MANAGEMENT BOARD

An approach to implementing Portfolio Management

Cover Note

I attach a paper drafted on my behalf by [s.40]. It represents intensive work and widespread consultation on an approach to Portfolio Management, which will - if sanctioned – add value in the following ways:

- bringing transparency by, for the first time, providing a central view of all current and future projects and programmes;
- facilitating the optimal allocation of limited funds by prioritising projects and programmes according to their contribution to our strategic objectives;
- making sure the portfolio is balanced in terms of our capacity to deliver and to absorb change; and
- providing confidence that programmes and projects are on track to realise the expected benefits, identifying areas of risk and critical interdependencies.

I propose, at this stage, that the Board agrees <u>only</u> that (*bullets 3 to 6 of paragraph 2 of the attached paper*):

- the Portfolio Office takes the lead in **developing a set of prioritisation criteria** that can be consistently applied across the organisation when making investment decisions and that these **will be piloted** on selected programmes as part of the 2013/14 investment planning cycle;
- building on the work already done by PICTAB and PED, the Portfolio Office should co-ordinate and maintain a **schedule of all projects and programmes in the pipeline** and should feed this into the 2013/14 investment planning cycle;
- the Portfolio Office should prepare a **Portfolio dashboard** report quarterly (*frequency to be confirmed*) and that a summary is submitted to the Board every month, taking the place of the direct reporting from Programme Managers; and
- to facilitate consistent reporting and a common understanding a **standard Programme report template should be mandated** for all Programmes with more than 12 months left to run (with the exception of Estates, at least in the short term).

Decisions on the governance models (*bullets 1 and 2 of paragraph 2 of the attached paper*) would, of course, be welcome, and will be needed soon if the benefits are to be realised. But the imperative at this stage is to get the information gathering and analysis aspects under way so we can be ready to feed into the 2013/14 investment planning cycle and that the Board can see a populated dashboard at the earliest opportunity.

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DG HR & Change
December, 2011

MANAGEMENT BOARD
An approach to implementing Portfolio Management

Paper by the Director General of HR and Change

Contents

I Purpose

1. This paper sets out a proposed approach to the implementation of portfolio management, developed through consultation with programme and project managers across the House of Commons and PICT and through benchmarking with other comparable public sector organisations.

II Actions for the Board

2. This paper seeks:

- **a decision on the preferred governance model** for Portfolio Management (*see paragraph 28)*
- on the assumption that the preferred governance model is one that demands a bicameral approach, agreement that the next step is to **engage the House of Lords** at a senior level *(see paragraph 28)*
- agreement that the Portfolio Office takes the lead in **developing a set of prioritisation criteria** that can be consistently applied across the organisation when making investment decisions and that these **will be**

piloted on selected programmes as part of the 2013/14 investment planning cycle *(see paragraphs 36 and 37)*

- building on the work already done by PICTAB and PED, agreement that the Portfolio Office should co-ordinate and maintain a **schedule of all projects and programmes in the pipeline** and should feed this into the 2013/14 investment planning cycle *(see paragraph 41)*
- agreement that the Portfolio Office should prepare a **Portfolio dashboard** report quarterly *(frequency to be confirmed)* and that a summary is submitted to the OCE every month, taking the place of the direct reporting from Programme Managers *(see paragraphs 47 and 51)*.
- agreement that a **standard Programme report template should be mandated** for all Programmes with more than 12 months left to run (with the exception of Estates, at least in the short term) *(see paragraph 56)*

III Overview of Portfolio Management

3. In February 2011, the House of Commons Management Board agreed the purpose and structure of the new Department of HR and Change. Part of this agreement was the implementation of Portfolio oversight: providing a strategic overview of the House's programmes and projects and explicit assurance of its commitment to change.

4. **What is a Portfolio?** The textbook definition is "the totality of an organisation's investment (or segment thereof) in the changes required to achieve its strategic objectives" with a focus on those initiatives that are delivered via formalised project and programme management methodologies.

5. In preparing this paper, we sought to understand the scope and content of the House of Commons' Portfolio, as per the above definition, focussing on those initiatives that are delivered via formalised project and programme management methodologies. However, there are likely to be some business change initiatives which are currently being delivered as business-as-usual and so would be excluded from the portfolio but which would benefit from the rigour of being formally established as a project or programme and the visibility of being part of the Portfolio. The identification of any such change initiatives is an area for further work (see paragraph 61).

6. **Do we have one Portfolio or a number of Portfolios?** As per the textbook definition set out in paragraph 4, a portfolio can either be the "totality" of an organisation's investment in change or a "segment thereof". We are proposing that all of the projects and programmes of the House are collectively known as the Portfolio and where we group them into sub-sets to make management and control easier (for example Estates and ICT), then these sub-sets are known as sub-Portfolios. This facilitates easier identification and management of inter-dependencies across all programmes and projects, not just groups of related programmes and projects.

7. **What is Portfolio Management?** At the highest level, portfolio management is about ensuring the organisation realises the full potential benefits from its investments.

8. More specifically, it brings transparency by providing a central view of all current and future programmes and projects. It also facilitates the optimal allocation of limited funds and resources, by **prioritising projects** and programmes according to their contribution to strategic objectives and makes sure the portfolio is balanced in terms of affordability; risk; resource capacity and ability to absorb change. These activities determining the scope and content of the portfolio generally happen on a cyclical basis as an input to the investment planning process and are collectively known as the **portfolio definition cycle**.

9. Portfolio management also provides assurance that the selected programmes and projects are successfully implemented and that the expected benefits are realised. It ensures the portfolio adapts to changes in the strategic objectives, project and programme delivery progress and lessons learned. These activities are collectively known as the **portfolio delivery cycle** and are usually achieved by collating key performance data in the form of a **portfolio dashboard report** which is kept under regular review.

10. **Portfolio Governance** provides the organisational governance in which the portfolio definition and delivery cycles can operate effectively. To be effective, the portfolio needs to reflect and be consistent with the wider governance model.

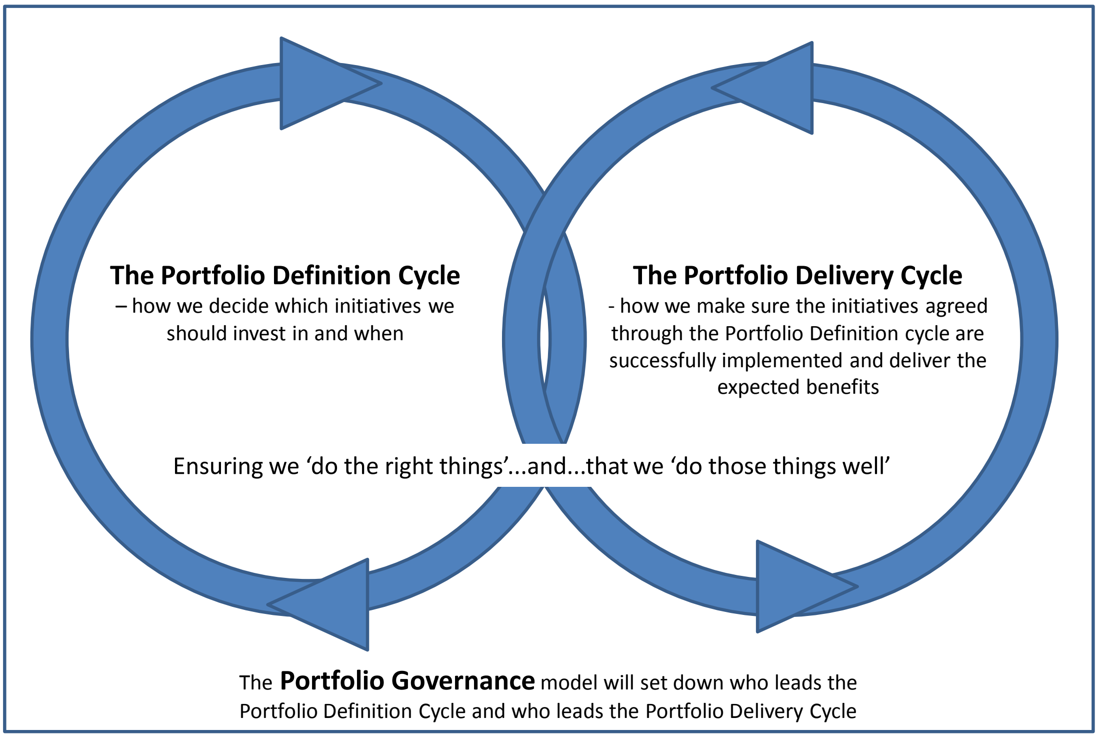

Figure 1. The Portfolio Management Model

IV Options and Proposals

11. The remainder of this paper sets down a series of options and proposals, tailored to the context of Parliament, for the implementation of portfolio management grouped under the headings of Portfolio Governance, Portfolio Definition and Portfolio Delivery.

Portfolio Governance

12. The Portfolio Governance model will need to answer the questions:

- Who has responsibility for Portfolio definition (prioritising the initiatives and determining which to invest in)?
- And who has responsibility for Portfolio delivery (making sure the expected benefits are realised)?

13. A range of options for the governance of Portfolio Management are included in Annex A. These have been discussed with the heads of each House department and PICT, but not the Clerk of the House. The key features and relative advantages and disadvantages of each option are set out in paragraphs 16 to 25.

14. Note: All four options require the creation of a Portfolio Board. Since decisions need to be taken on bicameral projects and programmes, it proposed that the Portfolio Board be a sub-set of the Management Boards of both Houses. In options 2 to 4, the Portfolio Board leads the Portfolio Definition cycle, deciding which initiatives to invest in.

15. In some organisations the body fulfilling the role of Portfolio Board is known as the Investment Appraisal Board or the Investment Committee. The Management Boards have choice over the most appropriate terminology for use in our organisation. However, for the purposes of this paper, the term **Portfolio Board** will be used reflecting the fact that its role is wider than investment alone (with the bodies leading the Portfolio Delivery cycles being known as **Delivery Boards**).

16. **Option 1**. **PICTAB and PEB decide which initiatives to invest in and then monitor their delivery.** This option is the most de-centralised and in some respects is the closest to our current governance model.

17. The Portfolio comprises two sub-Portfolios - ICT and Estates - and a number of standalone ‘other’ programmes. In this scenario, PICTAB and PEB have responsibility for both the Portfolio Definition and Delivery cycles for their respective sub-portfolios. Put more simply, they make the decisions on what initiatives to invest in within financial limits set by the Finance Directors. They also monitor the delivery of those initiatives.

18. Under this option the Portfolio Board would have limited collective control. It would decide what ‘other’ standalone programmes to invest in (although where these are uni-cameral, for example, HRPPP and the Savings

Programme, these decisions should be taken by the HoC and HoL Management Boards separately).

19. It would also receive a Portfolio dashboard highlighting in particular cross-portfolio risks and issues, for example inter-dependencies between initiatives; business capacity constraints and recommended management actions required.

20. **Option 2 – the Portfolio Board decides which initiatives to invest in rather than PICTAB and PEB**. As in Option 1, but in this scenario the Management Boards would lead the Portfolio definition cycle, taking the decisions about what initiatives to invest in. They would do this based upon bids for funding submitted by PICTAB, PEB and the 'other' programme boards. Each of these bids would be supported by an explanation of the priority of the project or programme based upon their contribution to the organisation's strategic objectives and other factors such as risk and affordability (see further paragraphs 32 and 33 below).

21. **Option 3 – sub-Portfolios are configured differently, one for Infrastructure initiatives and one for Business Change initiatives**. Options 1 and 2 both assume that that there are two sub-Portfolios and a number of standalone 'other' programmes. There are, however, other ways of breaking down the Portfolio into more manageable chunks. One such alternative, as proposed in Option 3, is to have one sub-Portfolio for all Infrastructure projects and programmes (essentially most Estates projects and programmes plus the Network Convergence programme) and one sub-Portfolio for all Business Change projects and programmes.

22. The clear advantage of this option is that it facilitates easier management of inter-dependencies. In particular, since the Business Change sub-Portfolio would comprise all those projects and programmes affecting our people and the business, it would be much easier to co-ordinate their impact, thus helping to avoid the risk we currently face of initiative overload.

23. Another advantage is that the scope of these sub-Portfolios would be broad enough to encompass any project or programme the House undertakes. At present there are some which do not sit comfortably within the scope of either PICTAB or the PEB. A current example is the bid for 2012/13 funding of the Broadcasting programme, which was reviewed by PICTAB in the absence of any other body to provide the appropriate level of rigorous challenge.

24. In terms of responsibility for Portfolio Definition and Delivery cycles, Option 3 is the same as Option 2.

25. **Option 4 – full accountability for delivery rests with Delivery Boards.** As in Option 3, but rather than simply monitoring, the Business Change and Infrastructure Delivery Boards have full accountability for delivery. At present, it is the Programme Boards which have accountability for delivery to the Management Boards and PICTAB/PEB monitor, advise and provide assurance.

Implications of a bicameral approach

26.

27. Given that options 2 to 4 assume a bicameral approach to Portfolio Definition through the establishment of a Portfolio Board comprising members of both Management Boards, participation by House of Lords colleagues is fundamental. Indeed option 1 is the only one that could work if the House of Lords chose not to participate any further than they do already through the joint Medium Term Investment Plan.

28. **Hence, as a first step, the Board are asked to decide on their preferred option. The next step would be to re-open discussions with the House of Lords, this time with a clearer proposition of how Portfolio Management could work than when they were approached before, with a view to jointly agreeing a way forward, if possible by April 2012. To achieve this, the relevant senior staff in both Houses would need to meet.**

29. Once the governance model is agreed, terms of reference, delegated authorities, meeting cycles and membership of the Portfolio Board and the two Delivery Boards would need to be established.

Business Case approval

30. The agreed governance model will provide context for the ongoing discussions about Business Case sign off and the PEB and PICTAB's role.

Reliance on expertise within the business

31. As described above (paragraph 14 and 20 to 25), in Options 2 to 4 the Portfolio Board leads the Portfolio Definition cycle, deciding which initiatives to invest in. For this to work, the Board members comprising the Portfolio Board must have sufficient understanding of the projects and programmes they are evaluating and the ways in which they are interdependent. In Estates in particular, there are complex and significant interdependencies between projects and programmes which fall into a number of different categories as defined by the Medium term Investment Plan and the Portfolio dashboard (see Portfolio Delivery section of this paper). Consequently cancelling or re-scheduling one of these projects could have a knock-on impact on projects in a number of different categories. This complexity, alongside the volume of projects and programmes in some areas means that in practice the Board is likely to need to rely on advice and recommendations from experts within the business albeit subject to an appropriate degree of challenge.

Portfolio Definition

32. The **portfolio definition cycle** provides clarity on those change initiatives that collectively make the greatest contribution to the organisation's strategic objectives and makes sure the portfolio is balanced in terms of timing; risk; impact on the business; and affordability. This is achieved by appraising and ranking the initiatives against a set of **prioritisation criteria**.

33. Prioritisation of initiatives, both the current portfolio and those in the pipeline, is an important input to an organisation's investment decision making. Indeed, in November 2011, the need for further work to refine the methods used for prioritisation was highlighted in the paper submitted by the two Houses' Directors of Finance to a Joint Meeting of the Management Boards seeking approval of the Medium Term Investment Plan (JMB2011.P.03).

34. Prioritisation of initiatives to support investment decision making and scheduling does already happen in some areas. The composition of the Estates sub-Portfolio is planned with reference to a set of prioritisation criteria agreed by the Parliamentary Estate Board in 2009 (see Annex B). Furthermore, in 2011 the bids for funding the projects and programmes that would form the ICT sub-Portfolio in 2012/13 were, for the first time, reviewed by PICTAB in the context of some high level prioritisation criteria (see Annex B). At the same PICTAB meeting on 5th December 2011, an action was taken to work towards consistency in the criteria used to prioritise the Estates and ICT sub-Portfolios. Hence, the appetite for prioritisation of initiatives to support investment decision making clearly exists.

35. In researching this paper, the Portfolio Office team met a number of other organisations that have already adopted portfolio management (see Annex D). Some of these shared the templates they use to prioritise projects and programmes (also termed an investment appraisal template). In summary, these templates evaluate projects and programmes by assigning ratings to the following criteria:

- Alignment to strategic objectives (which strategic objective does the project/programme contribute to and how?)
- Alignment to Departmental business plan objectives (which departmental objective does the project/programme contribute to and how?)
- Legislative or compliance requirement
- Achievability of the project or programme including capacity and capability to deliver; capacity to absorb the change; required timing; level of risk and affordability

36. **I propose that the Portfolio Office takes the lead in developing a set of prioritisation criteria that can be consistently applied across the organisation when making investment decisions.** These criteria should:

- build on the prioritisation criteria that are already used by PED and PICTAB but also learn from other organisations by incorporating criteria that help the decision makers balance the portfolio as a whole in terms of risk, capacity to deliver, capacity to absorb the change and required timing
- be simple enough not to 'put people off' configuring the work as a project or programme and drive them to try to keep it 'below the radar' as a business as usual activity.

Note: any assessment of how projects and programmes align to strategic and departmental objectives (the first two criteria listed in paragraph 35) would benefit from a collaborative approach, working together with the Performance Management and Strategic Business Planning team in the OCE.

37. **These prioritisation criteria will be piloted on selected programmes as part of the 2013/14 investment planning.**

38. The Department of Finance is currently reviewing Business Case guidance and it is critical that any prioritisation criteria developed should be consistent with that guidance. It should be noted however that the prioritisation criteria proposed in this paper facilitate decisions between projects and programmes, rather than between options for delivery of a single project or programme. They also help to achieve balance across the portfolio as a whole. As such, they are different from the investment appraisal analyses undertaken as part of Outline and Full Business Case preparation, for example those outlined in the Treasury's Green Book.

39. As mentioned in paragraph 8, as well as the current portfolio, it is also important to have a good understanding of projects and programmes in the pipeline. Otherwise, a scenario could occur where all available funding is allocated even though a business case for a programme with higher priority is known to be in preparation.

40. As part of the 2012/13 business planning cycle, the Secretary to PICTAB prepared a useful analysis of ICT projects and programmes in the pipeline which may be submitting bids for funding in the future. PED have an equivalent in the 25 year plan. This forward look needs to happen across the organisation and the Portfolio Office could facilitate this by providing guidance and setting timescales for regular update.

41. **Building on the work already done by PICTAB and PED, I propose that the Portfolio Office should co-ordinate and maintain a schedule of all projects and programmes in the pipeline and should feed this into the 2013/14 investment planning cycle.**

Portfolio Delivery

42. The purpose of the portfolio delivery cycle is to ensure the successful implementation of the projects and programmes as agreed through the portfolio definition cycle, whilst also ensuring the portfolio adapts to changes in the strategic objectives, project and programme delivery progress and lessons learned. This is usually achieved by collating key performance data in the form of a dashboard which is kept under regular review.

43. A sample portfolio dashboard is included in Annex C. This has been compiled, for the most part, using information gathered from existing programme reporting for the month end November 2011, supplemented by conversations with Programme Managers, Project and Programme Assurance and Department of Finance.

44. The most important weaknesses in existing reporting were:

- the absence of key **milestones over the programme lifecycle** (or at least the next two years or so) and clarity of **which business areas are being impacted**. Without this information, it is difficult to identify, and therefore manage interdependencies such as multiple initiatives making demands on a particular business area at the same time. Mapping the business area impacted against time would highlight where there is risk of initiative overload.

- the lack of financial **information over the programme lifecycle**, both latest forecast and approved funds (although in year financial information was often provided);

- the lack of any specific indication / assurance that the programme is on track to deliver the **expected benefits** to the timescale set out in the business case; and

- **a statement of assurance from the SRO**, in particular for any programmes with an overall Red RAG status. This already forms part of the reporting of Estates programmes to the Management Board and was a key learning from the external organisations met (see Annex D), where SRO accountability was much more explicit. Note, such a statement would form part of the proposed Programmes and Projects Assurance Strategy, currently being drafted by Jane Rumsam in OCE.

45. The number of blank fields shows that there would be some additional reporting burden on Programme Managers if we are to proceed. However, this should not be seen as an additional layer of bureaucracy but rather an important opportunity to address some of the fundamental gaps in our existing programme management practices. The information in these blank fields is information that projects and programmes should be obtaining and reporting in any case. Reporting it in this way would help embed more consistent and robust programme management practices.

46. The dashboard has been discussed with key Programme Managers who were very supportive and agreed to work towards providing the necessary information to populate the dashboard going forward.

47. **I propose that the Portfolio Office should co-ordinate performance reporting from programmes and projects on regular basis and collate this information for the portfolio governance bodies in the form of a portfolio dashboard report.**

48. In practice, the Portfolio Office would need to work closely with the Delivery Board secretariats, as they will need the same information provided by the Programme Managers for their own purposes.

49. The precise frequency with which the portfolio dashboard report is prepared will be determined by the meeting cycle of the portfolio governance bodies, but for the time being it is assumed that this will approximate to quarterly.

50. At present, the Programme Managers of the larger / higher profile programmes report monthly directly to the Office of the Chief Executive (OCE). The overall RAG status together with an explanatory comment if the RAG status is red is then incorporated into the monthly Performance and Risk Report to the Management Board.

51. **I propose that a Portfolio dashboard report summary is submitted by the Portfolio Office to the OCE for inclusion in the monthly Board pack and that this takes the place of the direct reporting from Programme Managers.** This will ensure we avoid duplication but also provide the Management Board with the better quality information that comes from having oversight across the entire Portfolio.

52. In addition to escalation of the Portfolio dashboard report, it would also be made available to all Programme Managers to give them a better understanding of the overall commitment to change across the organisation and implications for the success of their programme.

53. The front page of the Portfolio dashboard is intended to highlight specific issues and make recommendations to the Management Board. Note: it will take time for the Portfolio Office to build sufficient understanding of the constituent programmes to provide these value-adding insights. It will also necessitate a collaborative approach to working with the PICT and PED Programme Offices and the individual Programme Managers. This is also true for the Portfolio-level Risk Register (part of the dashboard) where the intention is to draw out themes/common risks facing programmes. This cannot be achieved simply by lifting text from Programme reports.

54. To help Programme Managers, a standard Programme Report template has been developed which would provide all the information necessary to populate the dashboard. This standardisation would mean Programme Managers do not have to re-invent the wheel by designing their own programme report formats each a new programme is initiated. It would complement the work on a standard risk template for projects and programmes already endorsed by the Management Board.

55. This proposal has also already been shared with key programme managers and they gave positive feedback. In some cases (in particular, HRPPP, the Savings Programme and HAIS Renewal) it is very close to the template already being used. The format of PICT Programme Summary reports does differ more notably; however initial consultation suggests that they would not be averse to transitioning to a standard template. Mandatory implementation of the standard Programme Report template would seem feasible, indeed would be welcomed, with two exceptions:

- Estates uses an IT solution (EPM) to collate project reports and generate performance reports. In some ways the reporting is already more sophisticated than the new proposed standard report template, in that every project reports against a standard set of six milestones aligned to the RIBA (Royal Institute of British Architects) construction stages and also that EPM is linked with HAIS and therefore project reports all contain the latest project costings available. In other ways, they are lacking, for example the reports currently contain no risk information. Any changes to reporting requirements would require a re-configuration of the system, which would take time and money. Furthermore, the Estates sub-portfolio comprises ~180 individual programmes and projects ranging in size from £25k to many millions. For the smaller projects lasting only a short period of time, even the standard report templates may seem overly complex.

- There are a number of programmes which are now in their final stages and will actually close within the next 12 months, an obvious example is the SPIRE programme which has refined and become accustomed to its own reporting template over a number of years. A pragmatic approach may be to make the adoption of the standard Programme Report template optional for all programmes with less than 12 months left to run.

56. **I propose that the standard Programme report template should be mandated for all Programmes with more than 12 months to run, with the exception of Estates, at least in the short term.** Further consultation with Estates will be required to agree a pragmatic way forward.

V Areas for further development

57. The decisions put to the Board for agreement in paragraph 2 of this paper would enable the basics of Portfolio Management to be established. However, consultation with programme and project managers across the House of Commons and PICT and with other comparable public sector organisations highlighted a number of other areas where Portfolio Management could add value. Some of these represent good practices currently operating in pockets across the organisation, but with the opportunity to bring consistency across the whole. These are summarised in paragraphs 58 to 65 below.

58. **Consistent Planning Approach.** Various planning methodologies are currently in use across the House (for example, PED use milestones known as ‘Checkpoints’ which are aligned to the RIBA definitions of stages in a construction project, other programmes use MSP or PRINCE2). Whilst it is not appropriate to impose a ‘one size fits all’ planning methodology, there would be value to the organisation in defining a series of standard project phases. For example a common use of terms such as ‘identification’; ‘definition’; ‘delivery’ etc would help understanding of the portfolio as a whole. It is important that any such proposals map easily to the OGC Gateways. In discussion with key programme managers, a proposal has developed (see column ...of the dashboard).

59. **Lifecycle Costing.** Some programme or project performance reports currently contain no information on project finances. Of those that do, the focus is mostly on ‘in-year’ spend rather than total spend over the life of the project. Additionally, in year spend is compared with approved funds, but to a

lesser extent against what has actually been delivered for that money. This lack of visibility of the total cost risks potential overspends not being apparent until later in the project.

60. **Single source of financial information.** There are differences in the way programmes use HAIS for reporting. This needs to be standardised. Also not all project and programme owners are able to access, either by themselves or with help from their D Fin representative, the latest position on actual spend.

61. **Change initiatives conducted as business-as-usual.** As mentioned in paragraph 5, in preparing this paper, we sought to understand the scope and content of the House of Commons' Portfolio, focussing on those initiatives that are delivered via formalised project and programme management methodologies. However, there are likely to be some business change initiatives which are currently being delivered as business-as-usual and so would be excluded from the portfolio. This is not necessarily a problem but some of this work would benefit from the enhanced rigour of being formally established as a project or programme and the visibility of being part of the Portfolio. The identification of any such change initiatives is an area for further work.

62. **Project and Programme Management expertise.** The consultation exercise highlighted that there would be value in keeping a central register of staff with PPM experience and qualifications including who has been trained as an SRO. In the longer-term, this could allow centralised planning of resources for project and programme management.

63. **Use of EPM.** As mentioned in paragraph 55, Estates use an IT solution (EPM) to collate individual project reports and generate summary performance reports. The same solution is currently being evaluated for use by PICT. Although some re-configuration will be required, we will also explore the feasibility of using EPM to generate the Portfolio dashboard report electronically.

64. **Central Business Case Repository.** Final versions of Business Cases are currently not all stored in one central electronic repository. This means they are not all easily accessible should they need to be referred to. We will explore using SPIRE to provide such a repository. In addition, a centralised referencing system for Business Cases would help avoid the confusion currently encountered whereby it is unclear whether two Business Cases with similar names are in fact the same or actually separate requests for funding or where the scope of two programmes/projects overlaps.

65. **Lessons Learned.** Similarly SPIRE could usefully be used to maintain a record of lessons learned.

VI Mandatory Management Board paper inclusions on Financial, Risk Management and Equality implications

Financial and procurement implications

66. **Staffing.** The Portfolio Office has been staffed by an A2 Manager and an Interim since September 2011. The Interim's contract expires at end March 2012 and the A2 Manager is on a 12 month fixed term contract expiring in September 2012. There is no financial commitment beyond this point, however the cost of the A2 Manager is in the proposed DHRC budget until end 2014/15.

67. **Additional workload for staff outside of the Portfolio Office.** As mentioned in paragraph 45, there will be a small additional reporting burden on Programme Managers to supply the Portfolio Office with the information required to prepare the Portfolio dashboard report, but this should not be seen as an additional layer of bureaucracy but rather an opportunity to embed consistent robust programme management practices.

68. **Third party costs.** In developing the proposals set out in this paper, the Portfolio Office team have met with a number of external organisations who are already actively managing their projects and programmes as a Portfolio (see Annex D). The experiences they shared were (free of charge and) invaluable and the Portfolio team will endeavour to maintain these relationships going forward. However, there may be a requirement to more formally establish some form of mentoring arrangement with an expert individual/organisation who can provide practical advice on implementing our proposals and further developing the service proposition. There doesn't necessarily have to be a cost associated with this (it may be possible to meet the need through participation in an APG special interest group) but if a more commercial arrangement is required, separate approval will be sought for any necessary expenditure.

69. There are **no procurement implications.**

Risk management

70. There are two particular risks worth highlighting:

- **Increased bureaucracy.** Portfolio management may be perceived as adding to the bureaucracy of the organisation. To mitigate this risk, the proposals set out in this paper have been discussed widely within the Programme/Project Management community across the House. Feedback has been sought on how to make the proposals simple, workable and yet value-adding. The Programme/Project Managers have been generous in providing input and without exception, supportive of the need to implement these improvements. It will be critical to maintain this feedback loop with the Programme and Project Managers.

- **House of Lords participation.** As per paragraph 27, governance model options 2 to 4 assume a bicameral approach to Portfolio Definition through the establishment of a Portfolio Board comprising members of both Management Boards. Hence, their participation is fundamental. It is proposed that the relevant senior people in both Houses meet with a view to jointly agreeing a way forward.

71. However, Portfolio Management is in itself a way of working that will help the organisation mitigate risk. The Portfolio-level risk register (part of the dashboard) will draw out themes/common risks facing programmes. It will also feed into the wider Corporate Risk Management activities co-ordinated

by the Risk Management and Business Resilience team in the OCE. For example, it can help avoid initiative overload – staff being affected by multiple change initiatives at the same time, thus reducing their productivity and lowering morale. The Portfolio dashboard will help us to foresee this and take corrective action.

Consultation and equality impact assessment

72. The relevance of the equality policy to the proposals set out in this paper is non-existent.

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date of submission	Thursday 22nd December, 2011

Annex A: Options for Portfolio Governance (separately attached Powerpoint file)

Annex B: Prioritisation criteria used to determine Estates and ICT sub-Portfolios

Annex C: A sample Portfolio Dashboard Report (separately attached Excel file)

Annex D: Benchmarking with other organisations

Annex B: Prioritisation criteria used to determine the Estates and ICT sub-Portfolios

Prioritisation criteria used to determine the Estates sub-Portfolio

Classification of Work (why carry out the work?)	Priority	Risk of not doing work on proposed schedule	Priority Name
Health & Safety (H&S)	1	- Risk of injury or death to a Member, Staff or visitor	Mandatory
Compliance with Law (CWL)	1	- Prosecution under relevant legislation - Disruption to operations - Undermining longterm sustainability of the Estate - Affects reputation of the House - Managed Solution no longer acceptable due to risk of injury or reputational damage	
Operational Failure (i.e. the plant or asset will fail within the timescale indicated) (OF)	1	- Opportunity cost due to transfer of resources to correct emergencies - Disruption to operation of the Estate - Reputational damage - Increased customer dissatisfaction - Increased cost of rectification - May pose a risk to safety of Members, staf	Business Critical
Preventative Maintenance (PM) *Lifecycle Cost Plans* (essentially the same as Preventative Maintenance) (LCC)	2	- Deterioration of asset - Increased reactive maintenance costs - Increased customer disatisfaction - Increased cost of eventual rectification - potential disruption of operations - Undermining longterm sustainability of the Estate - damage to heri	Highly Desirable
Capacity & Fit for Purpose: (C/FFP)	3	- Increase in customer dissatisfaction - Reputational damage - Undermining longterm sustainability of the Estate - Increased cost of improving capacity or fitness for purpose	
Image (IM)	3	- Deterioration of asset - Increased reactive maintenance costs - Increased customer disatisfaction - Increased cost of eventual rectification - May become a H&S issue over time - Damage to a heritage asset	Desirable

Prioritisation criteria used to determine the ICT sub-Portfolio

PICTAB agreed prioritisation criteria at their meeting of 12th September (as part of a MTIP paper by the HOC Director of Finance and the PICT Director of Programmes). Suggested criteria were:-

- At least minimum compliance with Statutory requirements (including H&S and the Information Acts)
- Delivery of efficiency savings
- Essential risk reduction or cost avoidance
- Delivery of other benefits based on the Strategies and Corporate Plans of both Houses, with particular emphasis on support for the democratic process, including direct support to Members in carrying out their duties.

Annex D: Benchmarking with other organisations

1. In developing the proposals set out in this paper, the Portfolio Office team met with a number of other organisations that have already adopted portfolio management. The following paragraphs summarise the key learnings from those meetings.

Home Office

2. The Home Office apply portfolio management to all programmes and projects that cost more than £40Million or are contentious in some way. They have established a Group Investment Board, headed by the DG Finance. This Board receive Business Cases and appraise them for inclusion in the portfolio by applying investment criteria and holding challenge meetings with SROs.

3. The Group Investment Board (and the Home Office Board) also receives a quarterly dashboard report on the progress of the portfolio. This report is intended to allow the Board to 'choreograph' the portfolio at a strategic level, rather than micro-manage the component programmes and projects.

4. Their approach is currently 'bottom up' only, in that programme and project performance data is escalated up through the organisation via the dashboard report, but due to its sensitivity the dashboard is not circulated back to programme and project owners. They are currently lobbying for resource to provide this 'top down' support / feedback.

5. Due to differing IT platforms across the various agencies, the Home Office have been unable to implement a standardised IT solution to automatically collate and generate milestone charts. However, they would recommend this if at all possible.

6. The Home Office first adopted portfolio management two years ago. Over that time, their approach has continued to evolve and they advised that we should expect the same iterative journey.

Ministry of Defence

7. The Ministry of Defence established the Defence Change Programme in 2002, which later became known as the portfolio. As for the Home Office, the MOD portfolio contains only the 'top slice' of programmes and projects. Since establishment, the portfolio has been completely re-evaluated in the context of a set of defined investment criteria in 2006 and again in 2011.

8. The portfolio is owned by the Executive Committee of the Defence Board. SROs are appointed by the Board and are directly accountable to the Board for programme delivery in accordance with a signed mandate and terms of reference. SROs are subject to half yearly 'checkpoint reviews' with a member of the Board, when they are challenged against their programme accountabilities.

9. The Portfolio Office collates a portfolio dashboard report quarterly for submission to the Board.

10. When asked whether they have considered use of an IT solution to support Portfolio Management, their advice was to ‘go for it’ and EPM (Sharepoint and Project Server, as used in PED) is the only one they would consider.

Department for Work and Pensions

11. The Department for Work and Pensions first adopted a portfolio about 6 years ago but has recently restructured its governance by creating a Portfolio Board (effectively an Investment Committee made up of the members of the DWP Executive Team) to agree the strategic prioritisation of initiatives and provide senior management oversight.

12. The Portfolio Board is supported by a Portfolio Management Unit (PMU) who advise on prioritisation. Indeed, the investment prioritisation/appraisal templates for every initiative in the Portfolio are reviewed quarterly. This allows the Portfolio Board to manage the scope and content of the Portfolio in a particularly agile way responding to Ministerial and budgetary pressures.

13. The PMU also provide challenge and assurance on affordability, deliverability and benefits realisation; manage a centralised resource pool of ~1350 change experts that can be flexibly deployed to change projects; and lead PPM professional development on behalf of the Department. They are staffed by a Director, an SCS Grade and 5x Grade 6 (equivalent of A1) staff who act as Business Relationship Managers to the 12 Programmes in the Portfolio.

HMRC

14. HMRC has an Investment Committee, chaired by the CFO, and a Change Delivery Committee, chaired by the DG Change. The Investment Committee agrees all initiatives with a total cost of ownership of >£2M. The Change Delivery Committee has full delivery authority. Both of these are formal sub-Committees of the Board and operate within tolerances laid down by the Board. New additions or any changes to any part of the portfolio will result in the whole portfolio being reviewed.

15. A particular learning from HMRC was the concept of a Design Authority. This is a group of subject matter experts who pre-assess all new ideas and provide advice to the Investment Committee.

Efficiency and Reform Group (ERG)

16. John Greenaway, Director of Business Management, Department of Facilities undertook a Gateway review of the change programme to establish the Efficiency and Reform Group (ERG). This highlighted a number of learnings which were then shared with the Portfolio Office. Of particular note was the flexible resourcing and development model established to provide a way to allocate staff to time bound assignments across different parts of the business. This approach to resourcing helps ERG to ensure delivery of priorities whilst encouraging staff development by giving them experience of working across a variety of assignments.