub-Contractor's any loss or damage or to be in breach of their Sub-Contracts.

4.5.3. The maximum aggregate liability of each Sub-Contractor under the Cooperation Agreement shall not exceed the general liability caps under their respective subcontracts.

4.5.4. The Coordination Agreement covers areas WSP would typically expect including Design Development, Handover, Defects, Abatement Regime and associated rights and requirements.

4.5.5. The Coordination Agreement drafting is consistent with key interface issues that are experienced in PPP projects.

5 OPERATIONAL MATTERS & REVENUE ANALYSIS

5.1 INTRODUCTION

5.1.1. This section of the report considers operational elements of the Project. This includes a review of the Services and how they will be measured under the Payment Mechanism, including how service delivery can affect the revenue of the project.

5.1.2. In the event that the Services are not delivered to the standards required, the Service Provider and ultimately the SPV can be terminated from the contract; the provisions for this are considered from a technical perspective against market expectations. The Termination Triggers are then considered against the current delivery of the Services.

5.1.3. Finally, further consideration is given to the costs provided for the delivery of the FM Service, also considering these costs in light of their robustness and the ability to replace the current Service Provider within the Termination Limits of Liability.

5.1.4. The Services have been in operation since 13 June 2017, which was when Commercial Acceptance occurred. Since service commencement the level of service and performance appears to have been good.

5.2 SERVICE PROVIDER CAPABILITY

5.2.1. The Spotless, a Downer company, is the largest integrated facilities services provider throughout Australia and New Zealand, which has been trading for 70 years. For year ended 30 June 2020 Spotless recorded sales revenue of $3,038.2 million, up 0.4% from the prior corresponding period.

5.2.2. Spotless's first Public Private Partnership (PPP) was awarded in 2002 and since then our contracts have grown to 17 PPP projects across the Healthcare, Education, Defence, Corrections and Leisure sectors.

5.2.3. Example projects where Spotless are delivering similar services are:

- Bathurst Hospital;
- Bay of Plenty District Health Board;
- Bendigo Hospital;
- Blenheim Hospital;
- Calvary Health;
- Canterbury District Health Board;
- Capital and Coast District Health Board;
- Central Alliance District Health Board;
- Flinders Medical Centre;
- Lakes District Health Board;
- Masterton Hospital;
- Mater Hospital;
- Mercy Ascot;
- Modbury Hospital;
- new Royal Adelaide Hospital;
- Northern Hospital, Broadmeadows Health;
- Northland District Health Board;
- Orange Hospital;
- Royal Adelaide Hospital;
- Royal Eye and Ear Hospital;
- Rotorua Hospital;
- Sunshine Coast University Hospital;
- Tauranga Hospital;

- The Alfred Hospital;
- The Royal Children's Hospital;
- Timaru Hospital;
- Westcoast District Health Board; and
- Women's & Children's Hospital.

5.2.4. Spotless are considered a competent Service Provider and suitable supply chain partner for the Royal Adelaide project.

5.3 CONTRACTUAL SERVICE REQUIREMENTS

5.3.1. Under the Project Agreement the SPV is required to deliver the Services, which include the provision of Hard and Soft FM Services, including the ICT Services. The Services are self-monitored under Schedule 3, Payment Schedule. The SPV will then enter into the Facilities Management Subcontract (FMS) with the Service Provider, passing down the responsibilities to deliver and self-monitor the Services. A separate ICT Service Subcontract has also been entered into by Ent. Services Australia PFT Ltd who is a subsidiary of DXC Technology with HP Enterprise Services a parent company.

5.3.2. The Services required for this project throughout the Operational Term are set out in Schedule 20, and are noted as follows:

- General Obligations including the Helpdesk Service and general Management Services / Performance Monitoring which also includes ICT Services;
- Facilities Management Services (i.e. Estates Service);
- Utilities and Medical Gas Management Services;
- Grounds and Gardens Services;
- Security Services;
- Car Parking Services;
- Pest Control;
- Patient Support Services, providing support to the States Clinical Teams, with dedicated staff provided for Clinical Villages or Departments. This service is typically know as a Ward housekeeping service and includes elements of the Soft FM Services such as Cleaning and Domestic Services, Catering Service and Orderly Services delivered and their interaction with the Patient. The role of the Patient Support Services team is to therefore help free up the clinical teams to focus on clinical deliver.
- Cleaning and Domestic Services, including providing planned and reactive cleaning, Discharge Cleans and also the requirement to completed regular Cleaning Audits. The service requirement also cover cleaning the State Equipment;
- Orderly Services (typically known as the Portering Service);
- Catering Service;
- Waste Management Service;
- Internal Linen Distribution Service; and
- Bulk Stores Distribution Services.

5.3.3. The main FM Services are passed down in full to the Service Provider. We understand that the hospital includes various technologies as part of the service delivery plans, such as Automated Guided Vehicles.

5.3.4. With respect to the ICT Services, these are split across the Service Provider and the ICT Services Subcontract). The Project Co ICT Services cover the following aspects of the ICT Service, split between the 2 Subcontractors:

- Service Provider- maintain the Helpdesk System , the CAFM system, the Orderly scheduling and tracking system, and the booking system,
- ICT Services Subcontractor – ICT Reviewable Services, being both reactive and maintenance and refurbishment services, and Life Cycle Replacements for the following systems:
    - the Integration Engine,

- IP PABQ and telephone handsets;
- the Wireless Locations Tracking System (RTLS); and
- the general HP ICT assets following handover, including the above and the Project Co ICT Devices (HP); the Project Co Servers and Applications (HP); (d) Plant; (e) Project Co FF&E (HP); and (f) any of the physical infrastructure on the Site (including Project Co Infrastructure) for which the ICT Services Subcontractor is responsible.

5.3.5. We understand that within the FM Costs at Financial Close, an interface risk premium was built into the Management fee by the Service Provider. There is also the requirement to maintain the ICT Network until Commercial Acceptance when the responsibility transfer back to the Trust under clause 42.5 of the PA. The State is required to provide a ICT Maintenance Programme and update this periodically thought the operation term and their obligations cover the Active Devises Network and the Wireless Network.

5.3.6. The Service Requirements set out the Authority's output-based service requirements that the Service Provider must satisfy. As is typical in self-monitoring contract, the Service Requirements also set out the method and frequencies that the Services must be self-monitored.

5.3.7. In the Event of a Failure to deliver the Services, this may be categorised as :

- A Failure Event, being a general failure of the Facility, which affects its continued use or the availability of the area, with a detailed list of the type of incidents which this covers included in Schedule 20, for example loss of power, blocked toilet which prevent the use of the area, doors which are inoperable etc. Failure Events also include the concept of System Failures, where there is a large system fault for example covering the Medical Gas system, BMS etc; or
- A Quality Failure, being where the Service Standard is breached.

5.3.8. The updated Schedule 20 includes as part of the Global Settlement Agreement further identifies the issues which may occur and be categorised as Service Failures, helping provide clarity of service failure categorisation.

5.3.9. The Response and Rectification Periods are defined in the Service Level Specification, and also in the Payment Mechanism, as follows:

Table 5-1 - Response and Rectification Periods

Category	Response Period	Rectification Period	Failure Event Priority Level
Level A – Emergency	Within 5 minutes	Within 30 minutes	Means a Failure Event that: a) is life threatening or causes injury or has the potential to be life threatening; b) causes damage to a Functional Unit or a part of a Functional Unit which causes disruption to the carrying out of, or the ability to carry out, the Then Current Facility Functions; c) poses an infection or health or safety risk to Facility Users; or d) causes serious disruption to the carrying out of, or the ability to carry out, the Then Current Facility Functions in any Category 1, 2 or 3 Functional Unit.
Level B – Medium Priority	Within 30 minutes	a) For a Failure Event resulting from a failure to comply with the Minimum Cleaning	Means a Failure Event that: a) Systems Failure which is not a Level A Failure Event; and

Category	Response Period	Rectification Period	Failure Event Priority Level
		Standards, within 1 hour. b) For a Systems Failure, within 1 hour. c) For all other Failure Events, within: i) 4 hours for Category 1, 2 and 3 Functional Units; and ii) 1 Business Day for Category 4 and 5 Functional Units.	b) Failure Event, which is not a Level A Failure Event and which: i) may potentially cause injury if not remedied within the Level B Failure Event Rectification Time; ii) causes damage to a Functional Unit or a part of a Functional Unit; may potentially cause damage to a Functional Unit or part of a Functional Unit if not remedied within the Level B Failure Event Rectification Time; or iii) causes nuisance to or disrupts the carrying out of, or the ability to carry out, the Then Current Facility Functions
Level C – Low Priority	Within 1 hour	a) For a Failure Event resulting from a failure to comply hour with the Minimum Cleaning Standards, within 4 hours. b) For all other Failure Events, within: i) 5 Business Days for Category 1, 2 and 3. Functional Units; and ii) 15 Business Day for Category 4 and 5 Functional Units.	Means a Failure Event that is not a Level A Failure Event or a Level B Failure Event.

5.3.10. WSP notes that the Response Periods and Rectification Periods above run concurrently and are generally in line with standard form. The Response and Rectification times only commence and expire within Operating Hours of the area in question, save for Level A events, therefore providing relief where a job is logged outside of the Operating Hours of the area in question. There is also a process to allow for the typical Temporary Fix process, whereby provided the proposed temporary repair and final Permanent Fix Time are accepted by the State. Extensions are also to be provided on Level B and Level C events where they cannot complete the Rectification due to the State or their delegates which we consider would provide the typical extension of time if there is no access to the area.

5.3.11. Quality Failures are measured against the allocated frequencies set out in Schedule 20 and for those capable of Remedy, these must be resolved in the Repeat Quality Failure Deduction Period to prevent additional failures accruing or in the agreed reasonable period.

5.3.12. Our review of the Service Level Specification (SLS) indicates that the requirements given in the specifications are not unusual or unduly onerous in their requirements and are generally consistent with the typical SLS and similar to specifications seen on other similar projects and should not present an unmanageable risk for a suitably experienced Service Provider, such as Spotless.

5.3.13. Similarly, in the event that the project has to be re-tendered, the project being in line with the market expectations should be favourable for replacement scenarios.

5.4 REVENUE ANALYSIS

Comparison of Payment Mechanism with market norms / standard form

5.4.1. As is typical in a PFI contract, the Payments made are subject to Abatements (typically known as deductions) where there are transgressions in the Service deliver or where rooms do not meet the required condition for use. There is also an additional Volume aspect for the catering services as is typical.

5.4.2. The SPV is paid on a quarterly basis, which is subject to an abatement regime and as identified above these failures are either categorised as:

- Quality Failures; or
- Failure Events (which includes the principles of Unavailability where the area does not meet the required conditions).

The Quarterly Service Payment

5.4.3. The State is required to pay the SPV quarterly which includes

- The Sum of the Service Payments for the Operating Months in the Quarter;
- The Quarterly Energy Adjustment
- Any Pass-Through Costs – which include for where the Service Provider has entered into any contracts for the provision of the following items: Utilities, External Waste Collection Services or Grocery Items;
- The Insurance Payment
- The Lifecycle Component
- Any indexation applicable; and
- The finance charges (comprising principal repayments, interest payments and equity distributions)

5.4.4. The Monthly Service Payment includes adjustments for :

- Any Volume Adjustments for the Catering Service; less any
- Quality Failure and Failure Event Abatements

5.4.5. The proposed Payment Schedule (Schedule 3 to the Project Agreement) follows the typical PPP Project Principles for a healthcare environment.

Failure Event Abatement

5.4.6. Failure Event Abatements are applied based on a set Failure Event Level relevant to the Functional Unit Category of the area where the failure occurred. The value per time period varies from $29-280 (base rate, indexed annually) depending on the Unit in question. This set rate is multiplied by the Time Weighting, being there nearest whole number:

- For a failure to Respond to a Failure Event, the proportion of the Actual Time versus the Reponses Time for Level B and C Failures and 2 times the Reponses time for Level A failures; and
- For a failure to Rectify a Failure Event, the proportion of the Actual Time versus the Rectification Time.

5.4.7. As noted above there is a mechanism to request Temporary Fixes, where the Service Provider believes the Response / Rectification Times are not achievable. The relaxation of the Response/ Rectification times in this instance are only awarded at the sole discretion of the State being reasonable. In the event that a Temporary Fix is granted, abatements are applied from the point that the failure is not resolved in the revised timescales, which is considered to be in line with general market expectations. The provision of Temporary Fixes is important in the hospital environment, where specialist kit is often required and provides a tool for the contractor to manage delivery expectations.

5.4.8. A Repeat Failure may occur where in an Operating Month where the same Failure Event accepts the same Functional Unit and has previously occurred 4 or more times in the 3 month period ended in that Operational Month and affects the same item of Project Co Equipment or same Building Engineering Service. In the event of a Repeat Failure, this will automatically fail and has a deduction applied for the duration the task is open for plus 1. The concept of Repeat Failures is common in the PFI Market and the principles are broadly aligned to the market.

5.4.9. The contract also includes the concept of System Failures which are charged at $15,000 (based, indexed annually) for each System Zone which is affected. A System is defined as the Medical Gas System, the BMS, Mechanical Services, fire protection services, Security Technology etc and Project Co ICT. Given the operational impact losing a system such as this could have on the contract these are considered to be proportionate but will need to be carefully managed by the Service Provider.

5.4.10. Overall the Failure Event Abatements follows the typical principles seen in the PPP Healthcare Sector, and the Temporary Fix process provides a to help mitigate some of the risk from receiving deductions where responses are not reasonably possible.

Quality Failure Abatement

5.4.11. There is circa 110 Quality Failures against which Service Delivery is monitored to set frequencies and through set means. Quality Failures can also become Failure Events is they affect the use of a Function Unit or where is prevents the access or safe availability, proper use or proper functions of the Functional Unit.

5.4.12. Quality Failure Points (QFP's) are attributed to each Quality Failure within the Services Specification and the Service Specification also sets out the calculation method of the SFP's. Where failures occur, these are weighted through the QFP's points system, depending on the severity of the failure, its duration and the impact on the hospitals operations. The larger the number of QFP's, the greater the Abatement value.

5.4.13. There is also a Repeat QFP period, being the time before another failure accumulates if the failure has not been rectified within this window. This varies from under an hour for H&S incidents or access control issues for example, to 5 Business Days for audits or reports across the various Service Standards. Where a Repeat Quality Failure occurs, a ratchet is applied at 1.5 for each subsequent failure, save for the Orderly Service QF Ref 875 to which the ratchet is not applied given the volume of these tasks. In the event that a task remains open for a longer period of time this could result in a higher value abatement, particularly where the repeat period is short. An example would be for lift entrapment where the repeat failure window is 5 minutes (in the event of a H&S issue) or 20 minutes for all other cases, and 10 QFP;s are awarded per failure period. However, this is overall considered to be a manageable risk for a competent operator, such as spotless, if there is the appropriate resources and management processed in place.

5.4.14. A further ratchet is applied to any Persistent Quality Failures, depending on the number of failures in a 6 month period, save where this is again related to the Orderly Service responding to Orderly Service Requests; it is noted in this scenario that this could lead to higher value abatements where there are a high number of events triggering the same QF, for example planned clean completion or serving meals where the failures are measured per individual failure. The triggers are further noted below and to date this has been a manageable risk on the project save for the Orderly service where changes have been made as part of the global settlement agreement to help reduce the impact / risk profile of this service given the volume of calls which are completed under this Service.

5.4.15. At the end of each Operating Month, all the QFP's accrued are summed up and the Quality Failure Abatement is applied based on the number of QFP's per Band, with the abatement per points being between $500 (base, indexed annually) for where there is less than 100 QFP's, up to $1,500 (base, indexed annually) where there is in excess of 401 QFP's in the month. This system therefore effectively increases the penalties as performance deteriorates. WSP notes that the SFP's applied for the Orderly reactive responsive service are treated separately, with a reduced Abatement levels per point; the QFP bands for the value of the abatement per point based on the number of QFP's accumulated also differs from the other Quality Failures, with no abatements applied for the first 400 QFP's, then thereafter then bands starting at $50 per point for between 401-500 SFP's, to $80 where there is over 701 QFP's in that month. These values are at the base date and are indexed annually.

5.4.16. Overall the mechanism is considered to be easy to follow and is considered to be broadly on market.

Double Counting & Relief

5.4.17. If a Failure Event and a Quality Failure occur then both the QFP's will be accrued and the Failure Event Abatements will be applied however the failure would need to fall into both categories to cause this issue. Where the same event caused more than one Failure Event in the same Functional Unit, whilst both Failure Event Abatements are to be calculated, the highest value Abatement will be applied as is typical in the market. If a Functional Unit is affected by more than one Failure Event, Abatements will be applied for all failures as is also typical, noting that there is the concept of a System Failure which would be applied if there is a wide scale issue affecting many Functional Units.

5.4.18. Relief is provided relief if the Failure Event or Quality Failure is due to completing the agreement PPM Programme as is typical in the market. The contract also provides that the State may decide, acing reasonable, not to apply any Failure Event Abatements or Quality failure Points in relation to a particular event or state of affairs which is favourable given this is stated within the contract.

Abatement Limits

5.4.19. Abatements are limited in any month to the aggregate of the Monthly Service Amount and the Monthly State Loan Amount as is typical in the sector. Any excess Abatements may be rolled into the following quarter which is typical.

Pass down in FMA

5.4.20. There is a full pass down of any Abatements into the FMS and also the ICT Services Subcontract where any Quality Failure Abatements are apportioned between the 2 subcontractors as appropriate, with any abetments not levied able to be carried forward and applied to subsequent payments.

5.4.21. Whilst the Service Provider is paid monthly under the FMS, clause 50 states that given the SPV is paid quarterly, if there are any further adjustments, the next FM Monthly Service Payment will be adjusted to take reflect any reconciliations required.

5.5 TERMINATION SENSITIVITIES

5.5.1. The Contract termination triggers related to service performance as such that initially poor performance would trigger a Major Default, against which a remedial programme is to be provided. In the event that the cause of the Major Default is not remedied as agreed or additional higher triggers for Service Performance are reached, a Default Termination Notice is served.

Major Default Notices

5.5.2. A Major Default is defined within the PA and from a service delivery perspective occurs if the following Service Failure levels are incurred:

Table 5-2 – Major FM Default

Warning Notice	PA Trigger – limb y	FMA Trigger -limb O	ICT Trigger – limb n
Failure Event Abatements - as a % of the Monthly Service Amount and	▪ A. of greater than 4% and up to and including 10% per month in any 2 Operating Months in any	▪ A. of greater than 2.63% and up to and including 7% per month in any 2 Operating Months in any	▪ A. of greater than 0.38% and up to and including 1% per month in any 2 Operating Months in any

Warning Notice	PA Trigger – limb y	FMA Trigger -limb O	ICT Trigger – limb n
the corresponding Monthly State Loan Amount (prior to Abatements)	period of 3 rolling Operating Months; or ▪ B. over any period of 6 rolling Operating Months, of greater than 8% and up to and including 20% in that 6 months:	period of 3 rolling Operating Months; or ▪ B. over any period of 6 rolling Operating Months, of greater than 3.94% and up to and including 13.13% in that 6 months:	period of 3 rolling Operating Months; or ▪ B. over any period of 6 rolling Operating Months, of greater than 0.56% and up to and including 1.88% in that 6 months: or ▪ any Failure Event Abatements itself, plus any Failure Event Abatements that the Service Provider accumulates as a result of an act or omission by the ICT Services Subcontractor that is a). of greater than 0.75% and up to and including 2% per Operating Month in any 2 of 3 rolling Operating Months; or b). over any period of 6 rolling Operating Months, of greater than 1.13% and up to and including 3.75% of the aggregate in that 6 months
QFP's (excluding the Orderly Service)	▪ 350 Quality Failure Points or more per Operating Month in any 2 Operating Months in any 3 consecutive Operating Months; except that Quality Failure Points in relation to QF874 and QF875 are excluded; or ▪ from and including 1000 Quality Failure Points up to and including 2000 Quality Failure Points in any 6 rolling Operating Months;, except that Quality Failure Points in relation to QF874 and QF875 are excluded;	▪ 241 Quality Failure Points or more per Operating Month in any 2 Operating Months in any 3 consecutive Operating Months; except that Quality Failure Points in relation to QF874 and QF875 are excluded; or ▪ from and including 525 Quality Failure Points up to and including 1400 Quality Failure Points in any 6 rolling Operating Months;, except that Quality Failure Points in relation to QF874 and QF875 are excluded.	▪ 34 Quality Failure Points or more per Operating Month in any 2 Operating Months in any 3 consecutive Operating Months; or ▪ from and including 75 Quality Failure Points up to and including ▪ 200 Quality Failure Points in any 6 rolling Operating Months;
Orderly Service QFP's	(iv) (Orderly Services) 6,500 Quality Failure Points or more in aggregate in relation to QF874 and QF875 only in any 2	(iv) (Orderly Services) 5500 Quality Failure Points or more in aggregate in	

Warning Notice	PA Trigger – limb y	FMA Trigger -limb O	ICT Trigger – limb n
	Operating Months in any 3 consecutive Operating Months,	relation to QF874 and QF875 only in any 2 Operating Months in any 3 consecutive Operating Months.	

5.5.10. The headroom provided in FMS is at a typical level of a circa 30% step down from the PA level, with a smaller trigger in the ICT Services Subcontract given its size. We consider this provides the SPV an early warning system and an ability to manage their Service Providers ahead of default of the PA.

5.5.11. In the event that a Major Default occurs, a Major Default Notice is required to be provided to the State and the SPV has 20 Business Days to remedy the Major Default (the Initial Cure Period), save for a Major Default due to the Orderly Service where 30 Business Days are provided. The remedy is to be implemented in 20 Business Days at FMS level.

5.5.12. In the event that the Major Default is not resolved in the Initial Cure Period then a Default Termination Event will occur as described below. An extension to the Initial Cure Period may be requested under clause 58.5 of the PA which must include a plan to remedy the event, including the time frame, works plan and any temporary measures required and demonstrate that the SPV has diligently pursued the cure of the Major Default. If this is reasonably satisfied, the State will not unreasonably refuse to grant an extension to the Initial Cure Period for such period as the State considers is reasonably required to implement the Cure Plan, provided this is aligned to the plan provided. This is then known as the Cure Period. Regular updates are required to be provided during the Cure Period and this is paused and relief provided in the event there is an Extension Event, Intervening Event or a Force Majeure Event.

5.5.13. If the Major Default is not remedied by the expiry of the Cure Period then this will be a Default Termination Event and the State is entitled to Terminate the Agreement.

5.5.14. The Initial Cure Period is limited to 60 Business Days at FMS level, although the FM Default Cure Period can be agreed between the parties similar to those at PA level. In the event that the FM event caused a Major Default Notice at PA level, then the Service Provider is required to comply with the provisions within the PA but the Default Cure Period is reduced between 5- 7 Business Days to that agreed at PA level or where the period is less than 5 Business Days, 70% of the time provided at PA level. The step down in time ensures that the SPV has time to act in the event that the Service Provider has not satisfactorily remedied the event ahead of any impact on the PA, given a further extension to the Cure Period may be requested 5 Business Days before the end of the Cure Period under clause 58.6 of the PA.

5.5.15. If the cause of the Major Default is not remediable without having a Material Adverse Effect, the State is entitled to Terminate the Agreement.

5.5.16. WSP noted that if any Major Default occurs under this paragraph (y) related to Service failures as set out in table x above, then the points which are measured for this Notice, Project Co's accumulated Failure Abatements and Quality Failure Points will be deemed to be reset to zero from the date of the relevant Major Default Notice for the purposes of measuring the next Major Default Notice.

5.5.17. With regards to the termination triggers related to performance, these are set out in the following table for each of the contracts:

Table 5-3 – Default Termination Event – related to performance

Default Cause		PA Level	FM Level	ICT Level
Service Failures	(i) Failure Event Abatements: - as a % of the Monthly Service Amount and the corresponding Monthly State Loan Amount (prior to Abatement of either of those amounts) per Operating Month	greater than 10% in any 2 Operating Months in any 3 rolling Operating Months; or B. in any period of 6 rolling Operating Months, of greater than 20% of the aggregate of the average Monthly Service Amounts and the average Monthly State Loan Amounts (prior to Abatement of either of those amounts) in that 6 Operating Months;	greater than 7% per Operating Month in any 2 Operating Months of 3 rolling Operating Months; or B. in any period of 6 rolling Operating Months, of greater than 13.13% of the aggregate of the average Monthly Service Amounts and Monthly State Loan Amounts under the PA (prior to Abatements) in that 6 Operating Months;	greater than 1% per Operating Month in any 2 Operating Months of 3 rolling Operating Months; or B. in any period of 6 rolling Operating Months, of greater than 1.88% of the aggregate of the average Monthly Service Amounts and Monthly State Loan Amounts under the PA (prior to Abatements) in that 6 Operating Months;
	Quality Failure Points (exc Orderly Service)	(ii) over 2000 QFP's in any 6 rolling Operating Months; except that Quality Failure Points in relation to QF874 and QF875 are excluded;	(ii) over 1,400 Quality Failure Points in any 6 rolling Operating Months; except that Quality Failure Points in relation to QF874 and QF875 are excluded; or	(ii) over 200 Quality Failure Points in any 6 rolling Operating Months; except that Quality Failure Points in relation to QF874 and QF875 are excluded; or
	iii) (Orderly Services QFP's):	7000 QFP's per Operating Month in relation to QF874 and QF875 only, in at least eight out of 12 consecutive Operating Months in any rolling period of 12 Operating Months;	(iii) (Orderly Services) 6,000 Quality Failure Points per Operating Month in relation to QF874 and QF875 only, in at least six out of 10 consecutive Operating Months in any rolling period of 12 Operating Months.	N/A
	ICT and Service Provider combined failures	N/A	N/A	any Failure Event Abatements itself plus any Failure Event Abatements that the Service Provider Subcontractor accumulates as a result of an act or omission by the ICT Services Subcontractor: A. of greater than 2% per Operating Month in any 2 Operating Months in any 3 rolling Operating Months; or

Default Cause		PA Level	FM Level	ICT Level
				B. in any period of 6 rolling Operating Months, of greater than 3.75% in that 6 Operating Months; or (iv) Quality Failure Points itself plus any Quality Failure Points that the Service Provider accumulates as a result of an act or omission by the ICT Services Subcontractor of greater than 400 Quality Failure Points;
Uncured Major Defect			(Uncured FM Major Default): an FM Major Default which is: (i) capable of being cured but has not been cured by the expiry of the Cure Period; (ii) not capable of being cured and the Facility Management Subcontractor fails to satisfy the reasonable requirements of the SPV in providing a Cure Plan in accordance with Clause 58.9(a); or (iii) not capable of cure as determined by SPV in accordance with Clause 58.9(c);	(Uncured ICT Major Default): an ICT Major Default which is: (i) capable of being cured but has not been cured by the expiry of the Cure Period; (ii) not capable of being cured and the ICT Services Subcontractor fails to satisfy the reasonable requirements of SPV in providing a Cure Plan in accordance with Clause 58.9(a); or (iii) not capable of cure as determined by the SPV in accordance with Clause 58.9(c);
Breach of the Liability capo		N/A	the aggregate liability since the Date of Commercial Acceptance exceeds 75% of the Cap Amount and the Service Provider has not, within 5 Business Days, agreed (in its absolute discretion and with no obligation to do so) to increase such Cap Amount such that the aggregate liability falls below 50% of such Cap Amount.	the aggregate liability since the Date of Commercial Acceptance exceeds 75% of the Cap Amount and the ICT Services Subcontractor has not, within 5 Business Days, agreed (in its absolute discretion and with no obligation to do so) to increase such Cap Amount such that the aggregate liability falls below 50% of such Cap Amount.

5.5.24. The headroom is again considered to be aligned to the market and the triggers are not currently being approached. There are additional triggers within the ICT Services Subcontract in the event that their failures cause penalties under the FMS which is considered to be favourable for the SPV. WSP notes that the Orderly Service was separated out of the triggers in the 2019 Global Settlement agreement and based on the modelling at the time of this amendment and the current delivery, this has helped realign the contractual risk to the typical market levels.

5.5.25. The remedy of either a Major Default Event or a Default Termination Event may include replacement of any Subcontractor at PA level, however this must be done within 3 months of the notice being given by the State. Whilst a 3 month period is a short duration for a tender, there are a number of other experienced FM Services Providers operating in the area and where there is a need for a quick solution it is often possible to have a contractor in place in short notice, with a period of mobilisation and contract finalisation following this. A notable example was the process seen in the takeover of the Carillion PFI assets in the UK where FM Contractors were able to take over projects at short notice. We would note that the current fees appear appropriate for the Services and as such should help make the project appealing to the market should it need to retendered. We would refer to section 5.16 for commentary on the suitability of the liability caps of the Service Provider.

5.5.26. The State may step into the contract after a Major Default or Default Termination Event save for where a remedy programme is being provided or the event is not capable of remedy except where there is an Emergency Event. Where the State has stepped in, as is typical the SPV is liable for the costs incurred by the State, via reduction of the next Quarterly Payment based on the cost of not provided the Services and the States costs in providing the Services.

5.6 CURRENT PERFORMANCE VS. TERMINATION THRESHOLDS- CD

5.6.1. We understand that the following abetments have been applied in 2020 following the Global Settlement Agreement being implemented (see section 8 for further commentary on the Settlement Agreement):

Table 5-4 – Abatement Levels & Quality Failure Points

Month	Failure Event Abatements	Quality failure Points	Quality Failure Abatements	Total Abatements
January 2020				
February 2020		15	$7,500 (IT failure)	
March 2020		1	$2,500 (pest control failure)	
April 2020				
May 2020		7.5	$3,750 (helpdesk)	
June 2020				
July 2020	-	3	$1,500 (scheduled clean)	
August 2020		1	$119 (IT failure)	

September		[5]	[$41,496 TBC pending extension request]	
Total year to date	**0**	**27.5 [5 TBC}** **11.5 Service Provider** **16 ICT Services Provider**	**$15,369 (excluding not agreed)**	

Source – 22.09.20 Weekly Performance Report

5.6.2. When the current Abatements and QFP's are compared to the default triggers the project is not approaching the triggers.

Table 5-5 - Failure Event Abatements v Default Triggers

Month	**>4%<10% in 2 in 3 rolling (PA) >2.63<7% in 2 in 3 rolling (FMA)**	**>8%<20% in 6 months (PA) >3.94%<13.3% in 6 months (FMA)**	**>10% in 2 in 3 rolling (PA) >7% in 2 in 3 rolling (FMA)**	**>20% in 6 months (PA) >13.3% in 6 months (FMA)**
	Major Default Triggers		**Default Termination Events**	
Jan-20	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction
Feb-20	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction
Mar-20	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction
Apr-20	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction
May-20	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction
Jun-20	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction
Jul-20	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction
Aug-20	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction
Sep-20	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction	No - Nil FE Deduction

Table 5-6 - Quality Failure Points versus Default Triggers

Month	>350 QFP's in 2 in 3 rolling (exc Ordely Service) (PA) >241 QFP's in 2 in 3 rolling (exc Ordely Service) (FMA)	>1000<2000 QFP's in 6 months (exc Ordely Service) (PA) >525<1400 QFP's in 6 months (exc Ordely Service) (FMA)	>6,500 QFP's in 2 in 3 rolling (Ordely Service) (PA) >5,500 QFP's in 2 in 3 rolling (Ordely Service) (FMA)	>2000 QFP's in 6 months (exc Orderly Service) (PA) >1400 QFP's in 6 months (exc Orderly Service) (FMA)	>7000 QFP's in 8 out of 12 months (exc Orderly Service) (PA) >6000 QFP's in 6 out of 10 months (exc Orderly Service) (FMA)
	Major Default Triggers			Default Termination Events	
Jan-20	No	No	No	No	No
Feb-20	No	No	No	No	No
Mar-20	No	No	No	No	No
Apr-20	No	No	No	No	No
May-20	No	No	No	No	No
Jun-20	No	No	No	No	No
Jul-20	No	No	No	No	No
Aug-20	No	No	No	No	No
Sep-20	No	No	No	No	No

5.7 CURRENT OPERATIONAL MATTERS

5.7.1. Generally, over the last period the Service Delivery standard has attracted minimal failures and has been delivered in line with the Services Requirements. Reponses levels to orderly jobs and reactive maintenance tasks is in excess of 98% on a weekly basis. The other services are performing at a similar standard.

5.7.2. The hospital is being operated at a high capacity and around 100%-103% of the design level and the SPV continues to monitor the impact of the increased clinical capacity on the Services. The Orderly Service is being delivered in line with the contractual requirements despite the demand levels being high for the Service, with the service being operated as 99.1% response level year to date.

5.7.3. The State has a detailed auditing programme in place and in general the Services pass these audits. We understand there have been some challenges on the project in monitoring the cleaning service, overall the cleaning services is generally perceived as being delivered to a high standard and an auditing team has been established to monitor the service and implement improvements where identified. It is noted that the State have proposed some changes to the Cleaning Specification as part of the Market Testing process and this is further commented upon in section 5.9 of this report.

5.7.4. The Service Provider and SPV continue to work with the State to manage the security provision, with various mental health areas having been established through variations to help reduce the impact on the hospital.

5.7.5. Activities required by the Deeds of Settlement, Release and Variation (Deed) are progressing well. As part of the Deed activity, Performance Reporting continues to be refined in collaboration with State. The Monthly Performance Report is being prepared for transition to automated dashboards and once complete the development of automation for the Quarterly Performance Report will commence. This is considered to be good practice in the market. An additional QFM Mobile Application is due to be rolled out mid-September 2020 starting with the Orderly Pool to help provide live reporting which is again aligned to best practice in the sector.

COVID-19

5.7.6. Whilst the number of COVID-19 cases in South Australia has remained relatively low, process and operations have been adjusted in the last six months to manage the pandemic. The Service Provider and SPV have continued to support the State with COVID-19 related functions over the period. We understand that a COVID-19 clinic tent has been set up by the State and is likely to remain in position until December 2020. It was noted that the State is paying for the clinic.

5.7.7. Whilst there was no moratorium on abatements, the PPP performed extremely well through COVID (no/minimal abatements) and additional payments were made by the State for the benefit of the Service Provider to provide additional or enhanced services such as cleaning.

5.8 FM COSTS REVIEW

5.8.1. WSP has extracted the Service Provider fee included within Schedule 3 (Payment) to the FMS, taken for the project year commencing June 2020, at the Base Date of December 2010 and indexed this to June 2020. As part of our benchmark analysis, WSP also considers the project specifics and time indexation expressed as a cost/m^2/annum as noted in table 5.7 below.

Table 5-7 – FM Cost Benchmarks

	FM Monthly Service Amount (MFMIE) Base	FM Monthly Service Amount to CPI June 2020	WSP Benchmarking range ($/m^2)
FM Services Monthly fee	$4,532,589.92	$5,351,169	
Total Annual	$54,391,079	$64,214,029	
Cost / m^2 (using a GIFA of 173,228m^2)	$314	$371	$310-$417 With a median of $345

5.8.2. Overall the costs sit in the upper quartile of our range which we consider is appropriate for the project, given the projects overall design, for example with a high number of technical areas and given the services include the enhanced Patient Support Service.

5.9 REVIEWABLE SERVICES

5.9.1. Clause 51 of the PA outlines the mechanism of repricing Reviewable Services. Reviewable Services are defined as the following key services:

- Bulk Storage Distribution Services;

- Orderly Services;
- Catering Services;
- Internal Linen Distribution Services;
- Utilities and Medical Gases Management Services;
- Car Parking Services;
- Waste Management Services;
- Cleaning and Domestic Services;
- Patient Support Services (to the extent the Services the subject of the
- Patient Support Delivery Model are reviewable)
- ICT Reviewable Services (defined in Section 4.14.4 of the Services Specification)
- Security Services (with respect to labour only)
- Grounds and Gardens Maintenance Services

5.9.2. Repricing of Reviewable Services occurs on the 5th anniversary of the Date of Commercial Acceptance and every 5 year period thereafter until the Expiry Date. Twenty one months prior to the Reviewable Services Date the SPV must meet with the State to agree any changes to the Reviewable Services Specification for the next Reviewable Services Term, timetable for repricing Reviewable Services plus any bundling of the Reviewable Services for repricing.

5.9.3. Eighteen months prior to the Reviewable Services Date, the SPV must provide the State with the Updated Services Specification for approval by the State. if agreement is reached between the parties in respect of the repricing of the Reviewable Services then the Reviewable Services and repricing will be modified for the following Reviewable Services Term.

5.9.4. If this is not accepted the Contract Administrator may request that the SPV submit an offer for the provision of each Reviewable Service or bundle of Reviewable Services for the following Reviewable Services Term based on the Updated Services Specification as required by the State. Whether or not the Contract Administrator has made the request, no later than 15 months before the Reviewable Services Date, the SPV may submit an offer for the provision of the Update Services Specification. Where the SPV submits an offer then for a period of three months the Contract Administrator must negotiate exclusively with the SPV.

5.9.5. No later than one month after the expiry of the three month period the Contract Administrator will either advise that the SPV's offer is acceptable to the State or confirm that the State requires a competitive tender for which the SPV's final offer must remain open until the Tender Expiry Date.

5.9.6. If no offer is made, then the Contract Administrator may require the SPV to conduct a competitive tender or if the Contract Administrator does not require the SPV to conduct a competitive tender, provision of those Reviewable Services will continue on the then current terms and pricing for the ensuing Reviewable Services Term.

- Where competitive tender is undertaken in accordance with the PA, if none of the offers made by the tenderers are acceptable to the State and the, the State may (entirely at its discretion):
- accept the offer made by the SPV;
- require the SPV to proceed to provide the Reviewable Services under the current terms and pricing; and
- omit the Reviewable Services from the Services by way of issuing a Modification Price Request and carry out the Reviewable Services itself or via a third party.

5.9.7. If a competitive tender is accepted, the SPV will subcontract or ensure the Service Provider subcontracts, the provision of the relevant Reviewable Service for the ensuing Reviewable Services Term.

5.9.8. The first Repricing of Reviewable Services will occur on the 13 June 2022. The SPV Board report notes that the process has commenced and early discussions have been undertaken with the State in respect of changing services, which the SPV have advised that the State have stated that services will not be changed which is likely to have an increased impact on cost.

5.10 THIRD PARTY INCOME

5.10.1. Clause 47 of the Varied Project Agreement concerns the SPV's right to pursue Permitted Commercial Opportunities, so long as these are:

- Approved by the State;
- Within the Designated Commercial Area (DCA);
- In its own capacity or through DCA Sub-Leases; and
- In accordance with the PA and Designated Commercial Area Schedule.

5.10.2. The overriding obligation is that the SPV must ensure that the carrying out of the Permitted Commercial Opportunities does not in any way hinder or obstruct the undertaking of the Facility Functions or the undertaking of any Then Current Facility Functions. The SPV also takes full risk in respect of any additional infrastructure required, supply and payment of utilities, and is not entitled to make any claim against the State in respect of or relating to the DCA.

5.10.3. The September 2020 Board Report provides commentary on a number of the Designated Commercial Areas, which currently exist within the Hospital, which allow a source of third party income. WSP notes that these Areas include (but are not limited to):

- Vietnamese Café: Currently under construction;
- The Deck: Currently closed, however, the SPV putting pressure on the Facility Management Subcontractor to open in a new format or revert to the previous offering;
- Food Courts;
- Nail Salon: Currently vacant and general enquiries into the unit ongoing;
- Sarah's Gift Shop;
- Newsagent;
- Gym;
- Pharmacy; and
- ATM.

5.10.4. WSP notes that the SPV receives 100% of the rents received from Designated Commercial Areas and the base case in the model assumes c$43.8m over the concession period, with c$2.7m received to date as of June 2020, which is c$100k ahead of base case assumption.

5.11 DAMAGE

5.11.1. Where there is total destruction/substantial damage to the Facility in the operating phase the SPV is responsible for procuring the rebuild. We would note however under clause 41 of the Facility Management Subcontract, in relation to damage (other than ICT Damage) during the operating term, the Service Provider will take damage remediation up to an annual cap of $250,000 (indexed linked). For damage above this cap, the SPV will take out an Industrial Special Risk / Consequential Loss policy, which will respond to pay for these, albeit the SPV will need to pay the insurance deductible.

5.11.2. Under the ICT Services Subcontract, the ICT Service Provider is responsible for all damage to the HP ICT.

5.12 UTILITIES

5.12.1. The PA, passed down into the FMS, requires that the Service Provider procures the utilities on behalf of the state, which is reimbursed on a pass through cost basis on the presentation of invoices on a Quarterly Basis.

5.12.2. Within the Quarterly Service Payments there is also an energy adjustment applied. Whilst the State retain the tariff risk, the demand risk is split as follows:

- >110% the Service Provider retains the risk
- Between 90% and 110% of the model, the Service Provider retains 50% of the volume risk/ saving; and

- where the actual volumes are less than 90% of the baseline the Service Provider retains this saving.

5.12.3. The difference in the baseline and the actual over the tolerance level taking into account the above is multiplied by set price per unit values for electricity, and gas which are indexed annually. These are to be audited every 5 years.

5.12.4. There is an additional adjustment to take into account the Demand Rate and Additional Demand Rate.

5.12.5. The concept of a pain / gain share is typical in the PFI sector.

ACTUAL PERFORMANCE V TRIGGERS

5.12.6. WSP notes that the energy model update as part of the Global Settlement Agreement is currently in the process of being re-run/finalised.

5.13 SERVICES INTERFACE AGREEMENT

5.13.1. There is a Services Interface Agreement in place between the SPV, the Service Provider and the ICT Service Provider. The Services Interface Agreement sets out the rights and obligations of the parties in relation to the coordination of and interface between the FM and ICT obligations.

5.13.2. Each of the Sub-Contractor's will undertake their respective roles and obligations so as not to cause any of the Sub-Contractor's any loss or damage or to be in breach of their Sub-Contracts.

5.13.3. Liability resulting from failure by either the Service Provider or the ICT Service Provider under the Services Interface Agreement will be dealt with under their respective subcontracts. The amounts covered by this arrangement will be within the general liability caps of the subcontractors. In respect only of amounts for which the SPV must pay the other Core Contractor (any one or both of the ICT Service Provider and the Service Provider) and not any other amount, each Core Contractor's Liability to The SPV under or in connection with this Agreement is limited to an amount of $100,000.

5.13.4. The Services Interface Agreement covers areas WSP would typically expect including obligations, modifications, allocation of abatements, disputes etc. The Services Interface Agreement drafting is consistent with key interface issues that are experienced in PPP projects.

5.14 SERVICE PROVIDER SECURITY PACKAGE

5.14.1. Within the Facility Management Subcontract, the Service Provider's overall liability will be capped (as per Clause 65.11):

- Service Provider Liability Cap – 100% of its the Forecast Average Facility Management Subcontractor Annual Amount (excluding Lifecycle); and
- Service Provider Termination Cap – 200% of its the Forecast Average Facility Management Subcontractor Annual Amount (excluding Lifecycle).

5.14.2. The liability cap is inclusive of abatements but exclusive of any amount recoverable from insurance and any liability arising from or fraud and breach of intellectual property obligations.

5.14.3. For the first 10 years of the Operating Term, if the Service Provider's aggregate liability to the SPV exceeds 33.3% of the Cap Amount due to Abatements then the Cap Amount will be increased so that the unexpired portion is equal to 100% of the Forecast Facility Management Subcontractor Annual Amount up to another 100% of such amount in additional cap space.

5.14.4. On the 10th anniversary of the Date of Commercial Acceptance, the Cap Amount will be increased such that the unexpired portion of the Cap is equal to 100% of the Forecast Average Facility Management Service Payment.

5.14.5. The Service Provider is also required to provide a Performance Bond in the amount of 25% of Forecast Facility Management Subcontractor Annual Amount up to the first Cap Review Date and thereafter 20% of the Forecast

Facility Management Subcontractor Annual Amount until the Expiry Date. The Cap Review Date is the 5th, 10th, 15th, 20th and 25th anniversary of the Date of Commercial Acceptance.

5.14.6. A PCG is provided by Spotless Group Limited guaranteeing the obligations of the Service Provider under the FM Agreement.

5.14.7. WSP considers the security package to be in line with market provisions.

5.15 ICT PROVIDER SECURITY PACKAGE

5.15.1. Within the ICT Services Subcontract, the ICT Service Provider's overall liability will be capped (as per Clause 65.11):

- ICT Service Provider Liability Cap – has a general liability cap of 150% of its the Forecast Average ICT Services Subcontractor Annual Amount.

5.15.2. The liability cap is inclusive of abatements but exclusive of any amount recoverable from insurance and any liability arising from or fraud and breach of intellectual property obligations.

5.15.3. This liability cap will be resized and refreshed at each Reviewable Services Date (i.e. 5 years) to reflect changes in the Forecast Average ICT Services Subcontractor Annual Amount.

5.15.4. The ICT Service Provider is also required to provide a Performance Bond in the amount of 50% of Forecast Average ICT Services Subcontractor Annual Amount for each Cap Review Date until the Expiry Date. The Cap Review Date is the 5th, 10th, 15th, 20th and 25th anniversary of the Date of Commercial Acceptance.

5.15.5. A PCG is provided by Hewlett-Packard Company guaranteeing the obligations of the ICT Service Provider under the ICT Services Subcontract.

5.15.6. WSP considers the security package to be in line with market provisions.

5.16 SERVICE PROVIDER REPLACEMENT

5.16.1. In the event of termination, WSP would expect to see a cap of a minimum of 150%- 200% of the annual service fee provided. On this project the termination provisions are the Forecast Average Facility Management Subcontractor Annual Amount (excluding Lifecycle), which we consider to be in line with the market expectations. We also note that the Service Provider is also required to provide a Performance Bond, which provides additional security over and above the cap.

5.16.2. WSP's view is that a competent Service Provider should not allow a level of poor Service performance to frequently re-occur over a sustained period without a rectification plan being implemented and the SPV's continuous monitoring should intervene before termination is required. It is therefore considered that the risk of Service Provider Default under the FM Agreement should be properly mitigated and be a manageable risk.

5.16.3. Furthermore, the ability to replace the Service Provider on an operational PPP scheme is a factor of both the robustness of the FM costs and the contractual conditions that provide protection and security. The key considerations can be summarised as follows:

- Contractual Conditions including liability caps;
- Scale and range of FM Services;
- Timescales;
- Risk Profile of the project;
- Robustness of FM costing;
- Capacity of the market at that time;
- Project Location; and
- Mobilisation timescales.

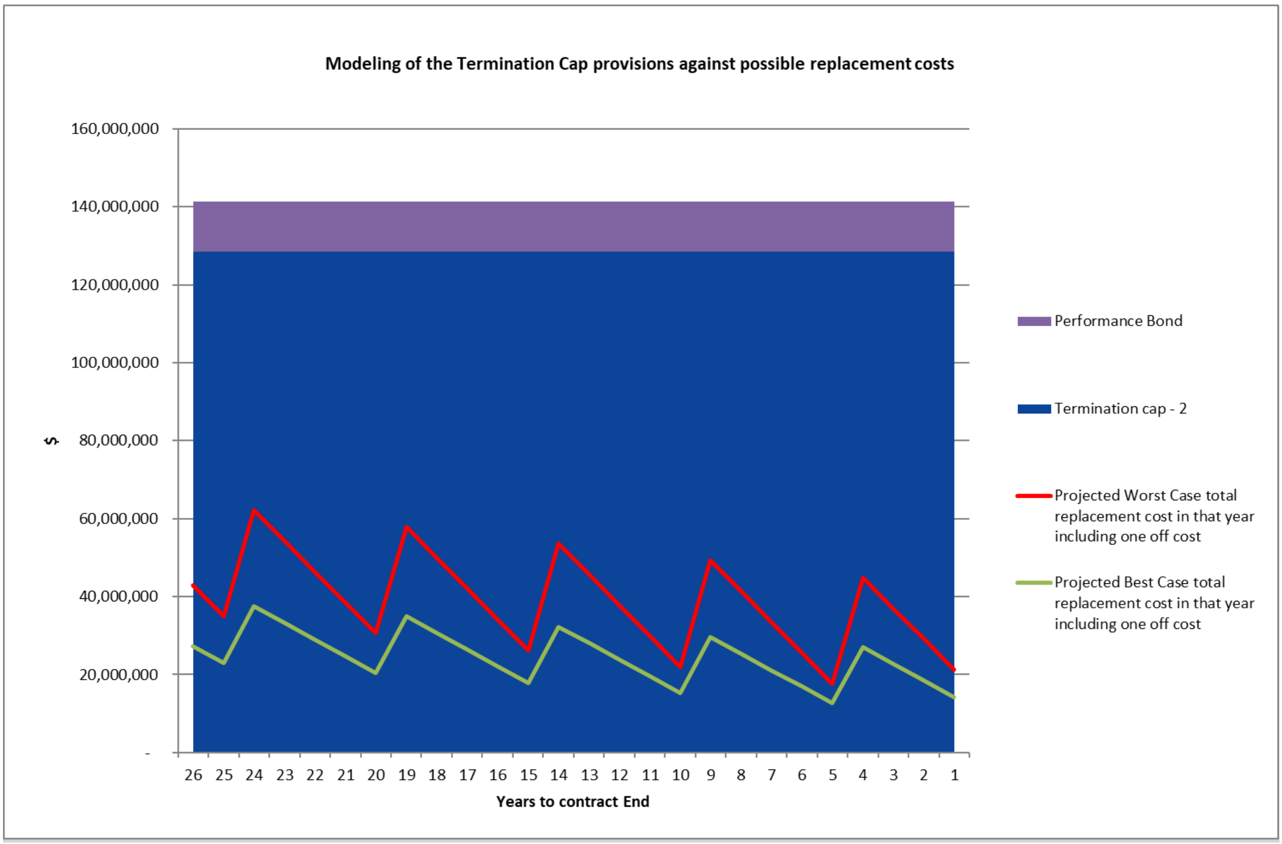
5.16.4. It is our opinion that if the contractual conditions are on market and the Services are attractive and supported by robust FM costs, then the contract will be viewed as an attractive commodity and will generate interest in the marketplace. The Scope for Services are typical for this type of contract and the location would also help to generate interest in this contract should it come on the market.

5.16.5. It is however our experience that the FM cost will likely attract a price premium on the contract price to cover any perceived risk that a new Service Provider would need to take into account on a contract, particularly in the event that the incumbent provider was failing. In addition, a change of Service Provider would generate one–off costs in respect of procurement, mobilisation, management and professional fees. Given that there is Reviewable Services on this contract, any premiums would be re-set as part of the Reviewable Services exercise in relation to the Soft FM costs, whereas the Hard FM costs would need to carry the premium for the remainder of the concession period. It is also important to note that if the FM Agreement was retendered as two separate contracts there would be further additional costs in respect of management and helpdesk.

5.16.6. From our experience and the current market conditions, as the FM costs for this project sit within the lower quartile of the expected benchmark range for this type of project we estimate that the premium applied to the FM costs per annum, could be between 3% (projected lower case) and 5% (projected higher case) for Hard FM and between 8% (projected lower case) and 15% (projected higher case) for Soft FM. Based on our modelling, the additional annual total increase in costs could therefore range from c$4.2m to c$7.9m for the Hard FM services, together with a one off cost of c$5.5m for the mobilisation, professional and legal fees.

5.16.7. From our review the Service Provider support package provided, should it be required, replacement Service Providers could be suitably procured within the replacement coverage provided, therefore we consider the replacement of the Service Provider to be a manageable risk should the event arise. This is outlined graphically below:

Figure 5-1 - Service Provider Termination Modelling



6 LIFECYCLE REVIEW

6.1 INFORMATION SUMMARY

6.1.1. The key project information in relation to Lifecycle can be located within the table below.

Table 6-1 – Lifecycle Summary

Project Name	**New Royal Adelaide Hospital**
Project Type	Healthcare
Capex	$1,849,834,546
GFA	173,228m² (as per TA Report from Financial Close)
Commencement of Full Operations	14 June 2017
Concession End	6 June 2046
Lifecycle Maintenance Fund value (Base)	$608,792,287 which comprises the following; FM ($493,824,729) and ICT ($114,967,558)
Cost/m²/year (Base)	$121.19
Base Date	96.9 (Dec 2010)
Lifecycle Adequacy Risk	Service Provider

6.2 DEFINITION

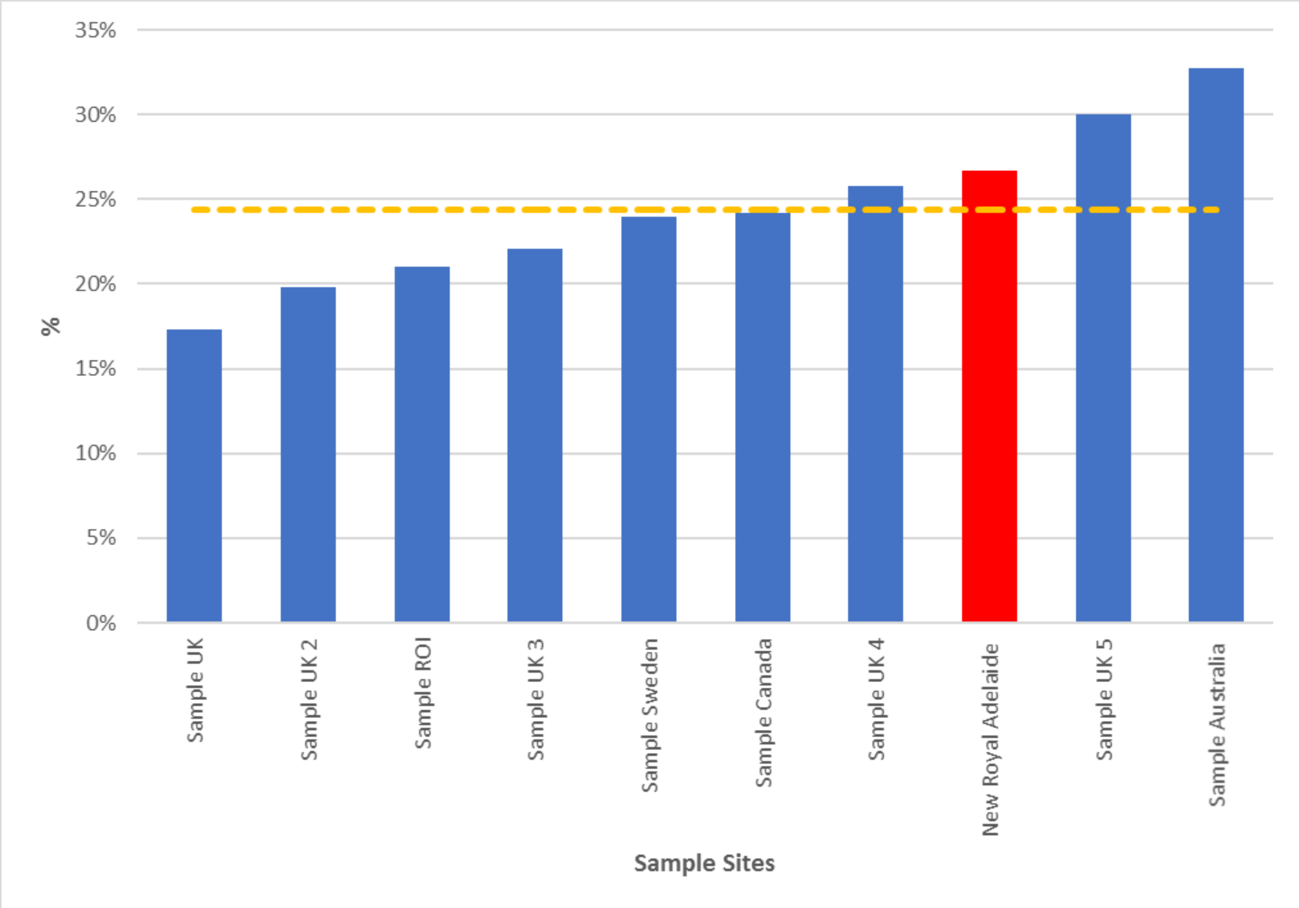
6.2.1. Lifecycle Works are defined in the Facility Management Subcontract as being the lifecycle, replacement and major maintenance works, as described in the Lifecycle Plan.

6.3 FINANCIAL

6.3.1. WSP has been provided with a financial model (3.3.14 200527 nRAH Financial Model v3.8_actualised MGMT CASE) which details the Lifecycle Fund Value for the concession. We note this has been split into two funds; FM ($493,824,729) and ICT ($114,967,558) which provides an overall fund provision of $608,792,287 across the 29-year concession period (all base date prices, Dec 2010). Uplifted to current prices, the overall lifecycle allowance equates to $718,739,294, split $583,008,762 (FM) and $135,730,533 (ICT).

6.3.2. WSP has undertaken a benchmarking exercise in order to assess the fund sufficiency as compared with other similar projects from across a global range of healthcare projects. The assessment looks at the lifecycle fund as a percentage of the project overall capital expenditure, taking into account adjustments for variables such as location, indexation and concession length, with the results summarised in the graph below. For comparison purposes, we have utilised the main lifecycle (FM) fund only, i.e. excl. the ICT fund.

Figure 6-1 - Lifecycle Fund Values as % of Capex



6.3.3. As demonstrated from the above, the New Royal Adelaide Hospital benchmarks favourably when compared to other similar projects from around the globe. The Lifecycle fund represents 27% of the value of the Capex cost, which is above the average value of 24%. Incidentally, it is worth noting that combined with the ICT fund, the figure increases to 33% of the Capex, which is right at the top end of our comparison range.

6.3.4. This indicates that the Lifecycle fund should be sufficient for the purposes of delivering the Lifecycle obligations for the remainder of the concession, provided that a proactive approach to Lifecycle management is adopted. The Handback obligations (see 6.4 below) are considered to be onerous, however the fund appears to be profiled to manage this increased expenditure requirement as the end of the concession, with the contract structured to support the identification and planning of such works. Notwithstanding, the risk of any overspend on the fund in any one year ultimately sits with the Service Provider.

6.3.5. Based on the information received and the results from our benchmarking analysis, WSP considers the Lifecycle quantum to be sufficient to enable a competent Service Provider to discharge the Lifecycle maintenance obligations, subject to robust management and execution of the works.

6.4 CONTRACTUAL CONSIDERATIONS

Lifecycle Risk

6.4.1. The SPV has passed the performance related risk plus the risk in relation to the overall financial adequacy of the Lifecycle fund to the Service Provider.

6.4.2. This mitigates the SPV from a potential shortfall of the Lifecycle fund, although it is worth highlighting that in a Service Provider termination event, if the replacement Service Provider was unwilling to take on the adequacy risk, for example, if the funds had been depleted faster than profiled, the SPV would automatically assume the risk of funding any shortfall.

6.4.3. Based on the results of the benchmarking assessment, and the contractual protections in relation to payment this should not be a risk with robust SPV management.

ICT Requirements

6.4.4. ICT requirements on this project have been split between the State and the SPV. The SPV ICT Elements have been further split and passed down to the Service ICT Subcontractor (HP) and the Ancillary ICT Subcontractor (Spotless), with responsibilities outlined as follows:

Table 6-2 – ICT Responsibilities

State ICT Elements	Ancillary ICT Elements	Services ICT Elements
Active Network Devices; Network Switching; and Wireless Network.	Audio Visual System; Nurse Call System; Meals Management System; Automated Delivery System; Wayfinding System; Security System; Building Management System; General Helpdesk Fire Systems; Car Park Management System; Clock Systems; Exit & Emergency Systems; Network Equipment (excl. Active Network Devices); and Cabling for Project Co Network.	Wireless location system; ICT Helpdesk; Integration Engine; and IP PABX and telephone handsets.

6.4.5. From a summary of the contractual information provided, it would appear that the ICT fund should be sufficient to deliver the ICT obligations on this project, noting that many of the Ancillary ICT Elements are systems, which the Service Provider is required to maintain under their obligations through the Facility Management Subcontract.

6.4.6. As there is likely to be interaction between the ICT Elements, it is important that the SPV proactively manages both the Service Provider and the ICT Service Provider to ensure they are fulfilling their relevant maintenance obligations.

Maintenance Reserve Account

6.4.7. Typically for a PPP Healthcare project, a reserving mechanism exists in order to reserve Lifecycle funds in advance of planned replacement whilst retaining a contingent reserve to offset unanticipated early replacement risk. On this project, two separate sinking funds exist which reflects the arrangement for replacement events;

1. FM Sinking Fund Account; and
2. ICT Sinking Fund Account.

6.4.8. It is incumbent on the SPV to make payment into the FM / ICT Sinking Fund Account's in line with the Scheduled Lifecycle Component (the lifecycle / ICT payment profile) when received from the State. Withdrawals will then be made to the Service Provider (the ICT Subcontractor when referencing the ICT Sinking Fund) to make payment on account of lifecycle payments.

Lifecycle Fund Methodology

6.4.9. Prior to the commencement of each Financial Year, the Lifecycle Surveyor is appointed to carry out an estimate of the cost of the Lifecycle Works in the Facility and the Lifecycle Plan, for the next Financial Year plus the following 4 years (the Estimated Scheduled Lifecycle Cost). Furthermore, the Estimated Sinking Fund Balance is to be determined, which is the total of the balance of the Sinking Fund Account at that time and the Scheduled Lifecycle Components to be paid by the SPV for the subsequent five Financial Years.

6.4.10. Where the Estimated Sinking Fund Balance is greater than the Estimated Scheduled Lifecycle Cost, the SPV shall release the excess to the Service Provider from the Sinking Fund Account, once the relevant Lifecycle Works item has been performed.

6.4.11. If however the Sinking Fund Balance is less than the Estimated Scheduled Lifecycle Cost in any Financial Year, the SPV will deduct the amount from the FM Monthly Services Payment equivalent to the greater of:

i) 50% of the shortfall;

ii) 100% of the shortfall attributable to the Relevant Financial Year; and

iii) 100% of any shortfall identified resulting from the additional works identified by the Lifecycle Surveyor so that the Service Provider can comply with its obligations.

6.4.12. The requirement to provide annually an assessment of the projected five-year expenditure is in line with good practice and will act as a planning tool for lifecycle works. The Lifecycle fund is also protected in that the Service Provider cannot exceed payment from the Lifecycle fund in any five-year period, with the Service Provider liable for the additional costs necessary to undertake the required works.

Payment Process

6.4.13. On completion / part-completion of any Lifecycle Work listed in the Lifecycle Plan where the cost estimate is in excess of $500k (indexed), the Service Provider may claim the cost (or part) to a maximum estimated cost of that item in the Lifecycle Plan, by providing a valid invoice or, where the FM Contractor carried out the work itself, other such evidence of completion reasonably required by Project Co.

6.4.14. Additionally, if the cost of that item is less than the Scheduled Lifecycle Component for that item, then the FM Contractor is obliged to claim the difference, subject to any work required to rectify Structural a Defect, as identified by the Lifecycle Surveyor.

6.4.15. Conversely, if the cost of that item is more than the estimated cost within the Lifecycle Plan, the FM Contractor must bear the excess.

6.4.16. For all other Lifecycle Work in the Lifecycle Plan (i.e. below the $AU500k threshold), the amount attributed to each item of Lifecycle Work is to be claimed at the end of the Quarter in which the item is completed, with the Service Provider required to lodge a signed statement with the SPV identifying the relevant item and the budgeted cost. The SPV are to release the amount to the Service Provider, providing always that there are sufficient funds within the Sinking Fund Account.

6.4.17. This is typical of this type of contract in that funds are only released upon evidencing, and this offers a level of protection to the Lifecycle fund. Payments must be released from the Sinking Fund Account within 10 business days.

Surveys and Handback Requirements

6.4.18. The processes in relation to Handback are set out in Clause 48 (Final Refurbishment Works) of the Project Agreement and are passed down directly to the Service Provider through the Facility Management Subcontract.

6.4.19. An Independent Certifier (IC) is to be appointed no later than 12 months prior to the Condition Review Date, in order to undertake an inspection to state whether the current condition of the Facility and the Site will be in a condition required to satisfy the contractual obligations as at the Expiry Date. This will be detailed in a report, the Outstanding Matters Report.

6.4.20. The Condition Review Date is defined as follows:

- 5 years prior to the Expiry Date for the Residual Life Items; and
- 3 years prior to the Expiry Date for all other items.

6.4.21. This effectively means that the Residual Life Items will be assessed 6 years before the Expiry Date, with all other items assessed 4 years prior to the Expiry Date. The survey for Handback is earlier than we typically see on other healthcare schemes (generally 24 months prior to the concession end), however we note the IC is required to reinspect the Facility and Site prior to the end of each year after delivery of the initial OM Report. We would opine that this structure is positive and will enable any outstanding works to be identified and planned accordingly.

6.4.22. WSP has reviewed the residual life requirements for the project, as set out in Schedule 20 (Services Specification) of the Project Agreement. The requirements are considered to be fairly onerous in that 5+ year residual life requirements are specified on most major asset groups, with internal finishes (walls/floors/ceilings), plus Fittings and Furnishings excluded.

6.4.23. An overview of the requirements can be found in Appendix A of this report, however we would note the following elements within the M&E Services group which have particularly robust residual life requirements (10 years) upon Handback:

- Lifts;
- Ventilation / AHUs;
- Heating and Cooling; and
- Chillers.

6.4.24. There are also some elements with 5-year residual life requirements, such as BMS and CCTV systems, which are likely to be subject to obsolescence issues as advancements in technology occur.

6.4.25. Nevertheless, the Lifecycle profile appears to have accounted for such requirements, with a sharp increase in expenditure available in the years immediately prior to Handback. To quantify this, 28% of the overall fund value is profiled in the last 5-year period, which should enable the SPV to discharge their Handback obligations, noting always that this is passed down to the Service Provider.

7 VARIATIONS

7.1 PROCESS FOR VARIATIONS

Project Agreement (PA)

7.1.1. Within the Project Agreement there are various methods for undertaking variations / changes. The following commentary sets out each of these.

Minor Works

7.1.2. Minor Works defined as services or a change to the Facility required by the State or Facility Operator during the Operating Term which has a total Minor Works Price not exceeding $25,000, and other works or services agreed by the parties as being Minor Works.

Modifications

7.1.3. In order to streamline agreement on Modifications that cost less than $100,000, the PA includes a Minor Modification Regime. Minor Modifications are defined as a Modification or FF&E Modification with an estimated Base Cost which does not exceed the Minor Modification Threshold ($100,000 indexed on each FC anniversary).

7.1.4. Clause 52 (Modifications) of the PA sets out the parties rights in respect of Modifications and FF&E Modifications.

7.1.5. Modifications are defined as including the following:

- A change to the Facility including any addition, increase or decrease, omission, deletion or removal from the Facility as a consequence of a change to the State FF&E included in the State FF&E List;
- Any change directed by the State to the functionality of the SPV ICT;
- Any change made by the State to the underlying architecture of the ICT Network or State ICT which requires a material change to the SPV ICT; or
- A change to the Services Specification or the scope of Services.

7.1.6. FF&E Modification is defined as being a material change to a the SPV FF&E List.

7.1.7. The process for implementing any such Modifications is standard, with the State Delegate issuing a Modification Price Request to the SPV setting out the relevant details of the proposed Modification, which the SPV then uses to return a fixed price quotation to carry out the works within 5 Business Days of receipt of the Modification Price Request. The State Delegate then has 10 Business Days to conform if the SPV is to proceed with preparing the Change Notice, or otherwise.

7.1.8. In calculating the amount payable to the SPV in respect of a Modification or FF&E Modification, the SPV must comply with the Change Compensation Principles, use all reasonable endeavours to mitigate and minimise any costs incurred, and not include any amount where the Change Request is required to comply with a Change in Mandatory Requirements.

7.1.9. The SPV can also raise a Change Notice in order to request the State to agree a the SPV Modification. The process is similar to when the State issues a Modification Price Request, however, the State is not liable to pay for the cost of any Change Notice prepared by the SPV, in respect of a the SPV Modification and the SPV is required to carry out the works at its own cost.

Change in Mandatory Requirements

7.1.10. Clause 55 (Change in Mandatory Requirements) sets out the process for a Change in Mandatory Requirements, which are either a Change in Law or Change in Policy (such as the introduction of a new Health Policy or Quality Standard), which the SPV is legally obliged or required by the State to comply with, or would have a material effect on the Works, provision of the Services or the performance of other obligations.

7.1.11. Where a Change in Mandatory Requirement occurs, the SPV is entitled to compensation of the amount of the net Cost to The SPV and is also required to pay the State any net Savings accrued by the SPV due to the implementation of the Change in Mandatory Requirement.

Facility Management Subcontract & ICT Services Subcontractor

7.1.12. WSP notes that the principles in the Project Agreement have been suitably stepped down to the Facility Management Subcontractor and the ICT Services Subcontractor.

7.1.13. Overall, WSP considers that the change control process is suitable for a project of this nature.

7.2 SUMMARY OF MODIFICATIONS TO DATE

7.2.1. WSP understands that the State has issued a number of Modification orders where the amount payable to or by the State was to be agreed once the works were completed, based on the actual time taken to complete the works and the cost of the materials used. This is not in line with the process set out in the PA, however, was used as the PA process could take up to 3 months to implement which was not practical where the State required Modifications to be carried out quickly to avoid delays in opening the facility.

7.2.2. WSP has been provided with a copy of the June 2020 modifications tracker, which notes that there has been a total of 507 modifications, which have resulted in a capex cost of $22,317,547.62, reduction in Lifecycle across the term of the concession period of $4,109,968.01 and an increase in maintenance costs per annum of $479,947.59.

7.3 CCW WORKS DEED

7.3.1. On 3 May 2019, the SPV and the State executed a deed (CCW Works Deed) pursuant to which the SPV agreed to design, construct and commission two additional cooling towers for the Condenser Chilled Water System and decouple and separately cool the co-generation system at the Facility (the CCW Works). The capacity expansion will consist of the following:

- 2 x Additional closed-circuit fluid coolers;
- 2 x Additional CCW secondary pumps; and
- Associated interconnecting CCW piping between the additional equipment and tapping into the CCW ring main.

7.3.2. The additional fluid coolers and pumps will be configured as an independent CCW farm which will be located in the vacant space within the vicinity of the Eastern CCW plant area. The existing CCW plants (i.e. West Plant & East Plant) are located on Level 9 / roof of the hospital.

7.3.3. The SPV has progressed the CCW Works in conjunction with the CCW Works project control group (PCG) and has engaged a number of consultants and subcontractors directly, including Jacobs (Superintendent) and Watson Fitzgerald (Project Manager). The State's liability for these works capped at $2m with the SPV being liable for anything above this threshold, with the estimated final cost of the works being c$6.8m.

7.3.4. WSP notes there is a modification order (0541a) in respect of maintenance and lifecycle services for c$94k per annum in relation to maintenance and c$2.2m in relation to Lifecycle over the remaining terms.

8 SPV MATTERS

8.1 KEY COMMERCIAL ISSUES

8.1.1. The project reached Commercial Acceptance on the 13 June 2017 and is based on contract conditions, which was prevalent at the time of close and reflects an acceptable market position for healthcare PPP's in Australia. There are no project specific amendments that present a material risk to the SPV.

8.1.2. The key risk of construction completion has now passed and focus is on operational delivery and the maintenance of the new facilities. Overall the service appears to be being delivered to a satisfactory standard and performance deductions are currently well below the termination threshold within the PA and subcontracts.

8.1.3. The step down arrangements between the SPV and the Service Provider appears adequate and the Liability Caps and termination clauses on the whole provide sufficient protection in the event there is a need to replace the Service Provider.

8.2 DISPUTES/CLAIMS/CURRENT PROJECT ISSUES

2019 Global Settlement Agreement

8.2.1. Following the 2015 settlement, a large number of additional issues occurred. The following table outlines the main issues (noting that these issues carried substantial cost implications):

Table 8-1 – Disputes / Issues

Issue	Description
Builder arbitrations	The Builder seeking damages for wrongful conduct by the State and the SPV. Allegations include conduct related claims in respect of Abatement Amounts due to alleged Defects in the Duress alarm system of the Mental Health Unit.
Abatement amounts	The SPV, the Facility Management Subcontractor and the Builder dispute the calculation of Abatement Amounts.
Patient Minding Dispute	The SPV and the Facility Management Subcontractor dispute liability for the costs of providing patient minding services.
Pass Through Costs	The SPV and the Facility Management Subcontractor seek to recover costs incurred as a result of Intervening Events which have hindered delivery of the Services (Sep 2017 to Jun 2019).
Duress Works	The SPV dispute the liability for costs of completing works to the Duress Alarm System, along with maintenance and lifecycle costs.
MHU Security Guard	The SPV seek to recover costs incurred in the provision of security services (Apr 2018 to Sep 2018).
Condensed Chilled Water System (CCW)	The SPV disputes liability for recurrent maintenance and lifecycle costs associated with the works.

Outstanding Cure Plan Items	The SPV dispute that certain works form part of the the SPV Cure Plan.
FM Margin on Minor Works	The SPV and the Facility Management Subcontractor dispute the applicable FM Margin for Minor Works and liability for costs of preparing Minor Works Quotes.
Day 1 Modifications	The SPV and the Facility Management Subcontractor seek to recover the costs incurred in carrying out Day 1 Modifications requested by the State.
Lifecycle Cost Claim	Dispute regarding payment of lifecycle costs arising from alleged lifecycle payment misalignment.
Energy Software Model	Facility Management Subcontractor disputes the accuracy of the Energy Software Model and seeks to recover costs incurred with energy usage at the Facility.
Full Time Employees	Facility Management Subcontractor states that it is incurring excessive costs due to number of full time employees required to carry out Services. This is due to full capacity of the Facility and a number of new practises not being adopted by the clinicians.
Portable Handset Modification	The ICT Services Subcontractor seeks to recover costs arising from the State's decision to adopt a 'generic identifies' approach for portable handsets.

8.2.2. The parties had been in discussion about these issues for some time without any conclusion, therefore in a bid to resolve all outstanding disputes a global commercial settlement was proposed, which would wipe the slate clean and allow a fresh start through agreeing various settlement payments, releasing each other from existing claims and formal disputes, and amending the project documents. A Global Settlement Term Sheet was produced and agreed, however, WSP notes that this did not legally bind the parties. Once signed, the Global Settlement Term Sheet committed the parties to a process for preparing the necessary settlement documents, which would then bind the parties upon execution.

8.2.3. The following table sets out the financial payments under the Global Settlement Agreement:

Table 8-2 – Global Settlement Payments

Party	Payment Amount	Recipient	Description
State	$28,050,000.00	The SPV	Reimbursement of Abatement Amounts
	$1,00,000.00	The SPV	Contribution towards CCW works maintenance and lifecycle costs
	$1,402,047.00	Facility Management Subcontractor	Reimbursement of Abatement Amounts

	$41,000,000.00 ($1,708,833 per month until June 2021)	Facility Management Subcontractor	Contribution towards additional costs incurred since operations commencement
	$5,127,320.59	Facility Management Subcontractor (via the SPV)	Payment for cost of implementing Day 1 Modification Works
	$2,447,362.52	Facility Management Subcontractor (via the SPV)	Patient Minding services provided between Sep 2017 and April 2019
	$1,427,321.32	Facility Management Subcontractor (via the SPV)	Patient Minding services between 22 April 2019 and 30 June 2019
	$1,562,957.99	Facility Management Subcontractor (via the SPV)	Refund of Energy Software Adjustment
The SPV	$43,000,000 ($10,000,000 in 2019 followed by 36 Quarterly payments of $1,150,000)	State	Amendments to Abatement Regime and releases for historical Abatement Amounts
	$15,000,000 ($1,250,000 per month until June 2022)	Facility Management Subcontractor	Contribution towards additional costs
	$300,000.00	Spotless	Outstanding sum pursuant to Process Suspension Deed

8.2.4. WSP has received copies of the various settlement documents, which have been signed and were entered into at the end of 2019. As such, the issues noted in table 8.1 above have now been settled and agreed. The settlement agreement resulted in modification of the various contractual agreements (PA, FM Subcontract and ICT Services Subcontract) to bring them in line with the agreed positions.

8.2.5. From a review of the latest Board Report (September 2020), there are a small number of actions from the Global Settlement Agreement which have yet to be fully closed out, as noted in the table below:

Table 8-3 – Outstanding Global Settlement Agreement Actions

Obligation	Responsibility	Status
Implement necessary training programmes for clinical staff regarding Code Blacks	State	Training programmes underway.
Use operational data to produce and agree a calibrated Energy Software Model	State / The SPV / Facility Management Subcontractor	State has accepted the model with live demonstrations to be carried out in July 2020. Liability calculations being prepared.

Apply the Calibrated Energy Software Model retrospectively to calculate energy adjustment and give the State the Calibrated Energy Software Model to place in escrow.	State / the SPV / Facility Management Subcontractor	Subject to the item above being resolved.
Use all reasonable endeavours to narrow the definition of what constitutes Code Black, and, if suitable, introduce a Code Grey regime.	State / the SPV / Facility Management Subcontractor	Facility Management Subcontractor to provide paper outlining proposed regime.
Use best endeavours to ensure 75% of all Service Requests for discharge cleans occur prior to 15:00 each day.	State	SPV tracking compliance and discussions to be arranged.
Undertake the Orderly Services Abatement Regine Review	State / the SPV / Facility Management Subcontractor	Extension agreed until 01 September 2020.
Review the SPV capital contribution business case and consider making a capital contribution towards refinancing	State	Awaiting response from the Treasury.
Use all reasonable endeavours to reduce the number of Code Black required to be responded to at the Facility	State	Parties to arrange a meeting to discuss compliance.
Engage in good faith discussions to consider and attempt to agree and further changes to the Services Specification	State / the SPV / Facility Management Subcontractor	Proposals with State on 10 August 2020 and awaiting a response.
Establish a discharge cleaning trial to consider how best to prioritise discharge cleans	State / the SPV / Facility Management Subcontractor	Parameters of trial agreed however commencement delayed due to Covid-19.
Review the requirements of section 12 of the Services Specification and identify efficiencies and remove or amend unnecessary requirements.	State / the SPV / Facility Management Subcontractor	Review commenced and meeting to be arranged to confirm work is complete.
Work to simplify the reporting requirements under the Services Specification and adjust the dates required to provide each of the performance reports.	State / the SPV / Facility Management Subcontractor	Review and approvals ongoing.
Use best endeavours to restructure the delivery ordering service to implement 'just in time' model and refined delivery service.	State	Under consideration by the State.

Consider the integration of specified, dedicated Orderlies in the nuclear medicine department and the perioperative department in the Orderly Pools.	State / the SPV / Facility Management Subcontractor	Facilities Management Subcontractor to provide proposals.

8.2.6. The August 2020 Board Report notes that a number of the items in the above table will be raised at the next FM Committee with approval of all parties to become adopted as business as usual and no longer be a deliverable under the Global Settlement Agreement. As such, WSP considers that the risk to the SPV has been significantly reduced since the Global Settlement Agreement was finalised, and the points in the table above should be able to be suitably managed by all parties through the course of the project.

8.2.7. The September 2020 Board Report notes that relationships on the ground have improved and that some of the bureaucratic and contract administration issues have been removed, following the Global Settlement Agreement. The amended abatements regime was also reported to be working well.

Builder's Claims Arbitrations

8.2.8. WSP notes that the Global Settlement Agreement did not include the Builder's claim against the SPV, the State and the Independent Certifier in relation to poor behaviour, misrepresentation, physical loss and extensions of time during the construction phase. An arbitration process is currently ongoing in respect of this claim, through which the Builder is seeking circa $800m and a further $180m due to extensions of time. It is noted that the arbitration process will likely run for the majority of 2020 unless the parties agree to an earlier settlement.

8.2.9. The SPV have passed the majority of the claims to the State and the Independent Certifier. WSP understands that a budget of $16.8m has been set aside to cover costs associated with defending / passing on the Builder's Claim however the SPV has not allowed any consideration towards a settlement. The SPV have also appointed North as delay experts to the SPV in analysing the Builders Base Case programme and critical path and reviewing the claims made by the Builder.

8.2.10. The August 2020 Board Report notes that the Builder's Claim may be dealt with by entering into a Mediation Agreement and engaging in mediation with the State and the Builder. WSP understands that mediation is to take place in October 2020, with all parties expressing a willingness to expedite the Builder Arbitrations. WSP understands that there is an element of cost risk for the SPV related to the Builder's Claim, as there are sums which it considers cannot be passed to the State, albeit the SPV considers this to be a low risk. Notwithstanding this, it is hoped that a mediation process will reduce this risk.

8.2.11. The Special Board Report from July 2020 notes that the SPV Board approved entry into and the execution of the Mediation Agreement.

8.2.12. WSP notes that there have been two rounds of strike out applications related to the Builder's Claim (the process where certain elements of the claim are challenged as not being valid and a ruling is made as to whether these are valid or can be 'struck out' of the overall claim. The September 2020 Board Report notes that the second round of strike out applications in relation to the amended statement of claim in the Builder Arbitrations were heard on 01 and 02 June 2020. A decision has been given, which is being considered by the legal team in conjunction with the Dispute Avoidance Committee. The SPV has noted that the ruling is generally positive for the SPV.

Appendix A

RESIDUAL LIFE REQUIREMENTS

Element Group	Building Element	Building Sub-Element	Residual Life
Substructure			40 Years
Superstructure	Frame	Columns Structure	40 Years
	Upper Floors	Upper Floor and beam structures Decks Balconies	40 Years
	Roof	Awning Covered walkways Terraces Shade and Pergola structures Louvres Sunscreens Roofing (flashings, capping's, skylights, bird/vermin proofing Roof gutters & downpipes	10 Years
		Access System (fall arrest)	5 Years
	Stairs and Ramps	Stair Structures	40 Years
		Ramp Structure	20 Years
		Handrails, balustrades etc	10 Years
	External Walls	Structure	40 Years
		Facings/Cladding	20 Years
		Expansion Joint (incl. to pathways, car parks, retaining walls etc).	5 Years
		Render/paint finishes	-
	Windows & External Doors	Frames, door leaf, window sash, sills, ledges Window hardware Door furniture	5 Years
	Internal Walls & Partitions	Structure	20 Years
	Internal Doors	Frames, door leaf Door furniture	5 Years
Internal Finishes	Wall Finishes	Wall Tiling Wallpaper Linings Paint	-
	Floor Finishes	Floor Structure	20 Years
		Flooring	-
		Sub floor space	5 Years

Element Group	Building Element	Building Sub-Element	Residual Life
	Ceiling Finishes	Framing	20 Years
		Coverings	-
FF&E	FF&E	General Medical Devices Cupboards/benches/ shelving etc Loose Furniture Fixed Furniture and Equipment Curtains/blinds Signage	-
Services	Water Installations	Water storage tank Water service Valves/sub metering	10 Years
		Domestic hot water Heating water boilers	5 Years
		Water treatment plant (RO)	10 years
	Space heating & air treatment	Heating and cooling Central and space heating systems	10 Years
		Split A/C units	5 Years
		Freezers/cold rooms	10 Years
		Chillers/cooling towers	10 Years
		Pumps, motors	5 Years
	Ventilation Systems	Ventilation / AHU's	10 years
	Electrical Installations	Wiring Systems	10 Years
		Switchboards, distribution boards, HV switchgear	-
		Electrical accessories (switches, power outlets, light fittings)	5 Years
		UPS Systems (incl. generators)	5 Years
		ICT Cabling	10 Years
		Luminaries (incl. emergency and external lighting)	5 Years
	Lifts and Conveyor Systems	Vertical transportation	10 Years
	Communications Installations	AV Systems	2 Years
		Access Control (swipe card)	5 Years
		PA System Hearing Loop	5 Years
		Nurse Call System	5 Years

Element Group	Building Element	Building Sub-Element	Residual Life
		BMS	5 Years
		CCTV	5 Years
		Intruder alarm	5 Years
	Protective Installations	Lightning Protection	-
		Fire resisting construction & smoke control system	10 Years
		Fire and Smoke detection VESDA Alarm systems	5 Years
		Fire extinguishing gas suppression Fire extinguishing equipment Fire panels	5 Years
	Fuel Installations	Valves and metering	5 Years
	Medical Gas		10 Years
External Works		Fencing	10 Years
	External Drainage	Piping, subsoil drain, culvert	20 Years
		Sold Wall/panelling/ mesh/hates	5 Years
		Footpaths, car parks, helicopter landings	10 Years
		Speed bumps, bollards, road safety signs	5 Years
		Signage and road markings	-

WSP House
70 Chancery Lane
London
WC2A 1AF

wsp.com