

Business Case

Investment Management Guideline

Version 3.0

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Department of Treasury and Finance

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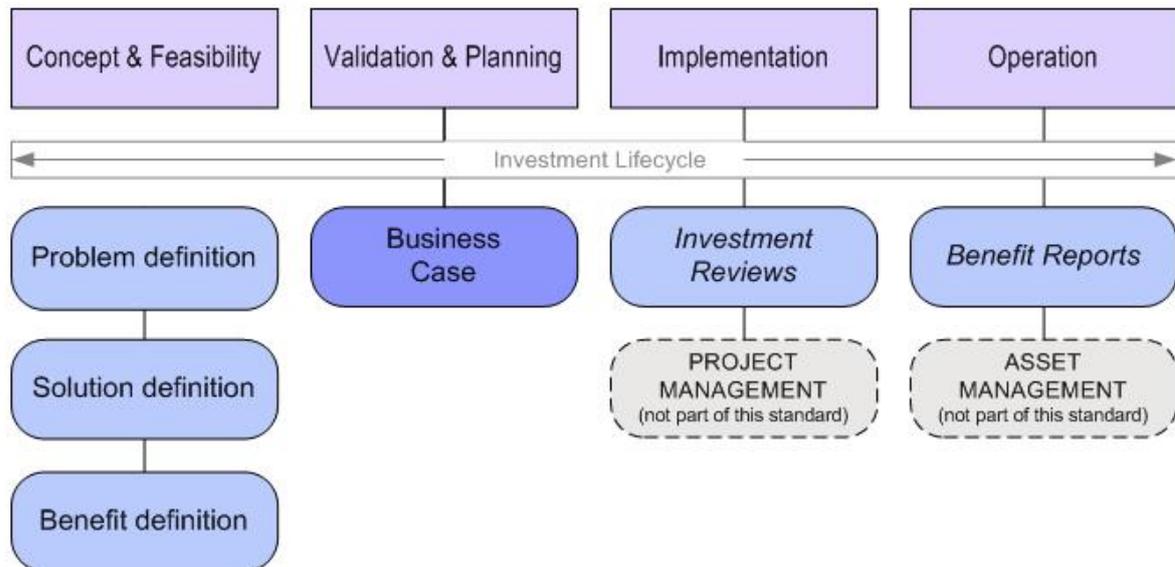
1 Introduction

1.1 The Investment Management Standard

Investment management establishes a set of simple practices that allow an ‘investor’ to clearly define the need for an investment, shape the solution 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 reducing the risk of investment failure.

The current Investment Management Standard defines six practices that are documented in the form of guidelines as depicted in Figure 1. This guideline relates to the *business case*.

Figure 1: The Investment Lifecycle



1.2 The purpose of this guideline

The need to develop a sound business case is well understood. A business case is the articulation of the compelling case to make a specific investment. It provides those people who are responsible for making investment decisions with a clear understanding of all those factors that will enable sound prioritisation and decision making.

Within the Victorian Government, Business Case Guidelines exist as part of the Investment Lifecycle Guidelines. These Guidelines recognise that the information needed to define the case for an investment varies substantially for different types and sizes of investments. They also assume the use of Investment Logic Maps, Investment Concept Briefs and Benefit Management Plans as foundation of the business case.

2 How to complete a business case

The Victorian Government Business Case Guidelines (part of the Investment Lifecycle Guidelines) build upon the investment logic that was developed above. They

- provide a logical structured approach;
- set out the recommended format for the final business case;
- provide tips and recommendations concerning the content for each component of the business case; and
- include several sets of tools that will help to develop strong arguments that reinforce the claimed benefits.

2.1 How do I access the business case document

The document can be downloaded from the Department of Treasury and Finance (DTF) website.

1. Go to www.dtf.vic.gov.au
2. Select Gateway Reviews and Best Practice Guidelines
3. Select Lifecycle Guidance Material
4. The PDF can be downloaded from this page

3 More information

For more information, please go to www.dtf.vic.gov.au/investmentmanagement or email investmentmanagement@dtf.vic.gov.au

4 Appendices

4.1 Appendix: Glossary

Benefit

The value that the investment will provide to the organisation or its customers. Benefits are normally a positive consequence of responding to the identified driver. Each claimed benefit must be supported by Key Performance Indicators that demonstrate the investment's specific contribution to the identified benefit.

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.

Business Case

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

Change

The things that must be done by the business if the benefits are to be delivered. The changes provide detail of how the strategic intervention defined in the objective will actually happen.

Dis-Benefit

A negative impact that might occur as a direct consequence of implementing a particular solution.

Driver

The reason that action needs to be considered at this time. Drivers are normally couched in negative terms such as "climate change is demanding new ways of living in Australia". A driver should capture the essence of what is broken and the consequence.

Enabling asset

Any physical asset that must be built or purchased to enable the identified changes to occur. These may be a hospital, a pipeline or an IT system.

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 depicts the logic underpinning an investment and identifies the likely costs, risks, dependencies and deliverables of the proposed solution. It is used to summarise the merits of an investment and allow decision makers to prioritise competing investments before proceeding to business case.

Investment Logic Map

A simple single-page depiction of the logic that underpins an investment. It provides the core focus for an investment and is modified to reflect any changes to the logic of an investment throughout its lifecycle.

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. It has been designed to enable the *investor* to shape and control investments throughout their lifecycle.

Investment Reviews

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

Investor

The person who has an identified business problem (or opportunity), will be responsible for making (or advocating) a decision to investment, and who will be responsible for delivering the expected benefits. 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. The KPI must be directly attributable to the investment.

Objective

The high-level action (or strategic intervention) that is proposed as the response to the identified driver. This intervention must be framed within the context of the organisation's purpose.

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.