



Government of **Western Australia**
Department of **Health**
Fiona Stanley Hospital

Fiona Stanley Hospital

Summary of Facilities Management Services Contract

As at July 2011

Artist's impression of the new Fiona Stanley Hospital



www.fionastanley.health.wa.gov.au

Delivering a Healthy WA

1. Introduction

1.1 Background

1.2 Project description

2. Governance

3. Specification development and procurement

3.1 Development of service specifications

3.2 Expressions of interest

3.3 Request for detailed proposal

3.4 Evaluation

3.5 Pre-selection proposal and negotiation process

3.6 Execution of the contract

4. Description of services

4.1 The services

5. Description of services

5.1 Term of contract

5.2 Preoperational phase and transitional phase

5.3 Performance regime

5.4 Assets and equipment

5.5 Procurement transparency

5.6 Hospital-specific clauses

5.7 Site controls

5.8 Managing environmental obligations

5.9 Subcontracting

5.10 Contract in operation

5.11 Contract administration

5.12 Key personnel

5.13 Reporting

5.14 Commercial protections

5.14.1 Abatements

5.14.2 Default and termination

5.14.3 Suspension

5.14.4 Step in

5.14.5 Insurance

5.15 Variations and change of law

5.16 Control and vetting of staff

5.17 Intervening events

5.17.1 Excusing cause

5.17.2 Force majeure

6. Commercial framework

6.1 Other core commercial principles

7. Payment

7.1 Payment mechanism

7.2 Service payment escalation factors

8. Serco

9. The services in operation

1 Introduction

In 2014, the State Government will open Fiona Stanley Hospital - Western Australia's most modern tertiary health campus.

Fiona Stanley Hospital will be a public hospital, for public patients, with doctors, nurses and allied health professionals employed by WA Health.

Non-clinical services at Fiona Stanley Hospital will be delivered by Serco Australia under an innovative contracting arrangement that sets a new benchmark for health infrastructure projects around the country.

The contract between WA Health and Serco, which includes extremely strict targets for the private sector organisation, was signed in July 2011.

Serco Australia is a major organisation with local, national and international experience in facilities management.

The signing of the contract sufficiently ahead of the hospital's opening in 2014 means Serco will be able to work closely with the hospital project team over the next three years to establish and test its equipment, services, technology and systems, as well as undertake recruitment and training of staff.

Serco's innovative use of technology and sophisticated systems that are not currently in use in the public health system in Western Australia will contribute to significant improvements for patients.

Combining the best of the public and private sectors, Fiona Stanley Hospital will offer the highest quality patient care using the latest scientific, technological and medical developments. It will be a leader in clinical care, research and education.

More than 3,000 jobs will be created as a result of the opening of the new hospital, with some staff employed by Serco and some by WA Health.

WA Health will make a significant saving by using this model for facilities management and support services. However, financial savings are not the only major benefit. Innovative services and high standards with continuous improvement were also compelling factors.

The Western Australian small business sector will also benefit from the private sector delivery of non-clinical services, with Serco to engage a number of small business subcontractors across a broad spectrum of the contracted services.

This document provides a summary of the contract with additional information in relation to service delivery and the service provider, Serco. Commercially sensitive information from the full contract, such as information relating to financing facilities, cost structures, profit margins, intellectual property or other information which may place Serco at a competitive disadvantage, is not included and will not be released publicly.

This summary document should not be relied upon for legal advice and is not intended in any way as a substitute for the contract.

1.1 Background

The final report of the Health Reform Committee, *A Healthy future for Western Australians* (the Reid Report), was released in March 2004. The report provided a long-term vision for the future of health care in Western Australia and set out a plan for major health reform. It recommended a fundamental reconfiguration of the State's health system over the following 10 to 15 years through changes in models of care, service delivery and infrastructure development.

The State Government is now committed to a \$7.07 billion health infrastructure program and the introduction of new and innovative methods of service delivery across the State.

Fiona Stanley Hospital is a key element of the health reform process and will be located on a 'greenfield' site in Murdoch, within the jurisdiction of the Department of Health's South Metropolitan Area Health Service (SMAHS).

Brookfield Multiplex was appointed Managing Contractor for Stage one of design and construction of Fiona Stanley Hospital in February 2009 and the first concrete pour took place in September 2009. Brookfield Multiplex was awarded the Stage Two contract, which established a maximum cost of construction, in August 2010.

The development of a state-of-the-art hospital provides a perfect platform to implement new and innovative processes for goods and services delivery and a facilities management services procurement strategy was developed with that in mind.

The facilities management services procurement strategy incorporates the advantages of contemporary approaches to the procurement of support services similar to those used for recent public private partnership (PPP) and private finance initiative (PFI) projects within Australia, Europe and the United Kingdom, while ensuring that the framework:

- is integrated with the separate construction contract
- enabled the best overall value service provider to be selected
- provided for some flexibility in the management of each service, where this delivers benefits (both in establishment and over time).

The procurement strategy confirms that Fiona Stanley Hospital is owned by the State with the State responsible for the provision of all clinical services to the public.

Following a rigorous procurement and evaluation process as well as detailed and productive negotiations, the contract for the delivery of facilities management and support services was awarded to Serco in July 2011.

1.2 Project description

When it opens in 2014, the 783-bed Fiona Stanley Hospital, which includes 140 beds in the new State rehabilitation service, will be the southern metropolitan area's major tertiary hospital.

Services will include:

- a full range of acute medical and surgical services
- the State burns service
- the 140-bed State rehabilitation service
- state-of-the-art emergency care which will support a major trauma centre
- comprehensive cancer services including radiotherapy treatment facilities, medical oncology and haematology
- cardiothoracic surgery
- neurosurgery



Artist's impression of entry to main hospital

- a mental health unit with a secure wing and a mother and baby unit
- obstetrics and neonatology services
- child and adolescent services
- facilities for pathology and bio-medical engineering
- a modern medical imaging centre that will provide fast and accurate information to clinicians.

The project involves:

- delivery of the capital infrastructure under a separate contract by the Managing Contractor, Brookfield Multiplex
- delivery of facilities management services by Serco Australia to support the provision of clinical services by WA Health.

2 Governance

Monthly reporting to the Government's Major Health Infrastructure Projects (MHIP) Steering Committee has been ongoing throughout the development of the procurement strategy and evaluation process. The members of this group included the:

- Under Treasurer
- State Solicitor's Office representative
- Director General, Department of Health
- Director General, Department of Planning
- Executive Director, Strategic Projects
- Deputy Director General, Department of Premier and Cabinet

The procurement strategy was endorsed by the MHIP Steering Committee in July 2009 and the FSH team formed a working group consisting of members from State Solicitor's Office, Department of Treasury and Finance Strategic Projects and Government Procurement, and the Fiona Stanley Hospital Project Team to progress the supporting documentation for the Expression of Interest, Request for Submission and the evaluation process.



The members of the working group representing the Department of Treasury and Finance and State Solicitor's Office endorsed the Procurement Plan and the Expressions of Interest and these were subsequently endorsed by the MHIP Steering Committee in September 2009.

The Government approved the procurement strategy in November 2009.

The FSH Facilities Management Working Group, which included senior representatives from the Department of Treasury and Finance, the State Solicitor's Office and the FSH Project Team, provided oversight to the evaluation panel that assessed all industry responses to the Expressions of Interest and Request for Submission and, ultimately, endorsed the draft evaluation report.

A probity advisor was engaged throughout the process and attended all key evaluation panel meetings and workshops. A probity certificate accompanied the submission to the State Tender Review Committee.

Prior to completion of the evaluation of the Request for Submission, the Project Control Group also initiated an external "gateway review" into the procurement process. This was undertaken in July 2010 and the review team made 15 recommendations, the majority of which were acted upon.

The review noted that:

- the FSH facilities management procurement would establish a benchmark for facilities management in Australia
- strong legal/commercial input had been obtained in preparing the contract structure and the team had drawn on international and national sources
- the commercial framework included a risk/reward regime that was innovative for facilities management contracts
- the service specifications were output based, built on good practice in both the UK and Australia and were reviewed and considered appropriate.

3 Specification development and procurement

3.1 Development of service specifications

Prior to commencing the procurement process, the Fiona Stanley Hospital Project Team dedicated considerable resources to developing detailed service specifications for each of the 29 separate services it proposed to test in the market.

This development involved research both nationally and internationally in order to determine benchmark services and appropriate performance measures. The service specifications were developed with rigorous outcome-based requirements, rather than input-driven detail. Given the innovative nature of the proposed facilities management service model in Australia, the process of developing and refining the service specifications was a challenging one that reinforced the leading-edge nature of the project.

3.2 Expressions of Interest

The State Government advertised for Expressions of Interest (EOI) for the provision of facilities management services at FSH on 4 November 2009.

The EOI fully documented the desired outcomes of the proposed contract and included service specifications and key performance indicators for 29 facilities management and support services. At this stage, the potential delivery of Information and Communications Technology (ICT) was incorporated into one of the 29 services. However, it was later separated as a discrete service with a specific service specification.

A key requirement of the contract is a management and integration regime that ensures that all services are provided as a fully integrated, interoperable and seamless service.

The EOI assessment was undertaken by senior management of the FSH project team, commercial and legal advisors and included oversight from a probity advisor and a senior officer from the Department of Treasury and Finance. The process involved rigorous assessment against the criteria in the EOI documentation, as well as referee checks with reference site nominees.

The EOI processes stipulated the specific service plans required from the respondents and these were used to determine the scope of the contract phases.

The EOI assessment confirmed that the full range of services, as requested in the EOI, was demonstrably achievable, including the integration of ICT support for the hospital. As part of the EOI assessment, three respondents were short-listed for the Request for Submission phase.

3.3 Request for detailed proposal

A request for a detailed proposal was issued to three short-listed respondents in February 2010. One respondent formally withdrew from the process on 2 March 2010.



3.4 Evaluation

An evaluation panel comprising senior representatives of the Fiona Stanley Hospital Project Team, that possess a broad range of expertise thoroughly assessed and interrogated the proposals submitted by the short-listed respondents.



The evaluation panel undertook a detailed assessment of each submission involving:

- desktop evaluations of the responses, including assessments of each of the management plans and service plans (the respondents' service plans were required to address the detailed service specifications that had been developed by the State). A range of specialist staff from the FSH Project Team and South Metropolitan Area Health Service provided input into assessment of the service plans
- two-day non-commercial workshops with each of the respondent teams (involving up to 24 respondent representatives) to further assess each respondent's experience, organisational/team capacity and their proposed service solutions and methodologies
- evaluations against the documented criteria
- site visits to 16 hospital reference sites nominated by respondents in Scotland, England, New South Wales and Victoria. This included reference sites nominated for key subcontractors. These site visits proved an invaluable component of the assessment process in confirming the evaluation panel's assessment of the respondents' solutions
- a separate price assessment, which was undertaken in parallel with the evaluation of service solutions
- a commercial review and a significant ICT review
- a legal and commercial departures assessment undertaken by the State Solicitor's Office, advised by external legal advisers.
- two-day commercial workshops with each respondent to assess the commercial departures outlined in their submissions.

The outcomes of specialist reviews, all undertaken by experts in their respective fields, were also incorporated into the evaluation. These reviews assessed:

- the ICT implications of service solutions proposed by respondents
- any variations between the service specifications and the respondents' service solutions that had commercial implications
- any commercial impact of the respondents' service solutions

All hospitals visited as part of the reference site assessments reported high satisfaction levels with Serco's facilities management services. All had successfully integrated their contracted and public sector staff, with clinical staff indicating they valued the private sector employees and confirming that they provided excellent support.

The extensive and detailed evaluation process – which included assessment of service solutions, commercial issues and financial modelling - concluded that the proposal from Serco represented the best option for service delivery and the lowest price and, therefore, the best value for money for the State.

3.5 Pre-selection proposal and negotiation process

The evaluation report recommending that Serco be provided with an exclusive pre-selection negotiation process in accordance with the provisions of the RFP was endorsed by the:

- State Tender Review Committee (STRC) on 1 September 2010. The STRC provided a letter of endorsement to the Department of Health's Director General (as the accountable authority) for his consideration in finalising the approval process
- Facilities Management Working Group, chaired by the FSH Executive Director, on 3 September 2010
- Project Control Group, chaired by the Chief Executive, SMAHS, on 15 September 2010
- Major Health Infrastructure Projects Steering Committee, chaired by the Director General, Department of Health, on 22 September 2010.

A six-person contract negotiation team was then identified, comprising senior personnel from SMAHS and the FSH project team. The Chief Executive, SMAHS, was the executive sponsor of the contract negotiation process.

A series of specialist working groups, involving operational staff from across SMAHS and the FSH project team, reviewed the initial drafts of Serco's service plans and provided input to the negotiation team regarding the proposed service solutions.

The State's negotiation team met intensively with Serco's negotiators from October 2010 through to June 2011 and resolved key areas, including governance, commercial matters and service solutions. It also addressed key risk areas and opportunities identified during the evaluation process.



3.6 Execution of the contract

A Facilities Management Services contract between the Minister for Health and Serco Australia was signed in July 2011.

The contract includes rigorous documented performance standards that are comparable with other high-performing hospitals in Australia.

4 Description of services

Serco will **not** provide any clinical services at Fiona Stanley Hospital. Doctors, nurses and allied health professionals at Fiona Stanley Hospital will be employed by WA Health.

The contract with Serco is a new approach for WA Health because of the scope of services and the integration of ICT services.

The four main components that will be run by Serco at Fiona Stanley Hospital are:

1. Management, procurement and integration services
2. Hard facilities management services
3. Soft facilities management and support services
4. ICT services

4.1 The services

Serco will be responsible for the provision of non-clinical services at the Fiona Stanley Hospital. The non-clinical services must support the State's provision of the clinical services.

The following 28 services will be provided by Serco at the Fiona Stanley Hospital:

1. **audio visual** – includes deployment and security of audio visual equipment and all telehealth requirements
2. **cleaning** – includes all clinical and non-clinical cleaning
3. **electronic records management** – includes mail room, scanning, filing, storage, security and management for all non-patient records
4. **energy and utilities** – includes central plant operation/maintenance, mechanical, electrical and hydraulic services
5. **estate** – includes fire systems, lifts, security systems, nurse call systems, pneumatic tube systems, first response team for immediate faults, repairs and minor works
6. **external transport** – includes transport of patients and equipment between hospitals and to the community
7. **grounds maintenance** – includes gardens maintenance for entire site
8. **health records management and clinical coding** – includes scanning of paper-based records and provisional diagnosis coding to assist early discharge
9. **help desk and communications** – provides a single point of contact for access to all of the FM's services and includes coordination of all FM service requests and switchboard functions including coordination of all patient enquiries
10. **human resource management** – selected HR services for the State's employees and volunteers, including non-clinical training and induction, OSH, workers compensation and liaison with Health Corporate Network
11. **information communications technology (ICT)** – includes provision of significant enabling technology that will establish Fiona Stanley Hospital as a digital hospital and support and complement WA Health systems
12. **internal logistics** – encompasses most functions currently performed by orderlies and patient care assistants and includes movement of patients, specimens, samples and pathology, and furniture



13. **linen** – includes maintaining adequate linen imprest (stock) levels at all times
14. **managed equipment service** – includes the procurement, installation and maintenance of all medical equipment, including supply and accessories, upgrades, enhancements and training
15. **management and integration** – overarching management required to ensure services are interoperable, with transparent performance reporting
16. **patient catering** – features provision of cooked-fresh meals
17. **patient entertainment** – features clinician access to patients' health records at the bedside through a single, swing-arm flat-screen system, with patient access to TV, radio, movies, internet and meal ordering functionality
18. **pest control** – includes pest control for entire site
19. **pre-operational** – includes all planning and procurement to establish the services prior to practical completion of the hospital
20. **property management** – providing a full service for all leasable spaces including retail catering
21. **reception** – includes information service points at main hospital building, rehabilitation building and education building
22. **safety and incident management** – includes emergency management
23. **scheduling and billing** – includes booking of elective theatres and other bookable spaces as well as patient appointments, booking reminders and a direct billing service
24. **sterilisation** – complete sterilisation service for entire hospital
25. **supplies management** – includes management of a complete supplies solution to achieve best value-for-money outcomes, including delivery
26. **transitional** – includes planning and service provision after practical completion and prior to commencement of operations
27. **vehicle and traffic management** – includes all traffic flows, incidents, parking on site, staff permits, infringements and fines
28. **waste management** – including waste segregation, storage and disposal.



A critical component of the service to be provided by Serco is the management and integration service that will ensure that all of the contracted facilities management services at Fiona Stanley Hospital operate in an efficient and effective way to provide the best possible patient care.

As Serco is providing the facilities management services within an operating hospital, it must also be flexible to ensure that its facilities management services respond to the changing and potentially urgent requirements of clinical services. The facilities management services are expected to be scheduled around clinical requirements and responsiveness to the requirements of WA Health employees is of significant importance. The intention of this approach, and Serco's solution, is to provide seamless integration between Serco's personnel and the WA Health employees.

Two other facilities management services that will be explored further after the awarding of the contract are:

1. **Child care** – to include at least 90 child care places for Fiona Stanley Hospital employees
2. **Fleet management** – to include procurement and management of the Government vehicle fleet for Fiona Stanley Hospital.

5 Key terms and conditions of the contract

The facilities management services contract for FSH is for the delivery of nominated services and includes:

- detailed service specifications that describe each service
- nomination of key performance indicators (KPIs) that link with payment incentive and abatement regimes, ensuring high quality services are provided
- centralisation of all subcontract interfaces, with Serco as the head contractor to improve service delivery and simplify the State's management of the services
- a long-term contract (10 years initially, with extension options and commercial benchmarking provisions)
- flexibility in relation to sub-contract periods in order to enhance commercial viability.

The facilities manager is contractually obliged to deliver the services in accordance with, and to the standards set out in, the contract, and the service specifications. A strict performance regime has been developed which the facilities manager must comply with. The facilities manager has developed a service delivery methodology for each service line, which is documented in a service plan which the facilities manager must comply with.

5.1 Term of Contract

The term of the contract is 10 years, with two five-year options to extend. If both options to extend are exercised, the term ends in 2031. The first 10-year term also includes approximately three years of pre-operational and transition phases. Serco will use the pre-operational and transition phases to do all things necessary to be ready to start providing the services following completion of the construction of the hospital.

5.2 Pre-operational phase and transition phase



In order to deliver the services from operations commencement, the facilities manager must undertake a range of preparatory activities including developing and testing services, and installing equipment, in the period leading up to the commencement of operations.

The contract with Serco was awarded during the construction phase of Fiona Stanley Hospital so that Serco could provide input into design solutions for the hospital and procure necessary items of equipment for installation in the hospital during its construction.

The activity during construction means Serco's work can be well aligned with the construction and operational program as it progresses. The pre-operational and transition phases, spanning almost three years, are important for developing service solutions that are ready to be implemented when the hospital opens.

The transition phase and the operations phase only commence once Serco has demonstrated to the reasonable satisfaction of the State (through undertaking a series of agreed acceptance tests) that the relevant facilities management services are capable of being performed. These acceptance tests will be developed and agreed with Serco following execution of the contract.

Serco must ensure that its program and plans for testing and transitioning into the hospital are consistent with Brookfield Multiplex's program and plans for testing and transitioning out of the hospital.

During the pre-operational and transition phases, Serco is obliged to achieve certain milestones to ensure that all of the pre-operational services and transition services are being progressed in parallel with construction of the hospital. If Serco fails to achieve the milestones, the State may withhold a portion of the payments then due until the milestone is achieved and, for certain milestones, Serco must pay liquidated damages to the State until the milestone is achieved. An extended delay by the facilities manager may give rise to a right of the State to terminate the contract.



5.3 Performance regime

The performance of the facilities manager will be closely managed and the facilities manager has incentives to deliver quality services.

Serco is obliged to meet a set of key performance indicators (KPIs) that measure whether Serco is performing the facilities management services to the standards required by the contract. In addition, Serco is obliged to ensure that each area within the hospital remains available for use, with criteria such as accessibility, safety, prescribed functional use and functionality of equipment. Failure to meet any of the performance criteria affects the amount that Serco is paid and can ultimately lead to default under the contract.

The facilities manager is required to deliver monthly reports in accordance with a pre-agreed reporting regime that measures whether the facilities manager has complied with its obligations. A portion of the facilities manager's payments may be abated for failure to meet key performance indicators.

5.4 Assets and equipment

Serco is responsible for procuring all equipment necessary to perform its facilities management services as well as certain other equipment required by the State for the provision of clinical services. This includes equipment required to provide the managed equipment service and the information communications technology service. The equipment is required to be fit for purpose and Serco will be responsible for ensuring that all of the equipment is appropriately maintained and is available for use by the State for the duration of the contract. Serco is also obliged to maintain certain assets installed by the builder (such as lifts, electrical and fire systems).

When the equipment is nearing the end of its lifecycle, Serco will present the State with options for its replacement, including financing options for its procurement. In respect of the assets installed by the builder, an upgrade and replacement profile will be agreed with Serco following execution of the contract.

On the expiry or early termination (including for default) of the contract, Serco must deliver Fiona Stanley Hospital and the site to the State to a standard that meets certain handover conditions. The handover conditions measure whether the hospital is in the specified condition it should have been in had Serco properly performed its obligations under the contract. An independent reviewer monitors

whether the hospital will meet the handover conditions during the year prior to the expiry of the term of the contract, to ensure that any remedial work is carried out by Serco prior to the expiry of the contract.

5.5 Procurement transparency

one of the facilities management services Serco will provide is procurement of supplies for Fiona Stanley Hospital in order to maintain the required level of stock. It is a requirement that Serco ensures that all supplies contracts are procured in accordance with State procurement guidelines and in a manner that achieves value for money for the State. It is intended that the supply contracts continue to be entered into between the State and the supplier. Serco will report annually on the supply arrangements in place at the hospital and whether those arrangements are providing the State with best value for money.

5.6 Hospital-specific clauses

As a tertiary health facility, Fiona Stanley Hospital presents special challenges and considerations for the facilities manager. The contract makes allowance for this with specific clauses which enable the State to ensure disreputable or infectious personnel are removed from the site. Further information on intervening events are specified under 5.17.

5.7 Site control



For the purposes of the contract, the site comprises the entire health campus.

Brookfield Multiplex, as the Managing Contractor constructing the hospital, has control of the site until it achieves practical completion. Serco must comply with the site access requirements of Brookfield Multiplex and the requirements of the contract when accessing the site prior to practical completion, including when installing equipment.

Upon practical completion being achieved, control of the site passes to Serco. Management of the site, including access, forms part of the facilities management services.

5.8 Managing environmental obligations

The overarching approach to environmental management at Fiona Stanley Hospital is that the operation and maintenance of the hospital should reflect the highest standards of environmental responsibility. An environmental consultant has been engaged to oversee all key aspects of environmental management for the hospital.

Serco must work with the State to meet the environmental obligations of the site on which Fiona Stanley Hospital is located. As part of its obligations, Serco is responsible for managing all activities on the site in a way that ensures the environmental obligations are complied with.

5.9 Subcontracting

In order to obtain specialist support, Serco will procure and manage several subcontracts to deliver certain facilities management services, as agreed with the State. Serco is required to procure subcontracts in an open and transparent manner and, for the larger contracts, in accordance with detailed tendering requirements.

Two key subcontractors which formed part of Serco's proposal to the State are BT (responsible for delivering the ICT solution) and Siemens (responsible for delivering and maintaining specialist medical equipment).

Serco is responsible for coordinating all subcontractors so that there is a seamless delivery of all the facilities management services. However, should Serco's contract be terminated, all subcontractors must execute a deed of novation in favour of the State to allow the State to novate the subcontracts to itself or another contractor to ensure continuity of service.



5.10 Contract in operation

The contract consists of the terms and conditions and the schedules to the contract. One of the schedules is the service specifications, which describe in detail the facilities management services that Serco must provide. From the service specification, Serco has prepared service plans which describe how it will provide the facilities management services to meet the requirements of the contract, including the service specifications. The service plans have been reviewed by the State and will continue to evolve until the Fiona Stanley Hospital opens in 2014. Once in operation, the plans are updated at least annually in order to remain responsive to changing circumstances and needs at the hospital.

5.11 Contract administration

The parties' first point of contact between each other is their individual representatives. Each of the parties will appoint a single person responsible for managing the contract on behalf of their appointer. In addition, the parties will establish a Facilities Management Advisory Group to provide advice to each of the representatives on matters of contract management. This group will constitute representatives from both the State and Serco.

Recommendations of the Facilities Management Advisory Group are not binding on the parties. However, if a dispute arises between the parties, the dispute is first referred to the Facilities Management Advisory Group in an attempt to resolve it. If the dispute is of a technical nature, the group may consult an advisor to provide technical advice.

If the Facilities Management Advisory Group is unable to resolve a dispute, the dispute may be referred to an expert in the technical area of the dispute for a binding decision. If the dispute is not of a technical nature, the dispute is resolved in the usual way.

If the State and Serco are in dispute, Serco is required to continue providing the facilities management services pending the outcome of that dispute unless the State decides to suspend the facilities management services.

5.12 Key personnel

Certain roles undertaken by Serco's employees, such as that of Facilities Management Director and Transition Director, are deemed to be central to the provision of the facilities management services and therefore the contract will specify the individuals who will fill these positions. There are certain requirements placed upon those appointed to these positions, including the requirement to reside permanently in Perth, within 30km of Fiona Stanley Hospital.

Those subcontracts and subcontractor personnel who are key to the provision of the facilities management services will also be required to remain in the roles assigned to them under the contract.

Given the nature of these key roles, the approval of the State is required if Serco wishes to replace a key person or key subcontract.

5.13 Reporting

Serco is required to submit a detailed monthly report to the State on its performance of all of its contractual obligations. Serco is required to give a description of the events and circumstances that led to any performance failures that have occurred within the month, including whether any of the events are repeated failures and the way in which the failure was remedied. Reporting must address the performance of each facilities management service.

In addition, Serco must report on the communications that have occurred between it, key users of Fiona Stanley Hospital, the public, the media, the neighbourhood and the local community.

5.14 Commercial protections

If Serco fails to perform the facilities management services to meet the requirements of the contract, the State has the following remedies available to it.



5.14.1 Abatements

If Serco fails to perform the facilities management services in accordance with the key performance indicators, it will incur failure points. Failure points reduce the fee paid by the State to Serco, proportionate to the number of failure points incurred.

5.14.2 Default and termination

The State may exercise rights of default in the event of certain failures by Serco, including a persistent failure to meet the key performance indicators, failing to maintain insurance and a material breach of any term of the contract. The occurrence of a default means that the State can require Serco to prepare a remedy plan to remedy the default. If the default is not remedied, the State may terminate the contract. The State may terminate the contract immediately if Serco is insolvent.

If the contract is terminated, Serco must co-operate with the State to ensure the seamless and uninterrupted transition of facilities management services at Fiona Stanley Hospital.



5.14.3 Suspension

The State may suspend the whole or any part of Serco's performance of the facilities management services at any time if it considers it necessary due to any act or omission of itself, the builder, Serco or in order to comply with any law or authorisation.

5.14.4 Step in

The State may take over the whole or any part of Serco's performance of the facilities management services if Serco defaults in the performance of its obligations under the contract and

does not remedy its default, or if the State forms a view that there is a risk to health or safety of the public or a material risk of substantial damage to the hospital or where patient outcomes cannot be guaranteed. In such circumstances, Serco is relieved from its performance obligations to the extent that they have been taken over. The State must hand the facilities management services back to Serco when the relevant circumstances leading to the step in have been cured.

5.14.5 Insurance

The contract sets out a detailed regime of insurance that applies at Fiona Stanley Hospital, including the insurances that must be maintained by Serco, and certain minimum requirements that must be complied with. Serco is also responsible for ensuring that each subcontractor operating at the hospital is adequately insured.

5.15 Variations and change of law

The State may vary the facilities management services required to be performed under the contract at any time by issuing a variation notice to Serco. Upon receipt of such a notice, Serco must prepare a quote which will include the effect of the variation on the amounts payable under the contract, together with any other effects or amendments that may be required under the contract (for example, to the relevant service specification or key performance indicator) in order to deal with the variation. Serco and the State will then agree upon the relevant adjustment required to the amounts payable under the contract and any other amendments to the contract required to give effect to the variation.

If a change of law occurs which directly and necessarily results in Serco incurring more or less costs in its provision of the facilities management services or results in a requirement to change the nature of the facilities management services, then Serco may submit a variation claim to the State which is dealt with in accordance with the process described above.

The State may issue directions to Serco under the contract as to the performance of its obligations under the contract. If Serco believes that a direction is, in fact, a variation, it must serve a notice on the State of that fact within a specified time. The State can then elect whether to withdraw the direction or accept the variation claim in which case it will be dealt with in accordance with the process described above. If the State does not accept that the relevant direction constitutes a variation, the matter will be referred for dispute resolution.

5.16 Control and vetting of staff

In selecting its staff and subcontractors, Serco is required to use only suitably qualified and competent personnel experienced and thoroughly trained in all aspects of the facilities management services which they will be performing. It is one of the features of the Serco service that its staff will be trained to provide more than one of the facilities management services that Serco is engaged to provide.

Once engaged, Serco's staff and subcontractors are required to, among other things:

- be suitably clothed with appropriate uniforms, identification badges or labels and security passes and are equipped with the appropriate safety equipment
- comply with any rules applicable to the Fiona Stanley Hospital
- attend induction training.

Serco staff and subcontractors are required to obtain relevant clearances (such as police clearances and working with children clearances), as well as being subject to appropriate medical examinations.

If the State believes that one of Serco's employees or subcontractors poses a risk to the health or well-being of the patients, clinical employees or visitors to the hospital, the State may refuse admittance to, or require the removal of, that person from the site.

5.17 Intervening events

Certain events entitle Serco to relief from the performance of its obligations under the contract when they occur.

5.17.1 Excusing cause

Serco is entitled to relief from performance to the extent that any of the following circumstances beyond its control interfere with its ability to provide the facilities management services:

- negligence or breach of contract by the State
- the outbreak or the effects of any outbreak of any medical contamination not caused by Serco
- the State suspending the contract or taking over the facilities management services
- the State directing Serco to terminate a subcontract for a reason other than due to fault of Serco or the subcontractor
- a defect in the construction of the Fiona Stanley Hospital.

In those circumstances, Serco must take all reasonable steps to mitigate the effect of the excusing cause. However, its obligations under the contract are suspended to the extent they cannot be performed for the duration of the excusing cause. During that time, the State will pay any fixed, unavoidable, direct costs that Serco incurs as a result of the suspended facilities management services.

5.17.2 Force majeure

A force majeure event is one which is beyond the reasonable control of the party affected and includes such events as fire, flood, earthquake, failure of utilities and war.

During an event of force majeure, the affected party must mitigate the effect of the event, but its obligations under the contract are otherwise suspended to the extent that performance is prevented by the event. There are no payment obligations which flow during an event of force majeure.

If a force majeure event prevents performance of one of Serco's obligations for more than 180 consecutive days, the State may terminate the contract. In that case, the State must pay reasonable break costs, as described in the contract for termination. If the State does not terminate the contract after 180 days, for as long as the force majeure is continuing, the State will pay any fixed, unavoidable, direct costs that Serco incurs as a result of the force majeure.

6 Commercial framework

The contract was developed based on the following commercial principles:

- the facilities manager will receive a fee for provision of the services consistent with the service specifications
- the fee will be determined by calculating, and then aggregating, individual fees for the individual services
- for services where the State desires to transfer volume risk, the individual service fee is a fixed fee based on the service specifications
- for services where it is uneconomic for the State to transfer volume risk, the individual service fee is a variable or volume-based fee based on the consumption of the service
- fees will be indexed annually to maintain the real value of the fee to the facilities manager
- the payment mechanism will encourage continuous improvement in the efficiency and effectiveness of the services provided by the facilities manager over the contract term
- where the performance of the facilities manager falls below the service specifications and the key performance indicators, the fees paid to the facilities manager will be reduced appropriately to account for the below-standard service. This will apply to the extent that poor service equates to no fee being payable to the facilities manager
- where the services exceed the Service Specifications and deliver clear and quantifiable additional value to the State, the facilities manager's performance will be appropriately recognised with performance credits assigned against the performance regime
- the payment mechanism provides incentives for the facilities manager to look for better ways of delivering services to provide cost savings to the State without compromising the intent of the service specifications
- certain services will be contested in the marketplace on an ongoing basis to ensure that value for money is obtained during the life of the arrangement.



6.1 Other core commercial principles

Due to the significant pre-operational period and to minimise the risk to the State, a significant liquidated damages regime is included. An extensive surety package is also included in the contract to protect the State from any loss it may suffer from the actions of the facilities manager.

In addition, the State is able to terminate the contract prior to the expiry of the term without facilities manager default. The payment regime under such circumstances varies depending on the year of term.

7 Payment

7.1 Payment mechanism

The total monthly payment is the sum of the monthly service payments for the services provided.

The payment mechanism calculates a payment for the provision of services according to the service specifications and key performance indicators, allowing for:

- a base fee – fixed for fixed-priced services and variable for consumption-based services
- indexation
- reduction of the payment due to instances of service delivery that fall below the levels required (“abatements”)
- the potential mitigation of accrued abatements for services that exceed the required standard and are considered to be of material additional value to the State (“abatements credits”)
- profit-sharing for improved service delivery methods identified by the facilities manager that deliver cost savings without compromising the intent of the service specifications
- payment for any additional works or services required.

7.2 Service payment escalation factors

The contract’s payment mechanism provides for indexation of annual service payments and unit prices to maintain real value to the facilities manager.



8 Serco

Serco has been delivering critical public services for more than 40 years. It supports governments, agencies and companies in 30 countries. Globally, Serco's 100,000 employees deliver operational, management and consulting expertise in defence, science, technology, justice, immigration, transport, health, education, aviation and business process outsourcing.

Serco has substantial, contemporary, health services experience from which the state of Western Australia and the patients of Fiona Stanley Hospital stand to benefit. It has a proven track record of providing quality, non-clinical services at four major tertiary hospitals that look after millions of people in the United Kingdom.

Serco has 7,000 people in its Asia Pacific business operating in Australia and Hong Kong. In Western Australia, Serco has been continuously providing services on behalf of Transperth for more than 16 years and, last year, almost consistently met 100% of its key performance indicators despite a record number of calls – more than a million. The team has been described by its customers as, “a strong team of quality people” with comments that Serco's people are “going above and beyond the call of duty to help”.

At Acacia Prison, where Serco is the contracted operator, the independent Inspector of Prisons estimated that the State and taxpayers were saving a minimum of \$12.5 million per annum through the private operation of the Prison. He found that the level of service was comparable to, or even better, than most of the public sector prisons and, on both accounts, Serco passed the value for money test. Finally, the Inspector reported that Acacia Prison was the most accountable prison in the State, with the flow-on effect of making the whole prison system more transparent.

Serco's non-clinical experience in Australia includes a contract it has held with the Australian Defence Force for more than a decade. Serco is responsible for the medical equipment fleet repair, maintenance and calibration, as well as the pharmaceuticals and medical consumables supply chain. This involves ensuring the Australian Defence Force units receive the necessary medical and dental supplies and equipment, often with critically short response times, supporting all major Australian Defence Force hospitals, larger area health facilities, Royal Australian Navy ships, approximately 450 other customers, and international Australian Defence Force military operations.

Serco has been providing services to the Western Australian Government for 16 years, holding contracts for the Department of Transport and the Department of Corrective Services.

Since September 2009, Serco has held contracts with the Federal Government's Department of Immigration and Citizenship for the provision of immigration services. These contracts include the provision of services at Immigration Detention Centres, Immigration Residential Housing, Immigration Transit Accommodation, and Alternative Places of Detention, in addition to transport and escort services. Since the contract commenced the number of arrivals has greatly increased, while detention periods have steadily lengthened. As a result, overcrowding has occurred and this has placed significant pressure on the operation of some centres, which has been acknowledged by the Minister for Immigration. Serco is committed to continuous improvement to ensure the delivery of high quality services, based on a humane and dignified approach.

The State is pleased to have Serco as part of the team preparing to deliver outstanding services at Fiona Stanley Hospital.

9 The Services in operation

A patient's experience of support services at Fiona Stanley Hospital



A month before – A choice of dates

Patient contacted with choice of dates for appointments and procedures for their planned coronary angioplasty. Books other tests and appointments at convenient times.



Three weeks before – Keeping up to date

Patient chooses communication methods (letter, e-mail or SMS) and receives comprehensive patient information.



Day before – reminding and reassuring

Receives a reminder the day before, with contact details, dates and times.



6.00am – Convenient parking

finds convenient parking thanks to good signage pointing to available car parking and drop off points.



7.00am – Ordering meals

Kitchen receives patient meal order appropriate to their dietary requirements via their patient entertainment system.



6.45am – Making people comfortable

Ward housekeeper explains how to use the patient entertainment system, including how to call for assistance, order meals and use paid services such as internet and TV.



6.30am – Warm and welcoming

Patient services clerk greets patient, check details are correct on the hospital's fully electronic system and admits them.



7.15am – Easy access to other services

Patient orders and pays for meals for visitors from the cafe retail area through the patient entertainment system.



7.30am – A single patient record

Nurse swipes access in the patient entertainment system at the patient bedside to check patient's electronic medical record.



8.00am – High tech solutions

Internal logistics team uses a state-of-the-art bed mover. Corridors are separated at fSH to maintain patient privacy and dignity.



12.30pm – Hot and nutritious meals

Ward housekeeper delivers a meal that has been cooked fresh and from scratch on site that day and brought straight up to the ward by the automated guided vehicles.



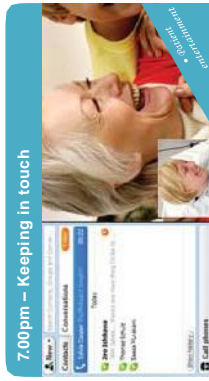
10.00am – Handling with care

Internal logistics arrives with a wheelchair to move patient to the hospital's departure lounge.



7.00am – Food prepared on site

Ward housekeeper brings breakfast that has been freshly prepared on the ward just five minutes before.



7.00pm – Keeping in touch

Patient logs on to 'Skype' using the patient entertainment system's webcam to say goodnight to family and friends.



5.00pm – Keeping things clean and tidy

Cleaning is carried out at regular intervals in patient bedrooms. Infection control is a top priority.

An FM Porter's experience of working at Fiona Stanley Hospital



Arrives at hospital

Arrives at the hospital on bicycle and uses end-of-trip facilities to store his bike, shower and change into his uniform.



7.00am – Supporting staff

Receives a briefing on operational issues for the day at the internal logistics team meeting.



7.30am – High tech solutions

Picks up a personal digital assistant (PDA) from the staff base before starting first job of the day – as closest available team member, he is assigned to collect a wheelchair from the storage area nearby.



7.50am – Friendly and polite

Arrives at the patient bedroom, knocks on the door and introduces himself. Leaves the wheelchair in a convenient location.



11.00am – A well deserved break

Heads down to the café retail area for lunch and pays with hospital purchasing card.



10.30am – A familiar face

Collects the patient from recovery and takes her back to the ward, providing a friendly and familiar face.



9.45am – Flexible and prompt

Collects a piece of specialist medical equipment from medical equipment library on the lower ground floor and takes it to one of the wards.



8.00am – Good time management

Through his PDA, notifies the Helpdesk that he is available for the next task. Uses a state-of-the-art bed mover to transfer a patient to theatres through the patient corridors, helping to maintain privacy and dignity.



12.30pm – Busy and productive

Moves supplies to the central energy plant at the eastern side of the hospital.



2.00pm – using technology to support people

Programs the automated guided vehicles to bring the freshly prepared meals from the kitchen. The AGVs use separate lifts and corridors which means patients and visitors will not see them.



3.50pm – The end of a busy day

Takes PDA back to staff base and drops off uniform to be washed. It has been a satisfying day full of varied work, providing help and support for patients and staff.

A nurse manager's experience of support services at Fiona Stanley Hospital



7.45am – A great start to the day

Arrives at work and grabs a coffee from the café retail area of the main concourse, paying with her hospital swipe card.



8.00am – Working together

Arrives on the ward ready to start her day and receives a handover from the night shift Nurse Manager and Ward Housekeeper. Staff work together as an integrated team with a common goal of providing high quality patient care.



10.30am – Improving patient security

Visits a patient and accesses patient notes through the bedside patient entertainment system, using a swipe card. Shows the patient their medication chart and points them to more information about their condition. The patient entertainment system saves time and improves the security of patient information.



11.00am – Freeing up valuable clinical time

The ward housekeeper spends time with a patient, discussing their meal choices, freeing up valuable clinical time for the nursing team.



3.00pm – A rapid and responsive service

Needs an additional blood pressure pump on the ward so e-mails Helpdesk, which sends an internal logistics team member to the medical equipment library to collect it and deliver it to the ward.



2.00pm – Providing Hr support

Contacts HR to seek an update on the progress of recent recruitment initiatives so that she can start preparing the new rosters.



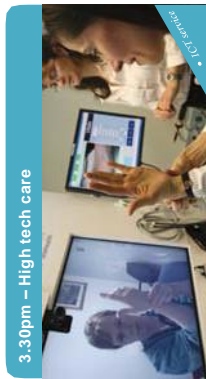
1.00pm – A peaceful working environment

Sits quietly working at a computer at the staff base. Working in a digital hospital means less noise and a more relaxing and productive working environment as all of the information, including results, is in one place.



12.30pm – Supporting staff to take a break

Decides to head down to the café retail area for lunch. Logs on to the web based system to order and pay for her meal so that it is ready when she arrives. Sits in the courtyard area, enjoying the beautiful gardens maintained by the grounds staff.



3.30pm – High tech care

Joins a patient consultation with the medical team and uses telehealth facilities on the ward to speak to the patient's GP in a remote site.



4.45pm – Safety and security for staff

As she leaves for the day, chats to safety and incident management staff, who are carrying out their roving checks of the car parks.