Considering social impacts in infrastructure business cases



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Acknowledgement: Thank you to Dr Richard Parsons for his advice on the NSW Framework for Social Impact Assessment.

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Photo courtesy of NSW Government Sydney Metro

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Introduction

Infrastructure projects have real and tangible impacts on people's lives. Some impacts are well understood and captured when considering the merit of investments. Other impacts, such as social impacts, are not as effectively considered in the early stages of a project but are equally important. Indeed, how a potential infrastructure project could affect people is often the key driver of community support, or social licence, for the proposal.

As such, this paper highlights the importance of considering the full range of social impacts from infrastructure proposals and outlines some options for how they could be better considered in business cases. This follows on from our 2019 work on taking an integrated approach to business cases, where our report highlighted some related challenges.

Social impacts are consequences experienced by people, both positive and negative, owing to changes in their surroundings from a project.¹ These social impacts, when resulting in positive outcomes, determine the social benefits from new infrastructure, and enable investors to ensure their investments are delivering social value to the community.

Social impacts can sometimes be difficult to measure. However, they are no less real for those experiencing them and can have a significant impact on the ultimate adoption, success, and cost of a project. What matters is identifying the elements of value to people likely to be affected, whether quantifiable or not. These types of impacts are also often the narrative of an infrastructure project and are front of mind when governments are announcing new investments.

Considering social impacts in a business case can allow us to ask important questions like 'what do communities need?' and 'how can the benefits be maximised and spread equitably?' Using these questions to influence the design and scope of a project at the same time as we consider if the economics stack up ensures we are not losing sight of why we are making investments in the first place. We want our projects to deliver not just economic value, but also social value.

Now is the time to increase our focus on social value. As we respond to COVID-19 impacts and a recession, we also have an opportunity to reflect on what is important to us as users of infrastructure, and the quality of life we are creating for future generations. These reflections can help shape lasting legacies from infrastructure investments, and better connect the intrinsic link between social and economic value.

Our paper starts by outlining the benefits from considering social impacts during the business case phase of a project, then outlines a range of methodologies that could be used, primarily around current social impact assessment (SIA) practices and why all business cases should undertake SIA practices as a minimum standard, and concludes by outlining some best practices.



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¹ Adapted from NSW Department of Planning and Environment, <u>Social impact assessment guideline (2017</u>): these are defined in the context of mining, petroleum production and extractive industry development, however all are equally relevant in a broader infrastructure context.

The benefits

At a high-level, social impacts can involve changes to people's:

- Way of life how people live, work, learn, play, and interact
- Community its composition, cohesion, character and sense of place
- Access to and use of infrastructure, services and facilities
- Culture including shared beliefs, customs, values, stories, and connections to Country
- Physical and mental health, and wellbeing
- Surroundings public safety, access to and use of the natural and built environment, and aesthetic value and amenity
- Livelihoods and rights
- Decision-making processes procedural fairness, ability to influence decisions
- Fears and aspirations related to any of the above or about their community's future.²

Considering these types of social impacts at the business case phase of projects can lead to improved project outcomes and ultimately save time and costs. Experience on previous projects demonstrates that identifying and assessing social impacts early in project planning delivers net benefits, both tangible and intangible. Tangible benefits mean saving time and money on the project. For example, for a project with capital expenditure of \$3-5 billion, the costs of conflict arising from poorly-considered social impacts are estimated at \$20 million per week of delayed production.³

Intangible benefits mean reducing risk exposure, enhancing reputation and brand, building community approval and trust ('social licence'), and attracting and retaining investors, contractors, employees, and customers. While these intangible benefits can be difficult to quantify, they may lead directly to time and cost savings, especially in the long term. Conversely, failure to identify social impacts early can easily lead to increased costs of having to manage community dissent and conflict later during the project. Research has identified several benefits of doing social impact assessment (SIA) well (see Table 1 next page). Doing it well means starting early – preferably at 'problem definition' stage – in order to understand the social context, likely risks and where social value can be created and designed into stages throughout the project.

As highlighted in our work on business case development practices, considering social impacts during the preliminary stages of a project can improve our understanding of 'the problem' that the process is helping to find the right solution for. Business cases are not just vehicles to justify projects, but instead provide mechanisms to build a robust evidence base for, and to shape and inform, investment decisions.⁴ Therefore, if we are not considering and looking to create social value, at all project stages, including early planning, then we could miss out on critical and influential opportunities to meaningfully deliver benefits.⁵

When highlighting the benefits of considering these impacts early, it should be noted that we will never have a full upfront picture. Challenges do exist around understanding these impacts when there is limited detail on project designs and when relying on assumptions. There will always be uncertainties, and the social context will change over time. As such, social impacts, like other impacts and indeed the business case for a project, should be considered as part of an iterative process throughout all project stages. This ensures what is being planned or anticipated from a project is being delivered in practice.

² Adapted from NSW Department of Planning and Environment, <u>Social impact assessment guideline (2017)</u>: these are defined in the context of mining, petroleum production and extractive industry development, however all are equally relevant in a broader infrastructure context.

³ Daniel Franks, et al, Conflict translates environmental and social risk into business costs (2014)

⁴ Consult Australia, <u>Business case development in Australia: the benefits of an integrated process through collaboration (2019)</u>

⁵ UK Green Building Council, <u>Maximising social value from infrastructure projects (2020)</u>

Table 1. Benefits of considering social impacts early

Benefit	Explanation
Increased likelihood of project success	A holistic process that assesses, monitors, and manages social impacts as rigorously as it does environmental and economic impacts is much more likely to succeed over the long term. Proponents that can demonstrate good SIA are also more likely to attract top employees, to build a resilient supply chain, and to secure financial investment and insurance.
Better risk management	Early SIA enables evidence-based identification of risks, and of risk controls that are logical, predictable, and effective, thereby reducing uncertainty.
Stronger cost control	The cost of collecting social data is predictable, whereas costs of managing conflict through lost productivity, delays, shutdowns, or legal challenges are unpredictable and potentially significant.
Higher community acceptance	Good SIA actively involves and consults with stakeholders throughout the process, and responds directly to their concerns and aspirations, leading to stronger relationships, greater community 'buy-in', and lower risk of conflict as the project proceeds.
Improved land access	Early analysis of social impacts leads to a robust understanding about the views and attitudes of stakeholders, allowing mitigation of concerns, and reducing potential opposition; this in turn supports land access and acquisition negotiations.
Better crisis management	Considering social impacts early means that, should a crisis arise, relevant social data already exists, enabling the proponent to develop effective resolution strategies and to respond to different audiences within tight timeframes.
Clearer insights	A good SIA provides deep insights into risks and opportunities that typically are not identified in other studies, e.g. understanding of social networks, perceptions of the fairness and equity of distribution of impacts.
Impact prioritisation	Considering social impacts at the business case stage helps to identify the most significant impacts early, targeting time and effort where it is most effective.
Stronger articulation of project benefits	A good SIA explicitly identifies positive as well as negative impacts. These community benefits are typically overlooked by other technical studies and can help to build a business case for a project, or a 'case for change' that clearly articulates expected benefits.
Applying local knowledge	Recognising and using local knowledge, including traditional Indigenous knowledge, helps in designing a project that aligns with community values and aspirations, thereby resulting in greater community support. The earlier this process begins, the more flexibility there is to adapt and tailor the project design.
Learning from experience	Early investigation of social issues on similar projects facilitates early identification of likely social risks and effective avoidance, minimisation, or mitigation measures. The positive effects from other projects can be used as tangible examples of the benefits, making these real.
Social learning	Through an SIA process that starts early, proponents progressively build an understanding of how people might experience the project, leading to more effective implementation.

Methodologies that could be used

Most frameworks, methodologies, and tools for considering and assessing social impacts are relevant for various stages of project development. Very few are tailored specifically to business case development, however, most stipulate that thinking about social impacts should begin as early as possible, i.e. when defining the problem or opportunity. Accordingly, the resources listed here can be applied at any stage and will evolve as projects progress through planning and development stages. The resources are categorised into three types: overarching frameworks, research and analysis methods, and proprietary tools.

Overarching frameworks

These frameworks are designed to help identify, analyse, prioritise, respond to, and manage social impacts throughout the project lifecycle. Consequently, of course, they include guidance that is relevant beyond the business case stage. Their relevance here is in providing a starting point to structure the ongoing process of and approach to, considering social impacts. The list below is a starting point, and many more guidance tools have been developed over recent years.

Choosing which framework, or frameworks, to apply to a particular project should always depend on the social context. Some frameworks (such as five capitals) are designed to apply to discrete tasks in the SIA process, whereas others (such as the NSW SIA guidelines) are broader in scope. For infrastructure projects, the most useful frameworks are those that have advanced guidance on identifying 'areas of social influence' and engaging directly with the community. For more complex infrastructure projects, it may be necessary to seek advice on appropriate frameworks from a suitably qualified SIA practitioner.

- 1. The 'Guidance for assessing and managing the social impacts of projects' (Vanclay et al., 2015), published by the International Association for Impact Assessment's (IAIA), provides the most authoritative and widely-cited reference for SIA.⁶
- 2. The Sustainable Livelihoods Approach seeks to understand things from the perspective of local people, although its focus on livelihoods makes it narrower than other models.
- 3. The Five Capitals (or Community Capitals) approach provides a conceptual and analytical structure for identifying a community's strengths and weaknesses in terms of social, natural, financial, physical, and human capital.
- 4. The Social Framework for Projects (Smyth & Vanclay, 2015); currently existing only as a journal article, this framework seeks to integrate the best of other frameworks.⁷
- 5. The NSW social impact assessment guideline is written primarily for extractive industries but can be applied to other sectors such as infrastructure. It provides comprehensive guidance for considering social impacts in NSW, includes a detailed section on how to engage communities to help identify social impacts, and closely follows the IAIA guidance above. An extended version that applies to infrastructure projects is expected in 2020/21.⁸
- 6. Ethnography and participant observation are long-established qualitative research methodologies that are well suited to understanding the values, interests, and concerns of a group of people.

Ethics in business cases

Given the multiple subjectivities, world views, values, and opinions that arise when thinking about social impacts, a useful skill to be able to apply at business case stage – especially for options analysis – is the application of ethical decision-making frameworks. In essence, such frameworks are designed to respond to the question: what ought one to do? They are not necessarily alternative approaches, but rather are usually best applied in combination. The five key frameworks are:

- 1. Utilitarianism which options deliver the most benefits for the most people and involve the least harm for the fewest people?
- 2. Rights which options best uphold people's moral rights, including dignity and respect for others?
- 3. Fairness which options are fairest to all groups, without discrimination or favour?
- 4. Common good which option delivers the best outcomes for the community and society?
- 5. Virtue which options are most consistent with sound values, principles, and morals?

⁸ https://www.planning.nsw.gov.au/Policy-and-Legislation/Under-review-and-new-Policy-and-Legislation/Social-Impact-Assessment

⁶ <u>https://www.iaia.org/uploads/pdf/SIA_Guidance_Document_IAIA.pdf</u>

⁷ https://www.tandfonline.com/doi/pdf/10.1080/14615517.2016.1271539?needAccess=true

Research and analysis methods

The following methods can form part of the above methodologies, and some may be useful firstly for identifying stakeholders and the 'area of social influence' for the project. Secondly, some methods are tailored more towards analysis and characterisation of likely or potential social impacts.

1. Stakeholder identification methods:

- Social network analysis
- Stakeholder mapping

The process of identifying stakeholders (those who can affect, or be affected by the project or who may have an interest in it) is essential to define the 'area of social influence'.

2. Desktop studies - these include:

- Demographic analysis
- Content analysis
- Thematic analysis
- Discourse analysis
- Media and social media analysis

These research methods can help to understand and define the social context for a proposed project. Analysing the content of secondary material (e.g. media articles, reports, local plans, previous research), or primary material (e.g. interview transcripts) helps to identify themes or discourses that shape and characterise the region/locality and relevant community/ies and what is important to them.

3. Socio-economic studies:

- Cost-benefit analysis
- Local effects analysis
- Multi-criteria analysis

These well-established technical methods are useful for identifying and comparing impacts that can be quantified, or approximately quantified, and that have an economic dimension (e.g. employment). They are sometimes less appropriate for non-quantifiable impacts and for solely 'social' impacts (e.g. effects on community character and cohesion).

4. Primary research and engagement methods:

- investigation of comparative projects and associated social issues
- deliberative forums (e.g. stakeholder panels)
- workshops and focus groups, including collaborative design and visioning workshops
- interviews
- surveys
- web forums
- Human and user-centred design

These methods are designed to gather first-hand insights into what people think, their concerns, and their hopes and aspirations. Some (e.g. workshops) are more participatory than others (e.g. surveys). The choice of method should depend on the research objective.

Using geospatial data and geographic information systems to inform SIAs



The use of Geographic Information Systems (GIS) and geospatial data in the Social Impact Assessment (SIA) process can be a highly effective way to enhance analytical accuracy and provide impactful datadriven insights. When measuring and quantifying the level of social impacts, often the spatial distribution of population and their characteristics must be well understood. GIS enables this by allowing the integration, analysis, and presentation of SIA related information based on location (i.e. attributes geospatially referenced).

As an example, most of the census data collected by the Australian Bureau of Statistics (ABS) can be geospatially analysed by various geographic levels (e.g. by statistical area levels, Local Government Areas, postcodes, suburbs, etc.). The ABS provides many publicly available census and non-census datasets that can be useful for SIA's, including age, educational attainment, employment, income, household composition, and more. The ABS also provides the Socio-Economic Indexes for Areas (SEIFA) which ranks areas in Australia according to their relative socio-economic advantage and disadvantage. Any information or dataset that is georeferenced to a location can be integrated and analysed using GIS and this is, therefore, a powerful, evidence-based, data-driven way to enhance the overall rigour of SIAs.

Proprietary tools

The following tools are provided by companies and are designed primarily to assist with community and stakeholder management. Thus, they are not substitutes for the 'traditional' research required to identify and assess social impacts but may assist with collecting and managing stakeholder views.

- 1. Consultation Manager: https://www.consultationmanager.com/
- 2. Social Pinpoint: https://www.socialpinpoint.com/
- 3. Darzin: <u>https://www.darzin.com/</u>

Good practice examples

Consult Australia's Business Case Working Group has identified a number of good practice examples of ways social impacts have been – or can be – effectively considered as part of the business case development process. These examples are a mixture of guidance material for business cases on the topic and specific project outcomes and are outlined as case studies below.

Guidance material for business cases



Building Queensland – social impact evaluation guide (2020)

Building Queensland (BQ), an infrastructure body in Queensland, has a business case development framework which seeks to ensure there is a consistent approach to developing proposals. Amongst other outcomes, a goal is to enable decision-makers to be able to compare investment opportunities. This framework guides business case investment proposals through three stages: strategic assessment; options analysis; and detailed business case.

BQ also have supplementary guides to support infrastructure proposals. One is their social impact evaluation guide, which was updated in mid-2020. This guide outlines BQ's latest social impact evaluation (SIE) approach, noting that business cases should seek to answer the below questions.

- What value will the proposed project or option achieve?
- What negative impacts need to be mitigated and, when mitigated, what is the residual impact?
- What additional opportunities could be designed into the proposed project to create additional social value?

This approach therefore aims to:

- Identify and document the social benefits and other benefits of the proposed project or option;
- Identify negative impacts to be mitigated
- Evaluate mitigations to ensure they are cost-effective
- Identify opportunities to create additional social value for the proposed project or option.

This guide provides a good example of evaluating issues relating to social impacts and promoting their consideration in the business case phase, and as such should be considered a best practice example within Australia.

United Kingdom: Department for Transport – social impact appraisal guide



The UK's Department for Transport (DfT) has developed a series of transport analysis guides to provide information on the role of transport appraisal, which in turn is used to for how DfT assesses the business case for major investments.⁹¹⁰

One of these guides is on social impact appraisals,¹¹ which seeks to ensure the 'human experience' of the transport system and its impact on social factors are considered in addition to economic and environmental impacts. The eight social impacts covered in this guide are:

- Accidents transport interventions that may alter risks of being killed or injured
- Physical activity recognises the interrelation between transport, the environment, and health
- Security how transport interventions may affect the level of security for users
- Severance the separation of residents from facilities and services in their community
- Journey quality the measure of real and perceived physical and social environment experienced while travelling
- Option and non-use values when schemes being proposed substantially change available transport services
- Accessibility the physical access onto a public transport vehicle, the ability to get to a given place, and the accessibility of information about a particular public transport service
- Personal affordability monetary costs of travel to certain groups of people.

The guide provides an appraisal approach, assessment and reporting requirements, definitions, and valuation approaches for these eight social impacts.

⁹ Gov.uk, <u>Transport analysis guidance</u>

¹⁰ Gov.uk, <u>Transport business case: assessment and process procedures</u>

¹¹ Gov.uk, <u>Transport analysis guidance: social impact appraisal (2020)</u>

ISCA – Infrastructure Sustainability Rating Scheme



The Infrastructure Sustainability Council of Australia (ISCA) is a member-based body with the purpose of promoting and enabling sustainability outcomes in infrastructure. One way that ISCA supports these outcomes is through their well-regarded Infrastructure Sustainability (IS) rating scheme for planning, designing, constructing, and operating infrastructure assets.

The IS rating scheme is Australia and New Zealand's only comprehensive rating system evaluating the sustainability performance of the 'quadruple bottom line' (governance, economic, environmental and social) of infrastructure developments. The SDG-aligned framework is being deployed to assess the sustainability performance of over \$165b infrastructure.

The technical manuals for the IS rating scheme apply credits for valuing and considering externalities, and equity and distributional impacts. Criteria for these credits require project options to be evaluated by considering environmental, social and economic aspects through formal assessment techniques, and there must be a clear rationale for determining a preferred strategic option which considers these aspects. Criteria also requires a detailed assessment of equity and distribution impacts from proposed developments, and impact mapping for the preferred option – noting that high-level assessments tend to focus on net impacts but in reality, these benefits are not distributed evenly.⁹

This rating scheme provides a good example of how social impacts can be considered and balanced alongside economic and environmental impacts and provides detailed instructions on how benefits can be appropriately considered and maximised through the development's approach.

⁹ ISCA, the IS rating scheme

Projects outcomes

NSW: school infrastructure upgrades



In 2018, the NSW Department of Education (DoE) selected six schools in southwest NSW for infrastructure upgrades: Jindabyne Central School upgrade, Monaro High School upgrade, Griffith and Wade High School Amalgamation, Young High School upgrade, James Fallon High School multipurpose hall upgrade and new proposed school for specific purposes in Queanbeyan. In order to obtain funding, business cases were developed to justify the need and to determine the optimal solution for these schools. The GHD Business Case Development Team developed and modified their business case approach in line with the recent changes undertaken by Schools Infrastructure NSW (SINSW). This includes the Cost Benefit Analysis Framework for School Investment (2018) which provides guidance and standardisation to the options assessment process.

Under the guidance provided by the CBA framework, GHD was able to identify and quantify several benefits. These included:

- An increase in income over a lifetime based on improved educational outcomes. It was found that the following elements would (on average) improve a student's educational performance
- Future-focused classrooms (over traditional single-celled classrooms) as they could be tailored to different teaching techniques
- If overcrowding was an issue, additional classrooms would mean fewer children per teacher (severe overcrowding occurs when there are greater than 30 students in a classroom). However, no additional benefits can be determined for classrooms sizes smaller than 20 per classroom
- Additional time spent doing physical activity increases educational outcomes. This only applies if the option is increasing play space per child from below 10m2 per child to above 10m2 per child
- Reduction in health care costs was determined based on the mental health benefits of watching and being involved in the performing arts. This was calculated for options which included the construction of performing arts spaces (where there was nothing beforehand)
- Health benefits were also determined based on an increase in students' physical activity for options which increase play space and sporting facilities
- Willingness to pay measures were used to determine the social benefit of a joint-use library. This included the willingness to pay for free services such as internet access, access to classes, and access to books and printing capabilities
- Indirect social benefits were also calculated for the joint-use library which determined the benefits associated with a reduction in drug use and the facilitation career development for people within the community
- A reduction in maintenance and operational costs for consolidated options, or joint-use options

Many of the benefits related to joint-use facilities with the community required additional benchmarking activities and literature reviews to determine the willingness to pay by the community. Valuable insights were collected over the course of the project such as a database of quantifiable measures relating to health improvements, benefits of libraries and performing arts facilities, educational benefits, and other social benefits which can be replicated and used for other social infrastructure projects.

Multi-use Byron Shire Council Rail Corridor



In late 2016, a Byron Shire Council Mayoral Minute resolved to support an investigation into the feasibility of reactivating the rail corridor from Bangalow to Yelgun for multi-use rail transport applications. The corridor assessed formed part of the Casino to Murwillumbah rail line which was opened and commenced services in 1894, playing a crucial role over the century in connecting four key districts Lismore, Bangalow, Byron Bay, Mullumbimby, and Tweed Shire and the central business centres of Greater Sydney Region and Brisbane. The line closed in 2004, causing significant community angst at the time.

In 2019 Arcadis Australia Pacific Pty Ltd (Arcadis) undertook a feasibility study which included a focus on the engineering feasibility and economic and social significance of reactivation of the rail corridor from Bangalow to Yelgun. The social assessment followed a structured approach to capturing the opinions, inputs, and potential impacts on the community, utilising the Byron Shire Wellbeing Indicators as a foundational framework and building on that to include specific multi-use and transport criteria. Data was collected through broad stakeholder engagement with local businesses and commerce networks, local, state and federal government representatives, infrastructure managers and operators, transport interest groups, education, heritage, community, and other interest groups. Engagement was undertaken through face to face interviews, phone and skype (virtual) discussions, and through an online survey published on the Council's website for a specific period. A multi-criteria assessment process was then developed to "rank" solution scenarios based on the overall social impacts identified.

The principle of the comprehensive social assessment was to enable community members to genuinely collaborate and contribute to the outcomes of a corridor solution. The methodologies and engagement strategy were tailored specifically to the feasibility project phase with agility built-in to enable the social assessment process to continue and refine as the project progresses to future feasibility, concept, and design phases.

The results from the assessment clearly highlighted both community support and positive economic impacts for reactivation of the corridor, highlighting benefits such as social inclusion and the need for accessibility for indigenous and regional communities which may not have been identified by traditional evaluation methods.

United Kingdom: Edinburgh City Centre Transformation (ECCT) Strategy



The Edinburgh City Centre Transformation (ECCT) strategy is an ambitious plan for a vibrant and peoplefocused capital city centre, which seeks to improve community, economic and cultural life. The main challenge is to make a city centre that is inclusive, healthy, accessible and one that benefits all. The success of this transformation lies within recognizing its future challenges and drivers.

To develop a robust case for change a Quality of Life baseline analysis and impact valuation was undertaken to identify and quantify drivers of well-being that are relevant to the Edinburgh City Centre Transformation (e.g. air quality and sense of community). This approach highlighted areas where Edinburgh performs well and identified areas that require intervention.

By considering the impact of individuals' socioeconomic and wider demographic characteristics at the same time, as their earnings, age, gender, education, and area-level deprivation measures, the analysis sought to isolate the impact of drivers from other wider factors.

The study showed that Edinburgh – with a fast-growing population – is felt to be a good place to live, but with the potential to improve in terms of air pollution, traffic congestion, and safety for cyclists. Additionally, the analysis found that the city centre also faced challenges in terms of community belonging.

The quantitative methods employed in this study enabled the determination of monetary values for 'wellbeing' benefits such as an increased sense of belonging and increased visitation to green spaces. The quantitative analysis fed directly into the ECCT Strategy, particularly the case for change, benefits and the tracking progress sections.

Conclusion

In putting together this paper, Consult Australia hopes to highlight how considering social impacts earlier in the project cycle – primarily the business case development stage – can lead to a range of benefits, and increase benefits, for many stakeholders. We believe this can help ensure that infrastructure designs are more appropriately reflecting the needs of individuals and the community, and help to maximise the economic and social outcomes from investments. These are important benefits in the current environment where governments are looking at how infrastructure investments can help stimulate the economy.

There is not just one approach, or a simple cost-benefit analysis equivalent, to measuring social impacts in business cases for all project types. There is a range of frameworks, methodologies, and tools that can be used depending on the context and the objectives. However, in general, this paper focuses on how social impact assessments could be used earlier in the project cycle. A flexible approach to how we analyse the benefits from infrastructure investments will ensure the findings are more tangible and specific to the problem, or to the opportunity that the business case is focusing on.

As the focus shifts to Australia's response and economic recovery from COVID-19, we believe the time is right to think more about the social value of infrastructure. As a country, we can use this increased focus on social value to shape our economic decisions and to ensure we pursue future growth opportunities that reflect the values and objectives of our community.

Photo courtesy of NSW Government Sydney Metro

Consult Australia hopes to highlight how considering social impacts earlier in the project cycle – primarily during business cases – can lead to a range of benefits, and increased benefits for many stakeholders.

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Published on December 2020