

INVESTMENT MANAGEMENT STANDARD

Benefit Reports

Version 3.5

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Department of Treasury and Finance

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This Benefit Reports document is part of the Investment Management Standard.

The publications in the 2009 series are:

Overview

Problem Definition

Benefits Definition

Solution Definition

Business Case

Investment Reviews

Benefits Reports

More information at: www.dtf.vic.gov.au/investmentmanagement

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Abbreviations

BMP	Benefit Management Plan
DTF	Department of Treasury and Finance
ICB	Investment Concept Brief
ILM	Investment Logic Map
IMS	Investment Management Standard
KPI	key performance indicator
SRO	senior responsible owner

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 *benefit reports*.

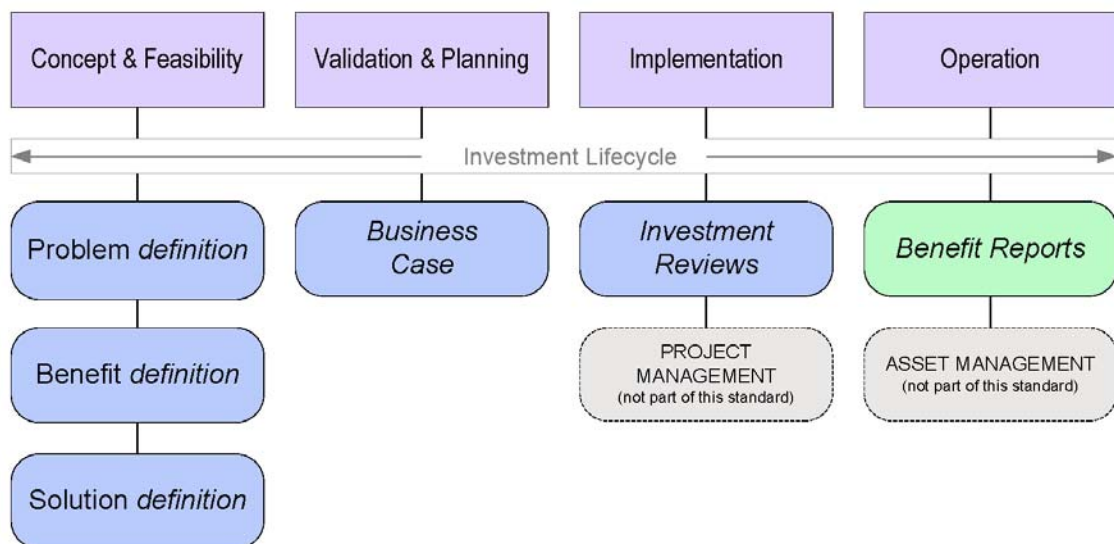


Figure 1: The Investment Lifecycle

1.2 The purpose of this guideline

Seldom are the benefits delivered by an investment tracked, measured and understood. This 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 information 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 investor.

2.2 Process

Using the KPIs identified and defined in the benefit management plan, it is now possible to implement a simple benefits tracking and reporting system. A spreadsheet has been developed in which the expected benefits and KPIs and the actual achievement of these can be recorded. These are then depicted as two curves - one representing the expected achievement of benefits and the other representing the actual achievement. A depiction of benefits reporting and its relationship to project reporting is shown in the appendix.

It is not expected that new tracking systems will need to be created but rather that existing project management reporting systems are extended for the duration of the investment lifecycle rather than concluding when a project is implemented. This will also enable the integration of the project status with the investment status as required for the investment proposition review described above.

2.3 Directions for creating a benefit report

To access the benefits report template please go to <http://www.dtf.vic.gov.au/investmentmanagement>

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.

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			

Figure 2: Benefit summary

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.

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	

Figure 3: Benefit details

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.

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				

Figure 4: Benefit timing

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.

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

Figure 5: Data (Benefit 1 to 6 Worksheets)

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.

	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

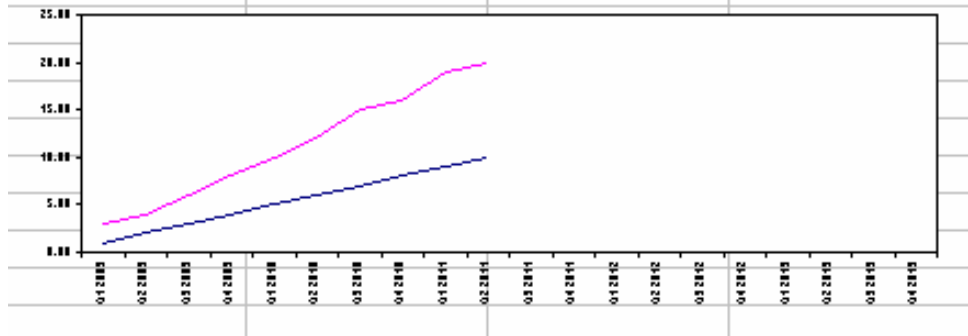


Figure 6: Final Report (Benefit Report Worksheet)

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 Appendix: Glossary

Assets Needed

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.

Benefits

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

Benefits 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.

Benefits Reports

A report for the investor that depicts the status of the delivery of the Benefit 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 will actually happen.

Dis-Benefits

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

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.

Intervention

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

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 Benefit. This person is often referred to as the 'senior responsible owner'.

Key Performance Indicator (KPI)

The measure that has been selected as evidence that an expected Benefit has been delivered. The KPI must be directly attributable to the investment.

Problem

The reason that action needs to be considered at this time. Problems are normally couched in negative terms but can also be an opportunity that will be lost. The statement of a problem should capture the essence of what is broken and the consequence.

Project Management

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