

# Investment Reviews

## *Investment Management Guideline*

Version 2.01

19 April 2007

Department of Treasury and Finance

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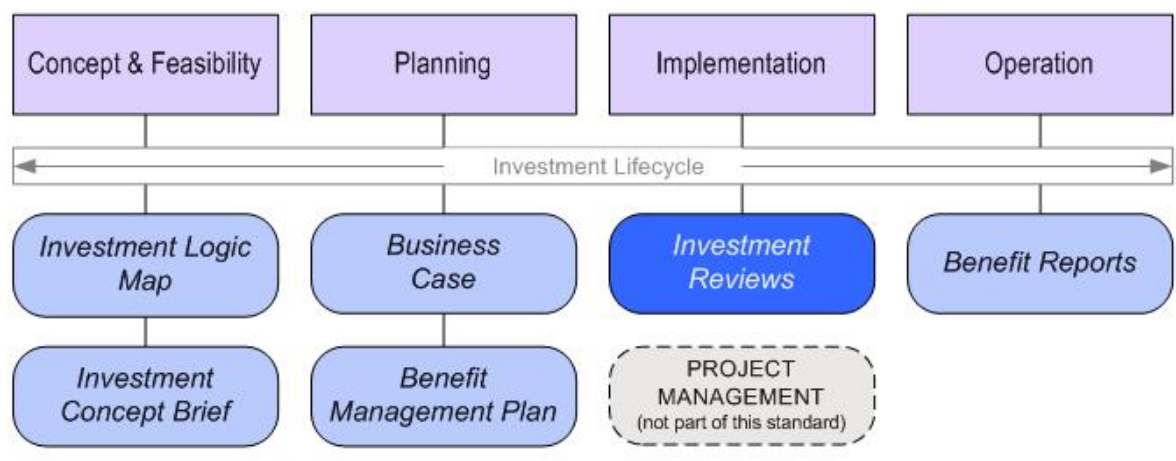
# 1 Introduction

## 1.1 Context within 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 investment reviews.

**Figure 1: The Investment Lifecycle**



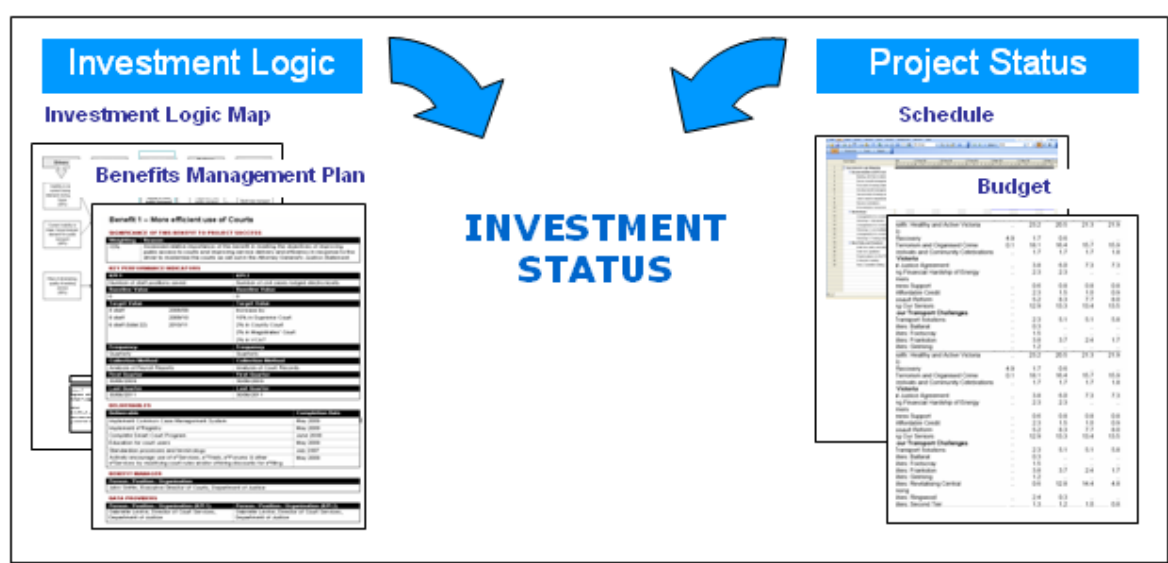
## 1.2 The purpose of this guideline

Tracking the status of an investment throughout the investment lifecycle is normally restricted to project reporting - reporting only during the project implementation phase and focussing primarily upon how the project is tracking against its original time and cost expectations. This has significant limitations in that, even if a project is tracking to time and budget the original drivers for the investment may no longer be valid.

The investment logic map and the benefit management plan developed in previous guidelines provide the opportunity to track the status of an investment focussing primarily on the value that the investment is likely to provide. Investment reviews are the forum for this activity.

Investment reviews are conducted at pre-determined time intervals during the lifecycle of an investment with the objective to determine whether the logic for the investment remains valid. This information, considered with budget and schedule information, then allows the investor to make informed decisions regarding the future of the investment. Figure 2 depicts this activity.

Figure 2: Investment status



## 2 How to undertake an investment review

### 2.1 Participants

The principle participant at an investment review is the investor. This person will ensure that the scheduled reviews take place and will use the information gathered to make any decisions needed to either confirm or re-align the investment.

### 2.2 Process

The documents that define the foundation logic for an investment (investment logic map and the benefit management plan) become formal investment documentation.

At the time funding is committed a governance board (chaired by the investor) will decide at what intervals throughout the investment lifecycle it will be necessary to review the foundation logic for the investment. This may be at 6-monthly intervals but will be determined by the nature of the investment.

At each of the specified intervals a formal two-hour workshop will be held to test the continued relevance of the existing investment logic. This workshop will be similar to the investment logic mapping workshop and will be facilitated by an accredited facilitator.

In parallel with this review the normal review of a project's performance against cost and schedule expectations will be carried out.

Based on the current investment logic and the project status the governance body will then decide to continue, discontinue or vary the terms for implementing the investment. The investment logic map and the benefit management plan that resulted from the review and ongoing investment decisions will be endorsed by the board as valid at that decision point.

## 3 More information

For more information, please go to [www.dtf.vic.gov.au/investmentmanagement](http://www.dtf.vic.gov.au/investmentmanagement) or email [investmentmanagement@dtf.vic.gov.au](mailto:investmentmanagement@dtf.vic.gov.au)

## 4 Appendices

### 4.1 Appendix: 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 aims 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.