

Report for the Minister for Local Government

Municipal Monitors appointed to Hobsons Bay City Council

1. Background

1.1 Appointment

Municipal Monitors were appointed to Hobsons Bay City Council by the former Minister for Local Government under section 179(1) of the Local Government Act 2020. Mr John Tanner AM was initially appointed for the period 2 June to 31 December 2025. In response to ongoing governance concerns, the former Minister determined that it would be appropriate to extend Monitor oversight through to 30 June 2026.

On this basis, Mr Tanner's appointment was extended for the duration of the extended oversight period, and Ms Rebecca McKenzie was appointed as a second Monitor for the period 1 January 2026 to 30 June 2026.

The appointment of Monitors to Hobsons Bay City Council was in response to serious governance concerns raised by both the Council and the Local Government Inspectorate. The objective was to ensure good governance was restored so that Council services could be delivered effectively, the health and wellbeing of staff prioritised, and the community better involved and represented.

1.2 Terms of Reference

The Terms of Reference for the appointments required the Municipal Monitors to monitor governance processes and practices, identify underlying causes of governance issues, assist the Council to develop governance improvement actions, and report to the Minister on actions taken, effectiveness and recommendations.

A copy of the Terms of Reference is provided as Attachment 1 to this report.

1.3 Context for the City of Hobsons Bay

1.3.1 The Area

Hobsons Bay City Council is situated on Port Phillip Bay in Melbourne's inner-western metropolitan region around 10 kms west of central Melbourne, on the traditional lands of the Bunurong people. It covers an area of approximately 66 square kilometres including the suburbs of Altona, Altona Meadows, Altona North, Brooklyn, Laverton, Newport, Seabrook, Seaholme, Spotswood and Williamstown. Hobsons Bay was created on 22 June 1994 following the amalgamation of the former Cities of Williamstown and Altona with parts of Laverton and South Kingsville.

Hobsons Bay enjoys more than 20 kilometres of bay frontage, quality residential areas, a huge expanse of environmentally significant open space and a range of major industrial complexes, which contribute significantly to the economy of Victoria. Each suburb has its own unique character, from the historic seaport of Williamstown with its range of heritage buildings, to the more recently developed residential

1 Report for the Minister for Local Government Report for the Minister for Local Government Report for the Minister for Local Government Municipal Monitors appointed to Hobsons Bay City Council report

areas of Altona Meadows and Seabrook. These features together contribute to the City's culture, which is strongly linked to its maritime heritage, environment, industry and lifestyle.

The 2024–25 Annual Report noted that in 2023, Hobsons Bay had an estimated resident population of 93,738, which is forecast to increase to 113,134 by 2046.

1.3.2 The Elected Council

There are seven Councillors elected across the seven Wards that represent Hobsons Bay. The three ward system of the previous term was replaced in 2024, with each Councillor now overseeing their own individual wards as follows:

- **Altona Ward** represented by Cr Daria Kellander
- **Altona Meadows Ward** represented by Cr Diana Grima
- **Altona North Ward** represented by Cr Rayane Hawli
- **Laverton Ward** represented by Cr Paddy Keys-Macpherson
- **Spotswood Ward** represented by Cr Kristin Bishop
- **Williamstown Ward** represented by Cr Lisa Bentley
- **Williamstown North Ward** represented by Cr Michael Disbury

Notably, of the seven councillors elected, only two, Crs Kellander and Grima, had previous experience as councillors (29% of the Council). This compares with a State average of 45% returning councillors.

The Local Government Act 2020 provides councils with the option of electing either just a Mayor or a Mayor and Deputy Mayor, and for either a one- or two-year term. In 2024, the councillors elected Cr Kellander as Mayor and Cr Hawli as Deputy Mayor for a one-year term. In November 2025, councillors elected Cr Grima as Mayor and Cr Bentley as Deputy Mayor, also for a one-year term.

1.3.3 The Organisation

Like most Councils across Victoria, Hobsons Bay delivers more than 100 community services via a blend of in-house and contracted service provision. Its executive structure currently comprises a CEO, three directors and the Chief People Officer, leading a workforce of approximately 700 FTE staff.

Financially, Hobsons Bay oversees an annual budget in the order of \$200 million, with a capital works program of approximately \$50 million per annum. Council is responsible for stewardship of \$1.7 billion of community assets and infrastructure.

An important part of the context of Hobsons Bay of relevance to this report is the turnover in the position of Chief Executive Officer during this Council's term. The trust relationship between the elected Councillors and the then Chief Executive Officer deteriorated in late 2024 when Councillors became aware of concerns about both safety in the workplace and the CEO's fulfilment of his duties. The CEO was suspended in January 2025 pending further investigations, eventually resigning his position and departing the organisation in April 2025. The Council's Acting CEO, an internal appointee, also departed the organisation early in 2025.

An interim CEO with substantial sector experience was appointed on 3 March 2025 and remained in the role until the commencement of the new substantive CEO on Monday 19 January 2026. Further commentary on the CEO appointment process is outlined in section 3b of this report.

The Interim CEO inherited an organisation with a substantial number of vacancies, including at executive and senior levels. To maintain service continuity, several interim appointments and consultants were

engaged. This resulted in unavoidable insecurity in permanent leadership, which was deeply destabilising to the organisation and negatively impacted the usual period of 'formation' between the organisation and the councillor group following an election.

1.3.4 History of Integrity Matters

In June 2024, the Local Government Inspectorate commenced an investigation at Hobsons Bay. The investigation considered a range of governance-related matters, many of which related in some ways to the Terms of Reference for our work. The Local Government Inspectorate's final report was received by Council in December 2025, 18 months after the investigation commenced and six months following the commencement of Monitor oversight. The Inspectorate's recommendations have been incorporated by Council into the Council Improvement Action Plan, discussed in more detail in section 3 of this report.

2. Monitoring activities

We observed Council and committee meetings, reviewed governance policies and procedures, engaged with councillors, the Chief Executive Officer and senior staff, and monitored progress on governance improvement actions.

This included:

- Weekly meeting with the Mayor
- Weekly meetings with the CEO (including with the Interim CEO)
- Weekly meetings with the Mayor and CEO together
- Fortnightly meetings / development conversations with the Mayor and Deputy Mayor together
- Weekly meetings with the Executive and Governance staff
- Individual meetings with Councillors and members of the executive as required or on request
- Individual meetings with governance staff
- Attendance at Councillor Briefings
- Attendance at Ordinary Council Meetings
- Attendance at CEO Employment and Remuneration Committee Meetings
- Attendance at Audit and Risk Committee Meetings
- Attendance at Councillor training sessions and workshops

A small number of matters arose during the monitoring period that necessitated referral to the Local Government Inspectorate. Support and advice were provided to the responsible Council staff in their management of these matters. It is our understanding that these matters have now been closed by the Local Government Inspectorate, and no further action is required.

3. Governance at the Council

This section sets out observations and findings in relation to the matters contained in the Terms of Reference, including actions taken by the Council and their effectiveness. Each area of the Terms of Reference is addressed in turn. Please note that some matters may be mentioned more than once if they relate to multiple areas of the Terms of Reference.

a. the functions and responsibilities of the Council's Audit and Risk Committee (ARC), including any matters relevant to its establishment and the Audit and Risk Committee Charter;

Progress made

- The Audit and Risk Committee Charter was reviewed and strengthened in late 2025 to ensure that there are appropriate organisational structures, access and reporting arrangements in place across all risk categories, including culture and organisational wellbeing. The changes addressed concerns raised by previous Audit and Risk Committee members, and the revised Charter is now consistent with sector best practice.
- The membership of the Committee has been renewed, with three new independent members appointed through a competitive, merit-based process. The independent members bring a balance of senior management, finance, accounting, audit and local government experience. The first meeting of the Committee was held in December 2025, and it has met twice since.
- The Audit Committee Chair reports that he is confident in the skills of the independent members, that they have demonstrated diligence in the conduct of their duties in line with their terms of reference. He was also complimentary of the support shown by Council and Council officers to the Committee to date.
- The ARC Charter provides for two councillors as member representatives. There is evidence that at least one of the councillors appointed to the Committee is engaged with its content, understands their role and the importance of the Committee as part of Council's broader governance framework. At the time of writing this report, it was difficult to assess whether this was equally true of the second delegate, as they had only been able to attend two of the three scheduled meetings. As part of our natural justice process, the second delegate has provided written assurance of their commitment to the ARC, to asking the hard questions, and to serving the Hobsons Bay community with diligence and integrity. The delegate is confident that his contributions will continue to grow as he gains more experience, and we support this view.
- A new contract for internal audit services commenced in late 2025 following a competitive tender process. Monitors have since met with the new auditors, who have reported that in their time working with the Council to date they have found a healthy risk management culture and a willingness to engage in transparent assurance processes. They reported that the executive had enthusiastically engaged in the development of a new internal audit plan, and the outcome is a forward program with a good mix of operational, compliance and financial audits. They reported no concerns when comparing Hobsons Bay to other councils for which they provide services.
- At the 15 June Council Briefing the Chair of the Audit and Risk Committee presented a comprehensive bi-annual report to Councillors. This will be tabled at the June Council meeting in compliance with the Act and the Committee's Charter.

Matters for further consideration

- We note that the new Committee has inherited a significant backlog of action items under their oversight. This included 55 open audit actions and 17 audit and risk committee items arising from previous agendas. There will be a need for the new Committee to review this pipeline of work to ensure that actions are consistent with the priorities established through the Council Plan and/or the Council Improvement Action Plan (refer section 3i below). This has been discussed with the Committee Chair who has agreed to manage this balance.

- The circumstances that led to the appointment of Monitors to Hobsons Bay were indicative of a long history of underinvestment in a good governance framework. While Council has appointed two councillors to the Audit and Risk Committee, consistent with its Charter, attendance at the Committee as an observer provides a good opportunity for all councillors to develop a deeper understanding of Council's financial framework and risk culture. This would be particularly helpful to first-term councillors growing their familiarity with local government. Councillors should be encouraged to participate as part of their ongoing professional development.

In summary, we are confident that the actions taken by the Council over the last 12 months to improve Audit and Risk Committee processes have set Council on a good path to satisfy the expectations of the *Local Government Act 2020*. We encourage all Councillors to proactively engage with the work of the Committee to continue to strengthen and embed good governance practices.

b. the Council's policies, processes and practices in relation to the recruitment, appointment and performance management of an ongoing Chief Executive Officer (CEO) and the establishment of an effective working relationship between the ongoing CEO and the Council;

Progress made

- The Council established a CEO Employment Matters Committee in August 2025 with an Independent Chair. The Independent Chair was appointed following a competitive recruitment process and has extensive local government leadership and governance experience. The Terms of Reference of the Committee are generally consistent with those in place across the sector. At the time of writing this report all Councillors are appointed as Members of the CEO Employment Matters Committee.
- In June 2025, Council commenced the process to recruit a new Chief Executive Officer. The process for the CEO recruitment was comprehensive and included:
 - appointment of an experienced executive search firm following an expression of interest process that included advertisement, shortlist and interview.
 - a detailed discussion and assessment of the key requirements of the role and ideal candidate profile.
 - a national executive search process including both advertisement and targeted search resulting in a candidate pool of 64 potential candidates;
 - presentation of a longlist, a shortlisting process and a two-round interview process;
 - Reference checking.
- The successful candidate, Mr Phu Nguyen, was appointed by resolution at the Ordinary Council Meeting of 7 October 2025 and commenced a five-year contract on 19 January 2026. Mr Nguyen is an experienced local government leader with experience at executive level in three states, including most recently as CEO at the City of Onkaparinga in South Australia.
- The Committee met on 17 February and 10 March 2026 to establish KPIs to guide Mr Nguyen's priorities both for his probationary period and for the following year, and to establish a framework for measuring and reporting back on his performance. The KPIs were developed through a facilitated discussion between Councillors and Mr Nguyen, led by the Independent Chair of the CEO Employment and Remuneration Committee.
- The Committee has agreed to a comprehensive forward schedule of meetings through to September 2026 for the purpose of considering:

- the CEO's performance for the probationary period;
 - the CEO's 2026 Performance and Development Plan; and
 - a review of the Committee's own performance.
- A monitor attended all meetings of the CEO Employment and Remuneration Committee and was invited to make comment on the process and conduct at the conclusion of each meeting. It is noted that the meetings meet best-practice and high-governance standards.
 - Mr Nguyen has now been in the role for a little under 6 months. During that time we have had the opportunity to meet with him on a regular basis and observe his interactions with the Mayor and Councillor Group. Councillors appear to have responded well to Mr Nguyen's style and approach and have been respectful and welcoming in their interactions with him. There is evidence of a trust relationship developing which will stand the Council in good stead for the future if it can be sustained.

Matters for further consideration

- While not required under legislation, good practice in CEO Employment and Remuneration Committees suggests that a committee in a council of this size should operate as a sub-committee of the Council with an Independent Chair and no more than three to four councillors. A smaller committee is more likely to be able to deliver the objectives of the policy and legislative requirements relating to CEO performance management in a focused and targeted way. It also provides the opportunity for a separation between the work of the advisory committee and the decision-making role of the Council as a whole. It is recommended that, when Council determines its committee structure for 2027, it reviews its current policy and considers appointing a smaller number of councillors to the Committee. Whole-of-Council input on the performance management of the CEO can still be facilitated by the Committee via a feedback process, and decisions on CEO employment matters would remain by Council resolution.
- At the time of preparing this report, Council was early in the establishment of a regular cadence of CEO/councillor-only time as part of its meeting cycle, and it is noted that this is currently a work in progress. CEO/councillor-only time provides a regular opportunity for honest and frank dialogue between councillors and their CEO on matters regarding the dynamic between councillors, between councillors and the organisation, and between the organisation and the community. Used well, it can heighten trust and build a higher-performing collaboration between councillors and between a councillor group and their CEO.

c. *the Chief Executive Officer's policies, processes and practices to ensure that Council staff can effectively perform their roles, including in relation to recruitment and appointment, conduct and performance;*

Progress made

- A new Chief People Officer has been appointed following a competitive national recruitment process. The appointee has extensive public sector experience and relevant professional qualifications. The role currently sits as part of the executive leadership team and is therefore involved in all aspects of strategic planning and leadership of the Council organisation.
- The Chief People Officer has reviewed the capability of the People and Culture function, and changes have been made to address perceived capability gaps that were identified through a service review process. Funding has been allocated as part of the draft 2026–27 operating budget

to build this additional capability into the team's base funding. The final budget is currently out for consultation with the community and will be considered by Council at an Ordinary Council Meeting scheduled for 29 June 2026.

- The Council Improvement Action Plan (discussed in more detail below) contains 82 unique remedial actions to be delivered over the balance of the Council's term, 22 of which relate to human resource management issues, including recruitment, appointment, conduct and performance. Progress in delivering the action plan will be overseen by the Council Improvement Action Plan Steering Committee, ensuring accountability. Short-term improvements have already been implemented with regard to the recruitment and onboarding process, introducing greater transparency and equity into acting and interim appointments, and steps to reduce reliance on agency and temporary staff.
- The CEO's KPIs for his probationary period contain three specific items relating to values-driven people leadership and reference a culture and engagement survey, a values refresh, and implementation of enhanced staff communication initiatives. There is evidence that these are in the implementation phase.

We are satisfied that organisational leadership has both the capability and intent to ensure that this work is delivered.

d. the Council's meeting procedures and decision-making processes, Council briefings and meetings, the adequacy of the Council's Governance Rules, councillor adherence to the Governance Rules and councillor attendance and participation at meetings;

Progress made

- In September 2025, a new set of Governance Rules was adopted by Council. This replaced a very outdated policy that included inconsistencies due to an ad hoc approach to updates, which had resulted in confusion and operational deployment challenges. The changes have brought Hobsons Bay into alignment with sector norms in this regard.
- The revised Governance Rules have assisted Councillors in having a greater understanding of process and has improved the conduct of meetings. There is evidence that Councillors are generally applying the revised processes in a consistent manner, although the Mayor does rely on proactive governance support as she builds her confidence in Chairing meetings.
- The CEO has worked with the Mayor to increase the strategic focus of Briefing sessions and provide increased opportunity for Councillors to participate in early discussions regarding policy and strategy, long before a matter is presented in an Ordinary Council Meeting for decision. He has also taken steps to reduce the number of items considered at any Briefing, providing greater opportunity for deeper dialogue and workshopping. This has been a positive step and we have observed an improvement in the level of Councillor engagement with both the topics and each other since this approach has been introduced.

Matters for further consideration

- The Mayor and Deputy Mayor have not yet provided us with full confidence that they understand the new Governance Rules to the level that would normally be expected in these key leadership roles. It has been our observation that additional governance support has been critical when the Mayor is confronted by an unexpected issue—for example, amendments or matters not frequently

dealt with. We have observed a number of circumstances where the Mayor has become anxious and/or confused when chairing, leading to confusion among other councillors, officers and community attendees on Council procedure or the decision being made.

- During the oversight period we also observed varying levels of Councillor familiarity with and/or confidence in the content of papers presented at Ordinary Council Meetings for decision. We attributed this to the lack of a clearly defined decision-making pathway. In practice what this meant was that Councillors would often have no visibility of final officer papers or recommendations until the Council meeting agenda was published to the community. This gave them limited opportunity to ask questions or seek clarification to help inform their decision making before considering the item in the Chamber. It also meant that they had no real opportunity to receive considered advice on any alternative options ahead of the Council meeting. With limited ownership of the content of Council reports, Councillors with alternate views were voicing their opposition through media channels ahead of the Council meeting rather than having transparent dialogue with officers or their colleagues in an attempt to resolve their concerns through due process. While the *Local Government Act 2020* rightly upholds the principle that decision making should only occur in the Council Chamber, it is incumbent on Councillors to ensure that they are fully informed ahead of that decision, and it is equally incumbent on the organisation to ensure that Councillors are given the opportunity to be informed. On matters of policy and strategy it is particularly important that Councillors engage with the content throughout the development process to ensure that officers have had the opportunity to consider Council's strategic intent in forming their advice.
- Under our advice, Council is transitioning to a revised decision-making pathway which will provide councillors with the opportunity to review and interact with the full agenda papers two weeks ahead of the meeting agenda being published. It is hoped that this will increase the sense of councillor ownership of and familiarity with content in reports; facilitate a stronger no-surprises culture, increasing trust; and enable quality and timely advice to councillors wishing to pursue amended or alternative recommendations to ensure that any resolution of Council is both legal and able to be implemented. The revised decision-making pathway was implemented for the cycle leading to the May 2026 Ordinary Council Meeting, with both councillors and officers reporting improvement.
- With the exception of loss of office provisions, the *Local Government Act 2020* is silent on the level of participation required of Councillors with regard to their role. It is for individual Councillors to exercise their own judgement as to the right level of participation, and notably attendance at Ordinary Council Meetings and Briefings is only one part of the role. The ability to attend meetings and events can also often be impacted by an individual's personal circumstances, work and/or caring responsibilities. The 2026 VLGA census results indicated that responding Councillors felt that to effectively perform the range of duties and responsibilities of a Councillor—including governance responsibilities, community representation, advocacy and attendance at civic and community events— they were dedicating an average of 39 hours per week.
- We observed an acceptable level of attendance and participation from Hobsons Bay Councillors across the range of legislated responsibilities. A review of Councillor attendance at Ordinary Council Meetings across the term indicated attendance in the range of 86-100%. A review of Councillor attendance at scheduled briefings indicated attendance in the range of 75-97%. Committee meeting attendance was also generally acceptable.
- Of more interest at Hobsons Bay is the level of participation in civic and community events— particularly since the 2025 mayoral election. It was our observation that, for some Hobsons Bay

councillors, levels of participation in these events, which include such occasions as citizenship ceremonies and other key civic events, seemed to be low. It was also reported to us by some councillors that, even where multiple councillors attended the same civic or community event, there was often little sense of a collective representational presence, including a reluctance to participate in joint photo opportunities or otherwise present as ‘one Council’. In our view, this represents a missed opportunity to raise the profile and standing of Council in the community and to demonstrate unity of purpose in serving the municipality. Council should develop clear protocols to help guide councillors in this regard.

- e. *the Councillors’ understanding and performance of their statutory roles and responsibilities, including the adequacy of the Council’s Councillor induction training program and any ongoing professional development opportunities;***

Progress made

- The elected Councillor group has demonstrated that they are, for the most part, able to perform their statutory decision-making role. Key decisions on strategic matters such as the development of their Council Plan (albeit late following an extension from the then Minister for Local Government), the appointment of their CEO, the 2026 Budget, and decisions on matters relating to the Council Improvement Action Plan and other strategic matters have all been able to progress through the Chamber without incident.
- The period of councillor induction coincided with a challenging time for the Council as they navigated the suspension of their CEO and key governance staff, and the subsequent departure of their interim CEO. As a result, Council’s attention was stretched in different directions during the induction period, and the important role of the CEO in supporting and guiding the new Council to form as an effective group did not occur. While there is evidence that a core induction program did take place and largely satisfied the minimum legislative requirements, some key opportunities to build a sense of collective responsibility, shared vision and the foundations of a trust relationship seem to have been missed. Efforts are currently in train to retrospectively address this through a series of planned culture-building workshops; however, tensions that have emerged in some councillor relationships over the last 6–12 months are presenting as an impediment to the group being able to move forward together. This is addressed in more detail in section f below.
- Council endorsed a Councillor Professional Development Policy on 24 March 2026 to guide the operationalisation of the professional development requirements under the *Local Government Act 2020*. The Policy is supported by a comprehensive ongoing professional development program for all councillors that will both meet Council’s legislative obligations and provide for continuing professional development focused on individual capability. Despite this, some councillors have expressed a reluctance to agree to any professional development other than that mandated by the *Local Government Act 2020*.
- A priority area of focus for us over more recent months has been proactive support to the current Mayor and Deputy Mayor in understanding their unique role in leading the Council. Regular workshop-style discussions have taken a back-to-basics approach, stepping through *Local Government Act 2020* requirements, case studies, and discussions regarding better practice. Some progress has been made, but there is more work to do, particularly to ensure that they will be able to confidently lead the Council during difficult times (refer to matters for further consideration below). We recommend that an independent, ongoing coaching relationship is established for the Mayor (as a minimum) and potentially the Mayor and Deputy Mayor together for the remainder of their leadership term (i.e. until November 2026). Given Hobsons Bay’s recent history of challenging

governance issues, similar support should also be considered for any Mayor/Deputy Mayor team elected in November 2026.

Matters for further consideration

- The omission of the development of a set of shared values and agreed ways of working from Council's induction program has proven problematic in building trust and shared expectations within the group. While ideally this would have occurred at the commencement of the Council term, there is still an opportunity for this to occur as part of a reset of the culture, addressing the recommendations of this report and setting the Council up for better success ahead of the next mayoral election process. It is acknowledged that the timing of this will need to be sensitively considered, particularly given the mediation/conciliation process currently in train (refer section f below); however, it is key to building resilience and respect within the councillor dynamic. A councillor group with a resilient and respectful culture will be better able to safely navigate conflict, make good decisions based on a range of perspectives, and deliver its responsibilities consistent with the expectations of the *Local Government Act 2020*.
- In our observation, the Hobsons Bay councillors appear to be more challenged when making decisions that fall into two categories:
 - 1) those that could be argued to be peripheral to the role of local government, ideology based, and therefore with a tendency to be emotionally charged; and
 - 2) those that relate to governance processes that seek to establish agreed boundaries and consistency in Council's approach but may be perceived to be restricting an individual councillor's ability to act independently.

Decisions that fall within these two categories have tended to divide the group and provide an opportunity for unproductive behaviours to surface. In these circumstances, there is a need for the decision-making process to productively facilitate the airing of diverse views in a safe and respectful way, and the Mayor must lead this process with clarity and consistency. It is also incumbent on councillors to be open to others' views, share their perspectives respectfully, and act consistent with the expectations of the Model Code of Conduct and related Council policies. It is our view that, while the Mayor could further strengthen her capability in this area, there is also an opportunity for all councillors to adapt their behaviour if the challenges that we have observed are to be avoided in the future. This should be an area of focus for the work on shared values and agreed ways of working referenced in the dot point above.

f. the relationship between councillors and between councillors and Council staff, including councillor behaviour with respect to the Councillor Code of Conduct and processes for resolving disputes between councillors;

Progress made

Relationships between Councillors and staff

- One of the issues leading to the appointment of Monitors at Hobsons Bay was the complete breakdown in trust between the Councillors and the former CEO and executive team. As mentioned earlier in this report, this had led to the suspension and resignation of the former CEO, and the subsequent departure of a number of key senior staff.

- This lack of trust in staff continued after the appointment of the interim CEO in early 2025. On appointment, the interim CEO's priority was clearly set to improve governance standards however their advice was not always accepted. Over time the working relationship between the then Mayor and the interim CEO deteriorated, resulting in the Mayor airing her concerns against the interim CEO in emails rather than discussing concerns in one-on-one meetings - despite offers from the interim CEO to do so. While initially, the parties agreed (through discussion with the Monitor) to engage in a mediated dialogue, this did not eventuate with the then Mayor deciding that the investment would be unnecessary given the interim appointment. As a result, matters between the parties were never resolved, leading to a further deterioration in the relationship. The emerging concerns with the relationship between the interim CEO and some Councillors was discussed by the CEO Employment Matters Committee. The Committee noted the concerns but agreed to extend the interim appointment until the commencement of the new CEO. While this was a reasonable decision in the context of an interim relationship, it would not be sustainable in terms of an ongoing healthy trust relationship between a Council and their permanent CEO.
- As commented on earlier in this report, this same level of dysfunction in relationship between Councillors and officers has not yet been observed between the new CEO and the Councillor group. The CEO and current Mayor appear to have a respectful relationship, and the new executive team seems to be working hard to develop their role as trusted advisors to the Council. The CEO reports no current concerns of significance in relation to the conduct of Councillors towards staff however this will remain an area of focus for the future. A check in with the executive leadership team at the time of writing this report affirms that this is also the view of the broader executive.

Relationships between Councillors

- Across this Council's term there have been a number of incidents that point to a low-trust relationship within the Councillor group. Unfortunately these incidents have continued to arise throughout the oversight period and remedial action, while attempted, has yet to be successful in resolving the underlying tensions.
- Recognising the risks associated with not addressing ongoing tensions within the group, four Councillors agreed in May 2026 to proactively engage in a facilitated group mediation process with an independent mediator to explore whether unresolved issues that were impacting the Councillor dynamic could be addressed.
- The group mediation process highlighted findings that were consistent with our observations—that while councillors are committed to their communities and appear to want stronger relationships with each other, the group's dynamics need further attention to ensure a respectful and functional working environment. Participating councillors acknowledged past incidents that caused harm, recognised the need to rebuild trust, and agreed on practical behavioural expectations such as avoiding personal attacks, remaining calm, using respectful body language, and addressing concerns early. They expressed a shared desire to move forward, support the Mayor and Deputy Mayor in maintaining standards during meetings, and revisit developing shared commitments and protocols to reinforce agreed norms. Participating councillors also committed to giving each other permission to call out escalating behaviour. These are all positive steps and, if able to be followed through, will be helpful in embedding consistent, respectful conduct. It will be important for participating councillors to find a way to brief and involve the remaining three councillors in a timely way to ensure that any outcomes can be owned by the whole group. It is noted that at the time of finalising this report no further follow up action had been initiated by either Councillors or the administration. This is disappointing and should be addressed as a priority.



Matters for further consideration

- At the commencement of Monitor oversight in June 2025 there was a clear division / set of alliances within the Councillor group which had emerged following the November 2024 Mayoral election. Despite changes in the leadership roles at the 2025 Mayoral election, the division still remains – although importantly it does not always show as a voting block. The existence of a division on a Council is not in itself cause for governance concern. Many Councils are able to successfully fulfil their governance and decision-making responsibilities regardless of a division. Managing a Council with a division does however require strong and consistent leadership from the Mayor, and a commitment on the part of all Councillors and officers to ensure that good processes are followed and that debate is respectful. We hope that the revised decision-making process currently being introduced will assist in this regard, however Councillors still need to act in good faith, ensuring that their own conduct meets expected standards, putting the community and Council ahead of personal or political interests.
- The challenge for any Mayor is to unite the group and ensure councillors are focused on the strategic direction that they have established during the Council Plan development. While revised governance rules have provided helpful improvements in meeting procedures and conduct in the Chamber, we have still observed a number of instances where the collective leadership capability of the Mayor/Deputy Mayor team has come under pressure. It must be emphasised that this is not a reflection of their level of commitment to the community or to democratic representation which has at all times appeared high. Importantly though, the roles of Mayor and Deputy Mayor, as defined by the *Local Government Act 2020*, carry responsibilities and accountabilities that reach beyond effective community representation to areas of team leadership, facilitation and dispute resolution. It is in these areas that, in our view, the successive leadership teams of this Council's term have at times struggled, particularly when navigating conflict. This has resulted in a hesitance by some to facilitate timely discussions amongst the group or to address areas of poor or inappropriate conduct in a timely or consistent way. We shared this observation with the four Councillors who have assumed leadership roles in this Council term as part of our natural justice process. Each provided comprehensive responses outlining the efforts that they had made in providing leadership despite difficult circumstances and/or providing assurances that they were committed to continuing professional development in order to address any perceived deficiencies.
- While the role of leadership is important, all Councillors also have reciprocal responsibilities under section 28 of the *Local Government Act 2020* to acknowledge and support the role of Mayor and act in accordance with standards of conduct. During the period of oversight there were a number of examples observed where the conduct of some Councillors on occasions did not meet expected standards, including at times the conduct of those in leadership roles. This has included, but was not limited to, public criticism of staff in the Council Chamber, direction of staff, a lack of respect of the Mayor, disrespectful use of language, emotional outbursts and Councillors not coming to meetings prepared. While these issues were not consistently observed, a sharper focus on governance and behaviour expectations led by the Mayor, but committed to by all Councillors will be necessary to ensure that the behaviour patterns do not escalate into more serious conduct concerns.
- We also observed a reluctance by Councillors to use the Council's internal resolution procedure to deal with alleged breaches of the Model Councillor Code of Conduct. There was a number of instances where statements or accusations were made but not advanced as a formal complaint. This makes it difficult for the Mayor and/or CEO to be able to address the concerns in a fair, transparent and consistent way and leads to issues bubbling below the surface, creating tension

and anxiety for longer than necessary. This has also contributed to the low trust culture within the Councillor group.

- g. *the Council's processes and practices in relation to health and safety including any matters that may be creating a serious risk to the health and safety of councillors, Council staff or other persons;***

Progress made

- In July 2024, WorkSafe Victoria visited Hobsons Bay City Council following a referral from the Local Government Inspectorate concerning allegations of workplace bullying and other detrimental behaviours. Across seven separate visits WorkSafe requested verification of documentation and systems implemented to address harmful workplace conduct. This included, but was not limited to:
 - OHS Incident Reporting and Investigation Procedure,
 - OHS Occupational Violence Prevention Policy and Guidelines,
 - OHS Issue Resolution Procedure,
 - Equal Employment Opportunity: Discrimination, Bullying and Harassment Policy, and
 - Information on various avenues available to staff to raise issues and receive support.
- Recognising the significant risk that the workplace culture presented to Council's performance and good governance, the Interim CEO led the initiation of a Listening and Support Process and Rebuilding Culture and Governance Plan across early 2025. This process fast tracked a number of priority projects including the development of internal complaints pathways, instruments of delegation and authorisation, appropriate behaviours workshops, and a communications plan for the Employee Assistance Program.
- At the conclusion of their inspection on 31 October 2025, WorkSafe confirmed that they were satisfied that Council is fulfilling its obligations to maintain a safe working environment. A closeout report was issued on the same day, confirming the completion of the investigation and stating that no additional engagement with WorkSafe is necessary regarding this or any other matter.
- WorkSafe has not been involved with Council since October 2025, and there are no issues currently requiring their attention.
- In August / September 2025 the Interim CEO oversaw a survey of staff to test perceptions of psychological safety and establish a new baseline from which to measure improvement. Approximately 36% of the workforce participated. The survey identified that while responding staff felt that there was strong alignment between their skills and their roles, there were still significant concerns regarding psychological safety in the workplace, organisational direction, unreasonable workloads and a lack of involvement in decision making. The results were used to help inform the executive's priorities in the Rebuilding Culture and Governance Plan but were never shared with staff or Councillors which was, in our view, a missed opportunity to build trust and demonstrate a commitment to transparency and continuous improvement.
- Since his commencement in January 2026, the new CEO has demonstrated a clear commitment to building a positive workplace culture. Strategies deployed have ranged from site visits across the municipality, new internal communication modes such as *Phu-Tube*, and an investment in staff connection through recognition and celebratory events. The results of the 2025 survey have also been retrospectively shared, with a clear commitment to listening to the concerns raised, and

ongoing investment in improvement. CEO KPIs have linked performance to accountability with measures around engagement.

Matters for further consideration

- It is acknowledged that culture takes time to build and for trust to be established. It is therefore likely that this will need to be an area of focus for the organisation over an extended period of time. Anecdotal evidence however indicates a positive trend in internal workplace culture, particularly since the commencement of the new CEO in February 2026. This will be objectively measured through a whole of workforce staff engagement survey scheduled for late 2026 which will provide a helpful benchmark for measuring progress.
- The *Occupational Health and Safety (Psychological Health) Regulations 2025* (the Victorian Regulations) recently introduced by the Minister for Worksafe place an onus on Councillors, not just the organisation, to foster a psychologically safe environment which includes the identification of hazards that may impact mental health and wellbeing. We have observed a number of interactions between Councillors that have clearly been distressful to those involved, as well as Councillors electing to participate online in order to mitigate their personal concerns with safety either from the public or from each other. We note that the MAV is currently leading work with sector CEOs to develop guidance for Councils (due for completion late 2026) which should provide a useful resource for further improvement.
- Some Councillors have expressed emotional distress in response to the tensions within the Councillor group. This has presented in different ways but has included a reluctance to engage in meetings or attend events, emotional outbursts and other unproductive behavioural responses. Support, including access to Council's confidential employee assistance program has been offered in all instances.
- The ongoing tension in the Councillor dynamic makes this an area of ongoing risk that will need careful leadership by the Mayor and CEO in order to manage risk and ensure a safe working environment for all is maintained. We are aware that there are plans in place for further training to ensure that Councillors are aware of their responsibilities and obligations.

h. Any other matters that may be affecting the Council

Councillors as a cohesive, high performing team

- The importance of the Councillor Induction process cannot be underestimated. Not only does it assist Councillors to understand their roles and responsibilities, but it also provides the environment for Councillors to get to know each other, establish a shared vision for their term and understand how they can best work with each other and their officer team to achieve their objectives.
- As discussed earlier in this report, the current Council commenced its term in a time of organisational turbulence and therefore without a comprehensive induction program. This resulted in limited early alignment around roles, responsibilities, and expected standards of collective decision-making. In the absence of a shared foundation, Councillors developed individual interpretations of what constitutes 'good' council and/or councillor performance. This has contributed to a pattern of behaviour in which the group often functions more as a collection of individuals rather than as a cohesive governing body, with inconsistent understanding of good governance principles and variable levels of adherence to good practice. While it is hard to

attribute this to being a direct failure of governance, it is a lost opportunity to reach peak performance.

- Successive Mayors in this Council term have faced ongoing challenges in establishing a level of unity that can span political divisions. While the Council has largely remained functional in terms of core decision making, the lack of cohesion has constrained its ability to maintain consistent governance practices and build the levels of trust necessary to function at a level where divisive issues can be navigated safely and respectfully.
- This has prevented them from performing their role (in its totality) in the manner expected by the Local Government Act 2020 and will continue to do so unless they are able to collectively support the election of a unifying Mayor and Deputy Mayor team/s to lead the Council for the 2027 year, and for the balance of this Council's term.
- The roles of Mayor and Deputy Mayor carry significant responsibility as mandated by the Local Government Act 2020. The election of Mayor and Deputy Mayor is therefore a significant decision of the Council and should be exercised with appropriate due diligence. In exercising due diligence Councillors should give consideration to 1) what will be required of the Mayor for the upcoming year given the Council's priorities, and 2) the skills, experience and motivation of the potential candidates. A respectful process would also provide an opportunity for Councillors to openly and transparently discuss their expectations and ambitions with each other ahead of any vote.
- As Council nears the election of the Mayor and Deputy Mayor for the third year of their term we encourage Councillors to demonstrate the appropriate due diligence and give serious consideration to electing a leadership team that they believe will be able to unify the Council for the benefit of the community and the organisation – a team that will provide the necessary clarity of leadership to guide Council as it implements the Council Improvement Action Plan and builds a more constructive trust based culture.

i. To assist the Council to develop an Action Plan and progress updates for any necessary governance improvements, with specific regard to the matters raised in clauses 1 – 2.

Progress made

- This has been an area of significant focus throughout the extended oversight period. The development of the Council Improvement Action Plan has been made more complex as a result of the multiplicity of remedial actions identified through concurrent reviews, audits and investigations- all with a focus on improving culture, governance and integrity. Council management has taken the opportunity to consolidate these actions into one comprehensive and integrated Council Improvement Action Plan, together with an accountability transparency and governance framework to oversee its deployment. The framework was resolved by Council at its Ordinary Council Meeting (OCM) of 24 March 2026, with the detailed Action Plan resolved at the OCM of 28 April 2026. The Council Improvement Action Plan is detailed in Attachment 2 to this report.
- As outlined in the paper presented to Council's OCM, the Action Plan proposes 82 actions across the balance of the Council's term (30 of which have already been completed) and brings together the following organisational documents:

Integrated Action Plan (IAP)

- Developed in response to the Listening and Support Process Report, this plan addresses workplace culture, safety and wellbeing through 43 actions across four themes: Delivering the Community Vision and Council Plan, valuing people, creating an environment of trust and integrity and ensuring sound governance.

Local Government Inspectorate Action Plan

- Arising from the LGI Governance Review letter dated 12 December 2025, this plan addresses six key recommendations covering procurement oversight, Audit and Risk Committee processes, risk management, corporate credit cards, policy management and internal audit follow-up. The LGI also identified 11 areas for further review which have also been captured.

Council Improvement Action Plan

- Developed in accordance with the Municipal Monitor's Terms of Reference, this plan addresses governance processes and practices across focus areas including Audit and Risk Committee functions, CEO recruitment and performance, staff leadership, meeting procedures, councillor development, relationships and conduct, health and safety, and organisational effectiveness.
- Alongside the Plan, Council has resolved an integrated reporting framework that consolidates all improvement actions into a single monitoring and reporting structure providing transparency and accountability. This includes the establishment of a Steering Committee including the CEO, Chief People Officer and three Councillors plus a regular cadence of reporting to the executive, Council and the Audit and Risk Committee.
- The integrated plan and reporting and accountability framework provide transparency to the community while supporting effective monitoring and governance oversight during Council's improvement journey. The Council Improvement Action Plan Steering Committee had met three times as of the date of this report, and was demonstrating diligence in the exercise of its responsibilities. The work of the Steering Committee is informing a refresh of the action plan that will be presented to Council in July for endorsement.

On balance we commend Council for the commitment that has been made to date in prioritising and resourcing the program of remedial action identified to ensure that Council can be compliant with its obligations and ensure good governance.

4. Natural Justice and Councillor Responses

Section 181C of the Local Government Act 2020 requires that we provide natural justice where we propose to include adverse findings our report to the Minister. While the majority of this report makes commentary regarding the organisation, the Council, or the Councillor group as a whole, there are some areas where, by necessity, comments reflect our views or findings with regard to individuals or specific roles that can be attributed to individuals such as the Mayor.

While it is unlikely that these comments would be considered adverse findings in the context of Section 181C of the Local Government Act 2020, in the interests of transparency we have :

- Met with, or offered to meet with, the individuals concerned;
- Provided details of the proposed finding in writing;
- Provided an opportunity to respond to the proposed finding in writing; and

- Considered any response before deciding whether to include the finding in our final report.

In the process of preparing this report we also provided two confidential briefings to the CEO and Councillor group of our emerging findings / reflections against our Terms of Reference with the opportunity for questions, discussion and other feedback. These occurred on 5 May 2026 and 9 June 2026.

5. Final comments

We commend Council for the work done to date to address the systemic governance challenges that led to the Minister's decision to appoint monitor oversight.

There is no doubt that there is still a weight of work in front of Hobsons Bay City Council in order to achieve their desired end goal of being a high performing organisation that they, their staff and their community can be proud of. Establishing a robust and reliable system of good governance will require a focussed and concerted effort from both Councillors and officers over an extended period of time. It has not been possible for all deficiencies in their system of governance to be addressed during the monitoring period to date, however there is a plan in place and there appears to be a commitment to ensuring that it is delivered within this Council's term. The governance arrangements put in place to monitor the Plan's delivery and ensure a clear accountability framework are strong and will provide an objective measure against which to track progress and comply with their reporting obligations.

We are confident that Council's new organisational leadership team, led by CEO Phu Nguyen, has the necessary skills and experience to undertake their responsibilities with regard to Council's operational leadership and service delivery responsibilities. While the executive team needs time to settle in and establish their own ways of working and trusted relationships, the early signs are positive and we feel confident that they will get there. The recent departure of the only longstanding member of the executive was a loss to the team, but a recruitment plan is in place and will be managed as part of business as usual activity. No doubt the CEO will also introduce his own structural changes over time as he assesses the needs of the organisation and the future challenges it will face.

Finally, while the elected Councillor group has demonstrated that they are able to undertake their minimum statutory decision-making roles, they are still operating in a low trust (and therefore high risk) environment. We remain apprehensive about the current level of resilience within their relationship dynamic and in our assessment the Mayor and Deputy Mayor will require ongoing support to manage this through to the conclusion of their leadership term. Similarly, it will be critical for all Councillors to commit to ensuring that their own conduct is professional and respectful at all times, including those times that are most challenging. Every Councillor has an obligation to contribute to a safe and productive work environment, and comply with both *Local Government Act 2020* requirements and Council policies that underpin good governance.

6. Recommendations for Hobsons Bay City Council

1. Encourage all Councillors, particularly first-term Councillors, to periodically attend Audit and Risk Committee meetings as observers as part of their ongoing professional development and to strengthen their understanding of Council's financial and risk management framework.
2. Consider reviewing the Terms of Reference and composition of the CEO Employment Matters Committee to provide for a smaller number of Councillors as members.

3. Engage independent, professional coaching support for the Mayor (and potentially Deputy Mayor) for the remainder of their 2026 leadership term, with a particular focus on assisting them to continue to develop their leadership capability to satisfy the expectations of the *Local Government Act 2020* and address the issues raised in this report. Consider similar support for the new Mayor and Deputy Mayor team once elected in November 2026.
4. Develop guidance for Councillors on protocols for attending civic and community events and fulfilling their whole of Council representative role and responsibilities.
5. Implement proactive strategies to enhance psychosocial safety among the Councillor group in order to support individuals and mitigate future risk. This should include training for all Councillors in their psychosocial safety obligations both individually and collectively, support for the Mayor in leading a safe workplace for Councillors, and shared agreement on a clear and refreshed process for early resolution of issues before formal processes are triggered.
6. Build on the recent group mediation process by engaging all Councillors in a facilitated process to rebuild trust, reinforce respectful behavioural expectations, improve respect for the office of Mayor, and agree practical protocols for working together and navigating conflict. Ensure Councillors who did not participate in the group mediation are fully briefed and involved so the outcomes are understood and owned by the whole Councillor group. Add this action to the Council Improvement Action Plan when it is refreshed in July so that delivery can be tracked.
7. Ensure that Council's induction process is enhanced for the 2028-2032 Council to ensure that more timely and greater emphasis is placed on establishing shared values, agreed ways of working and clear expectations for managing differences of opinion and conflict.
8. Reinforce expectations that alleged breaches of the Model Councillor Code of Conduct are addressed through Council's established internal resolution processes so concerns can be managed fairly, transparently and at an early stage.
9. Ensure that delivery of the Council Improvement Action Plan remains a priority both in terms of focus and resourcing in order to address the legacy of under-investment in systems and processes that uphold good governance.

7. Recommendations for the Minister for Local Government

1. Require Hobsons Bay City Council to report bi-annually to the Minister on the status of implementation of their Council Improvement Action Plan. The status report should be endorsed by Council resolution prior to submission to the Minister to ensure transparency and accountability to the Hobsons Bay community.

8. Costs associated with the Municipal Monitor appointment

In accordance with clause 5 of Schedule 2 and clauses 13–16 of Schedule 1 of the Instrument of Appointment, the Municipal Monitors are required to report on the costs incurred by the Council in

relation to the appointment. The purpose of this reporting is to support transparency regarding the costs of municipal monitor appointments.

The Instrument of Appointment specifies that the Municipal Monitors are entitled to be paid at a daily rate of \$1,375 per day, exclusive of superannuation, with reasonable out-of-pocket expenses reimbursable in accordance with the allowances determined by the Commissioner of Taxation.

The table below provides costs incurred to 30 June 2026. For Mr Tanner this reflects costs since 2 June 2025, and for Ms McKenzie costs since 1 January 2026. Note that cost inclusions vary slightly as Mr Tanner was employed directly by Council whereas Ms McKenzie was paid via invoice.

Cost component	Basis	Amount (\$)	Notes
Municipal Monitor remuneration	As per Instrument of Appointment (Schedules 1 and 2)	Mr Tanner \$223,585 Ms McKenzie \$48,812	Daily remuneration rate of \$1,375.
Municipal monitor superannuation	As per Instrument of Appointment (Schedules 1 and 2)	Mr Tanner \$25,439 Ms McKenzie \$6,847.50	Superannuation obligations payable under the Superannuation Guarantee (Administration) Act 1992 (Cth)
Municipal Monitor expenses	As determined by the Commissioner for Taxation	Mr Tanner Travel \$5,501 Ms McKenzie Travel time \$8,250 Mileage \$2,392 Tolls \$339.42	Inclusive of mileage, tolls and other out of pocket expenses.

9. Attachments

Attachment 1 Municipal Monitor Terms of Reference

Attachment 2 Council Improvement Plan Action Plan