

# MUNICIPAL MONITOR APPOINTMENT TO HORSHAM RURAL CITY COUNCIL 2024/25

## Report to the Minister for Local Government - Nick Staikos MP

On 13 August 2024, the former Minister for Local Government (the Minister) Melissa Horne MP, appointed Steven Kingshott (Monitor) to role of Municipal Monitor to Horsham Rural City Council (HRCC) under Section 179(1) of the Local Government Act 2020 (the Act).

This appointment was in response to concerns raised to the Minister following governance and process issues regarding the HRCC. These concerns included Council's failure to meet the statutory deadlines for adoption of the budget, Councillors' understanding and performance of their statutory roles & responsibilities, the application of the advice from the former Municipal Monitor (Jude Holt, appointed in 2022), and other governance concerns. A detailed list of the terms of reference for the appointment is outlined in Appendix 1 (Schedule 2). In addition, with resignation the then CEO at the commencement of the Monitor's appointment, the CEO recruitment process became an additional component in the scope of the appointment.

The term of the appointment was from 2 September 2024 to 30 June 2025 (inclusive).

## Context

HRCC is approximately 300 km from Melbourne, situated in Western Victoria. It provides a regional centre for the Wimmera/Southern Mallee areas. As indicated in the HRCC annual report 2023/24, HRCC comprises approximately 4266 sq. km and has a population of 20,429, with an operating revenue of \$63.9 million. Council employs approx. 219 FTE (*full time equivalents*).

The Council's previous electoral boundaries prior to the 2024 election had been an unsubdivided municipality comprising seven elected Councillors. In 2024 HRCC's electoral structure was changed from an unsubdivided municipality to a seven single Councillor ward structure (i.e. one councillor per ward).

HRCC has had a record of consistent Councillor turnover. In 2024, six of seven councillors were first term councillors. In 2020 six of the seven Councillors were first-term Councillors; in 2016 four of the seven Councillors were first-term Councillors; and in 2012 five of the seven were first-term Councillors. Over four election cycles only five Councillors at elections were returning Councillors; there have been 23 Councillors during this period (75% average turnover rate over four cycles). As an observation, this can create potential for governance risks as there is limited knowledge transfer within the cohort. As this can present challenges for an organisation with Councillor inexperience, especially in terms of supporting Councillors to develop core skills, such as effective meeting participation and chairing meetings. Although this is part of the democratic process.

1 Municipal Monitor appointment to Horsham Rural City Council 2024/25

## Monitoring Activities

The purpose of this report is to provide the Minister with a detailed account of the activities I have undertaken as Monitor, the issues identified, the strategies employed and recommendations to support the effective functioning of the HRCC.

To understand both the current and historic functioning of the HRCC I conducted numerous interviews with staff and councillors, attended both council and staff meetings and reviewed a significant number of reports and background documentation.

This has included weekly meetings with both the interim and then appointed CEO and Mayors. Regular meetings with Councillors, Directors, Council staff (past and present), union delegates, OH&S delegates, and the ASU union organiser. I attended over 60 Council briefings (including Councillor inductions sessions), Council meetings, weekly Executive Management Team (EMT) meetings, Audit and Risk Committee (ARC) meetings, Community Vision & Council planning sessions and CEO recruitment & remuneration committee meetings. I based myself at both the Corporate office and the Council Depot to provide ease of access for staff interviews and understand the operating environment. I have attended several public meetings (*listening posts*); observing first-hand the interactions between community, Councillors and staff. In addition, I conducted meetings with current and former local members of parliament.

## Actions taken in regard to the advice of the former municipal Monitor. (July 2022 to January 2023)

In the first week of my appointment, I met with the former Municipal Monitor (Jude Holt) to gain her perspective and insights of HRCC with respect to the Councillors, the administration and her recommendations and observations during that appointment. Ms Holt conducted a forensic analysis of the organisation's governance practices, where she provided over 14 reports and feedback improvements to HRCC that covered many areas such as; conflict of interest, confidentiality, code of conduct and more. In all there were 80 recommendations to be followed up, with regular reporting to the Minister regarding progress.

On 19 of August 2024, HRCC sent a final letter to the Minister informing that of *80 recommendations there were:*

- 67 completed,
- 7 ongoing (i.e. complete but have either an annual or other regular review)
- 3 in progress (noting the proposed legislative reform), and
- 3 where no action was required.

The three recommendations that were not completed and/or embedded as an ongoing action have now been considered in light of the Local Government Amendment (Governance and Integrity) Act 2024.

In addition, Ms Holt made recommendations regarding HRCC 'investing' in a Community Leadership Program for prospective candidates that may want to consider standing in the 2024 Council election. This initiative was undertaken by HRCC and facilitated by an external facilitator (Darrin Ray), the program concluded in July 2024 with 11 participants. Feedback regarding the program has been very positive, from both HRCC staff and those who have stood to be Councillors in the 2024 election.

## First phase (September to October 2024)

Upon my appointment and arrival at HRCC there was a significant number of issues in play:

- The then CEO (Sunil Bhalla) resigned and finished up in the first week,
- Dysfunctional relationships between some Councillors,
- Failure to adopt the Council Budget 2024/25 within the statutory time frame,
- Prolonged and sustained negative media (print and social) covering a number of issues,
- A second letter of complaint from the ASU regarding alleged bullying and harassment,
- An orchestrated vote of no confidence from some staff against the CEO, and
- Staff polarisation, silos and organisational impacts.

The CEO chose to resign and finish on 6 September 2024, after a period of internal turmoil and public scrutiny. The media (both print and social) continued to publish headlines and make comments on the decisions that Council was making. Just prior to the Council election the Horsham Times published a special edition front page that included 16 front pages from the previous 12 months with a headline “We deserve a council of integrity” (19 October 2024). Also, a lot of this media continue to target and criticise both the Council and CEO.

The elected Councillor group during 2020/24 Council cycle comprised:

Robyn Gulline (Mayor for whole period, re-elected each year), Penny Flynn (Deputy Mayor 2022/23), David Bowe, Claudia Haenel, Les Power, Ian Ross, Bob Redden (Sept. 2022 to August 2024), Di Bell (resigned August 2022).

The relationships between some Councillors during that Council cycle could be described as dysfunctional. A number of complaints were made by individuals against each other. Many of these complaints and grievances were made to both the Principal Councillor Conduct Registrar and to the Local Government Inspectorate. The Council administration also facilitated independent conciliation and arbitration processes. As an observation, some Councillors, at times, chose to abuse the complaints process to facilitate their own agenda, resulting in counter complaints. In one case I reviewed, there was a complaint which went to a Councillor Conduct Panel, which found the complaint to be unsubstantiated, and within three weeks there was another application and complaint made against same Councillor. Complaints were not just limited to within local government bodies, as one Councillor had a complaint directed to their own place of work (external to HRCC). Some of these complaints were formally initiated, only to be withdrawn later in the process. At times HRCC was having to provide professional psychological support for some individuals due to the impact of this egregious culture.

Unfortunately, processes that had been designed to assist with good governance, were being used in a way that was counterproductive and resulting in further deterioration in relationships and trust. This does not de-legitimise serious concerns that may have been raised by individuals, however the proportion of legitimate concerns versus other motivations could seem concerning. The time and additional work generated by the complaints process also created a significant distraction and lost opportunity for this Council, impacting staff morale and the reputation of HRCC.

The Local Government Inspectorate (LGI) during the 2020-24 HRCC term, received 87 complaints (almost two every month), ranging from potential breaches of the Local Government Act including Conflict of Interest, directing staff, release of confidential information and misuse of position. During confidential discussions some councillors shared concerning examples as to how this situation had a serious impact on their mental health.

Although not an excuse, it should be noted that this Council cohort was elected and operated during the COVID pandemic.

My direct observations of the 2020/24 Council cohort were limited to two months of meetings and briefings before the election in October. In this period the group dynamic was generally okay in regard to meeting process and behaviour at meetings. My appointment did commence close to caretaker mode for the Council. I was told by some staff members that Councillors were on the best behaviour because the Monitor was there.

Attendance at Council meetings was generally good over the preceding 12 months as per the HRCC Annual Report 23/24, one Councillor did attend only 8 out of the 13 meetings, which did prompt a Council candidate to state in the Horsham Times (19 October 2024) "I've been actively involved in Council, attending more meetings than at least one current Councillor".

The relationship between the Mayor and CEO provided relatively consistent leadership with a four-year Mayor and CEO, who worked closely together (2020-2024). Some members of Council would argue that they had developed a reputation for successfully obtaining grant funding and project development for the HRCC over that period. While others argued that there was an environment created, over time, that wasn't inclusive in its decision making and Council became a 'rubber stamp'. Certainly, this long-term relationship, at the senior leadership level, had detractors within Council and the community. HRCC did elect a Deputy Mayor in the year 2022/23, however the then deputy Mayor did not nominate for the role of Mayor.

## Budget 2024/25

HRCC adopted its annual budget for the 2024/25 year at the Council meeting on 22 July 2024. Section 94(1) of the Local Government Act stipulates that a council's annual budget must be adopted by 30 June each year. Hence, its adoption was late.

I had several meetings with the HRCC Chief Financial Officer (CFO), who commenced employment at HRCC on 9 February 2024. Prior to her appointment there had been three incumbent Finance Managers (12+ month period), that covered for the former longer term Finance manager who ceased work at HRCC in late 2022.

In 2023 and 2024 HRCC had embarked on a process to migrate its budgeting information from one software platform to another. During this period the finances were transitioning operational revenues and expenses from Civica Authority to a new cloud-based software environment in Civica Altitude. This transition occurred on 19 March 2024. The initial 2024/25 budget was being prepared in Civica Authority and then needed to be transitioned to Civica Altitude in March 2024 which was a completely new software program. This was a significant undertaking. Some of the Council's former systems were based around the use of customized reporting via spreadsheets.

To be able to produce an accurate starting baseline for the 2024/25 Budget, the following work was undertaken in the period 19 March to 7 June 2024, which is captured in a summary presented to the LGI below:

- All balances of actual accounts in the old system for 2023/24 had to be transitioned across to the new system
- All balances of subsidiary ledgers had to be balanced and transitioned across to the new system – this included payroll, debtors, infringements, trusts, plant, assets, stock and most importantly individual rate accounts
- All budget allocations entered into the old system had to be transitioned across to the new system. Capital works priorities – which were by then approved by Councillors in briefing – had to have new costing accounts or work orders created.

- Training which had occurred for a new “Wages and Salaries” subsidiary module did not balance and therefore had to revert to data extraction from the old system and “build” a 2024/25 model from that data.
- The same occurred for the “Fees and Charges” module which had to be manually prepared for the 2024/25 – this was finalized and approved by Council 27 May and 25 June 2024 – effectively adopting all Council’s charges for 2024/25 prior to the effective date.

In my meeting with the Mr Bhalla, he indicated that there had been ongoing problems with integrity of data and migration of data from the old computing software system. It wasn’t until early June that Mr Bhalla believed there could be potential data and integratory issues impacting cash flow. It was on 19 of June 2024 that Mr Bhalla wrote to the Minister to seek an extension to the Budget timeline. The Executive Director of Local Government Victoria (LGV) wrote back to Mr Bhalla (on 26 June 2024) and indicated that due to the timing of the request it was not possible. I did ask why some of the above concerns weren’t raised earlier, particularly in March or April, given the enormity of HRCC’s Budget migration process. I was told by Mr Bhalla, that at the time, he had confidence that the budget could be finished and voted on by the end of June 2024.

LGV advised Mr Bhalla that it was obligated to refer the potential breach of the Act’s requirements in relation adoption of the annual budget by HRCC to the Local Government Inspectorate (LGI). In a letter sent to Mr Bhalla on 23 August 2024, the LGI noted key outcomes of its investigation which are summarised below:

*“After reviewing all of the relevant information, it has been determined that HRCC failed to adopt the budget by 30 June 2024, as required under Section 94.1 of the Act.*

*This has been admitted by HRCC in all correspondence with the Inspectorate. HRCC has responded and provided evidence as to the circumstances behind the delay in adopting the budget and they have been taken into consideration when determining the outcome for this matter.*

*The Inspectorate understands the reasons for the delay and accept that they have contributed to the late adoption of the 2024/20245 HRCC annual budget.*

*It is also acknowledged that you took steps to apply to the Minister for Local Government for an extension for the budget adoption in mid-June 2024. Due to the timing of the request the Minister was unable to consider a different date for the adoption of the budget.*

*As you are aware, the adoption of the annual budget is an important undertaking for a council and is the cornerstone for the way in which a council delivers its Council Plan and statutory roles over the next twelve months.*

*The failure to adopt the budget in accordance with the Act is, therefore, a serious breach of the Act. The breaching of any provision of the Act by council can lead to an erosion of trust and faith in the council by the community.*

*However, there is no offence provision, or penalty, for breaching the Section 94.1 of the Act. Given this, the Inspectorate can only remind council of its obligations to comply with the Act and to ensure that there is not a repeat of the failure to adopt the budget by 30 June in the future.”*

## Relationships and Respect

On Thursday 22 August 2024, a meeting was held with HRCC employees at the Council Depot, which included ASU members and non-members. I am told this meeting included some managers. The outcome of the meeting was the moving of a motion of ‘no confidence in the ability of the CEO to manage the council and protect staff health and wellbeing’ requesting that the CEO be stood down pending an independent investigation. The ASU sent a letter formally outlining the ‘motion’ and their concerns on Monday 26 August 2024 to the Mayor and Councillors. A version of this letter somehow found its way onto social media before the 26 August and was being shared and

discussed within the community before being formally sent to the Mayor and Council. The ASU organiser was not aware of how this had happened, and was not happy that it had occurred. The ASU letter of 26 August 2024 was similar to the concerns that had been raised regarding 'Allegations bullying and harassment' in a letter sent to HRCC on 6 of May 2022 from the ASU.

On Wednesday 28 of August 2024 a document was circulated by some HRCC staff members calling for other employees to communicate their support of the vote of 'no confidence' in the CEO to other staff. In total, about seventy staff supported the vote of 'no confidence'.

Mr Bhalla resigned and finished employment with HRCC on 6 September 2024.

I have observed that the above events polarised many of the staff. Several staff interviewed strongly defended the CEO and maintained they had never experienced or witnessed situations of bullying and harassment from the CEO. Some said that there had been 'an internal hatch job done on the CEO by some members of staff including the involvement of a 'senior staff member'. There have been claims of racism that were directed towards the CEO. Some staff members provided examples to me of their observations of behaviour that they interpreted as racially motivated. Furthermore, I was provided with feedback from people who attended the Council meeting gallery where they stated that they observed racist comments, belittling and sniggering at the then CEO.

The allegations raised in the first ASU letter to the Mayor and Council on 6 May 2022, where investigated by HRCC. I have reviewed the investigation report and there were no substantive claims sustained. I have since been told that some of the individuals who initially put forward concerns and allegations, decided not to be interviewed during the formal process.

In addition, I have reviewed and examined several different investigation reports into workplace behaviour concerns, and I met directly with individuals who may have been involved or witnessed alleged incidents relating to bullying, intimidation, harassment and situations that could give cause to serious psychological safety concerns. During my review I spoke with union delegates, HRS representatives and the ASU Organiser to understand their perspectives. I will not go into details of these discussions and situations that I have reviewed. However, there have been instances in the previous four years where situations of bullying and harassment have occurred and been proven; also there have been situations where the allegations were not substantiated. In cases proven, disciplinary action was taken, including and up to separation from HRCC. Many of these allegations did not relate to the CEO. It should always be appreciated that the principles of 'due process and procedural fairness' (natural justice) must be applied and followed in all situations. Given the number of investigations that I have read, I can say that HRCC administration did undertake investigations and engaged, at times, experienced external third parties to facilitate the process.

Both the Council and the ASU are responsible for fostering a collaborative relationship to prevent disruptive, costly and time-consuming workplace conflict at Council. There is a benefit to an organisation in having open lines of communication with key stakeholders.

During the interview process there were allegations raised with me regarding a senior staff member. I considered that the allegations warranted discussion with LGI in December 2024. It should be noted that these allegations remain only allegations and not proven.

## Interim CEO

With the resignation of Mr Bhalla, the Council needed to appoint an Interim CEO. With the assistance of Council's Independent Adviser to the CEO Employment and Remuneration Committee, the Mayor and Councillors considered a list of applicants for recommendation to Council. The Council made the decision to appointed Craig Niemann who commenced on 30

September 2024 through to 18 May 2025. Mr Niemann is an experienced and former CEO from the City of Greater Bendigo Council and had been interim CEO at Glenelg Shire Council.

During this period HRCC was going through a very difficult time. The Council's reputation, and its relationship with both its employees and community, was damaged. There was mistrust within staff groups, and the organisation was operating within silos. The organisational culture was fractured. The HRCC organisational culture survey (October 2024), not surprising, had lower score than the previous survey and included comments; "I do not like telling people in community the organisation that I work for" and "I really love the job I perform however the workplace is filled with people that have ulterior motives, there is nowhere to go when I need help...". In my interviews, some staff indicated not wanting to wear their uniforms into work and taking off their badges when they walked down the street.

Mr Niemann provided significant leadership through this period, with ongoing proactive and positive dialogue that built confidence and stability into the organisation. He provided mature leadership and guidance to the Executive team, and then through the induction and engagement of the new Council.

## Impacts of dysfunction on Council oversight

The role of Council and the Councillor is defined within Section 8 & 9, and Section 28 of the Act respectively; "... to provide good governance in its municipal district for the benefit and wellbeing of the municipal community". Some of the already highlighted distractions and dysfunctional behaviours can negatively impact the ability to implement proper governance and oversight of the CEO, the Executive and Council administration. This can impact the confidence, reputation and trust in Council. Below are a few brief examples that provide insight into the operational culture within the HRCC administration.

Lukin Park is a small community park development. A HRCC project that was developed through community engagement and onsite consultation to support the development of a local park plan. Meetings and consultation occurred through 2023 and early 2024. In April 2024 the plan for the proposed new park was advertised (placed at site), including email communication to residents. The plan communicated the project details (layout of paths, trees, plants etc) and a committed budget of \$300,000 with works proposed to commence on 1 July 2024. No work commenced on 1 July 2024 and no work has happened at the site until June/July the following year. The actual approved budgeted amount for the project was only \$191,000 (never the communicated and advertised \$300,000). When I ask about this budget discrepancy, I was told that it was usual to 'just move money around'. Any proposed expenditure should reflect the actual approved budget, if there is a change it should be documented and reported with a clear rationale back to Council regarding revised expenditure variance from existing budgeted amount.

At a Natimuk Social & Economic committee the Council announced a proposed EV charge station (\$50,000) in mid-2023. The project didn't proceed as the original costings had budgeted the wrong type of charger, and implementation would have involved increased associated cost. Money was redirected to a bus shelter which I was informed went over budget. In addition, there appeared to have been limited communication back to the community regarding any of above project changes. Also there did not appear to be a formal process to shift budgeted project money around. In a response from a senior officer, I was told it was not unusual for officers to just move the money around on projects. Similar to the previous example I would have considered that there would be stronger protocols and process in place that flagged and communicate both changes and expenditure variances back to Council.

At the January 2022 Council meeting, the Council approved an Operating Procedures and Systems Council works program – to undertake operational efficiencies where the Council minutes stated that “A review of the Operations Department suggests efficiencies could be significantly achieved through productivity improvements, creating financial savings.” The proposed project cost was approved at \$370,000 (ex GST). The feedback through interviews with Depot personnel suggested that program had limited traction in its implementation, fell short of its overall objectives. With impact to morale and organisational culture.

These are brief examples to provide insight to the governance that a Council needs to be applying to its Executive through regular, accurate and effective reporting and accountability. Without proper procedure and process in place it can impact the confidence, reputation, credibility and trust in Council.

HRCC has a workforce made up of 218.99 FTE. This is broken down by employee grouping Full-time 175, Part-time 39.38 and Casual 4.61. Attrition over 11 months (July 2024 to May 2025) was operating at about 20% (42 people have resigned in the period). Five managers and seven co-ordinators have left HRCC, including the Governance and HR/HSR managers. Healthy attrition is important in all organisations. However, I am concerned that some of this loss of employees can be attributed to the internal organisational culture and climate. The impact of this is significant adding additional cost in both replacement recruitment costs and lost opportunity.

Second phase - (November 2024 to June 2025)

During the previous 2020-2024 Council cycle, two Councillors retired, four re-contested the election, and there was one vacancy due to a death on 8 August 2024. The VEC conducted the declaration of the results for the October 2024 elections for HRCC on Friday 8 November 2024. The outcome of the 2024 election saw six new Councillors elected with only one Councillor returned from the previous Council. (four of the previous Councillors nominated for the 2024 Election)

At the Statutory meeting on 21November 2024 all Councillors were sworn in, and Cr Ian Ross was elected Mayor (who was the only returned Councillor from the previous Council).

The following are the 2024 Councillors, with the respective ward structure:

|                                                     |                                                   |                                                     |                                                    |
|-----------------------------------------------------|---------------------------------------------------|-----------------------------------------------------|----------------------------------------------------|
| <b>Cr Ian Ross (Mayor)</b><br><b>Pine Lake Ward</b> | <b>Cr Rebecca Sluggett</b><br><b>Kalimna Ward</b> | <b>Cr Dean O’Loughlin</b><br><b>Green Park Ward</b> | <b>Cr Cam McDonald</b><br><b>May Park Ward</b>     |
|                                                     | <b>Cr Angela Munn</b><br><b>Oatlands Ward</b>     | <b>Cr Brian Klowss</b><br><b>Wyn Wyn Ward</b>       | <b>Cr Todd Wilson</b><br><b>Horsham North Ward</b> |

Induction and Team building

Two weeks after the VEC declared the election results the Councillor group undertook a Councillor workshop and team building. This workshop was facilitated by Darrin Ray, the same facilitator who conducted the Community Leadership Program prior to the 2024 Council elections. Four of the elected Councillors completed the Community Leadership Program. The Councillors engaged and bonded well in the workshop. At various stages the Interim CEO, the Executive team and I attended the workshop. A key outcome of the workshop was a document called ‘Building the New Horsham Councillor Team’. This covered:

- 1. Ways of Working Together Charter
- 8 Municipal Monitor report Horsham Rural City Council 2024/25

2. Our values
3. Leadership principles
4. Our Behaviours
5. Continuous Improvement and Ongoing Review

In addition, the team covered what legacy would look like over the next four years, including individual priorities, expectations of Councillor-Executive focus, commitment to effective Councillor-Executive teamwork. The workshop was well facilitated, which built trust within the group, where the Council team were energised, and keen to make a positive difference. The working document from the workshop provided a good foundation for Council to move forward and hold each other to account if they felt that behaviours were deviating from agreed expectations. The work output from this workshop was formally adopted at the 24 February 2025 Council meeting (*Ways of Working Charter*). I have suggested that the Council present the outcomes at a staff meeting both at the civic centre and at the depot.

The Councillors, Executive and staff have committed a lot of time and effort into the induction and training programs. I am pleased to report that all of the induction training was completed for each Councillor by March 2025. Mayoral training was completed within one month of the Mayoral election. For the first six months the Councillors have been attending at least two meetings (Council Briefings) a week to build their knowledge and understanding on numerous Council topics. They have all been working hard and have read the materials presented to them. This has been reflected in the depth of their questions to staff.

The Interim CEO should be acknowledged for his stewardship through the induction process and his work has been critical in getting a successful outcome for the Councillors and the staff.

## Governance process

The new Council has had to digest a lot of information and navigate its way through a number of complex issues. Through this period, I have observed that they have had to grapple with difficult decisions and have been genuine in their approach to making decisions.

They have been managing confidential information appropriately, declaring conflicts of interest as required and their meeting attendance has been very good. One Councillor who was on leave for the March Council meeting, chose to attend the meeting on video conference and actively participated in the meeting. Councillors come to Council meetings and briefings well prepared and ready to seek to understand, ask questions and debate issues. The Councillor cohort could benefit from some further training regarding meeting process and procedure. They have complied with Councillor induction training under Section 32 the Act and they understand the technical theory of meeting procedures, but they need time to practice and apply their knowledge through role play (this observation is a recommendation in the report).

## Decision Making

This Council cohort has had to hit the ground running. Prior to the election results, there was the announcement of the Mount Arapiles – Tooan State Park (Dyurrite cultural landscape) Draft Amendment (November 2024). Council then needed to navigate a path forward and provide a response to the state government on an issue that had polarised some within their community.

This Council has been cautious and conservative in its approach. This was evident in the Council meeting in March 2025, where a strong case (with benchmarked data) for increasing the delegations to the CEO was presented. However, there was genuine debate and concerns raised

‘regarding previous reputational damage, issues of trust with the community and a preference to be conservative in their approach’.

This Council cohort wants to be across the detail and rationale behind the reports, issues and proposals coming before the Council. At the February 2025 Council meeting a proposed redevelopment of the skate park was not supported. A \$1.25 million project, in part funded through State Government’s Regional Community Sports Infrastructure Fund. With a generous funding ratio for 4:1, Council’s contribution was \$250,000. It was assumed by the administration that the Council would support the proposal. The Councillors were told by staff that their support for the project was warranted, but there was not a strong explanation regarding the ‘why’ and nor had councillors received adequate response to their questions in the previous Briefing session. The Council decided not to proceed at the February 2025 meeting.

At the subsequent March 2025 Council meeting there were reports on ‘Safe Local Roads and Streets Program Funding Application’ and ‘Urquhart Street Funding Agreement’ where there had been an onsite meeting, listening and information exchanged between Officers and Councillors, resulting in good debate and outcome where all councillors spoke with debate ‘for and against’, with a 4/3 vote in favour of the submissions.

The City Oval Funding Agreement was a project where the Council worked hard to understand the implications of the decision before it. This was a significant project valued at \$9.6 million and the Council needed to fund 50% of the project through borrowings. The Council was scheduled to vote on the matter at the May 2025 Council meeting. The Council deferred the vote and held a further briefing session where there was significant discussion and questioning. This was brought back to an Extraordinary Council meeting in June where there was strong and passionate debate with a motion and an alternative (amended) motion. From a process and governance perspective the Council considered the decision appropriately and thoughtfully. The Council decided not to proceed with the project. Despite the strong interests of some members of the community on the matter, there didn’t seem to be significant community backlash in response to the Council’s decision. The Football Club President (on behalf of the principal user group at City Oval) in media on 19 June 2025 stated that “... Councillors have made the decision based on whole of community... we accept that 100%”

In a Council Plan meeting, a Councillor provided a valuable insight into their thinking and decision-making process. To paraphrase, the statement was; ‘Look at the decision, consider the information, if I get a community or some objection then always support the community.’ This insight provided a positive opportunity to discuss that statement and what constituted good decision making. It was agreed that there are a significant number of inputs required to make a good decision and the role that each Councillor needs to play is with advocacy on behalf of the wider community. Feedback following that discussion was that Councillors need to make the best decision for the whole of the community after consideration of all of the information and feedback without bias towards any one party. That may at times be against some of the aspirations of some in the community.

## CEO recruitment

The process to recruit a new CEO commenced in November 2024, with a report outlining the process and then at the December Council meeting the Council appointment of a recruitment consultant. The process for the CEO recruitment was managed in accordance with HRCC’s CEO Employment and Remuneration policy.

This was an extremely challenging process for the new Council. Many of the Councillors struggled with the process and the enormity of decision and getting the 'right' outcome for HRCC. The recruitment consultant shared his observation that the behaviours of some of the Councillors 'were the worst he has seen in over 60 recruitment campaigns'. Some were almost paralysed with fear, given the importance of the decision they had before them. Some of the councillors acknowledged that recruitment of a senior officer was a new experience for them, therefore they were learning through the process. Fortunately, these frustrations were contained and not reflected in the actual interviews. Importantly, the Councillors learnt a lot about themselves through this process, and they did reflect on the 'Ways of Working Together Charter', recognising how they could have performed differently. It was good to see that they did recognise this, and I believe the experience has been a key learning and growth moment for the Councillors.

In no way should this commentary bear any reflection on the appointment of the incumbent, CEO Ms Gail Gatt. To further quote the recruitment consultant "... for Horsham, the result is a fantastic one with Gail Gatt's appointment,". The Council recruited, selected and appointed an excellent new Chief Executive Officer. Ms Gatt commenced the position on 19 May 2025.

My observations in my final six weeks at HRCC with regards to the working relationship between the CEO and the Council have been very positive. The new CEO and Council are working well together. They have already worked through some tough decisions and continue to bond well.

## **Budget 2025/26**

The Council at its meeting on 23 June 2025 passed the 2025/26 Budget and hence has complied with Section 94(1) of the Local Government Act. At the meeting the Council adopted the; Revenue and Rating Plan (R&RP) 2025-2029, Fees and Charges 2025/26 and Budget 2025/26. The Council had all three documents out for public consultation and feedback. In all there were nine responses in total from the community to the three documents. There were further budget working sessions in June following community consultation and feedback with minor changes. The Budget process commenced on 3 December 2024 and over a seven-month period the Councillors participated in twenty-nine sessions including induction and budget development sessions to enable it to adopt the Budget on 23 June 2025.

Full credit to the staff, as they have worked hard to bring the new Council up to speed on the budget and all the associated processes. The Councillor cohort have been well focused, wanting to learn and understand budget processes. They have asked detailed questions and sort clarification as required.

## **Leadership through Transition**

The Wimmera and South Mallee region is going through significant change and transition. The region has been farming and agriculture occurring over multiple generations. The advent of mining and renewable energy is bringing change for the community.

Council has an important role and an opportunity to lead with proactive advocacy to get the best possible outcome for their communities. Resisting this change isn't really an option. At the March Council meeting two notices of motion (NOM) were moved:

"That a Mining, Renewables & Energy Committee be formed with a minimum of two Councillors, the CEO, and not more than two dedicated staff involved in the process of Mining, Renewables & Energy, to ultimately present recommendations to Council."

And

“That Council formally suspend the Memorandum of Understanding (MOU) between WIM Resource and Horsham Rural City Council, further to a full review.”

Concerns have been raised to me that some Councillors may have a Conflict of Interest (COI) and are potentially displaying bias with their opinions and decisions. I have not observed undeclared COIs; one Councillor has consistently declared a COI and been excused for discussion and decision making. It is the responsibility of an individual Councillor to ensure they properly declare and manage any COI. I have no reason to believe that other Councillors are not ensuring they adhere to Section 130 of the Act's COI requirements.

Regarding potential bias, I have met with each individual Councillor and the CEO to discuss bias. I have expressed my concern (through observation) that there might be some bias within some of the current Council cohort that will need to be managed effectively. This may include unconscious bias. As a positive, I have watched the Councillors as a group provide ongoing feedback and support to each other to navigate through this complex area.

I have observed post the conclusion of my appointment that Council at its August 2025 Council meeting have decided not to proceed with the above NOM committee structure and composition. Rather the Council establishing a working group comprised of the seven Councillors. As an observation, it is important that all seven Councillors are directly involved in the discussions that help shape the direction of these important decisions.

I have recommended that there should be further training sessions, with external law, to reiterate and provide ongoing training and clarity regarding bias (both perceived and actual) and how it should be managed. This training was covered through the Councillor induction training; however, I believe the Councillor cohort would benefit from further and ongoing training.

Public meetings can be difficult to manage. On 15 April Council facilitated a public meeting in Dooen, attended by approximately one hundred people. The purpose was to discuss the proposed Avonbank mine and Avonbank Mining Licence submission. The community had concerns, fears and anger about what was or could be happening to them. The Mayor led and navigated the discussion well, as he was supported by the Council, CEO and Executive team. Empathy was strong through the discussion, and the Council brought clarity and facts to some of the discussion, which was a positive approach.

A key challenge for the Council will be navigating a path forward with both the mining and renewable energy sectors. Leadership is not always easy and at times the Council may be perceived to be at odds with some strong and vocal sections of the community opposed to change. The Council will need to consider how they get in front of the conversation and provide strong advocacy through this changing landscape. This will only happen through proactive dialogue to influence an appropriate path forward for the community. Some in the community may not always be happy with the direction or outcome. Change is going to happen, HRCC needs to seriously consider the important role that it has to lead that change given the Council's core strategic role to guide the municipal district's economic, social and environmental sustainability and achieve the best outcomes for the municipal community including future generations Section 9 (2) the Act. Agriculture will continue to be the predominate sector in the Wimmera, however the engagement with mining and renewables cannot be ignored. 'In order for something to stay the same, it must change!'

## Council Plan and Community Vision

HRCC commenced the Council Plan and Community Vision development process at the beginning of 2025. During the week commencing 28 April 2025, the Council through its external facilitator, conducted several face-to-face workshops covering a number of areas of Council operations. These workshops were attended by community members, Councillors and Council staff. There has also been an online and hard copy questionnaire available to the community to provide further input. The final Council Plan and Community Vision is proposed to be completed by late September and ready for Council adoption before the end of October 2025.

## 2025 (June) - Local Government Community Satisfaction Survey

HRCC's overall performance has improved notably over the past 12 months, although it is still below the state average. Perceptions of Council's overall performance have started to rebound. Most significant was HRCC's 'Overall Council Direction' has increased from 37 to 61; the highest shift recorded in the State. All nine benchmark indices shifted in an upward direction. The Council and staff should be congratulated for this positive turnaround within a short period of time.

## Summary

I would like to thank the HRCC staff and Councillors (both past and present) for the assistance and support that they have provided to me over the period of this appointment. Their openness and willingness to share their insights has been gratefully appreciated. I would like to also acknowledge the support that both Mayors have provided to me over the period.

Despite some of the negatives and frustrations, what has come through in many of my discussions with the staff is the pride that they have for Horsham, the district and its communities. There is a genuine willingness from both staff and Councillors to create a better culture and operating environment for the betterment of the wider municipal community

In the Council Plan workshop for Councillors, CEO and Directors I was asked to participate in an activity regarding name '3 things that you would want to see have happen for success for Horsham' in the next four years. My three are below:

1. *The Council operating as respectful group and working effectively as a TEAM; who both listen and challenge each other for the benefit of Council and the Community.*
2. *The Council and Executive working collaboratively through SHARED Leadership in a climate of TRUST to deliver on community expectations.*
3. *HRCC seen as a benchmark within the Local Government sector.*

Regarding the first point, this Councillor cohort are currently engaging respectively and working well together. The second success factor is still a work in progress and with the new CEO the initial observations are positive and should navigate a strong path forward (*there is good will, intent and commitment to make this happen*). Regarding the third aspiration this will only be known in time and through continued commitment and focus. Regular reflection on the 'Ways of Working Together Charter' will help to advise and deliver the above aspirations.

This is a new Council, with a new CEO. They have the opportunity to learn from the past, but need to clearly focus on the future, building a new future for HRCC.

## Recommendations

**Minister Staikos MP**, I have no recommendations for your consideration. Please note the recommendations for HRCC.

**Horsham Rural City Council**, I have following recommendations:

1. To further embed the opportunity for a fresh start associated with a new Council and new CEO, that HRCC should ensure that:
  - As part of the Council Plan process, the new CEO has an opportunity to review the organisation structure, the organisation culture and build a high performing team of staff that works in the best interests of the Council and the community,
  - There are regular meetings with the new CEO and Councillor, only time; and
  - At a suitable time, the CEO delegations are reviewed with the view to provide the CEO with suitable authority to best manage the effectiveness of the organisation to deliver on the Council Plan and Budget.
2. Councillors should be provided with sufficient information to enable them to be confident in the financial management and controls at HRCC. This should include:
  - Review by the Audit and Risk Committee of policies and delegations regarding budget and spending approvals and variations – to then be presented to Council; and
  - Quarterly financial reporting to Council including operations, capital works, cash flow, balance sheet and employment – with appropriate commentary provided.
3. Council ensures through Professional Development training Section 33A Local Government Amendment (Governance and Integrity) Act 2024, that all Councillors are provided and comply with ongoing professional development and mentoring to ensure that they have the capacity and support to fulfil their roles and responsibilities:
  - Conduct, with external legal expertise, more training regarding the understanding of bias (perceived and actual). Bias should continue to be monitored and follow up sessions occur, as and when required,
  - Councillor training and applied learning opportunities in relation to Council meeting process and procedure, through role play; and
  - That Councillors undertake a follow up facilitated team building session and ‘check in’ with how they have been performing in line with the ‘Ways of Working Together Charter.’
4. ‘Ways of Working Charter’ to be presented to the wider HRCC organisation, by the Mayor and/or Councillors.
5. HRCC should consider facilitating another Community Leadership Program in the lead up to the next Council Election (2028). There is real value in providing prospective Community Leaders (Councillors) with a program that provides (amongst other things):
  - Background to local government, good governance, working together as a team, community leadership and public profile, managing the time commitment, decision making on behalf of the community.

**Steven Kingshott**

**Municipal Monitor.**

## **APPENDIX 1**

### **SCHEDULE 2**

#### **TERMS OF REFERENCE OF APPOINTMENT OF THE MUNICIPAL MONITOR TO HORSHAM RURAL CITY COUNCIL APPOINTED UNDER SECTION 179 OF THE LOCAL GOVERNMENT ACT 2020**

Without limiting the Municipal Monitor's functions and powers under sections 180 and 181, respectively, of the Act, the Municipal Monitor is:

1. To monitor the governance processes and practices of the Council, with specific regard to the following matters
  - a. the actions taken in response to, and the Council's ability to give effect to, the advice from the former municipal monitor appointed to the Council in 2022;
  - b. 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;
  - c. the Council's meeting procedures and decision-making processes, including attendance at briefings and Council meetings, the adequacy of the Governance Rules and the Council's policies, processes and practices related to the development and adoption of the Council's annual budget;
  - d. the relationships 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;
  - e. maintenance of an effective working relationship between the Chief Executive Officer and the councillors;
  - f. 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;
  - g. any support needed in the lead up to and following the elections in October 2024 to ensure good governance at the Council; and
  - h. any other matters that may be affecting the Council's ability to effectively perform, including behaviour that may be preventing the Council from performing its functions.
2. To advise, and provide any relevant assistance and support, to the Council in relation to the improvement of the Council's governance processes and practices, with specific regard to the matters raised in clause 1.
3. 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 clause 1.
4. To report to the Minister for Local Government, with respect to the matters in clause 1, on:
  - a. any steps or actions taken by the Council to improve its governance and the effectiveness of those steps or actions;
  - b. any recommendations for the Council to ensure the proper performance of its statutory role, including in relation to the conduct of councillors and responding to the advice of the former municipal monitor appointed to the Council; and
  - c. any recommendations in relation to the exercise of any Ministerial power under the Act.