Performance Audit of the Economic Development Division

Presented To:	Audit Committee
Meeting Date:	September 16, 2025
Type:	Managers' Reports
Prepared by:	Ron Foster Auditor General
Recommended by:	Auditor General

Report Summary

The report provides an assessment of the extent of regard for value-for-money within the Economic Development Division.

Resolution

THAT the City of Greater Sudbury approves the recommendations as outlined in the report entitled “Performance Audit of the Economic Development Division”, from the Auditor General, presented at the Audit Committee meeting on September 16, 2025.

Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report supports the strategic goal of service excellence which is part of a comprehensive system of attitudes, policies and processes that reflects a commitment to produce effective results while making the best use of limited resources.

Financial Implications

No immediate financial implications.

Background

November 2023 report on Economic Development - Economic Development Support and Results

Governance Audit on Greater Sudbury Community Development Corporation - GSDC Governance Audit Report Final.docx

OBJECTIVE

To assess the extent of regard for value-for-money within the Economic Development Division.

BACKGROUND

The Economic Development Division is responsible for the development of investment, support and expansion of business in Greater Sudbury, promotion of tourism, support of immigration, development of workforce, support of culture, administration of arts and culture grants and coordination and administrative support for the Greater Sudbury Development Corporation (GSDC) and the City's museums. The Division has 21 full-time staff and 4.3 full-time equivalent part-time staff. Financial results are shown below.

Table 1 - Financial Results – Excluding Museums ($000s)

Revenues and Expenses	2019		2020		2021		2022		2023		2024	
	Bud	Act	Bud	Act	Bud	Act	Bud	Act	Bud	Act	Bud	Act*
Federal Grants	97	136	560	273	688	738	857	988	702	883	704	759
Provincial Grants	191	489	838	414	778	634	778	587	778	688	779	444
Other Revenues	442	413	677	347	707	264	819	1,236	727	837	733	1,263
Capital Funds	144	41	147	-	83	-	148	148	92	67	106	42
Total Revenues	**874**	**1,079**	**2,222**	**1,034**	**2,256**	**1,636**	**2,602**	**2,959**	**2,299**	**2,475**	**2,322**	**2,508**
Salaries & Benefits	2,209	2,292	2,622	2,487	2,766	2,686	2,908	3,057	2,997	3,383	2,931	3,197
Transfer Payments	2,194	2,199	2,263	2,027	2,462	2,367	2,667	2,390	2,679	2,739	2,716	2,616
Materials/Purchases	737	820	1,717	732	1,427	818	1,569	1,811	1,433	1,660	1,412	1,954
Capital Contribution	190	113	190	92	190	68	190	525	190	20	190	37
Internal Recoveries	268	301	310	203	405	349	179	240	250	284	266	278
Total Expenses	**5,598**	**5,725**	**7,102**	**5,541**	**7,250**	**6,288**	**7,513**	**8,023**	**7,549**	**8,086**	**7,515**	**8,082**
Net Expenses	**4,724**	**4,646**	**4,880**	**4,507**	**4,994**	**4,652**	**4,911**	**5,064**	**5,250**	**5,611**	**5,193**	**5,574**

**The overbudget in 2024 relates to emerging opportunities that required strategic communication and investment attraction fees, research related to critical minerals as well as coverage for staff leaves throughout the year.*

METHODOLOGY & SCOPE

This audit included staff interviews, analysis of policies, programs and processes, benchmarking and tests of controls for the period January 1, 2019 to June 30, 2025. Museums were excluded from the audit scope.

EXECUTIVE SUMMARY

In November 2023, the Division issued a helpful report to Council that described the results of the City's economic and tourism programs. This audit identified additional opportunities for the Division to demonstrate the value that its programs provide and to improve their value for money over time.

AUDIT STANDARDS

We conducted our audit in accordance with Generally Accepted Government Auditing Standards which require that we adequately plan audits; properly supervise staff; obtain sufficient, appropriate evidence to provide a reasonable basis for audit findings and conclusions; and document audits. For further information regarding this report, please contact Ron Foster at the City of Greater Sudbury at 705-674-4455 extension 4402 or via email at ron.foster@greatersudbury.ca

OBSERVATIONS AND ACTION PLANS

A. Greater Sudbury Community Development Corporation (GSDC)

The Greater Sudbury Community Development Corporation (GSDC) is governed by a Board of 18 Directors which consists of the Mayor and 3 members of Council and 14 community representatives. The mandate of the GSDC is to promote community economic development with the cooperation and participation of the community by encouraging, facilitating and supporting community strategic planning and increasing self-reliance, investment and job creation within the community. In accordance with the Municipal Accommodation Tax (MAT) Agreement, the GSDC also provides the tourism marketing program and delivers the Tourism Development Fund using half of the net proceeds of the MAT that it receives annually from the City.

The relationship between the City and the GSDC is set out in an Operating Agreement which was last updated in 2020. Under this agreement, the City is required to provide facilities, equipment and administrative services to the GSDC as well as funding. In return for this funding and administrative services, the GSDC is required to comply with the City's Purchasing, Remuneration and Retention, and French Language Policy By-laws as well as such policies of general application in the City as may be implemented by by-law of the City or as may be provided to the GSDC from time to time.

Appointed members of the GSDC coordinate with Economic Development staff to deliver tourism and economic development grants to businesses as well as arts and cultural grants to not-for-profits. Table 2 summarizes the revenues and expenses of the GSDC which is funded solely by the City.

Table 2 – Statement of Operations for the GSDC ($000s)

Revenues & Expenses	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Economic Development Grant	1,000	1,000	1,000	1,000	1,000	1,000
Arts and Culture Operating Grant	480	480	489	489	499	509
Arts and Culture Projects Grant	96	85	87	87	88	90
Municipal Accommodation Tax	1,430	615	796	1,140	1,313	1,489
Total Revenues	**3,006**	**2,180**	**2,372**	**2,716**	**2,900**	**3,088**
Grants Expense	1,341	1,854	959	1,502	2,468	3,699
Municipal Accommodation Tax	12	163	220	288	655	512
Total Expenses	**1,353**	**2,017**	**1,179**	**1,790**	**3,123**	**4,211**
Annual Surplus (Deficit)*	**1,653**	**163**	**1,193**	**926**	**(223)**	**(1,123)**

**Funding deficits in 2023 and 2024 arose due to the disbursement of grants committed in prior years.*

The GSDC has implemented the majority of the recommendations from a governance audit that was completed in 2018. Notwithstanding, the City's operating agreement with the GSDC has not been updated since 2020 to formalize the expectation for the GSDC to support the objectives within the City's Corporate Strategic Plan or to clarify the role of the City's Director of Economic Development.

Recommendation

Update the operating agreement with the GSDC to expand the role of the Director of Economic Development to include the provision of guidance to the GSDC on their programs and activities to ensure alignment with the objectives set out within the City's Corporate Strategic Plan.

Management Response and Action Plan

Agreed. Staff are coordinating the update of the Operating Agreement between the GSDC and the City as

part of the 2025 work plan with support from Legal Services as well as the GSDC Board and its Policy Review Committee. The agreement will be updated to reflect the importance of the Director role in providing guidance to the Board. Staff will also highlight the need for consistent strategic alignment of the GSDC with City objectives within both the Operating Agreement and the MAT Agreement as they are updated.

B. Economic Development Spending (excluding Arts & Culture Grants)

Our analysis of budgets and annual reports indicates that CGS spends slightly more per capita on Economic Development programs than our municipal peers because CGS provides more extensive programs such as the Rural Northern Immigration Pilot. While these additional programs contributed to annual spending increases of 8 percent between 2019 and 2024, most of these programs are fully funded. As a result, net spending by the Division only increased by 4 percent per annum during this period.

Table 3 – Net Economic Development Spending Per Capita (Excluding Arts & Culture Grants)

Spending Per Capita	CGS*	Thunder Bay	Sault Ste. Marie	Brantford	Guelph	North Bay	Barrie	Chatham Kent	Peer Average
2024	$20.07	$27.26	$21.48	$20.49	$18.60	$17.22	$14.40	$14.08	$19.08
2023	$20.99	$25.55	$21.35	$20.01	$16.24	$16.82	$14.26	$15.21	$18.49
2022	$18.55	$24.53	$22.31	$20.62	$13.90	$16.60	$14.03	$12.23	$17.75

**CGS figures have been reduced by roughly $6 per capita for business grants which are flowed through the GSDC.*
+Figures for all of the municipal peers shown above are taken from published annual budgets.

During our audit, we also noted that economic development programs within most local governments in the United States and municipalities such as London, Guelph and Brantford provide greater impacts by focusing on four to six key sectors rather than diversify spending across the following eight sectors that are targeted by the GSDC.

Table 4 – Eight Sectors which are Targeted by the GSDC for Grants

Business and Professional Services	Film & Creative Industries	Cleantech and Environmental	Manufacturing and Industry
Research and Innovation	Tourism	Healthcare and Life Sciences	Mining and Supply Services

This breadth of focus can reduce the effectiveness and efficiency of economic development programs if funding it is not linked to areas where the City can provide a competitive advantage to new or existing businesses that are seeking to expand.

In November 2023, staff prepared a helpful report entitled “Economic Development Support and Results” that provided insights on the results achieved in recent years from economic and tourism programs. This performance information is required to assess the effectiveness of program spending and is not presently provided with the budget packages that are received by Council.

Recommendations

Expand the discussion of results for economic and tourism programs within operating budgets.

To improve the effectiveness and efficiency of economic development programs, consider narrowing the focus of business development from eight key sectors to only those sectors where CGS can offer a competitive advantage to new or existing businesses that are seeking to expand.

Management Response and Action Plan

Agreed. Staff will identify areas of service that could be modified to provide more targeted focus on a narrower range of priority sectors and will develop changes to streamline administration for some programs.

Staff will also work with the City's Legal team to update the Operating Agreement with the GSDC Board to clarify roles, responsibilities and areas of focus.

Economic Development is actively strengthening performance reporting and capturing interactions with business, including development of economic development capabilities in the Enterprise CRM system. This will result in clear KPIs for Economic Development's submission to annual budget information to better demonstrate return on the City's investment.

Staff propose that Economic Development continues to focus on attracting investment and supporting business expansion, increasing employment, growing the City's economy and assessment base and increasing tourism visitation. Activities will prioritize industrial development, tourism and workforce development.

C. Arts and Culture Grants

In 2022, the Division developed a community driven Cultural Action Plan to foster a vibrant and inclusive cultural environment in Greater Sudbury. This plan sets out a vision and strategic priorities for arts, culture and heritage and supports local artists and cultural organizations, promotes cultural tourism, and celebrates the City's unique heritage. Table 5 below summarizes the City's annual spending on Arts & Culture grants for the last 5 years.

Table 5 – Annual Spending on Arts & Culture Grants

	2020	2021	2022	2023	2024
Art Gallery+	$200,000	$200,000	$200,000	$200,000	$200,000
Place des Arts+	149,213	149,213	209,213	260,000	260,000
General Grants	20,000	20,000	-	58,333	20,000
Cultural Grants to GSDC*	479,773	489,368	489,368	499,155	630,563
Arts Grants to GSDC*	84,853	86,550	86,550	88,281	90,841
Total Arts & Culture Grants	$933,839	$945,131	$985,131	$1,105,769	$1,201,404

**CGS transfers over half a million of funding annually to the Greater Sudbury Development Corporation (GSDC) for arts and culture grants which are distributed by the GSDC with coordination from Economic Development staff.*
+These grants were approved separately by Council.

Table 6 – Arts & Cultural Grants Per Capita in CGS and Municipal Peers

Grants per Capita	CGS	North Bay	Kingston*	Barrie	Chatham Kent	Windsor*	Brantford	Guelph	Peer Average
2022	$7.39	$10.63	$9.73	$2.75	$2.12	$1.54	$1.50	$1.06	$4.18
2023	$7.67	$10.08	$10.03	$2.47	$3.18	$1.46	$1.45	$1.06	$4.25

**The Economic Development Corporations in Kingston and Windsor do not issue any arts & culture grants.*

As shown above, the City's spending per capita for arts & cultural grants is higher than the peer average. It should be noted, however, that the average levels of spending on arts and cultural grants in London, Hamilton and Ottawa during 2022 and 2023 were comparable with the levels in CGS.

Recommendations

To ensure funding levels are aligned with Council's priorities, review the arts and culture grant program with Council.

To create efficiencies, reassign responsibility for the administration of arts and culture grants from the Economic Development Division and the GSDC to the Parks and Recreation Division.

Management Response and Action Plan

Agreed. Staff will review this as part of the new organization structure with new GMs and in the context of work being done by Parks & Recreation on reviewing grant administration and related processes.

D. Significant Accomplishments

1. Development of the Economic Recovery Strategic Plan
2. Development of the Innovation Blueprint strategy
3. Development of the Greater Sudbury Cultural Plan and Cultural Action Plan
4. Development of the Greater Sudbury Tourism Strategy
5. Staff coordination of Sudbury Catalyst Fund including GSDC funding
6. Implementation of the Rural & Northern Immigration Pilot program
7. Development of the Employment Land Strategy and Employment Land CIP incentive program
8. Development and implementation of Tourism Development Fund
9. Development of the Film Sponsorship Fund
10. Maintenance of the Regional Business Centre including the IQ Business Incubator
11. Hosted annual BEV In-Depth Mines to Mobility conferences
12. Coordination of support for Downtown Sudbury and downtown patio program
13. Move to Sudbury talent attraction program
14. Shortlisted for the Ontario Job Site Challenge

Table 7 – Summary of Significant Risks

Risk	Total No. of Risks	Risks (Before Controls)			Residual Risks (After Controls)		
		High (15 to 25)	Med (9 to 14.99)	Low (1 to 8.99)	High (15 to 25)	Med (9 to 14.99)	Low (1 to 8.99)
Reputation (R)	1	1	0	0	0	1	0
Operational (O)	6	6	0	0	0	4	2
Financial (F)	6	6	0	0	0	4	2
Legal (L)	1	1	0	0	0	1	0
TOTAL	**14**	**14**	**0**	**0**	**0**	**10**	**4**

Table 8 – Significant Risks

Type of Risk	Description of Risk	Risk Before Controls	Residual Risk*
F1/O1	Programs may not align with goals of the City's strategic priorities.	25	8
F2/O2	Programs may not be coordinated effectively with other divisions.	25	8
F3/O3	Programs may not be coordinated effectively with external parties.	25	12
F4/04	Programs may not be delivered with due regard for efficiency.	20	10
F5/05	Programs may not be delivered with due regard for effectiveness.	20	12
F6/O6	Programs may not be delivered with due regard for economy.	25	10
L1/R1	Legal and regulatory obligations may not be managed effectively.	20	10

**Note that it is not cost-effective to eliminate all residual risks.*

Impact	Services	Technology	People	Strategic	Legal/Reputational	Financial
Very Minor (1)	• Less than 90% of service objectives achieved.	• Minor disruptions of secondary systems or data loss or corruption.	• Minor reportable employee injury. • Increase in number of union grievances.	• Minor instances of actions that are at odds with strategic priorities.	• Small amount of negative media coverage or complaints to City. • Non-lasting damage or no reputational damage • Theft or Fraud under $1,000.	• Uninsured loss, cost overruns or fines < $10K • Insured loss < $100K • Loss of replaceable asset.
Minor (2)	• Less than 75% of service objectives achieved. • Unable to perform non-essential service.	• Disruptions of systems or data loss or corruption • Disclosure of non-confidential but embarrassing information.	• Reportable employee injury. • Loss of key staff but able to recruit competent replacements • Significant increase (>10%) in number of union grievances.	• Instances of actions at odds with strategic priorities.	• Complaints elevated to the Director level. • Short-term repairable damage to City's reputation • Public outcry for discipline of employee. • Moderate amount of negative media coverage • Theft or Fraud of $1,000 to $10,000.	• Uninsured loss, cost overruns or fines of $10K to $100K • Insured loss < $100K - $1M • Inefficient processes • City's actions result in reduced economic development.
Moderate (3)	• Less than 60% of service objectives achieved. • Unable to perform essential service but alternatives exist.	• Disruptions of significant systems or data loss or corruption • Recoverable loss from important system.	• Multiple employee injuries or long-term disability from one incident. • Inability to retain or attract competent staff. • Increase in stress leave, sick leave or WCB claims. • Work-to-rule union disagreement or short-term strike.	• Numerous actions are at odds with strategic priorities.	• Public/media outcry for removal of management • Long-term damage to City's reputation • Citizen satisfaction survey indicates unacceptable performance. • Complaints elevated to Council level. • Results inconsistent with commitments made to citizens • Theft or Fraud under $100,000.	• Uninsured loss, cost overruns or fines of >$100K to $1M • Insured loss >$1M to $10M • Having to delay payments to contractors/suppliers. • City's actions results in lost revenue for significant number of City businesses.

Impact	Services	Technology	People	Strategic	Legal/Reputational	Financial
Major (4)	• Less than 45% of service objectives achieved. • Unable to perform an essential service where no alternative exists.	• Unrecoverable loss or corruption of data from important system • External exposure of important information • Unavailability of significant systems	• Serious injury of one or more employees • Legal judgment against the City in workplace matter. • Turnover of key employees • Sustained strike of staff.	• Numerous actions are significantly at odds with the strategic priorities.	• Public/media outcry for change in CAO or Council • Public or senior officials charged or convicted • Legal judgment against the City in a workplace matter • Integrity breach resulting in decreased trust in City Council or Administration. • Theft or Fraud>$100,000	• Uninsured loss, cost overruns or fines of >$1M - $10M • Insured loss of >$10M - $100M • Unable to pay employees and contractors on time. • City's actions impair local economic conditions.
Extreme (5)	• Less than 30% of service objectives achieved. • Unable to perform several essential services where no alternatives exist.	• Unrecoverable loss or corruption of data from critical system • External exposure of confidential information • Unavailability of critical systems	• Death of an employee • Major legal judgment against the City in workplace matter. • Significant turnover of key employees with ELT • Sustained strike of staff supporting key services	• Many actions are significantly at odds with the strategic priorities.	• Public/media outcry for change in CAO or Council • Senior officials criminally charged or convicted • Severe legal judgment against the City in a workplace matter • Major integrity breach resulting in complete loss of trust in City Council or Administration. • Theft/Fraud>$1,000,000	• Uninsured loss, cost overruns or fines >$10M • Insured loss > $100M • File for bankruptcy • Failure to maintain financial capacity to support current demands. • City's actions significantly impair local economic conditions.

Likelihood	Unlikely (1)	Possible (2)	Probable (3)	Likely (4)	Very Likely (5)
	Less than 20%	>20% but < 40%	>40% but < 60%	>60% but < 80%	80% or more
	Less frequent than every 10 years	May occur in the next 2 years	Will occur this year or next year at least once	May occur regularly this year	Will occur within months may reoccur often