

Government Matters

Edition 3 | 2020



Foreword

Welcome to the third edition of *Government Matters*, PwC's publication dedicated to Government and Public Sector issues.

This edition focuses on Cities and Infrastructure. As key areas of importance for both Government and citizens, developing great cities across Australia helps to drive economic and community opportunities. This provides an exciting opportunity to connect people, business, technology and Government to create genuine positive change. At PwC we call this The Together Effect and it's one of the ways that we strive to help solve important problems.

The articles in this edition look at the reasons why citizens should be included in developing and changing the face of our cities, the 6 key ways you can de-risk big infrastructure projects and how Governments can make sure this new infrastructure boom will create even greater opportunities for Indigenous businesses.

We also had the honour of interviewing Sally Capp, the Lord Mayor of Melbourne about what she thinks about our cities.

I hope that you enjoy this edition and for more articles on key government and public sector issues make sure to check out content from editions 1 and 2 on the website: www.pwc.com.au/government-matters and subscribe to future editions.

And as always, any comments or feedback are more than welcome.

Regards,

Thomas Bowden
Government Lead Partner, PwC Australia
thomas.bowden@pwc.com





Contents

1	A better way to plan Australia's cities	4
<hr/>		
2	National infrastructure boom opportunity for Indigenous enterprises	12
<hr/>		
3	Six key ways to de-risk your infrastructure project	17
<hr/>		
4	Engaging the public to revitalise cities	22
<hr/>		
5	Interview with Sally Capp, Lord Mayor of Melbourne	27



Joseph Carrozzi, Victoria Yates and Harriet Elias

A better way to plan Australia's cities

Cities occupy just four per cent of the earth's land surface area yet are home to more than half the world's people. In Australia, almost 70 per cent of the population lives in our capital cities.

People flock to cities for the opportunities they hold for a better life: whether this be through more diverse work options, better access to essential services and amenities, or the wider range of cultural and leisure pursuits. And the concentration of people, resources and services in cities enhance the possibilities for economic development, innovation and social connection.

But a city can only thrive when the people who call it home are happy and fulfilled. So how do we create a city in which people love to live?

According to PwC Australia's recent research survey exploring the views of over 10,000 Australians, this relies on enabling a sense of safety as well as inclusiveness while also providing access to health and leisure facilities which allow us to connect with fellow citizens. For a city to become a place where people love living,

these three elements should be included as non-negotiable elements within the government planning process.

Beyond this, the needs and wants of citizens are not necessarily so straightforward. Understanding these trade-offs and where to invest for the benefit of the community is complex. Data-driven insights into what works and what doesn't for a local community can, and should, inform local investment and development priorities, as well as helping to define strategic policy measures.

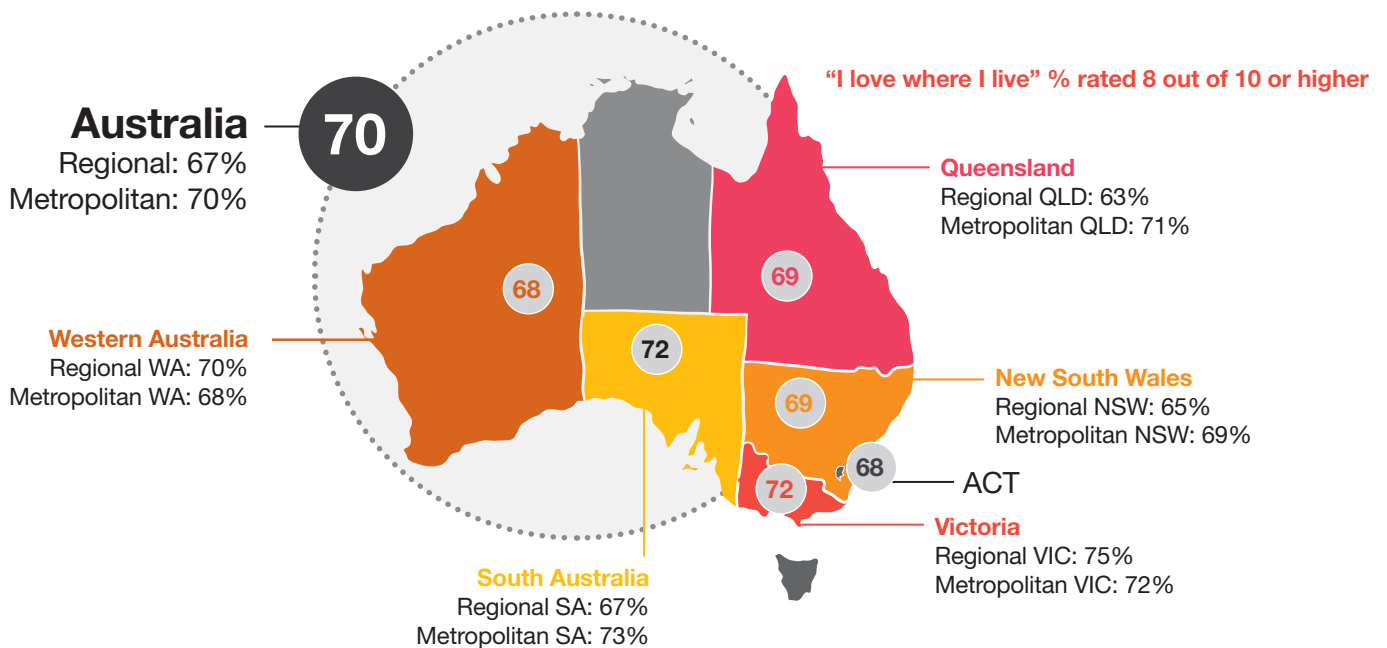
Governments can better plan our cities of the future by using citizen and community input to gain a deeper understanding of what leads people to love where they live, combined with real time data and resident feedback to ensure our cities live up to their promises. But this will require some changes to our current systems if we are to make this a reality.

What makes Australians ‘love where we live’?

PwC surveyed 10,000 people across Australia (in Victoria, Queensland, NSW, SA, WA and the ACT) to find out how they feel about where they live, how things are changing, and what they believe are the key ingredients in creating a great place to live, work and play. The results give us a fascinating insight into the transformations taking place across Australia, and the impact they are having on our day-to-day lives.

That insight tells us that 70 per cent of Australians love where they live today (rating it 8 or higher out of 10), with little variation across the states or between regional and metropolitan areas (other than Queensland).¹

Figure 1 | PwC Citizen Pulse 2019: Do you love where you live?

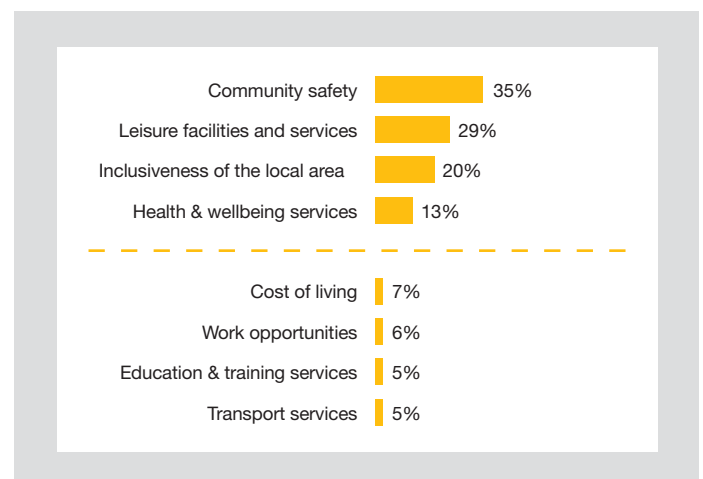


Citizen co-design is already working

Our research showed that Australians consistently rate basic needs of safety, inclusivity and access to leisure and health facilities as prime factors in loving where they live – more significant than essential services or work opportunities.

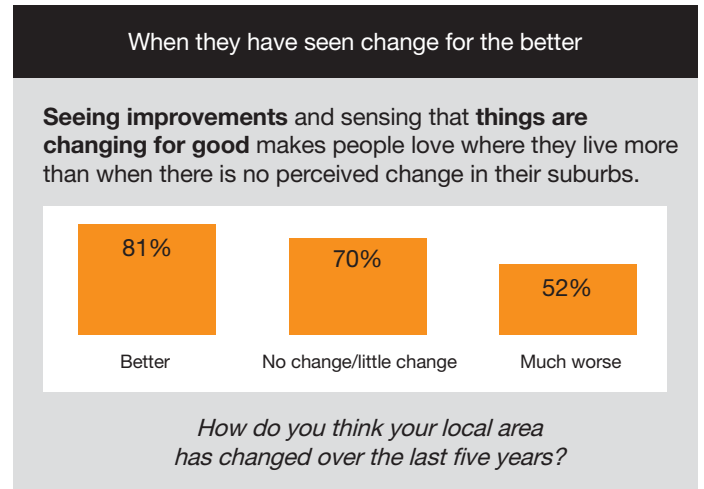
A safe and inclusive community with access to leisure facilities and health services.

These factors are more significant in determining if Australians love where they live today, compared to education, cost of living, transport and employment. These are aligned to **‘live’ and ‘play factors’**.



Interestingly, what really drives up our feelings of happiness is seeing improvements in our local area. When residents of a community see and experience the benefits of growth (like improved services and infrastructure) and sense that things are changing for good, they experience a greater sense of

positivity and connectivity to the place they call home. Of those Australians who have seen improvements in their area in the last five years, 81 per cent reported that they love where they live. An established level of connectivity with the area also increases the positive perceptions residents have of their town.



Life stage and location key to citizen happiness

There's no 'one size fits all' when it comes to the improvements our citizens would like to see in their cities. If we look at the overall findings of PwC's survey, the highest priority is healthcare infrastructure (see Figure 2) – but this statistic is driven by the high percentage of our population who are in the older age bracket.

What people want varies across the population, and is affected by life stage and location:

Older Australians, particularly those living in regional areas, nominated more investment in healthcare infrastructure (e.g. hospitals, medical centres, aged care facilities) as more important than any other consideration (by a factor of two)² in order that they can age where they live.

Middle aged and younger Australians (aged 25–44) particularly those with families, are twice as likely than the rest of the population to prioritise investment in educational infrastructure and relevant curriculum in schools, universities and colleges to develop skills of the future.

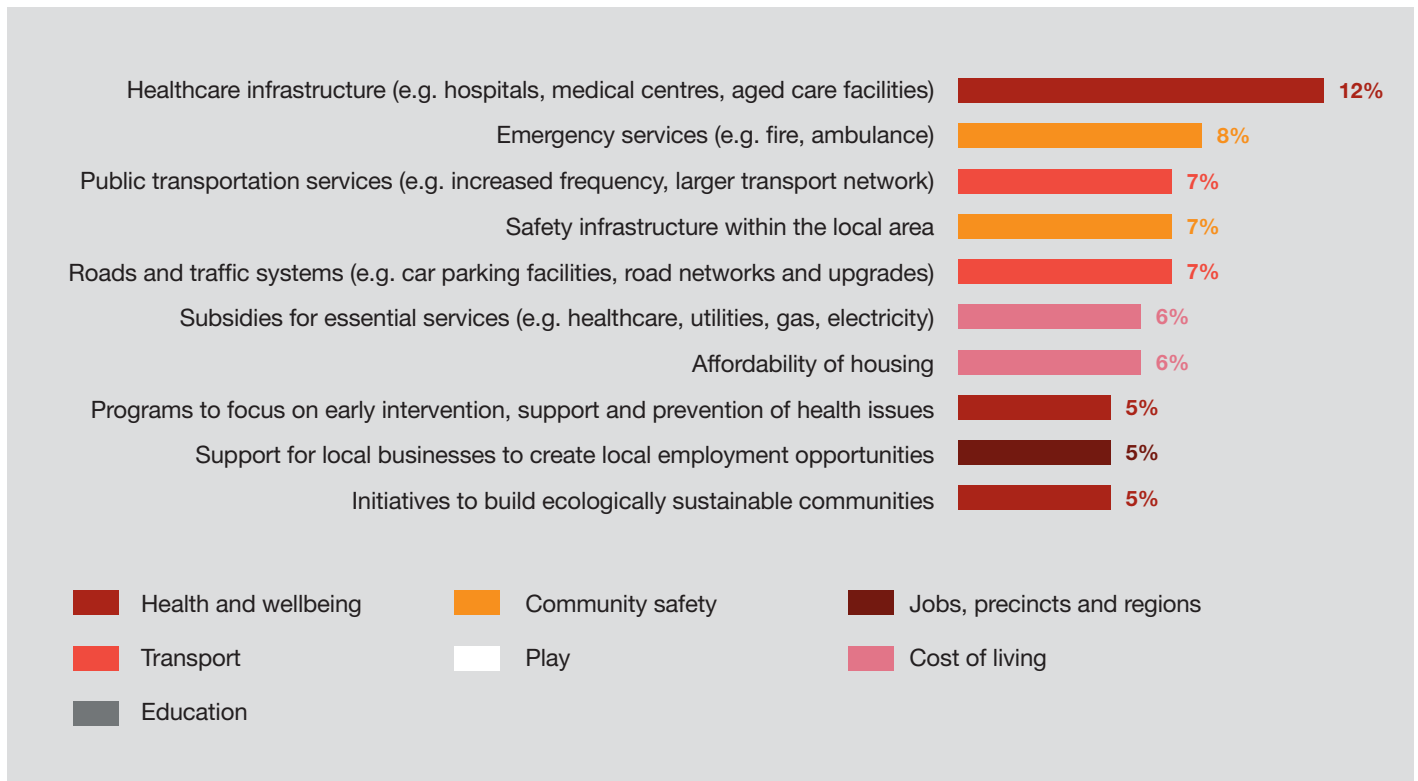
While **students** (aged 18–24) are twice as likely than the rest of the population to want investment in affordable housing. They are also more likely to want investment in initiatives that support an ecologically sustainable future for Australia, and programs that focus on early intervention and prevention in health care.



What do Australians want in their future cities?

PwC's researchers asked Australians where they would most (and least) like to see investment for the future of their family. The top 10 responses are shown below.

Figure 2 | Where do Australian's most want to see investment in the future



Government and developers alike have long recognised the potential to draw on community data relating to needs and preferences in order to better inform planning decisions and create flourishing cities. But there are three considerable obstacles to adopting a more citizen-centric approach:

- antiquated and entrenched systems for city planning
- the use of different metrics for success among those collaborating on creation
- a narrow criteria for determining the measurement framework of a precinct, largely economic and environmental indicators, rather than what matters most: liveability from the point of view of the citizen and communities.



Case study

City Maker: transforming Sydney's Olympic Park

In order to address these barriers to a citizen-centric planning approach, PwC has collaborated with urban modelling experts Kinesis and co-designers the NSW Government Sydney Olympic Park Authority (SOPA) to develop a radical precinct planning platform called City Maker.

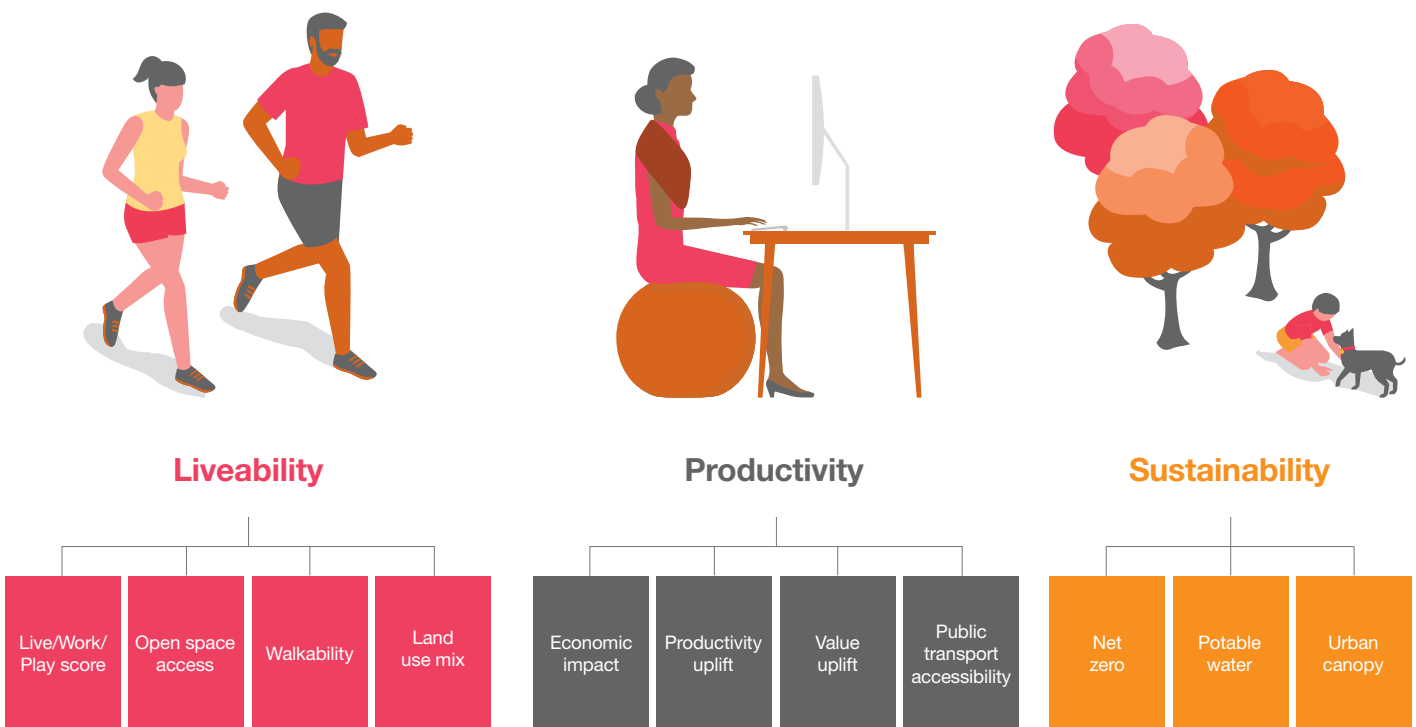
City Maker brings a citizen-centric lens to precinct planning, leading to better decision-making and, ultimately, better liveability outcomes. The platform allows all stakeholders in the planning process to collaborate online and to assess key economic, social, infrastructure and environmental information relating to a location so decisions can be based on the specific needs of the people who will live there.

The platform uses the voice of the residents, workers, students and visitors in a precinct to enhance liveability, using measurements defined through Live, Work and Play preferences for that community. These preferences are determined through bespoke community surveys.

City Maker is being used by SOPA in the redevelopment of Sydney Olympic Park to create a world-leading precinct that builds on the legacy of the 2000 Summer Olympics. SOPA are tracking and analysing their Master Plan 2030 in City Maker on the wider impacts across productivity, sustainability and liveability. Together these three pillars create a precinct that will continue to thrive and prosper over time. It becomes:

- a place where people want to live and more people can live (liveability)
- a place where businesses want to be and which can attract new businesses (productivity)
- a place with greater positive environmental outcomes, resource efficiency, resilience and smaller negative outcomes (sustainability)

City Maker place-based outcomes framework



City Maker enables the SOPA team to:

- have a digital version of their Master Plan 2030, providing a single source of truth for their master plan data that multiple users can readily access,
- run scenario testing on proposed plans for the precinct,
- have data backed evidence to curate their future precinct to optimise the use of space and enhance livability for the residents,
- a way to measure and track their Green Star Communities targets,
- a way to monitor their goal of achieving net-zero emissions by 2030, and
- get instant impact assessments for new developer applications.

Best of all, as an online web tool City Maker is available to everyone tasked with creating the precinct, so all stakeholders can use one set of data and assumptions which are brought together by a common set of metrics.

City shapers are using a wealth of tools to empower citizens to express their idea of place - while cardboard cut-outs, labs, warehouse mockups are still all relevant and useful, interactive mobile applications and virtual and augmented reality are taking shape as the new way to collaborate with a wider audience in real-time. These are encouraging signs that both governments and private companies are starting to recognise the value of citizen input in what they do - and citizens are passionate in their response. The key to purposeful, liveable cities is to strengthen connectivity and in order to do that that citizen input is key to understanding which connections are desirable, where they are currently lacking and how they can be fostered or strengthened.

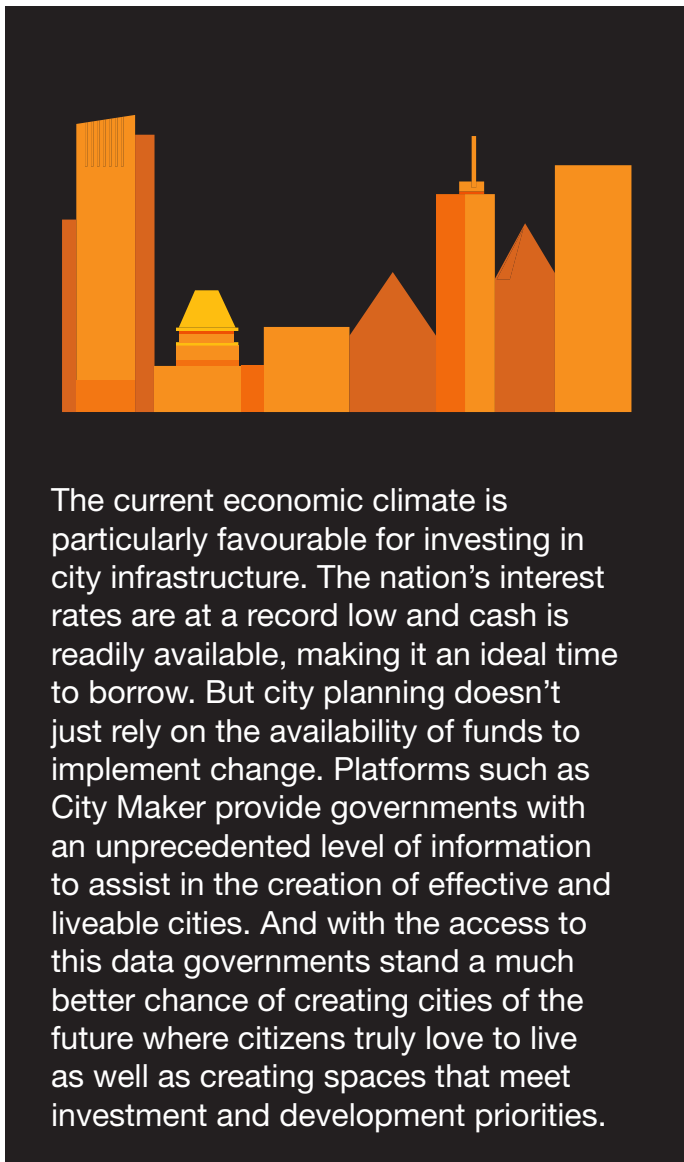


There is some indication that governments are already starting to recognise the need to listen to the community. For example, in 2016 the UAE created a new role for a Minister of State for Happiness and Wellbeing. The Minister's role is to ensure that the UAE's plans, programs and policies 'align and drive government policy to create social good and satisfaction' so that its citizens may flourish.³

Closer to home, the New South Wales government is the first Australian jurisdiction to introduce a Minister for Customer Service. This Minister is responsible for citizen experience of government services and service delivery, with a current focus on digital services and public transport.⁴ Research by the NSW Customer Service Commission suggests that encouraging public participation in decision-making has been a consistent area of improvement for the state.

Planning for a future that's already here

The goal to create liveable and citizen-centric cities should be top of mind for all governments. When planners and developers can access detailed data to fully identify the requirements of citizens and empower them in the decision-making process, Australia's cities can become some of the most liveable in the world. All that is required is for government leaders to bravely lead the way by adopting a citizen-centred approach to major investments.



Authors



Joseph Carrozzi

Partner, Cities Agenda
Leader

Sydney

E joseph.carrozzi@pwc.com

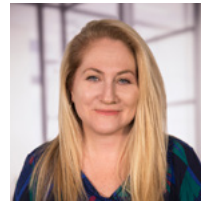


Victoria Yates

Director, PwC's Centre
for Citizen Research

Sydney

E victoria.yates@pwc.com



Harriet Elias

Senior Manager,
Cities Agenda

Sydney

E harriet.elias@pwc.com

References

1. Lavelle M, undated, 'How do we make cities sustainable?', <https://www.nationalgeographic.com/environment/energy/great-energy-challenge/big-energy-question/how-to-make-our-cities-more-livable-and-sustainable/>
2. Areas for investment tested in the survey covered topics of health, education, transport and the environment.
3. Khaishgi AE, 20 March 2016, "Happiness is a serious job": UAE's Minister for Happiness embraces new role', at <https://www.thenational.ae/uae/government/happiness-is-a-serious-job-uae-s-minister-of-happiness-embraces-new-role-1.201750>
4. Guan L, 1 April 2019, 'NSW Govt gets new customer services department and minister', <https://www.cio.com.au/article/659507/nsw-govt-gets-new-customer-services-department-minister/>

Access the data appendices [here](#).





Jay Edmondson and Jodie Sizer

National infrastructure boom opportunity for Indigenous enterprises

The Commonwealth Government's Indigenous Procurement Policy (IPP) seeks to leverage the government's procurement power to stimulate the Indigenous business sector. It does this by mandating that a target (3 per cent) of its domestic contracts be awarded to Indigenous enterprises each financial year. The current wave of infrastructure spending by state and federal governments will fund major construction projects across many of our major cities, providing an ideal opportunity to realise the goals of the IPP while contributing to the growth and sustainability of the Indigenous business sector. But for this to happen, governments at all levels need to get better at implementing social procurement policies.

While it is difficult to put a precise measure on the number of Indigenous businesses in Australia (due in part to the different definitions of what constitutes an Indigenous business and the varying nature of their incorporation), it is estimated there are between 8,000 and 16,000 nationally.¹

The development of a robust and sustainable 'Indigenous economy' is an essential component of self-determination for Aboriginal and Torres Strait Islander peoples by facilitating sustainable and independent communities and closing the gap. In line with the principle of self-determination, more Indigenous people than ever are seeking to achieve economic independence by contributing to the economy through the establishment of Indigenous businesses.²

Work by PwC's Indigenous Consulting (PIC) shows that Indigenous businesses are more likely than non-Indigenous businesses to employ Indigenous workers. It has also shown that successful Indigenous businesses can create a 'multiplier effect' that in itself can foster further economic development and wealth creation. Specifically, it can lead to a greater culture of employment and social contribution within Indigenous communities. This in turn fosters an environment which supports further innovation and opportunity by inspiring the next generation of Indigenous business owners.

When it comes to the development of our urban areas, there is a substantial economic incentive to draw on the existing talent pool of Indigenous businesses. There is not only merit in this approach, but also the added social value in the contribution to the economic independence of Indigenous communities.

Indigenous businesses such as RAW Recruitment and Services and Intract Australia have been successfully operating in the infrastructure and construction industry. They have both managed rapid growth as they have expanded to work on significant building projects across the country, while also employing a large Indigenous workforce (as an example, over 90 per cent of Intract's workforce are Indigenous). The benefits of engaging businesses like this to not only carry out construction works but to also involve them in the design and development of our cities is twofold:

- it empowers the local Indigenous community to create pathways for youth from education into meaningful employment
- it creates economic development and wealth in the Indigenous community to assist Closing the Gap in education, employment and health outcomes.

Not only are Aboriginal businesses far more likely to employ Aboriginal people, they also consistently provide a level of pastoral care to their workforce well above their mainstream competitors, giving their workforce every opportunity to grow and prosper in their industry of choice.

Major infrastructure projects, particularly government-funded projects, present a significant opportunity for the Indigenous business sector.³ The building and construction industry has the highest level of engagement with Indigenous businesses of any sector.⁴ Additionally, infrastructure spending is currently concentrated in capital cities where the majority of Indigenous businesses and Indigenous people are also concentrated.

Procurement policies across states and territories

Government has an important role in managing the policy settings and providing funding to help develop the Indigenous business sector. At the federal level, the IPP and the Indigenous Business Sector Strategy (IBSS) which was developed in partnership with the Indigenous business sector, are assisting Indigenous businesses access programs and emerging opportunities in construction and infrastructure.

All states and territories – with the exception of Tasmania - have sought to support Indigenous economic development by either committing to or adopting their own procurement policies. They are carrying out considerable and wide-ranging work to support Indigenous employment, education and training.

The Victorian government released a new Social Procurement Framework in 2018 that seeks to encourage its agencies to factor in social objectives when making purchasing decisions, including from Indigenous businesses.⁴ Similarly, the South Australian government has now consolidated opportunities for Aboriginal business procurement across all procurement levels under a single, comprehensive framework.

The available evidence suggests that these programs are having a positive impact. For example, since its introduction, the IPP has resulted in a significant increase in the number and value of federal government contracts awarded to Indigenous businesses. According to estimates from the National Indigenous Australians Agency (NIAA), since it was launched in 2015 to June 2019, the IPP has resulted in 1,765 Indigenous businesses delivering 16,482 contracts worth over \$2.5 billion.⁵



A significant proportion of these contracts have been in the building and construction sector as the national building boom shows no sign of slowing. The NIAA reports that in 2017–18, contracts for the Infrastructure, Regional Development and Cities portfolio alone totalled \$23.6 million. And while this figure is a good start, there is still room for improvement as this represents only three per cent of total possible spend.

For more details on all states and territories procurement policy adoption see [this article](#).

Innovative collaborations are already thriving in Australia

Alongside creating real opportunities for Indigenous businesses, the IPP has contributed to the emergence of a number of aligned supporting programs, including the following two examples. These initiatives benefit Indigenous businesses across all sectors – not just infrastructure – as well as providing an important economic contribution to the cities in which they are based.

Aboriginal Entrepreneur Hub supporting innovation

The Aboriginal Entrepreneur Hub (AEH) which is being established at Lot Fourteen, is the new innovation neighbourhood on the site of the former Royal Adelaide Hospital. This hub is making it easier for Indigenous start-up businesses and entrepreneurs to get the support and advice they need to negotiate the challenges that face new businesses. The role of the AEH, and similar hubs across Australia, is to accelerate Indigenous businesses to become competitive suppliers not just locally, but overseas too.

By connecting Aboriginal entrepreneurs in regional locations through webinars or video conferences, the AEH will boost networking and mentoring opportunities for Aboriginal people wanting to start their own business in Adelaide and regional South Australia. By integrating the AEH with the broader Lot Fourteen innovation hub, the intention is to ensure integration with the existing start-up community. Feedback from stakeholder focus groups and co-design workshops showed that there was a preference for collaborative rather than segregated services. It is proposed that AEH participants will be able to participate in Lot Fourteen's incubator and accelerator programs and networking events at a subsidised cost.



The hub will include an educational component to provide opportunities for young Aboriginal people who are seeking pathways into business and entrepreneurship. It will also serve as a contact point for local industries – particularly the major employers in Adelaide and South Australia such as infrastructure, defence and technology – to engage with the Indigenous business community.

First Australians procurement accelerator program

Another initiative that endeavours to address some of the relational and educational gaps currently within IPP is the Meereeng 50 procurement accelerator program. A collaboration led by PIC, Kinaway Aboriginal Chamber of Commerce and the University of Melbourne, the program seeks to break down some of the barriers to growth facing Indigenous businesses that have particular challenges in navigating the complex procurement systems.

Meereeng 50 brings together representatives from Victorian Aboriginal business, some of Australia's largest companies, including Lendlease and National Australia Bank, academia and government to deliver an accelerator program for mature businesses aspiring to develop relationships with major companies.

Kinaway Chair, Karen Milward, sees Meereeng 50 as a significant step forward for Victorian Aboriginal and Torres Strait Islander businesses. "We're committed to increasing Aboriginal businesses involvement in the Victorian economy and believe this fantastic new initiative will help achieve that," she said in a media release for the program's launch.



Many businesses have not had the opportunity to present their capabilities to major corporations, so identifying potential contract opportunities is a brilliant way to ensure participants will not only get the theory, they'll also be able to apply what they learn in practical terms.

– Karen Milward, Kinway Chair

How government can better support Indigenous businesses in the construction sector

There is more that can be done in designing and implementing procurement policies to make them more effective in addressing existing barriers faced by Indigenous businesses, particularly those operating in the building and construction sector.

The change to the IPP announced by the Department of Premier and Cabinet earlier this year now includes a target that is based on the value of contracts. Rather than the number

of contracts awarded, this new target ensures Indigenous businesses win higher value contracts at a level closer to those of non-Indigenous businesses. The target, which will be set at 1.0 per cent in 2019–20, will increase by 0.25 per cent each year until it reaches 3.0 per cent in 2027.⁶

Additional ideas to help make these procurement policies more effective in the building and construction sector in particular include:

one

Breaking up or unbundling contracts, particularly large contracts (a feature of the building and construction sector), will make it easier for Indigenous businesses to meet the compliance requirements. By their nature, Indigenous businesses tend to be small and medium-size enterprises (SMEs), which means they do not qualify under the more onerous contractual requirements imposed on higher-value projects. Breaking up contracts will also potentially reduce the number of instances where Indigenous businesses find it necessary to enter joint-ventures with larger companies in order to meet the selection requirements.

two

In addition to breaking up larger contracts into smaller scopes of work, governments should **review the conditions in their existing contracts** to better suit SMEs. For example, discussing the option for shorter payment terms that align to the needs of small business. Additionally, government could incentivise tier one organisations to engage Indigenous businesses through a 10 per cent provisional sum to cover specific costs such as pastoral care requirements of staff within Indigenous businesses.

three

By **coordinating services in a culturally appropriate manner** so that they work together (similar to the AEH in Adelaide), governments could provide a focused, one-stop-shop approach to providing all the information and services Indigenous businesses need. This could be facilitated by engaging the local Aboriginal chamber of commerce, or each local example, to act as an intermediary. Businesses would then be vetted for capacity and capability to assist in streamlining contract engagement.

Benefits of including and supporting Indigenous businesses

Budgets for governments at the federal and state level indicate that infrastructure is going to continue to be a key area of spending in the coming years. The Commonwealth Government has promised a spend of \$100 billion over the next decade, while New South Wales has committed another \$80 billion over the next four years. Thanks to the new IPP guidelines, Indigenous businesses are now able to more easily access some of this spending – but only if governments work with them.

While the IPP has laid out clear guidelines and, more importantly, mandated targets to be reached, government departments must also recognise the need to work with Indigenous business in a way that differs slightly from other construction and infrastructure companies.

As they are predominantly SMEs, Indigenous businesses need a different approach when it comes to the set-up of contracts to ensure they are suited to the needs of smaller businesses. Crucially, government departments must ensure that all services working on their infrastructure projects are coordinated in a culturally appropriate manner.

Of course, these ideas are not only relevant for infrastructure projects, but right now it's an ideal time for Indigenous businesses to capitalise on the opportunities this major infrastructure spending affords. Government departments will also benefit from this approach as it will aid them in meeting their IPP obligations while simultaneously contributing to the growth and sustainability of the Indigenous business sector.

Authors



Jay Edmondson

Director,
PwC's Indigenous Consulting
Adelaide

E jodie.sizer@pwc.com



Jodie Sizer

Co-CEO,
PwC's Indigenous Consulting
Melbourne

E jodie.sizer@pwc.com

References

1. Department of the Prime Minister and Cabinet, *Indigenous Business Sector Strategy (IBSS): building the Indigenous business sector, final report*, 2016.
2. PwC's Indigenous Consulting & PwC Australia, *The contribution of the Indigenous business sector to Australia's economy*, 2018. Available: <https://www.pwc.com.au/indigenous-consulting/assets/the-contribution-of-the-indigenous-business-sector-apr18.pdf>
3. DPMC, *Indigenous Business Sector Strategy*.
4. PwC's Indigenous Consulting & PwC Australia, *Rail Projects Victoria Phase 3 - Draft Report*, 2019. Available: <https://www.pwc.com.au/indigenous-consulting/assets/the-contribution-of-the-indigenous-business-sector-apr18.pdf>
5. National Indigenous Australians Agency, *Indigenous Procurement Policy May 2019*. Available: <https://www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp>
6. National Indigenous Australians Agency, *Indigenous procurement policy*, May 2019. Available: <https://www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp>





James Sherrard

Six key ways to de-risk your infrastructure project

Why do so many building projects run over time and budget? We think that when it comes to Australian infrastructure projects, government would do well to apply the old adage ‘proper planning prevents poor performance’.

By their very nature, large infrastructure projects involve a significant level of risk, with potentially major consequences – financially, environmentally and reputationally. For government projects, political pressure and heightened public scrutiny

can compound the risk and compromise decision-making processes. This article identifies six key elements of risk management to keep large government infrastructure programs on track and off the front page for the wrong reasons.

one

Establishing good governance and leadership

It all starts with good governance. Regardless of the size and complexity of the project, a robust and transparent governance framework is essential. This framework should document roles and responsibilities, limits of authority, decision-making processes, underlying investment decisions, change management procedures, quality requirements and risk allocation.

Each project should have a bespoke governance plan appropriate to the circumstances. This plan needs to be developed in collaboration with all stakeholders, endorsed at the highest level, and implemented at the commencement of the project. Most importantly, there should be no situation where the governance plan is set aside, particularly projects subject to a high level of political and media attention that are consequently at risk of uninformed influence. This is best countered by a sound governance structure which is broadly understood and rigorously adhered to.

Establishing a strong team of experienced professionals to lead projects is fundamental. The infrastructure market is currently buoyant and competition for the best resources is fierce. The development of a strong, coherent, diverse and inclusive culture is important in attracting the best quality resources available. Projects that are led by an experienced, dedicated infrastructure professional are more likely to succeed. This person needs to provide a strong foundation for collaboration with all stakeholders, including subject matter experts, to draw on all relevant input while minimising the risk of miscommunication among the project team. Well-led teams are happier, and happier team members tend to stay in their roles for longer, providing greater continuity which in turn assists in decision-making and project understanding.



two

Being realistic about timeframes

The first and perhaps most fundamental document to be produced for any large infrastructure project is the program of work. This schedule of activities describes the sequence in which actions will take place, allowing resources and costs to be planned with accuracy.

One of the main reasons for a blowout in project timeframes is because the time allowed for the build element has been compressed. Key dates as agreed at the planning phase need to be recognised as individual elements. When there is a delay in the design, planning and approvals phase (as there almost

always is) don't assume that this time can be made up through a corresponding reduction of time in the construction phase. Although it is common to hear terms like 'acceleration', 'double shift' and 'ramp-up', it is rarely possible to complete the construction phase more quickly than initially planned. Trying to make up time by drafting a tender that imposes unrealistic deadlines on contractors is simply a folly. Moreover, the very real correlation between time and cost in construction means that any attempt to speed up the build element is almost certain to result in the project going over budget.



three

Sharing the risk burden

Identifying and addressing risk should be a regular exercise, and one conducted across the whole team. Establish a comprehensive risk register from the beginning and revise it regularly to ensure decisions factor in all relevant information.

In addition to creating a risk register, there are a number of fundamental measures that can be implemented to minimise the risks of an infrastructure project. Using a standard form of contract (and, if possible, a full suite of contracts for all engagements across the project) streamlines contract management by making it easier to maintain alignment across all suppliers and identify any breaches. Non-standard or 'bespoke' contracts also attract a risk premium from most contractors.

Additionally, it is essential that risks sit with the party best able to manage that risk. Writing back-to-back risk transfer which ultimately ends with a subcontractor taking on all of the risk of a project will not reduce its impact on the client, and if the party taking on the risk isn't well placed to manage or mitigate it, then it becomes ineffective as a risk mitigation tool.

four

Properly costing risk and tracking cash flow

Costing project risks doesn't have to be complicated, but it does have to be done properly. Ensure you value and include any and all exclusions and price in risk. On many projects we see a long list of 'exclusions' in the cost plan. Ultimately, all these costs will be borne by the project so for realistic planning they should not be excluded. If there is uncertainty around actual cost then, some form of considered estimate should be allowed. If the costs aren't properly understood this can lead to misinformation, sometimes making it look like the project has gone over budget when this is not in fact the case.

Pricing the risk register should be a standard exercise for contingency control. Too often the contingency is expressed as a single number rather than as an allocated allowance. If the contingency is not apportioned as part of the risk allowance, the tendency is for clients to believe they have this money available to spend – particularly at the completion of the project where it can be a big number. Pricing the risk and using the governance process to determine change will help minimise these cost blowouts.



When it comes to tracking cashflow over the lifespan of the project, regular monitoring is vital. Yet it is increasingly common to find that the fundamentals of expenditure are not part of a project's monthly reporting. A simple s-curve graph plotting forecast expenditure vs actual expenditure will very quickly reveal whether a project is behind schedule or on track.

five

Understanding the implications of design

It is important to understand that a design incorporating unconventional elements will not just cost more, but it will also take more time to deliver. While innovative and cutting-edge engineering can inspire admiration, it is also harder to design, more challenging to find fabricators and builders to construct, requires more quality inspections to ensure compliance and will likely interfere with other aspects of the project. None of these factors should deter clients from seeking quality and interesting design, but they need to be fully aware of the time and cost implications of their decisions.



six

Providing clear and consistent communication

The final consideration in de-risking government infrastructure projects is maintaining the quality and consistency of project communications. A communication plan should be developed early on and maintained for the duration of the project to build momentum and interest around the project, as well as to ensure messages provided to leadership, contractors, key stakeholders and the wider community are regular and unambiguous.

Good internal and external communication also informs the market from the development stage of the project, contributing to project awareness and interest. In addition, good informal communication between the members of the broader team will lead to early identification and rectification of project issues as they arise.

With a huge amount of funding available for infrastructure projects both at a Federal and a State level there is an incredible opportunity to improve Australia's infrastructure profile with both innovative and successful builds. But there are clearly opportunities to improve and manage this process in a way that both helps deliver the best possible outcome, while also ensuring projects are delivered on time and budget. Proper planning should never be overlooked as a key aspect of the infrastructure process.

Authors



James Sherrard

Partner, Infrastructure
& Urban Renewal

Sydney

E james.sherrard@pwc.com





Quentin Cole

Engaging the public to revitalise cities

Over in the UK, while Brexit continues to dominate the political agenda and the air waves, conversations with government, businesses and citizens show that people are keen to talk about what can be done to build a better, more inclusive future for everyone. With the UK in the process of leaving the European Union, there is an opportunity for the country to focus on what kind of society we want to live in.

In view of this, research was conducted to understand what fairness means in the eyes of the public and what's needed from government (and business) to build an inclusive future for the UK. How do people feel about where they live? How engaged are they with improving their place and their local

services and what can be done to reconnect people with their communities and political representatives? This article shares key findings and the emerging agenda for action for government more information about which can be found [here](#).

Understanding fairness

So how does the public define fairness? Building on previous work with Citizens' Juries, a UK research agency - Opinium - was asked to bring together an online pop-up community to examine the public's perspectives. Earlier in the year, members of the community shared their thoughts by recording video diaries and telling their stories via online discussion forums. This exercise was used to shape and refine the research questions which were then taken to 4,000 members of the British public.

The findings indicate that fairness is central to UK identity but at the same time, only 30 per cent feel that society is fair, 69 per cent think rich people get an unfair advantage and 71 per cent agree that 'it's one rule for some and another for people like me'.

And when it comes to the question of who is responsible for creating a fair future, 70 per cent say that government is primarily responsible yet only 25 per cent say that government does a good job in making society fairer.

The focus is reinforced by evidence from the UK Equality and

Human Rights Commission (EHRC) which has published three Triennial Reviews which report declining levels of fairness and has identified groups of people who feel left behind. The Institute for Fiscal Studies in the UK reports that income inequality is still substantially higher than it was in the 1970s. In addition to this, the Social Mobility Commission in the UK estimates that 40 per cent of inequalities in earnings are passed through the generations, meaning people from lower income backgrounds are likely to also go on to have lower incomes as adults (double the percentage of Scandinavian countries for example).

Unsurprisingly then, fairness is fast becoming a central theme in UK political debate. Politicians from across the spectrum recognise the importance of the issue particularly in relation to the question of what comes next after Brexit and the need to reconnect the nation. UK Prime Minister, Boris Johnson, referred during his first speech on the steps of Number 10 Downing Street in July to 'uniting our country answering at last the plea of the forgotten people and the left behind towns' and the need to 'level up across Britain'.

Designing for fairness

If the UK is to fulfil its potential in the world, it needs to be able to create a future that everyone can benefit from. Addressing fairness is clearly a major challenge and requires a wholesale transformation of the way government works, from the way money is invested and spent to drive inclusive growth, to the way services are designed and the way the state relates to its citizens.

This sounds like a tall order, yet other countries are already thinking in this way. New Zealand unveiled its first wellbeing budget in May, using evidence and expert advice to identify what would make the greatest difference to New Zealanders' wellbeing. Each bid for funding required a wellbeing analysis to ensure the funding would address those priorities.

This aspiration was echoed by First Minister of Scotland Nicola Sturgeon in a TED talk in July when she argued that the goal of economic policy should be collective wellbeing. She also noted

that GDP should play a less important role. This is reflected in Scotland's National Performance Framework which aims to give opportunities to all people living in Scotland and reduce inequalities.

PwC's Good Growth for Cities Index created with the UK think tank Demos has been measuring the performance of a range of the largest UK cities and regions since 2012. This measures each city against a basket of ten indicators based on the views of the public and business as to what is key to economic success - beyond a narrow focus on GDP growth.

The UK could learn from these approaches and government Spending Reviews should be designed with the mission of promoting fairness as a primary purpose. Furthermore, governments should design fairness into the decisions they make everyday, undertaking five 'tests for fairness'.



Fairness and places

One of the lenses of the research has been the importance of place. In the aftermath of the Brexit referendum, a key message was that many people felt they don't have a voice and are disconnected from those in power. The online pop-up community characterised the British state as a distant next door neighbour, who you might 'occasionally take a parcel in for but don't speak to much', raising the question, what's needed to help people feel connected to government?

Reinforcing the online pop-up community findings, 43 per cent of the public survey respondents believed the UK Government was cold and distant. 31 per cent believed the UK Government did, 'not take my needs into account when making decisions', but this percentage decreased when applied to devolved government bodies (within Scotland, 22 per cent, Wales, 25 per cent, Northern Ireland 24 per cent).

This points to the first of the two big ideas about how to approach fairness across different places. While the UK Government has made positive strides in recent years with some devolution of power and funding from the centre to UK cities and regions, the approach to devolution in England to date has been largely uncoordinated, inconsistent and piecemeal. Many areas, particularly beyond the major cities, are not covered by the 'deal' approach to devolution. Instead, a broader place-based approach to policy and spending that accounts for the different strengths and challenges of different places across the UK is needed. This means moving away from the current siloed nature of central government departments towards a more joined up approach that has 'place' as a key building block and lets local leaders tailor spending and policy to their local places, communities and people.

The second and related idea is that citizens themselves need to be more closely engaged in the devolution process. To date, the focus has been on shifting power between central and local government, with the wider public largely disengaged. However, our research found that people are willing to engage, but government, local and central, doesn't always use the tools or platforms that make it easy for people to do so. The research indicated that people were eager to use technology to express their views and engage with improving public services. 48 per cent of the public either strongly agreed or agreed that they would 'like to get involved, using technology, and add my voice on how to improve public services for people like me.'

Considering engagement with councils in particular, PwC's annual local government leadership survey in the UK, the Local State We're In, found that a third of the public say they would like more interaction with councillors, including 40 per cent of 18-34 year olds, while four in ten (39 per cent) say they would participate more to improve their local area and help local people if their council made it easier to do so.

This all points towards the need for a new relationship between citizen and state. Engaging the public on their own terms is essential to ensure that they feel that their voice is being heard, and to deliver better outcomes. Of the options the public were polled on for getting their voice heard, the online channels were more popular when compared to traditional methods such as attending a town hall meeting. Indeed, in some of the interviews with local leaders, they reflected that traditional engagement platforms like these often attract the same people, with little effort to engage widely across different people or groups. There is the potential for government, national and local, to harness this enthusiasm to make smarter more informed decisions based on data gathered by engaging more effectively with the public.



PwC devolution citizens juries

At PwC, we believe devolution in the UK has a part to play in delivering good growth and public service reform across the regions, but only if devolving power, resource and accountability results in a real impact on the day-to-day aspiration, experience and engagement of citizens and communities. During the 2016 Party Conference season, we worked with UK Research Agency BritainThinks to convene Citizens' Juries exploring public perspectives on devolution in the West Midlands and Liverpool. Each Jury brought together 24 members of the public, from across the different geographies, to spend a day deliberating on devolution issues such as what are the qualities of a good mayor and how can the public best be engaged in devolution and decision-making. We took the findings to key parliamentarians attending the conferences. More on the findings is available [here](#).



The research shows that it's less a case of these people being 'hard to reach', and more that there's more that government could do to engage with people on their own terms. There is potential to revitalise many of the UK's 'forgotten places' by using smarter digital methods of public engagement to ensure people have a voice, and ultimately to make more effective and localised decisions on how services are shaped or money is spent.

Some places are already making efforts to engage in different ways with the public. For example, one of the local leaders that was interviewed for the Local State We're In research described their plans to create an offline public panel that deliberately incentivised people that don't necessarily always respond to get involved. Others spoke of the need to shift from consultation with the public to co-creation. Interviewees also said the Citizens Jury model is being used in a number of places on a range of topics.

If the government can harness the benefits technology offers in engaging with the public and giving them a greater say this will revitalise many of the UK's 'left behind' places, and fundamentally make the UK a fairer society. The UK Government will be undertaking a comprehensive Spending Review in 2020, so this is the ideal opportunity to explore what more can be done to reconnect the public with government and public services - and promote fairness. Our future prosperity and wellbeing depend upon it.



West Midlands Mental Health Commission uses the Citizens' Jury model

In Spring 2016 15 West Midlands residents with experience of mental health problems, met for eight deliberative sessions with a view to producing recommendations for the West Midlands Mental Health Commission. The West Midlands Mental Health Commission advises government and the West Midlands Combined Authority on how public services can be transformed. The Citizens Jury shared their stories and perspectives and worked together to generate a set of twenty recommendations that the Commission considered in the development of their Action Plan. In January 2017 the West Midlands Mental Health Commission Action Plan was launched by UK Parliamentarian Norman Lamb MP. The Commission is continuing to use this citizen engagement model.

To access the full report, click [here](#).

Authors



Quentin Cole

Leader of Industry for Government
and Health Industries

PwC United Kingdom

E quentin.r.cole@pwc.com





Peter Konidaris

Interview with Sally Capp, Lord Mayor of Melbourne

Sally Capp was elected Lord Mayor of Melbourne in May 2018, the first woman to be directly elected as Lord Mayor. She chairs the Major Projects portfolio and the Major Events portfolio. Sally was also the first woman to hold the post of Agent-General for Victoria in the UK, Europe and Israel. She has also served as the CEO for the Committee for Melbourne and COO of the Victorian Chamber of Commerce and Industry. PwC’s Victorian Government Leader, Peter Konidaris, was lucky enough to be able to sit down with Sally just over a year into Sally’s tenure as Lord Mayor of Melbourne to ask her a few questions.

What did you think would be your biggest challenge as Lord Mayor?

Well I anticipated that one of my biggest challenges was going to be the way in which I could work with the public because I’ve never been in a role where that scrutiny that judgement that support comes from the public and I was concerned about that, as whenever you take on something new you wonder how you’re going to manage it and you don’t have a sense of what the reality is going to be. Obviously I looked at politicians throughout my life and seen that interplay but really got quite nervous about what that public scrutiny and engagement was going to be.

The great thing is though, I’ve come to realise since I’ve been Lord Mayor, is although it does add a level or a degree of difficulty to some of the things we are trying to achieve and

certainly we have to put in a huge amount of effort with our engagement with the public and our citizens and the people that pay our rates, and the people that I represent. The other side of that has been that that engagement has resulted in the most incredible mandate from our citizens as to what they want to see happen and what we need to be doing. And the thousands of bits of feedback that I get every week, that feedback really helps me confidently take issues into our organisation and out into other public realms knowing that I am representing the views of our citizens and so what I anticipated as a big challenges something that was new to me and my career and my profession, has turned out to be something that’s an absolute gift and I use it every day.

And what has been the biggest challenge?

I guess there are two parts to that, first I hope I've realised that for long that even though I'm an absolutely passionate Melbournian and I have been for my entire life, I've realised that on so many issues I was really interested, I was sort of sitting on the sidelines and I wasn't fully engaged and involved in those issues. So there were certain opinions or views that I had or conclusions I'd reached and I realised, having come into this role that I was really only ever on the sidelines.

So the challenge of deep diving into issues that are important to this city and it's about the liveability today but it's also about the decisions we make that will impact the city and how it operates and how it supports people into the future. That dynamic is a really big challenge and something we take very seriously as a responsibility here at the city. So I think really understanding those issues and giving ourselves the opportunity to deep dive.

But the first thing is the realisation that we often think we're experts on things and we make assumptions and we have

perceptions and it's about moving away from that and it's a promise I made myself coming out of the campaign actually is to not accept stereotypes to not make those assumptions and to ask lots of questions and it was a great learning for me out of the campaign and into becoming Lord Mayor.

The other side of the challenge is that I've never worked as a politician within a level of government before and how 1) I really understand and work within the regulatory regimes that are set there to protect me and to protect the organisation and to protect the public. That's been a big learning curve for me. There are a lot of rules and regulations, I understand why they're there, so making sure we do that well. But we do need to still be a very forward thinking and proactive organisation. We need to be responsive to what's happening in our city and bringing those dynamics together in a political role is really interesting. Understanding where the boundaries are but also knowing when to push, to get the outcomes that we want, that's been another big learning curve for me.

You've been in the role for over a year now, what has been your greatest achievement?

I'm so honoured to be in this role as Lord Mayor of Melbourne and at such an exciting time and a challenging time as well, but an exciting time. And one of the reasons why it's such an honour for me is because every day I am grateful and proud of the things that are happening in this city and the people and the organisations that work behind the scenes, that operate below the line to really make this city absolutely extraordinary.

So one of the wonderful things for me in terms of achievement is that sense of becoming part of those machinations, being able to shine a light and provide support for more of those organisations doing great things and that's been a really overwhelming sense for me.

But there were a couple of key issues where we have really started to make some headway, key issues out of the campaign. One of them was Queen Victoria Market. One of the most iconic places in the city of Melbourne, both for its history but also what it means for our future. And it's a lovely combination of local elements that come together to serve the neighbourhood but also to provide one of our biggest tourist attractions. It did find itself in terms of the city's desire to invest in its future unfortunately had come to a bit of a stop just prior to the election and there's a lot of passion around the Queen Victoria Market. One of the great things have been able to do over the last 17 months is really get that process going again so that we feel confident about the redevelopment, we've got great consensus across community, traders and people across

Melbourne more broadly on what we want to see happen there. And that redevelopment and renewal program is underway so that's very exciting. And we've gone through a huge amount of consultation to get to that point so a big effort by everyone.

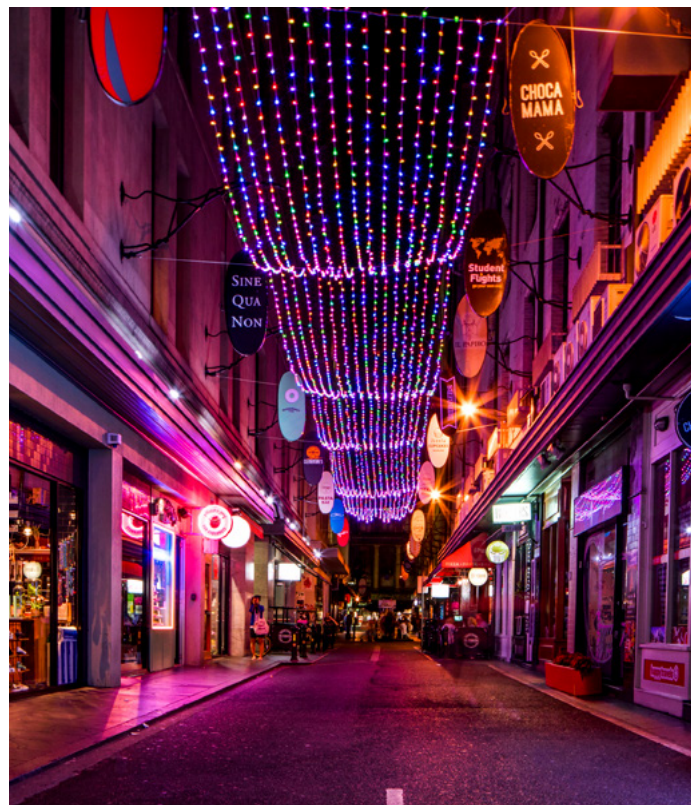
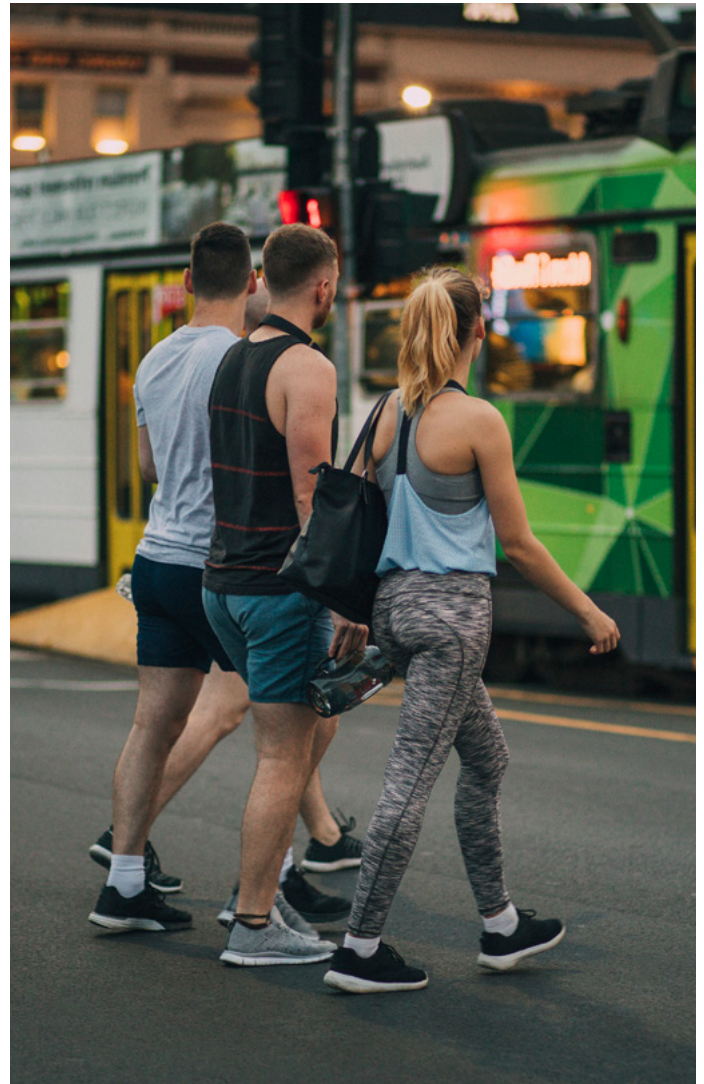
The other big issue is homelessness and for us in the city of Melbourne it's very much about our rough sleepers. We know that there are about 300 people who are sleeping on our streets every night and we feel we can do something about that. The entire homeless population is much bigger and there are coordinated efforts federal, state, local governments, community groups etc across that homelessness spectrum. But for the City of Melbourne and our other inner-city municipalities, the rough sleepers, the people who are at their most vulnerable that find themselves with the only option to sleep on our streets, it's just unacceptable, as a city and as a community. And so we've come together in collaboration with our inner city municipality governments to really step into that issue and say "we can do something about this", we can do more to provide a safe place to sleep every night, with support services there to help those people on that journey out of homelessness. Again we stereotype rough sleepers, they are individuals, they are humans, they deserve our respect, we need to show that we value them and we can help them. And so we have a project well under way now to provide those 300 extra beds with the support services so that there is somewhere safe for people to go every night and that's going to be fantastic.

And what does the year ahead hold?

The breadth of what we become involved in at local government is really impressive, everything from lollipop people who man the schools every morning and maternal health services through to Aged Care Services, start-up businesses through to helping what is now a very sophisticated knowledge economy here in Melbourne. We are very aware of the fact that as the fastest growing city in Australia, that enviable lifestyle we have is certainly under pressure. And it's at these moments where we all as leaders in the city need to be making sure that we're collaborating to make those decisions that will continue that standard that we enjoy but also make sure we're setting our community up for success in the future.

And so those elements of liveability are really a key focus for us not just over the next year but certainly there are some key strategic milestones, we've just signed off on our transport plan which takes us to 2030 and beyond which is very much a focus on "how do we have a productive but also enjoyable city centre".

We are very focused at the moment on our housing strategy. We know that great cities don't have homogeneous housing because that results in a homogeneous population which is not good for anyone. We need to have a diversity of dwelling type, we need to make sure there's affordability at every part of that housing spectrum so that we can welcome everybody into this city, because we need that diversity to be able to deliver something that's absolutely fantastic. So that focus and our efforts at the moment to very much around that housing strategy.




What do the pillars of community and prosperity look like for you?

These were two key pillars during the campaign last year and they're absolutely interlinked, but what I've come to realise as a result of all of the interaction with our community here in Melbourne is that it's the sense of Melbourne as a "city for people" and as a caring city that really differentiates us. And it is the number one thing that people write to me about, is that sense of really caring about people and caring about how we make sure that everyone has an opportunity to be healthy, to be happy and to be able to realise their full potential in this city. And I love that because so many of the agendas that happen within government are very much around infrastructure, and what are we building and things that are tangible, that we can say that we've delivered and yet ultimately we are doing all of those things so that we're creating a great city for people. And to me, the community prosperity is really about bringing those concepts together so that we have a city in which people can flourish.

Are there any cities globally that you look to for inspiration?

So many! I love travel and I've just come back from visiting the US and just talking to people in the airports on the way home, just random people... One of the interesting sort of common themes, was that even though we do spend time away, and Australians love to travel, there's certainly always that excitement about coming home. And travel does help you appreciate the things that are fantastic about Melbourne as a city. But I have spent time in London, I've lived in other parts of Europe and also in the United States and really it's the sense of connectedness that I look for in cities. It's that sense of people engaging with each other or being involved or proactive in different activities around the city; What are they? Because those sorts of activities, for example Melbourne has lots of festivals as you know, we are the live music capital, we have lots of public parks and gardens and galleries and those sorts of things, that's an expression of us as a community. And they are the sorts of things I look for in cities overseas, what are those elements, what can we learn from.

To me it goes to the fabric of what makes those communities and what we can learn from. But the one thing I do really look at, at major cities that I admire, whether it's a city like London, and I've just come back from New York, is that an increase in density in those cities doesn't mean a decrease in liveability. And one of the ways of making sure you achieve that balance is to ensure that yes, there are lots of those spaces in the public realm that can be shared by people; but also what are the elements of that community that really bind people together.



“And I know from looking at happiness indexes, and I know that you're pulse report has just been out, where there are more people in communities and where they actually managed to connect people feel happier, they feel safer and they feel more purposeful.”

And so it's ironic that in Australia, we still have quite a lot of nimbysism “not in my backyard” we seem to discourage development and density. And yet by having more people we're actually going to achieve high levels of happiness, safety and a sense of purposefulness. And so I think density is still a really big challenge for us in Australia

But it's true I mean if you go to those big cities, as we lived in London for those three years, people are happy and their density is almost 6 times what it is in Melbourne. So it's got a lot of capacity.



Authors



Peter Konidaris
Partner, Victorian Government
Leader

Melbourne

E peter.konidaris@pwc.com

To watch a video of this interview go to: <https://pwc.to/2UetKwP>



[pwc.com.au/government-matters](https://www.pwc.com.au/government-matters)

© 2020 PricewaterhouseCoopers. All rights reserved.

PwC refers to the Australia member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details. This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors. Liability limited by a scheme approved under Professional Standards Legislation.

At PwC Australia our purpose is to build trust in society and solve important problems. PwC is a network of firms in 158 countries with over 250,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.au.

127074588