



Infrastructure
and Projects
Authority



Guide: portfolio management

Portfolio planning



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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](#).

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 or visit the [Infrastructure and Projects Authority's pages on GOV.UK](#).

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3 Portfolio Planning

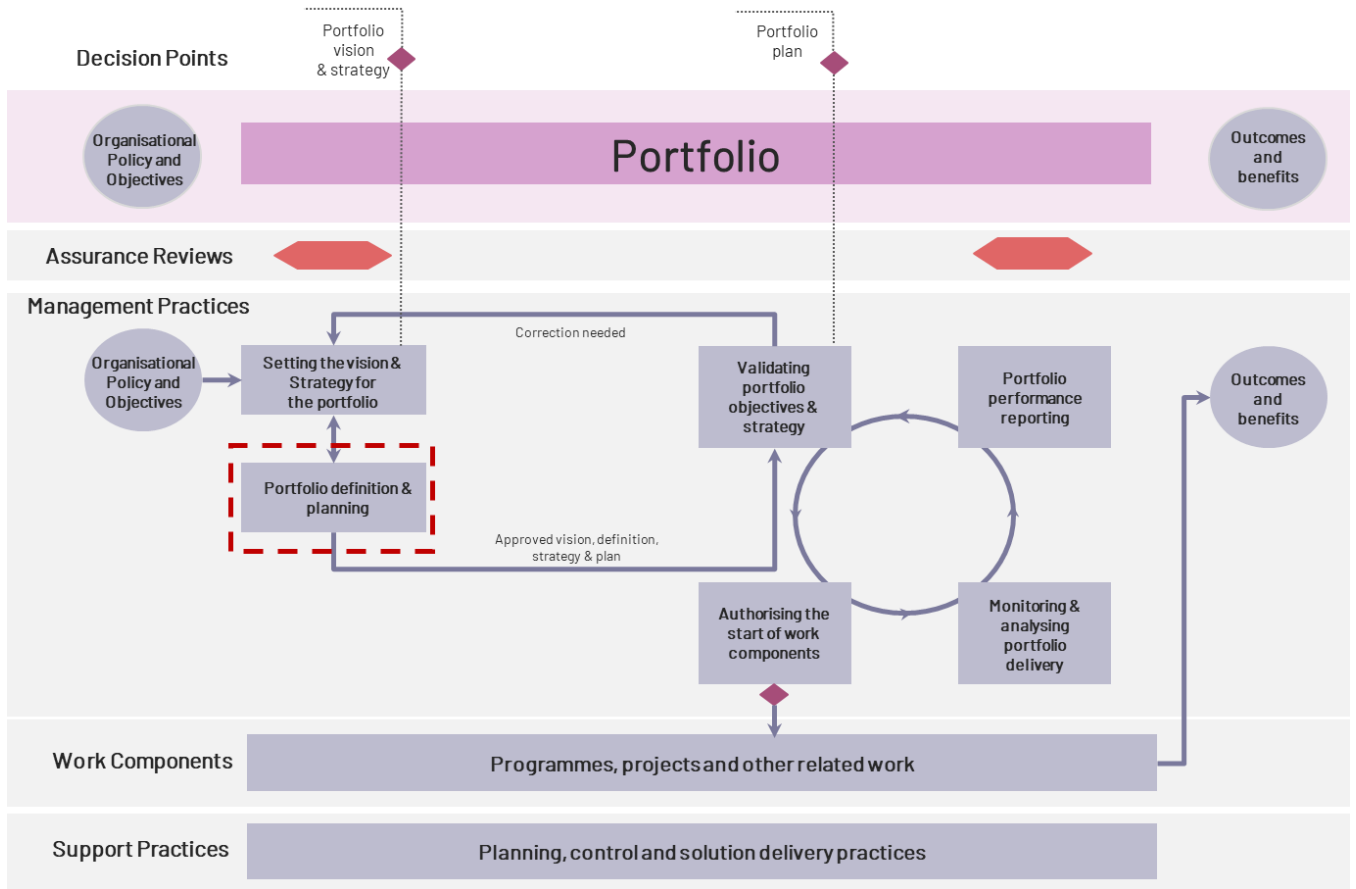


Figure 1 The Portfolio life cycle. Areas marked with will be discussed in this module.

1. Government Functional Standard GovS 002: Project Delivery - Expectations

Note that the approach outlined in this Module is applicable to:

- A top-down approach to portfolio planning starting with the portfolio objectives and 'commission's' initiatives to deliver the outputs, outcomes and benefits required – the 'strategic roadmap' approach.
- A bottom-up approach where initiatives are proposed and appraised against the agreed investment criteria.
- A hybrid approach combining elements of both of the above – this tends to be the most common approach in practice, with a (formal or informal) strategic roadmap of the core, most strategically significant initiatives, augmented by initiatives proposed in response to emerging opportunities and business priorities.

GovS 002 Section 5.3.3 Portfolio definition and planning states: [The portfolio, as a whole, should be defined and planned in accordance with the portfolio's governance and management framework. The planning horizon should be for a defined period aligned with the organisation's business plan.](#) This can be broken down into defining and planning stages:

Define:

- The **government's** policy and organisational objectives, context and priorities should be understood, together with the current status of the portfolio and its work components
- measures for the successful delivery of outcomes and realisation of benefits should be defined
- Potential new work components should be categorised and evaluated, based on their degree of strategic fit, expected benefits, efficient use of funds and risk; the views of stakeholders should be understood and considered

Planning:

- Work components should be prioritised and selected, based on the results of the evaluation, considering the performance of existing work components
- Each work component should be traceable to government policy or organisational objectives
- The plan should include interdependencies between both portfolio and non-portfolio initiatives
- Once approved, the portfolio plan should be baselined, with any changes being approved by the appropriate authority

Whilst much of the data collection, analysis and number crunching associated with portfolio prioritisation will be carried out by the portfolio office, the responsibility for portfolio prioritisation lies with senior management and specifically, the Portfolio Committee/Investment Committee. See 'tools, templates and examples' section for the four key steps to portfolio planning

3.1 Understanding the current status of the portfolio

Getting this clear view of the delivery landscape can provide some clear benefits, such as uncovering duplicate initiatives, low return/high risk initiatives, and failing initiatives. This provides an opportunity to consolidate, rationalise and terminate initiatives, enabling limited resources to be reallocated accordingly.

The first step is to understand the current live initiatives and those in the development pipeline – what is their performance to date, current status and anticipated outturn, including strategic impact? This exercise will normally be undertaken by the Portfolio Manager supported by the Portfolio Office. This

provides a consistent set of information that will inform investment appraisal and portfolio prioritisation and should include data on:

- Category – which portfolio category the initiative belongs to
- Accountability – the Project Executive/Sponsor or Senior Responsible Owner (SRO)
- Objectives & Strategic contribution – the specific outputs/deliverables, outcomes and benefits the initiative is designed to deliver
- Current life cycle stage
- Significant dependencies and interdependencies between components
- Areas of the business impacted by delivery
- Timescales – start/finish dates for each initiative life cycle stage
- Current risk level – overall initiative risk level and the number of risks at each RAG (Red, Amber, Green) level
- Constrained resource requirements – scale and timing
- Current status – spend against budget; delivery against plan/key milestones; benefits realised against plan; and the status of key risks to delivery and benefits realisation
- Forecast outturn – in terms of: spend, key delivery milestones, benefits realisation, and value for money

3.2 Investment Appraisal & Portfolio Prioritisation

Note – Investment appraisal shall follow GovS 008, Commercial and GovS 010, Analysis.

The outcome of portfolio prioritisation and balancing will be a portfolio that optimises strategic contribution whilst meeting an acceptable level of achievability, subject to available funding and any resource constraints. See 'tools, templates and examples' section for investment principle suggestions.

Portfolio prioritisation is based on assessing the relative attractiveness/return and achievability/risk of individual initiatives.

This can be assessed against the following criteria:

- **Attractiveness** – the strategic contribution from an initiative, as represented by the forecast financial and non-financial benefits to be realised
- **Achievability** – both in relation to delivery, but also in terms of the likelihood that the forecast benefits will actually be realised in practice
- **Affordability** – in capital and operating/resource expenditure terms. This is important for obvious reasons given funding limitations. For example, if you have two initiatives with a financial investment driver, and both are promising net cost savings of £100,000 (the benefits exceed the costs by £100,000), and both have a high degree of achievability, which would you prioritise for investment first? A problematic decision – until we discover that initiative A requires twice the investment compared with initiative B.

Note:

1. The focus is not on appraising an initiative in isolation but on what incremental or marginal impact the initiative will have on the attractiveness and achievability of the portfolio as a whole.
2. The assessment of affordability can be included in the assessment of achievability, leaving the two A's of attractiveness and achievability (or desirability and deliverability; or value and viability).
3. These high-level criteria are examined in detail below, but they should provide an objective framework so that senior managers make more informed, consistent and transparent investment decisions.

4. These criteria can also form the core of an agreed set of Investment Criteria or Investment Principles. Criteria for selection and prioritisation of portfolio components should be defined and verifiable. These criteria should reflect defined portfolio objectives that should align with the organisational strategy. The criteria should also reflect the values, principles, other organisational policies and targeted benefits.
5. Where required the portfolio objectives can themselves be prioritised – so that portfolio prioritisation gives greater weight to initiatives that contribute to the highest priority objectives. Where objectives are prioritised, this should be recorded in the portfolio investment criteria. Note also that the same effect can be achieved via the funding allocations made to each portfolio category – for example, by allocating a greater proportion of the available funding to the customer experience category, compared to the cost reduction category.
6. Net present value (NPV) is calculated by discounting future cash flows (both cash outflows and cash inflows) using an appropriate discount rate, which is set by HM Treasury at 3.5%. Extensive guidance on the application of NPV specifically, and investment appraisal more generally, is available in the HMT Green Book and accompanying guidance. When funding/capital rationing is a constraint, portfolio prioritisation should also consider the Profitability Index (NPV less capital cost divided by the capital cost) rather than NPV alone.

3.3 Assessing Attractiveness and Achievability

3.3.1 Assessing Attractiveness

- Best practice recommends assessing attractiveness and achievability from more than one perspective and to focus on a few core criteria. For example:
 - When assessing attractiveness, consider: Net Present Value (NPV) calculated in accordance with HMT Green Book rules (or as noted above, when prioritising competing initiatives, the Profitability Index); the scale of the non-financial benefits; and a rating for strategic fit – reflecting GovS 002 [Principle 1 - delivery objectives are aligned to government policy and organisational objectives](#).
 - When assessing Achievability, consider criteria such as: The Risk Potential Assessment (RPA) rating; initiative duration; payback period (the time it takes for the economic value of the benefits to exceed the cost); resource availability (capacity to deliver); and crucially, the likelihood of benefits realisation.
- Summarising these criteria in Scorecards can help ensure key data is collected on a consistent basis. The data included should be agreed with the Portfolio Committee/Investment Committee so that the scorecard provides the data senior management requires to make investment decisions. The use of scorecards summaries key information useful to decision making. Examples of Attractiveness and Achievability Scorecards are shown below.

3.3.2 Assessing Achievability

Attractiveness is considered in the context of four primary investment drivers:

- Financial – reduce cost
- Financial – increase revenue/operating outcome
- Non-financial – to meet a mandatory requirement
- Non-financial – to contribute to a strategic objective

The assessment of Attractiveness should be based on more than one criterion. This applies even when examining initiatives with a financial investment driver (to reduce cost or increase revenue) because the

benefits and cost estimates often turn out to be inaccurate. Assessing Attractiveness from more than one perspective is illustrated in the following example of an Attractiveness Scorecard – where the assessment of attractiveness included:

2. Economic analysis (NPV, Internal Rate of Return and payback period, including and excluding optimism bias).
3. An analysis of the benefits by type and recipient.
4. Whether these benefits had been included in the departmental/agency's Benefits Realisation Plan (BRP).
5. An assessment of strategic fit by both the initiative SRO and the relevant strategic planner.

3.3.3 Assessing strategic contribution where strategy is not clearly articulated in measurable terms

Portfolio categorisation (see Module 2) provides a high-level indicator of strategic alignment, where the allocation of funds to each portfolio category reflects their relative strategic importance. Where a clearly articulated strategy is not yet in place, one option is to drill down and identify the measurable performance improvement that underpins the economic case. But there are other options. GovS 002 refers to, [“potential new work components should be categorised and evaluated, based on their degree of strategic fit.”](#) This 'degree of strategic fit' can be assessed for example, using the prioritisation categories of Mission-Critical, Highly Desirable, and Desirable. See 'tools, templates and examples' section for an example of assessing the degree of strategic fit.

3.4 Portfolio Balancing

It is recommended the portfolio is balanced in terms of:

- Coverage of the various portfolio objectives – see Figure 2 (tools, templates and examples section)
- Is the business change impact reasonable and shared across the organisation so that the impact on BaU/operational performance is manageable? The APM suggests a 'heat map' can be useful here
- The overall risk/return profile – or for example, are there too many high risk/low achievability initiatives? This can be illustrated by the use of a Portfolio Bubble Map – see Figure 8 below.
- A mix of initiatives that build longer term capability and capacity, and shorter-term tactical initiatives.
- Initiatives at different stages in the initiative life cycle.
- Capacity to deliver – is there an adequate supply of limited/constrained resources such as business analysts, IT test facilities, legal advisers etc – or have plans been put in place to acquire additional resources to address predicted shortfalls?
- A final check that the combined benefits forecast is sufficient to enable the portfolio to achieve the desired contribution to strategic objectives, that it is achievable within any resource constraints, and is affordable.

The analysis will usually be undertaken by the portfolio office, but responsibility for approving the balanced portfolio lies with the Portfolio Committee/Investment Committee. See 'tools, templates and examples' section for examples of graphical formats of portfolio balancing.

3.5 The Portfolio Plan

A portfolio plan represents the baseline against which portfolio delivery can be tracked and reported in-year. (see Module 4). What the plan looks like is not important but it should encompass:

- A portfolio delivery schedule incorporating key dependencies and key milestones

- A schedule of initiative assurance reviews, and gates where decisions about continued funding will be made
- The Financial Plan with profiled budget (usually by month) showing both capital and resource cost commitments
- A schedule of demand and supply for constrained resources
- A Benefits Realisation Plan – with monthly or quarterly forecasts under the main benefits categories
- A summary of current risks and issues and planned mitigation
- The Portfolio Key Performance Indicators
- Timing of portfolio reviews and portfolio/sub-portfolio assurance review(s).

The plan must also provide a clear view how the portfolio will contribute to the strategic objectives as mentioned in the portfolio strategy and how this will be measured. The plan should be updated in-year to reflect any changes agreed by the Portfolio Committee/Investment Committee, for example following initiative-level gates/decision points and periodic portfolio-level reviews

The portfolio strategy and the portfolio delivery plan are the result of a complicated or complex planning process. To ensure that key messages are delivered as efficiently as possible, reports need to be relatively straightforward with information that is easy to understand. Apply where possible, the Pareto or 80:20 rule, showing only the most important delivery milestones and overall benefits to be realised.

6. Supplementary Guidance

3.6 Investment Drivers

3.6.1 Financial Drivers 1 - reducing cost or increasing revenue

Five important points to note when considering the scale of cost reduction or increased revenue:

- The focus is on net cost reduction and net revenue increase – the scale of cost savings/revenue increase less the cost of achieving those savings or revenue increases. For GMPP reporting the financial benefits that have been monetised for the Economic Case should be reported as gross benefits; although the IPA also requests projects state how the net cashable savings position is computed.
- The time value of money needs to be taken into consideration. £100 today is worth more now than £100 in 3 years-time. The appropriate appraisal method is therefore cost-benefit analysis and specifically, Net Present Value (NPV) or the Profitability Index when capital rationing applies.
- When undertaking investment appraisals, sunk costs (costs that have already been incurred), should be ignored, as per the HMT Green Book guidance. What matters are the incremental costs and benefits from this point forward.
- The cost saving/revenue increases should be seen in reduced cash outflows and increased cash inflows in the relevant budget. In other words, the benefits need to be cash releasing.
- Where portfolios are categorised by investment drivers, cost saving and revenue enhancing initiatives are grouped with other similar initiatives and compete against each other for the available funding for such initiatives.

3.6.2 Non-Financial Driver 1 - Mandatory/Non-discretionary initiatives

These include initiatives designed:

- To meet statutory or regulatory requirements – where the investment rationale is the avoidance of the financial and non-financial consequences of non-compliance, including fines and damage to organisational reputation (and hence loss of public trust).
- The need to maintain business-critical operations – to avoid, or lessen the risk of, the costs of failures in key operational and support systems. This driver is sometimes termed cost-avoidance (note there is no cash flow impact).
- In response to ministerial and departmental priorities – including those designed to avoid, or that are in response to, a major system or policy failure. Here the investment rationale often relates to preventing, or reducing the likelihood of, systemic failures including failures in the organisation's purpose, core mission or duty of care.

Mandatory initiatives should regularly be reviewed to ensure that they are still relevant to current strategic objectives. For example:

- Many initiatives claim a mandatory justification only for it to become clear with hindsight that the initiative had little chance of actually meeting the original mandate, or that it would only partly address that mandate. There is a tendency to jump to a solution (particularly IT solutions) and then believe that a specific solution has been mandated when in fact, there may be alternative, more cost-effective solutions, to address the original mandate.
- 'Must do' initiatives can easily become the 'Trojan horse' for a whole load of other functionality that would otherwise fail the investment test. For example, many IT projects were funded under the mandate of addressing the Y2K problem and it only became apparent later that many of these initiatives were not required to address that particular issue.

- On occasions, the mandate that originally arose in response to a real or perceived threat, no longer applies with the passage of time but the initiative ploughs on without regularly reaffirming that the mandate is still current. In this case, the Portfolio Board/Investment Committee should consider whether to take the decision to stop the project.

There are two key questions to ask in relation to initiatives proposed as mandatory/non-discretionary; does the solution meet the mandatory requirements; and secondly is this the most cost-effective solution? In cost-effectiveness analysis, the costs of alternative ways of addressing the problem at hand are compared. The decision rule is, all other things being equal, to accept the option with the lowest Net Present Cost (NPC). This reflects the guidance in the IPA Guidance for Effective Benefits Management in Major Projects – “there may be certain projects (for instance compliance projects) where CBA is not the most appropriate tool to justify investment. In these instances, Cost Effectiveness Analysis should be undertaken whereby the cost of alternative ways of producing the same or similar outputs is compared instead.”

3.6.3 Non-Financial Driver 2 – Strategic Contribution initiatives

The primary focus of portfolio management is on achieving strategic objectives and business priorities and can be addressed by an organisationally-specific portfolio benefits categorisation framework to link initiatives to strategy (see Module 2). Where this is in place, the strategic contribution of initiatives can be measured in a consistent and reliable manner via their non-financial and financial benefits, providing a level-playing field for portfolio prioritisation, based on assessing which initiatives offer the greatest benefits per £ invested.

This assessment will be informed by the economic/monetised value calculated in the Economic Case of the Business Case, but should also consider the scale of performance improvements that drive the improvement in longer term social and economic outcomes. This is illustrated in figure 4 below.

3.7 Strategies to improve forecasting reliability

Effective prioritisation depends on reliable data. Unfortunately, the data on which many organisations make their investment decisions is often not as reliable as presumed.

3.7.1 Benchmarking

One solution is to adopt **benchmarking** by using historical information to identify standards and best practice. In reference to portfolio management, the process involves comparing projected, or actual, project performance information against similar information from past projects with the aim of improving assurance and delivery. Further detail can be found in the **IPA best practice benchmarking guidance**. Taking such an ‘outside view’ (as opposed to the ‘inside view’ where forecasts are built up by considering the initiative in detail) has been found to produce more accurate forecasts, by overcoming both the cognitive biases and strategic misrepresentation identified above. The IPA Cost Estimating Guidance also emphasises that, “An approach to continuous improvement is essential to increasing the quality of estimating practices”.

3.7.2 Optimism Bias

HM Treasury encourages departments to collect data on their project and programme performance (for example, via post-closure reviews), but if such data is not available, **HM Treasury have published optimism bias adjustments** for a range of project types. Adjustments are available for the duration and capital cost but there are no adjustments available for operating cost and benefits.

3.7.3 Three point forecasting

An alternative is to use **range (three point) forecasts** – for example the IPA’s Cost Estimating Guidance suggests cost estimates, “should be presented as a range to account for the level of risk and uncertainty inherent in the project. This range should decrease as the project develops.” The range is as follows:

- Reasonably pessimistic – a position that takes into consideration pessimistic assumptions on rates, efficiency or quantities, and is therefore higher than expected
- Most likely – a position based on the best-known data and judgement of the design, delivery and cost estimating team (usually the base cost estimate)
- Reasonably optimistic – a position based on assumptions of higher efficiency and therefore lower than the most likely cost.

The IPA Cost Estimating Guidance also refers to the use of expert opinion particularly with regard to novel or complex initiatives.

Whilst the focus in the above is on cost estimates, the same approaches can be readily applied to benefits and duration forecasts.

Aside from benchmarking, range forecasting, and expert opinion, there are a number of strategies that can be used to promote more reliable forecasting, and facilitate more informed investment appraisal and portfolio prioritisation:

1. Stronger leadership and ownership. The NAO highlights the importance of senior management, “setting the tone by encouraging honesty in estimates, challenging optimism bias and assumptions and being willing to stop projects which no longer make sense.”
2. Effective accountability frameworks that hold people to account for results, by tracking performance through to benefits realisation. If forecasters know that robust post-closure reviews will compare forecasts with actual performance, then there is more of an incentive for them to ensure their forecasts are realistic. A key principle in the government functional standard for project delivery is that all accountabilities and responsibilities are defined, mutually consistent and traceable across all levels of management. In government this is the role of the Senior Responsible Owner (SRO) who is accountable for an initiative meeting its objectives, delivering the projected outcomes and realising the required benefits. They are also the primary risk owner, owner of the business case and accountable for all aspects of governance. Although directly accountable for their own project, an SRO is also expected to support delivery of the organisation’s overall strategic objectives. This means that they are expected to work collaboratively with other SROs and project directors in adjacent projects, and with the organisation’s portfolio office and portfolio director, to manage dependencies, resources, schedules, and funding to support delivery of the totality of change the organisation needs to achieve its strategic objectives.

Sometimes this may mean slowing down the delivery of one project to support delivery of another. While this may appear to be in tension with the SRO’s personal accountability for delivery of their project, it is entirely consistent with an SRO’s responsibility to respond to changes in the operating context. If conflicting priorities between projects cannot be resolved between the SROs concerned, however, they may ultimately need to be referred to the Portfolio Director, or potentially the Accounting Officer for decision.

3. Ensuring forecasts are subject to robust and independent challenge and scrutiny. A diversity of perspectives can be crucial in helping overcome ‘groupthink’ and the portfolio office can play a crucial ‘critical friend’ role in appraising initiative proposals. Similarly, the IPA Cost Estimating Guidance recommends: “Project teams use review and assurance to improve the quality of their estimate” and, “A culture of challenge, trust and openness unlocks collaboration, which improves decisions. A cost

estimate produced in this environment is likely to prove more accurate as its assumptions will be appropriately challenged and validated.”

4. Benefits-led initiative planning where the solution is designed collaboratively to deliver the required outcomes and benefits. There is less incentive to overstate benefits as they are the rationale for the investment rather than being used to justify a preferred solution. In this way we can operationalise GovS 002 Principle 7 - outcomes and enabling outputs meet the need and are validated by stakeholders.
5. Front-end loading is also relevant, as the IPA Cost Estimating Guidance says, “Whilst successful project initiation can take more time at the beginning, this will be repaid many times over later on in delivery. Investment to develop projects at an early stage has been clearly linked to more accurate cost estimates and improved outcomes.”
6. Requiring benefits forecasts to be validated with relevant ‘benefit owners’, and wherever possible, ‘booked’ in budgets, business plans, performance targets etc.
7. Regular review – the cost-benefit case should be subject to review at regular gates/decision points with the technique of staged release of funding being applied. The continued investment is subject to review of the investment rationale and re-commitment to the benefits case, so there are no ‘orphan’ benefits where there is no one in the business committed to their realisation.

3.8 Decision conferencing and pair-wise comparisons

Another option for assessing relative strategic contribution is to combine decision conferencing with pair-wise comparisons.

Decision conferencing enables senior managers to consider and debate, in a facilitated workshop: the relative weightings to attach to the portfolio objectives (or ‘business drivers’ in Figure 3) locate to individual initiatives. In this way senior management comes to a collective decision on the composition of the portfolio. The role of the facilitator is crucial in ensuring differences of perception are debated openly and consensus is reached. The advantages of decision conferencing have been found to include improved commitment by senior management to both the success of the portfolio and to portfolio management itself.

Pair-wise comparisons/force ranking can be used to address the problem where senior managers find it hard to rank strategic drivers and place initiatives in priority order. Here the relative merits of initiatives are debated in pairs with a relative ranking being made by assessing how much more or less important one initiative is, compared to another (equal rankings are not possible) – see Figure 3. The results are then consolidated (usually by a software programme) to provide a prioritised ranking. Software programmes can also help identify examples of Condorcet’s paradox, where, for example, initiative B is preferred to initiative A, and initiative C is preferred to initiative B, but initiative A is preferred to initiative C.

The result of portfolio prioritisation will be a ranked list of initiatives (based on the ratings for Attractiveness and Achievability) for each portfolio category, or for the portfolio as a whole. See ‘tools, templates and examples’ section for a pair-wise/force ranking table example.

7. Tools, templates and examples

3.9 Key steps to portfolio planning

There are four key steps to portfolio planning:

Step 1 - Assessing the current situation in terms of identifying the current live initiatives and those in the development pipeline – their performance to date, current status and anticipated outturn including strategic impact. This will also include allocating existing and proposed initiatives to the appropriate portfolio categories.

Step 2 - Prioritising initiatives using tailored investment criteria to assess their attractiveness and achievability.

Step 3 - Balancing the portfolio to ensure it represents the optimum strategic contribution, is achievable, that the business change impact is manageable, and that the risk/return profile is acceptable.

Step 4 - Producing the Portfolio Plan that will act as the baseline against which portfolio progress will be monitored. The Portfolio office will take the approved portfolio and collate data for each initiative and for the portfolio as a whole, for the relevant planning period (usually the forthcoming financial year).

3.10 Investment principle suggestions

The following example provides suggestions of investment principles for the portfolio

1. All projects funded are subject to HM Treasury's settlement conditions and departmental governance arrangements
2. Projects must contribute to portfolio vision and/or departmental strategy
3. What has been started should be finished - funding should continue for those projects that are on time and to budget, otherwise previous investment would be wasted
4. No new projects should be funded unless they can demonstrate a positive NPV with benefits agreed in principle by all interested parties
5. Options selected should represent: phased implementation with defined benefits at each stage, lowest cost and deliver a reasonable amount of benefit
6. Overspends should be borne by the relevant organisation rather than impacting on other portfolio initiatives
7. Continued funding will be contingent on project performance and will be reviewed periodically
8. Projects will not be funded if critical issues are unresolved
9. Projects should meet best-practice thresholds for Attractiveness and Achievability.

3.11 Attractiveness Checklist and Scorecard

3.11.1 10 Key Questions

Key Questions - Attractiveness

- | | |
|-----|---|
| 1. | Is the problem the initiative is designed to solve (or the opportunity to be exploited), clearly defined? See Note 1 |
| 2. | Are the resulting outcomes and benefits that will result from successfully addressing the problem/exploiting the opportunity, clearly identified in measurable, or at least observable, terms? See Note 2 |
| 3. | How confident are we that the initiative will result in the desired business outcomes and benefits realisation? See Note 3 |
| 4. | Do we understand how the identified benefits will contribute to the organisation's strategic objectives and priority outcomes? See Note 4 |
| 5. | Has a range of credible and genuine options to address the problem/opportunity and deliver the desired outcomes and benefits been identified (including a 'do minimum' option)? See Note 5 |
| 6. | Have adequate steps been taken to ensure the reliability of forecasts of cost, time to deliver, and benefits? See Note 6 |
| 7. | Are forecast benefits validated with relevant benefit owners and where applicable, 'booked' i.e. |
| 8. | Financial benefits (cost savings and revenue increases) agreed with the budget holder/finance director and booked in unit budgets/financial plans? |
| 9. | Non-financial performance improvements agreed with the relevant planner or business unit head and 'booked' in KPIs, business unit performance plans etc. See Note 7 |
| 10. | Have adequate arrangements been made to identify and exploit emergent or unplanned benefits? See Note 10 |

Figure 2 Attractiveness questionnaire

3.11.2 Attractiveness scorecard

| Economic Analysis | | | |
|---|---------------|---------|-----------------|
| | NVP (£m) | IRR (%) | Pay Back Period |
| Excluding Optimism Bias | | | |
| Including Optimism Bias | | | |
| Confirmation that the above figures are compliant with benefits eligibility framework (BEF) | | | |
| Yes/No | Confirmed By: | | |

| Benefits Analysis (£m) | | | |
|------------------------|-----------------------|--------------------------|--------------------------|
| Recipient | Efficiency - Cashable | Efficiency - Opportunity | Effectiveness - Cashable |
| <Recipient 1> | | | |
| <Recipient 2> | | | |
| <Recipient 3> | | | |
| <Recipient 4> | | | |
| <Recipient 5> | | | |
| Totals: | | | |

| Recipient | Benefit Status | Source of Confirmation/Comments |
|------------------------|---|---------------------------------|
| <Recipient 1> Benefits | Included in BRP <input type="checkbox"/> Agreed in Principle <input type="checkbox"/> Not Yet Agreed <input type="checkbox"/> | |
| <Recipient 2> Benefits | Included in BRP <input type="checkbox"/> Agreed in Principle <input type="checkbox"/> Not Yet Agreed <input type="checkbox"/> | |
| <Recipient 3> Benefits | Included in BRP <input type="checkbox"/> Agreed in Principle <input type="checkbox"/> Not Yet Agreed <input type="checkbox"/> | |
| <Recipient 4> Benefits | Included in BRP <input type="checkbox"/> Agreed in Principle <input type="checkbox"/> Not Yet Agreed <input type="checkbox"/> | |
| <Recipient 5> Benefits | Included in BRP <input type="checkbox"/> Agreed in Principle <input type="checkbox"/> Not Yet Agreed <input type="checkbox"/> | |

| Strategic Fit | | | | | | | | |
|-----------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------------|--------------------------|--------------------------|--------------------------|
| | SRO Assessment | | | | Strategic Planners Assessment | | | |
| | N/A | Desirable | Highly Desirable | Mission Critical | N/A | Desirable | Highly Desirable | Mission Critical |
| Strand 1: | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Strand 2: | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Strand 3: | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Strand 4: | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Strategic Objective 1 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Strategic Objective 2 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Figure 3 Attractiveness Scorecard

3.12 Achievability assessment table

An objective framework is required for assessing initiative achievability (the issue of portfolio risk is addressed in Module 4), although as with attractiveness, the criteria may be adapted to suit the different portfolio categories where required.

The assessment of achievability can be based on ranking the scale of behavioural and business change as shown below in Figure 5. Each initiative is scored on a scale of 1-5 for each factor, resulting in a score out of 10.

| Behavioural Change | | Business Change | |
|--------------------|---|-----------------|---|
| 1 | Minimal or no behavioural change required in a single business unit | 1 | Upgrade to existing system affecting a single business unit |
| 2 | Minimal behavioural change required in multiple business units | 2 | Upgrade to existing system affecting multiple business units |
| 3 | Significant behavioural change required in one business unit | 3 | New system in one business units |
| 4 | Significant behavioural change required in multiple business units | 4 | New stand-alone corporate system affecting multiple business units |
| 5 | Significant behavioural change required organisational wide | 5 | New corporate system affecting multiple business units and with interfaces to other corporate systems |

Figure 4 Assessing Initiative Risk/Achievability

3.13 IPA’s Risk Potential Assessment

The risk potential assessment form is used to assess the strategic risk potential of:

- Programmes and projects
- Emerging policies and initiatives that are expected to be delivered through a programme or project

The form should be completed as early in the life of a change initiative as possible, for example, when policy is being formulated

| Risk Potential Assessment | | | | | | |
|--|-----------|-------------|----------|----------|-----------|-----------|
| Plot overall Summary assessments from Table A and Table B and mark with an X in the grid below | | | | | | |
| Overall Consequential Impact Assessment (Table A Summary) | Very High | | | | High Risk | |
| | High | Medium Risk | | | | |
| | Medium | | | | | |
| | Low | | | | | |
| | Very Low | | | Low Risk | | |
| | | Very Low | Very Low | Medium | High | Very High |
| Overall Complexity Assessment (Table B Summary) | | | | | | |

Figure 5 Assessing Initiative Risk/Achievability with the RPA

3.14 Achievability Checklist and scorecard

3.14.1 10 Key Questions

| Key Questions - Achievability | |
|-------------------------------|--|
| 1. | Has the initiative been designed around modular/incremental releases of output/capability? See Note 1. |
| 2. | Has adequate provision been made for stakeholder engagement? See Note 2. |
| 3. | Does the initiative team have the requisite skills, resources and experience (and do they have the track record to demonstrate this, particularly in initiatives of comparative complexity)? See Note 3. |
| 4. | Have adequate and effective steps been taken to minimise the downside risk? See Note 4. |
| 5. | Has provision been made for all required enabling, business and behavioural change i.e. does the scope of the initiative encompass all required changes upon which benefits realisation depends (or is the project part of a wider programme that includes these changes)? See Note 5. |
| 6. | Has adequate provision been made for transitioning from the 'as is' to 'to be' states? See Note 6. |
| 7. | Are the governance arrangements adequate in relation to the complexity of the initiative and do they include regular independent assurance? See Note 7. |
| 8. | Have lessons learned from previous initiatives been learnt and applied? See Note 8. |
| 9. | Has the initiative methodology and lifecycle been adapted to suit the complexity of the initiative? See Note 9. |
| 10. | Is the initiative affordable: <ul style="list-style-type: none"> ■ Has sufficient resourcing (financial and otherwise) been allocated to the initiative, including contingency? and; ■ Is it clear how the scope can be adjusted should costs escalate beyond the agreed contingency? See Note 10. |

Figure 6 Achievability questionnaire

3.14.2 Achievability Scorecard

| Assessment of degree of business change required to realise benefits | | | | | |
|--|-------------------------------------|--------------------------|--------------------------|--------------------------|----------|
| Recipient | Benefit realisation lead assessment | | | | Comments |
| | High | Medium | Low | N/A | |
| <Recipient 1> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| <Recipient 2> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| <Recipient 3> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| <Recipient 4> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| <Recipient 5> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |

| Cost – Sufficient contingencies included? | | | | |
|---|--|--------------|------------------------------|-----------------------------|
| Gap between optimism bias adjusted costs and requested funding of each year of SR period: | | | | |
| Year | | | | |
| Gap | | | | |
| Confirmation whether costings include the costs of optimism bias mitigation: | | | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| Provide explanation if mitigation costs not included: | | | | |
| Mitigation of optimism bias is reasonable | | | | |
| Yes/No/NA | | Reviewed by: | | Comments: |

| SRO's self-assessment | | |
|--|--------|----------------------------------|
| SRO's name: | | Date: |
| Assessment | Rating | Summary rationale for assessment |
| Degree of complexity | | |
| Quality of planning, performance and benefits management | | |
| Capacity to drive progress | | |

| Delivery Confidence | | | | |
|--|---|---|---|--|
| Low | Low/Medium | Medium | Medium/High | High |
| Red | Amber/Red | Amber | Amber/Green | Green |
| Successful delivery appears to be unachievable. The project may need re-scoping and/or its overall viability reassessed. | Successful delivery is in doubt. Urgent action is needed to ensure these are addressed, and whether resolution is feasible. | Successful delivery appears feasible but significant issues already exist. These appear resolvable at this stage. | Successful delivery appears probable; however, constant attention will be needed. | Successful delivery of the project on time, budget, and quality appears highly achievable. |

| Likelihood of benefits realisation: | |
|-------------------------------------|--|
| Stage of delivery | |

| | |
|-----------------------------|--------------------------|
| Project Scoping | <input type="checkbox"/> |
| Design & Development | <input type="checkbox"/> |
| Implementation & Deployment | <input type="checkbox"/> |
| Benefits Realisation | <input type="checkbox"/> |

Figure 7 Achievability Scorecard

3.15 Strategic Fit and Financial Benefit table

In the following example assessments of 'Strategic Fit' and 'Financial Benefits' were made scoring initiatives on a scale of 1-5 for both factors, resulting in a score out of 10 - See Figure 2. Note the terms 'Mission Critical', 'Highly Desirable', and 'Desirable' were clearly defined in the Portfolio Governance & Management Framework to aid consistent assessment (such assessments were also validated with the relevant strategy owners).

| Strategic Fit | | Financial Benefits | |
|---------------|---|--------------------|--|
| 1 | Consistent with strategy and impact a single business unit | 1 | Validated annual financial benefits of up to £5m |
| 2 | Consistent with strategy and impact a several business units | 2 | Validated annual financial benefits of £5m-£10m |
| 3 | Desirable contribution to one or more strategic objectives | 3 | Validated annual financial benefits of £10m-£15m |
| 4 | Highly desirable contribution to one or more strategic objectives | 4 | Validated annual financial benefits of £15m-£20m |
| 5 | Mission critical enabler to one or more strategic objectives | 5 | Validated annual financial benefits of >£20m |

Figure 8 Strategic fit and financial benefits table

3.16 Graphical formats for portfolio balancing

The attractiveness and achievability assessments can be consolidated by weighting the various criteria to provide an overall rating for attractiveness and achievability for each initiative. These ratings can then be illustrated on a Portfolio 'Bubble' Map, with the size of each 'bubble' representing the scale of investment required. This is illustrated in Figure 9

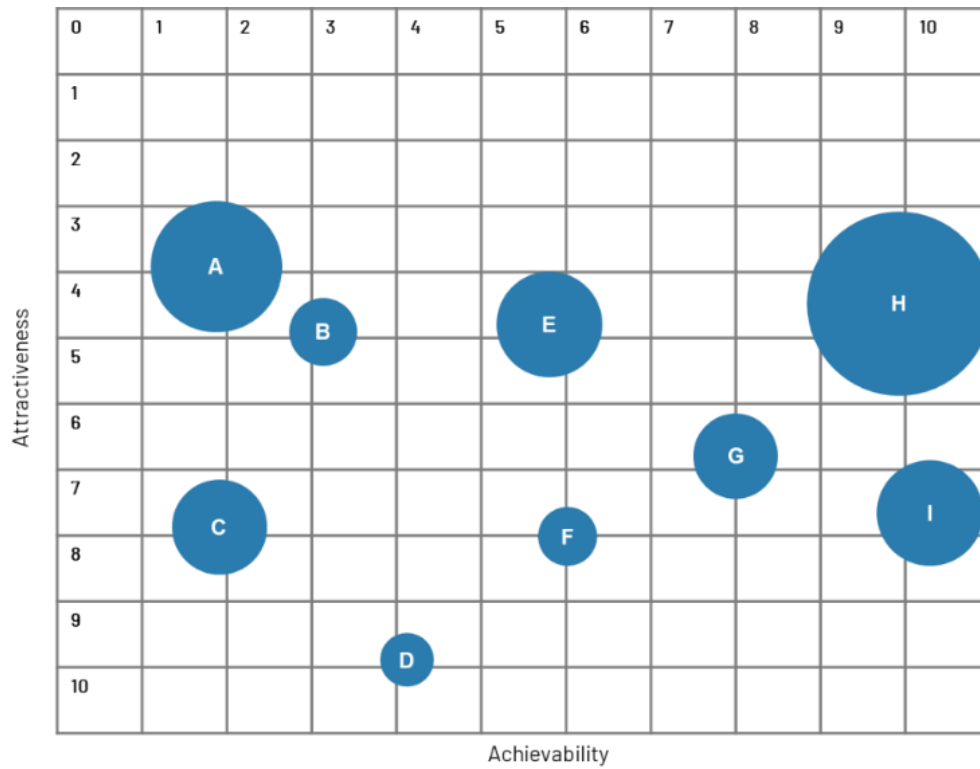


Figure 9 Portfolio bubble map

This can be further sub-categorised, by looking at the criticality and complexity for each Initiative as well as which business area the Initiative sits under and the strategic objectives It will deliver against.

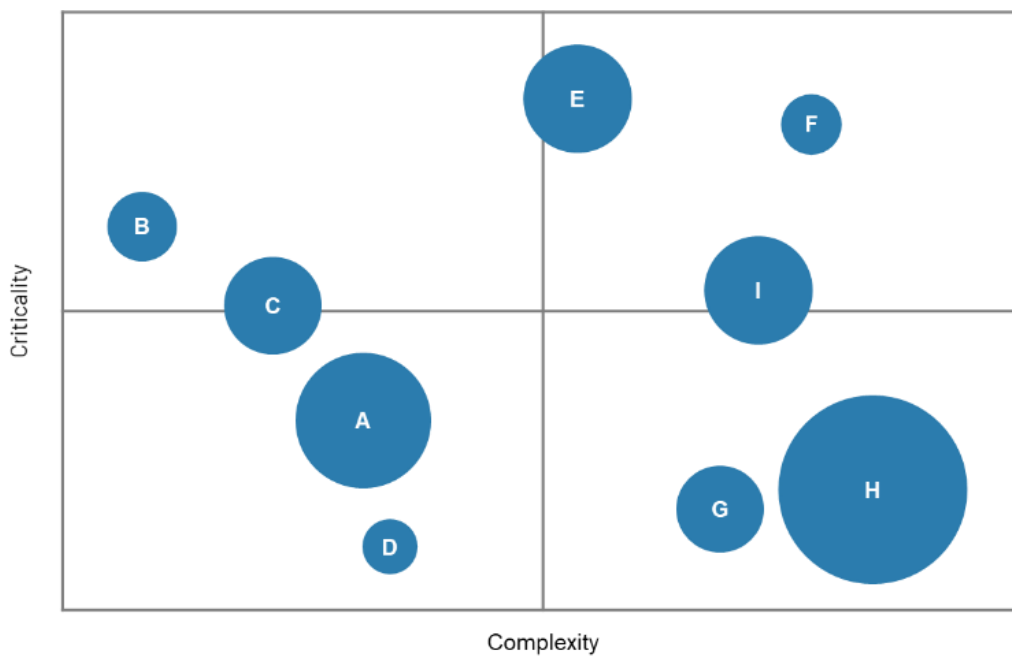


Figure 10 Criticality vs Complexity

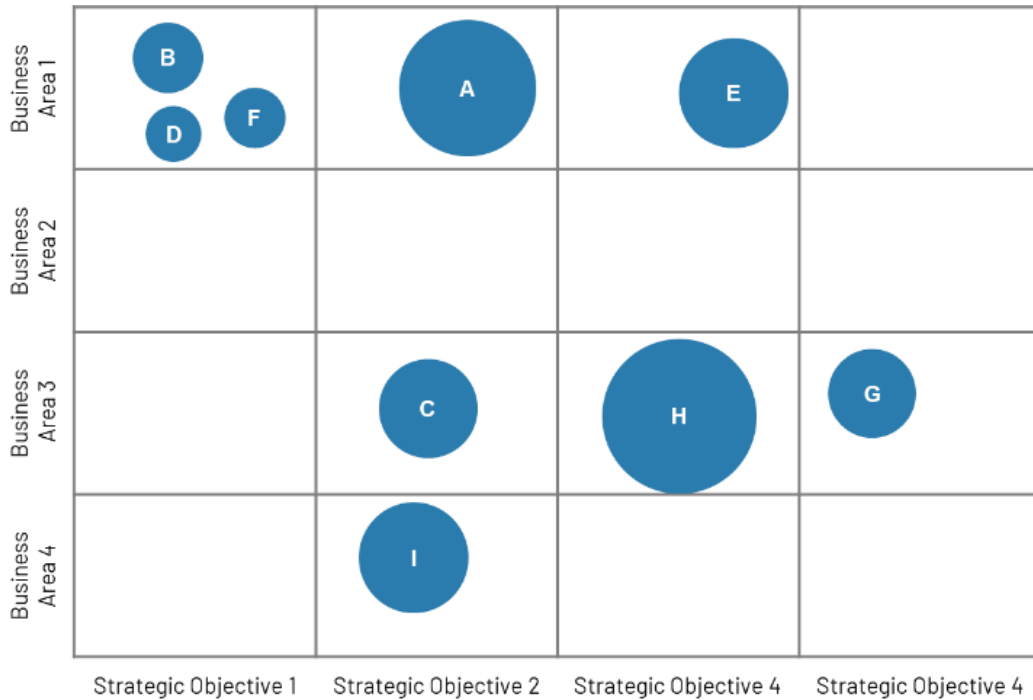


Figure 11 Strategic and business area spread.

Note that the result is not just an ‘invest’ or ‘do not invest’ decision, but can also include:

- **Sequencing** – for example ‘initiative x is approved for inclusion in the portfolio but only once initiative y is completed’. Here, consideration needs to be given to the timing of any dependencies between the various initiatives as well as the organisation’s capacity to deliver its current commitments and hence its capacity to take on additional initiatives.
- **Scope** – an initiative may be approved, but subject to re-scoping to come within a reduced funding envelope, or be conditional on actions being taken to improve its attractiveness or achievability ratings. Alternatively, the decision may be made to invest in the ‘do minimum’ option.

What should be clear from the above is that whilst data will be required, ultimately balancing the portfolio requires the exercise of senior management judgement. This can be aided by graphical presentations such as those shown above in Figures 10 and 11 above.

3.17 Pair-wise/Force ranking example

| Is the Business Driver in the left-hand column 'more or less important' than the Business Driver in the top row? | | | | | | |
|--|---|----------------|---------------------|---------------------|---------------------|---------------------|
| | A | B | C | D | E | F |
| A | | More Important | Less Important | Equally Important | More Important | Much Less Important |
| B | | | Much Less Important | Much Less Important | Equally Important | Less Important |
| C | | | | More Important | Equally Important | Equally Important |
| D | | | | | Much Less Important | More Important |
| E | | | | | | Much Less Important |
| F | | | | | | |

Figure 3 Force ranking (Source: P30 Repository)

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