



Infrastructure  
and Projects  
Authority



# Guide: portfolio management

Scoping the Portfolio, Vision & Strategy



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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](#).

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](#).

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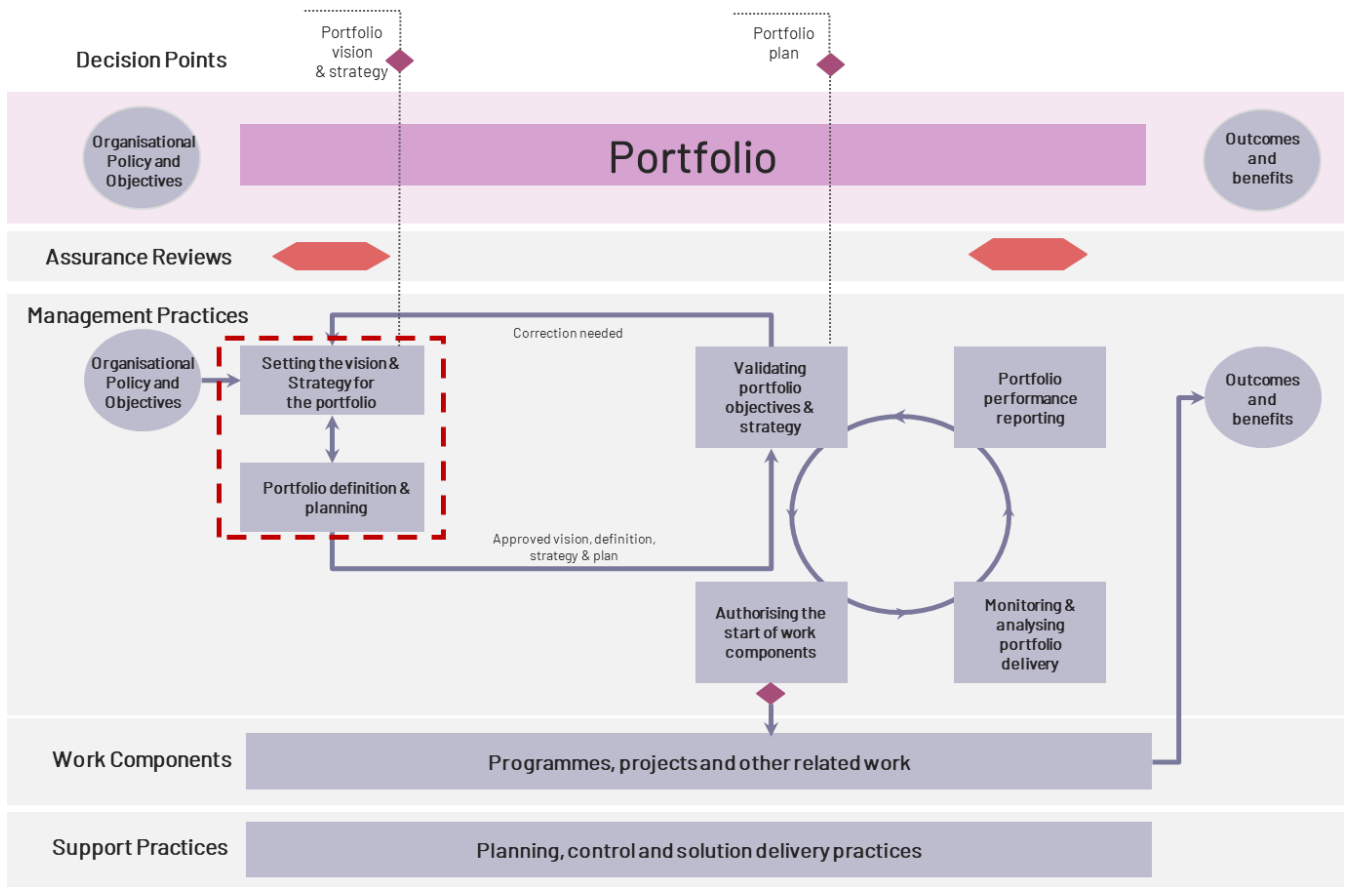
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# Contents

<b>2 Scoping the Portfolio, Vision &amp; Strategy</b>	<b>3</b>
<b>Government Functional Standard GovS 002: Project Delivery - Expectations</b>	<b>4</b>
2.1 Portfolio Categorisation/Segmentation	4
2.1.1 What is it?	4
2.1.2 Why do it?	4
2.1.3 How is it done?	4
2.2 Determining the Portfolio Vision and Strategy	5
2.2.1 The Portfolio Vision	5
2.2.2 The Portfolio Vision	6
<b>Supplementary Guidance</b>	<b>7</b>
2.3 Determining the Portfolio Scope/Structure	7
<b>Tools, templates and examples</b>	<b>8</b>
2.4 Portfolio structure options	8
2.5 Prioritisation example	11
2.6 Portfolio categorisation approach	12
2.7 Portfolio strategy contents	13
2.8 Portfolio benefits categories	13
2.9 Portfolio vision and strategy example	14

## 2 Scoping the Portfolio, Vision & Strategy



**Figure 1** The Portfolio life cycle. Areas marked with a    will be discussed in this module.

# 3 Government Functional Standard GovS 002: Project Delivery - Expectations

## 3.1 Portfolio Categorisation/Segmentation

GovS 002 states – potential new work components should be categorised and evaluated.

### 3.1.1 What is it?

Categorisation refers to dividing the portfolio up into organisationally-appropriate categories or segments, typically by strategic objective or primary investment driver (for example, improved productivity or cost savings) although other approaches to categorisation include by: initiative type, geographical area, or line of business.

### 3.1.2 Why do it?

The portfolio will in many cases include a broad range of initiatives with differing objectives. Such as ministerial priorities; improving customer service; productivity enhancement and cost savings; risk reduction; and cost avoidance. Prioritising the portfolio can therefore prove difficult.

Categorisation helps to prioritise the portfolio by grouping similar initiatives together, tailoring the investment criteria to each portfolio category. So, for example, a cost reduction initiative is compared with other cost reduction initiatives to secure funding from the resources allocated to the cost reduction category.

Categorisation can also help align the portfolio with strategy, by ensuring resource allocations to the various segments reflect their relative priority.

Organisations with a relatively small number of initiatives where governance overload is less of an issue may contain a single organisational portfolio. Although even in this case, investment criteria should be tailored to reflect the different investment drivers (see module 3).

### 3.1.3 How is it done?

Portfolio categories should be organisationally-appropriate reflecting the business priorities, strategic objectives and investment drivers. (See 'tools, templates and examples' section for an example of portfolio prioritisation and portfolio categorisation).

These categories can be further subdivided to understand their effect on strategic priorities, operational impact, future investments and support activities. Commonly used categories include:

- People and capability
- Customer service improvement
- Customer service improvement
- Efficiency and productivity
- IT/Technology asset and maintenance

Consideration should also be given to whether the portfolio focuses on discretionary initiatives, with mandatory initiatives being funded and managed outside the portfolio or whether a separate portfolio category for mandatory/non-discretionary initiatives is used. The advantages of the latter approach include:

- visibility on delivery progress of both discretionary and non-discretionary initiatives;

- it permits a clearer view on how delivery of mandatory initiatives might affect or conflict with discretionary initiatives in terms of access to constrained resources and the impact on BaU;
- facilitates comparison of how much of an organisation's resources are being directed towards maintaining the status quo and tactical issues, and how much are focused on achievement of the strategic objectives; and
- provides a clear view of investment in change, which is useful for audit and risk committees

## 3.2 Determining the Portfolio Vision and Strategy

GovS 002 states: **A vision** should be defined and communicated, stating the overarching aspirations of what is to be achieved in the long-term.

**A strategy**, describing the objectives and desired delivery outputs and outcomes, shall be defined and communicated to inform future decisions and choices about how the portfolio's objectives are to be delivered. The portfolio strategy should include:

- the organisational objectives and priorities from the business plan which relate to the portfolio.
- the portfolio's long-term objectives.
- summary information on the benefits and costs.
- outcomes and capabilities to be delivered and how these link to the portfolio's objectives and priorities from the business plan.
- key success factors and resource and risk information.

The portfolio's strategy should set the context for the definition and planning of the portfolio, and inform the criteria for investment decisions and the approval of work components.

The portfolio vision and strategy will need to reflect the scope of the portfolio as covered in the previous section, remembering that portfolios can exist and be managed at business unit or functional level, as well as at the corporate level or cross-departmental level. This is important because the objectives of the DDaT function for example, will be different from, although consistent with, the wider corporate strategic objectives.

### 3.2.1 The Portfolio Vision

A vision represents 'a postcard from the future' or a broad high-level description of where you are trying to get to. At the corporate level, the portfolio vision may well be closely related to the organisation's vision, but at all levels the portfolio vision must be consistent with the wider organisational vision.

The portfolio vision should be: aspirational but achievable; inspirational and motivational; and should engage stakeholders in the collective pursuit of the portfolio objectives. As such it can be a key element in the portfolio approach to stakeholder engagement (see module 6). The following examples illustrate a range of options:

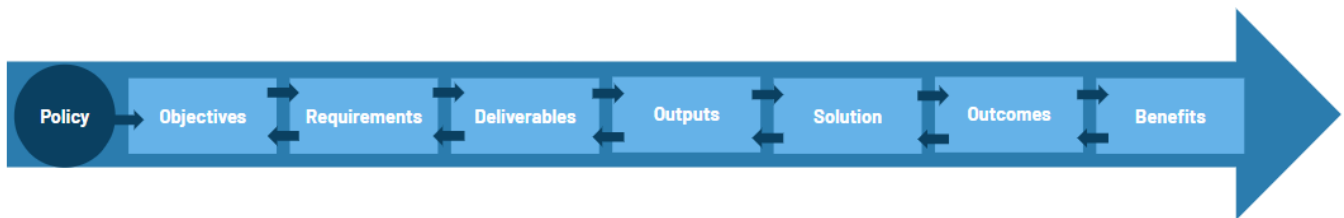
- UK Service Transformation Agreement: *"To change public services so they more often meet the needs of people and businesses, rather than the needs of government, and by doing so reduce the frustration and stress of accessing them. The result will be services that are better for the customer, better for front line staff and better for the taxpayer."*
- The CJS IT Portfolio Vision: *"Anyone involved in the CJS - users of it or people working within it should have access from any browser enabled device, to a seamless, coherent set of applications and information to cover the breadth of their dealings."*
- The ONS Portfolio Vision: *"ONS successfully delivers the right projects and programmes, in the right way, with the right people, every time."* [From the Axelos Case Study 'How to implement Management of Portfolios within 100 days'].

### 3.2.2 The Portfolio Vision

This refers to both the strategic intent and the document that records the portfolio vision and longer-term objectives. This strategic intent addresses the gap between where the organisation wants to be (reflecting its existing strategic objectives, manifesto commitments, and ministerial and departmental priorities) and where it will be on its current trajectory. This should be developed in close collaboration with the strategic planning function and regularly reviewed. (See 'tools, templates and examples' section for a table of typical portfolio strategy contents)

As noted above, the portfolio strategy sets the context for portfolio planning – and specifically, it guides decisions about portfolio prioritisation and balancing. It does this by providing a framework for articulating the contribution of potential and existing initiatives to the portfolio objectives, and in so doing, achieves two-way traceability.

GovS 002 states that - there should be **two-way traceability between benefits, outcome, solution, outputs, requirements and objectives** – as shown in Figure 2



**Figure 2** Two-way traceability

What this means is that an **organisationally-specific benefits categorisation framework** should be developed. That is, a set of benefits that link to, and demonstrate achievement of, the portfolio objectives. These benefit categories (supported by more detailed guidance on how they are quantified, valued, validated and measured – see module 4) are then used by all initiatives, enabling more reliable investment appraisal and portfolio prioritisation. This also facilitates consolidation of data to aid portfolio-level planning and tracking of benefits realisation. (See 'tools, templates and examples' section for examples of portfolio benefits categories and a portfolio vision and strategy.

## 4 Supplementary Guidance

### 4.1 Determining the Portfolio Scope/Structure

An organisation's portfolio contains all the programmes, projects and other related work that contribute to its strategic objectives, including statutory duty and ministerial or departmental priority. These should align to the department's published outcome delivery plan (ODP).

In smaller organisations, or those with relatively few projects and programmes, the portfolio may well be managed as a single entity (applying categorisation where appropriate). This has advantages in providing a single view to aid strategic alignment, portfolio prioritisation, and resource & dependency management.

On the other hand, managing a single portfolio in larger, more complex organisations with a large portfolio of initiatives, is likely to prove challenging, with governance and information overload a very real risk. Prioritising the portfolio and monitoring progress in such circumstances can be problematic at best, even if portfolio categorisation is employed (see Section 2.6 below).

Consequently, portfolios are often managed at a functional or business unit level, but with a corporate or enterprise portfolio for the largest, most expensive, most strategically important initiatives (see portfolio prioritisation in Module 3), and particularly those with a cross-organisational impact. See 'tools, templates and examples' section for the three main options of portfolio structures.

There also exists cross-departmental portfolios, which can be used in pursuit of cross-departmental objectives and priority outcomes.

Whichever approach to portfolio scoping/structuring is adopted, consideration will also need to be given to:

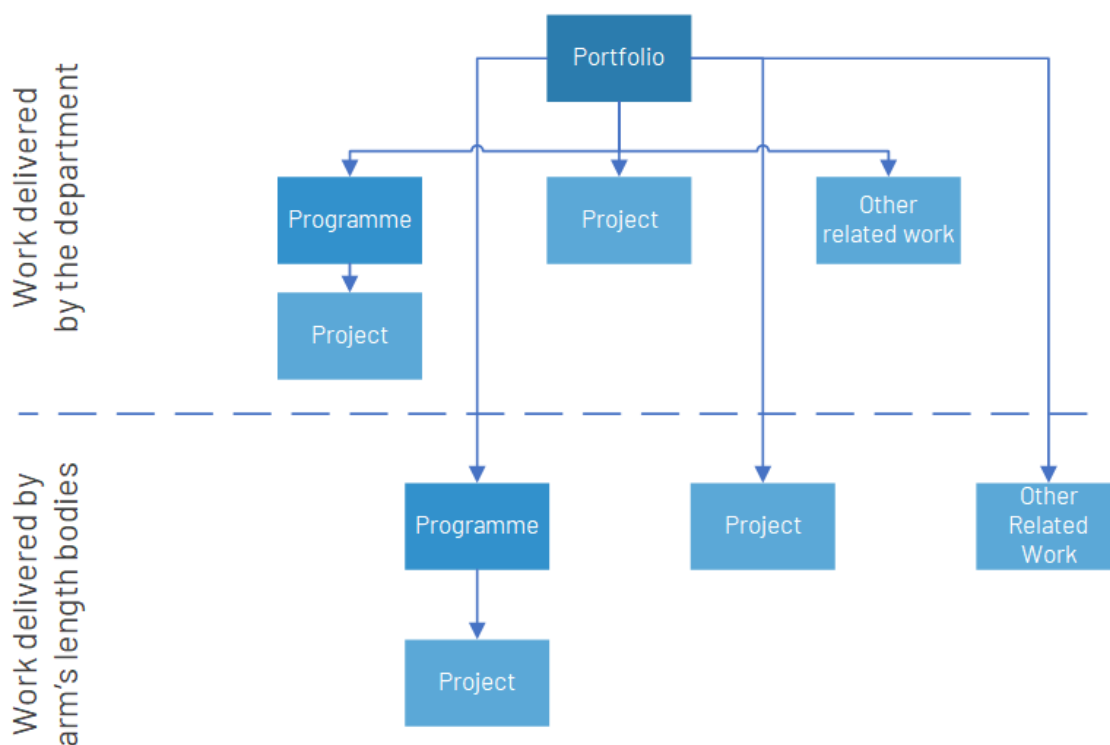
- Clear rules on the boundaries of the portfolio - what components will be included in, or excluded from, the portfolio - for example, are only projects and programmes included, or is other related work also included; and are any thresholds set? For example the portfolio may only comprise of initiatives costing more than £1m.
- The funding arrangements for the portfolio.
- The departments delegated expenditure limit, as defined in the department's delegated authority letter from HM Treasury. Any spend for initiatives that exceeds this limit will require approval from HM Treasury. Internal delegated financial limits, escalation routes for variances that exceed agreed control/tolerance limits, and the frequency and scope of reporting from sub-portfolios to the corporate portfolio level will be recorded in the portfolio governance and management framework.
- The development of a consistent organisation-wide portfolio management framework. This is usually a function of the corporate portfolio office (See Module 5). The policies in this framework will need to be tailored to suit the different sub-portfolios, reflecting the type of initiatives and their objectives. For example, research & development initiatives will usually be subject to more frequent gates/decision points than large infrastructure investments.
- Mechanisms to ensure these practices are applied consistently across the portfolio - to ensure sub-portfolio prioritisation decisions are optimal at both sub-portfolio and corporate portfolio level, and that initiatives are not deliberately disaggregated to avoid portfolio governance.
- Organisations should have a defined and established approach to project delivery assurance, which should be applied proportionately to the risk and value of the activity, and which is integrated with the organisation's overall assurance framework. (See module 6).
- Whether the portfolio (at corporate, functional or business unit level) should be split into separate categories or segments.

# 5 Tools, templates and examples

## 5.1 Portfolio structure options

The three main options for scoping/structuring the portfolio are compared below, although in reality, organisations may exhibit features of more than one of these models:

### Option 1 - One portfolio for the organisation with all initiatives (or at least all those over a threshold level)

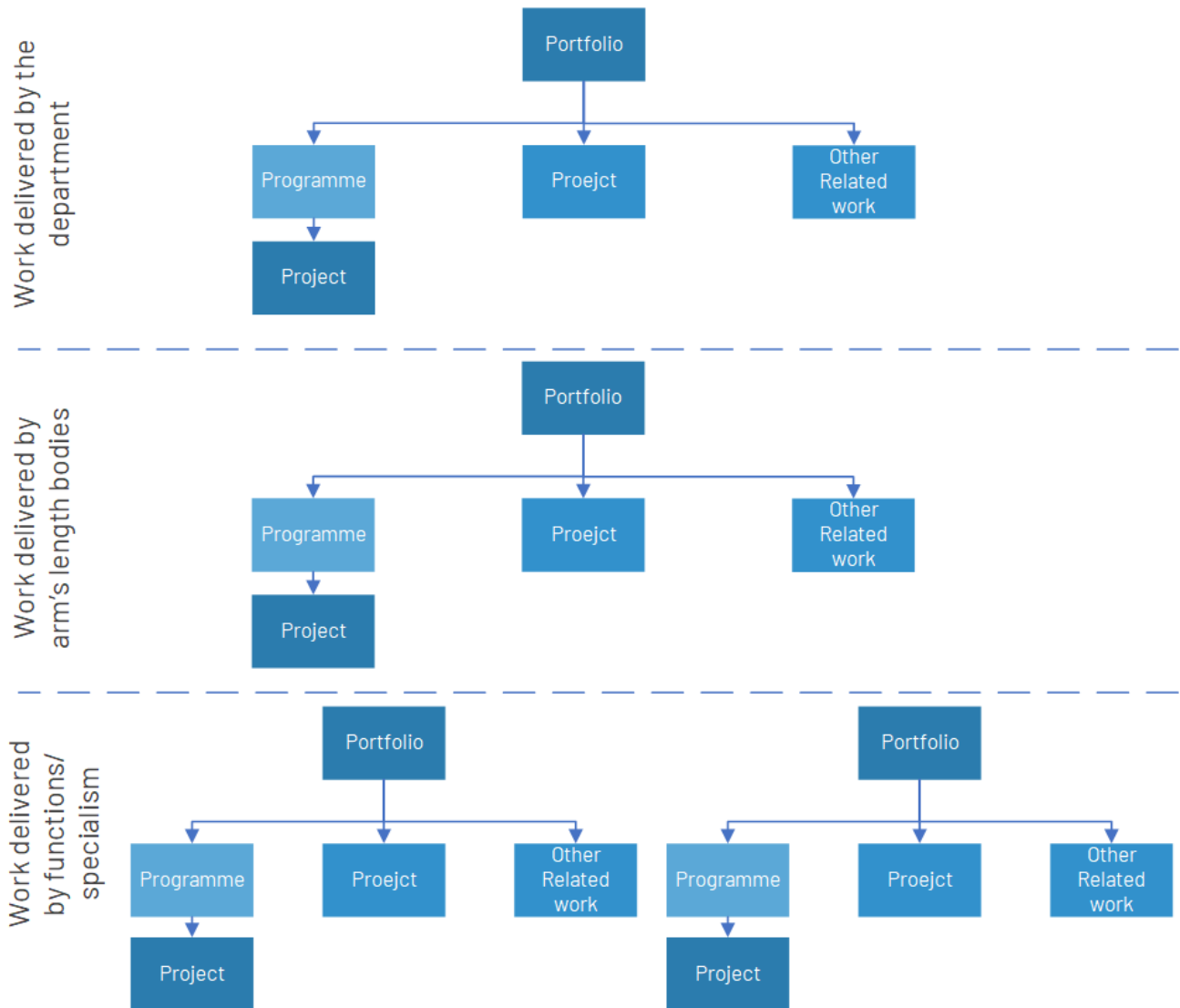


**Advantages** - Enhanced strategic alignment from all initiatives being included in portfolio prioritisation exercises; and resources, dependencies and the business change impact are easier to manage because there is a single view across the portfolio.

**Risks** - Governance and information overload in all but the smallest organisations; and initiatives may be disaggregated (split into smaller sub-projects) to avoid portfolio governance.

**Mitigating actions** - A potentially large portfolio office to absorb much of the routine monitoring of the portfolio and data collection, analysis and reporting; a high threshold level for including initiatives in the portfolio; and checks to ensure disaggregation is minimised.

### Option 2 - Portfolios managed at business unit / functional level

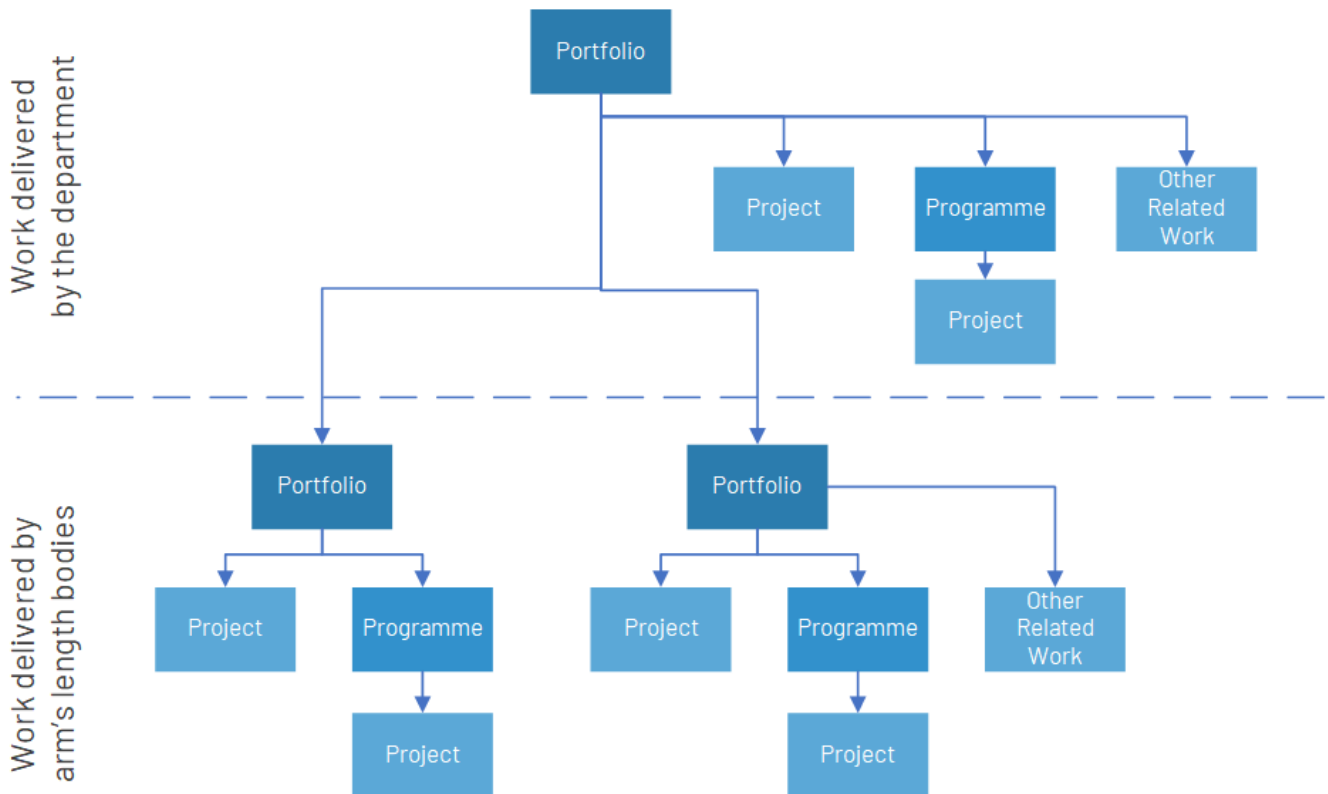


**Advantages** – Focus on business/functional priorities and specialism (e.g. Digital, Data and Technology (DDat) manage the IT portfolio); and flexibility and agility in resource allocation.

**Risks** – Potential duplication of effort and inconsistency in focus between sub-portfolios; loss of alignment with corporate objectives; uncoordinated management of initiatives with a cross-organisational impact resulting in unanticipated adverse impacts on BaU.

**Mitigating actions** – Portfolio and BAU governance should be integrated and have a consistent approach to monitoring and reporting across the department. Controls should be put in place to ensure business unit/functional planning and reporting is consistent with corporate business planning; checks need to be in place to ensure sub-portfolio vision and strategy are consistent with corporate objectives; collaboration and communication with/between sub-portfolios should be encouraged.

**Option 3 - A focused corporate portfolio with sub-portfolios at business unit / functional level**



**Advantages** – Focus on corporate objectives and business/functional priorities; improved understanding of portfolio impacts on BaU; specialism in governance oversight; and reduced risk of governance and information overload.

**Risks** – Potential duplication of effort and inconsistency in focus between sub-portfolios and the corporate portfolio; loss of alignment with corporate objectives.

**Mitigating actions** – Controls to ensure business unit/functional planning and reporting is consistent with corporate business planning; checks to ensure sub-portfolio vision and strategy are consistent with the corporate portfolio vision and strategy – for example, sub-portfolio plans being subject to review by the corporate portfolio committee/investment committee; agreement of delegated limits and control/tolerance limits for escalation of variances from sub-portfolios to the portfolio committee/portfolio progress group; and collaborative working relationships between the corporate portfolio office and sub-portfolio portfolio offices.

## 5.2 Prioritisation example

In addition to reflecting the business priorities, strategic objectives and investment drivers, portfolio prioritisation should also reflect the initiatives contributions to both current and future business.

<b>Importance to future business</b>	<b>High</b>	<b>Strategic</b>	<b>High Potential</b>
	↑	Investments which are critical to sustaining future business strategy.	Investments which may be important in achieving future success.
		Investments on which the organisation currently depends to sustain performance.	Investments which are valuable but not critical to success
	<b>Low</b>	<b>Key Operational</b>	<b>Support</b>
	<b>High</b>	←—————→	<b>Low</b>
	<b>Importance to current business</b>		

**Figure 3** Prioritisation example

## 5.3 Portfolio categorisation approach

### Portfolio Categorisation – Suggested Approach

1. The portfolio director and/or the portfolio manager consider which forms of categorisation would be most appropriate to their portfolio. For example, by primary investment driver with categories for: cost reduction; revenue generation; risk reduction; and to contribute to departmentally specific strategic objectives.
2. This will also include considering whether to include separate categories for Mandatory/non-discretionary initiatives as discussed above.
3. In each case the investment criteria will be tailored to suit each category (see Module 3).
4. The portfolio director will then discuss and agree the proposed approach to categorisation with the portfolio committee/investment committee.
5. The agreed approval of categorisations and investment criteria will be recorded in the portfolio governance and management framework.
6. At the start of each portfolio planning period, the portfolio committee/investment committee will agree how much of the available funding should be allocated to each portfolio category. This will reflect the consequences of previous funding decisions and current strategic priorities. It is recommended that this is undertaken in three phases:
  - a. Phase 1 – current financial commitments are calculated for each category reflecting all approved 'in flight' initiatives;
  - b. Phase 2 – the level of any management reserve is agreed. This represents a contingency fund for unplanned priorities that emerge in year, for addressing portfolio-level risks, and initiative cost-escalation (in addition, a 'consume your own smoke' policy may be applied – see Module 3); and
  - c. Phase 3 – the remaining available funds are then allocated to each category reflecting the relative strategic priority of each category.
7. The Portfolio Director will propose and agree the initiatives relevant category with the Portfolio Board/Investment Committee. A suitable senior responsible owner will then be allocated. Where a case is made for inclusion in more than one category, the decision will depend on the scale of benefit to each category. Ultimately, if the project has been initiated by starting with the end in mind (see Module 4) then the primary investment driver should be clear.
8. The portfolio office/portfolio analysts will then appraise initiatives against the relevant investment criteria as part of portfolio prioritisation (see Module 3).

## 5.4 Portfolio strategy contents

The portfolio strategy should be developed in close collaboration with the strategic planning function and regularly reviewed. Typical contents should include:

Purpose	Typical Contents
To communicate a succinct description of the vision and objectives for the portfolio and the means by which these objectives will be achieved.	Vision and longer-term objectives for the portfolio endorsed by senior management <hr/> Overview of strategic priorities <hr/> Key Dates, measures and success factors <hr/> Top-Level information regarding benefits to be realised and how they link to strategic objectives <hr/> Key Strategic Risks <hr/> Key resource and cost information <hr/> Motivational teamwork statement from senior management

**Figure 4** Portfolio strategy contents

## 5.5 Portfolio benefits categories

### Example – Portfolio Benefits Categories

One public sector organisation adopted the following benefits categorisation framework.

**Customer/User (citizens & businesses) benefits** – analysed into sub-categories (based on an Organisation for Economic Cooperation and Development (OECD) framework) of:

- Monetary benefits – for example, savings from being able to complete a transaction on-line rather than having to travel to make an application in person.
- Time-based non-monetary benefits – for example, from being able to submit an application that is automatically checked for full and correct completion.
- Value-based non-monetary benefits – for example, improved user experience and less frustration via improved service accessibility, choice of channel, first time issue resolution etc.

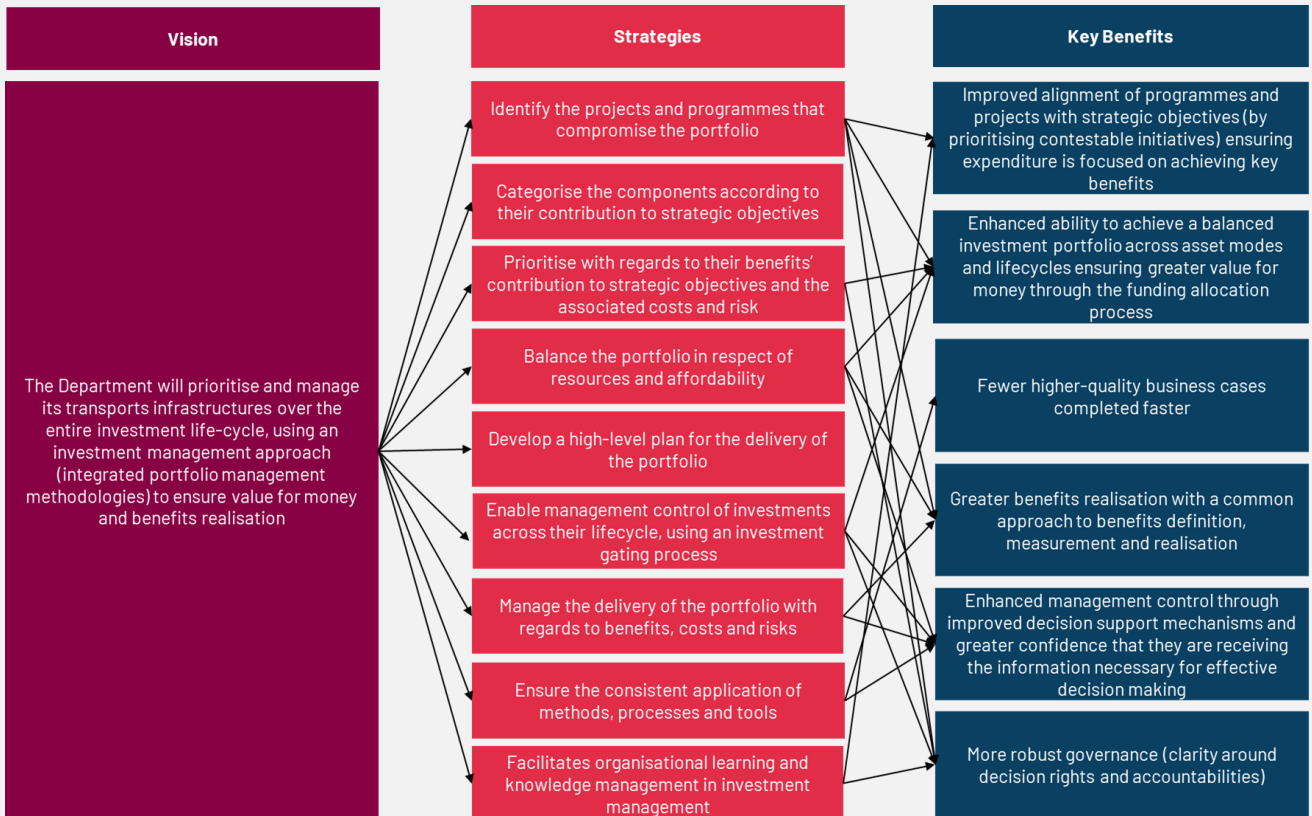
**Efficiency benefits** – analysed into subcategories of:

- Cash releasing benefits – where there is a reduction on the budget baseline.
- Non-cash releasing benefits – for example, where staff time savings are reinvested into other activities. These benefits were treated as intermediate rather than end benefits (the benefits that the initiative was set up to deliver). Further work was then undertaken to understand the end benefit (the measurable improvement) that was to be realised from the staff time savings.
- Strategic risk reduction – reduced exposure to the organisation’s strategic risks including systems failure and cyber breach.

## 5.6 Portfolio vision and strategy example

### Example – Portfolio Vision and Strategy

An overseas Transport Department produced the following Vision, Strategies & Benefits map as part of the implementation of portfolio management to its infrastructure portfolio. This 1-page summary provided an overview of where they were trying to get to (the vision), how they would get there (the strategies), and what the measures of success would be (the benefits). The added advantage was that it proved to be a very effective stakeholder engagement tool.



**Figure 5** Portfolio Vision and Strategy Example

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