

PROPOSAL FOR THE LORD MAYOR AND COUNCIL OF THE CITY OF
MELBOURNE

10-YEAR FINANCIAL PLAN: PREPARING FOR OUR CITY'S GROWTH

PROCESS DESIGN OVERVIEW:

IDENTIFYING THE VIEW OF AN INFORMED PUBLIC

Overview

The following process design attempts to deliver one of the largest public community engagement and participatory budgeting processes which will demonstrate the capacity of everyday citizens to solve a challenging public problem.

It operates in the “deliberative sweet spot” where all political solutions are open to equivalent levels of criticism. The City of Melbourne is open to adjusting its financial course for the coming decade and it faces the invidious choice of being “the council who cuts services, or the council who raises rates”.

The challenge of prioritisation, and implicitly who and what you say ‘no’ to, represents the key hurdle to making trusted public decisions and warrants testing in a major capital city environment.

Background and Context

Currently, the City of Melbourne has annual revenues of close to \$400m p.a. (FY15), with revenue generated from rates of \$230.1m (approximately 68% commercial, 32% residential), parking revenue of \$46.4m, parking infringements of \$40.7m, investment portfolio returns of \$25.1m, capital works contributions of \$13.1m, and state grants and subsidies of approximately \$10.7 m.

Council has committed to a range of projects and long-term strategies which require funding over the next decade. This includes the largest investment in its history, with up to \$250 million to be spent on the renewal of Queen Victoria Market, as well as an open space strategy and structure plans to accommodate population and jobs growth across the city. New works, community infrastructure and the renewal of existing assets and facilities will also continue to require significant funds.

Melbourne is the fastest growing city in Australia with significant population growth expected over the next decade and beyond. Since 2001 its residential population has doubled to over 116,000. By 2021, this is expected to grow to over 150,000 and almost 200,000 by 2031.

This growth will bring increased demand on the City of Melbourne's services and new financial challenges and opportunities. Despite its strong financial position, the City of Melbourne's funding is finite. Its spending can't keep pace with growth in its current form and it needs to consider how it can remain one of the world's most liveable cities while addressing these financial challenges.

Unlike state and federal governments, it has more limited revenue streams at its disposal. Rates and fees are its key source of funds but this growth is limited. The City of Melbourne has not increased rates at the same pace as CPI for eight of the last twelve years, and other key revenue sources (parking and fines) have reached what is expected to be peak revenue levels.

The newDemocracy Foundation is working with the City of Melbourne to facilitate an informed, deliberated public view as to how the City of Melbourne can address these financial challenges when developing its long term financial plan . We need to use the most representative possible process in order to gain the greatest possible public trust around the solution.

*(**Text for this section was supplied by the City of Melbourne)*

Project Objective

The objective of this deliberative process is to provide council with **clarity of intent** regarding the community's views on its spending priorities and how they should be funded over the next decade.

Success would involve a **clear consensus emerging** from a group of people that reflect the community who are immersed in the issue across several months. The group will be a cross section of commercial ratepayers, owner occupying residents and tenants spread across the broadest possible demographic range in proportion to their presence in the community.

The related research question will be for the Foundation to measure public confidence in the approach being taken, and thus a quantified extent of its practical use.

The process will empower elected representatives with an informed view from a group of people that reflect a 'mini public' of the community. They will not be subject to the pressures of the media or non-deliberative vox pop democracy. The People's Panel selects experts of their own choosing and the Foundation will fiercely protect the neutrality of information provision. Expert groups, interest groups, community groups and lobbyists will be invited to present their information but it is up to the randomly selected citizens of the People's Panel to determine the relevance of this information in developing its own recommendations.

A deliberative process is focused on fairness, long term viability and public trust.

About The newDemocracy Foundation

The newDemocracy Foundation (NDF) is a not-for-profit research group, with a particular focus on best practice citizen engagement and innovations in democratic structures. NDF believes that many

consultation processes consist of feedback forum events largely attended by interest groups and hyper-interested individuals.

Such processes do not result in communities feeling they have had a say. In contrast, NDF's proposal is to provide a jury-style process which enables a more representative section of the community to deliberate and find a consensus response. By combining the three elements of random selection, the provision of time and access to all information, and independently facilitated forums for dialogue, a much more robust and publicly trusted outcome can be obtained which can assist governments in achieving public acceptance of hard tradeoffs.

NDF provides design frameworks for public deliberation and overall innovation in democratic models. Our research and advocacy is focussed on identifying less adversarial and more inclusive public decision-making processes. Our services are provided on a cost recovery basis - consistent with our structure as a not-for-profit research Foundation, with services provided pro bono on occasion. We are not a think tank and hold no policy views. We also commission independent third-party research which occurs in parallel to the process in order to ensure robustness and to capture the potential for improvements to existing democratic processes.

Rationale: Growing Trust through Public Accountability and Transparency

The newDemocracy Foundation contends that if the public was told that 40 of their fellow citizens had reached consensus around a given solution after studying detailed information and hearing from subject-matter experts of their own choosing, then the community is more likely to trust this process over the announcement of the *exact same outcomes* delivered by a Premier, a Minister, a Lord Mayor, a Councillor or an individual expert.

In a murder trial, public trust is placed in a jury's verdict, without looking at each piece of evidence, because a trusted group of citizens was given sufficient time and access to information – and was free from outside influences (or even the perception of such influences). There is ample research evidence that supports that this same model can be applied to public decisions in general. More than 1100 case studies have shown that, by giving a representative panel time and information upon which to deliberate, stronger public engagement is achieved – as well as higher quality decisions (Diversity Theorem).

It should be noted that traditional models of community engagement do not contribute substantially to acceptance of the final decision: those with a specific interest and the loudest voices tend to dominate. The newDemocracy Foundation will encourage all these interest groups to make their cases to the People's Panel so that these panels are heard without having a disproportionate influence.

Methodology

It is proposed that a **People's Panel** (PP) of 43 participants will be convened for approximately three months for five to six face-to-face meetings (five will be scheduled, but provision made for extra

time at the People's Panel discretion). The participant count is slightly fluid to allow for the statistical profile match to the Census to be maintained even if there is a shortfall in a single category. There is negligible statistical impact (in confidence level and confidence interval) on representation within that range. It is notable that recent research from Princeton on the 'wisdom of crowds' highlights the greater capacity of small groups rather than large in complex situations (read more: <http://rspb.royalsocietypublishing.org/content/281/1784/20133305>)

The participant number is based on relying on a 95% confidence level and a 15% confidence interval. These statistical labels simply mean that, firstly, we can be 95% sure that the 'descriptive match' to the community would be repeated on any random sample. The confidence interval figure is large as we work on consensus, generally unanimous but occasionally with a noted minority report made: with a simple majority an interval of +-2% would change a 51-49 decision. However this process relies on supermajority decisions with a floor of 80% of participants agreeing to a recommendation: as a result the +-15% interval still represents a compelling supermajority even at the extreme end of the error margin. Statistical tools and definitions are available here: <http://www.surveysystem.com/sscalc.htm>

The People's Panel will be complemented by a range of traditional engagement techniques (pop up style engagement, websites, forums, online tools, Advisory Committees etc.) to build on the passion and knowledge found in the actively engaged community. This encourages self-selected groups to discuss and share with a view to making a submission to be considered by the People's Panel of their peers. An online platform thus serves a dual role as a gathering place for finished ideas, and as a forum space for disparate groups to work within.

Random selection is a key tool used to identify participants as a means of securing a descriptively representative sample of the community. NDF will use land titles database address records (not simply name/ biller records) to ensure tenants are reached. Stratification will be used to ensure a mix (matched to Census data) by age, gender, ratepayer status and location (CBD/ non-CBD). Representation by self-identified ethnic identity is achieved naturally by the randomisation element (with some limited exceptions where cultures have firm traditions of not talking to government and populations are relatively new – however they can be included through other consultative techniques which funnel results into the People's Panel deliberations) and assisted by using ratepayer status as a surrogate indicator of income and education. This is not claimed as a "perfect" method, but it delivers more representative sample than any other community process.

The key descriptive mix NDF will seek to achieve is that of business (small and large) and residents (owner occupiers and renters) in equal parts. While commercial ratepayers contribute 70% of income, NDF noted the contribution to revenue from parking and the nature of any capital city to be utilised by day workers and users of city services for shopping, dining and entertainment. In a comparatively small sample, each key contributor of revenues to the City will clearly see "people like me" in a sample drawn evenly in this way. Descriptively, we will secure old and young residents from around the city, while business ratepayers will see large and small organisations evenly spread within and outside the CBD.

For the residential component, NDF will rigidly adhere to the Census profile data below in drawing a stratified selection by age and gender. This can be done through the RSVP process with respondents asked a few demographic questions that can then be compared to the demography of the City of

Melbourne. For businesses within the City the profile focuses on number of employees as the simplest indicator of size (<20 being small business).

ABS data (Report 3235.0, 30 August 2013, Table 6) indicates that the voting age population in the City of Melbourne LGA is 26.4% in the 18-24 bracket, 36.5% 25-34, 13.5% 35-44, 8.7% 45-54, 7.5% 55-64 and 7.5% over 65.

For commercial ratepayers, tenant status will not be a rigid variable as this is an outgoing frequently passed to the tenant through rent so the alignment of interests is maintained in a way not generally seen between residential ratepayers and tenants – the aim is to see businesses represented and whether they own or lease the premises will be treated agnostically.

The sample to be used here will *deliberately overlap* in order to maximise respondents from which to conduct the second round draw: one sample will be drawn from the database of commercial addresses (and so pick up tenants and owner occupiers), while a second sample will be contacted from within the business ratepayer database and addressed to the business owner where possible to ensure invitations reach a relevant person.. The rationale here is that unnamed invitations sent to large entities have little chance of reaching their target audience – while at a small business level they will be essential as larger ratepaying lessors would obscure the small business tenant community. Stratification will be required to ensure representation of both large and small ratepayers: we will aim to secure half (11) of the representatives from small business (<20 employees, 12,794 entities paying approximately \$27.3m in rates) and half from medium and larger business (2,732 entities paying over \$140m in rates, with a notable subset of 352 large businesses with over 200 employees) and will be agnostic as to tenancy status. The rationale remains one of securing descriptive representation (“people like me were involved”) and the criteria is one of ‘large and small’ ratepayers rather than an attempt to capture ratepayers at every tier of payment level.

Invitations to participate in the PBJ will be extended to a randomly selected sample of **6,000** general addresses taken from Council’s ratepayer database (capturing residential owners and occupiers, as well as business’ physical addresses).The notable and significant presence of young people in the Census profile means that support has been requested from the University of Melbourne to provide an additional **1000** name dataset (mailed directly by them to ensure no sharing of personal data). For the named invitations a sample of **500** business addresses will be secured – this floods the initial sample seeking those making themselves available while having no impact on the final makeup of the People’s Panel which remains in the proportions detailed previously: it is simply a measure to ensure awareness of the process and ensure there is enough depth to the second round random draw.

Recipients of the invitation will be invited to register electronically with nDF to indicate that they are available for the final selection. Based on those available, a further stratified random draw is then conducted which seeks to randomly match to the stratification specifications set out above.

The response list is then checked against the original invitation list. NDF has previously used unique security codes on each invitation to prevent the invitations being passed on (defeating the random element), but in practice the simple measure of automatically ensuring addresses registered match to one where we sent an invitation has proven sufficient – it is very easy to call to confirm a

registration and ask where they received it if we can see we didn't post one. (We make these calls as occasionally a business owner will receive one at a work address and register from a home address.)

Just as in juries payment of per diems is strongly advised so as to avoid excluding participants who may find this a hardship.

Selection of Participants

Invitations for the People's Panel would be issued to around 6,500 addresses in total, ideally being complemented by the additional random draw from University of Melbourne to maximise the response rate in the 18-24 category which is highly challenging to secure.

Invitations should come from the Lord Mayor on behalf of the entire Council, while using the newDemocracy name to note the independence of a selection process which is outside the control of Council. They will explain the process and ask the recipient to decide to confirm availability for selection in the PBJ. *(5% response rate required)*

From the positive responses, a sample is drawn electronically based on the pre-agreed stratification goals referred to above. The aim is to achieve a group descriptively representative of the community even if one subset of the community responds disproportionately to the initial invitation. The key measure of success is partly subjective: do councillors (and the media) see a group that looks like who they see walking through the streets of Melbourne?

The sample drawn is contacted by email seeking a confirmation in writing from the participant, and NDF also contacts each participant 2-3 times by phone prior to the first meeting to build a personal commitment to participating: once underway we can't backfill for non-attendees so those selected need to feel sufficiently engaged to attend on the first day regardless of other circumstances.

The sample (which incorporates a number of reserves) will be provided a comprehensive schedule, code of conduct and explanatory kit of pre-reading (generally an online private forum with a library of documents and submissions), with a request of the recipient to provide a final acceptance allowing NDF to finalise the panel.

The group is convened solely for this process: any future deliberative process requires recommencing a fresh selection process.

Preparation and Information Process

Information and judgement are required in equal parts to reach decisions. newDemocracy advocates these processes because the judgement of random samples (or mini-publics) has been shown to achieve very high levels of public trust because they are non-partisan. It is thus imperative that the method of provision of information to the policy panel does not erode that trust.

Council will be asked to "open the books" and respond to information requests of the People's Panel. A detailed summary of Council's current financial plan and levels of service will be provided as a baseline.

Information selection can be a very time consuming process. A portion of this work comes from the self-interested willingness of advocacy groups and interested third parties to engage via submissions of their own independent work. A public call for submissions is thus factored into the design, and the operation of the People's Panel allows it to ask to hear more from the author of any submission.

A series of stakeholder briefings will also be held, and while this is done in every process it is particularly notable given the skew in rates income to a small group of landholders who must have a chance to interrogate our methodology and feel comfortable that it passes a fairness test.

It is recommended that an online discussion forum (for the use of the Panel and visible to the public) be operated as part of the process. nDF currently works with BangTheTable, who are a donor of in-kind services to nDF. We generally use any existing platform licensed by Council and continue to seek out new platforms given the difficulty of eliciting considered views in an online environment.

What Does the People's Panel Decide?

It is of central importance that the limit of the group's decision-making authority is pre-agreed and clearly conveyed. This must be expressed simply, broadly and openly so as not to be interpreted as directing a particular decision. For example, there cannot be an implicit preference to retaining levels of service at the expense of new capital works hence the very broad question posed. If there is a particular area of Council operations which is off limits, then this needs to be declared at the outset.

It is proposed that the remit of the panel is to reach agreement on:

Melbourne is growing and changing and the next decade will bring increased demand on our services, as well as new challenges and opportunities.

How can Melbourne remain one of the most liveable cities in the world while maintaining a strong financial position into the future?

In terms of authority, it is proposed that:

Council will listen to the panel's views and consider all recommendations when developing its ten year financial plan.

As part of this commitment, Council will meet with the panel and formally respond to all of its recommendations.

In short, this needs to pass the test of being the single best offer to participate that a citizen can ever expect to receive and this is central to the very high positive response rates we get for People's Panel invitations of this type.

What Constitutes a Decision?

In order to shift the public mindset from adversarial, two-party, either/or contests and convey a message of broad-based support for the recommendations, nDF recommends an 80% supermajority

be required for a final decision from the People's Panel. In practice, citizens' panels tend to reach consensus (or group consent) positions with minority voices included in any report; they rarely need to go to a vote. Decisions are frequently unanimous.

Operations

A skilled facilitator will be required for the process and should ideally be recognised by the International Association of Public Participation (IAP2).

The newDemocracy Foundation will operate the People's Panel selection process to ensure there is the highest public confidence in the rigour and independence of the randomisation of invitations (and by extension as to why a given individual was not selected). As we have experienced in other processes, the public will accept our 'rejection' far more easily than if this is required to come from government, as principal.

Meetings would ideally take place within government or university facilities available at negligible cost. Council buildings are preferred and convey the right message (regarding authority) to participants.

The newDemocracy Foundation recommends an integrated print and distribution service capable of very fast turnaround production for invitations while ensuring no data is actually provided to the Foundation.

Media Role

The role of the media in supplying information about the exercise is crucial. We have noted in other processes that the community should have the chance to see and identify with the people involved: an evoked response of *"people like me made the decision"* will see the recommendation earn widespread trust.

For this to be achieved in a communications environment where the community believe much of what they see in the news is "staged", it is imperative we introduce the People's Panel who will be deliberating as early as possible in the deliberative process (ideally just after the first meeting) and well before any direction (of their recommendations) is known. If the community trust the participants, they will trust the recommendations. For this to occur you cannot be seeing the participants for the first time when you read of their recommendations or the benefit is largely lost. Uniquely (when compared with other deliberative processes) the City's decisive commitment early will deliver this media response.

Costing Outline

Key cost areas are outlined below. The Foundation will provide these on a cost recovery basis with original invoices provided or Council can choose to procure services directly (preferred).

- a. Printing and postage (7,500 invitations to print plus postage) estimated at \$10000.
- b. Catering of \$18,150 (6 days x 55pax @ \$55ph).

c. Independent facilitators for a total cost of \$45,000.

d. Participant per diems of \$21, 500 (\$500 x 43)

e. Provision should be made within the budget for a reasonable level of expenses (travel and accommodation) and executive time for nDF representatives: estimated at \$5,000.

Items a-e amount to **\$99,650**

These service providers may be retained by the Council directly, or on a cost-recovery basis only by the Foundation (original invoices supplied). Process design and selection administration will be provided by the Foundation on the cost recovery basis included in point 'e' above.

As a research institute the Foundation requests:

i. that the City of Melbourne funds a research project to capture what is learned through the innovation process up to the value of \$25,000. As part of our ATO compliance, the topic of research will be set by the Research Committee of The newDemocracy Foundation, while the research project will be conducted by a local university. Council's evaluation needs can be included within the project specification.

ii. that a research contribution of \$20,000 is made to the newDemocracy Fund which contributes to the operation of the Research Committee and to the future of improving democracy in Australia.

These research items amount to **\$45,000.**

Key Issues to be managed:

- Council's agreement as to remit and authority.
- Interface with internal subject matter experts and contributors to ensure accessibility and availability for participation.
- Interest group buy-in and focus on breadth of submissions, and communication of the opportunity to make a submission.
- Allocation of responsibilities for communications task for City of Melbourne media team (this is also an education campaign for the broader community for a new concept, and needs to be approached as such).

TIMELINE FOR 2014 DELIBERATIVE PROCESS:

CITY OF MELBOURNE

IDENTIFYING THE VIEW OF AN INFORMED PUBLIC

Topic: Melbourne is growing and changing and the next decade will bring increased demand on our services, as well as new challenges and opportunities.

How can Melbourne remain one of the most livable cities in the world while maintaining our strong financial position in the future?

The People’s Panel is asked for specific, measurable and actionable recommendations.

<p>Late May 2014 “Kickoff”</p>	<p>City of Melbourne and New Democracy preparatory planning session. Key topics:</p> <ul style="list-style-type: none"> ➤ Identify required background materials and expert/ contributor program for inclusion. ➤ Identify communication targets for submissions and contributions (interest group involvement). Include media. ➤ Revise/ amend/ review program dates and goals. ➤ Agree media and communications protocols – how we work together. ➤ Final budget approval by each party. ➤ Finalise date specifics – check for major event clashes. ➤ Finalise venues. ➤ Agree Academic Oversight Representatives & Research Partner.
<p>June</p>	<p>Printed invitation sent to a random sample of 6,500 citizens, plus approx. possible additional 1000 from a student data set. (Sample extract secured as .xls by week 4 May, sent by Tues 10th June)</p> <p>Agree <i>RSVP deadline + 3 weeks</i>. (approx. July 3rd)</p> <p><u>Deadline</u> for recruitment and briefing of independent, skilled lead facilitator.</p> <p>Selection of online platform services (including moderators).</p> <p>Call for submissions and stakeholder briefings commence late June.</p>
<p>July</p>	<p>First round selection to secure representatives</p> <ul style="list-style-type: none"> ➤ Seeking approx. 45-50 citizens (43 + reserves). ➤ Explanation of commitment required: attendance at all elements of process, including potential online discussion presence. ➤ Stratified random sample to deliver descriptive match to community

	(NDF to provide technology/ expertise and to call each selected participant). <i>N.B. List of attendees will not be provided to Council.</i>
Mid July 2013	Finalisation of Panels. Provision of welcome kit of materials. Live online discussion environment for participants with a focus on agreeing early expert speakers. Active third party content available as well as Council material
July (timing tbc)	Media briefing to explain process. Lord Mayor and Councillor support required.
Day 1 Saturday 23 August <i>(Full day required)</i>	<p>Opening day: The First Deliberation– The Learning Phase</p> <ul style="list-style-type: none"> ➤ Introduction of the topic upon which they will deliberate: understanding remit and authority. Explanation of influence and context: what will be done with the results the People’s Panel produces. ➤ Introduction of the process, and its precedents; understanding the inevitability of bias & importance of constructive, critical thinking/doing. ➤ Agreement on People’s Panel guidelines for participation. ➤ Panel sessions with 2-3 expert speakers driven by each group’s online discussions prior to meeting. Includes open Q&A. Likely to be Council Financial staff providing initial educational briefing sessions ➤ Group to identify speakers sought for future assemblies. ➤ Ensure familiarity with and acceptability of online tools <p>Welcome from Lord Mayor strongly recommended if possible. (9-10am)</p>
Day 2 Saturday 13 Sep <i>(Full day required)</i>	<p>The Second Deliberation – Understanding</p> <p>People’s Panel will still be exploring content from background materials and ‘learning what they don’t know’ to generate further requests for information and expertise.</p> <p>Subject to scheduling a speed dialogue session with Councillors should be included at this meeting.</p> <p>Ongoing online discourse among the panellists is encouraged during the “away” period.</p>
Day 3 Saturday 4 Oct <i>(Full day required)</i>	<p>The Third Deliberation – Focus</p> <p>The People’s Panel will be asked to agree a structure for their report/ presentation to the Council. No templates or pre-written content is provided – it is important they start from a blank sheet of paper rather than endorsing a Draft document produced by Government.</p> <p>Two or three further speakers, and potentially a technical session, are likely at this meeting. A ‘key stakeholder’ panel discussion may be scheduled to maximise knowledge/ perspective sharing opportunity.</p>

Monday following	<i>Convenors' Review: do the participants need more time or assistance to come to a full understanding of their choices? Potential to extend meeting schedule at this point while still meeting final date requirement.</i>
Day 4 Saturday 18 Oct	<p>The Fourth Deliberation – Reflect. Discuss. Deliberate.</p> <p>The goal is to provide a face-to-face forum for the jurors to reconvene to discuss their views in small groups. The facilitator should encourage groups to move toward commencing the prioritisation task and end the day with a “long list” of priorities and possible funding structures. The draft report has form but may still have “rough edges”. An Executive Summary of 5-7 top priorities should be agreed but specific action items within those areas may still be amended.</p> <p>A councillor roundtable session (rotating among the jurors in small table groups) may be utilised to ‘sanity test’ recommendations prior to report completion.</p>
Day 5 Saturday 25 October	<p>The Fifth Deliberation – Shared Goals</p> <p>Consensus session which may incorporate new information to reinforce or support the recommendations. A read-through session to finalise the draft report.</p> <p>Recommendation(s) must be Specific, Measurable, Actionable, Realistic and with a Time horizon.</p>
TBC	<p>Shared Decisions – Discourse with the Lord Mayor and Councillors</p> <p>Delivery of a prioritised list of reform recommendations by the People’s Panel to the Lord Mayor and Council. The Lord Mayor have a discussion with the People’s Panel having had a chance to review the report.</p>
Monday Oct 28 th	Process debrief and agreement on Action Items.