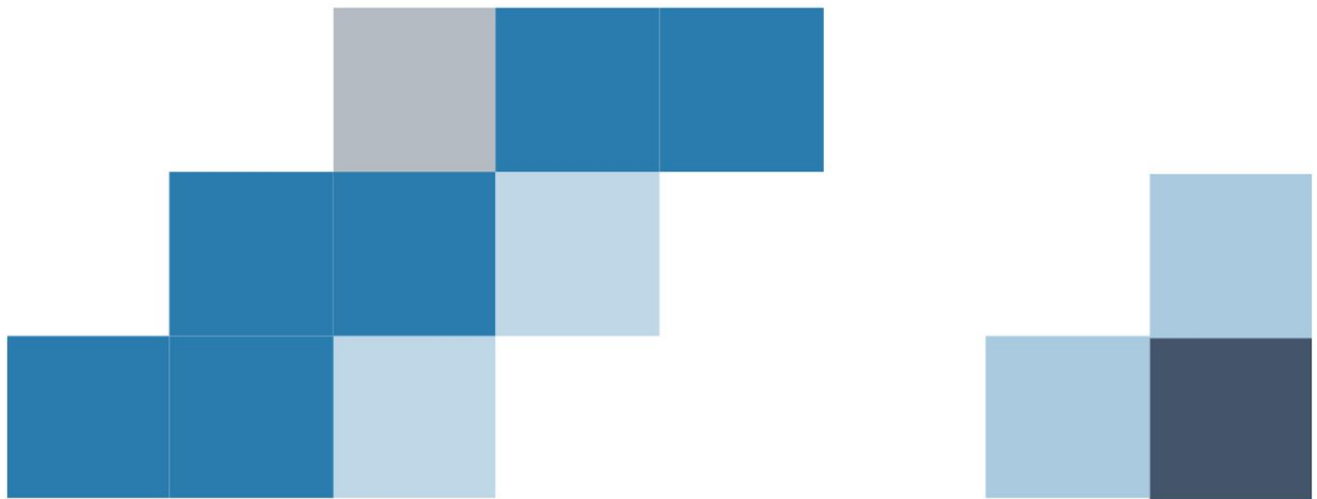




Infrastructure  
and Projects  
Authority



# Guide: Portfolio management

## Introduction



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**Approved for internal  
government trial**

Reporting to the  
Cabinet Office and  
HM Treasury

This document is published by the Infrastructure and Projects Authority and supports the [Government Functional Standard for Project Delivery](#), which sets expectations for the direction and management of portfolios, programmes and projects across government, and the Government Project Delivery Framework, which sets the requirements and provides guidance for programmes and projects through their life cycle.

The full suite of functional standards, and associated guidance, can be found at [GOV.UK government functional standards](#).

References are shown in square brackets [ ] and are listed in Annex A.

The meaning of words are as defined in the Shorter Oxford English Dictionary, except where defined in the Glossary at Annex B or where a government specific definition exists in the [Functional Standards Common Glossary](#).

For more information, please contact [IPA@ipa.gov.uk](mailto:IPA@ipa.gov.uk) or visit the [Infrastructure and Projects Authority's pages on GOV.UK](#).

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# 0 Introduction

Portfolios across the civil service comprise the investment required for departments and arm's length bodies (ALBs) to achieve their objectives. Through portfolio management, these organisations need to make decisions which enable the most effective balance of business change and business as usual whilst remaining within a specific funding envelope.

Many organisations will have more current and potential future initiatives than they can afford. Even if they can be funded, they do not have the resources or capacity to absorb all the changes implied, and some initiatives may have an unacceptable level of risk. They also may have too many initiatives or the following generic problems associated with the absence of effective portfolio management:

1. Too many projects
2. Projects that do not add value
3. Projects that are not linked to strategic goals
4. An unbalanced portfolio.

Addressing this requires discipline over how initiatives are started (see Module 4) and how they are prioritised.

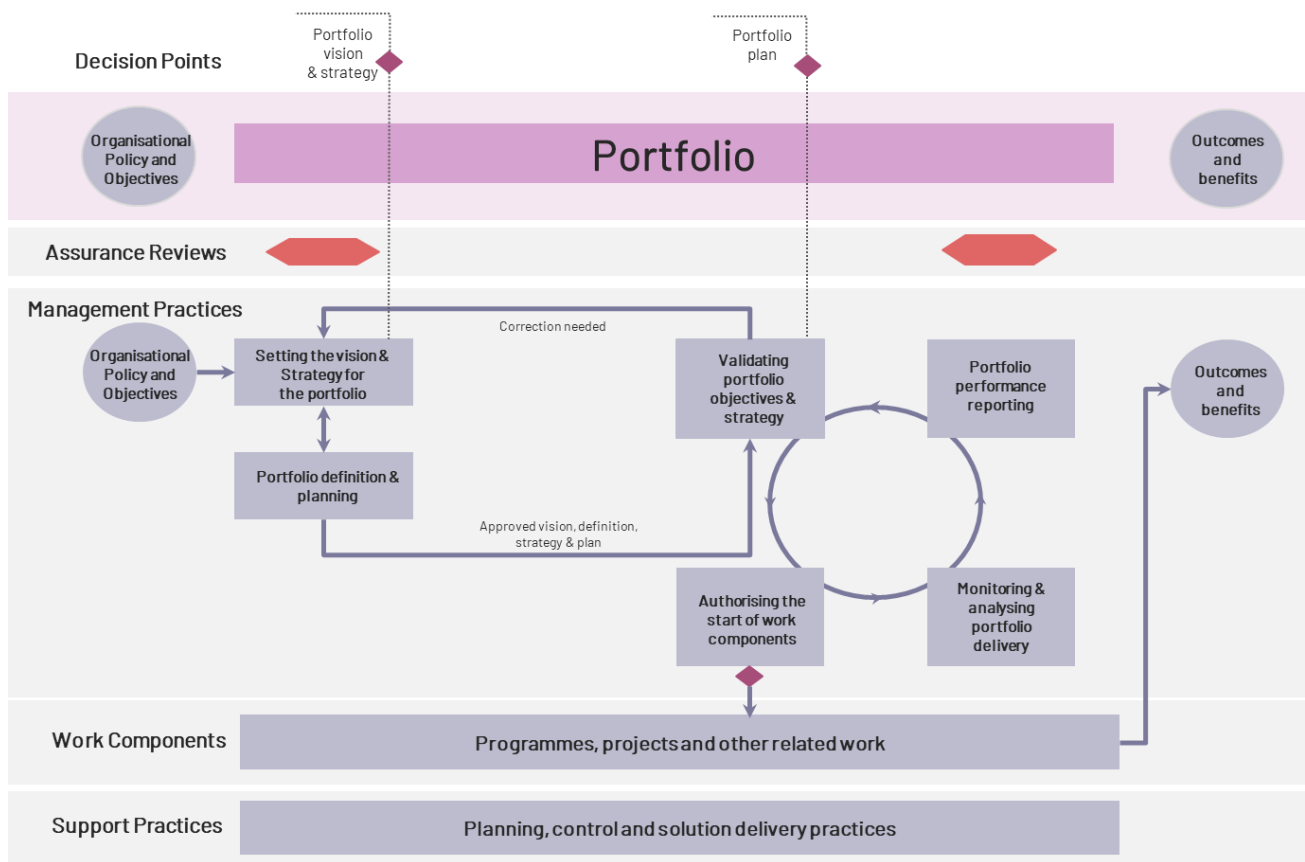
Portfolios, then, are not just about managing projects and programmes. They are a fundamental tool to oversee investment in the organisation's business plan and their effective management and control are essential to ensuring overall value for money and maximising the successful delivery of government policy, strategy, and objectives.

This guide has been written to support government departments and ALBs. As such, it is relevant to all portfolios, whether managed at cross-organisational, organisational, functional or business unit level. However, the reality is there is no standard, off the shelf approach to implementing portfolio management that can be applied to all organisations. Each organisation needs to build its own version of portfolio management practice that addresses their own business needs. Portfolio management will need to be tailored to suit the organisation and specifically its:

- strategic objectives;
- existing processes encompassing business planning and performance,
- financial, risk and resource management;
- the size of the portfolio and project & programme management (PPM) maturity;
- governance structure; and
- organisational culture. (See module 6)

The Guide takes as its starting point the guidance contained within the Government Functional Standard GovS 002 Project Delivery, and expands on it illustrating how the portfolio practices can be applied. It does not provide a 'one size fits all' solution. The methods, practices and techniques outlined in this Guide need to be tailored to suit local circumstances.

The portfolio management lifecycle is illustrated below.



**Figure 1** The Portfolio life cycle

From this it can be seen that that GovS 002 identifies six portfolio management practices:

1. Setting the vision and strategy for the portfolio
2. Portfolio definition and planning
3. Validating portfolio objectives and strategy
4. Authorising the start of work components
5. Monitoring & analysing portfolio delivery
6. Portfolio performance reporting

The Guide observes and is aligned with all pre-existing relevant government guidance including, but not limited to:

- HM Treasury – the Green Book and Agile digital and IT projects: clarification of business case guidance.
- Infrastructure and Projects Authority (IPA) guidance - Assurance Workbook Portfolios and portfolio management; Cost Estimating Guidance; Guide for Effective Benefits Management in Major Projects; Assurance of Benefits Realisation in Major Projects.
- Government Functional Standards 006 (Finance); GovS 008 (Commercial); GovS 010 (Analysis); GovS 011 (Communication).
- The draft Government Subject Specific Standard GovS 1002: Business planning in government, and especially the sections that link business planning with portfolio management.
- The Government Project Delivery Capability Framework and particularly the role profiles and competencies for the portfolio director, portfolio manager and portfolio analyst roles.

Where appropriate, the above are cross referenced in Modules 1-6 of this Guide. In addition, and where relevant, the Guide refers to guidance from professional associations and institutions such as the PMI,

APM, and ISO 21504, as well as the Axelos ‘Management of Portfolios’, and general portfolio management literature.

## 0.1 Status of this Guide

GovS 002 Project delivery is mandatory and applies to portfolios, programmes and projects undertaken within or across government departments and their arm’s-length bodies – where portfolios are defined as, “part or all of an organisation’s investment required to achieve its objectives. Governed through its portfolio (or business) plan, a portfolio comprises work components, such as other portfolios, programmes, projects, other related work and work packages.”

There are instances where the term ‘portfolio’ is used in a different context from that referred to above – and consequently the Standard, and hence this Guide, do not apply, although sections on how to apply a portfolio approach may be of value. These instances include, but are not limited to:

- Where the ‘portfolio’ would more accurately come within the definition of a programme – “a unique, temporary, flexible organisation created to co-ordinate, direct and oversee the implementation of a set of projects and other related work to deliver outcomes and benefits related to a set of strategic objectives.” Programmes will be managed via a Business Case. In such cases, refer to the IPA guidance on the role of the SRO.
- Where a function refers to part of its business as usual as a portfolio. For example, commercial organisations may manage their strategic supplier relationships as a portfolio.
- The Government Major Projects Portfolio (GMPP) administered by the IPA and which includes projects and programmes which: are above the delegated authority limit for the organisation; could create pressures leading to a breach in departmental expenditure limits, administration cost limits, or estimates provision; would entail contractual commitments to significant levels of spending in future years for which plans have not been set; could set a potentially expensive precedent; are novel or contentious, or could cause significant repercussions, posing risks to the public sector; require primary legislation or where HM Treasury consent is a statutory requirement. Government major projects shall be reported annually, with quarterly updates in a format defined by the IPA.

## 0.2 Structure of this Guide

This Guide to portfolio management is structured into seven modules as follows.

Module	Section	Contents
0 - Introduction		This module provides an overview of Modules 1-6.
1 - Portfolio Management Overview	1.1	What are the benefits of applying portfolio management, within a government context, and how is it linked to ministerial and departmental priorities?
	1.2	What is meant by portfolio management, what is or is not a portfolio, and how does it differ from projects and programmes?
	1.3	What are the key factors upon which effective portfolio management depends?

Module	Section	Contents
	1.4	Implementing portfolio management – with an incremental approach that builds on existing processes.
	1.5	What are the common mistakes organisations make in successfully implementing portfolio management?
Module 2 – Scoping the Portfolio, Vision & Strategy	2.1	Determining the Portfolio Scope/Structure & why and how portfolios can be categorised.
	2.2	The Portfolio Vision and Strategy and specifically, ensuring two-way traceability.
Module 3 – Portfolio Planning	3.1	Understanding the current status of the portfolio and identifying the gap to achieving the portfolio objectives.
	3.2	Investment Appraisal and Portfolio Prioritisation – identifying the collection of initiatives that collectively represent the greatest strategic contribution, subject to considerations of achievability and affordability.
	3.3	Portfolio Balancing – ensuring the portfolio as a whole is achievable, that the business change impact to the customer is manageable, and that the risk/return profile is acceptable.
	3.4	Preparing the Portfolio Plan which will act as the baseline against which portfolio delivery can be tracked and reported.
Module 4 – Portfolio Delivery	4.1	Managing the portfolio pipeline – with an effective start gate; idea generation using customer insight activity; setting initiatives up to succeed by front-end loading and being clear about the problem to be solved; and monitoring initiative progress through the pipeline.
	4.2	Monitoring & analysing portfolio delivery – via gates/decision points and periodic portfolio reviews, as well as portfolio-level financial, risk, resource and benefits management.
	4.3	Portfolio performance reporting via the portfolio dashboard report.
Module 5 – Portfolio Governance	5.1	What do we mean portfolio governance?
	5.2	The features of effective (and ineffective) portfolio governance, including the importance of shifting portfolio governance from a delivery focus to a benefits focus.
	5.3	Portfolio governance alignment – internally at the project, programme and portfolio levels; with other organisational functions; and with the wider corporate governance framework.
	5.4	The main portfolio boards and key roles including Terms of Reference and role profiles.

Module	Section	Contents
	5.5	The role of the PMO in facilitating efficient and effective delivery, providing a decision support function for senior management, and maintaining a focus on optimising strategic contribution across the portfolio life cycle.
Module 6 - Sustaining progress	6.1	Sustaining progress with active, participative stakeholder engagement and building a collaborative culture.
	6.2	Measuring portfolio performance with the adoption of an integrated performance framework encompassing: a suite of KPIs; qualitative stakeholder feedback; and independent assurance.

## Contact IPA

[www.gov.uk/IPA](http://www.gov.uk/IPA)

[IPA@ipa.gov.uk](mailto:IPA@ipa.gov.uk)

@ipagov

## Cabinet Office

Correspondence team  
70 Whitehall  
London  
SW1A 2AS

[publiccorrespondence@cabinetoffice.gov.uk](mailto:publiccorrespondence@cabinetoffice.gov.uk)

General enquiries: 020 7276 1234

## HM Treasury

Correspondence team  
1 Horse Guards Road  
London  
SW1A 2HQ

[Public.enquiries@hmtreasury.gsi.gov.uk](mailto:Public.enquiries@hmtreasury.gsi.gov.uk)

General enquiries: 020 7270 5000