

# Results-based Budgeting: Delivering results responsibly

*Results-based Budgeting (RBB) aligns programs and services to the outcomes that Albertans have identified as priorities.*

Governments across the globe are facing increased pressure to improve service levels for their citizens while dealing with significant resource constraints. Imposing new taxes seems like an obvious solution. However, some governments have started looking at the outcomes – rather than the inputs – of their activities to address this challenge.

Implementing a budgeting system based on results and outcomes is not a new idea. Countries including the UK, US, Australia, Denmark, Sweden and Korea have all undertaken program reviews of this type in some form. Although every country has had a slightly different approach, the adoption of these initiatives has been driven by common goals to improve political accountability and drive an efficient resource allocation process.<sup>1</sup>

Governments implement this system by assessing how much their programs and services benefit society – and if the outcomes are desired at all. In Alberta, this approach is known as Results-based Budgeting (RBB). RBB is about ensuring that government programs and services are relevant and are being delivered in the most effective and efficient way possible where:

- **Relevance** is a measure of the degree of influence a program has on achieving defined outcomes.
- **Effectiveness** is the extent to which a program's outcomes were achieved, or are expected to be achieved, taking into account their relative importance.
- **Efficiency** is a measure of how economically resources or inputs, such as funding, expertise and time are converted to results.

## The Alberta context

The Government of Alberta is faced with an interesting challenge. The province is thriving and has one of the leading economies among the Canadian provinces with a quickly growing population. Despite this ongoing economic boom, Alberta is dealing with a tight budget due to a decline in the price for its oil and a resulting sizeable reduction in revenues. Even though there's a substantial operating deficit, the government has shown no intention of raising revenues to make up for this deficit. Finance Minister Doug Horner confirmed that "there will be no new taxes, no tax increases, no sales tax".<sup>2</sup> This underpins the need for the government to seek new ways to ensure that this limited budget is spent in the best way and in the interest of the Alberta citizens by "challenging every dollar [the] government spends".<sup>3</sup>

On March 5, 2012, the Alberta government introduced the Results-based Budgeting Act in the legislature to ensure "that its programs and services are the right programs and services delivered in the right way to achieve the results that Albertans expect, in the most efficient and effective manner" and "that those programs and services are continuing to achieve the best results and to support Albertans, communities and businesses in reaching their full potential".<sup>4</sup> While the initial RBB review cycle was to occur over a three year period, the Premier has recently announced that the timeline will be accelerated and is expected to be completed in May 2014 – one year earlier than the original deadline.



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1. OECD (2007), Performance Budgeting in OECD Countries  
2. Finance Minister Doug Horner, speech on Alberta Budget 2013/2014 (March 7, 2013)  
3. Finance Minister Doug Horner, speech on Alberta Budget 2013/2014 (March 7, 2013)  
4. Province of Alberta (2012), Results-based Budgeting Act

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## ***Considerations for the future***

The government purposefully allows participants to tailor the process to their specific requirements. As a result, different approaches are being used. Here are ten preliminary observations on what has worked well in these approaches and what participants may want to consider for the future:

### ***1. Start and end with strategy***

RBB is a large undertaking so it's easy to become overwhelmed with the possibilities. Developing clear linkages to the Government of Alberta strategy can save time and help ensure focus.

### ***2. Start early***

The process takes time, particularly in defining well-reasoned outcomes and performance measures. Starting the RBB process early, planning ahead and using a methodical and proven approach will help meet the timelines.

### ***3. Clarify terminology with the team***

The RBB process brings with it a set of terms which may have different meanings to different individuals, depending on their past experience and background. Discussing key concepts, such as the difference between an output and an outcome, will be critical.

### ***4. Leaders need to lead***

Commitment and involvement from the deputy ministers and the assistant deputy ministers in all the ministries being affected is essential for the RBB process to be successful. A strategic vision and direction must be provided and clearly communicated so that managers and employees at all levels can align and meet the objectives set by these officials. Because of deputy and assistant deputy ministers' ability to release resources, assign tasks and engage with key stakeholders, they are critical to a successful adoption and must act as visible champions and collaborate throughout the process.

### ***5. Identify stakeholders and actively drive the change***

RBB requires an understanding of government budgeting, finance and accounting, but it's more than that; it's about culture change too. Establishing an interdisciplinary project team will encourage the team to think broadly. Individuals may fear that the process becomes a cost cutting exercise. Proactive stakeholder engagement and continuous support to those impacted are keys to keep continued focus on outcomes.

### ***6. Ensure availability of dedicated resources***

RBB is an extensive and large-scale undertaking. Often the RBB resources have other full-time duties and also are required to provide input and data to multiple RBB teams. Setting expectations up front and assigning some dedicated resources to the project team will assist in meeting the timelines. Over the longer term, efforts need to be made to embed these activities into every day duties.

### ***7. Prioritize your data gathering***

Gathering data on performance measures can be challenging. Spending time up front to consider how your outcomes will be measured over time relative to the data you already have saves valuable time and effort. Inevitably the data collected for the performance measures will contain inconsistencies, errors and gaps. Given the timelines, it is important to prioritize which data is most important in measuring the outcomes and focus on improving quality over time. As you go through the data collection process, it's important to document the key insights from the process. When there's more time, you can improve the data quality through improvements to the governance structure and controls surrounding the data lifecycle and make 'fixes at the source'.

### **8. Look for future trends**

Examining future trends and other jurisdictional approaches can provide insight to the process. Often this scan of future trends can highlight alternatives for change that allow the government to take leap steps rather than merely make incremental improvements.

### **9. Benefit has to be clearly measured**

Through RBB, the Government of Alberta has an opportunity to align three critical processes: strategic planning, budgeting and performance management. Greater alignment can create clearer outcomes, prioritize investment of resources and achieve greater accountability. The process begins with the assessment of the desired outcomes. However, to track progress and achieve benefits, data will need to be gathered and performance measures monitored over time to determine whether the outcome has been achieved. Other government bodies have struggled with capturing and measuring outcomes on an ongoing basis which has diluted the impact sought. The administrative burden of gathering this data may be significant and a balance must be achieved.

### **10. Trust the process**

It's not only essential to set up a good RBB approach, but also to follow this process throughout the implementation. Instead of directly aiming at pre-conceived ideas as to what the solution should be, there should be trust in the process. This will likely yield better results. The many different agendas and points of view that will be encountered during the journey should be considered as valuable input. With the use of skilled facilitation, these can be incorporated into a common understanding, aligned goals and an overall successful RBB implementation.



#### **A well executed Results-based Budgeting Framework can:**

- improve the government's ability to invest where it counts
- reinforce that resources are finite and there is a need to prioritize activities
- align strategy and execution at an operational level
- create a vehicle to dialogue with citizens on how their tax dollars are being spent and what outcomes have been achieved with it.

*RBB is one component of our tried and tested Performance Management Framework that we use to help clients improve accountability and reporting.*

*For more information:*

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