

Benefit Reports

Investment Management Guideline

Version 2.0

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Department of Treasury and Finance

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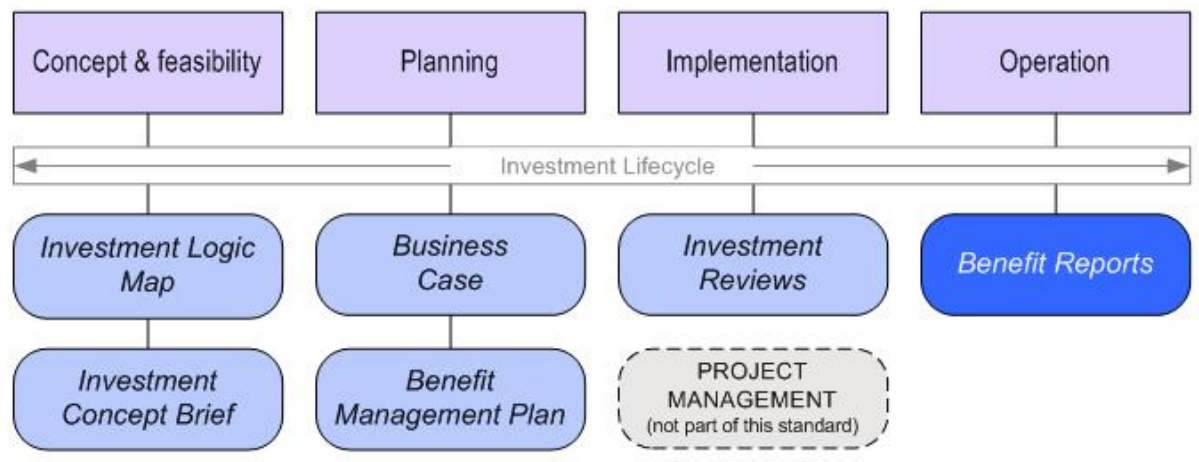
1 Introduction

1.1 The Investment Management Standard

Investment management establishes a set of simple practices that allow an ‘investor’ to clearly define the reason for an investment, shape the solution that will best respond to the need and track the delivery of benefits throughout the investment lifecycle. The adoption of these practices has been shown to drive investments that are more effective at implementing policy and to reduce the risk of investment failure.

The current Investment Management Standard (IMS) defines six practices that are documented in the form of guidelines as depicted in Figure 1. This guideline relates to the benefit reports.

Figure 1: The Investment Lifecycle



1.2 The purpose of this guideline

Seldom are the benefits delivered by an investment tracked, measured and understood. These results in a perception that the expected benefits were not delivered. Obtaining regular reporting against the delivery of the expected benefits overcomes this problem and also provides investors and strategists with information on the effectiveness of investments that they can use to inform future investment decision-making. There is substantial anecdotal evidence that for several types of investments - such as technology investments - benefits are often delivered that were unforeseen at the time the investment decision and that were never recognised.

In addition to addressing the above problems benefits tracking and reporting will inevitably drive more benefits from an investment.

2 How to create an benefit report

2.1 Participants

The benefit reports are not developed by the project team or the project manager. They are developed by the business unit upon receipt of data from the data provider (the person nominated in the benefit management plan as the provider of data required to enable the measurement of key performance indicators). They are then signed off by the benefit manager who is likely to be the investor.

2.2 Process

Using the key performance indicators (KPIs) identified and defined in the benefit management plan, it is possible to implement a simple benefits tracking and reporting system. A spreadsheet tool has been developed in which the benefits and KPIs as well as the actual achievement of these can be recorded.

The output from this spreadsheet is a curve which represents over time a comparison of target versus actual benefit achieved.

2.3 Directions for creating a benefit report

2.3.1 Summary

Worksheet: Benefit Report

General information needs to be added about the project to ensure the report can be used as a standalone document. Much of this information is available from the benefit management plan or a business case.

- Investment Name**
 Enter the project name as it appears in the business case.
- Department/Agency**
 Identify the department/agency responsible for realising the benefits.
- Years 1, 2, 3, 4 and 5**
 Enter the years across the top of the form in place of Year 1, Year 2, Year 3, Year 4 and Year 5. Year 1 is the year in which the first measurement of benefit realised will be undertaken.
- Benefit and KPIs**
 Enter the name of the benefit and the one or two KPIs defined in the benefit management plan.

Figure 2: Benefit summary

Benefit Report - Page 1						
	Year 1	Year 2	Year 3	Year 4	Year 5	Investment Name Department/Agency
Q1	Select First Quarter					Blue Actual Pink Target
Q2	Select First Quarter					
Q3	Select First Quarter					
Q4	Select First Quarter					
Benefit 1						
KPI 1				KPI 2		

2.3.2 Details

Worksheet: Benefit 1 to 6

The benefit profiles from the benefit management plan should define the target values for each benefit in a given quarter.

- Benefits 1 to 6**
 Add the name of each benefit in the top black row on each worksheet.
- Weighting**
 The significance of this benefit as identified in the investment logic map.
 The following data is entered for both KPI 1 and 2 (if a second exists).

- **The Target Value**
The value expected by the last quarter.
- **Increase/Decrease**
Indicates whether the KPI will increase or decrease in value over the time it is being measured.
- **First Quarter**
This is the first quarter in which the KPI will be measured and reported.
- **Last Quarter**
This is the last quarter in which the KPI will be measured and reported.

Figure 3: Benefit details

Benefit 1	
Benefit Information	
Weighting	
KPI 1	
The Target Value	
Increase/Decrease	
First Quarter	
Last Quarter	
KPI 2	
The Target Value	
Increase/Decrease	
First Quarter	
Last Quarter	

2.3.3 Timing

Worksheet: Benefit Contribution

Information on the reporting quarters (past, present and future) is required in order to correctly apportion benefit achieved across the period of measurement.

- **Years 1, 2, 3, 4 and 5**
Enter the years across the top of the form in place of Year 1, Year 2, Year 3, Year 4 and Year 5. Year 1 is the year in which the first measurement of benefit realised will be undertaken.
- **Current Quarter**
Select the appropriate values for each year (1st Quarter, 2nd Quarter, 3rd Quarter, 4th Quarter, Previous or Future Year).
- **First Quarter**
Select the quarter in which benefit reporting commenced. This quarter must be within the first year of benefit monitoring.

Figure 4: Benefit timing

Benefit Contribution					
	Year 1	Year 2	Year 3	Year 4	Year 5
Q1		0.50	0.93		
Q2		0.75	1.00		
Q3		0.63	1.06		
Q4		0.75	1.05		
Select Quarters					
Current Quarter	Future Year	4th Quarter	4th Quarter		
First Quarter	4th Quarter				

2.3.4 Measurement

Worksheet: Benefits 1 to 6

As data is received at the end of each reporting period, complete the tables at the end of each benefit worksheet. As you do this the graphs on the benefit report worksheet will be compiled.

Figure 5: Data (Benefit 1 to 6 Worksheets)

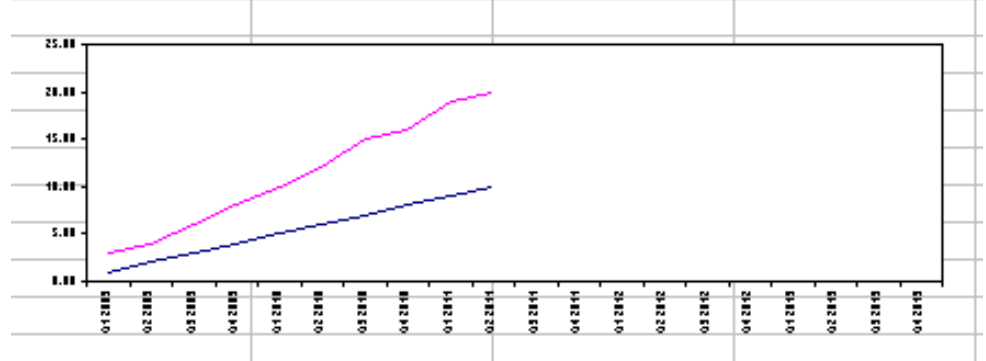
KPI 1 Data			KPI 2 Data		
Quarter	Actual KPI 1	Target KPI 1	Quarter	Actual KPI 2	Target KPI 2
Year 1 Q1	0.00	0.00	Year 1 Q1	0.00	0.00
Year 1 Q2	0.00	0.00	Year 1 Q2	0.00	0.00
Year 1 Q3	0.00	0.00	Year 1 Q3	0.00	0.00
Year 1 Q4	1.00	2.00	Year 1 Q4	65.00	100.00
Year 2 Q1	1.00	2.00	Year 2 Q1	65.00	100.00
Year 2 Q2	1.00	2.00	Year 2 Q2	65.00	100.00
Year 2 Q3	1.00	2.00	Year 2 Q3	65.00	100.00
Year 2 Q4	3.25	3.50	Year 2 Q4	320.00	400.00
Year 3 Q1	3.25	3.50	Year 3 Q1	320.00	400.00
Year 3 Q2	3.25	3.50	Year 3 Q2	320.00	400.00
Year 3 Q3	3.25	3.50	Year 3 Q3	320.00	400.00
Year 3 Q4	5.00	5.00	Year 3 Q4	1800.00	1800.00

The resulting graphs should resemble the following examples. In this example, the target is pink and the actual, blue. A graph would appear for each benefit. The percentages along the top represent the total benefit achieved relative to expected benefit (reflecting all benefits). So in Q1, 2011, only 47% of the benefit anticipated to date had been achieved.

Figure 6: Final Report (Benefit Report Worksheet)

	2009	2010	2011
Q1	33%	50%	47%
Q2	50%	50%	50%
Q3	50%	47%	100%
Q4	50%	50%	

Reduce Crime
 Increased number of forensic matches



3 More information

The benefit reporting template can be found on the Department of Treasury and Finance website. For more information, please go to www.dtf.vic.gov.au/investmentmanagement or email investmentmanagement@dtf.vic.gov.au

4 Appendices

4.1 Glossary

Business Case

A document providing the information that an investor needs to decide whether to commit resources to a new investment.

Benefit Management Plan

A short document that defines the pre-requisites for the delivery of each expected benefit, how the delivery of each benefit will be measured, and who will be responsible for measuring and realising each benefit.

Benefit Reports

A report for the investor that depicts the status of the delivery of the benefits compared to the original expectations.

Gateway

The Gateway Review Process is a best practice initiative based on proven techniques used extensively in progressive industries and governments. The Gateway Review Process has been validated and optimised for use in Victoria over a wide variety of projects and programs.

Growing Victoria Together

A ten-year vision that articulates what is important to Victorians and the priorities that the Victorian Government has set to build a better society.

Investment Concept Brief

A two-page document that provides the logic underpinning an investment along with the likely costs, risks, dependencies and deliverables. Its purposes are shape the best solution to an identified business problem and to enable the selection of competing investments before proceeding to full business case.

Investment Logic Map

A one-page depiction of the logic the underpinning a potential investment. It diagrammatically depicts and relates the drivers, objectives and benefits for an investment and the changes necessary to deliver the identified benefits.

Investment Management Standard

A best practice approach applied over the life of an investment that aim to reduce the risk of investment failure, provide greater value-for-money and drive better outcomes.

Investment Reviews

Formal scheduled periodic reviews that aim to confirm that the logic for an investment remains valid before recommitting to the investment.

Investor

The person who has an identified business problem (or opportunity), will be responsible for making an investment decision aimed at solving the problem and will ultimately be responsible for delivering the expected benefits of that investment. This person is often referred to as the 'senior responsible owner'.

Key Performance Indicator (KPI)

A measure that has been selected to demonstrate that a benefit expected from an investment has been delivered.

Project Management

A controlled process of initiating, planning, executing, and closing down a project. The changes required to enable the benefits of an investment to be delivered are usually defined as projects.