

**Community Planning & Economic Development Standing Committee**  
**May 13, 2013**

**TO:** Chair and Members of Community Planning & Economic Development  
Standing Committee

Original Signed

**SUBMITTED BY:**  Jennifer Church, Managing Director, Government Relations & External  
Affairs

**DATE:** May 2, 2013

**SUBJECT:** Update: Economic Development and the Auditor General's Report

**ORIGIN**

On April 20, 2010 Regional Council passed a motion that:

*Halifax Regional Council direct staff to consider the optimal governance structure for agencies within Halifax Regional Municipality who are performing an economic development function, in respect of the new Economic Strategy that is being undertaken. The goal being an organizational and governance model best suited to the strategies described in the Economic Strategy. And that information be brought back to Council for consideration pending the Council endorsement of a 2011-2016 Economic Strategy.*

On April 9, 2013 Regional Council approved the following recommendation:

*Halifax Regional Council recommends staff:*

- 1. Review the Auditor General's Report and its recommendations.*
- 2. Meet with the Greater Halifax Partnership, Destination Halifax and others involved in economic development to consider the report and its recommendations in detail.*
- 3. Determine an effective review process for the Auditor General's Report beginning with the involvement of the Community Planning and Economic Development Standing Committee and resulting in making recommendations and setting priorities for further action.*

**LEGISLATIVE AUTHORITY**

The Halifax Regional Municipal Charter says in Section 50 (1) that

"The Auditor General is responsible for assisting the Council in holding itself and the Municipality's administrators accountable for the quality of stewardship over the public funds and for achievement of value for money in the Municipality's operations."

## **RECOMMENDATION**

It is recommended that the Community Planning & Economic Development Standing Committee

1. Approve Attachment B to this report "A proposal for considering and implementing the recommendation of the report, Development through Partnerships – A Performance Evaluation".

## **BACKGROUND**

On April 20, 2010, Regional Council directed staff to review the governance structures for the agencies working on economic development. Staff had substantially completed a background report but delayed presenting it until the Auditor General (AG) could complete his economic development report. The governance review report will now be consolidated with the process being recommended in Attachment B.

On February 13, 2013, the Auditor General (AG) presented *Economic Development through Partnerships – A Performance Evaluation* to the Audit & Finance Standing Committee.

The AG's report included a Management Response which said that HRM "can begin to work with the Greater Halifax Partnership and Destination Halifax to implement most of the (recommendations) right away, although it will take some time for full implementation of them all."

On February 14, the Community Planning & Economic Development Standing Committee (CPED), during discussion of the Economic Strategy and the Greater Halifax Partnership Agreement Status Update briefly discussed the AG's report. CPED passed the motion that went to full Council on April 9, 2013.

The AG's report has 21 recommendations. It also includes some thought provoking background ideas on economic development issues and how HRM should tackle them.

## **DISCUSSION**

Since the AG's presentation of his report, staff have been working to understand and implement the report's recommendation, following the structure of the Council recommendation. The material collected for the governance structures report will inform many of the actions proposed for implementing the AG recommendations.

Council's motion had three components:

1. *Review the Auditor General's Report and its recommendations*

Government Relations & External Affairs (GREA) staff have begun to review the recommendations. Attachment A groups the recommendations under new headings:

- Economic Development Mandate/Role of HRM
- Economic Development Structure/Model
- Economic Development Strategy/Implementation Plan
- Service Agreements
- Non-GREA Leads

Attachment A also includes some of the AG's ideas which are not explicitly included in the recommendations. It provides an update on the current status of each recommendation.

*2. Meet with GHP, DH and others involved in economic development to consider the report and its recommendations in detail.*

The AG's recommendations have informed discussions about service agreements for 2013-2014 and the updating of the economic Strategy. GREA has also begun discussions with Greater Halifax Partnership (GHP) and Destination Halifax (DH) about the recommendations which involve them. Some actions will be "immediate" e.g. the implementation of a service agreement with DH. Other actions will take longer to implement, especially since HRM itself and the two organizations have ongoing work to do and commitments to meet. Items like the service agreement between GHP and HRM and the updated implementation plan for HRM's economic strategy will come to CPED and Council for consideration while work continues on the recommendations in the AG's report.

*3. Determine an effective review process for the Auditor General's Report beginning with the involvement of the Community Planning and Economic Development Standing Committee and resulting in making recommendations and setting priorities for further action.*

Before some of the AG's recommendations can be implemented effectively, there are a number of issues that warrant further discussion.

The AG, in the text of his report, identifies some of these issues. An effective review process should seek to address these issues. Attachment B attempts to identify the issues and outline a process to move forward. It will involve CPED – or other groups if CPED so suggests – taking a more in depth approach than simply considering the recommendations as they are spelled out in the report.

### **FINANCIAL IMPLICATIONS**

This report has no immediate financial implications. Depending on how CPED and Council choose to move ahead, there could be financial implications for 2014-2015 and beyond.

**COMMUNITY ENGAGEMENT**

The AG consulted widely in developing his report. There is no plan at this stage for community engagement beyond HRM Regional Council. Depending on how CPED and Council choose to move ahead, there could be some community engagement in the future.

**ENVIRONMENTAL IMPLICATIONS**

This report has no environmental implications.

**ALTERNATIVES**

- (1) Attachment B proposes a process that includes discussion of some important background issues at a series of five CPED meetings. It suggests tackling appropriate recommendations of the AG's report as they relate to the topics under discussion.
- (2) An intensive workshop process could replace the use of CPED meetings for consideration of the fundamental questions. Such an approach would be quicker but would involve a significant additional time commitment from the committee in the short term.
- (3) If the committee is comfortable that there is broad consensus on the answers to the five fundamental questions, discussion of them could be dropped. CPED could then simply consider implementation of the AG's recommendations themselves.

**ATTACHMENTS**

- A Status Report – Recommendations from AG Report on Economic Development
  - B A Proposal for Considering and Implementing the Recommendations of the report  
*Economic Development through Partnership – A Performance Evaluation*
  - C Background Paper – May: What is economic development
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A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/cc.html> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Original Signed \_\_\_\_\_

Report Approved by: Jennifer Church, Managing Director, GREa

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### Status Report – Recommendations from the HRM Auditor General (AG) Report on Economic Development

The following table includes:

- the 21 recommendations from the Auditor General's report *Economic Development through Partnerships – A Performance Evaluation* (note that these recommendations have been re-organized into work plan themes);
- other references from the body of the AG's report that relate to the noted recommendations;
- comments from HRM Administration on the initial status of responding to and/or implementing the AG's recommendations.

<i>Economic Development Structure/Model</i>			
#	AG Recommendation	Other References in the AG Report	Initial HRM Administration Comments
1.0.1	Explore the possibility of creating a Chief Economic Development Officer	<ul style="list-style-type: none"> <li>- use GHP to execute specifically assigned tasks from the strategy (15)</li> <li>- every person at HRM ... must now focus on economic development in every spending decision(16)</li> <li>- engage in a more robust management of relationships and service agreements (17)</li> <li>- seek assistance from a qualified individual ... who will be held accountable for implementation (68)</li> </ul>	This officer could play a number of roles including coordination within HRM administration, management of relationships with partners, strategic direction and advice, and promotion of economic development within and outside the community. All but the last function are currently provided by HRM's Government Relations and External Affairs unit, including integration of economic development priorities within HRM business units and the GHP service agreement, clarification of roles and responsibilities of external partners and internal business units to advance the implementation of HRM's economic strategy, and Business Improvement District coordination.
1.0.2	Explore the opportunity of enhancing a liaison position jointly with the Federal and Provincial governments	<ul style="list-style-type: none"> <li>- HRM should .... Change its efforts from attempting to coordinate activities to that of a consolidate gateway to relevant programs (14)</li> <li>- Better coordination of activities is key</li> </ul>	HRM's Government Relations and External Affairs unit currently coordinates and advises on government relations. Formalization of a position as a liaison function would require the concurrence of the provincial and federal governments.
1.0.3	Consider arranging for a		The response to recommendations 1.0.1 and

	secondment/secondments of the HRM resource(s) who will be the economic development point person		1.0.2 will address this recommendation.
2.3.6	Consider utilizing a portion of the approximately \$3,600,000 in annual funding to engage other service providers with the needed experience or expertise	<ul style="list-style-type: none"> <li>- GHP become more of a service provider rather than HRM's defined economic arm</li> <li>- GHP's expertise is not limitless and without HRM's ability to access other organizations, the required expertise or talent may not always be available (15)</li> </ul>	Increased focus in the economic strategy and services agreement will help ensure actions are clearly identified and aligned with existing expertise. In some cases, GHP and DH currently bring in outside resources. It should be noted that there are restrictions on how the Marketing Levy portion of the approximately \$3.6 million noted in the recommendation can be used.
2.6.3	Consider offering in-kind services and extending procurement opportunities to GHP and DH		HRM, GHP and DH will determine potential opportunities through discussion on a service by service basis.
3.01.	Consider, with respect to the risk management concerns noted above, the additional benefits to be gained through the services of the individual(s) as suggested in Rec 1.0.1, 1.0.2 and 1.0.3	<ul style="list-style-type: none"> <li>- Properly managing HRM's economic development ... requires qualified and dedicated HRM resources (63)</li> </ul>	As noted in the responses to recommendations 1.0.1, 1.0.2, and 1.0.3, this function currently exists within HRM's Government Relations and External Affairs unit. Increased focus on the Economic Strategy and on economic development generally will further support the response to this recommendation.
3.0.2	The apparent reduction in revenue from private sector activities (support) should be reviewed to determine the likely reasons and the impact on HRM's economic development model. (GHP)	<ul style="list-style-type: none"> <li>- Private contributions noted.(63-4)</li> </ul>	The benefit of an arm's length economic development organization is its ability to leverage and to engage the private sector more effectively than government.

Economic Development Mandate/Role of HRM		
2.6.1	Review the reasoning behind	With separate boards come separate agendas or
		HRM staff have conducted a governance review

	the formation GHP and DH both as separate organizations and also as organizations outside of the administration of HRM	<ul style="list-style-type: none"> <li>- the possibility of conflicts or duplication ( )</li> <li>- Comments on integration of DH and GHP (18-20)</li> <li>- Additional comments (59-61)</li> <li>- Any change in the structure of either DH or GHP would have to result from discussions and analysis at their management and boards of directors levels</li> </ul>	which includes the origin of the separate entities, as well as a jurisdictional review of how other Canadian municipalities approach economic development and tourism. HRM's authority in these areas is currently related to funding, rather than a specific governance model. This issue will be discussed in more detail with GHP and DH.
2.6.2	Consider a more focused approach to economic development with high consideration of the comments around more focused support for businesses of all sizes and entrepreneurs	<ul style="list-style-type: none"> <li>- Make raising the HRM entrepreneurial quotient a priority (17)</li> <li>- Prioritize the concept of a consolidated shop for business and business development (17)</li> </ul>	HRM is working to define service agreement deliverables, economic strategy actions and other actions that address the regulatory environment and service culture including: defining steps with respect to barriers to starting a business, including participation in the province's A2B projects. A number of the actions in the current economic strategy relate to this issue.
2.4.1	HRM should strengthen its business plan development in both the operating and capital budgets, to better align with the goals and action plans outlined in the economic strategy. A series of workshops could provide senior and mid-level management with an opportunity to better understand the various stakeholders who participate in economic development activities within HRM, and to explore and discuss the	<ul style="list-style-type: none"> <li>- Every person at HRM ... must now focus on economic development in every spending decision (16)</li> <li>- Senior GHP staff should meet with business unites during the HRM business planning process (51)</li> <li>- How well do HRM managers understand the impact of their day to day activities on the success of the economic strategy (51)</li> <li>- Most capital expenditures ... are economic development activities (51)</li> </ul>	HRM is establishing a working group to better integrate economic development priorities in its business units, incorporating economic development priorities in the revised GHP Service Agreement, and clarifying the roles of external partners and business units. In addition to these efforts, HRM will work with GHP to develop the suggested tool and workshop.

	economic challenges and opportunities which exist. (Separate issues?)		
2.4.2	Consider developing, in conjunction with GHP, a training tool which would educate municipal staff and elected officials regarding the roles and responsibilities the Municipality plays in developing the local economy		This issue is addressed in the above response to Recommendation 2.4.1.
4.1.1	Consider focusing efforts and resources to those areas where HRM has primary responsibility and expertise, such as land use planning and property taxation within a facilitative/strategic role	<ul style="list-style-type: none"> <li>- Revisit all programs and policies around land banking and land development and place a far greater emphasis on this in any future economic strategies (17)</li> </ul>	This recommendation will be addressed through the working group noted in 2.4.1, as well as economic strategy action item updates.

<b>Economic Development Strategy/Implementation Plan</b>			
2.1.1	Place a renewed emphasis on the HRM economic development strategy	<ul style="list-style-type: none"> <li>- Models used by HRM in the past have not resulted in strong measurable results or the achievement of clearly articulated economic goals (12)</li> <li>- HRM must insure all economic development activities ... are aligned under one guiding strategy with clear and measurable outcomes (12)</li> </ul>	<p>Economic Development is one of four Focus Areas identified by the recently elected Council. As noted in above responses, HRM's Government Relations and External Affairs unit will lead a working group to integrate economic development priorities within HRM, incorporate these priorities in the revised GHP service agreement and clarify roles and responsibilities of partners and HRM staff to implement HRM's economic strategy.</p> <p>Research and reports are an important aspect of economic development as they help identify</p>
2.1.2	Ensure the implementation plan contains and outlines	<ul style="list-style-type: none"> <li>- Perceived over-emphasis on planning and report writing should be changed to a reality of</li> </ul>	

	clearly the inputs to be used (along with efficiency performance measures) and the expected outcomes (along with the appropriate effectiveness measures	measurable outcomes contained in a well defined strategy (13) - Council should provide strong leadership around accountability by holding itself accountable for the results of the strategy (16)	which courses of action are likely to be effective in addressing issues and challenges. HRM's Government Relations and External Affairs unit will work with GHP through the economic strategy update, services agreement and updates to Council to improve reporting on inputs and outcomes. In relation to the revised service agreement with GHP, HRM is aiming to reduce the frequency of annual reporting work but increase detailed performance measurement.
2.3.3	Engage both GHP and DH in the development of the implementation plan to achieve the economic strategy		The proposed activities for years 3 to 5 of the implementation of the Economic Strategy include this approach.
2.3.4	Once the implementation plan and its goals are approved, request GHP and DH prepare action plans for those outcomes for which they have accepted responsibility		This recommendation will be implemented through the revised service agreements with GHP and the new service agreement with DH.
2.3.5	Determine the appropriate performance measures for the goals accepted by each GHP and DH and hold both organizations accountable on a yearly basis		This work is being done currently via reports to Council, but will be further refined through the economic strategy update and new / revised service agreements with DH and GHP.

Service Agreements		
2.3.1	Ensure the draft MOU with DH is reviewed and any	(46-7) This will be implemented in the 2013/14 fiscal year.

	appropriate changes made and finalized as soon as possible		
2.3.2	Consider, along with DH, the funding arrangement within the MOU. The OAG would suggest to tie the funding to agreed-upon and measureable performance		This approach has been included in draft service agreement with DH.

<b>Non GREA Leads</b>			
2.6.4	As previously recommended in other reports, the OAG would recommend HRM provide specific written clarification outlining what the expected roles and responsibilities are for their representatives serving on the boards of GHP and DH		Legal Services has begun to look at this governance issue to follow up separate AG reports on TCL. This study will continue, and extends beyond the governance structure of just GHP and DH, but HRM's Government Relations and External Affairs unit will work with Legal on this issue as it relates to those two organizations.
2.3.7	HRM Administration should consider reviewing and amending the business case for the Marketing Levy Special Events Reserve to establish a specific mechanism to deal with any surplus funds which may occur in a fiscal period due to a) unanticipated revenue increases or b) a reduction in spending	- Levy discussed (47-8)	The Marketing Levy Special Events Reserve, like other reserves, can carry a balance forward from year-to-year. In this case, reserve surplus from a "slow" events year can be carried over for use in future years and assist with multi-year planning. The Business Case for the MLSE does specify that the fund has a cap of \$1 million, and the Marketing Levy MOU with the Hotel Association of Nova Scotia states that "when the reserve reaches a balance of \$1 million, the surplus will be deposited into a 'Tourism Opportunity Fund Reserve'".

## **A Proposal for Considering and Implementing the Recommendations of the Report *Development through Partnership – A Performance Evaluation***

### **Introduction:**

This paper proposes a review process that considers both the April 9, 2013 and April 20, 2010 motions of Regional Council dealing with the auditor general's report as well as the economic development governance review.

### **Background**

In February 2013, the Auditor General (AG) reported on economic development. The report can be read at different levels, depending on the weight attributed to the AG's ideas which appear in the report but are often not evident in his 21 recommendations.

There are at least two different ways to approach the document.

- Respond to each recommendation as written. Nine suggest HRM "consider" certain approaches. It is as possible to consider and reject a recommendation as it is to consider and accept it.
- Use the report to ask and discuss some fundamental questions about economic development and how HRM should support it.

This document makes the case for taking the second approach, dealing with some fundamental questions. Clarity on the answers to the fundamental questions will make it easier to respond to the AG's recommendations. Clarity on the answers should also help improve HRM's economic development support work.

### **Proposal**

The AG considers some basic questions in his report:

- What is economic development?
- How can HRM best support economic development?
- Who should lead HRM's economic development activities?
- How should HRM work with the other players in economic development?
- How will HRM know if we are successful in our economic development work?

The AG, in preparing his report, found "a significant number of confusing and often conflicting matters." (Page 10) HRM needs answers to the questions above before tackling operational issues like alternative governance models for GHP and DH or hiring a Chief Economic Development Officer. If HRM does not

have consensus about the answers to some of the basic questions, debate about operational issues may not make much progress.

This paper proposes that during the next CPED meetings, committee members discuss the questions noted above. At the same time the committee can work through the relevant recommendations in the AG's report and make proposals for action. Staff will be able to implement some actions where they are administrative in nature. Others may require that CPED develop recommendations to go forward to Regional Council. Some may need immediate decisions from Council. Others will wait until a final report on the process goes to Council.

### **Timing**

Discussion will follow the timetable below:

<b>Date</b>	<b>Fundamental Question</b>
May 13	What is economic development?
Jun 13	How can HRM best support economic development?
Aug 8	Who should lead HRM's economic development activities?
Sep 12	How should HRM work with the other players in economic development?
Oct 10	How will HRM know if we are successful in our economic development work?
Nov 14	<i>Additional work on questions and final report, if necessary</i>
Dec 12	<i>Additional work on questions and final report, if necessary</i>

### **Process**

For each meeting, staff will

- prepare a background paper on the question for discussion.
- provide a framework to support the discussion
- report on recommendations from the AG's report that relate to the question being considered.

The background information for the May meeting is attached.

### **Note**

While CPED discusses the questions, current economic development work will continue. In addition to the questions and information on the related AG recommendations, there will be other economic development work to consider at CPED. These issues will come forward as required. The overall goal is to have solid support for approaches to take, new or modified, to economic development work in 2014 and onward.

## Background Paper – May

### What is economic development?

“Economic development” is one of four Council priorities.

What do we mean by “economic development”? Wikipedia’s definition is a good starting point for a discussion. Wikipedia says,

“Economic development generally refers to the sustained, concerted actions of policymakers and communities that promote the standard of living and economic health of a specific area. Economic development can also be referred to as the quantitative and qualitative changes in the economy. Such actions can involve multiple areas including development of human capital, critical infrastructure, regional competitiveness, environmental sustainability, social inclusion, health, safety, literacy and other initiatives. Economic development differs from economic growth. Whereas economic development is a policy intervention endeavor with aims of economic and social well-being of people, economic growth is a phenomenon of market productivity and rise in the GDP. Consequently, as economist Amartya Sen points out: “economic growth is one aspect of the process of economic development.”

Wikipedia identifies a number of elements which make up economic development – human capital, infrastructure, competitiveness, sustainability, inclusion etc. In the Canadian system, municipalities have varying levels of authority to get involved in these elements of an overall economic development program. From the start, good economic development will require close collaboration with others if it is to be successful.

In HRM we expect “economic development” to generate the revenue required to provide the services citizens expect. Such revenue generation needs a healthy and growing HRM. While economic growth may not be the ultimate end that we seek, we need growth to finance the activities that will lead to achieving economic development.

As GHP explained in its presentation to CPED in February, HRM has three fundamental economic growth objectives:

- Grow the population
- Grow the number of jobs
- Grow the tax base

The current HRM economic development strategy seeks to marshal HRM and other resources to achieve those three objectives.

There are many debates about what constitutes real economic development:

- Is there a difference between “economic development” and growth?
- Can a place like HRM grow indefinitely?
- Can you have economic development if some citizens are left behind?

- How does economic development fit with social development? With environmental stewardship? With a happier populations? Etc.

These are important issues to consider but for a small city in a poor province in a rich country over the next few years, the questions are interesting but somewhat academic. Today HRM needs growth and development that we can sustain without plundering our natural resources or over-exploiting our human ones. Growing the population, the number of jobs and the tax base are all possible in HRM in the short to medium term.

Some issues to consider in thinking about economic development:

Assets – HRM has a unique collection of assets – natural and manmade. HRM's harbour, port, airport, location, size, people, skilled work force, existing business, military and government presence, universities, health care institutions are some of our assets. Our economic development work should to build on our unique set of assets.

Choices - Given the limited resources available, economic development will always involve making choices. Some will be difficult. Money or time spent on one activity cannot be spent on others. The results of choices made appear in budgets and plans. HRM's annual budgets reflect short term spending priorities. Those budgets are a way to implement longer term plans. Since 2005, HRM has had in place two successive five year economic strategies. Each tried to bring some order to the wide variety of economic development activities and choices that could be undertaken.

Rural and Urban – HRM's size challenges economic development planners. How do we best support our urban core and our rural regions? What assets do the different parts of HRM offer? What investments in economic development will yield the best results?

Strategy - HRM's economic strategy – *A Greater Halifax* – covers 2011 to 2016. It lays out a set of actions designed to achieve a higher level of economic development. Circumstances change. New opportunities arise. Old ones fade. The strategy should guide the choices we make but must adapt to changes.

Collaboration - The HRM Regional Charter spells out what HRM can do to support economic development. Some important requirements for HRM's continued economic development are the responsibility of the Province of Nova Scotia or the Government of Canada. Reaching HRM's economic development goals will always require collaboration with other governments.

Private Sector – HRM, and other governments, can establish a business climate that promotes economic growth and development but real sustained progress will always require an active, innovative and profitable business sector.

Attribution – In any collaborative endeavour it will always be difficult to attribute success to any one player. If Irving's work on building ships generates the levels of employment forecast, who gets the credit? The Irving Company? Its many suppliers? The federal government? The province? The training institutions which provided the skilled workers? What HRM contributes will always overlap with the contribution of others.

**How should HRM define "economic development"?**