

Community Planning & Economic Development Standing Committee
June 13, 2013

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

SUBMITTED BY: Original signed by

Jennifer Church, Managing Director
Government Relations & External Affairs

DATE: May 27, 2013.

SUBJECT: Update #2: Economic Development and the Auditor General's Report

INFORMATION 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.

BACKGROUND

On April 20, 2010, Regional Council directed staff to review the governance structures for the agencies working on economic development. The governance review report will now be consolidated with the process for reviewing the Auditor General’s report adopted at the May 13th CPED meeting.

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

On February 14, 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.

On May 13, 2013, CPED agreed to undertake the process of answering five key questions about economic development. CPED considered the first question, “What is economic development?”

The questions remaining for discussion include

- How can HRM best support economic development? (Jun)
- Who should lead HRM’s economic development activities? (Aug – to be confirmed)
- How should HRM work with the other players in economic development? (Sep – tbc)
- How will HRM know if we are successful in our economic development work? (Oct – tbc)

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 April 9, 2013 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*
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. It is expected that the GHP Service Agreement will come before CPED on June 13, 2013 and the first DH service agreement will likely come to CPED on August 8, 2013.

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.*

CPED adopted an approach to implementing the AG’s report at its May 13th meeting. At that meeting, members reviewed a paper on the definition of economic development and made suggestions for changes to it.

Attachment A provides a definition of “economic development.” It includes the originally proposed definition, modified to include the results of the May 13th CPED discussion.

Attachment B provides an initial answer to the question, “How can HRM best support economic development?” It will provide the starting point for CPED discussion on June 13th.

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.

ATTACHMENTS

- A Revised Background Paper – What is economic development?
- B Background Paper – June: How can HRM best support economic development?

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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Report Approved by: Jennifer Church, Managing Director, Government Relations & External Affairs

Revised Background Paper

What is economic development?

“Economic development” is one of four Council priorities.

The CPED meeting on May 13, 2013 accepted a working definition of economic development as including:

- The sustained concerted actions of policymakers and communities to promote the standard of living and economic health of a specific area
- Quantitative and qualitative changes in the economy

Support for economic development is important both to promote economic growth and to improve citizens’ quality of life. Economic growth – more people, more good jobs and a larger tax base – enables a municipality to provide the amenities and services that citizens want.

Good support for economic development activities – “the sustained concerted actions of policymakers and communities” – includes, among other things, work on a number of items: human capital, infrastructure (including transportation), competitiveness, sustainability, and citizen inclusion. In the Canadian system, municipalities have varying levels of authority to get involved in these elements and others of an overall economic development program. Successful economic development will require close collaboration with others who have authority over some of the elements.

In HRM we want “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 is an ongoing debate 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 over exploiting our natural resources or our human ones. Growing the population, the number of jobs and the tax base are all possible in HRM in the short term.

Some other issues we should consider in thinking about economic development include:

The nature of HRM – 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, and health care institutions are some. Our economic development work should build on our unique set of assets.

Need for Choices - Given the limited resources available, economic development will always involve making choices. Money or time spent on one activity cannot be spent on others. HRM’s annual budgets reflect short term spending choices. Those budgets are a way to implement longer term plans.

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? How do we benchmark to recognize urban and rural differences?

Strategy - 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. *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.

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

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. HRM has MOUs with a number of key players in supporting economic development. We will need to revisit those MOUs and, probably, develop new ones to maximize the impact of our collaborative efforts.

Limitations – Many issues which have an impact on the economic development of HRM lie outside of our control. Changes in the global economy, exchange rates, or national policies can have an impact on HRM. Whatever we plan to do, we must be nimble enough to recognize and react to changes.

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? Irving Shipbuilding? Its suppliers? The federal government? The province? The training institutions which provided the skilled workers? On almost any economic development issue you can name, what HRM contributes will always overlap with the contribution of others.

Background Paper – June

How can HRM best support economic development?

Introduction: In May 2013, the Community Planning & Economic Development Standing Committee (CPED) considered the first of 5 questions, “What is economic development?” CPED adopted a “starter” definition. While we will revisit that definition as we work through the rest of the questions, how can we best support economic development as we currently understand it? What should HRM do?

There are three broad ways that HRM can support economic development. HRM can:

- do things itself – eg through direct project or program support - ACT
- create a climate for others – citizens, businesses, etc - to do things – FACILITATE
- work with other organizations doing things - COLLABORATE

ACT: HRM has over 3700 employees and an annual budget of almost \$1 billion. Given the authority conferred by the Halifax Regional Municipal Charter, there are many things that HRM itself can do to support economic development including:

- providing the infrastructure, services and amenities needed for development
- engaging/including residents in development support activities
- planning/regulating for best use of HRM’s assets, both natural and manmade
- creating/maintaining a climate that allows business to flourish
- ensuring that residents are safe and secure
- looking after the environment so that HRM be a good place for our children and grandchildren.

Putting in place infrastructure for transit or recreation, keeping citizens safe, and the many other programs that HRM delivers can all be looked at through an economic development lens. How does spending any dollar help make HRM a more attractive place, leading to an increase in population? How will it increase the number of people working in HRM? How will it build the HRM tax base?

FACILITATE: HRM is not the sole driver of its own economic development. The businesses which employ and serve residents and the many public institutions which provide education, health care and other services are crucial to the development and growth of the municipality.

Businesses, both large and small, are a key to long term economic growth and development. The AG suggests (P 75) “HRM agree that its relationship with business is not what it could be and commit to improving how it interacts on a day-to-day basis with a further commitment to the reduction of ‘red-tape’.”

The climate created by the Regional Plan and associated land use planning bylaws, other bylaws, administrative orders or policies, the municipal regulatory regime and how effectively we govern ourselves can encourage people to come to HRM or drive them away. How we do our work will have a profound impact on how well HRM develops.

Simplifying regulations can make it easier for business to thrive. Finding the correct balance between regulations required to keep residents safe and the minimum of “red tape” can create a business climate that encourages development.

COLLABORATE: Businesses have their own priorities and will do what is in their best interests. A good business climate should keep businesses here, happy and open to collaboration with HRM.

Other orders of government have priorities, too.

The federal government, especially through its regional and naval presence, is a major player in HRM. Its support for activities in HRM will always be tempered by its needs to meet national objectives.

Provincial legislation sets the basic rules for HRM through the HRM Charter. Through the responsibilities the province has under the Canadian constitution, and past agreements between the province and Nova Scotian municipalities, the province is the driving force in education, health care, housing and some other matters which impact HRM. The province has supported HRM strongly in the past but its priorities are not always the same as HRM's.

Effective economic development in HRM will require aligning the many players and their priorities. This will always be a challenging task.

GHP's approach to developing its two economic strategies sought to engage a range of economic development stakeholders at the planning and preparation stage. As time passes, however, it is hard to sustain the levels of support offered in the preparation phase. Priorities change. Some opportunities evaporate. New ones arise. The need to keep lines of communication open among the stakeholders in economic development is a constant challenge.

MOVING AHEAD: Having an overall strategy as a roadmap, even if circumstances change, is a good first step in determining what programs to support, how to create a good climate for development and when to collaborate with others.

Having economic development as a council priority, having an economic development strategy and putting that strategy on a solid regional development plan foundation are pre-requisites to successful economic development. We have those pre-requisites in place, or at least close to being in place.

WHAT ECONOMIC DEVELOPMENT ACTIVITIES SHOULD HRM LEAD? FACILITATE? COLLABORATE WITH OTHERS ON?